2017
ANNUAL REPORT

BONESUPPORT®

BONESUPPORT™ is a rapidly growing orthobiologics company focused on innovative products for the management of bone voids. The Company develops and commercializes unique injectable bio-ceramic bone graft substitutes based on its novel CERAMENT® platform that remodel to the patient's own bone and have the capability of eluting drugs directly into the bone void.

BONESUPPORT's marketed products, CERAMENT®|BONE VOID FILLER (BVF), CERAMENT®|G and CERAMENT® V, are all based on its proprietary technology platform. In addition, the Company is progressing a pipeline of pre-clinical CERAMENT® product candidates designed to promote bone growth. BONESUPPORT's products target large addressable market opportunities including trauma, revision arthroplasty (replacement of a joint prosthesis), chronic osteomyelitis (bone infection), and infected diabetic foot.

BONESUPPORT is based in Sweden and listed on Nasdaq Stockholm. Sales 2017 amounted to SEK 129.3 million and number of emloyees was 65.

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2017 HIGHLIGHTS

559 MSEK
Completed an IPO and listed on Nasdaq Stockholm in 21 June 2017, raising a total of SEK 559 million (gross) including the over-allotment option

KEY EVENTS

- **FORTIFY study for** CERAMENT®|G initiated in May to generate data supporting PMA filing in the US, aimed for 2020
- **CERTify study** patient enrolment completed in December (136 patients) – important study comparing CERAMENT®|BVF with autograft. Initial data expected H2 2018
- **Strengthening** of management team with several important appointments, as well as a new board member appointment
- **Listed on** Nasdaq Stockholm in 21 June 2017

OTHERS OPERATIONAL

- **In October;** recruited first patient in Italian revision arthroplasty study assessing CERAMENT®|G and and CERAMENT®|V
- **New CERAMENT G and V** clinical data presented at the European Bone and Joint Infection Society conference (EBJIS) in September and the British Orthopaedic Association Congress (BOA) in March – reinforces clinical benefits and highly competitive market positioning
- **Agreement** established with new distributors in key European markets
  – In September; Agreement with Novomedics to commercialize our products in France – one of the largest markets in Europe, first sales achieved in Q4 2017
  – In November; Distribution agreement for Italy signed with Citieffe Srl
- **Progress made** with market access
  – CERAMENT®|G reimbursement pathway in France confirmed
  – CHOP application submitted in Switzerland

FINANCIAL RESULTS
Full year 2017

129.3 MSEK
Net Sales (104.6), an increase of 24% with strong growth in Europe

-3.24 SEK
Earnings per share, before and after dilution was SEK -3.24 (-4.26)

87.0 %
Improved gross margin (84.4) due to favourable product mix in key markets in Europe and positive volume effect on manufacturing costs

-99.3 MSEK
Operating loss of SEK -99.3 million (-88.7) impacted by the increase in operating costs in line with planned sales and marketing investments and FORTIFY study costs

TO BECOME A LEADING ORTHOBIOLOGICS COMPANY

VISION AND MISSION

OUR VISION
is to be the world leader in the development and commercialization of injectable bio-ceramic composites that have both first-in-class bone remodeling and drug-eluting capabilities, for the management of bone voids and associated complications.

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

STRATEGY

BONESUPPORT'S STRATEGY HAVE THE FOLLOWING KEY PILLARS:

OUR FOUNDATION

OUR PRODUCTS

Our current product offering is viewed by a growing number of surgeons to:

- be highly innovative
- be supported by extensive high quality clinical data
- provide easy to use and cost effective treatment solutions for the management of bone voids
- improve clinical outcomes

OUR PEOPLE

We believe in a working environment which aims to:

- nurture commited and motivated employees
- attract highly skilled and experienced people

OUR FUNDING

BONESUPPORT is well funded to commercialize the CERAMENT® platform, deliver its innovation pipeline and enhance its value proposition with best in class clinical and health economic evidence

CEO STATEMENT

BONESUPPORT HOLDING AB has good opportunities to become a leading othobiologics company within the treatment of bone voids and related complications. Let me here describe our latest progress and above all our exciting journey ahead.

I would like to begin by outlining BONESUPPORT's key success factors

The Company's:

- **Technology**
- **Products**
- **People**
- **Financial strength**

The combination of these factors means that BONESUPPORT is well placed to become a leading orthobiologics company in the management of bone voids and associated complications.

Our CERAMENT technology has several characteristics that clearly differentiate us from the competition and provide unique benefits to patients, surgeons and payors. These include its ability to remodel to host bone in 6 to 12 months, its ability to deliver therapeutic agents locally into the bone and its ease of use by surgeons.

These benefits has lead to rapid acceptance and preference by care givers and payors.

Our products are in a strong position to make significant inroads into the bone graft substitute market. This is a market with approximately 650,000 procedures per year in the US and EU5 being undertaken to treat bone voids. Our own market research suggests that the total global market for bone void graft substitutes is approximately $3 billion and is growing between 5% per annum.

In June 2017, the Company completed an IPO and listing on Nasdaq Stockholm providing us with the funds to commercialize the CERAMENT platform and develop our business.

PIPELINE GENERATED BY R&D

I would now like to turn to the progress we have been making in executing our strategy, which will lead us to us to become a leading orthobiologics company.

The first element of our strategy is to progress our pipeline and broaden our product offering. Our pipeline exploits the unique drug-eluting characteristics of our CERAMENT platform to generate several product candidates which have the potential to enhance bone growth, an area where there is a clear need across a broad range of orthopedic indications. These candidates are progressing as planned and our goal remains to take at least one of these candidates into clinical development in 2020. In addition we are looking at opportunities to add short to mid term offerings that are complementary to Cerament as well as including CERAMENT in combination procedure pack.

The second element of our strategy is to increase sales of existing products in our existing markets. We are investing in clinical data to increase the adoption of our CERAMENT products in larger orthopedic indications such as trauma and revision arthroplasty. We are making good progress with this goal. We are also planning to start a French study with CERAMENT G in patients with chronic osteomyelitis to generate further clinical data to support our reimbursement strategy in this important European market.

FUTURE APPROVAL OF CERAMENT G IN THE US

We see a significant commercial opportunity to get an approval for the use of CERAMENT G in the US as there are no similar products in the market. The plan is to file a premarket application with FDA in 2020 based on the clinical data from the on-going FORTIFY study which is assessing CERAMENT G in trauma patients with open diaphyseal tibial fractures. The primary endpoints of the trial include the absence of deep infection at the fracture site and the lack of secondary procedures intended to promote fracture union. The trial will also evaluate the safety of CERAMENT G in these patients. The trial will enroll up to 230 patients at up to 30 centers in the US and Europe.

We believe the greater focus on prevention

of hospital acquired infections in the US will help drive the adoption of CERAMENT G, once it is approved. If a patient being treated for trauma or revision arthroplasty acquire a bone infection, while being treated, the costs to the clinic are significant, advancing even further the positive health economic benefits that CERAMENT G could deliver.

EFFECTIVE COMMERCIAL PLATFORM

The final element of our strategy is to have an effective commercial platform and go-to-market execution. We are investing in our commercial organization/infrastructure to help drive market penetration. In Europe we have added more product specialists in the direct markets, several which are specifically focused on driving adoption within the trauma indication. In addition, we have strengthened our distributor network in France and Italy, two large markets where we see significant potential. In the US, we have invested in our sales organization including adding two regional managers to oversee our sales efforts in the West and East of this major market. Our commercial team works closely with our US distributor, Zimmer Biomet. In parallel with the investments in our existing markets, we are looking at the best way for us to other access major markets including Japan, Australia and China. In 2017, the Company's sales growth in the US was slower than expected due to Zimmer Biomet's hardware supply issues. As CERAMENT BVF is usually used in conjunction with Zimmer Biomet hardware, less combined procedures using CERAMENT BVF were undertaken. We think this sales picture does not reflect any change in surgeon's assessment on CERAMENT BVF, which we believe remain positive.

During the year we saw very strong growth in Europe, with sales in the final quarter being the highest ever. This positive performance was driven by the greater surgeon adoption of our drug-eluting products CERAMENT G and CERAMENT V which are benefiting from a growing body of supportive clinical data and our more focused sales and marketing activities.

I am very pleased to be working with a very strong and experienced management team with the capabilities and energy needed to successfully execute our value generating strategy.

BONESUPPORT has made considerable progress over the last twelve months and this has positioned us for a very exciting future, which I believe will bring great benefits to patients, surgeons, payors and our shareholders. I look forward to keeping you shareholders updated on our progress.

"BONESUPPORT has for the last two years focused its efforts in the UK on the challenging and difficult indication Chronic Osteomyelitis. This has resulted in a market share (for this indication) of around 9% and growth of sales of 63% (2017 vs 2016).

This is a true testament to the strong value proposition of CERAMENT® and a gradual shift in standard of care is taken place. For 2018, BONESUPPORT has increased its sales force (in the UK) from 6 to 10 people and is using the strong clinical evidence and experiences from Chronic Osteomyelitis to cascade into the indication complex fractures. A market which is 11 times larger than the market for Chronic Osteomyelitis."

OUR PRODUCTS IN ACTION

Our CERAMENT products are improving the lives of patients suffering from bone disorders that cause bone voids, lead to injury, breakage, pain, and reduced quality of life.

CHALLENGE	BONESUPPORT PRODUCTS
Mechanical instability of bone defects that inhibits or delays bone healing	CERAMENT BVF/G/V Injectable bone graft substitute – unique composition allows for delivery of large amounts of hydroxyapatite to stabilise defect
Formation of hematoma in the bone void, which can cause infection	CERAMENT BVF/G/V Injectable bone graft substitute – used to fill gaps or voids in bone, remodels to bone in 6-12 months
Infection spreading into the bone and recurrence of osteomyelitis	CERAMENT G/V Injectable bone graft substitute – prevent infection by local delivery of antibiotics, protect healing process
Absence of bone formation, in which case a fracture or bone defect will not heal	CERAMENT BVF/G/V Injectable bone graft substitute – unique composition allows for delivery of large amounts of hydroxyapatite to serve as a scaffold for new bone growth

" Readmission for an infection within the first 30 days post-op is an economic killer for the hospital. "

– Dr. McKee - Chairman of the Department of Orhopedic Surgery at the University of Arizona College of Medicine Orthopedic Trauma Association (OTA) 2017 Annual Meeting. ***OrthoKnow, Dec 2017***

CHRONIC OSTEOMYELITIS: Nuffield Orthopaedic Centre, Oxford UK

- 50 year old male, ORIF with early infection at 3 weeks. Presented at 4 months with an unstable fracture, failed flap and drop foot.
- Debridement, Ilizarov frame, free flap and CERAMENT®|G filled the bone deadspace.
- Frame removed at 14 weeks.
- At 12 months fully healed.

Example of Ilizarov frame.

REVISION ARTHROPLASTY: Oslo Universitetssykehus, Norway

- Hemiprosthesis left hip June 2012 secondary arthrosis after dysplasia.
- Developed infection with Staph. epidermidis and enterobacter, treated with systemic antiobiotics.
- April 2016: Prosthesis migrated cranially with significant pain.
- Uncemented cup implanted.
- 20cc of CERAMENT V was injected to fill.
- 12 months: Patient free from infection with good range of motion

25-40 %

Trauma open fractures have a risk of infection of between 25 and 40 %, depending on the type of fracture and rate of contamination* - creating opportunities for CERAMENT G & V

* (ref R.B. Gustilo, et al. Prevention of infection in the treatment of one thousand and twenty-five open fractures of long bones: retrospective and prospective analyses. The Journal of bone and joint surgery, American volume. 1976)

THE BONE GRAFT MARKET

Orthopedic diseases and injuries are thesecond greatest cause of disability and fourth greatest impact on overall health of the world population. Demographics continue to drive the need for treatment of bone and joint diseases:

- with an increasing elderly population there is an increasing incidence of arthritis and other degenerative diseases
- with the desire to remain active longer, and an increase in sports activities

Bone is a tissue that can completely regenerate itself and heal without leaving a scar after an injury/damage. However, bone voids and bone defects can occur when the damage is too great for it to self-repair or when the healing process is affected, like during an infection. Bone voids can occur at any point during a person's lifetime.

The most common underlying causes of bone voids are trauma (injuries), revision arthroplasty (the replacement of a joint prosthesis), osteomyelitis (bone infection), diabetic foot infections, benign bone tumors or bone metastases.

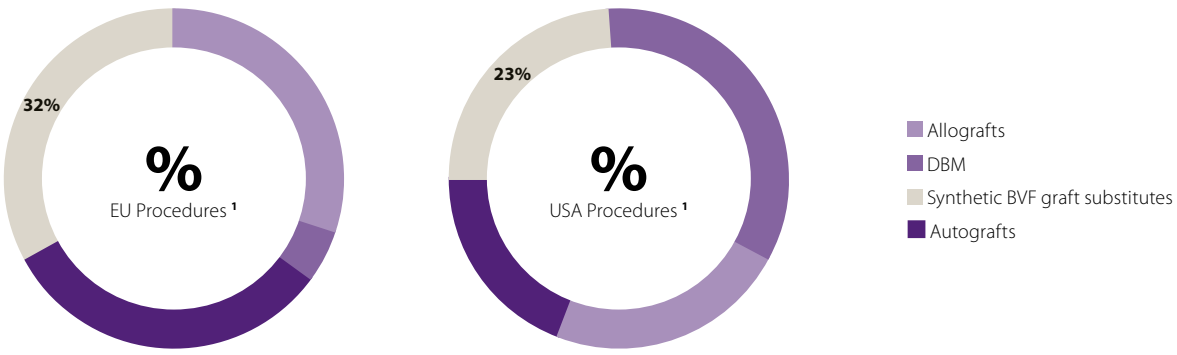
The global market for bone void management is estimated to be worth approximately $3 billion and is thought to be growing at 5% per annum. These figures underestimate the size of the commercial opportunity that BONESUPPORT´s products are addressing . Autograft, when the bone void is filled with bone from the patient, is excluded. In the US and the EU5[2] there were about 650,000 bone graft substitute procedures that would be considered to be strongly attractive benefits of the use of CERAMENT in 2016.

Autografts have historically been the most common method to managing voids and bone defects. The use of autograft has contributed to bone tissue becoming the second most transplanted tissue in the world. The key drawback for autograft is that it requires an additional surgical site. This is associated with risks and complications, in more than 19%[1] of the procedures including infection, blood loss and chronic debilitating pain for the patient. Autograft also provides only a limited amount and quality of bone.

To address these issues, bone harvested from living donation (femoral heads obtained during hip replacement) and from deceased donors; both are called allograft. However,

MARKET OPPORTUNITY

EU-5 + US: ~ 650k procedures p.a. (excl autograft)



[1] i-data for market penetration in 2014 (based on procedures)

[1]Myerhoff et al. Autogenous bone graft: Donor sites and techniques. J. Bone Joint Surg Am. 2011; 93: 2227-36. Dmitriou et al. Complications following autologous bone graft harvesting from the iliac crest and using the RIA: A systematic review. Injury, 2011 (42) S3-S15

[2]EU5: France, Germany, Italy, UK and Spain

allograft is associated with limited availability and quality and its use carries the risk of transmission of diseases and the risk of bacterial contamination. Harvested bone can also be used to produce demineralised bone matrix which has a role in the treatment of a limited number of bone voids as it does not provide any structural support.

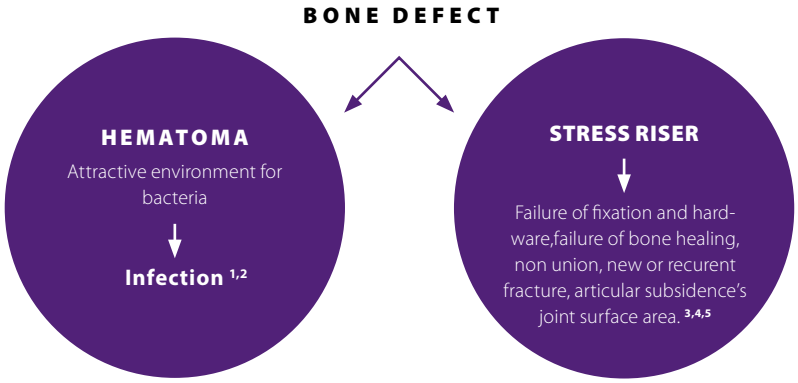
The fastest growing segment of the bone graft market is synthetic bone graft substitutes. This is because of the advantages they deliver to the orthopedic surgeon, the patient and the payer when compared to autograft and allograft. These advantages include:

- **More predictable outcomes**
- **Ease of use**
- **Safer**
- **No limitation of supply**
- **No need for bone harvesting**

BONESUPPORT's CERAMENT products are synthetic bone graft substitutes and have all of these advantages over autograft and allograft. They also have a number of advantages over other commercial synthetic bone graft substitutes, the most important of which are their ability to remodel to host bone in 6-12 months and, in the case CERAMENT®|G and CERAMENT®V, to elute antibiotics as part of the management of bone infections to protect the bone healing process.

A BONE VOID MUST NOT BE LEFT UNATTENDED

To optimize outcomes: support bone healing and reduce the risk of infection.



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CERAMENT PLATFORM

BONESUPPORT's proprietary CERAMENT platform is a unique bioceramic bone scaffold which forms the basis of the Company's three commercialized synthetic bone graft substitutes, CERAMENT®|BVF, CERAMENT®|G and CERAMENT®V.

CERAMENT is comprised of a patented composition consisting of a powder component: calcium sulfate (60%), hydroxyapatite (40%) and a liquid component (radiopacity enhancing agent iohexol in CERAMENT®|BVF and CERAMENT®V and saline in CERAMENT®|G). These are mixed to form an injectable paste that is used to fill gaps or voids in bone to promote bone healing.

Products based on CERAMENT are able to remodel to host bone within 6-12 months and have the ability/potential to elute drugs to promote and protect the bone healing process. The resorption of the material is a very important property as it eliminates the need for additional surgery to remove the product.

The calcium sulfate component allows the delivery of large amounts of hydroxyapatite into the bone void and immediately stabilizes the fracture. Inside the bone void, the hydroxyapatite forms a scaffold to which osteoblasts attach to form new bone. A layer of endogenous hydroxyapatite forms on the surface of CERAMENT which enables close contact with bone since bone cells recognize the apatite layer as natural bone mineral.

Hydroxyapatite has a slow resorption rate with high osteoconductivity, promoting rapid bone growth, and giving long term structural support to the newly formed bone. The resorption of the calcium sulfate facilitates controlled bone ingrowth and new bone completely surrounds and embeds the hydroxyapatite particles. During the remodeling process, early vascularity and invasion of osteoblasts enable multiple site formation of new bone.

As injectable flowable materials, CERAMENT products can completely fill bone voids and provide structure and stability as well as being osteoconductive. CERAMENT products are isothermic, so do not pose a risk of thermal injury to tissues and are not temperature sensitive. Precise application of CERAMANT is possible due to its enhanced radio-opacity, meaning it is easy to visualize under fluoroscopy.

Interest in the CERAMENT platform and products has resulted in over 120 publications and abstracts, validating safety and efficacy. CERAMENT has been used in over 35,000 procedures to date.

COMPOSITION OF THE CERAMENT CORE PLATFORM

60% CALCIUM SULFATE (CS) + **40% HYDROXYAPATITE (HA)** + **DRUG ELUTION**

OUR PRODUCT OFFERING

KEY CHARACTERISTIC

REMODELS TO HOST BONE IN 6-12 MONTHS AND PROMOTES HEALING

KEY CHARACTERISTIC

BONE HEALING PROTECTED BY THE LOCAL DELIVERY OF ANTIBIOTICS TO SIGNIFICANTLY REDUCE INFECTION RISK

BONESUPPORT's three commercialised products are CERAMENT®|BVF, CERAMENT®|G and CERAMENT®V.

The products address a significant unmet clinical need, providing surgeons with a unique easy to handle product that combines remodeling into host bone and drug elution (if required) to promote and protect bone healing.

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

CERAMENT BVF

US: FDA cleared. Distributed via Zimmer Biomet, supported by BONESUPPORT's US Commercial Team.

Europe: CE marked. Sold via a combination of direct sales force and distributors.

ROW: Sold via distributors. Important markets are India, Singapore and Oman

CERAMENT BVF is used in orthopedic applications as a bone graft substitute to fill gaps and voids in bone.

CERAMENT BVF is the only injectable and moldable synthetic bone substitute that is proven to remodel to host bone within 6-12 months. It is radiopaque, making it ideal for minimally invasive surgery and open procedures. CERAMENT can be used to augment hardware during surgery, and the unique material combination resists crack formation and propagation when drilled.

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

In addition to the bone remodeling, the provision of structure for the bone during healing, ease of mixing and handling, predictable performance during surgery, and the ability to fill bone voids resulting from surgery or trauma in a wide range of orthopedic applications.

CERAMENT G & CERAMENT V

US: Pivotal FORTIFY study underway for CERAMENT G to generate data for PMA filing targeted for 2020.

Europe: Both products are CE marked. Sold via a combination of direct sales force and distributors.

ROW: Sold via distributors. Important markets for CERAMENT G are India, Singapore and Oman (also CERAMENT V).

CERAMENT G and CERAMENT V have all the key properties of CERAMENT BVF, but also protect the healing process by reducing the infection risk through targeted local delivery of antibiotics (CERAMENT G with gentamicin and CERAMENT V with vancomycin).

As with CERAMENT BVF, CERAMENT G and CERAMENT V are indicated to be placed into bone voids or gaps in the skeletal system that are not intrinsic to the stability of the bone structure, in particular for use in indications where infection may be present or of concern.

Risk of infection is high across bone defects and disorders. If an infection occurs, there is a risk that the disease will continue for a period of years, requiring frequent and prolonged treatment and repeated surgery. Delivery of an antibiotic with CERAMENT G or CERAMENT V protects the bone healing which reduces the risk of infection during the healing process.

When a patient is suffering from chronic osteomyelitis, i.e. an established bone infection, management entails debridement of dead bone and filling of the resulting dead space with CERAMENT G or CERAMENT V, which both protects the healing and enables remodelling into host bone.

The combination of bone remodeling and antibiotic elution facilitates bone healing as well as providing infection prevention. CERAMENT G and CERAMENT V are the first and currently only injectable CE marked products available in this category, placing the Company in a very strong position in the bone infection market.

BONESUPPORT has created a significant body of clinical data highlighting the benefits that its antibiotic eluting products deliver. CERAMENT G has been clinically proven to reduce the risk of infection recurrence and the risk of repeat fracture, while CERAMENT V has demonstrated reduction of infection recurrence in patient case studies. These clinical data are important in driving the adoption of these novel products by orthopedic surgeons.

COMMERCIAL ORGANIZATION AND KEY ACTIVITIES

BONESUPPORT has built a strong commercial platform in both Europe and the US to ensure it is able to communicate the key differentiating messages for its CERAMENT products to orthopedic surgeons.

In Europe, BONESUPPORT has direct sales activities in the UK, Germany, Switzerland, Denmark and Sweden where the Company has a total of 19 people. BONESUPPORT has specialty distributors in France, Italy, Spain, Austria, Poland, the Netherlands, Denmark, Norway and Finland. In 2017, this distributor network was strengthened with the appointment of Novomedics as the Company's first distributor in France and the appointment of Citieffe Srl as a second distributor in Italy, to strengthen our access to trauma and orthopedic surgeons in this market.

In the European markets, our focus has been on driving the adoption of our antibiotic-eluting products CERAMENT G and CERAMENT V at the specialty trauma centers. In 2017, this approach was very successful with the number of reference centers more than doubling.

An important element in BONESUPPORT's marketing mix is conference and attendance at therapy focused seminars. In 2017, the Company was involved in over 40 of these events in Europe. This is nearly twice as many as the year before.

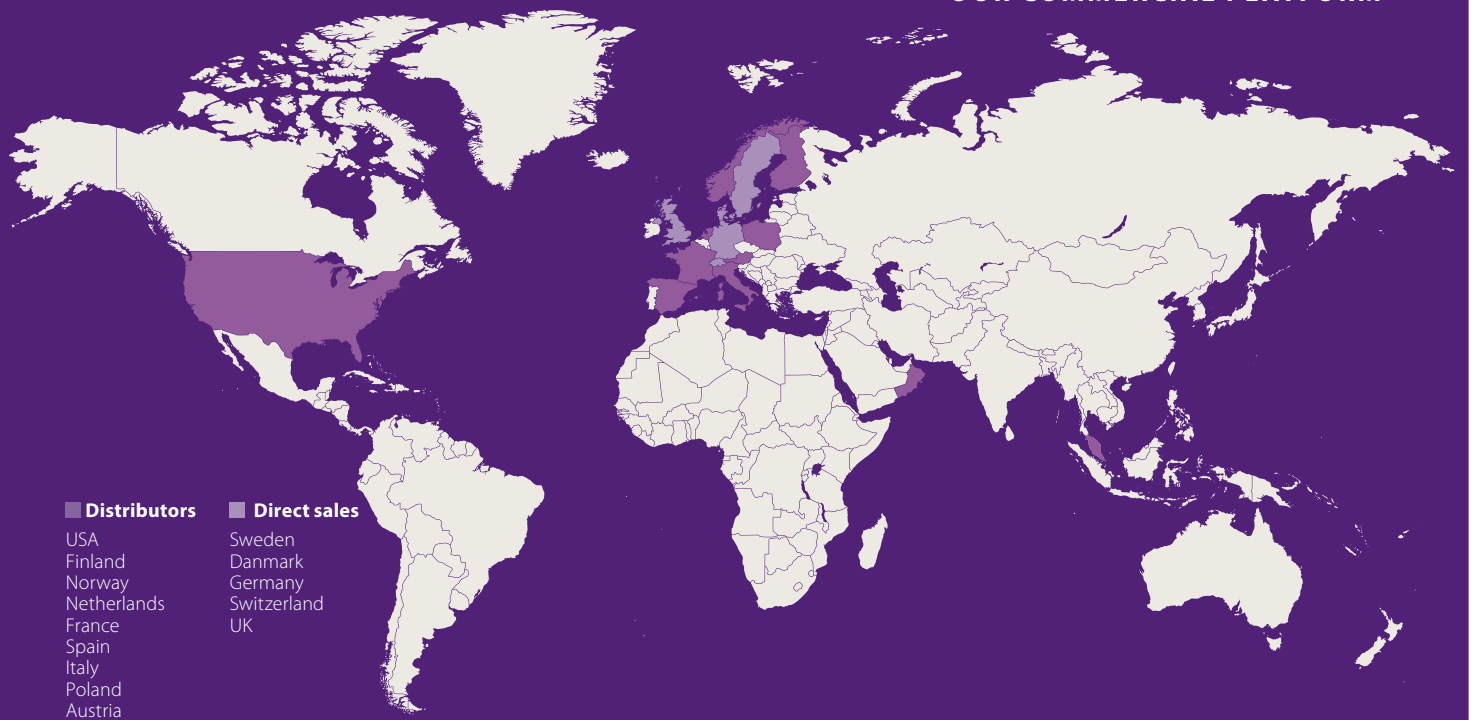
Amongst the key events were The European Bone and Joint Infection Society (EBJIS) conference in Nantes, France and The British Orthopedic Association (BOA) Congress in Liverpool, UK. At these conferences, multiple presentations and posters from leading orthopedic surgeons covering their positive clinical experience with CERAMENT G and CERAMENT V were communicated. Significantly more data was presented on the Company's products at these conferences compared to any other antibiotic containing bone graft substitutes. The data reinforced the important clinical benefits that CERAMENT G and CERAMENT V deliver. Due to wider acceptance and broader use of CERAMENT, BONESUPPORT had a strong year in 2017 increasing overall sales by 43% in Europe and ROW. CERAMENT G and CERAMENT V, increased sales with 51%. The investment in growing our direct sales also paid dividends, with these markets accounting for well more than 75% of our sales in the segment (Europe and ROW). A key area of investment and focus in 2018 in Europe will be on increasing the use of the Company's products for trauma indications.

In the US, BONESUPPORT works with our sole distributor Zimmer Biomet together with BONESUPPORT's commercial team (in a hybrid structure), which together execute market activities to generate sales of CERAMENT BVF. Zimmer Biomet has 54 distributors and many more sales representatives to penetrate the

+ 43 %

Sales growth in Europe and ROW based on wider usage and strong clinical publications

OUR COMMERCIAL PLATFORM



Distributors
USA
Finland
Norway
Netherlands
France
Spain
Italy
Poland
Austria
Singapore
Malaysia
Oman

Direct sales
Sweden
Danmark
Germany
Switzerland
UK

market. BONESUPPORT's US Sales & Marketing Organisation is headed by the US Executive Vice President supported by two Area Vice Presidents of Sales, eight region managers, two product technical specialists, and a Vice President of Marketing.

CERAMENT BVF, is the only one of our products currently approved in the US. The primary procedural applications include trauma, revision hip arthroplasty and foot & ankle. We also see a growing use of the product in orthopedic oncology, which is an attractive market opportunity given the size of the bone voids that need to be managed. In the last twelve months the Company has invested in its US commercial organization to create a structure with the proper focus and bandwidth. It also benefited from improved sales analytics tools. Another key initiative was the development of four Surgeon Advisory Boards that are comprised of surgeons with distinguished global reputations in their respective disciplines including trauma, revision hip arthroplasty, foot & ankle, and oncology. As in Europe, the US team participated in a number of national and regional orthopedic society events. The distribution agreement with Zimmer Biomet was extended in 2017.

In 2017, BONESUPPORT saw a 13% increase in its North American sales. This was the result of good sales growth in the first half being offset by a slowdown in the second half, partly due to destocking and Zimmer Biomet hardware supply issues. The latter has mothad an impact on the sales of CERAMENT BVF, as it is used alongside Zimmer Biomet hardware for orthopedic procedures.

In addition to its direct sales organisation, BONESUPPORT has continued to build a marketing function which develops tools to accelerate sales. This includes case studies, broschures, presentation material, instruction videos and the management of surgeon educational meetings.

+ 13 %
Sales growth in North America softened by Zimmer Biomet supply issues

INTERVIEW WITH MARTIN MCNALLY

Linda Butcher, BONESUPPORT's Chief Marketing Officer, sat down with Mr Martin McNally, Consultant Bone Infection and Limb Reconstruction Surgeon at Oxford University Hospitals (Oxford, UK) to discuss his experience of using CERAMENT G in his practice and in particular in the treatment of patients with chronic osteomyelitis.

Mr McNally, a leading European expert in the treatment of chronic osteomyelitis, has treated a large number of patients with CERAMENT G and has published a number of papers on the clinical benefits.

Can you describe the challenges you face when treating patients with chronic osteomyelitis?

Treating patients with chronic osteomyelitis is very challenging as most of them are not that fit and they usually have other medical conditions for which they are being treated. This means that they are being managed by a team of surgeons and physicians. Our patients fall into two groups, young men who have had significant trauma, such as a motor bike accident or older patients with multiple health issues.

Given their health situation, these patients are not ideal candidates for the complex surgery that is needed to manage the significant bone and soft tissue damage that they present with. Another challenge we face is the growing issue of bacterial resistance due to the widespread use of systemic antibiotics in hospitals.

What advantages does CERAMENT G provide for surgeons and patients when compared to alternative approaches to the management of chronic osteomyelitis?

There are two key advantages that CERAMENT G provides. The first is the ability to deliver high doses of the antibiotic, gentamicin, directly into the bone to manage the dead space created by surgical debridement as part of the management of the underlying infection. This local bone delivery also lowers the need for the use of systemic antibiotics.

The second advantage is that it reduces the need for a secondary bone void management procedure, such as bone grafting with its associated morbidity, since we are able to treat most patients with a single procedure. This is due to CERAMENT G being able to deliver a high dose of antibiotic directly into the bone and to fill the bone void, providing the scaffold for new bone formation. Since we started using CERAMENT G in March 2013, I estimate we have saved 200 patients from undergoing a second operation which was previously the norm.

What is the single most important change you have witnessed since using CERAMENT G?

The biggest change we have seen by using CERAMENT G is a big reduction in the infection recurrence rate we are achieving in patients with chronic osteomyelitis. Our re-infection rate is now 3-4%, down significantly from the 9% recurrence rate we were seeing before adopting CERAMENT G.

Do you believe there are health economic benefits from using CERAMENT G as a central element of treating patients with chronic osteomyelitis?

It is very clear that there are important health economic benefits from using CERAMENT G. These result from a reduction in the number of operations we undertake as we have moved to a single stage procedure to treat most patients. Our much improved re-infection rate has also been important as it has led to a reduction in the number of patients who have to be re-admitted.

What other indications do you believe CERAMENT G could be used for?

There are a number of indications beyond chronic osteomyelitis that I believe CERAMENT G could be used. I see a clear benefit to using CERAMENT G in patients who have infected fractures as a result of trauma. In these cases, we would be treating patients with acute infections and in some cases using local antibiotic therapy to prevent an infection developing.

Another opportunity is in non-unions where through using CERAMENT G, we have been able to treat many patients using internal fixation, something that could not be contemplated before we changed our approach.

I also believe that CERAMENT could play an important role in the treatment of diabetic foot disease. This is a growing problem given the increasing number of diabetics. One key difficulty in treating these patients is the poor blood supply to their infected foot which means that systemic antibiotics are not that effective. By using CERAMENT G we are able to treat the deep bone infection which then allows the patient's foot ulcers to heal.

Do you think there is a role for using CERAMENT G prophylactically?

I believe that CERAMENT G will be used more consistently prophylactically in a number of indications. One of these is open fractures as a result of trauma. Infection rates in these patients range from 15-25% and therefore there is a clear clinical and health economic rationale for using CERAMENT G prophylactically when treating fractures to reduce the infection rate.

"Since we have started using CERAMENT G in March 2013, I estimate that we have saved 200 patients from undergoing a second operation which was previously the norm."

GENERATING CLINICAL AND HEOR DATA

A key element of BONESUPPORT's strategy is to generate additional clinical data demonstrating the value of the Company's products in the treatment of bone voids. BONESUPPORT already has the most extensive and compelling database of preclinical and clinical data supporting its CERAMENT platform and the products that it has commercialized based on its unique advantages.

The current focus is to generate compelling clinical data that will lead to CERAMENT G and CERAMENT V being used more widely in key larger segments of the orthopedics' market including trauma, both simple and complex; and revision arthroplasty.

These trials/data are designed to build on the data that has been generated with CERAMENT G in rarer indications such as chronic osteomyelitis, where its local controlled antibiotic-eluting capabilities have been shown to deliver better outcomes than alternative bone graft substitutes. The publication of this data in September 2016* has had a very positive impact on the sales of CERAMENT G.

MULTIPLE KEY CLINICAL STUDIES ON-GOING

CERTiFy

The most advanced clinical study that BONESUPPORT is supporting is CERTiFy, an investigator-led, 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 between CERAMENT BVF and autologous bone grafting (autograft). Autograft is the current gold standard for bone graft procedures for the management of tibia plateau fractures.

The CERTiFy study has completed recruitment with a total of 136 patients enrolled at 20 top orthopedic trauma centers in Germany. Professor Pol. M. Rommens, Head of The Department of Orthopedics and Traumatology at The University Medical Centre Mainz is the study's Principle Investigator. Initial top-line data from the study is expected towards the end of 2018. A publication providing more complete data from the CERTiFy study is expected in Q1 2019.

BONESUPPORT is conducting CERTiFy to demonstrate that CERAMENT BVF is non-inferior to autograft across a range of clinical parameters, which if achieved would be a major advance in the treatment of post-traumatic bone defects as it would mean that a single operative procedure could be used to effectively treat bone defects.

Positive results from CERTiFy are expected to have a positive impact on the sales of all BONESUPPORT's products, as CERAMENT G and CERAMENT V that have the same underlying bone remodeling properties as CERAMENT BVF.

FORTIFY

The most important clinical study that BONESUPPORT is conducting is the FORTIFY study which will assess CERAMENT G's ability to improve on the standard-of-care management of patients with open fractures of the tibial diaphysis. The primary endpoints of the trial include the absence of deep infection at the fracture site and the lack of secondary procedures intended to promote fracture union. The trial will also evaluate the safety of CERAMENT G in these patients. The trial will enrol up to 230 patients at up to 30 centers in the US and Europe.

Data from the FORTIFY study will be used to support a planned PMA filing with the FDA in 2020, a key step in potentially gaining US approval for CERAMENT G. In addition, positive data from this study will be used to highlight the benefits that CERAMENT G could provide across a number of trauma indications.

Revision Arthroplasty

BONESUPPORT is also currently supporting a study evaluating CERAMENT G and CERAMENT V in patients undergoing hip and knee arthroplasty revisions which will take place at 6 different clinical centers in Italy and is expected to recruit approximately 135 patients. A successful pilot study was already conducted in 20 patients undergoing revision arthroplasty with CERAMENT G and CERAMENT V.

The results from the study will be compared to a cohort of patients, at the same clinical centers, who were treated using the current standard of care.

The aim of the study is to show an improved clinical outcome and a lower infection rate for the CERAMENT G or CERAMENT V group compared to a matched retrospective control cohort where neither CERAMENT G or CERAMENT V were used.

One endpoint of the study will be the rate of periprosthetic joint infections (PJIs) according to the Musculoskeletal Infection Society (MSIS) criteria during the one-year follow-up.

PJIs remain one of the most severe complications after orthopedic surgery. At present, there is no accepted approach for preventing recurring PJIs in patients undergoing revision

* Single-stage treatment of chronic osteomyelitis with a new absorbable gentamicin-loaded, calcium sulphate/hydroxyapatite biocomposite - A prospective series of 100 cases. McNally et al, The Bone and Joint Journal, 2016, Vol. 98-B, No. 9, p1289-96

"The results achieved with the single stage surgical procedure using CERAMENT G for dead space management of patients with chronic osteomyelitis are a significant improvement on past experience. We expect it to become the mainstay of our dead space management, given the major clinical and health economic benefits that it supports."

– Mr. Martin McNally, Consultant Bone Infection and Limb Reconstruction Surgeon at Oxford University Hospitals (Oxford, UK)

arthroplasty. The aim of this larger Italian study is to confirm the promising initial results seen in a previous pilot study in a larger cohort of patients and compare the results to a retrospective control.

Smaller studies

In addition to these large studies, BONESUPPORT is also supporting a range of smaller investigator-led studies with its current commercialized products. The Company receives many requests from surgeons wanting to conduct studies with its products, reflecting the growing appreciation of the differentiated clinical benefits our CERAMENT products can deliver.

MARKET ACCESS IS ANOTHER KEY FOCUS

The development of further clinical evidence also underpins BONESUPPORT's activity to improve market access for its products particularly in Europe. The generation of supportive health economic and outcomes data that will lead to CERAMENT G and CERAMENT V gaining more acceptance and demonstrate the value of the technology in orthopedic procedures.

We believe there are two key ways that CERAMENT G can be shown to deliver important health economic benefits:

- It allows the treatment of conditions such as chronic osteomyelitis via a single stage procedure. At present most patients are treated in a two-stage procedure – first the infection is treated and temporary delivery of antibiotic into the bone void is managed with non resorbable PMMA beads, in a second operation the beads are removed and the dead space in the bone is filled generally with autologous bone. With CERAMENT G the orthopedic surgeon can manage the infection and fill the void at the same time, saving the cost of a second operation.
- Its use in trauma and revision arthroplasty procedures could reduce the number of patients who develop an acute bone infection. This is important as the payment the center/clinic receves for treating the patient covers both the initial surgical procedure is less.

In Germany we are currently collecting outcomes and economic data from approximately 200 patients who have been treated with CERAMENT G/V from 10 German hospitals. This data will form the basis of a submission to Institut für das Entgeltsystem im Krankenhaus (InEK). InEK is responsible for the German Diagnosis Related Group (DRG) system and decisions on supplemental fee tariffs for new diagnostic and treatment methods to be used in hospitals. The aim of BONESUPPORT's submission is for the hospital to gain a supplementary payment when CERAMENT G and V is used in a procedure.

A similar system also operates in Switzerland, and in September 2017 we submitted for a Schweizerischer Operationen und Prozeduren, (CHOP) code. This code allows the authorities to collect data on the use of CERAMENT G and CERAMENT V which will then be used to determine potential changes to the reimbursement of the payor. Data collection is ongoing and will run until the end of 2018.

In both Germany and Switzerland, we are looking to have a new supplementary payment code for CERAMENT G/V in place for 2020.

In the UK, our market access activities are focused on local level activity where we use budget impact models and publications, such as the McNally paper with CERAMENT G in patients with chronic osteomyelitis, to demonstrate to hospitals that value of CERAMENT G/V. A similar local approach is being pursued in both Italy and Spain.

In France, our goal is to achieve a specific listing for CERAMENT G on the LPPR (La liste des produits et prestations). The LPPR is a list of products that are reimbursed by Sécurité Sociale. To achieve this goal, we have commenced a randomized controlled trial of CERAMENT G in patients with chronic osteomyelitis in France. Data from this study will be used so support our planned LPPR application to HAS in 2020. This with be the first randomized control trial in Osteomyelitis for 30 years, and will be used in other markets such as a PMA filing for CERAMENT G with the FDA in the United States.

During the last 12 months we have made important progress related to the clinical data we need to expand the use of our products in major indications such as trauma and revision arthroplasty, gain approval in new markets, in particular CERAMENT G in the US.

R&D

BONESUPPORT's research and development activities are focused on designing products that fulfill the Company's vision and customer needs.

In recent years the focus of our R&D activities has been building a pipeline of novel product candidates, which enhance bone growth.

ENHANCING BONE GROWTH

BONESUPPORT's pipeline of novel CERAMENT product candidates capitalize on our platform's unique drug eluting properties that enable local delivery into the bone of drugs/growth factors/cells known to enhance bone growth or to reduce bone loss. At present four pipeline products are under pre-clinical evaluation:

- **CERAMENT** plus bisphosphonates, which prevent the loss of bone density and are used to treat osteoporosis
- **CERAMENT** plus BMP, which can induce bone formation and is used to treat several bone related diseases
- **CERAMENT** plus bisphosphonates and BMP, which together are designed to reduce bone loss and to induce new bone growth
- **CERAMENT** plus bone marrow aspirate (BMA) s where the addition of BMA is designed to enhance bone growth

To-date there have been a number of publications including Nature and conference presentations covering in vivo pre-clinical data supporting the potential of this product pipeline.

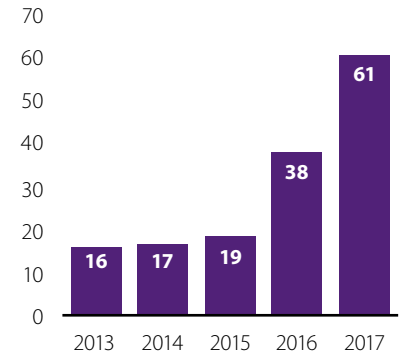
The Company is currently taking the steps required to select and progress at least one of these candidates, into clinical development in 2020.

INCREASED R&D ACTIVITIES

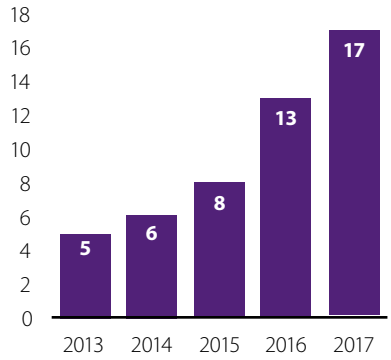
BONESUPPORT has significantly increased:

- pre-clinical activities (pipeline)
- clinical studies (CERTiFy, FORTIFY)

R&D
COST DEVELOPMENT (MSEK)



R&D
HEADCOUNTS (FTE)



ACADEMIC PROJECT INCLUDING CERAMENT

An academic project have been successful in gaining a grant of SEK 8 million from Vinnova (Sweden's innovation agency) for a research project that uses CERAMENT to develop a new bone replacing material capable of enhancing bone growth.

The project will evaluate a combination of biphasic ceramics, bone active molecules and the body's own cells to regenerate bone and improve mechanical strength in osteoporotic subjects.

The project's Principal Investigators are Professor Magnus Tägil, Department of Orthopedics, Lund University, Lund Sweden and Professor Ashok Kumar, Department of Biological Sciences and Bioengineering, Indian Institute of Technology Kanpur, UP, India.

NEW CERAMENT BASED CARRIER TARGETING ENHANCED BONE GROWTH

In January 2018, the Company announced that a paper had been published online in the Journal of Controlled Release.

The publication showed that a novel in-licensed macro-porous CERAMENT based carrier (Gelatin/CERAMENT) acts as efficient carrier for the long-term, sustained delivery of recombinant bone morphogenic protein (rhBMP-2) and the bisphosphonate, zoledronic acid (ZA).

Results from in-vivo experiments demonstrated that the scaffold enabled increased bone formation compared to a currently approved carrier with BMP, a crucial step in the development of biomaterials that are needed to facilitate the co-delivery of rhBMP-2 and ZA, to enhance bone growth in demanding clinical situations where bone regeneration is essential but difficult to achieve.

The Company believes this novel biomaterial is an important addition to our product pipeline which is designed to meet the growing clinical need for novel osteoinductive synthetic bone graft substitutes for a broad range of orthopedic indications including spine.

BONESUPPORT has acquired the IP to this novel CERAMENT based biomaterial from Seagles AB (owned by Lars Lidgren).

CREATING SHORT AND MEDIUM PRODUCT OPPORTUNITIES

Following the appointment of Dr Jerry Chang as EVP R&D, BONESUPPORT has recently evolved its R&D strategy so that it is able to expand its product offering in the next several years.

In the short term, the Company is assessing both internal development projects as well as external alternatives. This may include CERAMENT in other formulation, CERAMENT combined with other products adding to BONESUPPORT:s offering. By developing some of these opportunities, BONESUPPORT would be able to launch products expanding its product offering.

EXCITING FUTURE AHEAD

BONESUPPORT's CERAMENT platform provides the company with a unique ability to generate novel products that are needed by the orthopedic community to improve the treatment of bone voids and bone disease more broadly. Our synthetic bone grafts remodel to host bone in six to twelve months and can deliver therapeutics to deliver improved treatment outcomes.

Our current R&D strategy lays out a clear plan for us to develop an exciting line up of products that can enhance our growth, allowing us to become a leading global orthobiologics company.

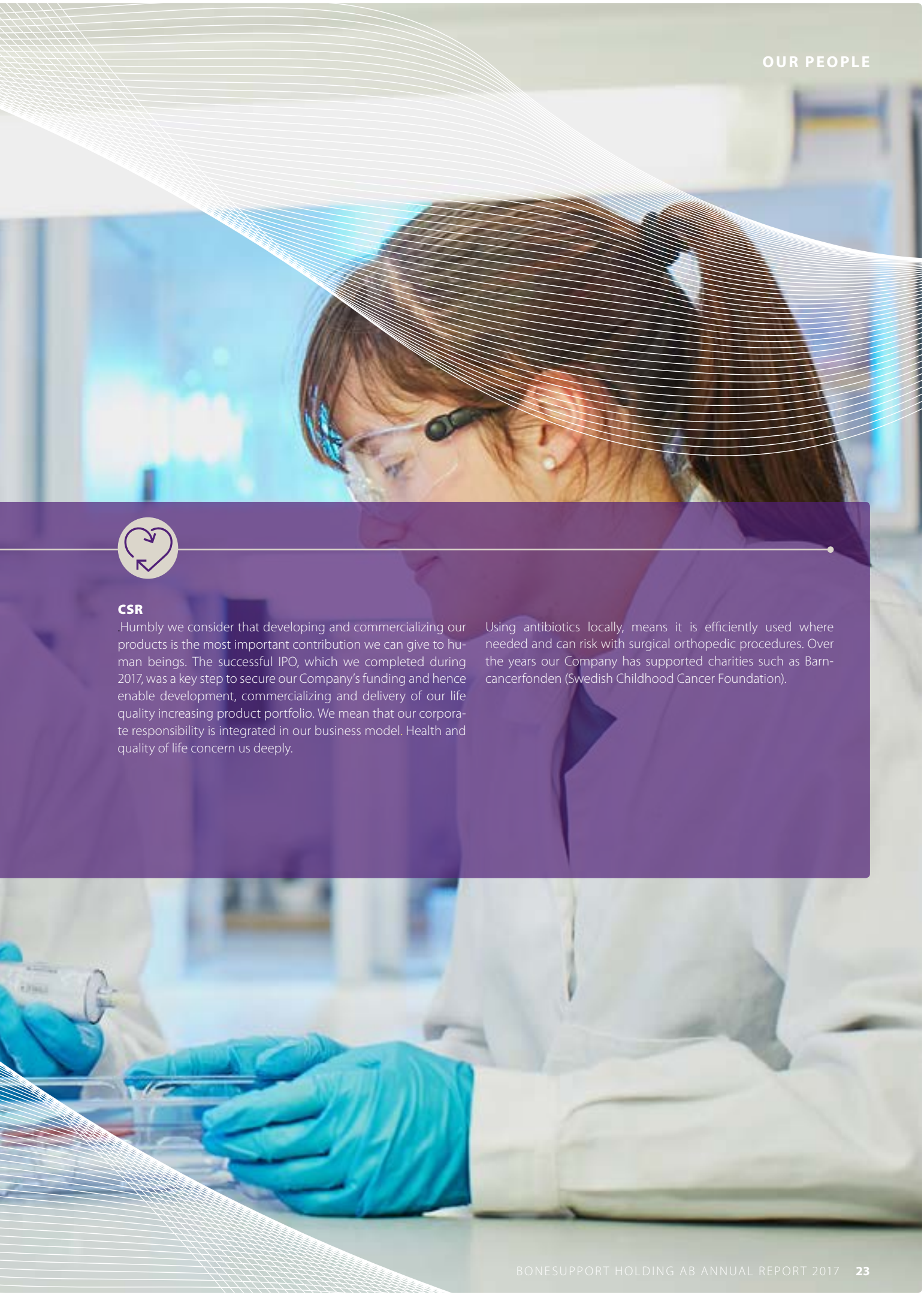
PEOPLE, INNOVATION AND CSR

PEOPLE

To be able to drive sales of our existing products in existing markets, to gain approval for CERAMENT G in the US and finally to be able to progress our pipeline we want to recruit, develop and retain good people. People are as we stated above one of our key building blocks in our foundation. Among our 70 people we note diversity in age, gender and ethnicity, long time employees as well as newcomers, which enable a dynamic physical and virtual work place. The same could be said about our partners and suppliers. Our people are highly committed, and engaged in the Company and products, which is a necessary and indeed valuable asset.

INNOVATION

The present portfolio consists of innovative products, which we are very proud of. We are presently working on further innovation and have some interesting pre-clinical products in our pipeline aimed at strengthening the portfolio. In order to do so we seek to attract, develop and retain innovative people with the courage and curiosity to think and do things that are different and do them differently.



CSR

Humbly we consider that developing and commercializing our products is the most important contribution we can give to human beings. The successful IPO, which we completed during 2017, was a key step to secure our Company's funding and hence enable development, commercializing and delivery of our life quality increasing product portfolio. We mean that our corporate responsibility is integrated in our business model. Health and quality of life concern us deeply.

Using antibiotics locally, means it is efficiently used where needed and can risk with surgical orthopedic procedures. Over the years our Company has supported charities such as Barncancerfonden (Swedish Childhood Cancer Foundation).

FINANCIAL REPORTS 2017

DIRECTORS' REPORT

THE GROUP

GENERAL INFORMATION

BONESUPPORT HOLDING AB (publ), reg. id. 556802-2171, is the parent company of BONESUPPORT AB. BONESUPPORT is a fast growing orthobiologics company in the commercial phase which targets the major orthopedic markets in the US and Europe. BONESUPPORT was established in 1999 and has its registered office in Lund with wholly owned subsidiaries in the US, Germany, Switzerland, the Netherlands and the UK.

The Company specializes in innovative, injectable bio ceramic bone graft substitutes with directed drug eluting properties, which have been validated clinically. BONESUPPORT has developed CERAMENT®|, a bio ceramic bone graft substitute used for treatment of bone voids, that remodels to host bone of the patient within six to twelve months. CERAMENT®| is a patented and scalable technology platform which can be combined with therapeutic substances. Three commercial products have mainly been developed to date:

– CERAMENT®|BVF (BONE VOID FILLER) has significantly improved osteoporosis and other fractures caused by desease or trauma.
– CERAMENT®|G is the first CE-marked injectable ceramic bone graft subsititute with the addition of antibiotics (gentamicin). The product shows properties which support and protect bone healing during treatment of osteomyelitis (bone infections).
– CERAMENT®V is the first injectable bone graft substitute with the addition of vancomycin which supports and protects bone healing during treatment of osteomyelitis (bone infections). This product extends the Company's product portfolio for bone graft subsitutes with the addition of antibiotics resistant to most antibiotics, including methicillin-resistant Staphylococcus aureus (MRSA).

All three products are marketed on several markets in Europe and the rest of the world, but in the US only CERAMENT BVF has so far been cleared for use by the FDA.

BONESUPPORT's strategy is primarily focused on continuing to increase sales of existing products on existing and new markets and generating additional clinical study data and health economics and outcomes research (HEOR) data to highlight the benefits of CERAMENT.

BONESUPPORT has all the necessary skills required to take a med-tech product from the research and development stage through to sales to end customers. Most of the production is outsourced to an external party. BONESUPPORT controls the product flow from supplier to customer.

The products are based on an innovative technology backed by a patent portfolio of approximately 100 registered patents and patient applications. BONESUPPORT has 12 years of documented experience of safety and efficacy and estimates, based on sales data, that more than 35 000 treatments have been carried out globally. There is large market potential in trauma, chronic osteomyelitis, revision arthroplasty, tumors in bone and foot infections due to diabetes, and the Company's research is focused on continuing to develop and refine the existing technology and expand it to other indications by eluting other pharmaceuticals.

5-year overview – Group

	2017	2016	2015	2014	2013
Net sales, MSEK	129.3	104.6	61.8	41.0	31.8
Net sales growth, %	23.6	69.3	50.7	28.8	284.4
Gross result, MSEK	112.4	88.3	52.2	34.6	25.4
Gross margin, %	87.0	84.4	84.6	84.4	79.7
Operating result, MSEK	-99.3	-88.7	-53.9	-39.3	-48.1
Net loss, MSEK	-128.9	-110.2	-59.6	-51.1	-47.8
Equity, MSEK	450.8	34.3	20.3	-43.5	4.6
Net debt, MSEK	-434.7	-31.8	-6.0	48.4	-2.6
Operating cash flow, MSEK	-107.5	-81.9	-65.3	-45.9	-45.4
Cash at period end, MSEK	533.4	141.5	68.9	18.4	27.7
Earnings per share, SEK	-3.24	-4.26*	-0.51**	-6.06**	-5.79**
Average number of employees	57	46	31	25	22
Net sales per employee, TSEK	2,268	2,274	1,992	1,638	1,446

* Adjusted for consolidation of shares (5:1)

** Not adjusted for consolidation of shares

Signficant events in 2017

An ever increasing number of surgeons are using BONESUPPORT's products, which is clearly shown in the increase in turnover of 24% compared with 2016. Sales in the US were negatively affected by the logistic problems faced by our partner, Zimmer Biomet, for their own products, which are sold together with CERAMENT BVF in the US.

In March 2017 BONESUPPORT extended the distribution agreement for CERAMENT BVF in the US and Canada with Zimmer Biomet.

In May 2017 the Company enrolled the first patient in the FORTIFY study, which is a clinical study with 230 patients supporting the process of obtaining approval of CERAMENT®|G for use in the US.

BONESUPPORT was listed on Nasdaq Stockholm June 21, 2017. The company made a new issue of shares in conjunction with the listing. The total issue, including an over-allotment option, was 19,285,345 shares with a value of SEK 559 million before transaction costs of SEK 39 million. More details are presented in note 23.

The management team was strengthened significantly in 2017. Björn Westberg was appointed as CFO in February. Dr Michael Diefenbeck was appointed as Chief Medical Officer in April. Dr Jerry Chang was appointed as head of R&D in September. Helena L Brandt was appointed as head of HR in October.

The Company announced in December 2017 that the last patient had been enrolled in the CERTiFy study, covering a total of 136

patients. The company has also started other important studies, a diabetic foot clinical study in Italy, a revision arthroplasty study in Italy and a chronic osteomyelitis study in France.

REVENUES

Revenues are generated through two channels:

- Direct sales in five countries in Europe
- Sales through distributors on all other markets

The focus in 2017 was on increased end-user acceptance of CERAMENT®|BVF, CERAMENT®|G and CERAMENT®V. Revenues increased by 24% (69) and totaled SEK 129.3 million (104,6). The US is still the largest market within the Group. The increase in sales in the US was 13% (75) and in the rest of the world 43% (60).

SALES AND MARKETING

CERAMENT®|BVF is distributed in the US through Zimmer Biomet's independent distributors. BONESUPPORT supports Zimmer Biomet's activities through its directly employed, specially trained US sales and marketing organisation. The operation in the US is led by an EVP Commercial Operations and in addition consists of eight sales representatives, three product specialists and a VP Marketing.

In Europe, BONESUPPORT currently has direct sales with 17 directly employed sales representatives in the UK, Germany, Switzerland, Sweden and Denmark. BONESUPPORT sells through distributors in France, Italy, Poland, Benelux, Finland, Norway and Austria. BONESUPPORT also sells through distributors in some countries outside North America and Europe and has retained the rights to sell to other countries in the rest of the world.

RESEARCH AND DEVELOPMENT

CERAMENT constitutes an excellent platform for pharmaceuticals and active substances. At present, BONESUPPORT has four product candidates in the pre-clinical phase.

The FDA classifies CERAMENT G as a medical device and has approved the clinical study protocol (Investigational Device Exemption, IDE) for a prospective randomized controlled study, with the project name FORTIFY. The purpose of this study is to demonstrate the safety and efficacy of the product in comparison with standard treatment. The study will be done in 15 study clinical centers in the US and 15 in Europe. The first patient was enrolled in May 2017, and the target is to submit an application to the FDA in 2020 for the use of CERAMENT®|G in the US.

The CERTiFY study, which compares CERAMENT®|BVF with the most common treatment, autograft (where bone is taken from another part of the patient than the operative site) completed the patient recruitment in December 2017. The purpose of this prospective study is to show patient benefits and cost savings by using CERAMENT®| instead of bone from the patient. Publication is expected around the end of 2018/start of 2019.

PERSONNEL AND ORGANISATION

The number of employees in the group December 31, 2017 was 65 (52). 54% (58) of the employees were working in sales and marketing. 78% (75) of employees had a university degree. The number of holders of doctorates was 6 (4).

EXPENSES AND RESULTS

Gross profit

Due to higher sales gross profit increased to SEK 112.4 million (88.3) representing a gross margin of 87.0% (84.4).

Operating expenses

During 2017, the group continued to invest heavily in selling, marketing and development. Selling- and marketing expenses increased to SEK 92.9 million (79.8) mainly related to the increased number of sales reps in US and Europe, and increased marketing activities with distributors, medical centers and doctors. Research- and development costs totaled SEK 60.6 million (38.2), the increase mainly being accounted for by the FORTIFY study on CERAMENT®|G in US and more resources for clinical, medical and regulatory activities. Administration costs decreased to SEK 57.5 million (60.7). Amortization- and depreciation costs were SEK 1.2 million (1.3).

Operating loss

Operating loss worsened to SEK -99.3 million (-88.7), principally due to the investments described above.

Loss for the year

Loss for the year worsened to SEK -128.9 million (-110.2) mainly due to the operating loss described above, and increased financial costs related to the loan from Kreos Capital. The loan was terminated and fully repaid on February 1, 2018. Termination costs were accrued in 2017.

INVESTMENTS

Investments in intangible assets totaled SEK 1.6 million (1.3) related to acquisition of IP rights and capitalized development costs, and investments in tangible assets totaled SEK 3.0 million (0.1), mainly related to office equipment.

FINANCIAL POSITION AND CASH FLOW

Financing

In conjunction with the IPO the company issued new capital of 19,285,345 shares, raising a total of SEK 559 million before SEK 39 million in transaction costs.

The Group's net cash position at December 31, 2017 was SEK 533.4 million (68.9). Operating cash flow was SEK -107.5 million (-81.9). Equity at the end of the year was SEK 450.8 million (34.3), of which SEK 31.4 million (18.1) was share capital.

QUALITY APPROVALS

BONESUPPORT's quality system complies with the Medical Device Directive 93/42/EEC, ISO 13485 "Medical devices-Quality management systems- Requirements for regulatory purposes", the FDA's Quality System Requirements and other national regulations.

The company's products are Class III in Europe, and have to pass design examinations performed by the UK notified body BSI before CE marking; in United States the currently marketed products have 510(k) clearances.

ENVIRONMENT

The company's business does not require a permit under the Swedish Environmental Code (Miljöbalken). During the year the company continued to improve its local working environment. The head office in Lund received a custom design in 2017 in partly new office premises.

OPERATIONAL AND FINANCIAL RISKS

BONESUPPORT's main operational and financial risks are market penetration and the time it takes to obtain acceptance for the products, and therefore to generate revenues. Sales increased in the US in spite of the internal logistic problems our distributor in the US, Zimmer Biomet, is experiencing for some of its own products. This had an adverse impact on sales during the second half of 2017, as CERAMENT®|BVF is sold in combination with these products. If Zimmer Biomet products are missing, this affects how often the distributors of Zimmer Biomet visit hospitals.

There is currency exposure prinicipally related to EUR and USD. As revenues are mainly in these currencies, a weak SEK has a positive impact.

LEGAL DISPUTES

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

A more detailed description is presented in note 2.

LONG-TERM STRATEGIC ACTIVITIES

Strategy

BONESUPPORT's strategy is mainly:

- Development of convincing clinical data and health economic data
- Commercial focus on selected markets and indications
- Completion of the FORTIFY-study to facilitate the launch of CERAMENT G in the US
- Development of new products meeting market demand in the short, mid and long-term perspectives

BONESUPPORT will further develop additional convincing clinical and HEOR data to strengthen its postion in the markets for trauma, revision arthroplasty, chronic osteomyelitis and diabetic foot. BONESUPPORT sees also oppportunities for expansion into larger markets outside the US and Europe.

BONESUPPORT will continue to collect clinical evidence of safety and efficacy of the product to obtain approval for CERAMENT®|G in the US. BONESUPPORT plans to complete the ongoing FORTIFY study, which aims to show safety and better efficacy for the treatment of a challening orthopedic condition and obtain approval for a broad indication. The company expects a fast ramp-up-of CERAMENT®|G in the US based on how the products have been received among patients in Europe.

BONESUPPORT at present, has four product candidates in pre-clincial phase based on the CERAMENT®| platform in combination with other therapuetic agents, see the R&D section for more information.

Outlook

BONESUPPORT believes there is a large need and increased demand which will drive rapid growth of bone graft substitutes, above all because there are advantages compared with existing treatments such as autograft or allograft. CERAMENT®| is a uniquely positioned product with the opportunity to play an important role and take a significant part of this growth.

THE BOARD OF DIRECTORS AND ITS WORK

At the extraordinary general meeting in March 2017 Lennart Johansson was appointed as a new member of the Board. Current members of the Board are Håkan Björklund, Björn Odlander, Lars Lidgren, Nina Rawal, Tone Kvåle and Lennart Johansson.

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

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

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

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

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

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

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

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

More information can be found in the corporate governance report, which is presented separately from the management report, as well as in note 11 to the Annual Report.

SIGNIFICANT EVENTS AFTER YEAR-END

BONESUPPORT's Board of Directors decided on January 23, 2018 to appoint Emil Billbäck as the new CEO. Richard Davies left his position as CEO on February 28, 2018 and Emil Billbäck took up his duties on March 1, 2018. Emil Billbäck has several years of experience of medical devices, with 13 years in senior management roles at BSN Medical in USA and Germany. Richard Davies is available during the notice period until July 2018 and receives salary and other benefits. After the notice period Richard Davies receives severance pay of 12 months' salary as well as compensation for a bonus equivalent to approximately 4 monthly salaries, see more details in note 11.

BONESUPPORT February 1, 2018 repaid the remaining debt to Kreos Capital Ltd, SEK 93.3 million (EUR 9.5 million) and related fees reported in the booked debt of SEK 98.6 million. The termination cost of SEK 8.9 million was booked in 2017.

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 other group companies. BONESUPPORT HOLDING AB does not undertake any operational activity. BONESUPPORT HOLDING AB was registered on March 15, 2010 in conjunction with the restructuring of the group.

Management fees were debited in the goup in 2017. In the parent company, SEK 37.9 million (0) was reported as net sales and SEK 50.5 million (2.4) as administrative expenses. The parent company's operating expenses totaled SEK 50.5 million (2.4).

Unconditional shareholders' contributions of SEK 100 million (103.9) were made to BONESUPPORT AB during the year. Loss for the year was SEK -15.8 million (-3.9).

After the new share issue, equity increased to SEK 920.7 million.

Cash and bank balances at the end of the year totaled SEK 513.9 million (103.8).

FINANCIAL RISKS

The parent company's financial risks are in all material aspects the same as those of the group.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2017

The main owners at the end of the year were HealthCap V L.P 13.1%, Stiftelsen Industrifonden 9.5%, Lundbeckfonden 9.5%, Robur AB 8.9%, 3:e AP-fonden 8.0%, Tellacq AB 5.9% and Carl Westin Ltd 5,4%.

SHARE CAPITAL

At the extraordinary general meeting in April 2017 it was decided to consolidate shares at 5:1. The number of shares in BONESUPPORT HOLDING AB increased by 21,266,669 shares during the year, of which 19,285,345 shares were issued relating to the IPO. 1,603,324 shares relate to converted employee options and 378 000 relate to options. At December 31, 2017 the number of shares was 50,277,890, of which all are common stock with the voting power of one vote per share. The quotient value of each share is SEK 0.625 (0.125) SEK. BONESUPPORT HOLDNG AB does not hold any shares of its own. The number of shares should be not less than 50,000,000 and not more than 200,000,000.

THE BOARD'S PROPOSAL FOR APPROPRIATION

Appropriation parent company, SEK

Unrestricted equity in the parent company	
Share premium reserve	1,189,016,626
Accumulated losses	-283,883,945
Loss for the year	-15,815,298
Total	**889,317,383**

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

CONSOLIDATED INCOME STATEMENT

SEKt	Note	2017	2016
Net sales	4	129,301	104,599
Cost of sales	6, 7	-16,871	-16,312
Gross profit		**112,430**	**88,287**
Selling expenses	6, 10, 11,21	-92,858	-79,766
Research and development expenses	6, 10, 11	-60,636	-38,233
Administrative expenses	6, 8, 10, 11, 12	-57,478	-60,671
Other operating income	13	5,282	7,349
Other operating expenses	6, 14	-6,025	-5,711
Operating loss		**-99,285**	**-88,745**
Profit from financial items			
Finance income	15	5,723	2,825
Finance costs	15	-34,300	-23,646
Net financial items		**-28,577**	**-20,820**
Loss before income tax		**-127,862**	**-109,565**
Income tax	16	-1,007	-625
Loss for the year		**-128,869**	**-110,190**
Attributable to:			
Equity holders of the parent		-128,869	-110,190
Earnings per share (sek/share) calculated on earnings attributable to equity holders of the parent			
Earnings per share before dilution	23	-3.24	-4.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2017	2016
Loss for the year	**-128,869**	**-110,190**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	2	-74
Total other comprehensive income to be reclassified to profit or loss in subsequent periods:	0	0
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	2	-74
Total comprehensive income of the year	**-128,867**	**-110,264**
Attributable to:		
Equity holders of the parent	-128,867	-110,264
Non-controlling interests	0	0
Total comprehensive income of the year	**-128,867**	**-110,264**

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

CONSOLIDATED BALANCE SHEET

SEKt	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	18		
Capitalized development expenses		3,529	3,242
Patents		1,715	1,227
Total intangible assets		**5,244**	**4,469**
Tangible assets	19		
Equipment and tools		3,099	442
Total tangible assets		**3,099**	**442**
Other non-current assets			
Other receivables	21, 26	248	180
Total other non-current assets		**248**	**180**
Total non-current assets		**8,591**	**5,091**
Current assets			
Inventories	17		
Raw materials and consumables		12,171	10,494
Finished goods and goods for resale		9,908	3,995
Total		**22,079**	**14,489**
Current receivables			
Trade receivables	21, 26	20,678	20,242
Other operating receivables	21, 26	6,825	3,982
Prepaid expenses	22	5,144	3,504
		32,647	**27,728**
Cash and cash equivalents	26	533,367	141,501
Total current assets		**588,093**	**183,718**
TOTAL ASSETS		**596,684**	**188,809**

CONSOLIDATED BALANCE SHEET

SEKt	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	23	31,424	18,132
Other paid-in capital		1,189,015	669,552
Reserves		-304	-306
Accumulated losses including loss for the year		-769,349	-653,074
Total equity		**450,786**	**34,304**
Non-current liabilities			
Non-current borrowings	25, 26, 29	0	84,599
Provisions	24	173	164
Total non-current liabilities		**173**	**84,763**
Current liabilities			
Current borrowings	25, 26, 29	98,620	25,103
Trade payables	26	11,553	11,811
Income tax payable		798	587
Other operating liabilities		6,577	3,297
Accrued expenses	22, 26	28,177	28,944
Total current liabilities		**145,725**	**69,742**
Total liabilities		**145,898**	**154,505**
TOTAL EQUITY AND LIABILITIES		**596,684**	**188,809**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	Issued capital	Other paid-in capital	Reserves	Accumulated losses	Total equity
As at 1 January 2016	**15,686**	**564,372**	**-232**	**-559,498**	**20,328**
Comprehensive income					
Loss for the year				-110,190	-110,190
Other comprehensive income					
Exchange diff. on translation of foreign operations			-74		-74
Total comprehensive income	**0**	**0**	**-74**	**-110,190**	**-110,264**
Transactions with equity holders					
New share issue	2,446	96,744			99,190
Allotted warrants		8,436			8,436
Share-based payment transactions				16,614	16,614
Total transactions with equity holders	**2,446**	**105,180**	**0**	**16,614**	**124,240**
As at 1 January 2017	**18,132**	**669,552**	**-306**	**-653,074**	**34,304**
Comprehensive income					
Loss for the year				-128,869	-128,869
Other comprehensive income					
Exchange diff. on translation of foreign operations			2		2
Total comprehensive income	**0**	**0**	**2**	**-128,869**	**-128,867**
Transactions with equity holders					
New share issue	13,292	557,002			570,294
Transaction costs, new issure of shares		-39,101			-39,101
Allotted warrants		1,562			1,562
Share-based payment transactions				12,594	12,594
Total transactions with equity holders	**13,292**	**519,463**	**0**	**12,594**	**545,349**
As at 31 December 2017	**31,424**	**1,189,015**	**-304**	**-769,349**	**450,786**

Changes in reserves

Reserves comprise exchange differences on translation of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Note	2017	2016
Operating activities			
Operating loss		-99,285	-88,745
Non-cash adjustments	29	16,707	17,593
Interests received		3	4
Interests paid		-11,740	-11,644
Other paid financial costs		0	-9,868
Income tax paid		-737	-109
Net cash flows from operating activities before changes in working capital		**-95,052**	**-92,769**
Changes in working capital			
Increase (-) / decrease (+) in inventories		-6,557	653
Increase (-) in operating receivables		-8,579	-5,178
Decrease (+) in operating liabilities		2,654	15,379
Net cash flows from operating activities		**-107,534**	**-81,933**
Investing activities			
Investment in intangible assets	18	-1,574	-1,307
Investment in tangible assets	19	-3,037	-67
Disposal of tangible assets		-77	0
Net cash flows from investing activities		**-4,688**	**-1,374**
Financing activities			
New share issue		570,294	99,190
Allotted warrants		1,562	4,524
Transaction costs, new issure of shares		-39,101	0
Proceeds from borrowings		0	128,908
Repayments of borrowings	29	-27,922	-77,497
Net cash flows from financing activities		**504,833**	**155,125**
Net increase/decrease in cash and cash equivalents		**392,611**	**71,818**
Cash and cash equivalents as at 1 January	26	141,501	68,881
Net foreign exchange difference		-745	802
Cash and cash equivalents as at 31 December	26	**533,367**	**141,501**

PARENT COMPANY INCOME STATEMENT

SEKt	Note	2017	2016
Net sales		**37,873**	**0**
Operating expenses			
Administrative expenses	8, 11	-50,516	-2,385
Other operating income		23	11
Other operating expenses		-33	-16
Operating loss		**-12,653**	**-2,390**
Result from financial items			
Other interest expenses and similar expenses	15	-3,162	-1,519
Net financial items		**-3,162**	**-1,519**
Result after financial items		**-15,815**	**-3,909**
Income tax	16	0	0
Loss for the year*		**-15,815**	**-3,909**

*Parent Company net income equals comprehensive income

PARENT COMPANY BALANCE SHEET

SEKt	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Non-current financial assets			
Participations in group companies	20	503,912	403,912
Total non-current financial assets		**503,912**	**403,912**
Total non-current assets		**503,912**	**403,912**
Current assets			
Prepaid expenses	22	715	307
Total current assets		**715**	**307**
Cash	26	513,945	103,776
TOTAL ASSETS		**1,018,572**	**507,995**

PARENT COMPANY BALANCE SHEET

SEKt	Note	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	23	31,424	18,132
Total restricted equity		**31,424**	**18,132**
Unrestricted equity			
Share premium reserve		1,189,015	669,552
Accumulated losses		-283,883	-279,974
Loss for the year		-15,815	-3,909
Total unrestricted equity		**889,317**	**385,669**
Total equity		**920,741**	**403,801**
Current liabilities			
Trade payables		433	1,059
Liabilities to group companies	26	94,572	102,590
Other liabilities	26	1,667	0
Accrued expenses and prepaid income	22, 26	1,159	545
Current liabilities		**97,831**	**104,194**
TOTAL EQUITY AND LIABILITIES		**1,018,572**	**507,995**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Other paid-in capital	Accumulated losses	Total equity
As at 1 January 2016	**15,686**	**564,372**	**-279,974**	**300,084**
Comprehensive income				
Loss for the year			-3,909	-3,909
Total comprehensive income			**-3,909**	**-3,909**
Transactions with equity holders				
New share issue	2,446	96,744		99,190
Allotted warrants		8,436		8,436
Total transactions with equity holders	**2,446**	**105,180**		**107,626**
As at 1 January 2017	**18,132**	**669,552**	**-283,883**	**403,801**
Comprehensive income				
Loss for the year			-15,815	-15,815
Total comprehensive income			**-15,815**	**-15,815**
Transactions with equity holders				
New share issue	13,292	557,002		570,294
Transaction costs, new issue of shares		-39,101		-39,101
Allotted warrants		1,562		1,562
Total transactions with equity holders	**13,292**	**519,463**		**532,755**
As at 31 December 2017	**31,424**	**1,189,015**	**-299,698**	**920,741**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEKt	Note	2017	2016
Operating activities			
Operating loss		-12,653	-2,390
Interests paid		-3,162	-1,519
Net cash flows from operating activities before changes in working capital		**-15,815**	**-3,909**
Changes in working capital			
Increase (-) in operating receivables		-408	-118
Increase (+) in operating liabilities		1,655	1,579
Net cash flows from operating activities		**-14,568**	**-2,448**
Investing activities			
Shareholders contribution		-100,000	-100,000
Net cash flows from investing activities		**-100,000**	**-100,000**
Financing activities			
New share issue		570,294	99,190
Allotted warrants		1,562	4,524
Transaction costs		-39,101	0
Decrease/increase liabilities to subsidiaries		-8,018	41,867
Net cash flows from financing activities		**524,737**	**145,581**
Net increase in cash and cash equivalents		**410,169**	**43,133**
Cash and cash equivalents as at 1 January	26	103,776	60,643
Cash and cash equivalents as at 31 December	26	**513,945**	**103,776**

NOTES

NOTE 1
GENERAL INFORMATION, ACCOUNTING POLICIES

CORPORATE INFORMATION

BONESUPPORT group is an emerging leader of injectable drug eluting bone remodeling scaffolds for a variety of orthopedic indications. CERAMENT®| is a fully developed platform which is an injectable, synthetic bone substitute that mimics the properties of cancellous bone, allows for controlled resorption to support future bone ingrowth and is injectable under local anesthesia for minimally invasive surgery.

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

The Board of Directors approved these consolidated accounts on 26 April, 2018 which will be presented before the Annual General Meeting for adoption on 22 May, 2018.

ACCOUNTING PRINCIPLES OF THE GROUP

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

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

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

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

Implementation of new accounting policies:

The accounting policies applied include new and amended standards effective for periods beginning on 1 January 2017. None of these has had any major impact on the group's financial statements.

From 2016 the group practice IFRS 8 Rörelsesegment. The purpose of the implementation is to provide information for users of the financial reports. It will help the users to value the characteristics and financial impacts and environment of the business.

Besides those presented below, the standards, interpretations and changes which should be applied for the financial year 2018 or later will not, according to the initial judgement, have any major impact on the group's financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. IFRS 9 was adopted by the EU in November 2016. The implementation will not have any major impact on the group's financial statements given the current level of operations where trade receivables, other receivables and cash and cash equivalents are the only financial assets. The expected impact will come from changed principles for accounting for credit losses on trade receivables and additional disclosures. The Group will not restate previous periods at transition to IFRS 9.

IFRS 15 Revenue from contracts with customers replaces IAS 18 Revenue and IAS 11 Construction contracts and all related interpretations (IFRIC and SIC). According to IFRS 15 revenue is recognized when the customer obtains control over the sold goods or services, replacing previous principle where revenue is recognized when risks and rewards are transferred to the customer. The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to the customer. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018. There are two transition options "full retrospective" and "modified retrospective" with additional disclosures. The group will apply the standard from 1 January 2018 with full retrospective. The group's revenue is mainly generated by the sale of CERAMENT®| products being the only performance obligation. The implementation of IFRS 15 will therefore not have any effects of the financial statements other than additional disclosures. Revenue will be recognized when the customer obtains control over the sold goods, in general at time of delivery.

IFRS 16 Leases introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 applies to annual reporting periods beginning from 1 January 2019 and replaces IAS 17. The standard was adopted by the EU on 31 October 2017. Given the current level of leasing contracts in the group and the classification of these under IAS 17 it is concluded that the group's assets and liabilities are expected to increase, however not materially, since leases today classified as operating will be recognized as assets. The implementation of IFRS 16 will affect the financial statements but no analysis has yet been performed.

ESTIMATES, ASSUMPTIONS AND ASSESSMENTS

When preparing the company's financial statements, a number of assessments and estimates are made and assumptions that affect the application of accounting principles and the reported amounts in the income statement and balance sheet. The actual outcome may deviate from these estimates and assessments. Estimates and assessments are evaluated on the basis of historical experience and other factors, including expectations of future events. As of December 31, 2017, the assessment is that, with the exception of those reported under the Director's report in the section Operational and Financial Risks and Note 3, no estimates or assumptions have been made in the company's financial statements that may result in significant adjustments of the value of assets or liabilities in subsequent financial statements.

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

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

BASIS FOR CONSOLIDATION

The consolidated accounts include the parent company and its subsidiaries. The financial reports for the parent company and the subsidiaries,

included in the consolidated financial statements, refer to the same period and are prepared according to the accounting principles applicable to the group.

All the intra-group transactions, income, expenses, gains or losses, which arise in transactions between companies included in the consolidated accounts, are eliminated in full.

SUBSIDIARIES

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

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

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

TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

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

	USD	EUR	CHF
Closing day rate 31 December 2017	8.2322	9.8497	8.4281
The period's average rate 2017	8.5380	9.6326	8.6693
Closing day rate 31 December 2016	9.0971	9.5669	8.9111
The period's average rate 2016	8.5724	9.4400	8.6639

CONSOLIDATED STATEMENT OF CASH FLOWS

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

REVENUE AND REVENUE RECOGNITION

The group's revenue is mainly generated by the sale of the CERAMENT® products. Revenue has been recognized at the fair value of what has been received or will be received, excluding VAT. Revenue is recognized when the following criteria are fulfilled: delivery has taken place, selling price is final or can be determined to and payment is probable.

For distributors, delivery terms Ex Works apply to the company's premises in Lund, which means that the risk passes on to the buyer when the goods leave the warehouse and the revenue is recognized at this moment.

For end customers, Delivered Duty Paid is applied to be the customer's specified destination. This means that the delivery has taken place and revenue is recognized when the goods is available at the customer's stated address.

Sales agreements contain no right of return, this applies to both distributors and end customers. Warranty costs amount to immaterial amounts and therefore no warranty provision is recognized.

Interest income and expenses are recognized according to the effective interest method and are disclosed as finance income and expenses.

INTANGIBLE ASSETS

Capitalized development expenses and patents:

Expenses for the development of new products are accounted for as intangible assets when they have received regulatory approval by licensing authorities and if it is highly probable that such expenses will lead to economic benefits for the company. Capitalized development expenses are reported as intangible assets, and depreiation is made from the date the product is ready to use. The depreciation period is to the remaining patent period, but never longer than 15 years. Development costs that do not meet these criteria are expensed.

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

TANGIBLE ASSETS

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

FINANCIAL ASSETS

Trade and other receivables:

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, such as receivables from financial services or trade receivables. Receivables are initially recognized at fair value and subsequently at accrued acquisition value less any provision for impairment. Gains and losses attributable to receivables are recognized in the income statement. Interest rate effects arising from the application of the effective interest method are also recognized in the income statement. The fair value of current financial assets is considered to correspond to the book value due to the short maturity.

Impairment of trade and other receivables:

Significant financial difficulties at the debtor, probability that the debtor will go bankrupt or undergo financial reconstruction and failed or delayed payments (fallen due since more than 60 days) are considered as indicators that a write-down requirement for a customer debt may be required. The size of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The reserved amount is reported in the income statement. Recovering of previously written down amounts is credited to the income statement.

Cash and cash equivalents:

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

INVENTORIES

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

FINANCIAL LIABILITIES

Borrowing:

Borrowing is initially recognized at fair value, net of transaction expenses. Borrowing is thereafter accounted for at amortized cost. Gains and losses are recognized in profit and loss.

Trade payables:

Trade payables are classified as current liabilities and initially recognized at fair value and thereafter at amortized cost by applying the effective rate method. Due to the short maturity no material interest rate effect arises.

FOREIGN CURRENCIES

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

SHARE CAPITAL

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

REMUNERATION TO EMPLOYEES

Pensions:

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

Share based compensation:

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

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

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

DEFERRED TAX

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

OPERATING SEGMENTS

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

The group perform impairment test of investments in subsidiaries on a yearly basis or on indication of decrease in value. The impairment test is based on a cash flow analysis for the next six years.

The following differences exist between the group's and the parent company's accounting principles: Participations in subsidiaries are accounted for in the parent company according to the cost method.

In the parent company all lease contracts are accounted for according to rules of operational lease. The parent company observes the Annual Accounts Act's format for the income statement and statement of financial position, which among other things implies another format for equity.

NOTE 2
FINANCIAL RISK MANAGEMENT

Through its operations, the group is exposed to various types of financial risks. The operations are influenced by a number of factors, which may affect the company's result and financial position. The strategy includes the continuous identification and management of risks. Below are the financial risks considered the most important for BONESUPPORT's development and how the company addresses these risks.

Financial risks refer to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates and credit risks. BONESUPPORT has a comprehensive finance policy for both the parent company and the group, which regulates the assignment of responsibilities in financial matters between the Board of Directors, the CEO, the CFO and other group companies. The Board of Directors has an Audit Committee, which is responsible for monitoring the financial policy's design and, if necessary, proposing changes to the Board of Directors. The finance policy is characterized by low risk levels. A new finance policy was prepared and a more comprehensive risk evalutation was performed during 2017.

As an accounting policy for financial risks and risk management, BONESUPPORT applies IFRS 7 Financial Instruments: Disclosures and IFRS 13 Valuation at fair value.

MARKET RISK

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument will vary due to changes in market prices. Market risks are classified by IFRS into three types, interest rate risk, currency risk and other price risk. In addition, IFRS 7 deals with credit risk and liquidity risk. The market risk that primarily affects the group is currency risks.

Interest rate risk

Interest risk is the risk that the value of a financial instrument varies due to changes in market interest rates. Interest rate risk may consist partly of changes in fair value, price risk and changes in cash flow, cash flow risk. A significant factor affecting interest rate risk is the fixed interest rate period.

Balance TSEK	2017-12-31	2016-12-31
Financial liabilities –variable interest rate	–	–
Financial liabilities – fixed interest rate	98,620	109,702

Sensitivity analysis

At 31 December 2017 a general increase or decrease in interest rates is expected to have no impact on BONESUPPORT's result, as the loan run at fixed interest rate over the term of the loan, which is four years. Find more about loan facilities and interest terms in the Directors' Report, section Financial position and cash-flow, financing. On 1 February 2018 the loan was fully repaid.

CURRENCY RISK

BONESUPPORT is exposed to various types of currency risks.

Translation exposure

The exposure relates to currency risk fluctuations in the sale of goods in foreign currencies, so called transaction exposure. About 71% of the sales in BONESUPPORT AB is invoiced in USD and approximately 10% is invoiced in EUR and approximately 13% in GBP. This is only hedged to a small extent as some purchases also take place in EUR.

Sensitivity analysis

If all else equal, the USD is strengthened or weakened by 5% against the Swedish krona, the group's loss after tax fis affected by plus/minus approximately SEK 3.9 million, based on 2017 transactions.

Financial liabilities

BONESUPPORT also has financial liabilities, foreign currency loans, in EUR, which, when translated to SEK, is affected by currency fluctuations. If the EUR is weakened against the Swedish krona, it means a positive effect on the company's SEK accounting.

Sensitivity analysis

If all else equal, the EUR is strengthened or weakened by 5% against the Swedish krona, the group's loss after tax is affected by plus/minus approximately SEK 4.7 million per 31 December 2017.

Financial assets

Furthermore, the Swedish companies in the group have financial assets, in the form of trade receivables, which are mostly in foreign currency.

Sensitivity analysis

Since the trade receivables are mainly in USD, EUR and GBP, of which USD accounts for approximately 62% of the total, currency fluctuations may affect future cash flows. If all else equal, the USD is strengthended or weakened by 5% against the Swedish krona, the group's loss after tax is affected by plus/minus approximately SEK 0.6 million based on outstanding trade receivables as per 31 December 2017.

Equity

The sensitivity analysis in the table below shows the group's impact of changes in SEK against currencies and changes in USD against SEK. The figures are based on 2017 results and financial position.

+ implies a weakening of the Swedish krona
- implies a strenghening of the Swedish krona

SEK millions	+/- 5% USD	+/- 5% EUR	+/- 5% GBP
Equity	+/- 4.5	+/- 4.0	+/- 0.9

CREDIT RISK

The financial risk management involves exposure to credit risks. It is primarily counterparty risks associated with sales and claims on other counterparties. The risk of a counterparty failing to fulfill its obligation is limited by the choice of creditworthy counterparties and partly by limiting the involvement of each counterparty. Payment of receivables is continuously monitored and uncertain receivables are reserved on a regular basis. The risk that BONESUPPORT's customers fail to fulfill their commitments, i.e. not obtaining payments for trade receivables, is considered a customer credit risk. Estimated and realized customer losses amounted to SEK 2,641 thousand (712). See Note 21 for further information on trade receivables.

Liquidity risk:

Liquidity risks are assessed by liquidity planning over several years, if the liquid funds are sufficient for future cash flows. In case there is a risk the liquid funds are not sufficient, the company will well in time balance expenses against future revenue and/or seek alternative financing, by loans or similar.

NOTE 3
ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

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

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

INVENTORIES

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

VALUATION OF TAX LOSS CARRY FORWARDS

The possibilities for capitalization of deferred tax assets for tax loss carry forwards are investigated annually. Deferred tax receivables are only included in cases where future tax surpluses are likely to be available against which the temporary difference can be utilized. Despite the positive development at present, the likelihood that the company reports profit in 2018 is small.

VALUATION OF INVESTMENTS IN SUBSIDIARIES

The parent company is annually, or more frequently, evaluating wether there are any indicators of impairment in investments in subsidiaries, if recognition of an impairment loss is required. The recoverable amount of investments in subsidiaries has been determined by calculating value in use which require extensive estimates and assumptions. In these assumptions present values of forecasted future cash flows for the coming six years have been calculated using a discount rate of 20% after tax. When determining the discount rate, risk free interest rate, market premium, corporate specific capital structure and actual tax rate have been considered. Cash flows after the six year period have been extrapolated with a growth rate of 5% as an assumption of long term industry growth. The calculated value in use has been compared to the carrying value showing no impairment. A sensitivity analysis has been performed where different discount rates have been simulated. An increase in discount rate of 2 percentages shows no impairment. The result of the impairment test shows a surplus value why no recognition of impairment loss is required for investments in subsidiaries.

NOTE 4
OPERATING SEGMENTS

	2017				2016			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	78 ,127	51,174	0	129,301	68,868	35,731	0	104 ,599
Operating costs [1/]	- 59,319	-58,775	0	-118,094	-46,348	-47,929	-40,034	-134,311
Contribution	18,808	-7,601	0	11,207	22,520	-12,198	-40,034	-29,712
Other operating items [2/]	0	0	-110,492	-110,492	0	0	-59,033	-59,033
Operating result	18,808	-7,601	-110,492	-99,285	22,520	-12,198	-99,067	-88,745
Net financial items	0	0	-28,577	-28,577	0	0	-20,820	-20,820
Result before taxes	18,808	-7,601	-139,069	-127,862	22,520	-12,198	-119,887	-109,565
Net sales CERAMENT BVF	78,127	12,682	0	90,809	68,868	10,237	0	79,105
Net sales CERAMENT G, V	0	38,492	0	38,492	0	25,494	0	25,494

[1/] Operating costs are cost of goods sold, selling expenses, research and development costs.
[2/] Other operating items are administration costs, other income and other expenses.

BONESUPPORT manages and monitors operations in the North America (NA) and Europe & Rest of the World (EURW) segments. The sales function follows the segments, where each segment is managed by a responsible business manager, including members of group management. Other functions are organized mainly group-wide, although it is a minor development unit that operates in the United States. Other operating items include eliminations and other items. The costs included in other operating items are mainly costs for group functions that 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 allocatable operating cost (see definition above) for the segments.

There is no follow-up on either assets or liabilities on segment level, as management and follow-up of these are done by management and Board of Directors at group level.

Net sales in Sweden was SEK 3.2 million (2.4). Only one country delivered more than 10% of net sales, and it is the US. Net sales in the US was SEK 78.1 million (68.9) and the customer is an american distributor.

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

NOTE 5
INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to 150,656 SEKt (40,376). The parent company rendered services to group companies of 37,873 SEKt (0) and purchased services from group companies of 45,593 SEKt (0).

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	2017	2016
Changes in inventories of finished products and products in progress	11,310	5,240
Raw materials and consumables	-15,643	-9,001
Employee benefit expenses	-86,954	-78,751
Depreciation and amortization	-1,169	-1,346
Other expenses	-141,413	-116,835
Total	**-233,868**	**-200,693**

Other expenses mainly concern external services, advertising & public relations, travel expenses and exchange rate losses. Exchange rate losses amount to 6,006 SEKt (5,002).

NOTE 7
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

GROUP	2017	2016
Capitalized development expenses	787	1,132
Patents	12	12
Equipment and tools	370	202
Total	**1,169**	**1,346**

Depreciation is included in cost of goods sold.

NOTE 8
COMPENSATION TO AUDITORS

	Group		Parent Company	
	2017	2016	2017	2016
Ernst & Young				
Audit fees related to the assignment	1,249	487	65	94
Audit related fees	1,573	46	1,471	46
Fees for tax services	295	308	60	145
Other fees	524	965	253	913
Total	**3,641**	**1,806**	**1,849**	**1,198**

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

Audit fees have increased due to the company's new share issue and listing of the share at Nasdaq Stockholm.

Other fees include review of IT control, internal control, financial manual, quarterly report etc. in connection with the IPO.

NOTE 9
PERSONNEL (AVERAGE NUMBER)

	2017		
	Men	Women	Total
Parent Company:			
Sweden	0	0	0
Subsidiaries:			
Sweden	10	18	28
Germany	2	6	8
USA	11	5	16
The Netherlands	2	0	2
Switzerland	2	1	3
Total Subsidiaries	**27**	**30**	**57**
Total Group	**27**	**30**	**57**

	2016		
	Men	Women	Total
Parent company:			
Sweden	0	0	0
Subsidiaries:			
Sweden	7	18	25
Germany	3	2	5
USA	7	5	12
The Netherlands	1	0	1
Switzerland	3	0	3
Total Subsidiaries	**21**	**25**	**46**
Total Group	**21**	**25**	**46**

The number of emlpoyees in the tables above represent average full-time equivalents. At the end of the financial year, the Board of Directors was composed of 4 (3) men and 2 (2) women. The management comprised 8 (8) men and 5 (4) women.

NOTE 10
SALARY, OTHER COMPENSATION AND SOCIAL SECURITY

	2017		2016	
GROUP	Board & CEO	Other employees	Board & CEO	Other employees
Salary and other compensation				
Parent Company	1,009	0	0	0
Subsidiaries	4,499	63,619	4,890	54,837
Total	**5,508**	**63,619**	**4,890**	**54,837**

Social security all employees	2017	2016
Parent company	0	0
(of which pension cost)	0	0
Subsidiaries	11,021	10,663
(of which pension cost)	(3,329)	(2,531)
Total	**11,021**	**10,663**
(of which pension cost)	(3,329)	(2,531)

The managing director is employed in a subsidiary. The role as Head of HR was held by a consultant until October 16, 2017 when Helena L Brandt was employed. Salaries, social security and other compensation to this consultant is not included in note 10 as he was contracted through a consulting agreement. The costs amounted to 1,105 SEKt (209).

Social security costs for BONESUPPORT AB include social security fees on employee option benefits.

Above amounts do not include share-based remuneration. These are included in Note 11.

PARENT COMPANY

No salaries or compensation have been paid.

NOTE 11
COMPENSATION TO SENIOR EXECUTIVES AND RELATED PARTY TRANSACTIONS

Compensation to the CEO is decided by the board of directors on a proposal from the remuneration committee. Senior executives consisted of the CEO and an additional 12 (11) persons. For the group management, market conditions apply to salaries and other employment benefits, which are approved by the remuneration committee.

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

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

Compensation to chairman of the board, board of directors and senior executives, group

	2017			2016		
SEKt	**Salarie fees**	**Social security**	**Share based comp.**	**Salarie fees**	**Social security**	**Share based comp.**
Håkan Björklund *Chairman of the Board from 15 Dec 2016*	375	0	0	0	0	0
Oern Stuge *Chairman of the Board until 15 Dec 2016*	0	0	0	476	0	0
Nina Rawal *Director*	220	0	0	0	0	0
Johan Kördel *Director until 15 Dec 2016*	0	0	0	0	0	0
Lars Lidgren *Director*	150	0	190	0	0	467
Björn Odlander *Director*	175	0	0	0	0	0
Dan Pitulia *Director until 15 Dec 2016*	0	0	0	0	0	0
Tone Kvåle *Director from 15 Dec 2016*	275	0	0	0	0	0
Lennart Johansson *Director from March 2017*	220	0	0	0	0	0
Richard Davies *CEO*	4,499	328	7,511	4,414	615	13,116
Other senior executives *12(11) persons*	19,523	2,636	2,766	20,828	3,734	1,602

Compensation to the board of directors in the table above are yearly fees. In Note 10 fees for the period from Annual General Meeting until end of year are reported.

Bonus to the CEO amounts to 810 SEKt (1,137) and to other senior executives to 2,487 SEKt (2,738). For one of the senior executives the total variable compensation was 49% of the fixed salary. The agreement with this person was signed before the guidelines for remuneration to senior management were determined by the Annual General Meeting in April the same year. This particular agreement describes variable compensation in relation to total compensation, which makes the total variable compensation according to agreement, but not in line with the guidelines for remuneration to senior management that states 40%.

The CEO is entitled to a defined contribution pension of 300 SEKt per year. Premiums were paid corresponding to 18% of the base salary, of which the company paid half and the CEO paid half. For other senior executives the company pays pension premiums up to 35% of base salaries. The pension schemes are different since management, excluding the CEO, is based in five different countries. Pension premiums relating to the CEO were paid at 153 SEKt (149) and premiums to other senior executives were paid at 1,376 SEKt (850). Board directors have not received any pension.

On 23 January 2018 the board of directors decided to appoint Emil Billbäck as new CEO. Richard Davies left his position 28 February 2018, for further information see Note 30. Severance pay to the resigning CEO amounts to 12 months salary and compensation for average bonus for the years 2017 and 2016 equivalent of approximately 4 months salary, in total 4.2 SEKm. The amount will be paid 2018-2019 and has not been expensed in the income statement 2017.

BONESUPPORT AB has had an ongoing consultancy agreement with Professor Lars Lidgren's company Seagles AB. The agreement meant that Seagles AB received 175 SEKt per year for advice regarding the company's research and intangible assets. The agreement was ended during spring 2017 and an amount of SEK 43,750 for the first quarter only was paid. The agreement is decided upon yearly by the board of directors.

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

Furthermore, BONESUPPORT has acquired another patent by Professor Lars Lidgren's company Seagles AB. The purchase contains the patent rights

to a new CERAMENT®|-based carrier. The agreement was signed in December 2017 and the purchase price amounts to 2.0 SEKm in total, divided in three installments of which one of 500 SEKt has been paid.

NOTE 12
EMPLOYEE STOCK OPTION PROGRAMS

Employees in BONESUPPORT have the opportunity to receive employee stock options through three (five) programs running until 2025. The two oldest programs expired on December 31, 2017. In all programs the stock options for employees are gratuitous. The personal options in programs 3-4 entitle the holder, after share consolidation 5:1, to subscribe for 0.2 shares in BONESUPPORT HOLDNG AB at a price of 0.125 SEK. The fifth program entitles to subscription at the price of 5.30 SEK. The corresponding share price is 0.625 SEK and 26.50 SEK respectively.

A prerequisite for taking part in the stock option plans is an employment or contractual relationship on a recurring vesting date. The first program was fully vested in 2011 and the second program in 2013. For both programs 50% were vested two years after grant date and the remaining 50% after four years. The third program vests 37.5% 18 months after the grant date and then 12.5% after 24, 30, 36, 42 and 48 months. For programs four and five 25% will be vested 12 months after the grant date and then 2.1% at each subsequent month. In case of a trade sale all options are considered vested.

Warrants have been issued to cover the stock options. In 2016, shareholders decided to cancel 239,426 unallocated options from program 3. On 31 December 2017, the value of employee stock options in program 3-4 was 3.78 SEK (5.18) and 0.90-1.09 SEK (1.80) in program 5.

VALUATION – PROGRAM 5	09-11-2016
Dividend	–
Expected volatility	50%
Interest rate	0%
Valuation of the share (SEK) – recalculated after share consolidation 5:1	26.50
Valuation model	Black & Scholes

VALUATION – PROGRAM 4	01-01-2016
Dividend	–
Expected volatility	50%
Interest rate	0%
Valuation of the share (SEK) – recalculated after share consolidation 5:1	21.50
Valuation model	Black & Scholes

VALUATION – PROGRAM 3	01-01-2012
Dividend	–
Expected volatility	40%
Interest rate	3%
Estimated average duration (years)	9
Assumption of the share of employees remaining at the date of exercise	96%
Valuation of the share (SEK) – recalculated after share consolidation 5:1	21.50
Valuation model	Black & Scholes

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 5:	2017	2016
Outstanding at 1 January	2,804,420	0
Granted during the year	864,000	2,804,420
Cancelled during the year	-130,000	0
Outstanding at 31 December	3,538,420	2,804,420
Exercisable at 31 December	732,447	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 4:	2017	2016
Outstanding at 1 January	5,398,300	0
Granted during the year	0	5,398,300
Outstanding at 31 December	5,398,300	5,398,300
Exercisable at 31 December	2,637,361	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 3:	2017	2016
Outstanding at 1 January	14,431,732	13,061,158
Granted during the year	0	1,610,000
Cancelled during the year	0	-239,426
Reversed during the year	-163,625	0
Exercised during the year	-6,059,736	0
Outstanding at 31 December	8,208,371	14,431,732
Exercisable at 31 December	6,350,160	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAMS 1 AND 2:	2017	2016
Outstanding at 1 January	2,350,070	2,350,070
Expired during the year	-109,480	0
Exercised during the year	-1,956,913	0
Outstanding at 31 December*	283,677	2,350,070
Exercisable at 31 December*	283,677	0

*Exercised 2017 but converted to shares 2018.

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 of the options and a new fair value calculation is made quarterly. Volatility (50%) is a conservative valuation of market risk.

During 2017 the cost of employee stock option plans, including social security contributions, was recognized as operating income amounting to 11,241 SEKt (19,916). Accrued social security contributions amounts to 8,337 SEKt (14,496).

By the end of 2017 the resigning CEO, Richard Davies, holds 2,849,099 vested employee stock options.

NOTE 13
OTHER OPERATING INCOME

GROUP	2017	2016
Exchange rate gains	4,208	6,730
Capital gains of equipment and tools	0	3
Other	1,075	616
Total	**5,282**	**7,349**

NOTE 14
OTHER OPERATING EXPENSES

GROUP	2017	2016
Exchange rate losses	6,006	5,002
Loss from disposal of tangible assets	0	686
Other	19	23
Total	**6,025**	**5,711**

NOTE 15
RESULT FROM FINANCIAL ITEMS

GROUP	2017	2016
Interest income	3	4
Exchange rate differences on borrowings from financial institutions	5,720	2,821
Total financial income	**5,723**	**2,825**

	2017	2016
Interest expense	-16,993	-11,644
Exchange rate differences on borrowings from financial institutions	-8,372	-6,537
Exit fee loans	-8,935	-3,371
Other financial costs	–	-2,094
Total financial expenses	**-34,300**	**-23,646**

PARENT COMPANY	2017	2016
Interest expense, group	-3,162	-1,519
Total	**-3,162**	**-1,519**

NOTE 16
INCOME TAX

GROUP

The following components are included in the tax income of the year:

	2017	2016
Current tax on result for the year	-1,007	-625
Deferred tax income related to changes in temp. differences	0	0
Reported tax result	**-1,007**	**-625**

The difference between reported tax result and tax expense based on applicable tax rate consists of:

	2017	2016
Result before tax	-127,862	-109,565
Tax according to the applicable tax rate 22% (22%)	28,130	24,104

Tax effects from:

	2017	2016
Difference between Swedish and foreign tax rates	-373	-64
Non tax deductible items	-3,639	-4,181
Non taxable incomes	108	1
Adjustments not included in reported result	8,602	–
Tax deficits used for which no deferred tax assets has been accounted for	182	109
Current tax attributable to prior years	-17	-50
Loss carry forward for which no deferred tax asset has been recognized	-34,000	-20,544
Tax result for the year	**-1,007**	**-625**

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

PARENT COMPANY

Reported rax result:

	2017	2016
Reported tax result	0	0

The difference between reported tax result and tax expense based on applicable tax rate consists of:

	2017	2016
Result before tax	-15,815	-3,909
Tax according to the applicable tax rate 22% (22%)	3,479	860

Tax effects from:

	2017	2016
Non tax deductible items	0	0
Adjustments not included in reported result	8,602	0
Loss carry forward for which no deferred tax asset has been recognized	-12,081	-860
Tax expense for the year	0	0

The parent company's prevailing income tax rate is 22% (22%).

GROUP

The group's total loss carry forwards as per 31 December, 2017 amount to approximately 604 SEKm (449) whereof 64 SEKm (9) refers to the parent company. Deferred tax assets attributable to the loss carry forwards have been valued at zero as it is currently not possible to assess when tax losses carry forwards can be utilized. The tax loss carry forwards have no fixed maturity.

NOTE 17
INVENTORIES

	31 Dec 2017	31 Dec 2016
Raw material and consumables	12,171	10,494
Finished goods and goods for resale	9,908	3,995
Total	**22,079**	**14,489**

Changes in inventory are classified as costs of goods sold and amount to 10,975 SEKt (5,240).

Impairment write-down of inventory to net realizable value due to products with short durability or other impairment risk amounts to 480 SEKt (1 529).

NOTE 18
INTANGIBLE ASSETS

GROUP

Capitalized development expenses:

	31 Dec 2017	31 Dec 2016
Opening acquisition value	10,073	63,197
Investments	1,074	647
Disposals	0	-53,771
Closing accumulated acquisition value	**11,147**	**10,073**
Opening amortization	-6,831	-11,297
Disposals	0	5,598
Amortization for the year	-787	-1,132
Closing accumulated depreciation	**-7,618**	**-6,831**
Opening impairment	0	-47,545
Disposals	0	-47,545
Closing accumulated impairment	**0**	**0**
Closing book value	**3,529**	**3,242**

Patents:

	31 Dec 2017	31 Dec 2016
Opening acquisition value	1,283	8,123
Investments	500	660
Disposals	0	-7,500
Closing accumulated acquisition value	**1,783**	**1,283**
Opening amortization	-56	-3,225
Disposals	0	3,181
Amortization for the year	-12	-12
Closing accumulated depreciation	**-68**	**-56**
Opening impairment	0	-4,319
Disposals	0	4,319
Closing accumulated impairment	**0**	**0**
Closing book value	**1,715**	**1,227**

NOTE 19
TANGIBLE ASSETS

GROUP

Equipment and tools:

	31 Dec 2017	31 Dec 2016
Opening acquisition value	5,248	5,192
Investments	3,037	67
Translation difference	-10	-11
Closing accumulated acquisition value	**8,275**	**5,248**
Opening depreciation	-4,806	-4,601
Depreciation for the year	-370	-202
Closing accumulated depreciation	**-5,176**	**-4,806**
Closing book value	**3,099**	**442**

NOTE 20
PARTICIPATIONS IN GROUP COMPANIES

PARENTCOMPANY	31 Dec 2017	31 Dec 2016
Opening acquisition value	701,698	597,786
Shareholders contribution	100,000	103,912
Accumulated acquisition value	**801,698**	**701,698**
Opening write-down	-297,786	-297,786
Accumulated write-down	**-297,786**	**-297,786**
Closing book value	**503,912**	**403,912**

	Share of equity %	Number of shares	Book value 31 Dec 2017	Book value 31 Dec 2016	Corporate reg. no.	Reg. office
BONESUPPORT AB	100	1,000	503,912	403,912	556800-9939	Lund

SUBSIDIARIES OF BONESUPPORT AB:

	Share of equity %	Number of shares	Book value 31 Dec 2017	Book value 31 Dec 2016	Corporate reg. no.	Reg. 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	Zurich
BONESUPPORT UK Ltd	100	1	0	0	10352673	London
BONESUPPORT Incentive AB	100	100,000	100	100	556739-7780	Lund

NOTE 21
TRADE RECEIVABLES AND OTHER RECEIVABLES

GROUP	31 Dec 2017	31 Dec 2016
Trade receivables	20,678	20,242
Other receivables	7,073	4,162
Total	**27,751**	**24,404**

Other receivables above refer to:

	31 Dec 2017	31 Dec 2016
VAT receivable	4,891	2,430
Other receivables	2,182	1,732
Total other receivables	**7,073**	**4,162**

Credit exposure:

	31 Dec 2017	31 Dec 2016
Trade receivables neither past due nor written off	9,475	16,821
Trade receivables past due date not written off	11,203	3,421
Trade receivables written off	3,169	780
Provision for bad debts	-3,169	-780
Total trade receivables	**20,678**	**20,242**

The result was charged with 2,641 SEKt (712) in losses due to impaired trade receivables.

No significant credit risk is deemed to exist in past due but not written-down receivables.

Due date for trade receivables past due but not written off:

	31 Dec 2017	31 Dec 2016
Less than 1 month	1,977	1,865
1-3 months	1,380	1,283
More than 3 months	7,846	273
Total	**11,203**	**3,421**

Changes in provisiosn for bad debts:

	31 Dec 2017	31 Dec 2016
Per 1 January	780	371
Provision for bad debts	3,169	780
Recovery provision for bad debts	-780	-371
Per 31 december	**3,169**	**780**

No other write-downs have been made in other categories of trade receivables and in other receivables.

The 4 (4) largest customers represent 68% (70%) of the total trade receivables. The single largest customer stood for 56% (59%).

Group's trade receivables per currency:

	31 Dec 2017	31 Dec 2016
USD	11,632	11,981
SEK	338	265
EUR	4,663	4,155
GBP	2,499	2,367
DKK	620	336
CHF	926	1,138
Total	**20,678**	**20,242**

NOTE 22
ACCRUALS AND PREPAID ITEMS

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Prepaid expenses:				
Prepaid rents	781	325	0	0
Other prepaid expenses	4,363	3,179	715	307
Total	**5,144**	**3,504**	**715**	**307**
Accrued expenses:				
Accrued social security contributions for employee stock options	8,337	14,496	0	0
Accrued employee expenses	8,402	7,928	0	0
Other accrued expenses	11,438	6,520	1,159	545
Total	**28,177**	**28,944**	**1,159**	**545**

NOTE 23
SHARE CAPITAL AND EARNINGS PER SHARE

Total number of shares, quotient value SEK 0.625 (0.125)	50,277,890
Number of shares – 31 December 2015	**125,485,350**
New share issue – 24 October 2016	19,570,753
Number of shares – 31 December 2016	**145,056,103**
Consolidation of shares 12 April 2017	-116,044,882
New share issue 20 June 2017	17,241,379
Conversion of warrants 29 June 2017	378,000
New share issue 21 July 2017	2,043,966
Conversion of employee stock options 21 August 2017 – 12 December 2017	1,603,324
Number of shares 31 December 2017	**50,277,890**
Number of votes	**50,277,890**

The total number of shares at 31 December 2017, 50,277,890 (145,056,103) are common shares. The share capital amounts to 31,424 SEKt (18,132). In april 2017 consolidation of shares 5:1 was decided. In connection with the listing of the share on Nasdaq Stockholm in June 2017, 17,241,379 new shares were issued. Warrants granted to Tellacq AB were converted to 378,000 new shares 29 June 2017. In July 2017 an over allotment option was exercised and further 2,043,966 shares were issued. During the period August to December 2017, 1,603,324 shares were issued from exercise of employee stock options. In October 2016 a new share issue of total 103,714 SEKt, whereof 2,446 SEKt increased the share capital. Out of the total new share issue amount, 4,524 SEKt relates to warrants.

EARNINGS PER SHARE – BEFORE DILUTION

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

	2017	2016
Loss for the year, SEKt	-128,869	-110,190
Weighted average number of shares, thousands	39,826	25,837
Earnings per share before dilution, SEK	-3.24	-4.26

In above table weighted average number of shares 2016 has been recalculated for comparison due to the consolidation of shares 5:1 performed in April 2017. Weighted average number of shares before consolidation of shares was 129,185 thousand and earnings per share was -0.85 SEK.

EARNINGS PER SHARE – AFTER DILUTION

BONESUPPORT has in total 4,243,991 (6,576,018) potential shares in form of employee stock options and warrants. The number as per end of 2017 excludes 90,876 issued in January 2018. These refer to employee stock options exercised in December 2017 but registration of the new shares was done in January 2018. The number of outstanding options as per end of 2016 has been recalculated to reflect the consolidation of shares 5:1 described above. The number before recalculation was 32,880,090. During 2016, 4,900,000 warrants (corresponding to 980,000 shares) were issued to Tellacq AB in connection with the share issue. During 2017, 1,890,000 of these have been exercised and the remaining number has expired. In connection with the signing of the new loan portfolio, 2,995,568 warrants (corresponding to 599,113 shares after consolidation) have been issued to Kreos Capital. Further information about these warrants is to be found in Note 25. Remaining potential shares refers to employee stock options.

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

NOTE 24
PROVISIONS

The group has a capitalized direct pension to a former CEO. This has been net presented in the balance sheet. Payroll tax of 173 SEKt (164) relating to the pension has been recorded as provision.

NOTE 25
LOANS FROM FINANCIAL INSTITUTIONS

	Interest rate	Due date	31 Dec 2017	31 Dec 2016
13 383 TEUR venture loan	11%	2020	98,620	109,702
Total			**98,620**	**109,702**

On 30 September 2016 the previous credit facility was replaced by a larger amount of 22.3 EURm, of which 13.4 EURm has been utilized. The facility term was four years and has been amortized monthly. The nominal interest rate is 11.0% and the effective interest rate is 16.2%. Of the book value of 98,620 SEKt (109,702) 0 SEKt (84,599) is reported as non-current and 98,620 SEKt (25,103) as current. BONESUPPORT has voluntarily ended the agreement and the debt has been paid in full on 1 February 2018, see Note 30. The loan has initially been reported at fair value, net of transaction costs, and subsequently at accrued acquisition value.

In connection with the new loan agreement, a total of 2,995,568 warrants (corresponding to 599,113 shares after consolidation 5:1) were issued free fo charge to a lender-related fund. Each warrant entitles the tholder to subscribe for one share in BONESUPPORT HOLDING AB at the price of 21.50

SEK (4.30 SEK before consolidation of shares 5:1). The value of the options, 3,912 SEKt, has been recognized in equity, in the item other capital contributed. The counter item is the acquisition value of the loan. The warans were reported at fair value 1.31 SEK per option, at the date of issue September 30 2016. The valuation is based on a number of parameters where the volatility is set at 50% and interest rate is 0%.

The warrants have been accelerated as the company's shares have been listed on a public exchange during 2017 and may be exercised up till the day four years after the listing, i.e. 21 June 2021. The original expiration date, before acceleration, was 27 October 2023. The warrants are subject to customary conversion rules in connection with issues etc.

For the loan, a number of collateral has been disclosed as described in Note 28. These were released on the same day as the loan was repaid, 1 February 2018. The unutilized portion of the credit facility, 8.9 EURm, was available until 30 September 2017 but was not drawn. Special conditions for use was set, such as a completed new issue of at least 150 SEKm, presentation of new warrants to the creditor and change of control clauses.

The loan agreement does not include any terms of fulfilment of key ratios (covenants).

The fair value of the loan at the end of the financial year is shown in Note 26. As per 31 December 2017, fair value is estimated to be in accordance with reported value due to the short period of time until repayment.

NOTE 26
CLASSIFICATION OF FINANCIAL INSTRUMENTS

Recorded and fair values on the group's financial assets and liabilities are as below:

	Recorded amounts 31 Dec 2017	Fair values 31 Dec 2017	Recorded amounts 31 Dec 2016	Fair values 31 Dec 2016
Financial assets:				
Other receivables	859	859	858	858
Trade receivables	20,678	20,678	20,242	20,242
Cash and cash equivalents	533,367	533,367	141,501	141,501
Financial liabilities:				
Borrowings from financial institutions	98,620	98,620	109,702	107,986
Trade payables	11,553	11,553	11,811	11,811
Accrued liabilities	19,432	19,432	20,018	20,018

Recorded and fair values on the parent company's financial assets and liabilities are as below:

	Recorded amounts 31 Dec 2017	Fair values 31 Dec 2017	Recorded amounts 31 Dec 2016	Fair values 31 Dec 2016
Financial assets:				
Cash and cash equivalents	513,945	513,945	103,776	103,776
Financial liabilities:				
Trade payables	433	433	1,059	1,059
Liabilities to group companies	94,572	94,572	102,590	102,590
Other liabilities	57	57	0	0
Accrued expenses	1,159	1,159	545	545

All financial assets are classified as loans and receivables. All financial liabilities are valued at amortized cost. The fair value of financial assets and liabilities is estimated to be in accordance with the booked value due to the short maturity. The loan from Kreos Capital has been reported as current as per 31 December 2017 as it was repaid on 1 February 2018. For information on loans, see Note 25.

Loans have initially been reported at fair value, net after transaction costs, and subsequently at amortized cost. The calculation of fair value as per 31 December 2016 is based on a calculation of net present value of future monthly amortizations and interest payments. In the calculation, an interest rate of 12.9% has been used, which is assumed to be at arms length. The valuation is classified in hierarchy level 2, as observable data on interest exist.

Accrued income and 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 customer losses are described in Note 21.

NOTE 27
COMMITMENTS

OPERATING LEASE CONTRACTS

The Group leases office, warehouse space as well as cars. The contracts are adjusted to market terms. The nominal value of the future minimum lease charges for lease contracts are distributed as below:

GROUP	31 Dec 2017	31 Dec 2016
Fall due within 1 year	4,164	2,264
Fall due later than 1 but within 5 years	12,563	3,984
Total	**16,727**	**6,248**

No leasing contracts last longer than five years.

The parent company is not engaged in any operational lease contracts.

Total expenses relating to operating leases in the group amounted to 3,286 SEKt (2,373).

FINANCIAL LEASE CONTRACTS

The group is not involved in any financial lease contracts at the end of the financial years 2017 and 2016.

NOTE 28
PLEDGED COLLATERAL AND CONTINGICIES

Loan agreement with Kreos Capital

In connection with the signing of the loan agreement with Kreos Capital in September 2016, a number of collateral was issued to the lender. The agreement was voluntarily ended by BONESUPPORT and the loan was fully repaid on 1 February 2018. Pledged collateral were released the same day.

At the end of 2017 and 2016 the parent company had the following pledged collaterals issued:
- The shares in BONESUPPORT AB
- Any intra-group receceivables on BONESUPPORT AB. At the end of 2017 and 2016 the parent company had no claims on BONESUPPORT AB.

In addition, the group had the following pledged collaterals issued:
- The shares in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH
- Floating charge of 35 SEKm
- Patent groups in the United States, Sweden and Germany
- Bank balances in USD in respect of payments from Zimmer Biomet
- Trade receivables in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH
- Bank balances in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH

Other pledged collateral:
- Capitalized direct pensions 558 SEKt (558)

At the end of 2017 and 2016, the group and the parent company had no contingent liabilities.

NOTE 29
ITEMS NOT INCLUDED IN THE CASH FLOW AND CHANGES IN LOANS

GROUP – ITEMS NOT INCLUDED IN CASH FLOW

	2017	2016
Depreciation and impairment	1,169	1,346
Costs employee stock option program	12,594	16,613
Unrealized exchange rate differences	1,375	-1,970
Write-down on trade receivables	2,641	712
Gain on disposals of equipment and tools	0	627
Other	-1,072	265
Total	**16,707**	**17,593**

GROUP – CHANGES IN LOANS

	Loans
Opening balance 1 January 2017 – current borrowings	25,103
Opening balance 1 January 2017 – non-current borrowings	84,599
Total opening balance 1 January 2017	**109,702**
Cash flows:	
Amortizations	-27,922
Not affecting cash flows:	
Exit fee	8,935
Interest expenses	5,253
Unrealized exchange rate effects	2,652
Closing balance 31 December 2017 – current borrowings	98,620
Total closing balance 31 December 2017	**98,620**

NOTE 30
EVENTS AFTER THE CLOSING DAY

BONESUPPORT's board decided 23 January to appoint Emil Billbäck as new CEO. Richard Davies left his position 28 February 2018 and Emil Billbäck was appointed 1 March 2018. Emil Billbäck has many years of experience from the medtech products, among those 13 years in leading positions in BSN Medical in the US and Germany. Richard Davies receives salary during the notice period until July 2018, thereafter a severance payof 12 months salary and a bonus compensation of approximately 4 months salary, see more details in note 11.

BONESUPPORT repaid 1 February 2018 the remaining debt to Kreos Capital Ltd, 93.3 SEKm (9.5 MEUR) and related fees part of the booked debt amount of SEK 98.6 million. The termination cost of SEK 8.9 million was booked in 2017.

NOTE 31
PROPOSAL FOR APPROPIATION

The Board's proposal for appropriation

Appropriation parent company, SEK

Unrestricted equity in the parent company	31 Dec 2017	31 Dec 2016
Share premium reserve	1,189,016,626	669,552,710
Retained earnings	-283,883,945	-279,973,736
Loss for the year	-15,815,298	-3,910,209
Total	**889,317,383**	**385,668,765**

The Board of Directors propose that the share premium reserve, retained earnings and loss for the year should be carried forward. The proposal will be presented at the Annual general meeting on 22 May 2018.

THE BOARD'S ASSURANCE

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

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

Lund 26 April 2018

Emil Billbäck
CEO

Håkan Björklund
Chairman of the Board

Lennart Johansson
Director

Tone Kvåle
Director

Lars Lidgren
Director

Björn Odlander
Director

Nina Rawal
Director

Our audit report was issued on 27 April 2018
Ernst & Young AB

Johan Thuresson
Certified Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of BONESUPPORT HOLDING AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 24-54 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 2017 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 2017 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 2017 amounted to KSEK 129,301 in the consolidated income statement. The revenue recognition principles are described in Note 1. Revenues are reported at the fair value of what has been or will be received, excluding VAT. Sales are reported when delivery has taken place, the sales price is determined or can be determined, and payment is deemed likely. Due to the company's expectations of high future sales growth, great focus is put on new markets and new customer agreements. Revenue is generated through two channels with different delivery terms. Based on the different delivery terms the company assessed when to record a revenue. We have thus considered revenue recognition to represent a key audit matter.

How our audit addressed this key audit matter

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

We have audited disclosures in the annual report.

SHARES IN SUBSIDIARIES

Description

The carrying amount of shares in subsidiaries per 31 December 2017 amounts to KSEK 503,912 in the parent company's balance sheet, which corresponds to 49.5% 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 tests used by the company, and evaluated the company's sensitivity analyses.

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 1-23, 58 and 63-67. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

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

AUDITOR'S RESPONSIBILITY

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

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

We also:

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 2017 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.

Ernst & Young AB, Box 7850, 103 99 Stockholm was appointed auditor of BONESUPPORT HOLDING AB (publ) by the general meeting of the shareholders on 12 April 2017 and has been the company's auditor since 22 April 2010. BONESUPPORT HOLDING AB (publ) has been a company of public interest since 21 June 2017.

Malmö 27 April 2018
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

BONESUPPORTS SHARE

BONESUPPORTs share was listed at NASDAQ Stockholm 21 June 2017. There is only on class of share, A-shares. The listing price was SEK 29 per share. Highest share price during 2017 was SEK 32.90 and lowest was SEK 17.40 per share. Closing share price 31 dec 2017 was SEK 19.50.

Share capital and number of shares
Share capital by the end of the year was 31,424 SEKt. A consolidation of shares (5:1) was done in April. A new share issue in relation to the IPO generated 19,285,345 new shares.

Ownership structure
At the end of 2017, BONESUPPORT had 868 shareholders, where Swedish shareholders accounted for 95.5% of both capital and votes.

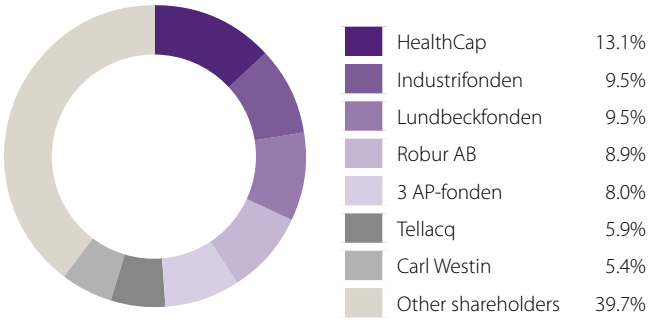
Share turnover
During the period 21 June to 31 December 2017, no of shares traded were 6,109,191 number of shares. Average share turnover was SEK 1.2M per trading day.

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

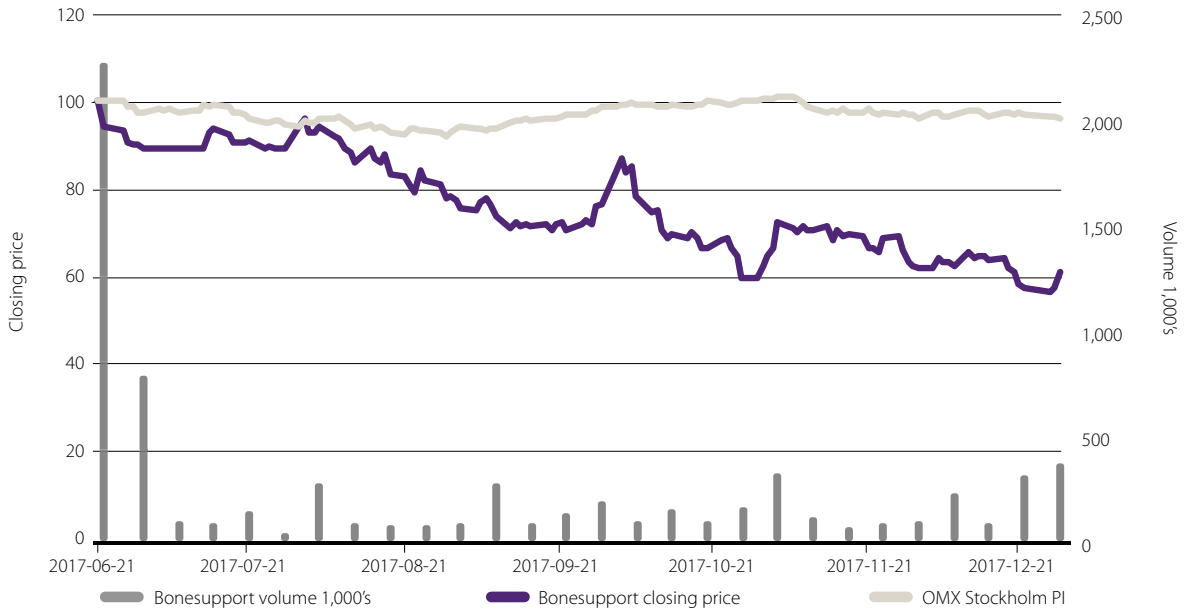
DEVELOPMENT NUMBER OF SHARES 2017

Date	Event	No of shares	Accumulated
1 January, 2017	Opening balance		145,056,103
April 2017	Consolidation of shares (1:5)	-116,044,882	29,011,221
June-July, 2017	New issue of shares, in connection with the IPO	19,285,345	48,296,566
July, 2017	Conversion of options to shares	378,000	48,674,566
July-December, 2017	Conversion of employee options to shares	1,603,324	50,277,890
31 December, 2017			50,277,890

LARGEST SHAREHOLDERS 31 DECEMBER 2017



BONESUPPORT CLOSING PRICE VS INDEX



CORPORATE GOVERNACE REPORT

BONESUPPORT HOLDING AB (publ) (**"BONESUPPORT"**) is a Swedish public company with its registered office in Lund, Sweden. The Company's shares are listed on Nasdaq Stockholm and are traded under the ticker symbol BONEX. BONESUPPORT's corporate governance is based on applicable laws, rules and recommendations for listed companies, such as the Swedish Corporate Governance Code (the **"Code"**), Nasdaq Stockholm's Rule Book for Issuers, BONESUPPORT's articles of association and company specific rules and guidelines. During the financial year 2017, the Code has been applied by BONESUPPORT without any deviations.

General meeting

The annual general meeting, or as applicable, the extraordinary general meeting, is the supreme decision-making body of BONESUPPORT in which all shareholders are entitled to participate. The annual general meeting resolves for example on changes in the articles of association, election of board of directors and auditor, adoption of the income statement and balance sheet, discharge from liability for the board of directors and the CEO, allocation of result, principles for appointment of the nomination committee and guidelines for remuneration to senior executives.

At the annual general meeting held on 12 April 2017, three shareholders were represented, corresponding to 44.92 per cent of the total number of shares and votes in the Company. Håkan Björklund was elected as chairman of the meeting. At the annual general meeting 2017, inter alia the following resolutions were adopted: determination of directors' and auditors' fees, re-election of Håkan Björklund, Björn Odlander, Nina Rawal, Lars Lidgren, Tone Kvåle and Lennart Johansson as ordinary board members. Håkan Björklund was re-elected as chairman of the board of directors, re-election of Ernst & Young AB as auditor with authorized public accountant Johan Thuresson as auditor in charge, change of company category and amendment to the articles of association, directed new issue of shares and consolidation of shares, authorization for the board of directors to, during the time up until the next annual general meeting, at one or several occasions, with or without deviation from the shareholders' preferential rights, and with or without provisions regarding payment in kind or through set-off or other provisions, resolve to issue shares, adoption of instruction and charter for the nomination committee, adoption of guidelines for remuneration to senior executives.

The annual general meeting 2018 will be held Tuesday 22 May 2018, 10 a.m., at the Elite Hotel Ideon, Scheelevägen 27 in Lund. For further information on the annual general meeting, please see BONESUPPORT:s website. A shareholder is entitled to participate with and vote for all its shares at a general meeting.

Nomination committee

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

In accordance with the adopted instruction, a nomination committee for the annual general meeting 2018 has been constituted consisting of Jacob Gunterberg (chairman) representing HealthCap V LP, Johan Kördel representing Lundbeckfonden Invest A/S and Jonas Jendi representing Stiftelsen Industrifonden as well as the chairman of the board, Håkan Björklund. The composition of the nomination committee was announced on 22 November 2017.

Ahead of the annual general meeting 2018, the nomination committee has held 5 formal meetings and has had continuous contacts in between. The Nomination Committee has followed the instruction adopted at the annual general meeting on 12 April, 2017.

In its work, the nomination committee has applied Rule 4.1 of the Swedish Corporate Governance as diversity policy, whereby the nomination committee has considered that the board, with regard to the Company's business, stage of development and circumstances in general, shall be characterized by diversity and breadth with respect to qualifications, experience and background of the board members and that an even gender balance shall be strived for.

External Audit

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

At the annual general meeting held on 12 April 2017, Ernst & Young AB was re-elected as the Company's auditor with authorized public accountant Johan Thuresson as auditor in charge. At the annual general meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. Further information regarding the fees to the auditor, can be found in Note 8 in the annual report.

The board of directors

After the general meeting, the board of directors is the highest decision-making body of the Company. The board of directors shall be responsible for the organization and management of the Company's affairs, for example by establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assess the Company's financial position and evaluate the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The board of directors also appoints the Company's CEO and determines his/her salary and other remuneration on the basis of the guidelines adopted by the general meeting.

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

According to the Code, the majority of the board members elected by the general meeting shall be independent of the Company and its management. Furthermore, at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders. Major shareholders refer to shareholders who directly or indirectly control ten percent or more of all shares and voting rights in the Company.

In determining whether or not a board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the board member in relation to the Company, its management or the major shareholder. A board member who is an employee or a board member of a company that is a major shareholder is not considered to be independent.

All members of the board elected by the General Meeting, except Björn Odlander, are independent in relation to the Company, its management and major shareholders. Björn Odlander is independent in relation to the Company and its management but not major shareholders. As indicated, the board of directors believes that the Company fulfils the Code's requirement in regard to independence. The members of the board of directors are presented on page 63.

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

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

The board of directors meets according to a pre-determined annual schedule and in addition to the constituent board meeting, at least six ordinary board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings. The board of directors' work during the year has followed the framework described above. The number of meetings in 2017 has been 17. See table below for attendance.

Member	Meetings
Håkan Björklund	17/17
Björn Odlander	16/17
Lars Lidgren	17/17
Nina Rawal	17/17
Tone Kvåle	14/17
Lennart Johansson	14/14

REMUNERATION TO THE BOARD OF DIRECTORS

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

Name	Member of	Remuneration
Håkan Björklund	Chairman of the Board, Chairman of the Remuneration committee	375
Lennart Johansson	Member of the Board of Directors, Member of the Audit Committee	220
Tone Kvåle	Member of the Board of Directors, Chairman of the Audit Committee	275
Lars Lidgren	Member of the Board of Directors	150
Björn Odlander	Member of the Board of Directors, Meber of the Remuneration Committee	175
Nina Rawal	Member of the Board of Directors, Meber of the Audit Committee	220

Audit committee

The audit committee's role is mainly to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The audit committee shall also assist the nomination committee in proposals for decisions on the election and remuneration of the auditor. The audit committee is comprised of Tone Kvåle (chairman), Nina Rawal and Lennart Johansson.

The aduit committees work during the year has followed the framework described above. During the financial year 2017, the audit committee has had 7 meetings and discussed matters regarding the Company's control system, review of quarterly reports and assessment of the auditor's work and risk management. See table below for attendance.

Member	Meetings
Tone Kvåle	7/7
Nina Rawal	4/7
Lennart Johansson	5/5

Remuneration committee

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

The remuneration committees work during the year has followed the framework described above. During the financial year 2017 and until the Annual General Meeting 2018, the remuneration committee has had 6 meetings and discussed matters regarding the CEO's and other senior management's bonus for 2017, bonus criteria for 2018 as well as salary revision for 2018. See table below for attendance.

Member	Meetings
Håkan Björklund	6/6
Björn Odlander	6/6

The CEO and other senior executives

The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out the Company's ongoing management

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

BONESUPPORT has a management team consisting of ten people, as per today, including the CEO. For further information on senior management, see page 64-65.

REMUNERATION TO SENIOR MANAGEMENT

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

For the financial year 2017, the CEO and other members of senior management received salary and other remuneration as set out in the table below. All amounts in SEK thousand.

TSEK	Salary	Social costs	Share-based compensation	Bonus
CEO	4,499	328	7,511	810
Other senior management	19,523	2,636	2,766	2,487

Guidelines for remuneration to senior management

According to the Swedish Companies Act, the general meeting shall determine the guidelines for remuneration to the CEO and other senior executives. At the annual general meeting held on 12 April 2017, guidelines were adopted with the following main content.

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

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

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

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

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

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

The board of directors has proposed that the annual general meeting to be held Tuesday 22 May 2018, should resolve on essentially unchanged guidelines for remuneration to apply until the annual general meeting in 2019.

Internal control

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

The overall purpose of the internal control is to, to a reasonable degree, ensure that the Company's operating strategies and targets are monitored and that the owners' investments are protected. Furthermore, the internal control shall ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with generally accepted accounting principles and that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The internal control consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring. There is no function for internal auditing in the company.

1. Control environment

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

2. Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the Company are not met. BONESUPPORT's management team has, in a specific risk assessment

document, identified and evaluated the risks that arise in the Company's operations, and has assessed how these risks can be managed. Within the board of directors, the audit committee is primarily responsible for continuously assessing the Company's risk situation, after which the board of directors also conducts an annual review of the risk situation.

During the year, the senior management has reviewed risks related to strategies, compliance and financials and operational matters. Thereafter, these risks have been evaluated according to probability and effect, where risks with either high probability or effect have been prioritized. This has then been presented to the audit committee before being reviewed by the board of directors. The Company has distributed each risk factor to at least one person in the senior management to lead the work of establishing and executing action plans.

3. Control activities

In order to prevent, detect and correct errors and deviations, a framework for control in terms of policies, processes and routines has been established within BONESUPPORT in relation to control targets. The control activities help to ensure that necessary actions are taken to address risks to achievement of the Company's targets. Example of control activities on a high level are that BONESUPPORT has a clear governance structure with a number of forums and activities which constantly monitor the operations. Well defined business process, segregation of duties and appropriate delegation of authority are also activities that support good corporate governance and internal control.

Key processes identified to have potential significant risks are mapped out in detail in separate process descriptions in the financial handbook and key process steps are defined to make sure that there is enough segregation of duties and that the right control mechanism is in place. The strength of the control mechanism installed should be tested at least annually to make sure that the agreed processes are followed and that safeguards remain in place. Identified key controls should be tested at least semi-annually. If any processes are changed during the year, an immediate review of the process will be done to make sure that no new risks are implemented.

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

4. Information and communication

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

5. Monitoring

The compliance and effectiveness of the internal controls are constantly monitored. The CFO is responsible for ensuring that appropriate processes for monitoring are in place and the CEO ensures that the board of directors continuously receives reports on the development of the Company's activities, including the development of the Company's results and financial position, as well as information on important events, such as research results and important contracts. The CEO also reports on these matters at each board meeting.

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

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 2017 on pages 59-61 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Malmö 27 April 2018
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

BOARD OF DIRECTORS

HÅKAN BJÖRKLUND
CHAIRMAN OF THE BOARD

LARS LIDGREN
FOUNDER & BOARD MEMBER

BJÖRN ODLANDER
BOARD MEMBER

NINA RAWAL
BOARD MEMBER

TONE KVÅLE
BOARD MEMBER

LENNART JOHANSSON
BOARD MEMBER

Name	Born year	Education	Experience	Holdings per 31 dec 2017
Håkan Björklund Elected in 2016	1956	Ph.D. from Karolinska Institutet	Dr. Björklund is Partner of Tellacq AB, a private investment firm. He joined the BONESUPPORT Board in December 2016 in conjunction with the Company's $37 million (SEK 315 million) financing, which was led by Tellacq. Dr. Björklund has a long and successful track record in the healthcare industry, including as the former CEO of Nycomed, which he grew from a small Scandinavian company into a global business before its acquisition by Takeda in 2011. He is currently chairman of the board of Swedish Orphan Biovitrum AB and an Industry Executive at Avista Capital Partners. He holds a Ph.D. in Neuroscience from Karolinska Institutet in Sweden. Owns 25% of the shares in Tellacq AB that holds 2,952,451 shares.	Owns 25% of the shares in Tellacq AB that holds 2,952,451 shares.
Lars Lidgren Elected in 2010	1943	M.D., Ph.D. and professor in orthopaedics from Lund University	M.D, Professor in Orthopaedics at the University Hospital of Lund. Dr. Lidgren is leading a regenerative medicine research group at the university department in Lund, which is a member of the ISOC group of worldwide leading hospitals. He is an honorary member of and served as president of several major societies, and initiated the worldwide Bone and Joint Decade 2000-2010. Dr. Lidgren is a successful serial entrepreneur who founded the companies Scandimed (Biomet), AMeC and GWS, Sweden. He is also a board member of the stock listed companies Orthocell, Australia, Rethinking Care and GWS, Sweden.	492,962 shares and 860,985 employee stock options.
Björn Odlander Elected in 2010	1958	M.D. Karolinska Institutett	M.D, Ph.D, Karolinska Institute in Stockholm. A founding partner of HealthCap. Dr. Odlander is a Medical Doctor and was previously a member of ABB Aros Securities Management Committee and headed the Aros Health Care Team. Prior to joining Aros in 1992, Dr. Odlander was active at the Karolinska Institute, Stockholm within scientific research in biochemistry and inflammation. Dr. Odlander serves on the boards of the following comapanies; among others: Wilson Therapeutics AB, Oncorena AB and KK-Stiftelsen.	
Nina Rawal Elected in 2015	1979	Ph.D. och master degree from Karolinska Institutet	Dr. Nina Rawal, Head of Life Science på Industrifonden. Previously, Dr. Rawal held the position of Vice President, Ventures at Gambro and before that as management consultant at The Boston Consulting Group in Stockholm and New York. Dr. Rawal serves on the boards of Smartfish and Airsonett and holds other assignments in Stockholms sjukhem and Cirkus Cirkör. She holds an MSc in Biomedicine and and Med Dr from the Karolinska Institute.	
Tone Kvåle Elected in 2016	1969	Diploma in Finance & Administration from Harstad University College, Norge	Tone Kvåle has more than 20 years of experience gained in the biotech industry. She has been Chief Financial Officer at Nordic Nanovector ASA since November 2012. Prior to joining Nordic Nanovector, she was CFO of NorDiag, Kavli Holding and Dynal Biotech, and has held senior management positions at Invitrogen, Life Technologies and ThermoFisher (US). Tone Kvåle was previously in the board of Badger Explorer ASA. Ms. Kvåle has a diploma in Finance & Administration from Harstad University College.	
Lennart Johansson Elected in 2017	1955	MBA from Handelshögskolan in Stockholm	Senior Advisor at Patricia Industries AB since 2015, Lennart was previously Managing Director (Business Development, Operating and Financial Investments) at Investor AB (2006-2015). Prior to this he was Chief Executive Officer of Emerging Technologies ET AB. He is currently Board Member of Swedish Orphan Biovitrum AB, Vectura AB and Hi3G Access AB and deputy board member of Mölnlycke Health Care AB. Lennart holds an MBA from the Stockholm School of Economics (1980).	30,000 shares.

MANAGEMENT TEAM

EMIL BILLBÄCK
CEO

BJÖRN WESTBERG
CFO

HELENA L BRANDT
HEAD OF HR

JERRY CHANG
EVP R&D, REGULATORY AND CLINICAL

CARIN NILSSON-THORELL
VP, QUALITY MANAGEMENT

MICHAEL DIEFENBECK
CHIEF MEDICAL OFFICER

JOHAN OLSSON
CHIEF OPERATING OFFICER

LINDA BUTCHER
CHIEF MARKETING OFFICER

VIKRAM JOHRI
GM & EVP OF INTERNATIONAL COMMERCIAL OPERATIONS

PATRICK O'DONNELL
GM & EVP OF COMMERCIAL OPERATIONS NA, USA

MANAGEMENT TEAM

Name	Born year	Employed since	Education	Experience	Holding per 31 dec 2017
Emil Billbäck	1970	2018	B.Sc. in Business Administration from Karlstad University	Emil Billbäck has more than 20 years' experience in commercial operations within the life science industry and 11 years in senior leadership positions. Most recently, Senior Advisor to the recently merged BSN medical/ SCA entity. Emil has worked 4 years in the US and over 9 years in Germany.	–
Björn Westberg	1962	2017	M.Sc. in industrial economy from Linköpings University	Björn Westberg has more than 30 years' experience within finance and management. He has worked as CFO at Recipharm AB and at the software company Jeeves and has been in senior positions within AstraZeneca. Björn has several years of experience within the pharmaceutical industry and as CFO at listed companies.	250,000 warrants and 40,000 shares
Helena L Brandt	1965	2017	M.Sc. in industrial econnomy from Lunds University	Helena L Brandt has more than 20 years' experience within HR from a broad range of industries. She has held global roles within HR at Astra Zeneca, Sony och Tetra Pak.	–
Jerry Chang	1959	2017	PhD in Organic & Polymer Chemistry from University of Cincinnati, USA	Jerry Chang has more than 28 years' experience from the industry within research and development of medical devices. He has previous been in leading positions at Zimmer Biomet Etex. Dr Chang has published over 20 papers and has five granted US patents.	–
Carin Nilsson-Thorell	1955	2002	M.Sc. from Lunds tekniska högskola	Carin Nilsson-Thorell has more than 35 years' experience within the medical both from major organizations and startup companies. She has previous held different international positions at Glycorex Transplantation and Gambro.	207,920 employee stock options 3,459 shares
Michael Diefenbeck	1974	2017	M.D. from Ludwig-Maximilian University München, Germany. Ph.D. from Friedrich-Schiller University, Jena, Germany	Michael Diefenbeck is a certified orthopedic and trauma surgeon with 15 years' of clinical experience. He founded Scientific Consulting in Orthopedic Surgery during 2014, and worked for BONESUPPORT on different projects as an independent clinical adviser. He has 14 years' clinical experience from different hospitals in Germany and is author of 24 published research articles within the area.	70,000 employee stock options
Johan Olsson	1965	2007	M.Sc. in Engineering from Lunds tekniska högskola	Johan Olsson has long experience from the medical industry in senior positions within production, logistic, supply and development. Previously he worked at Gambro as Head of Intensive Care Product Line.	148,000 employee stock options and 3,459 shares
Linda Butcher	1963	2010	Licenced nurse at Univeristy College hospital, London, England	Linda Butcher has more than 25 years' experience within sales and marketing of medical devices. She has previously had various sales and product specialist positions at Schneider UK, a part of Pfizer that was acquired by Boston Scientific.	421,550 employee stock options
Vikram Johri	1965	2010	MBA in Marketing from Syracuse University.	Vikram Johri has 17 years' experience of medical devices from both international and US market. Vikram has previously had varoius leading positions at Wright Medical and Boston Scientific.	1,005,812 employee stock options
Patrick O'Donnell	1965	2016	BA from University of Wisconsin, USA	Patrick O'Donnell has 24 years' experience of medical device, biologics, and biomaterials industries - with technologies in the orthopedic, spine, neurosurgery, sports medicine, interventional radiology, vascular and, metabolic disorders markets . He most recently served as Founder and CEO of ProteoThera Inc. Prior to this he was CEO at EndoSphere Inc, Histogenics Corporation and Prochon BioTech and Director of Global Marketing at Confluent Surgical.	720,000 employee stock options

DEFINITIONS

ALLOGRAFT	The transplant of an organ or tissue from one individual to another of the same species, with a different genotype.
AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crests.
BMP	Bone Morphogenic Protein.
BONE GRAFT SUBSITUTE	Synthetic material used as bone grafts instead of biological bone tissue.
CERAMENT®|BVF	CERAMENT®|BONE VOID FILLER
CERAMENT®|G	CERAMENT®|G, CERAMENT™ BVF with gentamicin
CERAMENT®V	CERAMENT®V, CERAMENT™ BVF with vancomycin
CF	Cash Flow.
CLINICAL STUDY	Study on humans of e.g. a medical device or a pharmaceutical product.
DBM	Demineralized bone matrix. A bone substitute biomaterial.
DR	Doctor.
FDA	US Food and Drug Administration.
HEMATOMA	A localized collection of blood outside the blood vessels.
HEOR	Health Economics and Outcomes Research. Scientific discipline that quantifies the economic and clinical outcomes of medical technology.
HISTOLOGY	The study of the microscopic anatomy (microanatomy) of cells and tissues of plants and animals.
IDE	Investigational Device Emption. Exemption from regulatory approval to conduct clinical studies on a medical device.
ILIAC CREST	The upper wing of the hip bone (ilium).
LTM	Latest twelv months.
MICRO-CT	Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the object.
OSTEOINDUCTION	A bone graft material or a growth factor can stimulate the differentiation of osteoblasts, forming new bone tissues.
OSTEOMYELITIS	A bacterial infection affecting bones.
PMA	Premarketing Approval is the FDA process to review Class III medical devices.
Q4	Fourth quarter.
TOXICITY	The degree to which substance (a toxin or poison) can harm humans or animals.

DEFINITIONS – ALTERNATIVE KEY FIGURES

BONESUPPORT uses Alternative Performance Measures (APM) to make the report more understandable for both external analysis and comparison also for internal performance assessment. APM are measures not defined in the IFRS financial statements. The following (definitions below) are used:

Alternative key figures are key figures not defined in financial reports prepared in line with IFRS. Below key figures are used:

Contribution
Revenues minus directly allocated Cost of Sales, Selling and R&D expenses.

Sales Growth
The difference in Net Sales between two periods in relation to the Net Sales for the earlier period.

Gross profit
Net sales minus Cost of Sales-shows the profit to cover other costs and profit margin.

Gross margin
(Revenues – Cost of Sales)/Net Sales – shows the gross profit in relation to Net Sales, indicating the margin to cover costs and profit.

Interest-bearing debt
Borrowings from banks and other financial institutions, short and long term – shows the debt level of the Company and forms also the basis for interest costs.

Net debt
Interest bearing debts minus cash and cash equivalents – shows the leverage level of the company

Operating result (EBIT)
Earnings before interests and taxes – shows the operational performance including depreciations and amortizations

Earnings per share
Net result divided by average number of shares before dilution – indicating the company's profitability.

Contribution is the operating profit/loss that shows the operational performance of each segment.

Gross profit shows the profit to cover other costs and profit margin.

Gross margin shows the gross profit in relation to Net Sales, indicating the margin to cover costs and profit.

Interest bearing debts shows the debt level of the Company and forms also the basis for interest costs.

Net debt shows the leverage level of the company

Operating result shows the operational performance including depreciations and amortizations.

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HEAD OFFICE
BONESUPPORT HOLDING AB
Scheelevägen 19
SE-223 70 Lund
Sweden

T: +46 46 286 53 70
F: +46 46 286 53 71
E: info@bonesupport.com

BONESUPPORT®