

# Q3 BONESUPPORT'S BEST QUARTER EVER

## JULY - SEPTEMBER 2019

- Net sales amounted to SEK 39.1 million (14.2), an increase of 175 percent compared to the same period previous year. The Europe and the rest of the world (EUROW) segment continued to report strong growth of 45 percent compared to the same period last year. No sales were reported in the US last year as an effect of the transition to the new distribution model. For the US, a 25 percent increase was reported from the previous quarter.
- CERAMENT G and CERAMENT V grew by 44 percent.
- The gross margin amounted to 87.7 percent (81.8).
- Operating profit amounted to SEK -32.7 million (-58.4).
- Earnings per share before and after dilution were both SEK -0.64 (-1.16).

## SIGNIFICANT EVENTS

- The Company announced that the period of patient recruitment for the ongoing FORTIFY study will be extended by 6-9 months.
- In conjunction with EBJIS (EUROPEAN BONE AND JOINT INFECTION SOCIETY), an analysis was presented which showed that single-stage procedures with CERAMENT G or CERAMENT V at Nuffield Orthopedic Hospital in the United Kingdom reduced the patient's stay in hospital at the time of surgery by an average of 30 percent.
- The CERTiFy study has been accepted by The Journal of Bone & Joint Surgery American, JB&JS.

## JANUARY - SEPTEMBER 2019

- Net sales amounted to MSEK 109.3 (73.5), an increase of 49 percent compared to the previous year. The Europe and the rest of the world (EUROW) segment reported strong growth of 48 percent compared to the same period last year. Sales in the US reported a 50 percent increase.
- CERAMENT G and CERAMENT V grew by 53 percent.
- The gross margin amounted to 86.8 percent (84.1).
- Operating profit amounted to SEK -119.5 million (-129.4).
- Earnings per share before and after dilution were both SEK -2.32 (-2.57).

## SIGNIFICANT EVENTS AFTER PERIOD END

- No significant events have occurred since the end of the period.

KEY FIGURES	Jul - Sep		Jan - Sep		12 months	
	2019	2018	2019	2018	LTM	2018
Net sales, SEKm	39.1	14.2	109.3	73.5	132.4	96.6
Sales growth, % <sup>1</sup>	174.6	-56.4	48.6	-28.1	31.6	-25.3
Gross profit, SEKm	34.3	11.7	94.8	61.8	114.4	81.5
Gross margin, % <sup>1</sup>	87.7	81.8	86.8	84.1	86.5	84.3
Operating loss, SEKm	-32.7	-58.4	-119.5	-129.4	-164.5	-174.4
Loss for the period, SEKm	-33.2	-58.8	-120.2	-130.8	-165.8	-176.4
Equity at period end, SEKm	160.4	323.7	160.4	323.7	160.4	278.5
Net debt, SEKm <sup>1</sup>	-118.6	-313.2	-118.6	-313.2	-118.6	-261.5
Operating cash flow, SEKm <sup>1</sup>	-42.0	-54.4	-126.0	-121.3	-176.4	-171.6
Cash at period end, SEKm	129.9	313.2	129.9	313.2	129.9	261.5
Earnings per share, SEK	-0.64	-1.16	-2.32	-2.57	-3.20	-3.46

<sup>1</sup> APM: Alternative performance measures, see definitions on page 21.

## CEO COMMENTS ON THE THIRD QUARTER

# SALES RECORD IN THE QUARTER

## STRONG GROWTH IN EUROPE AND THE US

### NEW FAVORABLE HEALTH ECONOMIC DATA

**Sales in the quarter are our highest ever, with strong growth in both Europe and the US. The segment Europe and the rest of the world (EUROW) grew with 45 percent. Sales in the US totaling SEK 18.5 million corresponds to an increase of 25 percent compared to the previous quarter. US sales level in the quarter is encouraging as it is less than a year since we introduced the new distribution structure. We also show a rising gross margin for the fourth quarter in a row.**

During the quarter, Bonesupport signed an agreement with Healthtrust, the United States' largest group purchasing organization (GPO) representing more than 1,600 hospitals. The agreement is our largest and most important framework agreement and a significant milestone for the business. The contract is a confirmation of the unique benefits that CERAMENT® has for doctors, patients and payers. Sales through GPO contracts are an important part of driving our US growth and support continued strong sales growth in the coming quarters.

During the quarter, we recruited an additional regional sales manager in New England. In total, we now have nine regional sales managers nationally, and one therapy specialist for direct sales promotion in NYC / New Jersey, to handle strong customer demand. By having our own distribution network, we can now capture historically under-penetrated territories and we are succeeding in establishing customers in areas where our former distribution partner has been less successful.

Being able to show strong clinical evidence and health economic data are cornerstones of our strategy. The strong top-line results from the CERTiFy study is supporting our sales penetration and conversion from autograft. We are now awaiting the publication of the CERTiFy study in the reputed journal The Journal of Bone & Joint Surgery American, JB&JS, where the study has been approved for publication.

In the quarter, positive health-economic data for osteomyelitis patients treated in a single-stage procedure with CERAMENT G and CERAMENT V were presented. The patient stay in hospital in connection with surgery and in the two year follow up, was shortened by an average of sixteen days per patient, which of course entails major cost benefits. In England, where this health economic data was generated, this would mean a saving of more than SEK 86,000 per treated patient. It is extremely gratifying that we can show these strong health economic data. They are an important confirmation of the unique value proposition of our antibiotic eluting products.



We concluded another positive quarter and I am encouraged by the results of our strategic focus. We show the highest sales in BONESUPPORT's history, we released strong health economic data and we have succeeded in signing agreements with the US's most important healthcare organization. The potential of our continued journey makes me look forward to the future with great expectation.

**Emil Billbäck**, CEO Bonesupport



*Continued development of the new distribution structure*

## NORTH AMERICA (NA)

The North American market is the world's largest for synthetic bone graft products and is the most important market for the Company. The focus of the North America segment is the continued development of the new distribution structure that was established in October 2018. At the end of the quarter, BONESUPPORT had its own commercial organization with 21 (21) employees and 40 contracted distributors.

### JULY - SEPTEMBER

#### Sales

Sales for the period amounted to SEK 18.5 million (0.0) and a sequential increase of 25 percent from the previous quarter. BONESUPPORT's own organization in the US is working to accelerate market penetration and enter into comprehensive agreements that give contracted hospitals access to CERAMENT. An agreement was signed with Healthtrust, the largest and most important framework agreement for our business with a group purchasing organization (GPO) in the US representing more than 1,600 hospitals.

#### Contribution<sup>1</sup>

The contribution from the segment was SEK -9.8 million (-20.2). The reduced loss is attributable to increased sales. Sales and marketing expenses during the third quarter amounted to SEK 20.4 million (13.9), of which sales commissions to the distributors was SEK 6.0 million (0.0). The contribution also included R&D costs amounting to SEK 6.3 million (6.3).

### JANUARY - SEPTEMBER

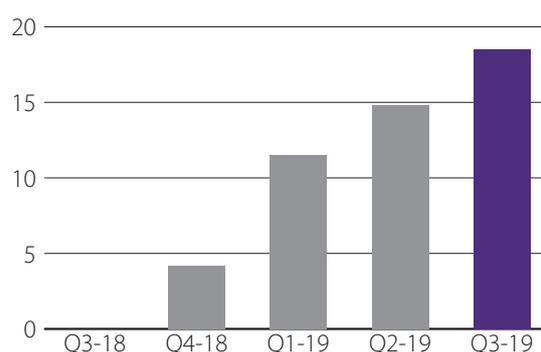
Net sales amounted to SEK 44.8 million (29.9), corresponding to an increase of 50 percent. The increase will be seen in the light of the transition to a new commercial platform.

The contribution amounted to SEK -48.9 million (-28.1). The negative contribution is mainly due to increased sales and marketing efforts.

### Net sales, gross profit and contribution, SEK m

	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
Net sales	18.5	0.0	44.8	29.9	34.1
Gross profit	16.9	0.0	40.6	25.9	29.6
Contribution	-9.8	-20.2	-48.9	-28.1	-45.0

### Net sales per quarter, SEK m



<sup>1</sup> APM: Alternative performance measures, see definitions on page 21.



## Solid growth for CERAMENT G and CERAMENT V

## EUROPE & REST OF THE WORLD (EUROW)

In Europe, CERAMENT is sold by both the Company's own sales organization and by distributors. Germany, the UK, Switzerland, Sweden and Denmark are key markets where BONESUPPORT has its own sales representatives. In 2019, BONESUPPORT's own sales organization was gradually expanded and at the end of the period amounted to 25 (22) employees. The focus is on utilizing the results of the CERTiFY study to increase the use of CERAMENT. In the other eight European markets and in other parts of the world (ROW), the Company cooperates with specialist distributors.

### JULY – SEPTEMBER

#### Sales

Sales for the segment increased by 45 percent compared with the corresponding period last year and amounted to SEK 20.7 million. Sales in key markets accounted for 88 percent of the segment's sales. Sales of the antibiotic eluting products CERAMENT G and CERAMENT V together increased by 44 percent compared with the third quarter of last year. In EUROW, the third quarter is seasonally relatively weak as there are fewer planned surgeries of, for example, osteomyelitis during the summer months.

#### Contribution<sup>1</sup>

The contribution from the segment was SEK 0.6 million (-3.9). The improved contribution is an effect of increased sales and gross profit. Sales and marketing expenses increased by SEK 1.3 million compared to corresponding period last year and amounted to SEK 16.9 million (15.6). The increase is primarily related to commercial activities. The period reported higher salary costs, while the previous year was charged with high recruitment costs.

### JANUARY – SEPTEMBER

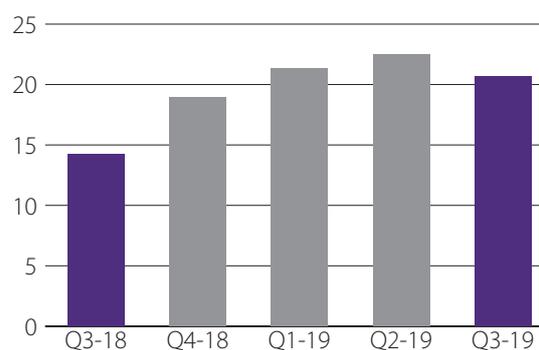
Net sales amounted to SEK 64.5 million (43.6), an increase of 48 percent compared with the previous year. Sales of the antibiotic eluting products CERAMENT G and CERAMENT V together increased by 53 percent.

The contribution amounted to SEK 5.3 million (-5.8). The positive contribution is attributed to increased sales and improved gross margin. During the period, sales and marketing costs increased relating to an increased activity level.

#### Net sales, gross profit and contribution, SEK m

	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
Net sales	20.7	14.2	64.5	43.6	62.5
Gross profit	17.4	11.7	54.2	35.9	51.8
Contribution	0.6	-3.9	5.3	-5.8	-9.7

#### Net sales per quarter, SEK m



<sup>1</sup> APM: Alternative performance measures, see definitions on page 21.



# RESEARCH AND DEVELOPMENT

**BONESUPPORT's clinical development program focuses on further developing CERAMENT's properties, broadening clinical application areas and utilizing CERAMENT's unique drug eluting properties through the development of combination products that promote bone healing.**

Several different combinations with CERAMENT have been investigated to add osteoinductive properties, meaning the ability to actively stimulate bone growth and bone remodeling. Among other things, the Company has made research in the form of preclinical candidates that has combined CERAMENT with bisphosphonates, bone morphogenetic proteins (BMP), bone marrow aspirate (BMA) and demineralized bone matrix (DBM).

A careful evaluation of market potential, clinical benefit, therapeutic innovation and preclinical results has concluded in the following categorization:

## **PRIORITIZED PRODUCT CANDIDATES FOR OWN DEVELOPMENT:**

- CERAMENT with bisphosphonate
- CERAMENT with DBM

Bisphosphonate is a well-established substance in the treatment of osteoporosis. Bisphosphonate is used to limit the activity of osteoclasts, resulting in improved bone remodeling and bone density through potentiation of osteoblasts. CERAMENT with bisphosphonate has the potential to add an important therapeutic dimension in the treatment of low-healing bone defects and fractures induced by low bone density.

Demineralized bone matrix (DBM) is based on allograft reduced on minerals. The material has been shown to be widely used in conditions and situations where there is weak natural bone remodeling. The total market for DBM is \$ 250 million, of which the US accounts for \$ 80 million. The combination CERAMENT with DBM could create a product with both osteoconductive and osteoinductive properties, which means a therapeutic innovation with unique advantages in treating difficult-to-heal skeletal damage, especially in the segment of trauma.

## **POTENTIAL PARTNER DEVELOPMENT PRODUCTS**

- CERAMENT with BMP

## **CLINICAL EVIDENCE, A STRATEGIC CORNERSTONE**

One of the three cornerstones of the strategy is to deliver industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. There is already an extensive database of more than 160 research publications and abstracts of preclinical and clinical studies with CERAMENT. Three of the most important and largest clinical trials are CERTiFy, FORTIFY and SOLARIO.

**The CERTiFy study** is the largest clinical study to date that has been conducted with CERAMENT. The study is a prospective, randomized, controlled clinical trial of 137 patients at 20 leading trauma centers in Germany, the purpose of which is to compare treatment with CERAMENT BVF with transplantation of autologous bone grafts (autograft) in tibial plateau fractures where bone defects have occurred. Autograft has long been the prevailing treatment practice for this type of injury. The CERTiFy study was completed in June 2018. At the end of 2018, BONESUPPORT announced that the main objective of the study was achieved: CERAMENT BVF has proven to be as good as autograft. The full-length article has been accepted by The Journal of Bone & Joint Surgery American, JB&JS, and we are now awaiting publication.

**The FORTIFY study** evaluates the ability of CERAMENT G to improve the treatment outcome of patients with open tibia fractures. That the fracture is "open" means that the skin has been penetrated in conjunction with the trauma. These fractures run a high risk of infection, with inadequate bone healing as a result. The primary effects to be measured in the study include the absence of deep infection at the fracture site, the absence of additional surgical procedures to promote healing and patient-reported improvement.

The trial will include up to 230 patients in clinics in the USA and Europe. Data from the FORTIFY study will be used to support a planned PMA (pre-market approval) application of CERAMENT G to the FDA at the end of 2021.

BONESUPPORT invests in **the SOLARIO study** (Short or Long Antibiotic Regimes in Orthopaedic), with the aim of investigating if synthetic bone graft substitutes containing antibiotics can lead to shorter treatment times compared to systemic antibiotics and thereby reduce risk of antibiotic resistance, side effects and costs. The study is led by the Oxford University Hospital's NHS Foundation Trust in collaboration with EBJIS (European Bone and Joint Infection Society). SOLARIO is a randomized unblinded European multicenter study that is expected to recruit 500 patients. The first patient was recruited in February 2019 and the last patient data is expected to be obtained in the first half of 2022. A positive result of the study may mean a paradigm shift in the protocol for treating bone infections.



## HEALTH ECONOMICS

**One of the biggest challenges when introducing new and innovative healthcare technology is to ensure that healthcare systems around the world understand the value of the technology and include the technology in the care offered. The value of a technology is determined in different ways in different countries. BONESUPPORT undertakes a variety of activities to ensure that the Company's products are included in the remuneration systems where our products are marketed. An example of this is a health economic analysis in conjunction with Nuffield Orthopaedic Centre to investigate how the previously published positive clinical results can be translated into patient benefit and improved health care system efficiency.**

When CERAMENT G was introduced in the UK in 2013, the Nuffield Orthopaedic Centre was one of the first clinics to implement CERAMENT G into its treatment algorithm. Nuffield Orthopaedic Centre is one of the leading clinics in Europe for orthopedics and treatment of bone infections.

In 2016, Professor Martin McNally presented the clinical results of his first 100 osteomyelitis patients treated with single-stage surgery and CERAMENT G. The results showed an impressive 56% reduction in the degree of re-infection compared with results from previous treatment methods.

The positive experience with CERAMENT led to a collaboration between Nuffield Orthopaedic Centre and BONESUPPORT to study the health-economic benefits of the improved clinical results. The study is based on data from the official statistics database for healthcare in England, NHS's Hospital Episode Statistics (HES). The database shows the total health history and treatment costs for each patient.

All patients who underwent surgical treatment for osteomyelitis during 2013-2017 (over 25,000 patients) were analyzed. Patients were followed for two years before and after surgical treatment.

The analysis compared patients treated at Nuffield after the introduction of CERAMENT G or CERAMENT V in a single-stage procedure with all patients cared for at other hospitals in England.

In September, the first preliminary results were presented by the EBJS European Bone and Joint Infection Society study. The data showed that the hospital stay associated with osteomyelitis surgery was reduced by 1/3 - an average of 5 days per patient - which meant patients could go home earlier; and the hospitals freed up beds, and reduced costs. The data presented at EBJS also showed that patients treated at Nuffield had, on average, 11 days fewer hospital stays in the following two years after surgery. The average cost of care per patient per day at a hospital in England is £ 437.

These preliminary data show significant health economic benefits in single-stage surgery with CERAMENT G or CERAMENT V in the treatment of osteomyelitis. The total savings in reductions in length of stay associated with surgery and subsequent care could amount to approximately GBP 44 million annually, calculated on 6,250 treated patients per year. We await publication of the study for final results of this exciting study.

# FINANCIAL OVERVIEW

## PROFIT AND LOSS

### JULY - SEPTEMBER 2019

#### Net sales

Net sales amounted to SEK 39.1 million (14.2), an increase of 175 percent compared with the previous year. The EUROW segment increased by 45 percent to SEK 20.7 million (14.2). Sales in the US increased from 0 last year to SEK 18.5 million as a result of the ongoing development of a new distribution structure. More detailed description is given in the segment sections. The currency translation effect was positive with SEK 1.7 million.

#### Cost of goods sold

Cost of goods sold amounted to SEK 4.8 million (2.6), giving a gross margin of 87.7 percent (81.8), see Note 1, Correction of error 2018. Increased sales in the US had a positive impact on gross profit.

#### Selling expenses

Selling expenses amounted to SEK 39.5 million (35.1), an increase of 13 percent. Personnel costs amounted to SEK 21.3 million (18.7) as an effect of implemented investments in sales organization. Furthermore, costs for sales commissions in the US increased by SEK 6.0 million (0.0). Other sales costs amounted to SEK 12.2 million (16.4), a decrease which is partly explained by lower recruitment costs. The NA segment reported a cost increase of 47% to SEK 20.4 million (13.9), driven by increased costs for sales commissions. In EUROW, expenses amounted to SEK 16.9 million (15.6). Unallocated costs decreased by 60% to SEK 2.2 million (5.6), which was partly due to lower recruitment costs.

#### Research and development costs

Research and development costs amounted to SEK 17.4 million (16.4), an increase of 6 percent. Personnel costs corresponded to SEK 6.5 million (5.7). Other expenses totaled SEK 12.1 million (10.7). The NA segment amounted to SEK 6.3 million (6.3).

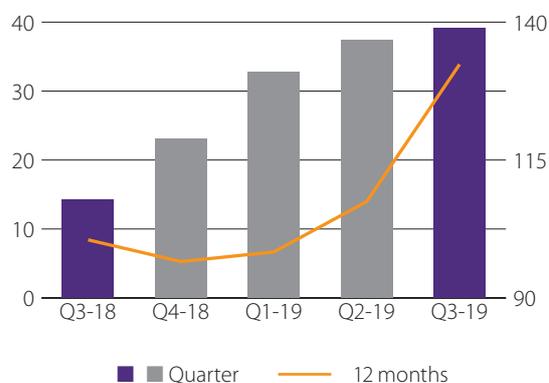
#### Administrative expenses

Administrative expenses amounted to SEK 10.9 million (17.5), a decrease of 38 percent. Personnel costs amounted to SEK 6.0 million (11.0), a decrease as the corresponding quarter last year included costs for incentive programs with SEK 4.2 million and costs for resigning CFO with SEK 2.1 million. Other expenses amounted to SEK 4.9 million (6.5), a decrease compared to the previous year, which is mainly the effect of implemented cost control programs.

#### Other operating income and expenses

Other operating income and expenses consisted primarily of exchange rate gains and losses on operating assets and liabilities. Other operating income amounted to SEK 3.0 million (1.8) and other operating expenses amounted to SEK -2.2 million (-2.9) for the quarter.

#### Net Sales per quarter, SEK m



#### Operating result

Operating result amounted to SEK -32.7 million (-58.4), where the decreased loss is mainly explained by higher sales both in EUROW but above all in NA.

#### Net financial items

Net financial items amounted to SEK -0,0 million (0,0).

#### Loss for the period

For the reasons described above, the loss for the third quarter amounted to SEK -33.2 million (-58.8), which corresponds to earnings per share of SEK -0.64 (-1.16).

### JANUARY - SEPTEMBER 2019

#### Net sales

Net sales amounted to SEK 109.3 million (73.5), an increase of 49 percent. The EUROW segment increased by 48 percent to SEK 64.5 million (43.6) and the NA segment increased by 50 percent to SEK 44.8 million (29.9).

#### Operating result

Operating result amounted to SEK -119.5 million (-129.4), where sales growth mainly contributed positively with improved gross profit, while operating expenses increased as a result of completed commercial investments.

#### Loss for the period

For the reasons reported above, the loss for the period amounted to SEK -120.2 million (-130.8), which corresponds to earnings per share of SEK -2.32 (-2.57).

# FINANCIAL POSITION AND CASH FLOW

SEKm	Sep 30		Dec 31
Financial position	2019	2018	2018
Cash and cash equivalents	129.9	313.2	261.5
Interest bearing debt <sup>1</sup>	11.3	0.0	0.0
Net debt <sup>1</sup>	-118.6	-313.2	-261.5
Equity	160.4	323.7	278.5

<sup>1</sup> APM: Alternative performance measures, see definitions on page 21.

SEKm	Jul - Sep		Jan - Sep		Full year
Cash flow	2019	2018	2019	2018	2018
Operations	-42.0	-54.4	-126.0	-121.3	-171.6
Investing activities	-0.4	-0.6	-2.7	-1.0	-2.7
Financing activities	-1.4	0.5	-4.0	-98.9	-98.8

## OTHER DISCLOSURES

### PARENT COMPANY

The Parent Company BONESUPPORT HOLDING AB (publ) is a holding company. The Parent Company generated MSEK 10.3 (13.7) in sales of internal services to subsidiaries during the quarter. The loss for the quarter was SEK -2.1 million (-4.8). No investments were made during the quarter.

### EMPLOYEES

The Group had 80 (70) employees (full-time equivalent), of whom 24 (21) worked in research and development.

### SIGNIFICANT EVENTS DURING THE QUARTER

For significant events, see page 1.

### SIGNIFICANT EVENTS AFTER PERIOD END

No significant events have occurred since the end of the period.

### SHARES AND RELATED PROGRAMMES

The Company has ordinary shares and C shares, see Note 4. The quotient value of the shares is SEK 0.625 per share. As of September 30, 2019, the total number of common shares amounted to 51,948,217, distributed among 2,113 shareholders. The major shareholders are shown below.

#### Shareholders September 30, 2019

HealthCap VLP	12.7%
Stiftelsen Industrifonden	9.2%
Lundbeckfonden Invest A/S	9.2%
Swedbank Robur Fonder	8.6%
Tredje AP-fonden	7.8%
Tellacq AB	5.7%
Carl Westin Ltd	5.2%
Other shareholders	41.6%

BONESUPPORT has three employee stock option programs, three share savings programs and three warrant programs. Information on these can be found in Note 8.

### FINANCIAL CALENDAR

February 26, 2020 - 2019 Year-end report

### NOMINATION COMMITTEE

The nomination committee is elected based on the principles decided at the AGM 14 May 2018. These principles are described on BONESUPPORT's website. The task of the committee is to present a proposal to the AGM, which is planned in May 2020. The members of the committee are:

- Jacob Gunterberg, Chairman of the Committee, representing HealthCap VLP
- Lennart Johansson, Chairman of the Board
- Bo Lundgren, representing Swedbank Robur fonder
- Jonas Jendi, representing Stiftelsen Industrifonden

### THIS REPORT

This report has been prepared in both a Swedish-language and an English-language version. If the versions do not conform, the Swedish-language version shall prevail.

# DECLARATION OF THE CEO

The CEO assures that this interim report gives a true and fair view of the development and the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties faced by the companies that form part of the Group. This interim report has been reviewed by the company's auditors.

Lund November 7, 2019

**Emil Billbäck**  
CEO

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

## REVIEW REPORT

### **BONESUPPORT HOLDING AB (PUBL), CORPORATE IDENTITY NUMBER 556802-2171**

Board of Directors BONESUPPORT HOLDING AB (publ)

#### **INTRODUCTION**

We have reviewed the condensed interim report for BONESUPPORT HOLDING AB (publ) as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, November 7 2019

Ernst & Young AB

#### **Ola Larsmon**

Authorized Public Accountant

## CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	Note	Jul - Sep		Jan - Sep		Full year
		2019	2018	2019	2018	2018
Net sales	7	39,115	14,246	109,263	73,515	96,623
Cost of sales	7	-4,795	-2,587	-14,473	-11,697	-15,157
<b>Gross profit</b>	7	<b>34,320</b>	<b>11,659</b>	<b>94,790</b>	<b>61,818</b>	<b>81,466</b>
Selling expenses		-39,509	-35,086	-133,031	-94,551	-133,311
Research and development expenses		-17,449	-16,426	-50,351	-48,457	-66,064
Administrative expenses	3, 8	-10,874	-17,531	-31,714	-49,002	-58,345
Other operating income		2,977	1,818	7,587	7,279	8,530
Other operating expenses		-2,153	-2,851	-6,784	-6,454	-6,680
<b>Operating loss</b>	7	<b>-32,688</b>	<b>-58,417</b>	<b>-119,503</b>	<b>-129,367</b>	<b>-174,404</b>
Net financial items	7	-16	-4	-113	-506	-465
<b>Loss before income tax</b>	7	<b>-32,704</b>	<b>-58,421</b>	<b>-119,616</b>	<b>-129,873</b>	<b>-174,869</b>
Income tax		-486	-377	-595	-907	-1,536
<b>Loss for the period</b>		<b>-33,190</b>	<b>-58,798</b>	<b>-120,211</b>	<b>-130,780</b>	<b>-176,405</b>
Earnings per share before dilution, SEK		-0.64	-1.16	-2.32	-2.57	-3.46
Earnings per share after dilution, SEK		-0.64	-1.16	-2.32	-2.57	-3.46
Average number of shares, thousands		51,872	50,836	51,834	50,738	50,971

Loss for the period is attributable to equity holders of the Parent.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
<b>Loss for the period</b>	<b>-33,190</b>	<b>-58,798</b>	<b>-120,211</b>	<b>-130,780</b>	<b>-176,405</b>
<i>Other comprehensive income:</i>					
<i>Items to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences	174	-69	268	243	129
<b>Total comprehensive income for the period</b>	<b>-33,016</b>	<b>-58,867</b>	<b>-119,943</b>	<b>-130,537</b>	<b>-176,276</b>

Total comprehensive income for the period is in its entirety attributable to equity holders of the Parent.

## CONDENSED CONSOLIDATED BALANCE SHEET

SEKt	Note	Sep 30		Dec 31
		2019	2018	2018
<b>ASSETS</b>				
Intangible assets		6,882	4,995	5,511
Tangible assets	1	15,128	3,154	3,885
Other non-current assets		374	366	375
<b>Total non-current assets</b>		<b>22,384</b>	<b>8,515</b>	<b>9,771</b>
Inventories		37,500	24,623	23,681
Trade receivables	6	32,370	11,008	18,683
Other operating receivables	6	7,534	10,750	12,538
Cash and cash equivalents	6	129,892	313,168	261,468
<b>Total current assets</b>		<b>207,296</b>	<b>359,549</b>	<b>316,370</b>
<b>TOTAL ASSETS</b>		<b>229,680</b>	<b>368,064</b>	<b>326,141</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to equity holders of the Parent	4	160,423	323,724	278,531
Leasing debt	1	5,726	0	0
Provisions		290	173	289
<b>Total non-current liabilities</b>		<b>6,016</b>	<b>173</b>	<b>289</b>
Leasing debt	1, 6	5,563	0	0
Trade payables	6	13,792	7,929	12,472
Other operating liabilities	6	43,886	36,238	34,849
<b>Total current liabilities</b>		<b>63,241</b>	<b>44,167</b>	<b>47,321</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>229,680</b>	<b>368,064</b>	<b>326,141</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Other paid in capital	Reserves	Fund for development expenses	Accumulated losses including loss for the period	Total equity
<b>As at January 1, 2018</b>	<b>31,424</b>	<b>1,189,015</b>	<b>-304</b>	<b>1,592</b>	<b>-770,941</b>	<b>450,786</b>
Loss January - September 2018			243		-130,780	-130,537
Change in fund for development expenses				-141	141	0
New share issue	799					799
Allotted warrants		740				740
Transaction costs, new share issue		-1,860				-1,860
Share-based payment transactions					3,796	3,796
<b>As at September 30, 2018</b>	<b>32,223</b>	<b>1,187,895</b>	<b>-61</b>	<b>1,451</b>	<b>-897,784</b>	<b>323,724</b>
Loss October - December 2018			-114		-45,625	-45,739
Change in fund for development expenses				350	-350	0
New share issue	150					150
Share-based payment transactions					396	396
<b>As at January 1, 2019</b>	<b>32,373</b>	<b>1,187,895</b>	<b>-175</b>	<b>1,801</b>	<b>-943,363</b>	<b>278,531</b>
Loss January - September 2019			268		-120,211	-119,943
Change in fund for development expenses				816	-816	0
New share issue	94					94
Allotted warrants		5				5
Own shares	316				-316	0
Share-based payment transactions					1,736	1,736
<b>As at September 30, 2019</b>	<b>32,783</b>	<b>1,187,900</b>	<b>93</b>	<b>2,617</b>	<b>-1,062,970</b>	<b>160,423</b>

Reserves comprise exchange differences on translation of foreign operations.

Starting from this reporting period, Fund for development expenses is separated in the consolidated statement of changes in equity. This category of equity has previously been included in accumulated losses.

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
Operating loss	-32,688	-58,417	-119,503	-129,367	-174,404
Non-cash adjustments:					
-Share-based payments	853	917	1,736	3,796	4,192
-Item affecting comparability	0	0	11,000	0	0
-Other	-1,187	1,459	182	780	-962
Interests received	32	0	63	0	46
Interests paid	-48	-4	-176	-863	-868
Other paid financial costs	0	0	0	558	558
Income tax paid	-622	-5	-1,022	-1,016	-2,151
<b>Net cash flows from operating activities before changes in working capital</b>	<b>-33,660</b>	<b>-56,050</b>	<b>-107,720</b>	<b>-126,112</b>	<b>-173,589</b>
Changes in working capital	-8,322	1,700	-18,320	4,842	1,964
<b>Net cash flows from operating activities</b>	<b>-41,982</b>	<b>-54,350</b>	<b>-126,040</b>	<b>-121,270</b>	<b>-171,625</b>
Investments in intangible assets	-145	-151	-1,903	-333	-997
Investments in tangible assets	-179	-460	-796	-590	-1,609
Investments in financial assets	-95	-27	0	-105	-113
<b>Net cash flows from investing activities</b>	<b>-419</b>	<b>-638</b>	<b>-2,699</b>	<b>-1,028</b>	<b>-2,719</b>
New share issue	94	465	94	799	949
Transaction costs, new share issue	0	0	0	-1,860	-1,860
Allotted warrants	0	0	0	740	740
Repayments of borrowings	-1,511	0	-4,073	-98,620	-98,620
<b>Net cash flows from financing activities</b>	<b>-1,417</b>	<b>465</b>	<b>-3,979</b>	<b>-98,941</b>	<b>-98,791</b>
<b>Net cash flow</b>	<b>-43,818</b>	<b>-54,523</b>	<b>-132,718</b>	<b>-221,239</b>	<b>-273,135</b>
Cash and cash equivalents as at beginning of period	173,096	368,357	261,468	533,367	533,367
Net exchange difference	614	-666	1,142	1,040	1,236
<b>Cash and cash equivalents as at end of period</b>	<b>129,892</b>	<b>313,168</b>	<b>129,892</b>	<b>313,168</b>	<b>261,468</b>

## CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
Net sales	10,312	13,711	30,937	36,241	51,578
Administrative expenses	-12,717	-18,689	-40,538	-51,278	-66,756
Other income	203	65	457	128	528
Other expenses	-592	-142	-1,332	-626	-1,033
<b>Operating loss</b>	<b>-2,794</b>	<b>-5,055</b>	<b>-10,476</b>	<b>-15,535</b>	<b>-15,683</b>
Net financial items	688	210	698	1,439	2,105
<b>Loss after financial items</b>	<b>-2,106</b>	<b>-4,845</b>	<b>-9,778</b>	<b>-14,096</b>	<b>-13,578</b>
Income tax	0	0	0	0	0
<b>Loss for the period</b>	<b>-2,106</b>	<b>-4,845</b>	<b>-9,778</b>	<b>-14,096</b>	<b>-13,578</b>

Parent Company loss for the period equals comprehensive income.

## CONDENSED PARENT COMPANY BALANCE SHEET

SEKt	Note	Sep 30		Dec 31
		2019	2018	2018
<b>ASSETS</b>				
Non-current financial assets		704,652	604,652	704,652
Other receivables	6	107,508	27,768	153
Prepaid expenses	6	965	1,068	728
Cash	6	107,731	288,987	243,247
<b>TOTAL ASSETS</b>		<b>920,856</b>	<b>922,475</b>	<b>948,780</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Restricted equity	4	32,783	32,222	32,372
Unrestricted equity		864,531	874,101	874,620
<b>Total equity</b>		<b>897,314</b>	<b>906,323</b>	<b>906,992</b>
<b>Non-current liabilities</b>		<b>19,508</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>	6	<b>4,034</b>	<b>16,152</b>	<b>41,788</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>920,856</b>	<b>922,475</b>	<b>948,780</b>

## CONDENSED CONSOLIDATED INCOME STATEMENT PER QUARTER

SEKt	2019			2018				2017
	Q3	Q2 <sup>1</sup>	Q1	Q4	Corr Q3 <sup>2</sup>	Q2	Q1	Q4
Net sales	39,115	37,320	32,828	23,108	14,246	28,184	31,085	27,039
Cost of sales	-4,795	-5,047	-4,631	-3,460	-2,587	-3,548	-5,562	-4,513
<b>Gross profit</b>	<b>34,320</b>	<b>32,273</b>	<b>28,197</b>	<b>19,648</b>	<b>11,659</b>	<b>24,636</b>	<b>25,523</b>	<b>22,526</b>
<b>Gross margin %</b>	<b>87.7%</b>	<b>86.5%</b>	<b>85.9%</b>	<b>85.0%</b>	<b>81.8%</b>	<b>87.4%</b>	<b>82.1%</b>	<b>83.3%</b>
Selling expenses	-39,509	-52,689	-40,833	-38,760	-35,086	-31,820	-27,645	-21,488
Research and development expenses	-17,449	-15,987	-16,915	-17,607	-16,426	-17,193	-14,838	-19,748
Administrative expenses	-10,874	-10,482	-10,358	-9,343	-17,531	-14,940	-16,531	-15,479
Other operating income	2,977	2,434	2,176	1,251	1,818	2,530	2,931	2,112
Other operating expenses	-2,153	-3,369	-1,262	-226	-2,851	-1,033	-2,570	-1,303
<b>Operating loss</b>	<b>-32,688</b>	<b>-47,820</b>	<b>-38,995</b>	<b>-45,037</b>	<b>-58,417</b>	<b>-37,820</b>	<b>-33,130</b>	<b>-33,380</b>
Net financial items	-16	-53	-44	41	-4	-5	-497	-17,369
<b>Loss before income tax</b>	<b>-32,704</b>	<b>-47,873</b>	<b>-39,039</b>	<b>-44,996</b>	<b>-58,421</b>	<b>-37,825</b>	<b>-33,627</b>	<b>-50,749</b>
Income tax	-486	-67	-42	-629	-377	-379	-151	-601
<b>Loss for the period</b>	<b>-33,190</b>	<b>-47,940</b>	<b>-39,081</b>	<b>-45,625</b>	<b>-58,798</b>	<b>-38,204</b>	<b>-33,778</b>	<b>-51,350</b>

Loss for the period is attributable to equity holders of the Parent.

1 The period was affected by a non comparability item with a negative impact of 11.0 SEKm. The item is a provision related to repurchase of stock items from the previous US distributor, Zimmer Biomet.

2 Correction of error was published on February 13, 2019 regarding Q3 2018 for an error that arose in connection with the transition to a new ERP system. The error relates in its entirety to the EUROPE & REST OF THE WORLD segment. The error refers to internal profit calculation in inventories. Due to the error, gross profit and profit for the third quarter of 2018, and inventories as of September 30, 2018, were overstated with 1.3 SEKm.

## **NOTE 1**

### GENERAL INFORMATION, ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's reporting has been prepared in accordance with RFR 2, Reporting for Legal Entities, and the Swedish Annual Accounts Act. The accounting principles mentioned in the Annual Report for 2018 have also been applied in this interim report. New or amended standards or interpretations of standards effective as of January 1, 2019 have not had any significant impact on BONESUPPORT's financial statements, except for IFRS 16 Leases described below.

#### **IFRS 16**

IFRS 16 is applied from January 1, 2019 and replaces IAS 17. The effect is described in the annual report for 2018. IFRS 16 implies that, in principle, all leases are recognized in the balance sheet, the right to use the leasing objects as tangible assets and the remaining lease payments as current and non-current debt. In the income statement, the leasing cost has been replaced by depreciation of the assets and interest expense on the lease liabilities. Key ratios such as equity ratio and debt/equity ratio have changed as liabilities in the balance sheet have increased. The leasing agreements that are reported in the balance sheet relate primarily to the leasing of premises. BONESUPPORT applies IFRS 16 according to a simplified method. This implies a calculation period based on the remaining payments, and that the comparison year is not recalculated. The right to use assets is valued at an amount equal to the leasing debt. Contracts shorter than 12 months have not been taken into account.

As of January 1, 2019, the effect of transition to accounting in accordance with IFRS 16 is an increased balance sheet total of 14,145 SEKt, of which Tangible assets 14,145 SEKt, Non-current leasing debt 7,370 SEKt and current leasing debt 6,775 SEKt. ie without impact on Equity. The equity ratio was reduced from 85.4% to 81.9% as of January 1, 2019.

At the end of the period, the Group has the following values regarding leased assets: Tangible assets 11,289 SEKt, Leasing debt 11,289 SEKt of which 5,726 SEKt is non-current and 5,563 SEKt is current. The effect of IFRS 16 in the consolidated income statement for January - September 2019 is that depreciation of 4,073 SEKt and an interest expense of 169 SEKt have replaced an operational leasing expense of 4,242 SEKt. The new standard has therefor not had any effect on the loss for the period. When calculating the liability of remaining payments, an interest rate of 6% has been applied as discount rate. There is no marginal borrowing rate since the Group has no loans. After discussing with external lenders, a reasonable borrowing rate for a real estate loan has been evaluated. A development company carries a high risk premium why 6% is considered reasonable.

#### **Correction of error 2018**

Correction of comparison figures have been made regarding Q3 2018 for an error that arose in connection with the transition to a new ERP system. The error relates in its entirety to the EUROPE & REST OF THE WORLD segment. The error refers to internal profit calculation in inventories. Due to the error, gross profit and profit for the third quarter of 2018, and inventories as of September 30, 2018, were previously overstated with 1.3 SEKm.

## **NOTE 2**

### SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to various financial risks. The business is impacted by many factors that could affect the Group's result and financial position. It is BONESUPPORT's strategy to continuously identify and manage risks. Financial risk management is described in Note 2, Annual Report 2018.

### NOTE 3

#### TRANSACTIONS WITH RELATED PARTIES

The financial reports include costs related to the following transactions between BONESUPPORT and related parties.

SEKt		Jul - Sep		Jan - Sep	
Related party	Service	2019	2018	2019	2018
Route 2 Advisors Ltd (Simon Cartmell, Board member)	Consultancy	213	81	502	81
Seagles AB (Lars Lidgren, Board member)	Patent	900	0	900	0

### NOTE 4

#### NUMBER OF SHARES AND POTENTIAL SHARES

Ordinary shares	Number of shares	Potential shares
December 31, 2018	51,795,917	2,951,250
September 30, 2019	51,948,217	2,276,239

Series C shares	Number of shares	Potential shares
December 31, 2018	0	
Issued shares	505,000	
September 30, 2019	505,000	

### NOTE 5

#### PLEDGED SECURITIES AND CONTINGENT LIABILITIES

The US subsidiary BONESUPPORT Inc. has provided a guarantee of 56 USDt (548 SEKt) for rented premises. The Parent Company, BONESUPPORT HOLDING AB, guarantees a corresponding amount.

The Group has pledged collateral for capital-invested direct pensions amounting to 979 SEKt (558).

### NOTE 6

#### FINANCIAL ASSETS AND LIABILITIES

Fair values of current financial assets and liabilities are assessed to agree with values accounted for.

## NOT 7 SEGMENT INFORMATION

The Group manages and monitors operations in the North America (NA) and Europe & Rest of the World (EUROW) segments. Other comprises eliminations and other items, mainly costs for Group functions. Contribution per segment is calculated as net sales minus directly attributable operating costs. Such costs are related to cost of sales, selling expenses and research & development expenses. Assets and liabilities are not reported by segment, these are managed and monitored on Group level by management and the board of directors.

Net sales in Sweden (part of EUROW) was 1.6 SEK million (1.3) in the quarter. US, Germany and UK were the only markets that delivered more than 10% of consolidated net sales.

SEKt	Jul - Sep 2019				Jul - Sep 2018			
Profit and loss items	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	18,462	20,653	0	39,115	0	14,246	0	14,246
of which CERAMENT BVF	18,462	3,338	0	21,800	0	2,241	0	2,241
of which CERAMENT drug eluting <sup>1</sup>	0	17,315	0	17,315	0	12,005	0	12,005
Cost of sales	-1,582	-3,213	0	-4,795	0	-2,587	0	-2,587
<b>Gross profit</b>	<b>16,880</b>	<b>17,440</b>	<b>0</b>	<b>34,320</b>	<b>0</b>	<b>11,659</b>	<b>0</b>	<b>11,659</b>
Operative costs	-26,645	-16,859	0	-43,504	-20,209	-15,588	0	-35,797
Contribution	-9,765	581	0	-9,184	-20,209	-3,929	0	-24,138
Other operating items	0	0	-23,504	-23,504	0	0	-34,279	-34,279
<b>Operating result</b>	<b>-9,765</b>	<b>581</b>	<b>-23,504</b>	<b>-32,688</b>	<b>-20,209</b>	<b>-3,929</b>	<b>-34,279</b>	<b>-58,417</b>
Net financial items	0	0	-16	-16	0	0	-4	-4
<b>Result after financial items</b>	<b>-9,765</b>	<b>581</b>	<b>-23,520</b>	<b>-32,704</b>	<b>-20,209</b>	<b>-3,929</b>	<b>-34,283</b>	<b>-58,421</b>

SEKt	Jan - Sep 2019				Jan - Sep 2018			
Profit and loss items	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	44,757	64,506	0	109,263	29,925	43,590	0	73,515
of which CERAMENT BVF	44,757	10,294	0	55,051	29,925	8,122	0	38,047
of which CERAMENT drug eluting <sup>1</sup>	0	54,212	0	54,212	0	35,468	0	35,468
Cost of sales	-4,170	-10,303	0	-14,473	-4,007	-7,690	0	-11,697
<b>Gross profit</b>	<b>40,587</b>	<b>54,203</b>	<b>0</b>	<b>94,790</b>	<b>25,918</b>	<b>35,900</b>	<b>0</b>	<b>61,818</b>
Operative costs	-89,505	-48,930	0	-138,435	-54,028	-41,680	0	-95,708
<b>Contribution</b>	<b>-48,918</b>	<b>5,273</b>	<b>0</b>	<b>-43,645</b>	<b>-28,110</b>	<b>-5,780</b>	<b>0</b>	<b>-33,890</b>
Other operating items	0	0	-75,858	-75,858	0	0	-95,477	-95,477
<b>Operating result</b>	<b>-48,918</b>	<b>5,273</b>	<b>-75,858</b>	<b>-119,503</b>	<b>-28,110</b>	<b>-5,780</b>	<b>-95,477</b>	<b>-129,367</b>
Net financial items	0	0	-113	-113	0	0	-506	-506
<b>Result after financial items</b>	<b>-48,918</b>	<b>5,273</b>	<b>-75,971</b>	<b>-119,616</b>	<b>-28,110</b>	<b>-5,780</b>	<b>-95,983</b>	<b>-129,873</b>

<sup>1</sup> CERAMENT drug eluting includes CERAMENT G and CERAMENT V

## NOTE 8

### WARRANTS AND EMPLOYEE STOCK OPTION PROGRAMS

At period end, there are three different employee stock option programs, three performance share programs and three warrant programs.

#### Employee stock option programs

Of the three employee stock option programs, two run over ten years and expire 2022 and 2025 and one program runs over eight years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary share of the company when exercising the option. The employee stock options are vested according to a schedule in each program. A condition for allotment of options is employment or a contractual relationship with the company at each vesting date. Of the allocated 25.7 million options, 20.4 million options were fully vested before January 1, 2019 and 0.7 million options were vested during the year.

#### Performance share programs

There are two programs for newly recruited employees and one program for three Directors. All programs run over four years; one of the programs that is aimed at employees runs until 2022, the other programs run until 2021. Each savings share gives the opportunity to be allotted a maximum of 2, 3 or 4 performance shares without payment depending on share price development and the Company's development in terms of sales and EBITDA during the duration of the program. The performance shares were issued in the form of class C-shares with a subscription price and quota value of 0.625 SEK per share. The program that runs until 2022 has been implemented during the year.

Employee stock options and performance shares are valued at fair value at the date of allocation. The total cost is distributed over the vesting period. The cost is accounted for as personnel cost and is credited to equity. The social security cost is revalued at fair value. When the options are exercised, the company issues new shares. Payments received on behalf of the shares issued are credited to equity.

#### Warrant programs

There are three warrant programs where the latest program was executed in 2018. Warrants in the first two programs give the holder the right to acquire 0.2 ordinary shares and the third program 1 share.

Further information on these programs is presented in Notes 12, 23 and 25 in the Annual Report 2018.

Employee stock option programs	No of options <sup>1</sup>	Equal to no of shares	WAEP <sup>2</sup>
Balance January 1, 2019	6,180,190	1,236,038	9.92
Exercised	-761,500	-152,300	0.63
Returned	-88,545	-17,709	5.50
Balance September 30, 2019	5,330,145	1,066,029	11.35

Performance share programs	Right to no of shares
Balance January 1, 2019	505,000
Issued <sup>3</sup>	225,000
Balance September 30, 2019	730,000

Warrant programs	No of options	Equal to no of shares	WAEP <sup>2</sup>
Balance January 1, 2019	4,606,664	1,210,210	20.87
Balance September 30, 2019	4,606,664	1,210,210	20.87

1 Not allocated options amounted to 3,912,880

2 Weighted Average Exercise Price per share (SEK)

3 Additional allocation may be done during the remaining allocation period until December 31, 2019

During the year, the cost of employee stock option plans, excluding social security contributions, was recognized as operating expenses amounting to 1,736 SEKt thousand (3,796). Accrued social security contributions amounts to 3,997 SEKt (5,353).

# 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.

**Bisphosphonate.** A type of drugs that inhibits resorption of bone tissue.

**BMA.** Bone marrow aspirate.

**BMP.** Bone Morphogenic Protein.

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

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

**CERAMENT BVF.** CERAMENT BONE VOID FILLER

**CERAMENT G.** CERAMENT G, CERAMENT with gentamicin

**CERAMENT V.** CERAMENT V, CERAMENT with vancomycin

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

**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.

**FORTIFY.** A prospective, randomized, multicentercontrolled test of CERAMENT G that evaluates the ability of CERAMENT G to improve treatment outcome of patients with open shin fractures

**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 twelve 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.

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

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

**12M.** 12 Months (shows economic turn out during the latest 12 months before period end).

# DEFINITIONS - ALTERNATIVE PERFORMANCE MEASURES

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

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

## Sales growth

The difference in net sales between two periods in relation to net sales for the earlier period. Shows the operations sales performance.

## Gross profit

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

## Gross margin

Net sales minus cost of sales, in relation to net sales. Shows the margin to cover costs and profit.

## Contribution

Net sales minus cost of sales, minus directly attributable selling expenses and research & development expenses. A measure of result showing the performance of segments and their contribution to cover other Group costs.

## Interest bearing debt

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

## Net debt

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

	Jul - Sep		Jan - Sep		Full year
	2019	2018	2019	2018	2018
Net sales, SEKm	39.1	14.2	109.3	73.5	96.6
<b>Sales growth, %</b>	<b>174.6</b>	<b>-59.5</b>	<b>48.6</b>	<b>-28.1</b>	<b>-25.3</b>
Cost of sales, SEKm	-4.8	-2.6	-14.5	-11.7	-15.2
<b>Gross profit, SEKm</b>	<b>34.3</b>	<b>11.7</b>	<b>94.8</b>	<b>61.8</b>	<b>81.5</b>
<b>Gross margin, %</b>	<b>87.7</b>	<b>81.8</b>	<b>86.8</b>	<b>84.1</b>	<b>84.3</b>
Directly attributable selling expenses, SEKm	-37.2	-29.5	-119.1	-78.0	-112.6
Selling expenses, not directly attributable, SEKm	-2.3	-5.6	-13.9	-16.6	-20.7
Selling expenses, SEKm	-39.5	-35.1	-133.0	-94.6	-133.3
Directly attributable research & development expenses, SEKm	-6.3	-6.3	-19.3	-17.7	-23.6
Research & development expenses, not directly attributable, SEKm	-11.2	-10.1	-31.0	-30.7	-42.5
Research & development expenses, SEKm	-17.4	-16.4	-50.4	-48.5	-66.1
<b>Contribution, SEKm</b>	<b>-9.2</b>	<b>-24.1</b>	<b>-43.6</b>	<b>-33.9</b>	<b>-54.7</b>

	Sep 30		Dec 31
	2019	2018	2018
SEKm			
Non-current borrowings	5.7	0.0	0.0
Current borrowings	5.6	0.0	0.0
<b>Interest bearing debt</b>	<b>11.3</b>	<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents	129.9	313.2	261.5
<b>Net debt</b>	<b>-118.6</b>	<b>-313.2</b>	<b>-261.5</b>



## ABOUT BONESUPPORT

BONESUPPORT HOLDING AB (publ), reg id. 556802-2171, with registered office in Lund, is the Parent Company of BONESUPPORT AB. BONESUPPORT is a fast growing orthobiologics company in the commercial phase that targets the major orthopedic markets in the US and Europe. BONESUPPORT was founded in 1999 and has its registered office in Lund with wholly owned subsidiaries in the US, UK, Germany, Sweden, Denmark, Switzerland, Spain and the Netherlands and a branch office in France.

BONESUPPORT is active in orthobiological products, developing and commercializing innovative injectable bioceramic bone graft substitutes which remodel to host bone and have the capability of eluting drugs directly into the bone void. BONESUPPORT's marketed synthetic bone graft substitutes are CERAMENT BVF, CERAMENT G and CERAMENT V, all of which are based on the novel and proprietary CERAMENT technology platform. To date, all BONESUPPORT's marketed products have undergone the medical device approval process in the markets in which they are currently available. The company is not aware of any other commercially available products with the same properties as CERAMENT G and CERAMENT V, i.e. an injectable antibiotic-eluting bone graft substitute with proven rapid remodeling into host bone.

BONESUPPORT's products represent an innovative technology backed by an intellectual property portfolio of approximately 100 registered and/or pending patents.

BONESUPPORT has 13 years of documented experience of safety and efficacy and, based on sales data, estimates that more than 35,000 treatments have been performed with its products worldwide. There is a great market potential in trauma, chronic osteomyelitis, revision arthroplasty, bone tumors and diabetic foot infections. The company's research focuses on continuing to further develop and refine the current technology and extend it to further indications by the release of other drugs.

CERAMENT BVF is currently commercially available in several markets in Europe, the US, India, Malaysia, Oman and Singapore. CERAMENT G and CERAMENT V are available in the same European markets, as well as in Malaysia and Oman. CERAMENT G is also available in India.

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

## PRESENTATION OF INTERIM REPORT JULY – SEPTEMBER 2019

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The company invites investors, analysts and media to a web conference (in English) on November 7 at 10.00 CET, where CEO Emil Billbäck and CFO Håkan Johansson will present and comment on the report and also answer questions. The report will be available on BONESUPPORT's website from 08.00 CET on the same

day and the presentation from the webcast will be uploaded during the day on November 7, 2019. For further details regarding participation, see the investor pages at [www.bonesupport.com](http://www.bonesupport.com)

## FORWARD LOOKING STATEMENTS

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The report contains certain forward looking information that reflects BONESUPPORT's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward looking information. Forward looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events

and circumstances. Forward- looking information is not a guarantee of future results or developments and actual results may differ materially from results referred to in forward looking information. Forward looking information in the report is only applicable on the date of issue of the report. BONESUPPORT does not commit to publishing updates or revision of any forward- looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

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