

POSITIVE RESULTS FROM THE CERTIFY STUDY AND CONTINUED STRONG GROWTH IN EUROPE

1 OCTOBER – 31 DECEMBER 2018

- Net sales amounted to SEK 23.1 million (27.0), a decrease of 15%. The lower turnover should be valued in the perspective of the transition to a new distribution structure in the US with sales start on October 23, 2018. The Europe & ROW segment reports continued strong growth and increased 31% compared with the corresponding period last year.
- Gross margin of 85% (83).
- Operating loss of SEK -45.0 million (-33.4)
- Earnings per share before and after dilution was SEK -0.88 SEK (-1.03)

1 JANUARY – 31 DECEMBER 2018

- Net sales amounted to SEK 96.6 million (129.3), a decrease of 25%. The segment Europe & ROW increased with 22% and net sales in the segment North America decreased with 56%
- Gross margin of 84% (87)
- Operating loss of SEK -174.4 million (-99.3)
- Earnings per share before and after dilution was SEK -3.46 SEK (-3.24)

SIGNIFICANT EVENTS 1 OCTOBER – 31 DECEMBER 2018

- BONESUPPORT's new distributor network, which at the end of the period included 38 independent distributors, started the sale of CERAMENT BVF on October 23, 2018, at the same time Zimmer Biomet's exclusivity for CERAMENT BVF ended.
- In November, the first results of the CERTiFy study were presented, showing that CERAMENT BVF is a strong alternative to autograft.

SIGNIFICANT EVENTS AFTER PERIOD END

- BONESUPPORT announced on January 4, 2019 that Annelie Aava Vikner will join as new Executive Vice President Global Marketing & Communications in March.

“The result from CERTiFy shows that CERAMENT is a strong alternative to autograft. This is groundbreaking and can lead to an improved standard treatment of bone defects that do not heal naturally”

Emil Billbäck, CEO

Key Figures	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net Sales (SEKm)	23.1	27.0	96.6	129.3
Sales growth (%) ¹	-14.5	-8.8	-25.3	23.6
Gross Profit (SEKm)	19.6	22.5	81.5	112.4
Gross Margin (%) ¹	85.0	83.3	84.3	87.0
Operating Loss (SEKm)	-45.0	-33.4	-174.4	-99.3
Loss for the period (SEKm)	-45.6	-51.4	-176.4	-128.9
Equity at period end (SEKm)	278.5	450.8	278.5	450.8
Net debt (SEKm) ¹	-261.5	-434.7	-261.5	-434.7
Operating cash flow (SEKm) ¹	-50.4	-25.7	-171.6	-107.5
Cash at period end (SEKm)	261.5	533.4	261.5	533.4
Earnings per share (SEK) ²	-0.88	-1.03	-3.46	-3.24

¹ APM: Alternative Performance Measures, see financial definitions on page 15

² Before dilution and consolidation of shares 5:1





CEO COMMENT

POSITIVE RESULTS FROM THE CERTIFY STUDY

TOPLINE RESULTS FROM THE CERTIFY STUDY SHOWS THAT CERAMENT BVF IS AN ADEQUATE ALTERNATIVE TO AUTOGRAFT

In November we announced that CERAMENT BVF is an adequate alternative to autograft. This was confirmed by the results of our groundbreaking CERTiFy study, which is the first to compare a synthetic bone graft with autograft. Since autograft requires at least two surgical procedures and leads to prolonged pain for many patients, alternatives to autograft have long been requested. Despite this, autograft has been the standard treatment for bone defects associated with tibial fractures. We are very confident that the CERTiFy study will contribute to a change. We estimate that, only in the five largest European markets, approximately 100,000 procedures are performed annually with autograft on skeletal injuries

NEW DISTRIBUTION PLATFORM IN THE UNITED STATES

On October 23, our new network of independent distributors began selling CERAMENT BVF in the US. All internal systems worked and already during the first day our first customer order was received and delivered. In December, the Company signed an agreement with HCA to enable offering CERAMENT BVF to HCA's more than 1,800 sites of care, where we previously had limited presence under the Zimmer Biomet agreement. This is one of many examples of positive effects that follows from an independent distribution network. Sales in the quarter for segment North America amounted to SEK 4.2 million, which resulted in a full-year sale of SEK 34.1 million. The sharp decline compared with the previous year was an expected and natural consequence of the transition to the new distribution structure. No orders from Zimmer Biomet were expedited after the distribution agreement was terminated. In 2019, we expect significant benefits from the new structure.

STRONG GROWTH IN EUROPE

Growth in Europe is strong, driven by successes with the antibiotic-eluting products CERAMENT G and CERAMENT V. During the fourth quarter, sales of CERAMENT G and V increased by 45 percent and on a full-year basis, the increase was 33 percent. During Q4, several new sales representatives were recruited to new territories. 11 new sales representatives have been employed in our European key markets since May. We expect these resources to contribute continuously to sales growth in 2019.

FOCUSED INVESTMENTS

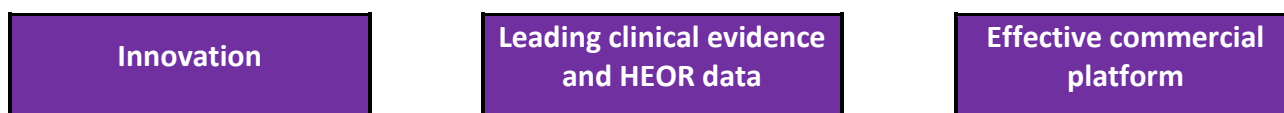
We are continuing to build a high-performing organization that executes the strategy we defined in 2018. We have recently launched a program to strengthen our cost control and focus our investments to maximize our resources, both human and financial.

Emil Billbäck, CEO

COMPANY OVERVIEW

STRATEGY

BONESUPPORT's strategy comprises of the following key components:



INNOVATION

BONESUPPORT has an innovative, unique and differentiated product offering with CERAMENT BVF and the antibiotic-eluting products, CERAMENT G and CERAMENT V.

Developing our innovative product portfolio

BONESUPPORT currently has four candidates in its pre-clinical development pipeline, which are designed to enhance bone growth through capitalizing on the drug-eluting capabilities of CERAMENT. The candidates are:

- CERAMENT plus bisphosphonates
- CERAMENT plus bone morphogenic protein (BMP)
- CERAMENT plus bisphosphonates and BMP
- CERAMENT plus bone marrow aspirate (BMA)

The company is currently conducting a thorough evaluation of the development portfolio to identify which product candidate/s should be prioritized for further development work.

Broaden our short and mid-term product offering

In addition to the portfolio mentioned above, BONESUPPORT is looking at several near-term opportunities including products complementary to CERAMENT and developments of the CERAMENT platform. These include CERAMENT in various formulations and product combinations. BONESUPPORT signed an agreement in May with Collagen Matrix Inc. to gain access to a number of products, based on natural and synthetic bone material, and in August entered into an agreement with MTF Biologics to gain access to two bone graft substitutes containing demineralized bone matrix (DBM). These products will strengthen our offering in the US from 2019 and onwards.

LEADING CLINICAL EVIDENCE AND HEOR DATA

The importance of clinical data

BONESUPPORT has as one of the three cornerstones of its strategy to deliver industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. BONESUPPORT already has a comprehensive database of more than 130 research publications and abstracts of preclinical and clinical studies with CERAMENT. Two of the most important and largest clinical trials are CERTiFy and FORTIFY.

The larger studies being conducted are:

STUDY	Feasibility	Initiated study	FPI ¹	LPI ¹	FDA Filing
FORTIFY (US, DE, UK, PL- G)					
STUDY	Feasibility	Initiated study	FPI ¹	LPI ¹	Publication
CERTiFy (DE – BVF)					2019
DF (Diabetic Foot, IT – G)					
RA (Revision Arthroplasty, DE – G,V)					

¹ FPI: First Patient In, LPI: Last Patient In

The CERTiFy study is the largest clinical study to date with CERAMENT. The study is a prospective, randomized, controlled clinical trial with 137 patients at 20 leading trauma centers in Germany, aiming to compare treatment of CERAMENT BVF with transplantation of autologous bone graft (autograft) in tibial fractures with bone defect. Autograft has long been the standard of care for this type of injury. The CERTiFy study was completed in June 2018 and complete results are expected to be published in 2019. Already in a press release in November, BONESUPPORT announced that the main objective of the study was achieved: CERAMENT BVF has proven to be an adequate alternative to autograft.

The FORTIFY study evaluates the ability of CERAMENT G to improve the treatment outcome of patients with open tibia fracture. An "open" fracture means that the skin has been penetrated in connection with trauma. These fractures run a high risk of infection with a consequential insufficient bone healing. The primary purpose is to demonstrate the absence of deep infection at the fracture site, avoiding further interventions to support healing as well as patient reported improvement. The study will include up to 230 patients at clinics in the US and Europe. Data will be used to support a planned PMA (pre-market approval) application at the FDA, an important step for approval at the end of 2021. Recruitment of patients is ongoing.

Health economic benefits with CERAMENT

BONESUPPORT works strategically with clinical studies to demonstrate the clinical and health economic value of the company's innovative technology. In 2019, BONESUPPORT will publish data that demonstrate the health economic effects of CERAMENT G and CERAMENT V in the treatment of bone infection in the UK. The data is collected over five years to show the significant healthcare savings that can be achieved when using CERAMENT G and CERAMENT V.

BONESUPPORT also carries out several smaller projects to demonstrate the economic benefits of using CERAMENT G and CERAMENT V reducing re-infections, new hospitalizations and avoid repeated surgical procedures.

The purpose of all studies is to scientifically demonstrate CERAMENT's good clinical effects and how an increased use of CERAMENT has positive health economic effects in the form of reduced number of procedures, reduced length of stay and thus reduced health queues.

EFFECTIVE COMMERCIAL PLATFORM

Strengthened presence in key markets

BONESUPPORT has in 2018 strengthened its presence in Europe by recruiting sales representatives with a specific focus on trauma. In total, the number of sales representatives has doubled in 2018 and totals 25 at the end of the year. The expanded sales organization, together with a more focused governance and prioritization, is expected to continue to have positive effects on sales in Europe in 2019.

In 2018, the strategic decision was made to establish a new distributor organization with better opportunity to penetrating the entire US market. At the end of the year, BONESUPPORT had its own commercial organization in the USA with 21 employees and 38 contracted distributors with a total of more than 500 sales representatives.

NORTH AMERICA (NA)

The focus of the North America segment is the USA, where CERAMENT BVF was previously exclusively distributed via Zimmer Biomet (ZB). BONESUPPORT has built up a new distribution structure which is active since October 23, 2018. The new distribution structure enables a better geographical reach of the target group for CERAMENT BVF. At the end of the year, BONESUPPORT had its own commercial organization in the USA with 21 employees and 38 contracted distributors with a total of more than 500 sales representatives.

(SEKm)	Oct – Dec		Jan - Dec	
	2018	2017	2018	2017
Net Sales	4.2	12.6	34.1	78.1
Gross profit	3.7	10.7	29.6	69.9
Contribution	-16.8	-3.5	-45.0	18.8

OCTOBER - DECEMBER

Net Sales

The low sales for the period should be viewed against the ongoing development phase with training for distributors' sales representatives and conversion of customer contracts. No sales to Zimmer Biomet was reported during the period. Net sales per quarter are shown below (SEKm).

Contribution

The contribution from the segment was SEK -16.8 million (-3.5). The increased loss was due to ongoing commercial investments and the low sales.

Sales and marketing expenses increased to SEK 15.3 million (6.2) during the fourth quarter. R&D costs decreased to SEK 5.9 million (7.2), mainly as the corresponding period in the previous year included initiation costs for the FORTIFY study.

JANUARY – DECEMBER

Net sales amounted to SEK 34.1 million (78.1), a decrease of 56% compared with 2017. Net Sales was impacted by the transition to the new distribution network and the ceased distribution agreement with Zimmer Biomet, as well as their supply problems that affected the first half of the year. The contribution amounted to SEK -45.0 million (18.8). The negative contribution was mainly due to the significantly lower sales combined with increased costs for strengthening the organization in connection with the new distribution structure.



EUROPE & REST OF WORLD (EUROW)

In Europe, CERAMENT is sold both through the company's own sales organization as well as through distributors. In its key markets, the UK, Germany, Switzerland, Sweden and Denmark, BONESUPPORT has expanded its own sales and marketing organization from 14 to 25 employees. This investment enables a more aggressive penetration of the trauma segment, which has great potential for CERAMENT.

Within eight European markets, the company cooperates with specialist distributors. In other parts of the world (ROW) BONESUPPORT sells only through distributors.

(SEKm)	Oct – Dec		Jan - Dec	
	2018	2017	2018	2017
Net Sales	18.9	14.5	62.5	51.2
Gross profit	15.9	11.8	51.8	42.5
Contribution	-3.9	0.8	-9.7	-7.6

OCTOBER - DECEMBER

Net Sales

Net sales for the segment increased by 31% compared to the fourth quarter of 2017 and amounted to SEK 18.9 million. The increase in Europe was 27%. Sales from the five European countries with direct sales accounted for 84% of the segment's sales, driven by increased use of the CERAMENT G and CERAMENT V antibiotic-eluting products, which together increased by 45% in the quarter. Net sales per quarter are shown below (SEKm).

Contribution

The contribution from the segment was SEK -3.9 million (0.8). Sales and market expenses in the segment increased to SEK 15.8 million (11.0), primarily as an effect of previously mentioned investments in the sales organization in the key markets.

JANUARY – DECEMBER

Net sales for the segment increased by 22% compared to the full year 2017 and amounted to SEK 62.5 million (51.2). The increase in Europe was 27%. Sales increased as a result of a wider use of mainly the antibiotic-eluting products at major clinics, especially in countries with direct sales. The growth of antibiotic-eluting products was 33%. The contribution amounted to SEK -9.7 million (-7.6). The negative trend compared to the same period in 2017 is mainly due to implemented investments in the sales organization, which are burdened in the short term despite positive sales development.



PROFIT AND LOSS

OCTOBER - DECEMBER 2018

Net Sales

Net sales amounted to SEK 23.1 million (27.0), a decrease of 15%. The EUROW segment increased by 31% to SEK 18.9 million (14.5). The sales increase in Europe is driven by the wider use of CERAMENT G and V. Sales in the US decreased by 67% to SEK 4.2 million as a result of the ongoing build-up of a new distribution structure. A more detailed description is given under the segment sections. The currency translation effect was positive at SEK 1.6 million.



Cost of sales

Cost of sales amounted to SEK 3.5 million (4.5) leading to a gross margin of 85% (83).

Selling expenses

Sales expenses amounted to SEK 38.8 million (21.5), an increase of 80%. Personnel costs totaled SEK 25.8 million (12.0). Both segments increased costs, with NA increasing by 145% to SEK 15.2 million (6.2), driven by the expansion of the sales organization and increased marketing activities and EUROW increased by 71% to SEK 18.8 million (11.0) as a result of ongoing expansion of the sales organization. Other sales costs, which were not allocated to the segments, increased to SEK 4.8 million (4.3).

Research and development (R&D) expenses

Research and development costs amounted to SEK 17.6 million (19.7), a decrease of 11%. Personnel costs corresponded to SEK 5.7 million (5.7). Other expenses totaled SEK 11.9 million (14.0). The NA segment decreased by 18% to SEK 5.9 million (7.2), mainly as the corresponding period in the previous year included initiation costs for the FORTIFY study.

Administrative expenses

Administrative expenses amounted to SEK 9.3 million (15.7), a decrease of 41%, of which personnel costs totaled SEK 4.2 million (6.0), the decrease being largely attributable to lower costs for share-related incentive programs. Other expenses amounted to SEK 5.1 million (9.5). The corresponding period last year was charged partly with costs attributable to the IPO of SEK 0.4 million but also costs for bad debt provisions of SEK 1.6 million.

Other operating income and expenses

Other operating income and expenses consisted mainly of exchange gains and losses on operating assets and liabilities. Other operating income amounted to SEK 1.3 million (2.1) and other operating expenses totaled SEK -0.2 million (-1.3) for the quarter.

Operating result

Operating loss amounted to SEK -45.0 million (-33.4), where the increased loss was mainly due to lower sales in the US combined with higher operational costs from implemented investments in the expansion of the sales organization, with more employees in both the US and Europe.

Net financial items

Net financial items amounted to SEK 0.0 million (-17.4). No interest expense was charged to net financial items in the period since the Group's loans were repaid in the first quarter of 2018. The result during the corresponding period last year was charged with interest expenses but also fees in connection with the loan prepayment of SEK 8.9 million.

Loss for the period

For the reasons explained above, the loss for the fourth quarter amounted to SEK -45.6 million (-51.4), which corresponds to earnings per share of SEK -0.88 (-1.03).

JANUARY - DECEMBER 2018

Net Sales

Net sales amounted to SEK 96.6 million (129.3), a decrease of 25%. The NA segment reported a decline in sales of SEK 44.0 million attributable to ongoing changes in the distribution structure, while the EUROW segment reports continued growth with a revenue increase of SEK 11.3 million during the period.

Operating result

Operating loss was SEK -174.4 million (-99.3), mainly due to lower sales and expansion of sales organization, with more employees in the US and Europe.

Loss for the period

Loss for the period amounted to SEK -176.4 million (-128.9), mainly due to the lower operating loss as described above and the positive impact of lower interest expenses as a result of the repayment in February of the loan to Kreos Capital. Earnings per share amounted to SEK -3.46 (-3.24).

FINANCIAL POSITION AND CASH FLOW

Financial position (SEKm)	31 Dec	
	2018	2017
Cash and cash equivalents	261.5	533.4
Interest-bearing debt	0	98.6
Net debt	-261.5	-434.7
Equity	278.5	450.8

Cash and cash equivalents amounted to SEK 261.5 million at the end of the period, a decrease of SEK 271.9 million since the beginning of the year. The change related to cash flow from operating activities amounting to SEK -171.6 million and SEK -98.8 million from financing activities. The latter mainly consists of the repayment of the loan to Kreos Capital of SEK -93.3 million, SEK -8.9 million in costs for termination and remaining interest and SEK 3.4 million in prepaid loan.

Cash flow (SEKm)	Oct – Dec		Jan – Dec	
	2018	2017	2018	2017
Operations	-50.4	-25.7	-171.6	-107.5
Investing activities	-1.7	-1.4	-2.7	-4.7
Financing activities	0.2	-7.5	-98.8	504.8

Cash flow from operating activities for the quarter was SEK -50.4 million (-25.7), mainly attributable to operating loss of SEK -45.0 million (-33.4).

OTHER DISCLOSURES

PARENT COMPANY

The parent company BONESUPPORT HOLDING AB (publ) is a holding company. The Parent Company generated SEK 29.0 million (37.9) in sales of internal services to subsidiaries during the quarter. The loss in the quarter was SEK -1.7 million (-9.1). No investments were made during the period.

EMPLOYEES

The BONESUPPORT Group had 72 (60) employees (full-time equivalents) during the year, of whom 20 (17) worked in Research & Development.

SIGNIFICANT EVENTS DURING Q4

BONESUPPORT's new distributor network, which at the end of the period included 38 independent distributors, started the sale of CERAMENT BVF on October 23, 2018, at the same time Zimmer Biomet's exclusivity for CERAMENT BVF ended

In November, the first results of the CERTiFy study were presented, which show that CERAMENT BVF is an adequate alternative to autograft.

SIGNIFICANT EVENTS AFTER PERIOD END

BONESUPPORT announced on January 4, 2019 that Annelie Aava Vikner will join as new Executive Vice President Global Marketing & Communications in March.

SHARES AND RELATED PROGRAMS

The company has one class of shares. The quota value of the shares is SEK 0.625 per share. As of December 31, 2018, the total number of shares amounted to 51,795,917 distributed among 1,805 shareholders. The major shareholders are shown below.

Shareholders 31 December 2018	
HealthCap V LP	12.8%
Stiftelsen Industrifonden	9.3%
Lundbeckfond Invest A/S	9.3%
Robur AB	8.7%
Tredje AP-fonden	7.8%
Tellacq AB	5.7%
Carl Westin Ltd	5.2%
Other shareholders	41.3%

From 1 January to 31 December, the number of shares increased by 1,518,027. All shares were related to the conversion of shares as part of the ESOPs (Employment Share Option Programs). BONESUPPORT now has three ESOPs. A condition for vesting is that the option holder on each vesting day is employed by or holds an assignment within the Group. The number of outstanding options as of December 31, 2018 amounted to 6,180,190, where five options can be converted to one share. A summary of ESOPs appears in the Annual Report 2017, note 12 and in note 8 in this report.

The Annual General Meeting (AGM) on 22 May 2018 resolved to implement two new long-term incentive programs. One was meant mainly for employees and the other for three members of the Board. Both programs offer the possibility to participate in a performance-based share saving program that will entitle the participant allotment of ordinary shares in the company free of charge for each invested ordinary share based on the company's performance 2018-2021. Both programs could result in potential dilution based on the full issuance of the 505,000 performance shares during first quarter 2022. More information is provided in these programs in note 8.

There were three other warrant programs as of 31 December 2018 with the latest program being resolved at the Annual General Meeting (AGM) on 22 May 2018 and amounts to 361,096 warrants (each warrant gives the right to convert into 1 share). The number of warrants in the other two programs amounted to 4,245,568 where five warrants gives the right to convert into 1 share. Further details of these warrant programs are described in note 8.

More information about these share related incentive programs is available on the company's website.

FINANCIAL CALENDAR

8 May 2019	January – March 2019 Interim report
25 July 2019	January – June 2019 Interim report
7 November 2019	January – September 2019 Interim report
April 2019	Annual Report 2018
14 May 2019	AGM

NOMINATION COMMITTEE

The nomination committee is elected based on the principles decided at the AGM 22 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 to 14 May 2019. The members of the committee are:

- Jacob Gunterberg Chairman of the Committee, representing HealthCap V LP
- Håkan Björklund Chairman of the Board
- Johan Kördel representing Lundbeckfonden Invest A/S
- Jonas Jendi representing Stiftelsen Industrifonden

This report has been prepared in both a Swedish and an English version. In the event of any discrepancy between the two, the Swedish version shall apply.

The CEO confirms that this full year report provides a true and fair view of the development of the group's and parent company's operations, position and performance, as well as describing material risks and uncertainties faced by the companies that form part of the group.

Lund, Sweden, 27 February 2019

Emil Billbäck, CEO

BONESUPPORT HOLDING AB (publ)

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

(SEKt)	Note	Oct - Dec		Jan - Dec	
		2018	2017	2018	2017
Net Sales	7	23,108	27,039	96,623	129,301
Cost of Sales		-3,460	-4,513	-15,157	-16,871
Gross profit		19,648	22,526	81,466	112,430
Selling expenses		-38,760	-21,488	-133,311	-92,858
Research and development expenses		-17,607	-19,748	-66,064	-60,636
Administrative expenses	3,8	-9,343	-15,749	-58,345	-57,478
Other operating income		1,251	2,112	8,530	5,282
Other operating expenses		-226	-1,303	-6,680	-6,025
Operating loss	7	-45,037	-33,380	-174,404	-99,285
Net financial items		41	-17,369	-465	-28,577
Loss before income tax	7	-44,996	-50,749	-174,869	-127,862
Income tax		-629	-601	-1,536	-1,007
Loss for the period		-45,625	-51,350	-176,405	-128,869

EARNINGS PER SHARE

(SEK)	Not	Oct - Dec		Jan - Dec	
		2018	2017	2018	2017
<i>Equityholders of the parent</i>					
Earnings per share before dilution (SEK)		-0.88	-1.03	-3.46	-3.24
Earnings per share after dilution (SEK) ³		-0.88	-1.03	-3.46	-3.24
Loss for the period (SEK 1,000)		-45,625	-51,350	-176,405	-128,869
Average number of shares (1,000) ⁴		51,664	50,006	50,971	39,826

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEKt)	Not	Oct - Dec		Jan - Dec	
		2018	2017	2018	2017
Loss for the Period		-45,625	-51,350	-176,405	-128,869
<i>Other comprehensive income</i>					
Exchange differences		-114	44	129	2
Total comprehensive income for the period		-45,739	-51,306	-176,276	-128,867

³ / Dilution effects for negative earnings per share should not be adjusted for.

⁴ / Average number of shares is recalculated after the share consolidation 5:1.

CONDENSED CONSOLIDATED BALANCE SHEET

(SEKt)	Note	31 Dec	
		2018	2017
ASSETS			
Intangible assets		5,511	5,244
Tangible assets		3,885	3,099
Other non-current assets	6	375	248
Total non-current assets		9,771	8,591
Inventories		23,681	22,079
Trade receivables	6	18,683	20,678
Other operating receivables	6	12,538	11,969
Cash and cash equivalents	6	261,468	533,367
Total current assets		316,370	588,093
TOTAL ASSETS		326,141	596,684
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	4	278,531	450,786
Non-current borrowings	6	0	0
Provisions		289	173
Total non-current liabilities		289	173
Current borrowings	6	0	98,620
Trade payables	6	12,472	11,553
Other operating liabilities	6	34,849	35,552
Total current liabilities		47,321	145,725
TOTAL EQUITY AND LIABILITIES		326,141	596,684

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEKt)	Issued capital	Other paid-in capital	Reserves	Accumulated losses	Total equity
Equity at 1 January 2017	18,132	669,552	-306	-653,074	34,304
Loss January–December 2017			2	-128,869	-128,867
<i>Transactions with equity holders:</i>					
New share issue	13,292	557,002			570,294
Transaction costs, new share issue		-39,101			-39,101
Allotted warrants		1,562			1,562
Share-based payment transactions				12,594	12,594
Equity 1 January 2018	31,424	1,189,015	-304	-769,349	450,786
Loss Januari – December 2018			129	-176,405	-176,276
<i>Transactions with equity holders:</i>					
New share issue	949				949
Transaction costst, new share issue		-1,860			-1,860
Allotted warrants		740			740
Share-based payment transactions				4,192	4,192
Equity 31 December 2018	32,373	1,187,895	-175	-941,562	278,531

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(SEKt)	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Operating loss	-45,037	-33,380	-174,404	-99,285
<i>Non-cash adjustments</i>				
-Share-based transactions	396	2,423	4,192	12,594
-Other	-1,742	2,101	-962	4,113
Interest received	46	3	46	3
Interest paid	-5	-2,705	-868	-11,740
Realized exchange gains on loans	0	0	558	0
Income tax paid	-1,135	-211	-2,151	-737
Net cash flows from operating activities before changes in working capital	-47,477	-31,769	-173,589	-95,052
Changes in working capital	-2,878	6,080	1,964	-12,482
Net cash flows from operating activities	-50,355	-25,689	-171,625	-107,534
Net cash flow from investing activities	-1,691	-1,362	-2,719	-4,688
Net cash flow from financing activities	150	-7,457	-98,791	504,833
Total cash flow for the period	-51,896	-34,508	-273,135	392,611
Cash and cash equivalents at beginning of period	313,168	567,637	533,367	141,501
Net foreign exchange difference on cash and equivalents	196	238	1,236	-745
Cash and cash equivalents at period end	261,468	533,367	261,468	533,367

CONDENSED PARENT COMPANY INCOME STATEMENT

(SEKt)	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
Net Sales	29,048	37,873	51,578	37,873
Administrative expenses	-31,371	-46,637	-66,756	-50,516
Other income	400	0	528	23
Other expenses	-407	0	-1,033	-33
Operating loss	-2,330	-8,764	-15,683	-12,653
Net financial items	666	-297	2,105	-3,162
Loss before income tax	-1,664	-9,061	-13,578	-15,815
Income tax	0	0	0	0
Loss for the period	-1,664	-9,061	-13,578	-15,815

Parent company loss for the period equals comprehensive income.

CONDENSED PARENT COMPANY BALANCE SHEET

(SEKt)	31 Dec	
	2018	2017
ASSETS		
Non-current assets	704,652	503,912
Other receivables	153	0
Prepaid expenses	728	715
Cash	243,247	513,945
TOTAL ASSETS	948,780	1 018,572
EQUITY AND LIABILITIES		
<i>Equity</i>		
Restricted equity	32,372	31,424
Unrestricted equity	874,620	889,317
Total equity	906,992	920,741
Current liabilities	41,788	97,831
TOTAL EQUITY AND LIABILITIES	948 780	1,018,572

CONDENSED CONSOLIDATED INCOME STATEMENT PER QUARTER

(SEKt)	2018				2017			
	Q4	Corr Q3 ¹	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	23,108	14,246	28,184	31,085	27,039	32,677	37,131	32,454
Cost of Sales ¹	-3,460	-2,587	-3,548	-5,562	-4,513	-3,989	-4,748	-3,621
Gross Profit¹	19,648	11,659	24,636	25,523	22,526	28,688	32,383	28,833
Gross Margin (%) ¹	85,0	81,8	87,4	82,1	83,3	87,8	87,2	88,8
Selling expenses	-38,760	-35,086	-31,820	-27,645	-21,488	-24,368	-22,231	-24,771
Research and development expenses	-17,607	-16,426	-17,193	-14,838	-19,748	-12,834	-18,686	-9,368
Administrative expenses	-9,343	-17,531	-14,940	-16,531	-15,479	-11,149	-9,160	-21,690
Other operating income	1,251	1,818	2,530	2,931	2,112	1,007	1,338	825
Other operating costs	-226	-2,851	-1,033	-2,570	-1,303	-1,457	-2,004	-1,261
Operating loss	-45,037	-58,417	-37,820	-33,130	-33,380	-20,113	-18,360	-27,432
Net financial items	41	-4	-5	-497	-17,369	-2,373	-5,181	-3,654
Loss before income tax	-44,996	-58,421	-37,825	-33,627	-50,749	-22,486	-23,541	-31,086
Income tax	-629	-377	-379	-151	-601	-401	-3	-2
Loss for the period	-45,625	-58,798	-38,204	-33,778	-51,350	-22,887	-23,544	-31,088

The result for the periods is fully attributed to the shareholders of the parent company.

¹ 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 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 was overstated with SEK 1.3 million.

DEFINITIONS

AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crest
BONE GRAFT SUBSTITUTE	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
CLINICAL STUDY	Study on humans of a medical device or a pharmaceutical product, for example
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 exemption)	Exemption from regulatory approval to conduct clinical studies on a medical device
ILIAC CREST	The upper wing of the hip bone (Ilium)
LTM	Last Twelve Months
MICRO-CT	Microtomography: 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 tissue
OSTEOMYELITIS	A bacterial infection affecting bones
PMA	Premarketing Approval is the FDA process of reviewing Class III medical devices
Q4	Fourth quarter
TOXICITY	The degree to which a substance (a toxin or poison) can harm humans or animals
12M	12 Month (showing financial outcome last 12 months before period end)

FINANCIAL DEFINITIONS

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

Contribution	Revenues minus directly allocated Cost of sales, Selling and R&D expenses. Shows the operational performance for each segment.
Earnings per share (EPS)	Net result divided by average number of shares before dilution Shows the operational performance, including depreciations and amortizations
Gross profit	Net Sales minus Cost of Sales. Shows the profit to cover others 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, also forming the basis of interest costs
Net debt	Interest-bearing debts minus cash and cash equivalents. Shows the leverage level of the Company
Operating cash flow	Net cash flows from operating activities
Operating result (EBIT)	Operating result shows the operative result including depreciation
Sales growth	The difference in Net Sales between two periods in relation to the Net Sales for the previous corresponding period. Shows how the Company performs in its sales operations

Reconciliation of APM – Net debt (SEKm)	31 Dec 2018	31 Dec 2017
Non-current borrowing	0.0	0.0
Current borrowing	0.0	98.6
Cash and cash equivalents	-261.5	-533.4
Net debt	-261.5	-434.7

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Annual Accounts Act. Accounting principles have been applied to the annual report as of December 31, 2017. New or amended standards or interpretations of standards effective as of January 1, 2018 have not had any significant impact on BONESUPPORT's financial statements. IFRS 15 "Revenue from contracts with customers: Revenue mainly arise from one category, sale of goods. BONESUPPORT has one performance obligation for which revenue is reported at the time of delivery. IFRS 16 "Leasing" was adopted by the EU on October 31, 2017 and is applicable from January 1, 2019. IFRS 16 means that, in principle, all leases are recognized in the balance sheet, the right to use the leasing objects as an asset and the remaining lease payments as debt. In the income statement, the leasing cost is replaced by depreciation of the assets and interest expense on the lease liabilities. Key ratios such as equity ratio and debt / equity ratio change as liabilities in the balance sheet increase. The leasing agreements that will be reported in the balance sheet relate primarily to the leasing of premises. BONESUPPORT will apply IFRS 16 according to the simplified method. This means a calculation period based on the remaining payments, that the comparison year is not recalculated and that contracts shorter than 12 months are not taken into account. As of December 31, 2018, the effect of transition to accounting in accordance with IFRS 16 estimates an increased balance sheet total of approximately SEK 14 million and that the equity ratio decreases from 86.3% to 82.6%.

NOTE 2 SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to various financial risks. The business is impacted by many factors that could impact the company's result and financial position. BONESUPPORT's strategy is to continuously identify and manage risks. Further details can be found in the Annual report 2017, note 2.

NOTE 3 TRANSACTIONS WITH RELATED PARTIES

The income statements include costs related to the following transactions between BONESUPPORT AB and related parties.

Related	Service (SEKt)	Jan - Dec	
		2018	2017
Seagles AB (owned by Lars Lidgren)	Consultancy, development projects	-	44
Seagles AB (owned by Lars Lidgren)	Patent transfer	600	500
Route 2 Advisors Ltd (Simon Cartmell)	Consultancy	81	-

NOTE 4 NUMBER OF SHARES AND POTENTIAL SHARES

Number of shares		Potential shares	
31 December 2017	50,277,890	31 December 2017	4,334,868
Converted employee options	1,518,027	Converted employee options	-1,518,027
		Returned employee options	-731,687
		Potential performance shares	575,000
		Issued warrants	361,096
31 December 2018	51,795,917	31 december 2018	2,951,250

Further information on page 9.

NOTE 5 PLEDGED SECURITIES AND CONTINGENT LIABILITIES

The US subsidiary BONESUPPORT Inc has provided a guarantee of \$ 56,000 for its office rent. The parent company, BONESUPPORT HOLDING AB, guarantees a corresponding amount of SEK 502 thousand.

In addition, the Group has pledged collateral for capital-invested direct pensions amounting to SEK 1.0 million

When the loan agreement with Kreos Capital was signed in September 2016, the company issued many securities to Kreos Capital. The agreement was voluntarily terminated by BONESUPPORT and the loan fully repaid as of 1 February 2018. The securities were released on the same day.

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

Fair values of current financial assets and liabilities are assessed and agree with values accounted for. The fair value of the loan was SEK 98.6 million at 31 December 2017. The book value was SEK 98.6 million. The loan was fully repaid on 1 February 2018. Other financial assets and liabilities are current and fair values are assessed agree with values accounted for.

NOTE 7 SEGMENT INFORMATION

The segments are North America ("NA") and Europe & RoW ("EUROW"). Others include Eliminations and others in which the main part relates to Head office functions. Contribution per segment is calculated as Total revenues minus costs that are directly attributable to the segment. Such costs are directly related to Cost of sales, selling expenses and R&D. There is no allocation to segments for Group assets or liabilities as the control of these is only conducted at the total Group level by management and the Board.

Net sales in Sweden (part of EUROW) were SEK 2.1 million (0.8) for the quarter. The US market (part of NA), together with the markets Germany and the UK, are the only ones that each make up more than 10% of the Group's net sales during the period January to December 2018.

Profit and loss items (SEKt)	Oct - Dec 2018				Oct - Dec 2017			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net Sales	4,201	18,907		23,108	12,552	14,487		27,039
Cost of Sales	-489	-2,971		-3,460	-1,839	-2,674		-4,513
Gross profit	3,712	15,936		19,648	10,713	11,813		22,526
Operative costs	-20,560	-19,883		-40,443	-14,231	-11,041		-25,272
Contribution	-16,848	-3,947		-20,795	-3,518	772		-2,746
Other operating items	0	0	-24,242	-24,242			-30,634	-30,634
Operating result	-16,848	-3,947	-24,242	-45,037	-3,518	772	-30,634	-33,380
Net financial items	0	0	41	41			-17,369	-17,369
Result before taxes	-16,848	-3,947	-24,201	-44,996	-3,518	772	-48,003	-50,749

Product group (SEKt)	Oct - Dec 2018			Oct - Dec 2017		
	NA	EUROW	Total	NA	EUROW	Total
CERAMENT BVF	4,201	2,871	7,072	12,552	3,467	16,019
CERAMENT drug eluting ⁵		16,036	16,036	-	11,020	11,020
TOTAL	4,201	18,907	23,108	12,552	14,487	27,039

Profit and loss items (SEKt)	Jan - Dec 2018				Jan - Dec 2017			
	NA	EUROW	NA	EUROW	NA	EUROW	NA	EUROW
Net Sales	34,126	62,497		96,623	78,127	51,174		129,301
Cost of Sales	-4,496	-10,661		-15,157	-8,187	-8,684		-16,871
Gross profit	29,630	51,836		81,466	69,940	42,490		112,430
Operative costs	-74,588	-61,563		-136,151	-51,132	-50,091		-101,223
Contribution	-44,958	-9,727		-54,685	18,808	-7,601		11,207
Other operating items	0	0	-119,719	-119,719			-110,492	-110,492
Operating result	-44,958	-9,727	-119,719	-174,404	18,808	-7,601	-110,492	-99,285
Net financial items	0	0	-465	-465			-28,577	-28,577
Result before taxes	-44,958	-9,727	-120,184	-174,869	18,808	-7,601	-139,069	-127,862

Product group (SEKt)	Jan - Dec 2018				Jan - Dec 2017			
	NA	EUROW	NA	EUROW	NA	EUROW	NA	EUROW
CERAMENT BVF	34,126	10,993		45,119	78,127	12,682		90,809
CERAMENT drug eluting ⁶	0	51,504		51,504	-	38,492		38,492
TOTAL	34,126	62,497		96,623	78,127	51,174		129,301

⁵ CERAMENT drug eluting includes CERAMENT G and CERAMENT V

⁶ CERAMENT drug eluting includes CERAMENT G and CERAMENT V

NOTE 8 WARRANTS AND EMPLOYEE OPTION PROGRAMS

There are three different employee stock option programs (ESOPs), two performance shares program and two different warrant programs.

ESOPs

Two of them run over 10 years and expire in 2022 and 2025. The third program runs over 8 years and expires in 2024. Each stock option or warrant gives the holder the right to acquire 0.2 ordinary shares of the company when exercising the option or warrant. The employee stock options are vested according to a schedule in each program. Of the 25.7 million options that were already allocated, 18.0 million options were vested before 1 January 2018 and 2.4 million options were vested in the period in 2018.

Performance shares

There is one program for employees and one program for three Directors. Both programs run over four years, until 2021. Each savings share gives the opportunity to be allotted a maximum of 2, 3 or 4 performance shares depending on share price development and the Company's development in terms of net sales and EBITDA.

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 for 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 gives the holder the right to acquire 0.2 ordinary shares and the third program 1 ordinary share.

Further information on these programs is presented note 12, 23 and 25 in the annual report 2017.

ESOP's	No of options ⁷	Equal to no of shares	WAEP ⁸
Balance 1 jan 2018	17,428,768	3,485,754	5.88
Converted	-7,590,145	-1,518,029	0.63
Due/cancelled	-3,658,433	-731,687	9.90
Balance 31 Dec 2018	6,180,190	1,236,038	9.92

Performance shares	No of options	Equal to no of shares	WAEP ⁷
Balance 1 Jan 2018	-	-	-
Issued	575,000	575,000	0.00
Returned	-70,000	-70,000	0.00
Balance 31 Dec 2018	505,000	505,000	0.00

Warrant programs	No of options	Equal to no of shares	WAEP ⁷
Balance 1 Jan 2018	4,245,568	849,114	22.97
Issued	361,096	361,096	15.94
Balance 31 Dec 2018	4,606,664	1,210,210	20.87

⁷ Unallocated options amounts to 3,824,338

⁸ Weighted Average Exercise Price (SEK) per share on outstanding options

ABOUT BONESUPPORT

BONESUPPORT HOLDING AB (publ), reg. ID 556802-2171, is the parent company in the BONESUPPORT Group, in which operations are executed in BONESUPPORT AB and its subsidiaries in the US, the UK, Germany, Switzerland and the Netherlands.

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 a twelve-year track record of safety and efficacy of its products in treating patients with an estimated number of around 35,000 procedures performed with its products worldwide, based on sales data. There is a large, addressable market opportunity across trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot and the Company's research focuses on continuing to further develop and refine the present technology to extend into additional indications by the elution of other drugs and growth factors.

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

BONESUPPORT 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 THE FULL YEAR REPORT JANUARI-DECEMBER 2018

The company invites investors, analysts and media to a web conference (in English) on 27 February 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 27 February. For further details regarding participation, see the investor pages at www.bonesupport.com

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FORWARD LOOKING STATEMENTS

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