

Q1 STRONG GROWTH FOR CERAMENT G AND CERAMENT V

“The strategic changes initiated in 2018 begin to show results. Our antibiotic-eluting products grew by 54 percent in the quarter and we see a significant improvement in business performance. We remain determined to execute our strategy for growth and market penetration.” Emil Billbäck, CEO

JANUARY – MARCH 2019

- Net sales amounted to SEK 32.8 million (31.1), an increase of 6 percent compared with the same period previous year. Europe and the rest of the world (EUROW) reports continued strong growth of 41 percent compared with the corresponding period last year. Sales in the US have decreased by 28 percent compared with the same period previous year, but at the same time showed a sequential growth from SEK 4.2 million in the last quarter of 2018 to SEK 11.5 million in the current quarter.
- CERAMENT G and CERAMENT V grew by 54 percent compared to Q1 2018.
- Gross margin of 85.9 percent (82.1).
- Operating profit totaled SEK -39.0 million (-33.1).
- Earnings per share before and after dilution, was -0.75 (-0.67).

SIGNIFICANT EVENTS

- Annelie Aava Vikner joined the company as Executive Vice President Global Marketing & Communications on March 1.
- In March, BONIFY™, a demineralized bone matrix (DBM), was launched in the US. The launch is a result of the strategic partnership with MTF Biologics.

EVENTS AFTER PERIOD END

- In April it was announced that Vikram Johri is leaving BONESUPPORT and his role as GM & EVP Commercial Operations EUROW.

KEY FIGURES

	Jan-Mar	
	2019	2018
Net Sales, SEKm	32,8	31,1
Sales Growth, % ¹	5,6	-4,2
Gross Profit, SEKm	28,2	25,5
Gross Margin, % ¹	85,9	82,1
Operating loss, MSEK	-39,0	-33,1
Loss for the period, MSEK	-39,1	-33,8
Equity at period end, MSEK	240,0	416,8
Net Debt, MSEK	-206,0	-397,2
Operating cash flow, MSEK ¹	-41,8	-36,3
Cash at period end, MSEK	219,1	397,2
Earnings per share, SEK	-0,75	-0,67

¹ APM: Alternative performance measures, see definitions on page 17.



MESSAGE FROM THE CEO

STRONG GROWTH IN EUROPE AND CONTINUED PROGRESS IN THE US

The first quarter of 2019 was my fourth quarter as CEO of BONESUPPORT. Much has happened during this time and the major strategic changes initiated in 2018 are now starting to show results.

Sales in Europe and the rest of the world showed strong growth of 41 percent, and it is particularly our CERAMENT G and V products that drive growth. Sales of CERAMENT G and V grew with 54 percent compared to Q1 last year. This even though the new sales representatives we have employed are not yet in full productivity.

In terms of earnings, the first quarter meant a significant improvement over the fourth quarter 2018. We continue to invest focused in our Sales and Marketing organization as well as in Research and Development. At the same time, we have rationalized the administrative costs. The program for cost control that was initiated at the end of 2018 continues and we are progressively becoming more focused in our investments.

US SHOWING STRONG SEQUENTIAL GROWTH

Sales in the US grew sharply compared to the previous quarter. The sales were generated by a balanced mix of established and new customers. Our year-on-year sales are of course still affected by the terminated distribution agreement with Zimmer Biomet, but the transition to an independent distribution network is progressing rapidly and according to plan.

During the quarter, another GPO contract (group purchasing organization) was signed in the USA. This time with Ascension, which carries out care in 21 states and has 151 affiliated hospitals. At the end of 2018, we signed a GPO agreement with HCA (Health Care Administration Americas) which has 1,200 affiliated healthcare facilities. Additional GPO contracts will be an important part of driving growth in the US.

In March, we presented a new addition to our product range in the US. BONIFY, available through the strategic partnership with MTF Biologics, is a unique bone graft consisting of 100 percent demineralized bone matrix (DBM). This gives BONIFY osteoinductive properties, meaning properties that stimulate the remodeling of new bone. In this way, BONIFY complements our technology platform CERAMENT, which is osteoconductive, meaning that it functions as a "scaffolding" in support of the creation of new bone.

UNIQUE CLINICAL EVIDENCE VALIDATES THE UNIQUE PROPERTIES OF CERAMENT

BONESUPPORT'S commercial success is largely based on CERAMENT'S strong scientific evidence. At the end of 2018, the results of the large CERTiFY study were published, which show that CERAMENT BVF is equivalent to autograft. During Q1, two more unique studies have been published confirming CERAMENT'S ability to remodel into new bone. The most recent published study is the first of its kind on humans, which through radiological data and histological biopsy data, validates CERAMENT remodeling into new bone. I expect these unique and compelling clinical data to contribute to the company's continued success.

In summary, the first quarter of 2019 gives a good view of the potential of our continued journey. In the past year, we have established a stronger strategic focus and the business has developed rapidly in the right direction.

Emil Billbäck, CEO



New commercial organization in the US with 21 employees and 40 contracted distributors

NORTH AMERICA (NA)

The US market is the world's largest for synthetic bone graft products and thus the company's most important market. 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 employees and 40 contracted distributors.

JANUARY – MARCH

Sales

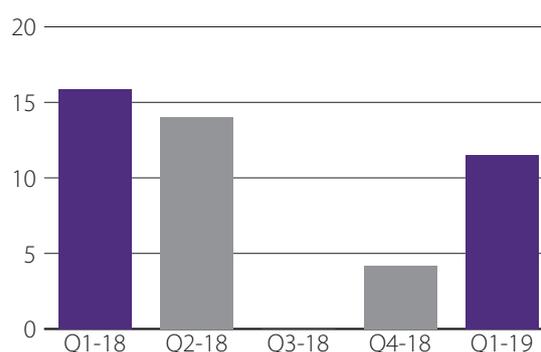
Sales for the period showed a decrease of 28 percent compared with the corresponding period last year, but at the same time displayed a significant increase to SEK 11.5 million compared to SEK 4.2 million in the last quarter of 2018. Until May 20, Zimmer Biomet may sell any remaining stock of CERAMENT BVF. BONESUPPORT's own organization in the US is working to accelerate market penetration and conclude comprehensive agreements that give contracted hospitals access to CERAMENT. During the quarter, an important agreement was concluded with Ascension, which gives access to additional 151 hospitals.

Contribution

The contribution from the segment was SEK -15.7 million (-2.0). The increased loss relates to the lower sales and the ongoing commercial investments. Sales and market expenses increased to SEK 19.4 million (10.1) during the first quarter due to expansion of the organization. R&D costs increased slightly 6.6 MSEK (5.1), mainly related to the FORTIFY study.

	Jan - Mar	
SEKm	2019	2018
Net Sales	11.5	15.9
Gross profit	10.3	13.5
Contribution	-15.7	-2.0

Net Sales per quarter, SEKm





Sales of CERAMENT G and CERAMENT V increased by 54 percent in the quarter

EUROPE & REST OF 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. During 2018, the sales organization was gradually expanded and amounted to 25 positions at the end of the period. The focus is on utilizing the strength of the CERTiFy study to gain market share from autograft. In the other eight European markets and in other parts of the world (ROW), the company cooperates with specialist distributors.

JANUARY - MARCH

Sales

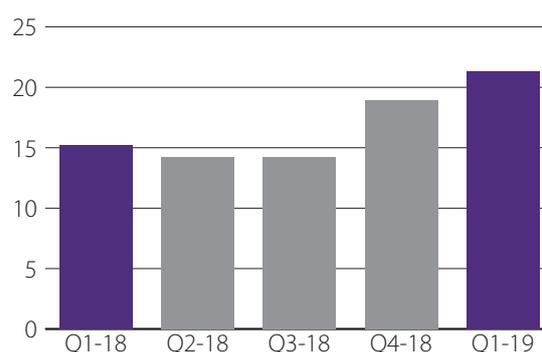
Sales for the segment increased by 41 percent compared to the corresponding period last year and amounted to SEK 21.3 million. Sales in direct key markets accounted for 87 percent of the segment's sales. Sales of the antibiotic-eluting products CERAMENT G and CERAMENT V together increased by 54 percent compared to the first quarter last year.

Contribution

The contribution from the segment was SEK 0.9 million (-0.8). Sales and Marketing costs increased compared with the corresponding period last year and amounted to SEK 17.0 million (13.0), mainly as an effect of new recruits made to sales organizations in our key markets.

	Jan - Mar	
SEKm	2019	2018
Net Sales	21.3	15.2
Gross profit	17.9	12.1
Contribution	0.9	-0.8

Net Sales per quarter, SEKm





CLINICAL STUDIES

The most significant clinical studies are described below.

The CERTiFy study is the largest clinical study to date that has been conducted with CERAMENT. The study is a prospective, randomised, controlled clinical trial of 137 patients at 20 leading trauma centres 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 arisen. Autograft has long been the prevailing treatment practice for this type of injury. The CERTiFy study was completed in June 2018 and complete results are expected to be published in 2019. At the end of the previous year, BONESUPPORT announced that the main objective of the study was achieved: CERAMENT BVF has proven to be a strong alternative to autograft.

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 ad-

ditional 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 to the FDA, an important step for expected approval in the US for CERAMENT G at the end of 2021.

A new study is SOLARIO (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 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 March 2022. A positive result of the study may mean a paradigm shift for the treatment of bone infections.

FINANCIAL OVERVIEW

PROFIT AND LOSS

Net Sales

Net sales amounted to SEK 32.8 million (31.1), an increase of 6 percent compared with the same period previous year. The EUROW segment increased by 41 percent to SEK 21.3 million (15.2). Sales growth in Europe was driven by wider use of CERAMENT G and V, which increased by 54 percent. Sales in the US decreased by 28 percent to SEK 11.5 million due to 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 by SEK 2.3 (-1.3).

Cost of goods sold

Cost of goods sold amounted to SEK 4.6 million (5.6), which resulted in a gross margin of 85.9 percent (82.1), as effect of a favorable product mix.

Selling expenses

Selling expenses amounted to SEK 40.8 million (27.6), an increase of 48 percent. Staff costs totaled to SEK 22.7 million (15.4). Both segments increased costs, in NA by 92 percent to SEK 19.4 million (10.1), driven by the expansion of the sales organization and increased marketing activities and in EUROW by 18 percent to SEK 17.0 million (13.0), due to the ongoing expansion of the sales organization. Other selling expenses, which were not allocated to the segments, decreased to SEK 4.4 million (4.5).

Research and Development

Research and development costs amounted to SEK 16.9 million (14.8), an increase of 14 percent. Staff costs corresponded to SEK 7.2 million (6.6). Other expenses totaled SEK 9.7 million (9.7). The NA segment increased by 12 percent to SEK 6.6 million (5.9), mainly due to the increased costs for the FORTIFY study.

Administrative expenses

Administrative expenses amounted to SEK 10.4 million (16.5), a decrease of 37 percent, of which personnel costs totaled to SEK 4.2 million (7.7), where the decrease was largely attributable to expenses for the outgoing CEO for the same period last year. Other expenses amounted to SEK 6.2 million (8.8), a decrease compared with the corresponding quarter of 2018, as an effect of implemented cost control programs.

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 2.2 million (2.9) and other operating expenses amounted to SEK -1.3 million (-2.6) for the quarter.

Operating result

Operating profit amounted to SEK -39.0 million (-33.1), where the increased loss is mainly explained by higher operating costs from implemented investments in the expansion of sales organization, with more employees in the sales organizations in the US and Europe, and a lower turnover in the US followed by the conversion in distribution structure.

Net financial items

Net financial items amounted to SEK 0.0 million (-0.5). No interest expense was charged to net financial items since the Group's loans were repaid in the first quarter of 2018. The corresponding period last year was charged with interest expenses of SEK 1.1 million.

Loss for the period

For the reasons explained above, the loss for the first quarter amounted to SEK -39.1 million (-33.8), which corresponds to earnings per share of SEK -0.75 (-0.67).

FINANCIAL POSITION AND CASH FLOW

Financial position	31 Mar	
	2019	2018
SEKm		
Cash and cash equivalents	219.1	397.2
Interest-bearing debt	13.1	0
Net debt	-206.0	-397.2
Equity	240.0	416.8

Cash flow	31 Mar	
	2019	2018
SEKm		
Operations	-41.8	-36.3
Investing activities	-0.6	-0.1
Financing activities	-1.3	-100.1

Cash and cash equivalents at the end of the period amounted to SEK 219.1 million, a decrease of SEK 42.2 million since the beginning of the year. The change mainly consisted of cash from operating activities amounting to SEK -41.8 million (-36.1), mainly attributable to operating loss of SEK -39.0 million (-33.1).

OTHER DISCLOSURES

PARENT COMPANY

The parent company BONESUPPORT HOLDING AB (publ) is a holding company. The Parent Company generated SEK 10.3 million (8.6) in sales of internal services to subsidiaries during the quarter. The loss in the quarter was SEK -4.0 million (-3.9). No investments were made during the quarter.

EMPLOYEES

The Group had 72 (64) employees (full-time equivalent) during the period, of which 20 (18) worked in research & development.

SIGNIFICANT EVENTS DURING Q1

Annelie Aava Vikner took up the position of Executive Vice President Global Marketing & Communications on March 1.

In March, BONIFY™, a demineralized bone matrix (DBM), was launched. BONIFY is a result of the agreement concluded with MTF Biologics in the previous year.

SIGNIFICANT EVENTS AFTER PERIOD END

In April it was announced that Vikram Johri is leaving BONESUPPORT and his role as GM & EVP Commercial Operations EUROW

SHARES AND RELATED PROGRAMS

The company has two class of shares. The quota value of the shares is SEK 0.625 per share. As of March 31, 2019, the total number of ordinary shares amounted to 51,795,917 divided into 1,774 shareholders. The major shareholders are shown below.

Shareholders 31 of March 2019

HealthCap V LP.....	12.7%
Stiftelsen Industrifonden.....	9.2%
Lundbeckfonden Invest A/S.....	9.2%
Robur AB.....	8.7%
Tredje AP-fonden.....	7.8%
Tellacq AB.....	5.7%
Carl Westin Ltd.....	5.2%
Other shareholders.....	41.4%

BONESUPPORT now has three employee stock option programs, two share saving programs and three warrant programs. Information on these can be found in Note 8. **FINANCIAL CALENDAR**

AGM: May 14, 2019

Interim report January – June 2019: July 25, 2019

Interim report January – September 2019: November 7, 2019

NOMINATION COMMITTEE

The Nomination Committee is selected based on the principles adopted at the Annual General Meeting on May 22, 2018. These principles are described on the BONESUPPORT website. The Committee's main task is to present proposals regarding the composition and remuneration of the Board of Directors, which will be held on 14 May 2019 in Lund. The members of the nomination 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

This report has been prepared in both a Swedish-language and an English-language version. In the event that the versions do not conform, the Swedish-language version shall prevail. This report has not been reviewed by the company's auditor.

ASSURANCE

The CEO confirm 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.

Emil Billbäck, CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK t	Note	Jan - Mar		Jan - Dec
		2019	2018	2018
Net sales	7	32,828	31,085	96,623
Cost of sales		-4,631	-5,562	-15,157
Gross profit		28,197	25,523	81,466
Selling expenses		-40,833	-27,645	-133,311
Research and development expenses		-16,915	-14,838	-66,064
Administrative expenses	3, 8	-10,358	-16,531	-58,345
Other operating income		2,176	2,931	8,530
Other operating expenses		-1,262	-2,570	-6,680
Operating loss	7	-38,995	-33,130	-174,404
Net financial items		-44	-497	-465
Loss before income tax	7	-39,039	-33,627	-174,869
Income tax		-42	-151	-1,536
Loss for the period		-39,081	-33,778	-176,405

Loss for the period is attributable to equity holders of the parent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK t	Jan - Mar		Jan - Dec
	2019	2018	2018
Loss for the period	-39,081	-33,778	-176,405
<i>Other comprehensive income</i>			
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences	95	114	129
Total comprehensive income for the period	-38,986	-33,664	-176,276

EARNINGS PER SHARE

SEK	Jan - Mar		Jan - Dec
	2019	2018	2018
<i>Equityholders of the parent</i>			
Earnings per share before dilution	-0.75	-0.67	-3.46
Earnings per share after dilution	-0.75	-0.67	-3.46
Loss for the period, SEK t	-39,081	-33,778	-176,405
Average number of shares, thousands	51,796	50,563	50,971

CONDENSED CONSOLIDATED BALANCE SHEET

SEK t	Note	31 Mar		31 Dec
		2019	2018	2018
ASSETS				
Intangible assets		5,616	5,155	5,511
Tangible assets	1	17,138	3,014	3,885
Other non-current assets		338	218	375
Total non-current assets		23,092	8,387	9,771
Inventories		23,785	21,988	23,681
Trade receivables	6	27,427	26,153	18,683
Other operating receivables	6	9,988	9,010	12,538
Cash and cash equivalents	6	219,141	397,179	261,468
Total current assets		280,341	454,330	316,370
TOTAL ASSETS		303,433	462,717	326,141
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	4	239,987	416,759	278,531
Leasing debt	1	7,960	0	0
Provisions		289	173	289
Total non-current liabilities		8,249	173	289
Leasing debt	1, 6	5,178	0	0
Trade payables	6	12,245	7,956	12,472
Other operating liabilities	6	37,774	37,829	34,849
Total current liabilities		55,197	45,785	47,321
TOTAL EQUITY AND LIABILITIES		303,433	462,717	326,141

CONDOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK t	Share capital	Other paid in capital	Reserves	Accumulated losses	Total equity
As at 1 January 2018	31,424	1,189,015	-304	-769,349	450,786
Loss January - March 2018			114	-33,778	-33,664
New share issue	334				334
Transaction costs, new share issue		-1,860			-1,860
Share-based payment transactions				1,163	1,163
As at 31 March 2018	31,758	1,187,155	-190	-801,964	416,759
Loss April - December 2018			15	-142,627	-142,612
New share issue	615				615
Allotted warrants		740			740
Share-based payment transactions				3,029	3,029
As at 1 January 2019	32,373	1,187,895	-175	-941,562	278,531
Loss January - March 2019			95	-39,081	-38,986
Share-based payment transactions				442	442
As at 31 March 2019	32,373	1,187,895	-80	-980,201	239,987

Reserves comprise exchange differences on translation of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK t	jan - mar		jan - dec
	2019	2018	2018
Operating loss	-38,995	-33,130	-174,404
Non-cash adjustments:			
-Share-based payments	442	1,163	4,192
-Other	-705	-86	-962
Interests received	24	0	46
Interests paid	-68	-854	-868
Other paid financial costs	0	558	558
Income tax paid	-102	-15	-2,151
Net cash flows from operating activities before changes in working capital	-39,404	-32,364	-173,589
Changes in working capital	-2,375	-3,914	1,964
Net cash flows from operating activities	-41,779	-36,278	-171,625
Investments in intangible assets	-244	-103	-997
Investments in tangible assets	-385	-78	-1,609
Investments/disposals of financial assets	38	0	-113
Net cash flows from investing activities	-591	-181	-2,719
New share issue	0	334	949
Transaction costs, new share issue	0	-1,860	-1,860
Allotted warrants	0	0	740
Repayments of borrowings	-1,278	-98,620	-98,620
Net cash flows from financing activities	-1,278	-100,146	-98,791
Net cash flow	-43,648	-136,605	-273,135
Cash and cash equivalents as at beginning of period	261,468	533,367	533,367
Net exchange difference	1,321	380	1,236
Cash and cash equivalents as at end of period	219,141	397,142	261,468

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK t	Jan - Mar		Jan - Dec
	2019	2018	2018
Net sales	10,312	8,650	51,578
			0
Administrative expenses	-13,888	-12,544	-66,756
Other income	105	0	528
Other expenses	-338	-435	-1,033
Operating loss	-3,809	-4,329	-15,683
Net financial items	-216	450	2,105
Loss after financial items	-4,025	-3,879	-13,578
Income tax	0	0	0
Loss for the period	-4,025	-3,879	-13,578

Parent company loss for the period equals comprehensive income.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK t	Note	31 Mar		31 Dec
		2019	2018	2018
ASSETS				
Non-current financial assets		704,652	503,912	704,652
Other receivables	6	29,682	54,273	153
Prepaid expenses	6	423	331	728
Cash	6	190,159	371,102	243,247
TOTAL ASSETS		924,916	929,618	948,780
EQUITY AND LIABILITIES				
Equity				
Restricted equity	4	32,372	31,757	32,372
Unrestricted equity		870,595	883,578	874,620
Total equity		902,967	915,335	906,992
Current liabilities	6	21,949	14,283	41,788
TOTAL EQUITY AND LIABILITIES		924,916	929,618	948,780

CONDENSED CONSOLIDATED INCOME STATEMENT PER QUARTER

	2019	2018				2017		
	Q1	Q4	Corr Q3 ¹	Q2	Q1	Q4	Q3	Q2
SEK t								
Net sales	32,828	23,108	14,246	28,184	31,085	27,039	32,677	37,131
Cost of sales	-4,631	-3,460	-2,587	-3,548	-5,562	-4,513	-3,989	-4,748
Gross profit	28,197	19,648	11,659	24,636	25,523	22,526	28,688	32,383
Gross margin %	85.9%	85.0%	81.8%	87.4%	82.1%	83.3%	87.8%	87.2%
Selling expenses	-40,833	-38,760	-35,086	-31,820	-27,645	-21,488	-24,368	-22,231
Research and development expenses	-16,915	-17,607	-16,426	-17,193	-14,838	-19,748	-12,834	-18,686
Administrative expenses	-10,358	-9,343	-17,531	-14,940	-16,531	-15,479	-11,149	-9,160
Other operating income	2,176	1,251	1,818	2,530	2,931	2,112	1,007	1,338
Other operating expenses	-1,262	-226	-2,851	-1,033	-2,570	-1,303	-1,457	-2,004
Operating loss	-38,994	-45,036	-58,416	-37,819	-33,129	-33,379	-20,112	-18,359
Net financial items	-44	41	-4	-5	-497	-17,369	-2,373	-5,181
Loss before income tax	-39,038	-44,995	-58,420	-37,824	-33,626	-50,748	-22,485	-23,540
Income tax	-42	-629	-377	-379	-151	-601	-401	-3
Loss for the period	-39,080	-45,624	-58,797	-38,203	-33,777	-51,349	-22,886	-23,543

Loss for the period is attributable to equityholders of the parent.

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, and inventories as of 30 September 2018, were overstated with 1.3 SEK m.

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. Accounting principles have been applied as reported for the Annual Report per 31 December 2018. New or amended standards or interpretations of standards effective as of 1 January 2019 have not had any significant impact on BONESUPPORT's financial statements, except for IFRS 16 Leases described below.

IFRS 16 is applied from 1 January 2019 and replaces IAS 17. IFRS 16 means 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 means a calculation period based on the remaining payments, that the comparison year is not recalculated. The right to use assets are valued at an amount equal to the leasing debt. Contracts shorter than 12 months have not been taken into account. As of 1 January 2019, the effect of transition to accounting in accordance with IFRS 16 means an increased balance sheet total of 14,416 SEK t.

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 contin-

uously 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.

Related party	Service	Jan - Mar	
		2019	2018
Route 2 Advisors Ltd (Simon Cartmell, styrelseledamot)	Consultancy	179	0

NOTE 4

NUMBER OF SHARES AND POTENTIAL SHARES

Ordinary shares	Number of shares	Potential shares
31 December 2018	51,795,917	2,951,250
31 March 2019	51,795,917	2,951,250

Series C shares	Number of shares
31 December 2018	0
Issued shares	505,000
31 March 2019	505,000

NOTE 5 PLEGGED SECURITIES AND CONTINGENT LIABILITIES

The US subsidiary BONESUPPORT Inc. has provided a guarantee of 56 USDt (519 SEKt) for rented premises. The parent company, BONESUPPORT HOLDING AB, guaranteed a corresponding amount.

The group has pledged collateral for capital-invested direct pensions amounting to 979 SEK t (558).

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

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

NOTE 7 SEGMENT INFORMATION

The group manages and monitors operations in the North America (NA) and Europe & Rest of World (EUROW) segments. Other comprise 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 board of directors.

Net sales in Sweden (part of EUROW) was 2.1 SEK million (0.8) in Q1. US, Germany and UK were the only markets that delivered more than 10% of consolidated net sales.

SEK t	Jan-Mar 2019				Jan-Mar 2018			
Profit and loss items	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	11,519	21,309	0	32,828	15,932	15,153	0	31,085
Cost of sales	-1,241	-3,390	0	-4,631	-2,464	-3,098	0	-5,562
Gross profit	10,278	17,919	0	28,197	13,468	12,055	0	25,523
Operative costs	-26,022	-16,983	0	-43,005	-15,432	-12,881	0	-28,313
Contribution	-15,744	936	0	-14,808	-1,964	-826	0	-2,790
Other operating items	0	0	-24,187	-24,187	0	0	-30,340	-30,340
Operating result	-15,744	936	-24,187	-38,995	-1,964	-826	-30,340	-33,130
Net financial items	0	0	-44	-44	0	0	-497	-497
Result after financial items	-15,744	936	-24,231	-39,039	-1,964	-826	-30,837	-33,627

SEK t	Jan-Mar 2019			Jan-Mar 2018		
Product group	NA	EUROW	Total	NA	EUROW	Total
CERAMENT BVF	11,519	3,221	14,740	15,932	3,370	19,302
CERAMENT drug eluting ¹	0	18,088	18,088	0	11,783	11,783
TOTAL	11,519	21,309	32,828	15,932	15,153	31,085

¹ CERAMENT drug eluting includes CERAMENT G and CERAMENT V

NOTE 8 WARRANTS AND EMPLOYEE STOCK OPTION PROGRAMS

There are three different employee stock option programs, two performance share programs and three warrant programs.

Employee stock option programs

Of the three employee stock option programs two runs over 10 years and expires 2022 and 2025 and one program runs over 8 years and expires 2024. For the employee stock option programs 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 each vesting date. Of the allocated 25.7 million options at 1 January 2019, 20.4 million options were vested before 1 January 2019 and 0.3 million options were vested during the period.

Performance share programs

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 without payment depending on share price development and the Company's development in terms of sales and EBITDA 2018-2021. The performance shares were issued in the form of class C shares with a subscription price and par value of 0.625 SEK per share.

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 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 in note 12, 23 and 25 in the Annual report 2018.

Employee stock option programs	No of options ¹	Equal to no of shares	WAEP ²
Balance 1 Jan 2019	6,180,190	1,236,038	6,180,190.00
Balance 31 Mar 2019	6,180,190	1,236,038	6,180,190.00

Performance share programs	No of shares	Equal to no of shares	WAEP ²
Balance 1 Jan 2019	505,000	505,000	0.00
Balance 31 Mar 2019	505,000	505,000	0.00

Warrant programs	No of options	Equal to no of shares	WAEP ²
Balance 1 Jan 2019	4,606,664	1,210,210	20.87
Balance 31 Mar 2019	4,606,664	1,210,210	20.87

1/ Not allocated options amounted to 3 824 338

2/ Weighted Average Exercise Price per share(SEK)

DEFINITIONS

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

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

BMP. Bone Morphogenic Protein.

Bone graft 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 Exemption. 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.

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

DEFINITIONS - ALTERNATIVE PERFORMANCE MEASURES

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

Alternative Performance Measures are key figures 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.

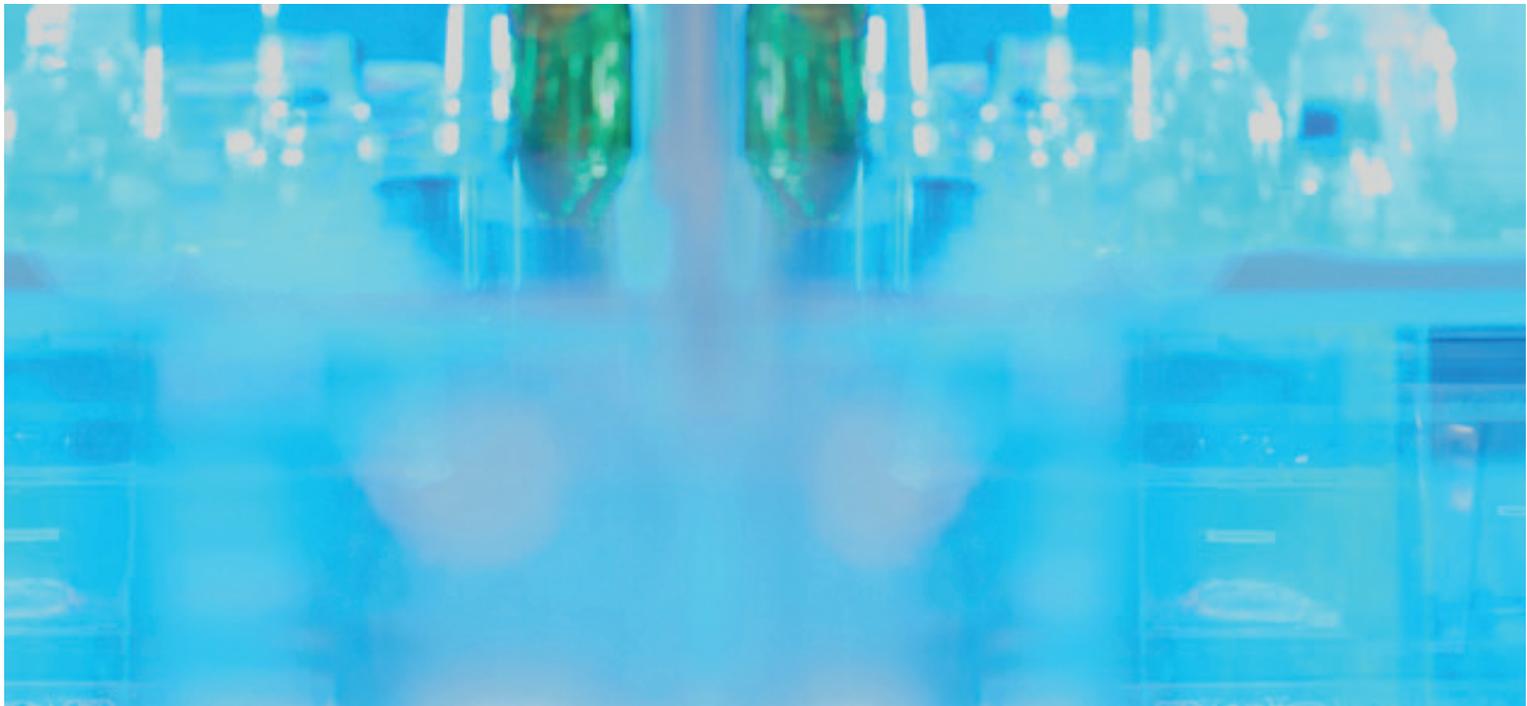
Interest bearing debt

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.

	Jan - Mar		Jan - Dec
	2019	2018	2018
Net sales, SEK million	32.8	31.1	96.6
Sales growth, %	5.6	-14.5	-25.3
Cost of sales, SEK million	-4.6	-5.6	-15.2
Gross profit, SEK million	28.2	25.5	81.5
Gross margin, %	85.9	82.1	84.3
Directly attributable selling expenses, SEK million	-36.4	-23.2	-112.6
Selling expenses, not directly attributable, SEK million	-4.4	-4.5	-20.7
Selling expenses, SEK million	-40.8	-27.6	-133.3
Directly attributable research & development expenses, SEK million	-6.6	-5.1	-23.6
Research & development expenses, not directly attributable, SEK million	-10.3	-9.7	-42.5
Research & development expenses, SEK million	-16.9	-14.8	-66.1
Contribution, SEK million	-14.8	-2.8	-54.7
Non-current borrowings, SEK million	8.0	0.0	0.0
Current borrowings, SEK million	5.2	0.0	0.0
Interest bearing debt, SEK million	13.1	0.0	0.0
Cash and cash equivalents, SEK million	219.1	397.2	261.5
Net debt, SEK million	-206.0	-397.2	-261.5



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 12 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 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 INTERIM REPORT JANUARI-MARCH 2019

The company invites investors, analysts and media to a web conference (in English) on 2 May 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 avail-

able 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 2 May. For further details regarding participation, see the investor pages at www.bonesupport.com

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.

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