

Q3 STRONG GROWTH IN NORTH AMERICA GRADUAL RECOVERY IN EUROW

JULY - SEPTEMBER 2020

- Net sales increased by 23 percent and amounted to SEK 48.1 million (39.1).
- The North America (NA) segment reported a sales increase of 53 percent.
- The Europe & Rest of the World (EUROW) segment reported a 4 percent decline in sales.
- The gross margin improved to 91.4 percent (87.7). The gross margin was affected positively by the sales increase in NA.
- Operating result amounted to SEK -19.2 million (-32.7).
- Earnings per share, before and after dilution, were SEK -0.33 (-0.64).

JANUARY - SEPTEMBER 2020

- Net sales increased by 17 percent and amounted to SEK 127.7 million (109.3).
- The North America (NA) segment reported a sales increase of 59 percent.
- The Europe & Rest of the World (EUROW) segment reported a 12 percent decline in sales.
- The gross margin improved to 89.2 percent (86.8).
- Operating result amounted to SEK -71.9 million (-119.5).
- Earnings per share, before and after dilution, were SEK -1.28 (-2.32).

"The fact that we have succeeded in establishing a broad and loyal customer base in the United States also means that we are building a strong foundation for future introduction of CERAMENT G in the American market."

Emil Billbäck, CEO

EVENTS DURING THE REPORTING PERIOD

- Nothing to report.

EVENTS AFTER THE REPORTING PERIOD

- Nothing to report.

KEY FIGURES	Jul - Sep		Jan - Sep		12 months	
	2020	2019	2020	2019	LTM	2019
Net sales, SEKm	48.1	39.1	127.7	109.3	173.9	155.5
Sales growth, % ¹	22.9	174.6	16.9	48.6	31.4	60.9
Gross profit, SEKm	44.0	34.3	113.8	94.8	154.9	135.9
Gross margin, % ¹	91.4	87.7	89.2	86.8	89.1	87.4
Operating loss, SEKm	-19.2	-32.7	-71.9	-119.5	-110.5	-158.1
Loss for the period, SEKm	-21.2	-33.2	-74.2	-120.2	-115.1	-161.1
Equity at period end, SEKm	425.1	160.4	425.1	160.4	425.1	124.3
Net debt, SEKm ¹	-367.3	-118.6	-367.3	-118.6	-367.3	-81.7
Operating cash flow, SEKm	-19.0	-42.0	-78.7	-126.0	-116.5	-163.8
Cash at period end, SEKm	377.9	129.9	377.9	129.9	377.9	92.1
Earnings per share, SEK	-0.33	-0.64	-1.28	-2.32	-2.22	-3.10

¹ APM: Alternative performance measures, see definitions on page 23.

STRONG GROWTH IN NORTH AMERICA. GRADUAL RECOVERY IN EUROW

In the third quarter of 2020, BONESUPPORT delivered sales of SEK 48 million, which is 33 percent higher than the previous quarter. The increase in sales is an effect of gradually increasing orthopedic surgeries, as well as continued strong market penetration, primarily in the USA.

Emil Billbäck
CEO BONESUPPORT



The successful customer base expansion that has been going on in the US since we changed distribution strategy almost two years ago continues to deliver good results. In the quarter, the North America segment grew by 31 percent compared with the previous quarter and by 53 percent year over year.

The increasing market penetration is partly driven by the larger GPO (Group Purchasing Organization) contracts signed last year, which enabled the introduction of CERAMENT BVF in a number of hospitals and clinics that had not previously been subject to promotion or information about the benefits of CERAMENT. Sales from these new customers have compensated for the temporary reduction in sales with established customers, caused by the reduced number of non-critical surgeries during the pandemic.

The emerging broad and loyal customer base in the USA also means that we are building a strong foundation for a future introduction of CERAMENT G in the US market. The US market for surgical treatment of bone infections amounts to USD 100 million per year. We estimate that the De Novo application submitted to the US Food and Drug Administration (FDA), in April this year may lead to a market approval for CERAMENT G for the indication osteomyelitis (bone infection) at the onset of 2021. The slightly revised time schedule is due to a certain delay due to the COVID-19 pandemic in compiling external clinical data. The randomized, controlled study FORTIFY, is progressing according to plan, and the intention is to submit a premarket approval application (PMA) for CERAMENT G for additional indications, including trauma, to the FDA by the end of 2021. The application will be based on the outcome of the FORTIFY study which is expected to become available during the third quarter of 2021.

In the Europe and the Rest of the World (EUROW) segment, the pandemic has continued to have a major impact on non-critical orthopedic surgeries. In addition, the imposed restrictions have led to a lower level of activity in the population, with fewer acute trauma operations as consequence. The number of minor orthopedic injuries, such as sprains and exercise-related injuries, has increased during the pandemic, but these rarely involve the use of CERAMENT. In terms of both non-critical operations and trauma operations, we have seen a gradual increase since April, and sales in the EUROW segment rose by 36 percent during the third quarter compared with the second quarter this year. However, it is obvious that the surgical capacity of hospitals and clinics is significantly lower than before the pandemic.

The revitalization of our distributor markets is progressing and we have recently signed an agreement with a distributor partner in Australia where a number of clinics have started using or evaluating CERAMENT. In Italy and France, our new distribution partners have started selling, despite the restrictions imposed by the pandemic. The transition of the BENELUX region into a direct market has been received very positively by current as well as potential customers.

During the quarter, we gradually adjusted working hours and voluntary salary reduction in line with the market's recovery, which means that we increased the cost base compared with the previous quarter. Despite this, we reported an improvement in earnings in quarter three compared with the previous quarter, and a significant improvement compared with the previous year.

The impact of the pandemic has accelerated the digital transition. The positive experiences of CERAMENT among our established users, at the university hospitals, among others, have been able to be shared via webinars to a larger target group. Our digital trainings and meetings have been very well attended and received positive evaluations. We have ensured accreditation of the education events, which brings additional added value for the doctors required to achieve a certain number of education merits each year.

Rising healthcare costs and an increased need for cost-effective treatment methods were elevated topics even before the COVID-19 pandemic. The prevailing circumstances will further increase the importance of the health economic benefits that CERAMENT offers. During the quarter, we hired a very competent and experienced project manager in health economics and reimbursement to ensure that we successfully drive the right activities and partnerships in our key markets.

We have decided to co-finance a large Dutch registry study which will show the health economic benefits of a one-step procedure in connection with bone infection. The results from this study will complement previous regional studies which have shown that treatment costs will be, on average, five times higher if an infection occurs during the treatment of a tibial fracture.

The unique benefits of CERAMENT are clear and the third quarter results confirm the strength of our strategy. For healthcare and society at large, 2020 is dominated by the pandemic and its consequences. In the long term, our target of growing sales by 40 percent per year remains.

COVID-19 PANDEMIC'S IMPACT ON BONESUPPORT

Despite some recovery during the third quarter, the pandemic continued to have a dampening effect on the Company's sales. Below is an overview of how BONESUPPORT was affected during the quarter and the assessments that can currently be made for the fourth quarter, as well as how BONESUPPORT is acting to handle this serious situation.

EFFECTS DURING THE THIRD QUARTER

- The pandemic has continued to have a large impact on non-critical orthopedic surgeries. Restrictions, government measures and a lower level of activity in the population have led to a reduced level of trauma operations.

EXPECTED DEVELOPMENT

- The corresponding impact of the pandemic on BONESUPPORT, to that which was seen during the third quarter, can be expected during the fourth quarter, depending on the extent of the spread of infection, restrictions and healthcare priorities.
- In the longer term, the pandemic is expected to have a limited impact on the need that exists for BONESUPPORT's products, whether it concerns trauma or elective surgeries.

SELECTION OF MEASURES TAKEN TO PROTECT PERSONNEL AND OPERATIONS

- Recommended hygiene practices and opportunities to work from home.
- Short-time work reduction for persons in sales functions was gradually removed during the quarter. The temporary voluntary wage reductions have also been gradually reduced.
- A well-functioning manufacturing process in combination with maintaining high security stocks guarantees good delivery capacity over the coming quarters.

CLINICAL STUDIES

- FORTIFY has, in consultation with the FDA, terminated the recruitment of new patients prematurely.
- The recruitment rate in other clinical studies is somewhat affected by the pandemic, but this has, at present, not led to the need for revising communicated milestones for these studies.
- Collection of external documentation and data for the De Novo process has been slightly delayed.



NORTH AMERICA (NA)

The American market is the world's largest for synthetic bone graft products and is thereby the most important market for the Company. The focus of the North America segment is the continued development of the distribution structure established at the end of 2018. In addition to this, the preparations for a market introduction of the Company's antibiotic eluting product CERAMENT G has been intensified following a decision to submit a De Novo application for the indication osteomyelitis (bone infection) in April this year. The application could potentially lead to a market approval at the beginning of 2021. Sales in the North America segment grew by 53 percent compared to the third quarter of 2019.

JULY - SEPTEMBER

Sales

Sales for the period amounted to SEK 28.3 million (18.5), which corresponds to a growth of 53 percent. The new distribution structure means improved geographical coverage and allows for broader market penetration of different indications. The continuously strengthened customer base together with the larger GPO contracts (Group Purchasing Organisation) that were signed during last year, contribute to the sales increase.

Contribution¹

The contribution from the segment was SEK -0.6 million (-9.8). The improved contribution is due to increased sales as well as lower costs. Sales and marketing expenses during the quarter amounted to SEK 22.9 million (20.4), of which sales commissions to the distributors amounted to SEK 9.2 million (6.0). The contribution was also burdened by R&D costs amounting to SEK 4.8 million (6.3).

JANUARY - SEPTEMBER

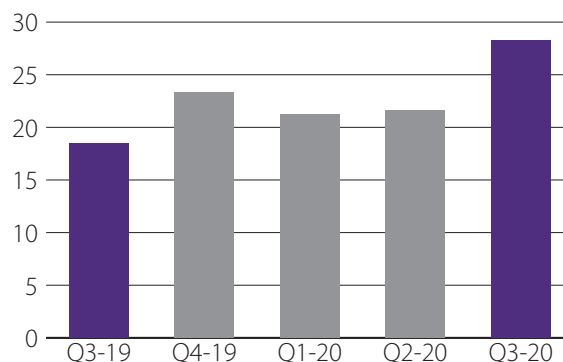
Net sales amounted to SEK 71.1 million (44.8), corresponding to an increase of 59 percent.

The contribution amounted to SEK -16.9 million (-48.9). The contribution has improved by SEK 21.0 million, excluding the item affecting comparability last year². The improved contribution is mainly due to the increase in sales.

Net sales, gross profit and contribution, SEKm

	Jul - Sep		Jan - Sep		Full year
	2020	2019	2020	2019	2019
Net sales	28.3	18.5	71.1	44.8	68.0
Gross profit	27.2	16.9	66.5	40.6	62.4
Contribution	-0.6	-9.8	-16.9	-48.9	-56.5

Net sales per quarter, SEKm



¹ APM: Alternative performance measures, see definitions on page 23.

² The period was affected by a non comparability item with a negative impact of SEK 11.0 million. The item was a provision related to repurchase of stock items from the previous US distributor.



EUROPE & REST OF THE WORLD (EUROW)

In Europe, CERAMENT is sold by both the Company's own sales organization and by distributors. Germany, the United Kingdom, Switzerland, Sweden, Denmark and the BENELUX countries are key markets where BONESUPPORT has its own sales staff. In other European markets and in other parts of the world (ROW), the Company cooperates with specialist distributors. The focus is on accelerating sales and use of CERAMENT in established and new markets through increased market access through, above all, the provision of published clinical and health economic evidence. Sales in the quarter were affected by a reduced number of orthopedic surgeries as an effect of the COVID-19 pandemic.

JULY – SEPTEMBER

Sales

Sales for the segment increased by 36 percent compared with the second quarter this year. However, due to reduced surgical volumes from the COVID-19 pandemic, sales decreased with 4 percent compared with the previous year and amounted to SEK 19.8 million (20.7). Sales in key markets accounted for 87 percent (88) of the segment's sales. Sales of the antibiotic-releasing products CERAMENT G and CERAMENT V decreased by 4 percent.

Contribution¹

The contribution from the segment was SEK 1.4 million (0.6). The increased contribution is mainly explained by lower costs. Sales and marketing expenses decreased by SEK 1.5 million compared with the corresponding period last year and amounted to SEK 15.4 million (16.9). The decrease is partly due to a transition to cost-effective meetings on digital platforms, as a direct effect of the pandemic and the restrictions on physical meetings that have been applied.

JANUARY – SEPTEMBER

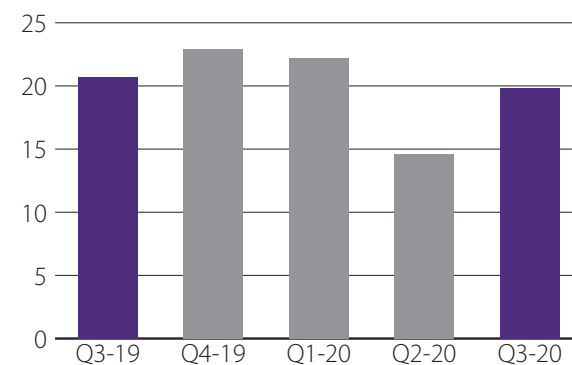
Net sales amounted to SEK 56.6 million (64.5), a decrease of 12 percent compared with the previous year. The decreased sales during the period are a direct effect of a reduced number of orthopedic surgeries during the COVID-19 pandemic. Sales of the antibiotic release products CERAMENT G and CERAMENT V decreased by 12 percent.

The contribution amounted to SEK 7.6 million (5.3). Lower costs have meant a better contribution than last year.

Net sales, gross profit and contribution, SEKm

	Jul - Sep		Jan - Sep		Full year
	2020	2019	2020	2019	2019
Net sales	19.8	20.7	56.6	64.5	87.4
Gross profit	16.8	17.4	47.3	54.2	73.5
Contribution	1.4	0.6	7.6	5.3	8.0

Net sales per quarter, SEKm



¹ APM: Alternative performance measures, see definitions on page 23.



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-releasing 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 healing. Among other things, the Company has conducted research in the form of preclinical candidates that have combined CERAMENT with bisphosphonates, bone morphogenic proteins (BMP), bone marrow aspirate (BMA) and demineralized bone matrix (DBM). Prioritized product candidates for own development are CERAMENT with bisphosphonate and CERAMENT with DBM, while CERAMENT with BMP is a candidate for potential partner development.

Bisphosphonate is a well-established substance in the treatment of osteoporosis and is used to limit the activity of osteoclasts, resulting in improved bone remodeling and bone density. Demineralized bone matrix (DBM) is based on allograft reduced on minerals. The material has been shown to have a wide use in conditions and situations where there is weak natural bone remodeling.

CLINICAL EVIDENCE, A STRATEGIC CORNERSTONE

One of the three cornerstones of the strategy is to provide industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. Already today there is a comprehensive database of more than 160 research publications and abstracts of preclinical and clinical studies with CERAMENT.

RESULTS FROM CERTIFY DRIVES CHANGED STANDARD OF CARE

CERTIFY is a randomized, controlled clinical trial conducted at 20 trauma centers in Germany with 135 patients. The study, which was done on tibia plateau fractures, shows that CERAMENT BVF can replace autograft as a standard of care. The study confirmed that CERAMENT has the ability to be converted to bone. In addition, treatment with CERAMENT BVF resulted in significantly low-

er patient-experienced post-operative pain and a significantly lower blood loss. BONESUPPORT expects the results of the study published in *The Journal of Bone & Joint Surgery* in December 2019 to represent a milestone in driving change in the standard of care and that more clinics in consultation with the patient will choose CERAMENT over autograft.

THE DE NOVO APPLICATION IN THE USA

In mid-March, CERAMENT G received "Breakthrough Device" status by FDA, a category exclusively for therapies that provide more effective treatment or diagnosis of life-threatening or severely irreversible diseases and at the same time represent a breakthrough technology. In April, BONESUPPORT submitted a so-called De Novo application to the FDA, based on already published clinical evidence from the Nuffield Orthopaedic Centre, Oxford, among others, for the indication osteomyelitis. Studies from the Nuffield Orthopaedic Centre have shown that the use of CERAMENT G significantly reduces the frequency of re-infections and the need for further surgery. A De Novo application can be made when there is no comparable established alternative ("predicate device") on the market. The application could potentially lead to a market approval for the indication bone infection at the onset of 2021.

THE FORTIFY STUDY

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 study, which includes patients from both US and European clinics, will form the basis for supporting a planned PMA (pre-market approval) application to the FDA, for a wide range of indications for CERAMENT G, including trauma. The patient enrollment to FORTIFY ended in June and a PMA application is expected to be submitted by the end of 2021. This process continues according to plan regardless of the Company's De Novo application.

THE SOLARIO STUDY

BONESUPPORT supports 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 include 500 patients. The first patient was recruited in February 2019 and the study is expected to be closed by the first half of 2022. A positive result of the study may mean a paradigm shift in the protocol for treating bone infections.

THE CONVICTION STUDY

The French CRIOAc¹ Network has initiated CONVICTION, a randomized controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis. The French Ministry of Health has decided to fund the study with a research grant from BONESUPPORT to partially finance the products used in the study.

The study will evaluate the effectiveness of CERAMENT G in the treatment of osteomyelitis. The study is a national multicenter study and will be conducted by clinics that are part of the CRIOAc network.

A positive outcome of the study would mean that a large commercial opportunity is enabled in the French market and that improved reimbursement status is obtained.

¹ CRIOAc (Reference Center for Osteoarticular Infections) is a healthcare network in France that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections.

HEALTH ECONOMICS

One of the largest challenges when introducing new and innovative healthcare treatment is to ensure that healthcare systems around the world understand the value of the treatment and include it in the care offered. The value of a treatment is determined in various ways in different countries and BONESUPPORT undertakes a variety of activities to ensure that the Company's products are included in the remuneration systems where our products are marketed.

In the third quarter, an experienced project manager was hired to drive these activities together with local expertise.

BONESUPPORT has decided to support a Dutch registry study, focusing on fracture-related infections, the purpose of which is, among other things, to compare single-stage surgery with multi-stage surgery from a patient and health economic perspective.

The registry study is led by the two university hospitals in Utrecht and Groningen. The goal is to recruit 400 patients over the next four years and the study will not only record the incidence of fracture-related infections, but also compare clinical, health economic and patient-related outcome measures between different treatment strategies such as one-step surgery with CERAMENT G or CERAMENT V compared to multi-stage surgery. The results are expected to show that one-step surgery with CERAMENT G or CERAMENT V is a cost-effective treatment method for fracture-related infections.

REDUCED NUMBER OF RE-INFECTIONS - REDUCES THE LENGTH OF STAY

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 percent reduction in the degree of re-infection compared with results from previous treatment methods. The positive experience with CERAMENT led to a collaboration to study the health economic benefits of the positive clinical results.

The study is based on data from the official statistics database for healthcare in Great Britain, NHS's Hospital Episode Statistics (HES). 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 Great Britain.

The first preliminary results that were presented by the EBJIS European Bone and Joint Infection Society study showed that the hospital stay associated with osteomyelitis surgery was reduced by a third - an average of five days per patient. The data presented at EBJIS also showed that patients treated at Nuffield Orthopaedic Centre had, on average, eleven days fewer hospital stay in the following two years after surgery. The average cost of care per patient per day at a hospital in England is GBP 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 alone, could amount to approximately GBP 44 million annually, calculated on 6,250 treated patients per year.

REDUCED RISK OF DEEP INFECTIONS WITH CERAMENT G AND CERAMENT V

Another area where CERAMENT G and CERAMENT V could help reduce healthcare costs is in the treatment of open tibial fractures. Open tibial fractures represent about 15 percent¹ of all tibial fractures and have a high incidence of infection, with no bone healing as a result. Bone infections often lead to great suffering for the patient and very high healthcare costs.

In a Belgian study by Hoekstra et al¹ of 358 patients, the cost of tibial fractures was studied. The study showed that the healthcare costs for the patients who suffered from a deep infection were on average five times higher than for those who did not get an infection, which resulted in the costs increasing from 9.5 kEUR to EUR 48.7 kEUR.

FORTIFY is designed to create the highest possible level of evidence regarding CERAMENT G and effective management of open tibial fractures, but already today there are a number of studies that show that CERAMENT contributes to cost-effective care by reducing the number of deep infections. One of these is a study by Jahangir et al² on 51 patients with severe open tibial fractures treated with CERAMENT G in a one-step procedure. In the study, no patient suffered from a deep infection. This shows that one-step treatment with antibiotic-eluting CERAMENT for open tibial fractures can effectively reduce the incidence of cost-driving infections.

1. Hoekstra et al. Economics of open tibial fractures: the pivotal role of length-of-stay and infection. Health Econ Rev 2017; 7:32

2. Jahangir et al. "The use of adjuvant local antibiotic hydroxyapatite bio-composite in the management of open Gustilo Anderson type IIIb fractures. A prospective review." Journal of Orthopedics vol. 16,3:278-282.

FINANCIAL OVERVIEW

PROFIT AND LOSS

JULY – SEPTEMBER 2020

Net sales

Net sales amounted to SEK 48.1 million (39.1), an increase of 23 percent compared to the previous year.

In the North America segment, sales amounted to SEK 28.3 million (18.5), which corresponds to growth of 53 percent. A number of larger clinics have had fewer operations in the quarter as a result of the ongoing pandemic. At the same time, the customer base in the US has expanded as a result of the Company's strategy and growing success with the new distribution network, which offsets the temporary decline in sales seen at a number of established customers.

In the Europe & Rest of the World (EUROW) segment, the regions most affected by COVID-19 also had the largest sales decline. BONESUPPORT is mainly established at the larger university hospitals, which are the hospitals most affected during the pandemic. EUROW reported a decrease in sales of 4 percent to SEK 19.8 million (20.7).

The currency translation effect amounted to SEK -1.6 million (1.7).

Cost of goods sold

Cost of goods sold amounted to SEK 4.1 million (4.8), giving a gross margin of 91.4 percent (87.7). Increased sales in the US had a positive impact on gross profit.

Selling expenses

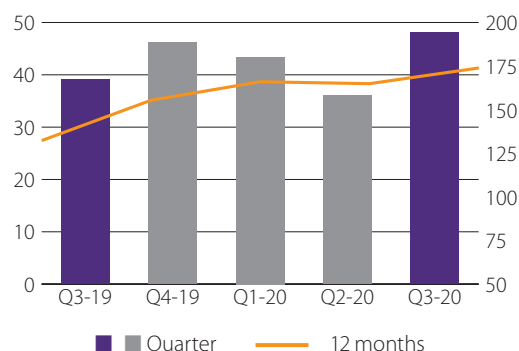
Selling expenses including sales commissions amounted to SEK 41.2 million (39.5), an increase of 4 percent. Personnel costs increased to SEK 22.7 million (21.3). Costs for sales commissions in NA also increased, to SEK 9.2 million (6.0). Other selling expenses were reduced to SEK 9.3 million (12.2), driven by reduced travel costs as well as canceled congresses and meetings, as an effect of the ongoing pandemic.

The NA segment reported a cost increase to SEK 22.9 million (20.4), driven by increased costs for sales commissions. In EUROW, expenses amounted to SEK 15.4 million (16.9). Unallocated costs increased to SEK 2.9 million (2.2).

Research and development expenses

Research and development expenses amounted to SEK 11.7 million (17.4). Personnel costs were reduced to SEK 5.5 million (6.5)

Net sales per quarter, SEKm



which can partly be explained by vacancies and voluntary wage waivers. Other expenses totaled SEK 6.2 million (10.9) which is due to the fact that the FORTIFY study has recruited the last patient and thus entered a new phase and that the pace of implementation in other studies was affected by the pandemic.

The NA segment reported Research and development expenses amounting to SEK 4.8 million (6.3).

Administrative expenses

Administrative expenses amounted to SEK 11.6 million (10.9). Personnel costs excluding provisions within the framework of active incentive programs, amounted to SEK 3.7 million (3.6). Other expenses including provisions within the framework of active incentive programs amounted to SEK 7.9 million (7.3).

Other operating income and expenses

Other operating income and expenses consisted primarily of exchange rate gains and losses on operating assets and liabilities.

Operating result

Operating result amounted to SEK -19.2 million (-32.7), where the decreased loss is mainly explained by higher sales and reduced operating costs.

Loss for the period

For the reasons described above the loss for the quarter amounted to SEK -21.2 million (-33.2), which corresponds to earnings per share of SEK -0.33 (-0.64).

JANUARY – SEPTEMBER 2020

Net sales

Net sales amounted to SEK 127.7 million (109.3), an increase of 17 percent. The NA segment increased by 59 percent to SEK 71.1 million (44.8) and the EUROW segment decreased by 12 percent to SEK 56.6 million (64.5).

Operating result

Operating result amounted to SEK -71.9 million (-119.5), where the previous year was charged with an item affecting compara-

bility of SEK 11 million. The increase in sales contributed positively to improved gross profit while operating costs reduced as a result of the pandemic and implemented savings.

Loss for the period

For the reasons described above the loss for the period amounted to SEK -74.2 million (-120.2), which corresponds to earnings per share of SEK -1.28 (-2.32).

FINANCIAL POSITION AND CASH FLOW

SEKm	Sep 30		Dec 31
Financial position	2020	2019	2019
Cash and cash equivalents	377.9	129.9	92.1
Interest bearing debt ¹	10.5	11.3	10.4
Net debt ¹	-367.3	-118.6	-81.7
Equity	425.1	160.4	124.3

¹ APM: Alternative performance measures, see definitions on page 23.

SEKm	Jul - Sep		Jan - Sep		Full year
Cash flow	2020	2019	2020	2019	2019
Operating activities	-19.0	-42.0	-78.7	-126.0	-163.8
Investing activities	-0.5	-0.4	-2.3	-2.7	-4.4
Financing activities	2.0	-1.4	367.2	-4.0	-1.8
Total	-17.6	-43.8	286.1	-132.7	-170.1

Cash and cash equivalents at the end of the period amounted to SEK 377.9 million (129.9), an increase of SEK 285.8 million since the beginning of the year. The change mainly consists of the cash flow from the directed share issue that was carried out in May, amounting to SEK 361.9 million after transaction costs. The

change is also explained by cash flow from operating activities amounting to SEK -78.7 million (-126.0), mainly attributable to operating result of SEK -71.9 million (-119.5). This also explains the change in net debt.

OTHER DISCLOSURES

PARENT COMPANY

The Parent Company BONESUPPORT HOLDING AB (publ) is a holding company. The Parent Company generated SEK 11.1 million (10.3) in sales of internal services to subsidiaries during the quarter. The result for the quarter was SEK -1.5 million (-2.1). No investments were made during the quarter.

EMPLOYEES

On average, the Group had 86 (80) employees (full-time equivalent) during the quarter, of whom 21 (24) worked within Research and development.

SIGNIFICANT EVENTS DURING THE QUARTER

For significant events, see page 1.

SIGNIFICANT EVENTS AFTER PERIOD END

No significant events have occurred after 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. The ordinary shares entitle to one vote each and the C shares entitle to one tenth of a vote each. According to the Articles of Association, the number of shares shall be at least 29,000,000 and at most 116,000,000.

As of September 30, 2020, the total number of ordinary shares amounted to 63,723,097, distributed among 4,733 shareholders. The major shareholders are shown in the table below. During the year, the number of shares increased as a result of converted employee stock options and warrants, but mainly due to the directed share issue that was carried out in May.

As of September 30, 2020, the total number of C shares amounted to 1,235,000. BONESUPPORT HOLDING AB holds all C shares. During the year, the number of shares increased as a result of issued C shares.

BONESUPPORT has three employee stock option programs, four performance share programs and one warrant program. These are described in Note 8.

Shareholders September 30, 2020

HealthCap VLP	10.3%
Swedbank Robur Fonder	8.0%
Stiftelsen Industrifonden	7.5%
Tredje AP-fonden	6.1%
Avanza Pension	4.9%
Fjärde AP-Fonden	4.8%
Tellacq AB	4.6%
Other shareholders	53.8%

FINANCIAL CALENDAR

- February 17, 2021 Full year report 2020
- April 2021 Annual report 2020
- May 6, 2021 Interim report Q1 2021
- May 20, 2021 Annual general meeting
- July 15, 2021 Interim report Q2 2021
- November 4, 2021 Interim report Q3 2021

NOMINATION COMMITTEE

The nomination committee is elected based on the principles decided at the AGM May 19, 2020. 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 2021. The members of the committee are:

- Jacob Gunterberg, Chairman of the Committee, representing HealthCap VLP
- Lennart Johansson, Chairman of the Board
- Caroline Sjösten, 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 5, 2020

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, 2020 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 5 2020

Ernst & Young AB

Ola Larsmon

Authorized Public Accountant

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	Note	Jul - Sep		Jan - Sep		Full year
		2020	2019	2020	2019	2019
Net sales	7	48,078	39,115	127,685	109,263	155,462
Cost of sales	7	-4,125	-4,795	-13,838	-14,473	-19,587
Gross profit	7	43,953	34,320	113,847	94,790	135,875
Selling expenses		-31,982	-33,508	-89,934	-118,817	-160,139
Sales commissions		-9,230	-6,001	-23,227	-14,214	-22,184
Research and development expenses		-11,654	-17,449	-41,431	-50,351	-68,878
Administrative expenses	3, 8	-11,641	-10,874	-32,845	-31,714	-43,280
Other operating income		4,173	2,977	10,594	7,587	10,667
Other operating expenses		-2,845	-2,153	-8,909	-6,784	-10,163
Operating loss	7	-19,226	-32,688	-71,905	-119,503	-158,102
Net financial items	7	-832	-16	-1,055	-113	-177
Loss before income tax	7	-20,058	-32,704	-72,960	-119,616	-158,279
Income tax		-1,171	-486	-1,287	-595	-2,781
Loss for the period		-21,229	-33,190	-74,247	-120,211	-161,060
Earnings per share before dilution, SEK		-0.33	-0.64	-1.28	-2.32	-3.10
Earnings per share after dilution, SEK		-0.33	-0.64	-1.28	-2.32	-3.10
Average number of shares, thousands		63,485	51,872	57,910	51,834	51,889

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
	2020	2019	2020	2019	2019
Loss for the period	-21,229	-33,190	-74,247	-120,211	-161,060
<i>Other comprehensive income:</i>					
<i>Items to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations	-101	174	-184	268	115
Total comprehensive income for the period	-21,330	-33,016	-74,431	-119,943	-160,945

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
		2020	2019	2019
ASSETS				
Non-current assets				
Intangible assets		8,599	6,882	7,679
Tangible assets		14,742	15,128	14,585
Other non-current assets	6	0	374	951
Total non-current assets		23,341	22,384	23,215
Current assets				
Inventories		46,268	37,500	39,331
Trade receivables	6	26,996	32,370	29,848
Other operating receivables	6	8,977	7,534	11,873
Cash and cash equivalents	6	377,877	129,892	92,065
Total current assets		460,118	207,296	173,117
TOTAL ASSETS		483,459	229,680	196,332
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent	4	425,137	160,423	124,309
Non-current liabilities				
Leasing debt		5,610	5,726	5,703
Provisions		305	290	305
Total non-current liabilities		5,915	6,016	6,008
Current liabilities				
Leasing debt	6	4,926	5,563	4,682
Trade payables	6	8,511	13,792	13,649
Other operating liabilities	6	38,970	43,886	47,684
Total current liabilities		52,407	63,241	66,015
TOTAL EQUITY AND LIABILITIES		483,459	229,680	196,332

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Paid but not registered share issue	Other paid in capital	Translation reserve	Fund for development expenses	Accumulated losses including loss for the period	Total equity
As at January 1, 2019	32,373	0	1,187,895	-175	1,801	-943,363	278,531
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
As at September 30, 2019	32,783	5	1,187,895	93	2,617	-1,062,970	160,423
Loss October - December 2019				-153		-40,849	-41,002
Change in fund for development expenses					935	-935	0
New share issue, employee stock options	43						43
New share issue under process, employee stock options		95	3,880				3,975
Share-based payment transactions						870	870
As at January 1, 2020	32,826	100	1,191,775	-60	3,552	-1,103,884	124,309
Loss January - September 2020				-184		-74,247	-74,431
Change in fund for development expenses					1,399	-1,399	0
New share issue, employee stock options and warrants	754	-94	9,815				10,475
Directed share issue	6,563		371,438				378,000
Transaction costs, directed share issue			-16,142				-16,142
New share issue and repurchase of own C-shares	456					-456	0
Share-based payment transactions						2,926	2,926
As at September 30, 2020	40,599	6	1,556,886	-244	4,951	-1,177,060	425,137

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Jul - Sep		Jan - Sep		Full year
	2020	2019	2020	2019	2019
Operating loss	-19,226	-32,688	-71,905	-119,503	-158,102
Non-cash adjustments:					
-Share-based payments	779	853	2,926	1,736	2,606
-Provision for repurchase of items from previous distributor	0	0	0	11,000	11,000
-Depreciation regarding right of use assets	1,532	1,415	5,152	3,977	5,694
-Unrealized exchange rate differences	3,570	-3,710	3,390	-4,082	-1,601
-Other	-791	1,108	2,041	287	-143
Interests received	0	32	4	63	98
Interests paid	-735	-48	-736	-176	-36
Income tax paid	-1,081	-622	-3,471	-1,022	-5,210
Net cash flows from operating activities before changes in working capital	-15,952	-33,660	-62,599	-107,720	-145,694
Changes in working capital	-3,066	-8,322	-16,130	-18,320	-18,134
Net cash flows from operating activities	-19,018	-41,982	-78,729	-126,040	-163,828
Investments in intangible assets	-424	-145	-1,764	-1,903	-2,915
Investments in equipment and tools	-116	-179	-565	-796	-1,510
Disposals of financial assets	0	-95	0	0	0
Net cash flows from investing activities	-540	-419	-2,329	-2,699	-4,425
New share issue, employee stock options and warrants	3,606	94	10,475	94	137
Directed share issue	0	0	378,000	0	0
Transaction costs, directed share issue	0	0	-16,142	0	0
Allotted warrants	0	0	0	0	3,980
Repayments of leasing debt	-1,629	-1,511	-5,127	-4,073	-5,933
Net cash flows from financing activities	1,977	-1,417	367,206	-3,979	-1,816
Net cash flows	-17,581	-43,818	286,148	-132,718	-170,069
Cash and cash equivalents as at beginning of period	395,471	173,096	92,065	261,468	261,468
Net exchange difference	-13	614	-336	1,142	666
Cash and cash equivalents as at end of period	377,877	129,892	377,877	129,892	92,065

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	Jul - Sep		Jan - Sep		Full year
	2020	2019	2020	2019	2019
Net sales	11,139	10,312	33,415	30,937	48,290
Administrative expenses	-13,167	-12,717	-40,695	-40,538	-65,568
Other operating income	502	203	2,212	457	961
Other operating expenses	-654	-592	-2,140	-1,332	-1,357
Operating loss	-2,180	-2,794	-7,208	-10,476	-17,674
Net financial items	678	688	2,745	698	1,767
Result after financial items	-1,502	-2,106	-4,463	-9,778	-15,907
Income tax	0	0	0	0	0
Result for the period	-1,502	-2,106	-4,463	-9,778	-15,907

Parent Company result for the period equals comprehensive income.

CONDENSED PARENT COMPANY BALANCE SHEET

SEKt	Note	Sep 30		Dec 31
		2020	2019	2019
ASSETS				
Non-current assets				
Non-current financial assets	6	936,917	704,652	726,652
Total non-current assets		936,917	704,652	726,652
Current assets				
Other receivables	6	0	107,508	125,245
Prepaid expenses	6	970	965	651
Cash	6	360,857	107,731	73,549
Total current assets		361,827	216,204	199,445
TOTAL ASSETS		1,298,744	920,856	926,097
EQUITY AND LIABILITIES				
Equity				
Restricted equity	4	40,599	32,783	32,926
Unrestricted equity		1,222,475	864,531	862,277
Total equity		1,263,074	897,314	895,203
Non-current liabilities		28,126	19,508	19,203
Current liabilities	6	7,544	4,034	11,691
TOTAL EQUITY AND LIABILITIES		1,298,744	920,856	926,097

CONDENSED CONSOLIDATED INCOME STATEMENT PER QUARTER

SEKt	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2 ¹	Q1	Q4
Net sales	48,078	36,175	43,432	46,199	39,115	37,320	32,828	23,108
<i>North America</i>	28,281	21,565	21,248	23,256	18,462	14,776	11,519	4,201
<i>EUROW</i>	19,797	14,610	22,184	22,942	20,653	22,544	21,309	18,907
Cost of sales	-4,125	-4,813	-4,900	-5,114	-4,795	-5,047	-4,631	-3,460
Gross profit	43,953	31,362	38,532	41,085	34,320	32,273	28,197	19,648
Gross margin, %	91.4%	86.7%	88.7%	88.9%	87.7%	86.5%	85.9%	85.0%
Selling expenses	-31,982	-22,957	-34,995	-41,322	-33,508	-48,011	-37,298	-37,606
Sales commissions	-9,230	-6,916	-7,081	-7,970	-6,001	-4,678	-3,535	-1,154
Research and development expenses	-11,654	-13,994	-15,783	-18,527	-17,449	-15,987	-16,915	-17,607
Administrative expenses	-11,641	-10,341	-10,863	-11,566	-10,874	-10,482	-10,358	-9,343
Other operating income	4,173	1,971	4,450	3,080	2,977	2,434	2,176	1,251
Other operating expenses	-2,845	-2,598	-3,466	-3,379	-2,153	-3,369	-1,262	-226
Operating loss	-19,226	-23,473	-29,206	-38,599	-32,688	-47,820	-38,995	-45,037
Net financial items	-832	-195	-28	-64	-16	-53	-44	41
Loss before income tax	-20,058	-23,668	-29,234	-38,663	-32,704	-47,873	-39,039	-44,996
Income tax	-1,171	34	-150	-2,186	-486	-67	-42	-629
Loss for the period	-21,229	-23,634	-29,384	-40,849	-33,190	-47,940	-39,081	-45,625

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 SEK 11.0 million. The item is a provision related to repurchase of stock items from the previous US distributor.

NOTE 1 GENERAL INFORMATION, ACCOUNTING PRINCIPLES

This quarterly 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 2019 have also been applied in this quarterly report. New or amended standards or interpretations of standards effective as of January 1, 2020 have not had any significant impact on BONESUPPORT's financial statements.

In the condensed consolidated income statement, Sales commissions are reported separately on a separate line, unlike previous years' reports when they were included in the line Selling expenses. This amended principle is noted here in accordance with IAS 8 Accounting Policies, changes in accounting estimates and errors.

Estimates, assumptions and assessments

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

The Parent Company examines annually or more frequently whether there is an indication of a decline in value and whether there is a need for impairment in shares in Group Companies. As a result of the COVID-19 pandemic, examination has been carried out in the quarterly financial statements showing that there is no need for impairment of shares in Group Companies. How the assets are assessed is explained in Note 3 of the Annual Report for 2019.

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 2019.

See page 3 regarding risks relating to COVID-19.

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		Full year
Related party	Service	2020	2019	2020	2019	2019
Route 2 Advisors Ltd (Simon Cartmell, Board member)	Consultancy	86	213	307	502	615
Seagles AB (Lars Lidgren, Board member)	Purchase of patent	0	900	0	900	900

NOTE 4 NUMBER OF SHARES AND POTENTIAL SHARES

Ordinary shares	Number of shares	Potential shares
December 31, 2019	52,016,342	2,205,614
New share issue	10,500,000	0
Converted employee stock options	619,407	-619,407
Converted warrants	587,348	-849,114
Returned employee stock options	0	-38,833
September 30, 2020	63,723,097	698,260
Series C shares		
December 31, 2019	505,000	730,000
Issued shares	730,000	-730,000
September 30, 2020	1,235,000	0

NOTE 5 PLEGGED SECURITIES AND CONTINGENT LIABILITIES

The US subsidiary BONESUPPORT Inc. has provided a guarantee of USD 56 thousand (56), corresponding to SEK 505 thousand (548) 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 SEK 979 thousand (979).

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

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

Participations in subsidiaries are accounted for in the Parent Company according to the cost method. During 2020, the Parent Company has given unconditional shareholders contribution to Bonesupport AB amounting to 105 SEKm.

NOTE 7 SEGMENT INFORMATION

The Group manages and monitors operations in the North America (NA) and Europe & Rest of the World (EUROW) segments. Other comprises 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 including commissions 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 SEK 1.7 million (1.6) in the quarter. US, Germany and UK were the only markets that delivered more than ten percent of consolidated net sales.

SEKt	Jul - Sep 2020				Jul - Sep 2019			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Profit and loss items								
Net sales	28,281	19,797	0	48,078	18,462	20,653	0	39,115
of which CERAMENT BVF	28,281	3,206	0	31,487	18,462	3,338	0	21,800
of which CERAMENT drug eluting ¹	0	16,591	0	16,591	0	17,315	0	17,315
of which other	0	0	0	0	0	0	0	0
Cost of sales	-1,121	-3,004	0	-4,125	-1,582	-3,213	0	-4,795
Gross profit	27,160	16,793	0	43,953	16,880	17,440	0	34,320
Operative costs	-27,717	-15,382	0	-43,099	-26,645	-16,859	0	-43,504
Contribution	-558	1,411	0	854	-9,765	581	0	-9,184
Other operating items	0	0	-20,080	-20,080	0	0	-23,504	-23,504
Operating result	-558	1,411	-20,080	-19,226	-9,765	581	-23,504	-32,688
Net financial items	0	0	-832	-832	0	0	-16	-16
Result before income tax	-558	1,411	-20,912	-20,058	-9,765	581	-23,520	-32,704

SEKt	Jan - Sep 2020				Jan - Sep 2019			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Profit and loss items								
Net sales	71,094	56,591	0	127,685	44,757	64,506	0	109,263
of which CERAMENT BVF	69,893	9,068	0	78,962	44,757	10,294	0	55,051
of which CERAMENT drug eluting ¹	0	47,523	0	47,523	0	54,212	0	54,212
of which other	1,200	0	0	1,200	0	0	0	0
Cost of sales	-4,594	-9,244	0	-13,838	-4,170	-10,303	0	-14,473
Gross profit	66,500	47,347	0	113,847	40,587	54,203	0	94,790
Operative costs	-83,437	-39,736	0	-123,173	-89,505	-48,930	0	-138,435
Contribution	-16,938	7,611	0	-9,326	-48,918	5,273	0	-43,645
Other operating items	0	0	-62,579	-62,579	0	0	-75,858	-75,858
Operating result	-16,938	7,611	-62,579	-71,905	-48,918	5,273	-75,858	-119,503
Net financial items	0	0	-1,055	-1,055	0	0	-113	-113
Result before income tax	-16,938	7,611	-63,634	-72,960	-48,918	5,273	-75,971	-119,616

¹ CERAMENT drug eluting includes CERAMENT G and CERAMENT V.

NOTE 8

OPTION PROGRAMS AND PERFORMANCE SHARE PROGRAMS

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

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 shares in BONESUPPORT when exercising the option. This at a price in the first two programs of SEK 0.125 per option, equivalent to SEK 0.625 per share, and in the third program of SEK 5.30 per option, equivalent to SEK 26.50 per share. 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, 21.5 million (21.1) options were fully vested before the end of the period.

Performance share programs

There are three programs for newly recruited employees and one program for three directors. All programs run over four years; the one that is aimed for the directors runs until 2021, the other programs run until 2021, 2022 and 2023 respectively. Each savings share gives the opportunity to be allotted to the employees a maximum of two, three or four 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 SEK 0.625 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 is one warrant program. It was executed in 2018 and gives the holder the right to acquire 1 share per warrant.

Further information on these programs is presented in Notes 12 and 23 in the Annual Report 2019.

Employee stock option programs	No of options ¹	Equal to no of shares	WAEP ²
Balance January 1, 2020	4,977,020	995,404	12.12
Exercised	-3,097,041	-619,407	22.57
Returned	-194,167	-38,833	26.50
Balance September 30, 2020	1,685,812	337,164	11.29

Performance share programs	Right to no of shares
Balance January 1, 2020	1,225,000
Returned	-80,000
Balance September 30, 2020	1,145,000

Warrant programs	No of warrants	Equal to no of shares	WAEP ²
Balance January 1, 2020	4,606,664	1,210,210	20.87
Exercised	-4,245,568	-849,114	26.50
Balance September 30, 2020	361,096	361,096	15.94

1 Not allocated options amounted to 4,119,547 (3,912,880).

2 Weighted Average Exercise Price per share (SEK).

During the year, the cost of employee stock option and performance share programs, excluding social security contributions, was recognized as operating expenses amounting to SEK 2,926 thousand (1,736). Accrued social security contributions amounts to SEK 6,340 thousand (3,997).

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

Clinical study. Study on humans of e.g. a medical device or a pharmaceutical product.

CONVICTION. A randomized controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis (chronic bone infection).

CRIOAc. A healthcare network in France that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections.

DBM. Demineralized bone matrix. A bone substitute biomaterial.

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.

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.

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

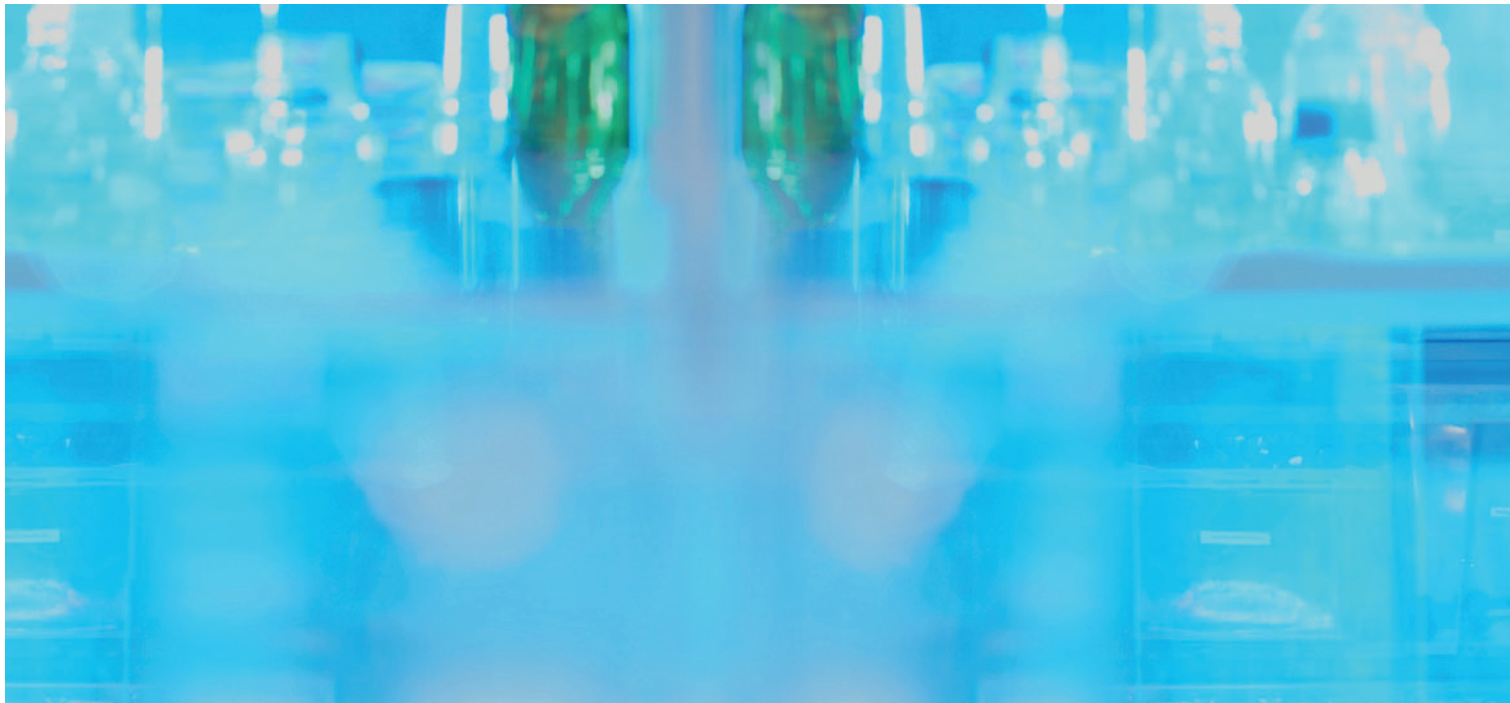
Borrowings from banks, financial institutions and lease liabilities, short and long term. Shows the debt level of the Group and forms the base for interest expenses.

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.

SEKm	Jul - Sep		Jan - Sep		Full year
	2020	2019	2020	2019	2019
Net sales	48.1	39.1	127.7	109.3	155.5
Sales growth, %	22.9	174.6	16.9	48.6	60.9
Cost of sales	-4.1	-4.8	-13.8	-14.5	-19.6
Gross profit	44.0	34.3	113.8	94.8	135.9
Gross margin, %	91.4	87.7	89.2	86.8	87.4
Directly attributable selling expenses	-37.1	-37.2	-104.2	-119.1	-159.6
Selling expenses, not directly attributable	-4.1	-2.3	-9.0	-13.9	-22.7
Selling expenses including commissions	-41.2	-39.5	-113.2	-133.0	-160.1
Directly attributable research & development expenses	-4.8	-6.3	-17.8	-19.3	-24.8
Research & development expenses, not directly attributable	-6.9	-11.2	-23.6	-31.0	-44.0
Research & development expenses	-11.7	-17.4	-41.4	-50.4	-68.9
Contribution	2.0	-9.2	-8.1	-43.6	-48.6

SEKm	Sep 30		Dec 31
	2020	2019	2019
Non-current borrowings	5.6	5.7	5.7
Current borrowings	4.9	5.6	4.7
Interest bearing debt	10.5	11.3	10.4
Cash and cash equivalents	377.9	129.9	92.1
Net debt	-367.3	-118.6	-81.7



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 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 50,000 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.

The CERAMENT portfolio is currently commercially available in several European markets, Colombia, Saudi Arabia, Oman and Singapore. In addition, CERAMENT BVF is commercially available in the US and CERAMENT G in Canada.

The Company started as a research company in the early 2000s by Professor Lars Lidgren, with the vision of developing a synthetic product that could replace autograft. CERAMENT BVF received the CE mark in 2009, CERAMENT G in 2013 and CERAMENT V in 2015. BONESUPPORT's mission is to improve the quality of life for patients suffering from bone diseases that cause skeletal injuries and can lead to pain and a reduced quality of life.

PRESENTATION OF INTERIM REPORT JANUARY - SEPTEMBER 2020

The Company invites investors, analysts and media to a web conference (in English) on November 5 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 5, 2020. 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.

CONTACT INFORMATION

Emil Billbäck, CEO
T: +46 46 286 53 70

Håkan Johansson, CFO
T: +46 46 286 53 70

E: ir@bonesupport.com
www.bonesupport.com