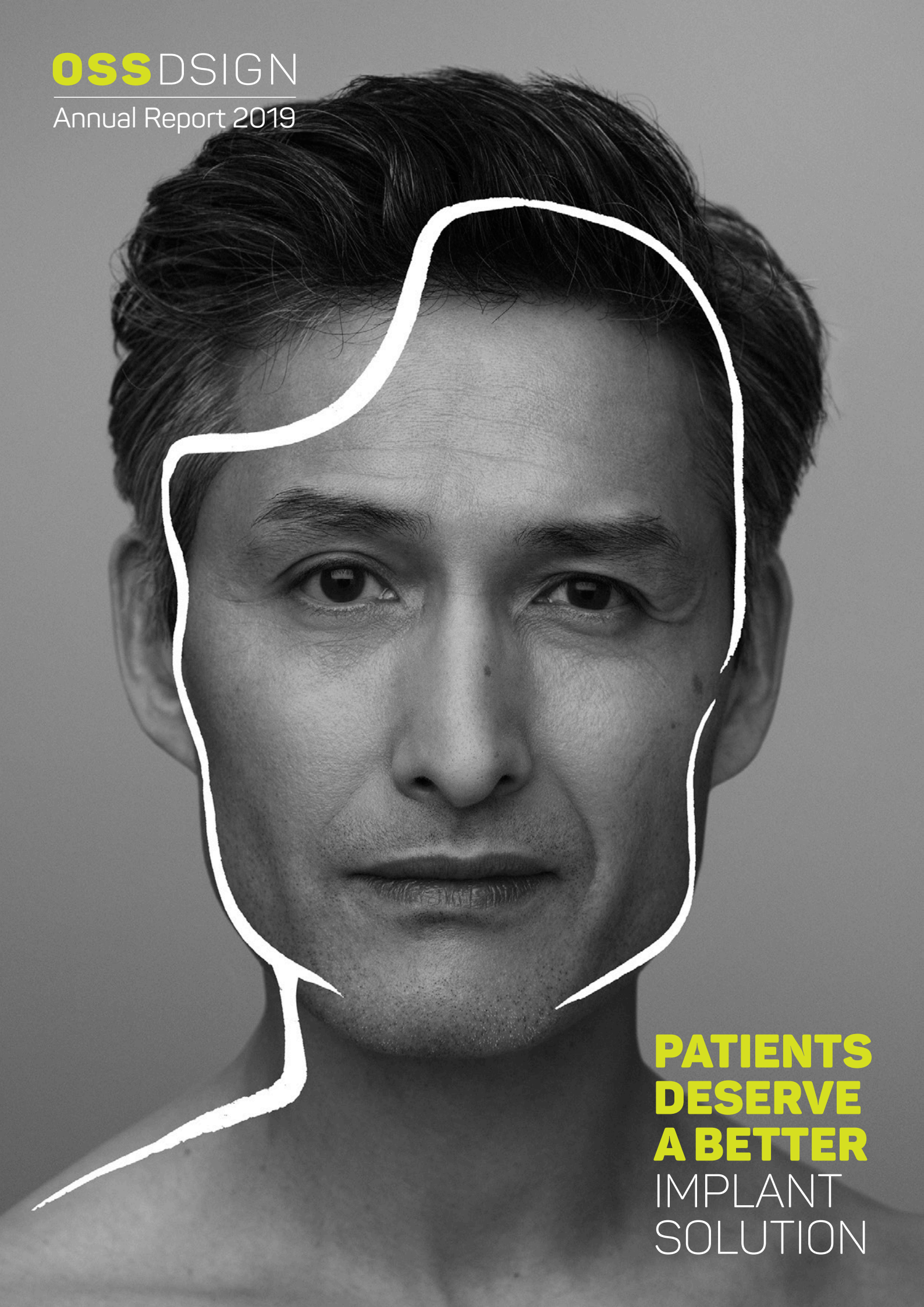
OSSDSIGN

Annual Report 2019



PATIENTS DESERVE A BETTER IMPLANT SOLUTION

OssDsign at a glance

2019 showed strong commercial progress and confirmed clinical validation

53%
Sales growth in the US
OssDsign's total sales in the US compared to 2018.

800+
Patients with OssDsign implants
Total clinical use to the end of 2019.

45
US hospital approvals
Total number of US hospitals where OssDsign Cranial PSI was approved for use at year-end, with surgeries performed.

2%
Risk of implant removal due to implant infection
OssDsign Cranial PSI has an observed implant removal rate due to implant infection of 2%. The corresponding published rate associated with most of the conventional cranial implants is 7–12%.

OssDsign

OssDsign is an innovator, designer and manufacturer of implants and material technology for bone regeneration. We are surgeons, scientists and engineers – committed to improving outcomes in cranioplasty and facial reconstructive surgery. We have created an implant solution that provides patients with the protection, aesthetics and long-term reliability they deserve.

By combining clinical insight with proprietary material technology and patient-adapted design, OssDsign supplies an expanding range of tailored solutions for cranial repair and facial bone reconstruction. OssDsign's technology is the result of collaboration between clinical researchers at Karolinska University Hospital, Stockholm, and material science experts at the Ångström Laboratory at Uppsala University.

Technology and products

OssDsign Cranial PSI brings together leading edge material science and advanced 3D printing. Our patented calcium phosphate composition is combined with a supporting titanium skeleton in an innovative patient-specific design. The result is a novel implant solution refined through years of clinical experience with patients and neurosurgeons in Europe, the US and Japan.

As an adjunct to the lead OssDsign Cranial PSI product, OssDsign Cranial Accessories have been developed, enabling treatment of a wider range of clinical cases. In addition, OssDsign recently launched OssDsign CranioPlug, the company's first off-the-shelf volume product engineered for easy bone-flap fixation and burr-hole coverage as well as OssDsign Facial for patients with complex facial-skeletal defects.

OssDsign's technology and products come with major advantages for patients, surgeons and payers such as hospitals and public health care systems. This includes an observed implant removal rate due to infection which is lower than the published rates associated with many of the conventional implants.

OssDsign's vision is to be the globally leading provider of regenerative product solutions for bone repair, based on our innovative technology platform.

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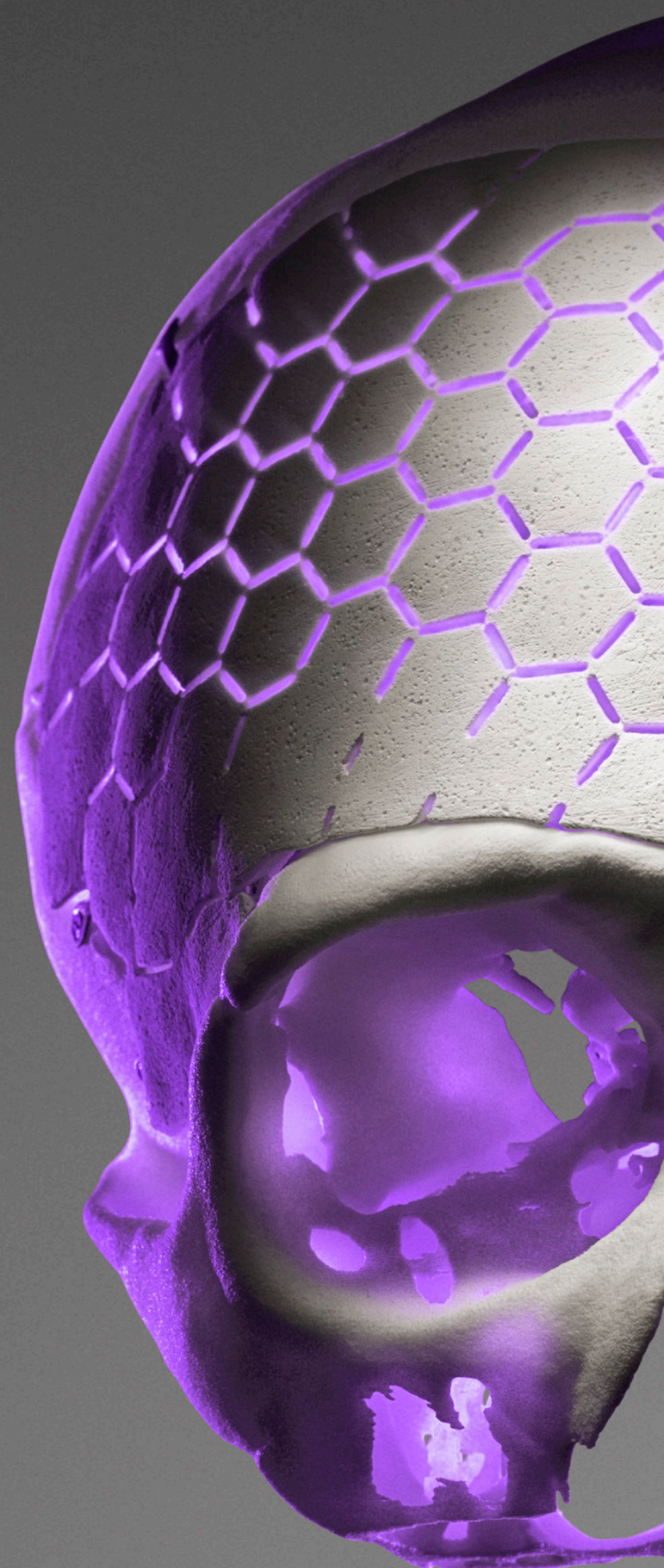


Important events in 2019

64 + 151.3 MSEK raised followed by listing on Nasdaq First North

In February, OssDsign conducted a private placement of 64 MSEK followed by a share issue of 151.3 MSEK in May. The company was then listed on Nasdaq First North Growth Market with trading starting on May 24.

Application for Japanese market approval and first clinical experiences

In June, an application was submitted for the market approval of OssDsign Cranial PSI in Japan, the second largest OECD medical technology market. In preparation for market launch, the first surgeries under ethical approval with OssDsign Cranial PSI were completed by the highly respected Prof. Takuji Yamamoto and presented at the 78th Annual Meeting of the Japan Neurosurgical Society held in Osaka in October.

OssDsign Cranial PSI granted nationwide reimbursement in France

In August, OssDsign was granted nationwide reimbursement in this major European market, leading to intensified launch preparations. The strong demand in France was confirmed when a key French hospital ordered the first implants before the company had appointed a distribution partner.

Nationwide framework contract in England

In October, OssDsign received the final award contract from the UK National Health Service (NHS). This means that all the company's current products are covered in full by a nationwide agreement open to all NHS hospitals in England. It is also the first step in NHS England's plan to centrally commission all bespoke orthopaedic and maxillo-facial prostheses.

Controlled launch of OssDsign CranioPlug in the US, Germany and Sweden

A controlled OssDsign CranioPlug launch was conducted in Q3 with the first clinical uses by selected customers in the US, Germany and Sweden. Both surgeon and patient feedback indicate positive results to date.

OssDsign Cranial PSI data with 670 patients confirms low complication rate

In November, an updated post-market surveillance report with data from Europe, the US and selected Asian markets was made available. It showed that 2% of OssDsign Cranial PSI patients required removal of the implant due to infection. The corresponding published rate associated with most conventional cranial implants is 7–12%.

OssDsign USA Inc assumes direct control of all US operations

In Q4 2019, OssDsign completed the transition from using a master distributor in the US to running all commercial operations from the fully owned subsidiary OssDsign USA Inc. New headquarters were established as well as a new organizational set-up with key commercial sales staff in all selected prioritized states and metropolitan areas.

Strong US hospital enrolment and quarterly sales growth

In the second half of 2019, OssDsign saw positive results from implementing a more focused US distribution strategy with added emphasis on the introduction of OssDsign Cranial PSI to customers with high volume potential. The company saw consecutive quarterly growth of 45% in Q3 and 32% in Q4. The effect of the investments generated an acceleration in the number of new accounts during the second half of 2019. The total number of US hospitals where OssDsign Cranial PSI has been approved for use grew by 114% to 45 hospitals in 19 states with approximately 70% of new accounts being added towards the end of the year.

A year of international expansion, consolidation and growth

2019 was a transformative year for OssDsign. We raised the capital needed for continued international expansion and listed the company on Nasdaq First North Growth Market; assumed control of all US operations and applied for market approval in Japan. All of this while adding to our product portfolio and gaining substantial commercial traction in Europe and especially the US.

Progress in key European markets

Just like our implants, OssDsign's commercial operations are being built utilising a layered strategy with all components playing their respective parts. Key European markets are the original core of our business, and here we have established a stable foundation with strong support from leading hospitals, surgeons and reimbursement by public health care systems. In 2019, nationwide cost coverage and full market access was achieved in all major European markets with the approval in France and the NHS national framework contract award in England. Our European sales have progressed well, and with the launch of OssDsign CranioPlug and expansion of OssDsign Facial underway, we have the capability to extend our addressable markets and reach larger volume in more routine-use segments. The COVID-19 pandemic will have an impact on this development, but to what extent is difficult to predict at this stage. The COVID-19 situation is addressed in more detail on pages 8 and 20.

Strategic shift and strong growth in the US

The US is the world's largest medical technology market, and it is now the fundamental driver of the company's commercial success. Given its complexity, our initial strategy was to build a gradual presence supported by key opinion leaders. We did so together with a national distributor, Matador Medical, to manage risk and maximise the variable nature of costs. With early market confidence and demonstrated demand for Cranial PSI, the next step was to assume full control and consolidate our US operations as set out in our listing document.

This key strategic shift was supported by raising the capital needed through a successful private placement followed by a listing on Nasdaq First North. We then transitioned our US operations to OssDsign USA Inc. operating out of Columbia, Maryland. The transition was successfully completed in Q4, and our more focused distribution strategy delivered consecutive quarterly sales growth of 45% in Q3 and 32% in Q4.
We have made our initial investments into the US market, and now we are focusing on managing operating costs while gaining access to a growing number of hospitals in the US.
We are also further leveraging our distribution capability with the addition of OssDsign Cranioplug. With more attractive market pricing compared to Europe, we see tremendous sales growth potential in the US for OssDsign in the coming years.

OSSDSIGN A WORD FROM OUR CEO

> *I am confident that, when the effects of the COVID-19 pandemic have normalised, we will be able to capitalise in full on our efforts and take OssDsign into the next decade for the benefit of patients as well as our stakeholders."*
>
> ANDERS LUNDQVIST, CEO

On track to enter Japan in 2020

We were able to progress access to Japan by applying for market approval of OssDsign Cranial PSI in June 2019, with an approval received in March 2020. OssDsign is thus in a position to gain access to the second largest OECD medical-technology market with great sales potential over time. We will enter this market with a regional distributor to gain access to a strong distribution network, while also limiting our initial operating costs.

As a part of our post-IPO plan for H2 2019, we increased our burn-rate due to investments in manufacturing and the US sales organisation. Moving into 2020, we were thus well positioned to see the payoff from these investments in the form of higher sales, with a controlled burn-rate. I am confident that, when the effects of the COVID-19 pandemic have normalised, we will be able to capitalise in full on our efforts and take OssDsign into the next decade for the benefit of patients as well as our stakeholders.

Key market positioning
and outlook for 2020

Going into 2020, OssDsign was set to deliver continued growth in all key regions by enrolling more hospitals as well as increasing the penetration in established markets, adding new markets and ramping up the launches of OssDsign CranioPlug and OssDsign Facial. The early stage of the COVID-19 pandemic has not impacted the first quarter of 2020. However, since the middle of March there has been a widespread postponement of elective surgeries, including those relevant to OssDsign, as health-care systems manage the pandemic. This has resulted in a reduced level of incoming orders which will have an effect on sales in the second quarter. OssDsign is confident that this will be transient and as hospital priorities are normalised procedure volumes will also return to the levels experienced before the start of the COVID-19 situation, supplemented by additional procedures from currently postponed surgeries.

Today, patients suffering from severe brain damage after major stroke, trauma or tumor surgery often also struggle with complex skull bone defects that hinder their rehabilitation. Skull bone reconstructions can be fast and easy but often cause a number of surgical procedures and healthcare contacts related to prolonged medication regimes, which can greatly impact outcomes.

I have used OssDsign Cranial in my practice for 5 years and the 3D-ceramic device has proven to be an important patient specific implant in my toolbox for these patients. I believe this product fulfills an unmet medical need in this population."

LARS KIHLSTRÖM BURENSTAM LINDER MD, MBA
SENIOR CONSULTANT IN NEUROSURGERY
CHIEF VASCULAR NEUROSURGERY
KAROLINSKA UNIVERSITY HOSPITAL

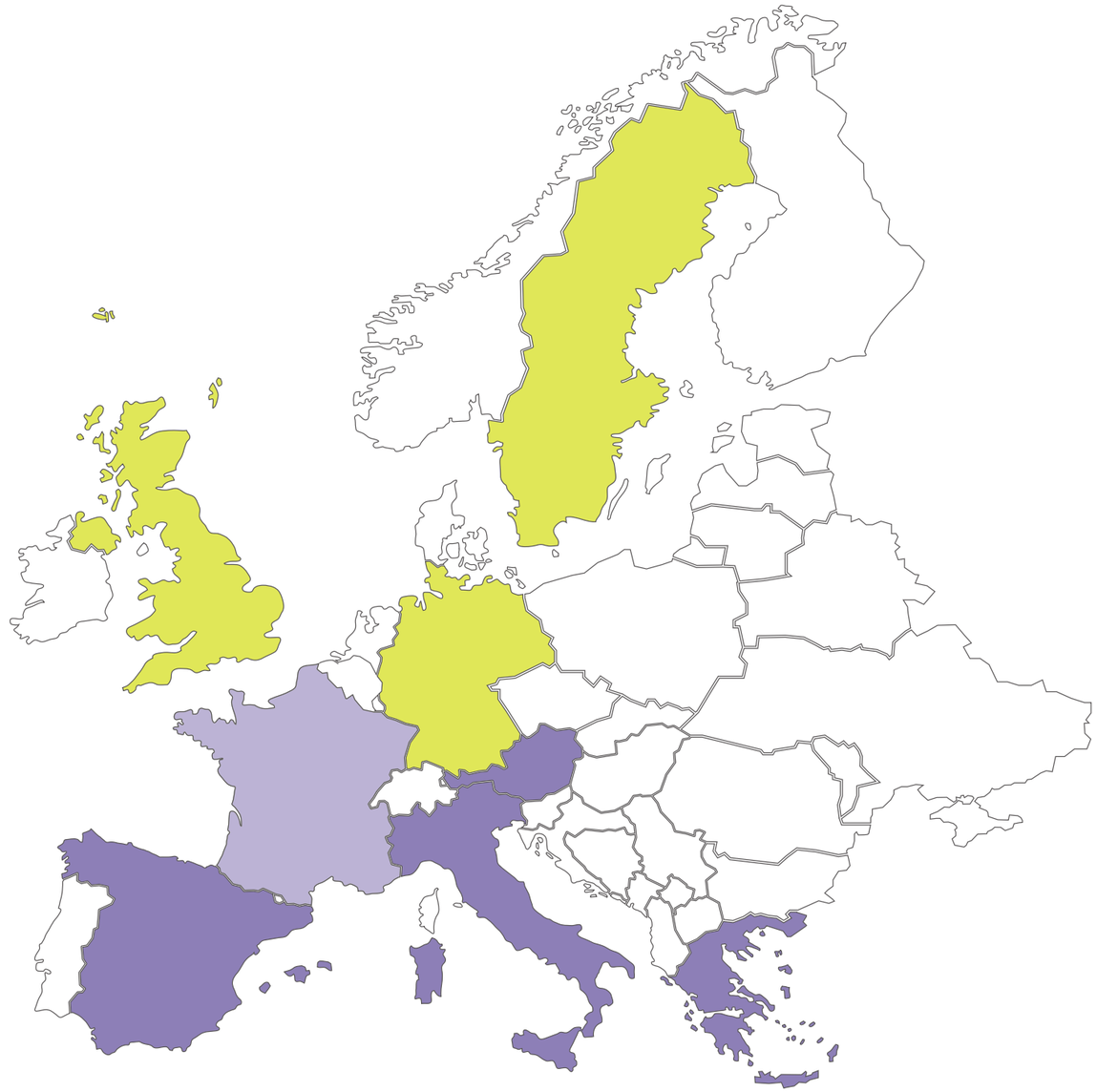
OssDsign's products are well established in Europe and are commercialised through a direct sales presence in the initial key markets Sweden, Germany and the UK since 2016. Remaining markets have subsequently been added and are managed via distributors. OssDsign sees strong growth opportunities in Europe, not least thanks to the latest addition of France, where reimbursement approval was achieved at the end of 2019.

EUROPE

Total market value: 1 800 MSEK
OssDsign sales in 2019: 9.8 MSEK
New hospitals enrolled in 2019: 20
Total enrolled hospitals at year-end: 83

DIRECT SALES MARKETS
(Sweden, Germany and the UK)
Combined market value: 900 MSEK
Cost coverage: In all markets
Outlook for 2020: Once the COVID-19 pandemic situation is normalised, OssDsign expects to see sales boosted by the inclusion of OssDsign's products on the NHS national framework and a broader launch of OssDsign CranioPlug and OssDsign Facial in addition to the continuous enrolment of more hospitals and increasing the penetration in already established accounts. Strengthening of the German sales organisation in 2019 is also expected to generate a positive effect.

DISTRIBUTION AGREEMENT MARKETS
(Austria, France, Greece, Italy and Spain)
Combined market value: 900 MSEK
Cost coverage: Cost coverage achieved in France after the approval of reimbursement in France in Q3 2019. In remaining markets custom-made implants are covered by hospital budgets.
Outlook for 2020: Appointing a French distributor and a broader launch of OssDsign CranioPlug and OssDsign Facial are, once the COVID-19 pandemic situation is normalised, expected to boost sales in addition to continuously enrolling more hospitals and increasing the penetration in already established accounts.



DIRECT SALES MARKETS
Sweden
Germany
UK

DISTRIBUTION AGREEMENT MARKETS
Spain
Italy
Austria
Greece
France (distributor to be appointed)

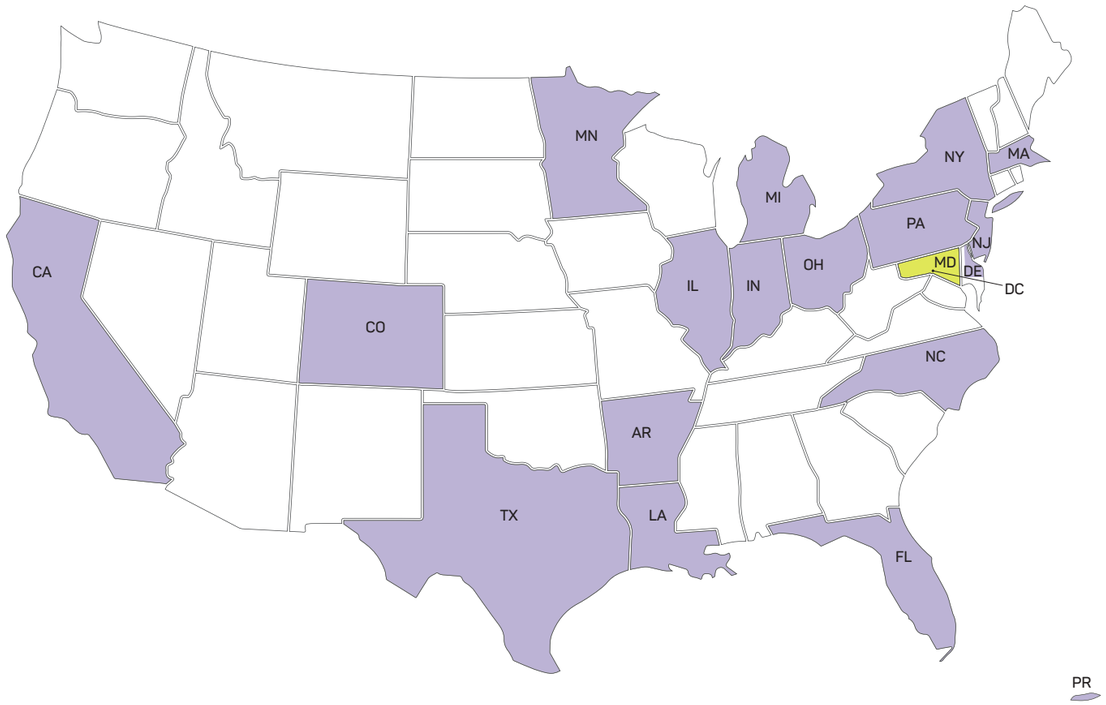
THE UNITED STATES

Total market value: 2 000 MSEK
OssDsign sales in 2019: 6.8 MSEK
New hospitals enrolled in 2019 (VAC approval): 24
Total enrolled hospitals at year-end: 45
New states activated in 2019: 8
Outlook for 2020: The more focused distribution strategy implemented in H2 2019 together with the strengthening of the sales capacity, the continuous enrolment of new hospitals and the broader launch of OssDsign CranioPlug are expected to boost sales once the COVID-19 pandemic situation is normalised.

By the end of 2018, 21 hospitals were enrolled across 12 different US states and territories, by the end of 2019 this had increased to 45 hospitals across 20 US states and territories. As reflected in our original commercial strategy, the main concentration of activity was centred in the major metropolitan areas such as New York-Newark-Jersey City, Los Angeles-Long Beach-Anaheim and Chicago-Naperville-Elgin.

The quality of the material used for the bone flap as well as the ease of implantation is unparalleled. The operations could not have gone more smoothly with respect to securing the flap to the patient's skull, and the post-operative 3D images confirm the perfectly contoured appearance of the implant for which we were hoping when the custom designs were fabricated."

DR AMIT GOYAL, NEUROSURGEON AT BAYHEALTH DOVER, DE, USA



US HEADQUARTERS

OssDsign USA Inc.
Columbus,
Maryland

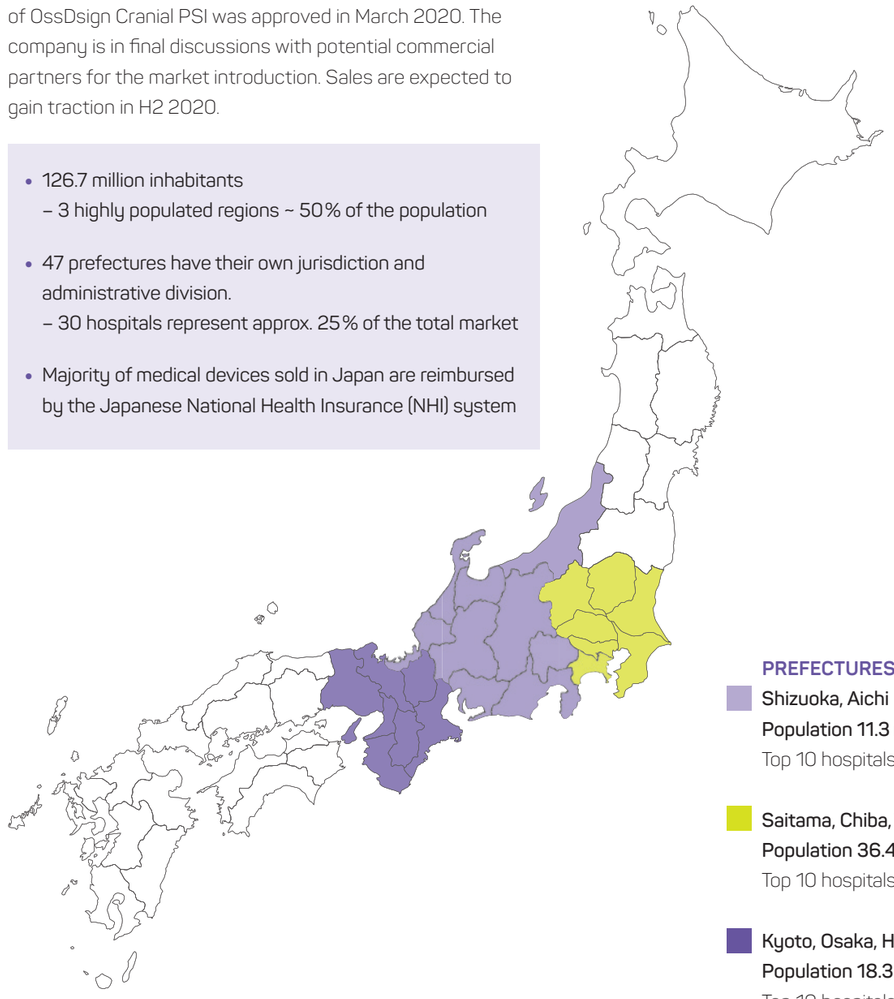
STATES & TERRITORIES WITH ENROLLED HOSPITALS

California
Arkansas
Illinois
Minnesota
New York
Washington DC
Maryland
Florida
Louisiana
Massachusetts
North Carolina
Pennsylvania
Indiana
Ohio
New Jersey
Michigan
Puerto Rico
Texas
Colorado
Delaware

JAPAN

Total market value: 750 MSEK
OssDsign sales in 2019: N.A.
Outlook for 2020: OssDsign's application for market approval of OssDsign Cranial PSI was approved in March 2020. The company is in final discussions with potential commercial partners for the market introduction. Sales are expected to gain traction in H2 2020.

- 126.7 million inhabitants
  – 3 highly populated regions ~ 50% of the population
- 47 prefectures have their own jurisdiction and administrative division.
  – 30 hospitals represent approx. 25% of the total market
- Majority of medical devices sold in Japan are reimbursed by the Japanese National Health Insurance (NHI) system



PREFECTURES

Shizuoka, Aichi
Population 11.3 million
Top 10 hospitals: approx 56% of cases

Saitama, Chiba, Tokyo, Kanagawa
Population 36.4 million
Top 10 hospitals: approx 43% of cases

Kyoto, Osaka, Hyogo, Mara
Population 18.3 million
Top 10 hospitals: approx 44% of cases

We are grateful for having been able to conduct a clinical study with OssDsign's products. The products were very easy to use and meet several important clinical needs. The clinical result is tremendously positive, and both patients and us physicians are therefore looking forward to the market launch in Japan."

TAKUJI YAMAMOTO, M.D.
PROFESSOR & CHAIR
DEPARMENT OF NEUROSURGERY
JUNTENDO UNIVERSITY SHIZUOKA HOSPITAL
SHIZUOKA, JAPAN

Cranial and facial reconstructive surgery in need of a better implant solution

OssDsign was founded on the conviction that it is possible and of great importance to develop and provide a substantially improved cranial and facial implant solution for the benefit of patients all over the world. The medical need in these segments is substantial as the use of bone, or conventional plastic or metal implants, is associated with high rates of costly complications and patients needing reoperations.

TRADITIONAL METHODS AND THEIR ASSOCIATED RISKS

Patients' own bone: Commonly used when bone has been removed in a prior surgery, for instance due to brain swelling caused by Traumatic Brain Injury (TBI) or stroke. The bone has often been freeze-preserved for a long time, and the insertion of dead bone tissue increases the risk of resorption and infection. It is common that the patient will have to undergo a reoperation, potentially with a patient-specific implant.

Plastic or metal-based implants: Conventional synthetic implants made of inert materials are traditionally used as an alternative to the patient's own bone. These implants are often associated with complications such as infection, skin degeneration and protrusion, and reoperations are common.

THIS IS CRANIOPLASTY

Craniectomy is a procedure in which a portion of the skull is removed, often to reduce pressure in the cranial cavity. **Cranioplasty** is a surgical reconstruction of a cranial defect, often due to a previous craniectomy, using the patient's own bone or a surgical implant.

WHY IS CRANIOPLASTY PERFORMED?

The most common reasons leading to craniectomy, followed by cranioplasty, are:

- **Raised intracranial pressure** and brain swelling due to trauma or stroke
- **Bone defects** following e.g. trauma
- **Bone tumours** such as meningioma, necessitating removal and reconstruction

OssDsign's novel implant technology a next-generation, regenerative solution available today

To solve the severe problems associated with using patient's own bone or conventional synthetic cranial and facial implants, OssDsign has developed a bioceramic material that enables regrowth of the patient's own bone structure over time. The bone-regenerative effect of OssDsign's ceramic material has been clinically demonstrated and published. This is a superior method when aiming for lifelong stability with a low risk of complications.

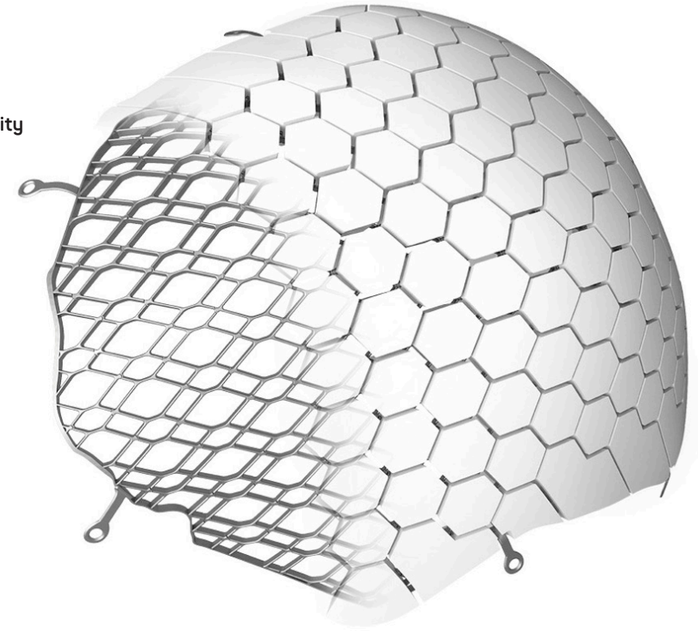
Combining mechanical and biological features
OssDsign's implants are based on a strong titanium structure covered by an outer shell made of the company's patented bioceramic material. The underlying titanium structure ensures stability and protection of the brain. The outer ceramic shell provides the healing and bone-regenerative properties. Each individual implant is tailored to the patient's defect and anatomical requirements using CAD technology and 3D printing.

Clinically proven
Clinical experience shows low complication rates and evidence of new bone and blood vessel formation. After following up on 670 patients, OssDsign Cranial PSI patients showed an implant removal rate due to infection of 2%, compared to 7–12% for cranial patients with conventional implants. This latest data continues to be in line with previously published data on the low complication rate with OssDsign Cranial PSI.

Broad application range
In addition to individual implants, OssDsign is also developing off-the-shelf products suitable for volume segments such as covering standard-sized burr holes after for example tumour surgery or a stroke.

Perfect aesthetics regardless of complexity based on CAD design and 3D-printing.

Stability and protection based on the 3D-printed titanium skeleton.

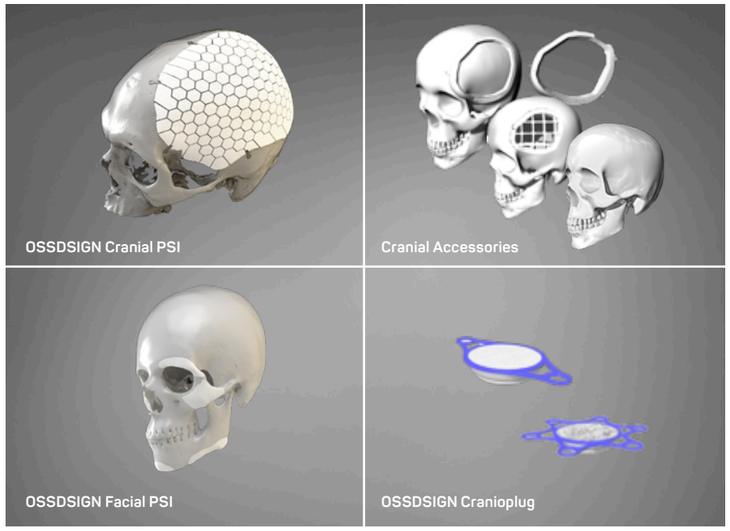


Mosaic tile design with with inter-tile spacing that allows for fluid movement through the device.

Easy handling and fixation with predesigned, customizable fixation arms.

A new generation of implants for cranial and facial reconstruction

OssDsign's product portfolio includes a range of solutions for cranial and facial re-constructive surgery, from individual implants and accessories to standardised volume products. All products are based on the company's novel ceramic material and a patient-centric approach that fits into the cranial and facial surgeons' current working processes.



OssDsign Cranial PSI
OssDsign Cranial PSI brings together leading edge established material science and advanced 3D printing. With a 3D-printed titanium skeleton specifically designed for the patient's unique anatomy, using patient-specific CT data, OssDsign Cranial PSI offers excellent stability and protection. The outer ceramic shell, made from our proprietary calcium phosphate composition in a mosaic tile design, allows for tissue ingrowth and vascularisation while transferring load to the titanium skeleton.

OSSDSIGN Cranial PSI Accessories
OssDsign Cranial PSI Accessories are a set of devices aimed at facilitating advanced surgical procedures, which would be difficult to perform without these types of device.

OssDsign Facial
OssDsign Facial is based on the successful experience of OssDsign Cranial and provides surgeons with new opportunities to treat patients with complex facial skeletal defects. Just like OssDsign Cranial PSI, each implant is custom-made for the patient with an inner titanium skeleton covered with our proprietary calcium phosphate composition. This enables long-term mechanical stability while minimising titanium exposure to maintain soft-tissue integrity.

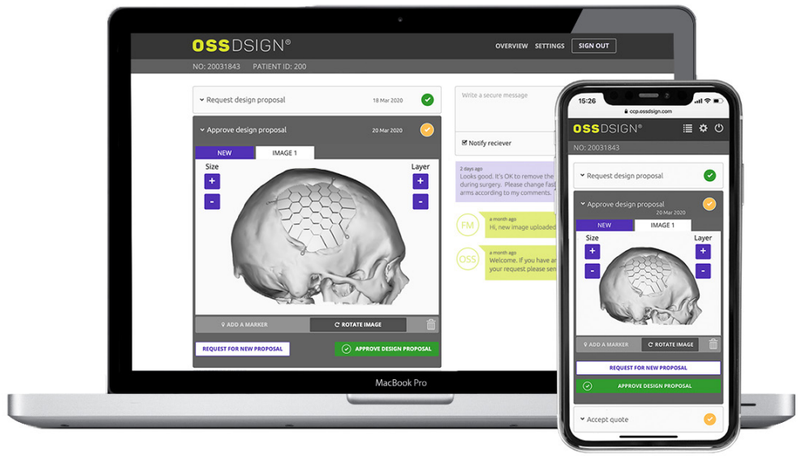
OssDsign CranioPlug
OssDsign CranioPlug is the company's first volume product. It is engineered for easy bone-flap fixation and burr-hole coverage, while providing the beneficial properties derived from combining a titanium structure with the company's proprietary calcium phosphate material with documented ability to integrate with surrounding bone. OssDsign CranioPlug is available in four versions, for burr-hole closures (11 and 14 mm, two fixation arms) and bone-flap fixation (11 and 14 mm, six fixation arms).

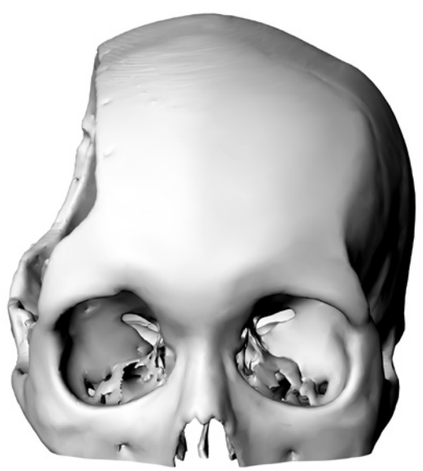
Target customer segments
OssDsign currently approaches 2 main customer segments with their products. Neurosurgeons are the main target group for OssDsign Cranial PSI and OssDsign Cranial PSI Accessories as well as for OssDsign CranioPlug, whereas plastic & reconstructive surgeons are the main target group for OssDsign Facial.

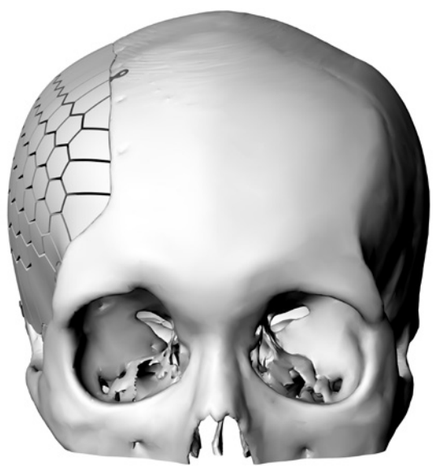
OSSDSIGN TECHNOLOGY & PRODUCTS

Perfecting each implant through a collaborative process

OssDsign has developed a powerful but still easy-to-use software for the ordering and design of individual implants. This enables secure and effective direct communication with the surgeon throughout the process – from receiving CT scans to the 3D implant design phase and final delivery of the custom implant.







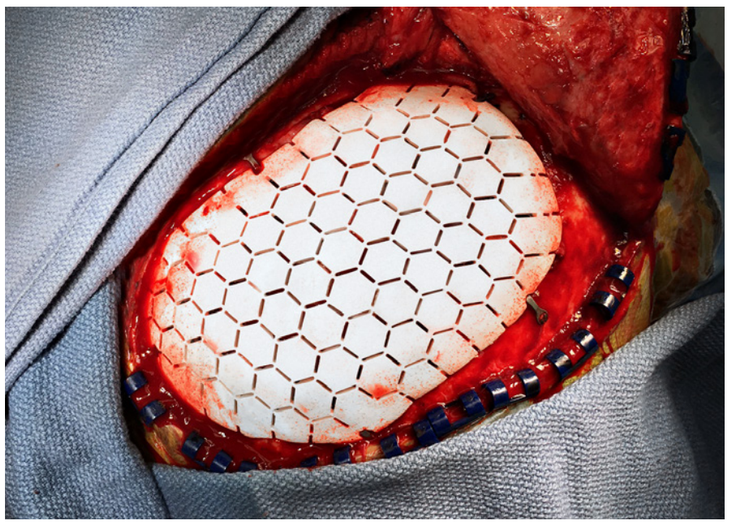
Clinical validation

OssDsign's cranial implants have been used in clinical settings since 2011. Over the years, the company has gathered a strong body of clinical evidence to support claims that **a)** OssDsign Cranial PSI has a low observed risk of removal due to infection compared to the published data for most conventional implants, and **b)** that the company's novel calcium phosphate composition leads to bone integration and regrowth of bone tissue.

Clinical study at Karolinska University Hospital, Sweden in 2018
Strong positive results from this clinical study, which covered 50 patient cases with OssDsign Cranial PSI implants, was published in 2018. The patient group was complex with 64% of the patients having a history of prior removal of conventional implants. After 25 months, only one implant removal was needed due to infection. After receiving a new OssDsign implant, this patient did not show any complications in a follow-up 12 months later.

Global post-market follow-up with 670 patients in 2019
Due to regulatory requirements, OssDsign must continuously follow up on the status of global clinical use of its implants. The latest follow-up summary was published in November 2019 and included 670 OssDsign Cranial PSI patients in Europe, the US and selected Asian markets. The results confirmed a low implant removal rate of 2% (16 patients). Additionally, histological analyses of implants removed after nine months or later showed bone integration between the implant and the skull bone, as well as bone tissue regrowth in and around the calcium phosphate material.

Preclinical studies and clinical use in Japan in 2019
Pre-clinical studies were performed to generate data in support of the application for market approval of OssDsign Cranial PSI in Japan submitted in 2019. Further, the first clinical cases were performed under ethical approval by the highly respected Professor Takuji Yamamoto. Positive results from this clinical use was presented at the 78th Annual Meeting of the Japan Neurosurgical Society held in Osaka in October 2019.



OssDsign's market and key regions

LARGE GLOBAL MARKET WITH AN OBVIOUS INNOVATION GAP

OssDsign is active in the global markets for cranioplasty and facial reconstructive surgery. In total, these markets have a substantial global value, while still being niche and not a high R&D priority for large global medical technology companies. This has led to an innovation gap and underserved patient groups with substantial medical need.
By introducing a new generation of implants with superior characteristics, OssDsign is now implementing its strategy to fill this innovation gap and establish itself as a leading global provider of cranial and facial implants in selected segments.

ADRESSABLE MARKET FOR OSSDSIGN PRODUCTS

Customer group	Segment	Market value OECD 2016		Product
		MUSD	MSEK	
Neurosurgeons	Cranial implants/ autologous transplantation	200	1900	OSSDSIGN Cranial PSI
Neurosurgeons	Cranial fixation/burr holes and plugs	165	1600	OSSDSIGN CranioPlug
Plastic / facial surgeons	Facial implants	200	1900	OSSDSIGN Facial
	Total	565	5400	

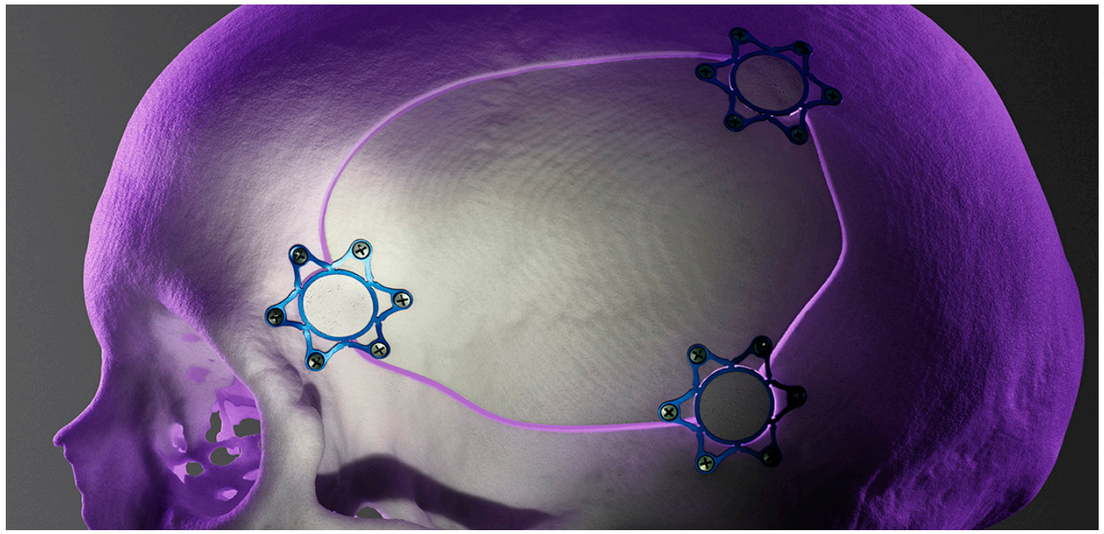
Market size and potential
The OECD estimate for implants in the face and skull amounts to approximately USD 1 800 million (SEK 17 000 million)*. This estimate also includes products such as plates, screws, bone cement and other accessories. OssDsign estimates that the addressable market for the company's products in the OECD amounts to about USD 565 million (SEK 5 400 million). The market growth rate is estimated as 5–7 % in Europe and the US, and 8–9 % in Asia. The US and Japan are expected to become the two most important single markets for OssDsign in the coming years due to high volumes and established coverage by national payment systems.

As stated above, it is important to note is that this estimate only includes facial implants for patients who are currently being treated using conventional methods. This represents a substantial growth opportunity for OssDsign, as OssDsign Facial can also be used to treat patient groups with complex facial skeletal defects, such as post-traumatic skeletal deformities and congenital skeletal defects. The company estimates the value of this additional market segment to be USD 500 million (SEK 4 700 million) in the OECD countries alone.

In addition to its three focus regions (Europe, the US and Japan), OssDsign has also established itself in Singapore and Israel, where the company has strong relationships with leading key opinion leaders. The launches were made with distributors, and OssDsign expects to continuously add more such markets over time.

**Cranio-Maxillofacial Implants – Global Forecasts to 2021 (Markets and Markets 2016)*

OssDsign's status in key regions



Current Market Presence – Europe
OssDsign Cranial PSI and OssDsign Cranial PSI Accessories have received European market approval and have been launched in several European markets (including key markets Germany, France and the UK). In H2 2019, full access to national payment systems was achieved in all key markets upon the approval of reimbursement in France. A controlled launch of OssDsign CranioPlug in Germany and Sweden was initiated in Q3 2019. With positive patient and surgeon feedback to date, a broader European launch is planned for 2020. Design changes to OssDsign Facial were implemented with positive surgeon feedback during the second half of 2019. Based on this, OssDsign Facial will be made available to selected markets in Europe during 2020.

Current Market Presence – the US
OssDsign Cranial PSI and OssDsign Cranial PSI Accessories have received market approval and were previously distributed in the US by OssDsign's former master distributor, Matador Medical. In line with the plans communicated during the company's IPO process, OssDsign transferred all US operations to its US subsidiary with headquarters in Columbia, Maryland in 2019. This process was finalised in Q4, 2019. With the new organisation and a more focused distribution strategy, the company saw strong quarterly growth in Q3 and Q4 with additional hospitals being enrolled. By the end of 2019, OssDsign Cranial PSI was approved at 45 hospitals in 19 states. A controlled launch of CranioPlug in the US was initiated in Q3 2019. As in Europe, the feedback from patients and surgeons has been positive to date, and a broader US launch is planned for 2020.

Current Market Presence – Japan
As the second largest medical technology market in the OECD, with attractive market pricing, Japan is expected to become a major growth driver for OssDsign in the coming years. The preparation for market introduction has included a successful pre-launch phase during which leading Japanese neurosurgeons have been able to use OssDsign Cranial PSI clinically. This has resulted in valuable product awareness and positive clinical experience which was presented at the 78th Annual Meeting of the Japan Neurological Society held in Osaka, in 2019. OssDsign Cranial PSI was granted approval in March 2020. The company is now awaiting a decision on the level of national reimbursement, which is expected within six months from the approval. When the level of reimbursement is set, OssDsign will launch Cranial PSI in Japan together with a commercial distributor. Discussions with final candidates were ongoiong at the end of 2019.

Achievements in 2019
and outlook for 2020

EFFECT OF COVID-19 ON OSSDSIGN'S OPERATIONS

Going into 2020, OssDsign was set to deliver continued growth in all key regions by enrolling more hospitals as well as increasing the penetration in established markets, adding new markets and ramping up the launches of OssDsign CranioPlug and OssDsign Facial. The early stage of the COVID-19 pandemic has not impacted the first quarter of 2020. However, since the middle of March there has been a widespread postponement of elective surgeries, including those relevant to OssDsign, as healthcare systems manage the pandemic. This has resulted in a reduced level of incoming orders which will have an effect on sales in the second quarter. OssDsign is confident that this will be transient and as hospital priorities are normalised procedure volumes will also return to the levels experienced before the start of the COVID-19 situation, supplemented by additional procedures from currently postponed surgeries.

CONTINUED EXPANSION AND GROWTH IN 2019

Strong execution on the IPO plan in 2019

In 2019, OssDsign raised 64 + 151.3 MSEK and listed the company on Nasdaq First North in H1. The company then delivered execution on its post-IPO plan; assuming full control of US commercial activities; consolidating and strengthening its presence in key European markets including national cost coverage in France; filing an application for market approval in Japan and moving forward with the controlled launch of OssDsign CranioPlug.

Positioned for continued global growth in 2020

In 2020, OssDsign expects to be able to deliver substantial sales growth by taking advantage of all the investments and major achievements in 2019. Entering the year with a strong customer base in the US and a robust organisation for marketing and distribution in place for both Europe and the US, the company is set to do this without having to add substantially to its running costs.

IMPORTANT EXPECTED MILESTONES IN 2020

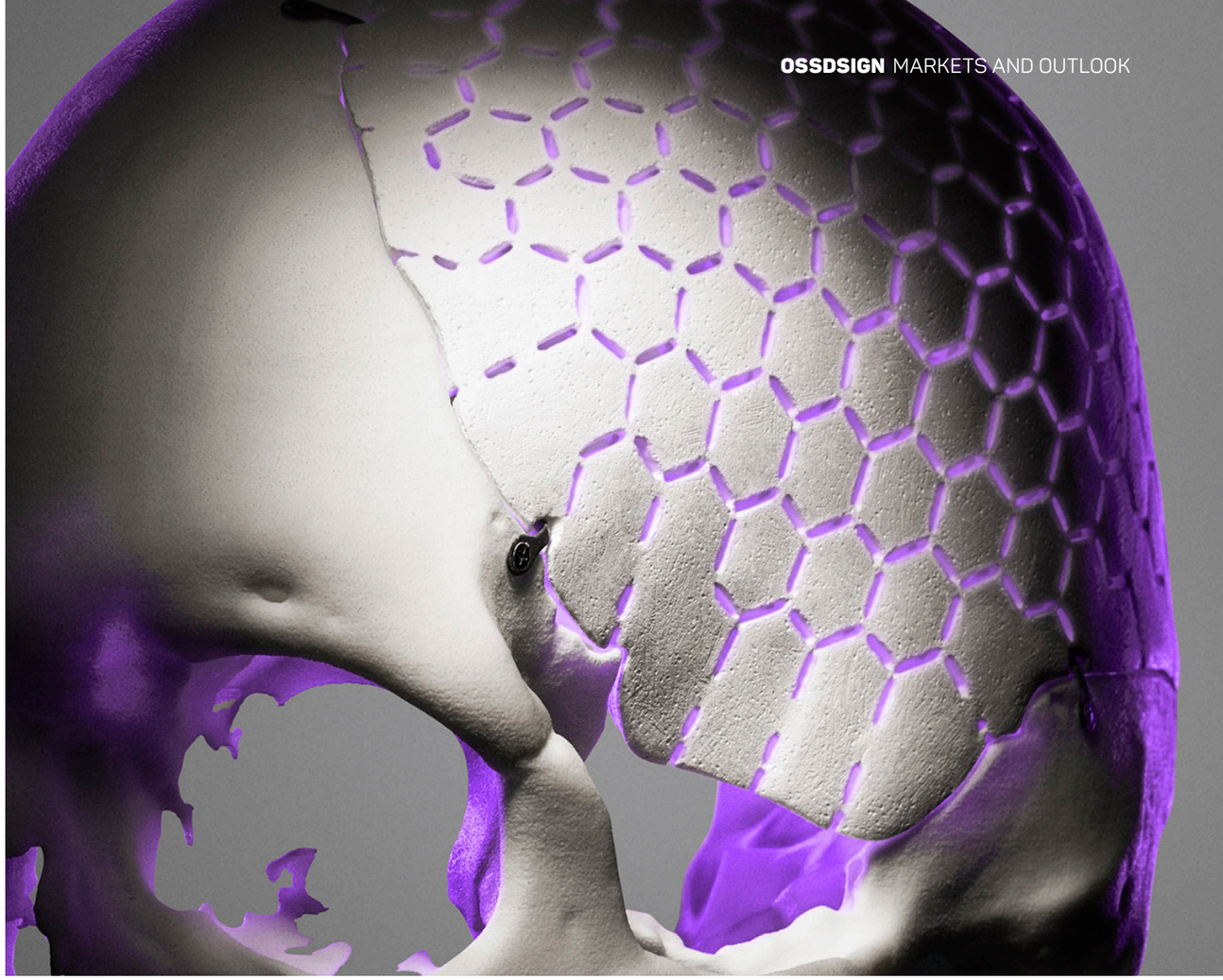
Market launch of OssDsign Cranial PSI in Japan

OssDsign is now awaiting a decision on the level of national reimbursement, which is expected within six months from the market approval received in March 2020. During this time, the company also expects to have a distribution agreement for Japan in place.

Strong continued US progress

With a growing number of US hospitals enrolled and a positive boost from the execution of the distribution strategy, OssDsign is aiming to continue to deliver stable growth, quarter by quarter, once the effects of the COVID-19 pandemic have normalised.

OSSDSIGN MARKETS AND OUTLOOK



Stable European growth

With the achievement of key milestones, such as inclusion on the NHS national framework in England, reimbursement approval in France and a strengthened organisation in Germany, European sales are expected to achieve a solid growth in 2020. Focus for Europe is to achieve stability built on strong relationships with key centres and opinion leaders.

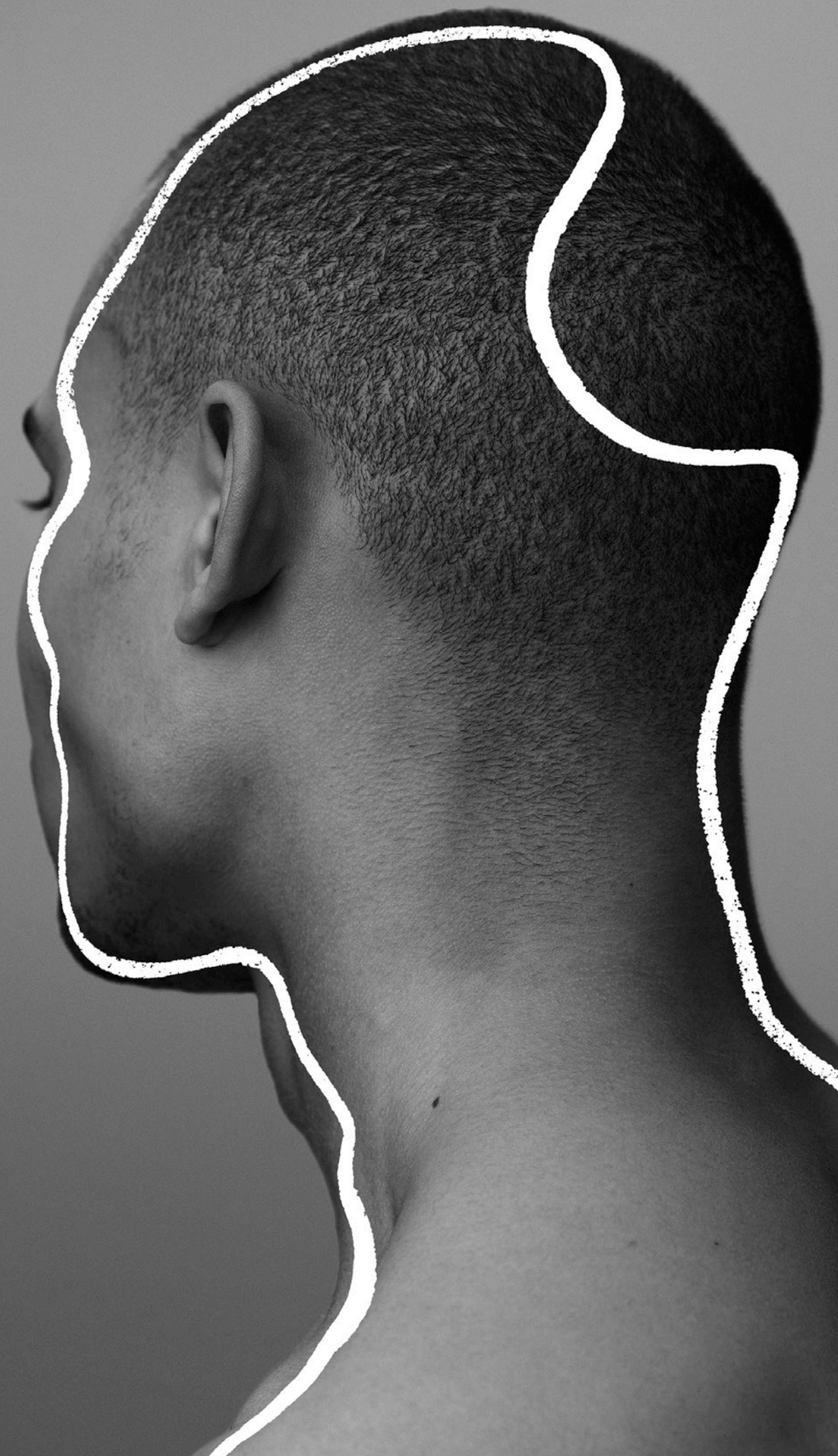
Ramp-up the launch of CranioPlug, OssDsign's first volume product

Based on the controlled launch in 2019, a broader launch in Europe and the US is to be expected in 2020. This will also indicate the potential of further volume-product launches. The OssDsign Facial launch will also move forward with a continued controlled launch in Europe.

> *As everyone else, we are affected by the present COVID-19 situation, both as individuals and as an organization. But it is reassuring to know that the underlying need for our products won't go away and that our efforts during 2019 have put us in a strong position for continued growth once the situation normalises.*
>
> ANDERS LUNDQVIST, CEO

Key reasons
to invest in OssDsign

- Exceptional and patent-protected medical technology filling an innovation gap in global, high-margin segments with strong medical demand and full-cost coverage from public healthcare systems
- Focused on niche segments sheltered from aggressive competition while enabling penetration of a market with significant market value with lower investments.
- Established commercial operations in Europe and the US through successful launches and sales of OssDsign Cranial PSI
- Proven ability to extend the product portfolio, with customer-specific products such as OssDsign Cranial PSI Accessories, OssDsign Facial as well as the off-the-shelf product, OssDsign CranioPlug
- Major improvements/investments implemented in 2019 to increase sales-channel efficiency combined with manufacturing process improvements will drive future sales growth and improved EBITDA.
- Expects to launch OssDsign Cranial PSI with reimbursement access in Japan, the second largest medical-technology market in the OECD, within six months from the market approval received in March 2020.



Share price development in 2019

OssDsign's shares were listed on Nasdaq First North Growth Market, Stockholm, on May 24, 2019. The total number of OssDsign shares amounts to 17,733,168. The number of shareholders was 1,396 on December 31, 2017.

Share capital and ownership

At the end of 2019, OssDsign's share capital amounted to SEK 1,108,323, distributed between 17,733,168 shares. All shares have equal voting rights and right to dividend. The company's principal owners are SEB Venture Capital (16%), Fouriertransform AB (12%) and Karolinska Development AB (12%).

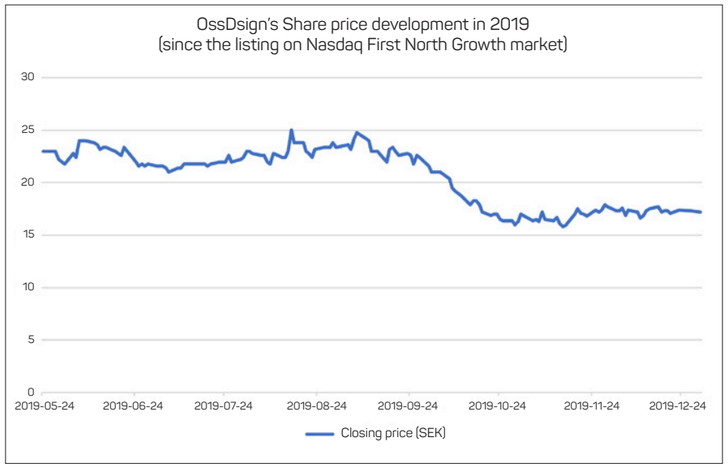
Dividend policy

OssDsign is a growth company, and no dividend has been distributed to its shareholders up until today. Furthermore, there is no dividend planned for the coming years, as any profits from business operations will be reinvested in the company. In the future, when the company's earnings and financial position so permit, dividend pay-outs may become relevant. When dividend becomes relevant, the company's board of directors will consider factors such as the growth and profitability of the company's business operations, working capital and investment needs, financial position and other factors when deciding on a possible dividend proposal.

Certified Advisor

Erik Penser Bank AB is appointed as the company's certified adviser.
Contact information:
Erik Penser Bank AB,
Box 7405, 103 91 Stockholm,
tel: +46 (0)8-463 80 00,
e-mail: certifiedadviser@penser.se.

Share price development



Largest shareholders

Name	Number of shares	Owner share in %
SEB Venture Capital/SEB AB	2 746 368	15,5 %
Fouriertransform AB	2 181 632	12,3 %
Karolinska Development AB	2 152 912	12,1 %
InnovAlto 2017-2018/Societe Generale	591 000	3,3 %
Skandinaviska enskilda banken, Luxembourg	573 300	3,2 %
Morgan Stanley & CO INTL PLC	513 178	2,9 %
Clearstream Banking S.A	511 603	2,9 %
KCIF CO Investment Fund Kommanditbolag	461 184	2,6 %
Almi Invest Östra Mellansverige AB	320 684	1,8 %
Försäkringsbolaget Avanza pension	301 492	1,7 %
Other	7 379 815	41,6 %
	17 733 168	**100 %**

OssDsign Board

SIMON CARTMELL

Board member and chairman of the board since April 2016

Born: 1960
Education and Experience: Bachelor of Science in Medical Microbiology from the University of Manchester and a Masters of Science in Management and Economics from the University of London, and a Fellow of the London Business School Sloan Program. Simon Cartmell has over 35 years' experience in senior executive and Board positions in both private and listed companies in the pharmaceuticals, biotech, medtech and diagnostic sectors, either directly or as an Operating Partner in two UK based venture capital firms.
Other ongoing assignments: Board positions at ReNeuron Plc., Ieso Digital Health Ltd., Oviva AG, Bonesupport AB, Route2Advisors Ltd., Route2Property Ltd.
Previous roles in the last five years: Board positions at amongst other Veryan Medical Ltd., Inivata Ltd., Abingdon Health Ltd., Stanmore Implants Worldwide Ltd., Creo Medical Ltd., Aimin Ltd and Calon Cardio Technology Ltd. CEO of Calon Cardio Technology Ltd.
Holdings in OssDsign: 27,500 shares and 122,332 subscription options.

ANDERS QVARNSTRÖM

Board member since 2019

Born: 1960
Education and Experience: Master of Science in Chemical Engineering (with specialization in biochemistry), from Royal Institute of Technology, Stockholm. Anders Qvarnström has 34 years of international experience from several General Management positions in listed and private biotech and medical device companies. He has experience in running a global business and in setting up and running sales and marketing in EU, Japan and the US. He has recently been Country Manager for Nilfisk Inc. Japan, Divisional Manager at St. Jude Medical Japan Co. as well as COO for Global Kinetics Corporation (Australia).
Other ongoing assignments: Not applicable
Previous roles in the last five years: Board member of Scandidos AB, Coala Life AB and Kontura International AB.
Holdings in OssDsign: 11,000 shares and 30,583 subscription options.

HÅKAN ENGQVIST

Board member since 2016 and co-founder

Born: 1972
Education and Experience: Certified civil engineer in material science, senior lecturer in material science and professor in applied material science at Uppsala University. Håkan Engqvist has lengthy research experience with a focus on bioceramic materials as a replacement for hard tissue as well as on systems for pharmaceutical distribution. Engqvist is the primary inventor of the company's product OSSDSIGN Cranial as well as co-founder of OssDsign and has also founded several other companies. Engqvist also has experience from board positions in a number of companies, including pharmaceutical companies and medtech.
Other ongoing assignments: Board positions at Psilox AB and Emplicure AB. Board member and CEO of Aduro Material AB. Partner of GP Bio Ltd.
Previous roles in the last five years: Board positions at amongst other Ascilion AB, Psilox IP AB, KIC IE AB and Bactinact AB.
Holdings in OssDsign: 224,000 shares and 122,332 subscription options.

NEWTON AGUIAR

Board member since 2019

Born: 1964
Education and Experience: Bachelor of Science in Chemistry from McGill University in 1986 and Master of Business Administration (MBA) from JL Kellogg Graduate School of Management, Northwestern University in 1992. Newton Aguiar has considerable experience of board work and has been a board member of a number of public and private companies, including healthcare companies based in Sweden. He has also been Senior Healthcare Advisor in Warburg Pincus and partner and Head of Europe for Avista Capital.
Other ongoing assignments: Board member of Intervacc AB and TrialBee AB.
Previous roles in the last five years: Board member of Guala Closures (until 2016).
Holdings in OssDsign: 41,600 shares and 30,583 subscription options.

VIKTOR DRVOTA

Board member since 2016. Previously chairman of the board of OssDsign AB from 2015

Born: 1965
Education and Experience: MD, PhD, Assoc Prof in Cardiology at Karolinska Institute. Viktor Drvota has over 17 years' experience from Venture capital in life sciences. Drvota was responsible for life science at SEB Venture Capital 2002–2016 and has many years of experience of board duties in biotech and medtech companies. Prior to this, Drvota worked as an interventional cardiologist and reseacher at the Karolinska Hospital.
Other ongoing assignments: CEO of Karolinska Development AB. Board positions at KDev Investments AB, Dilafor AB, Modus Therapeutics AB, Umecrine Cognition AB, Foredno Oy and Karolinska Development AB.
Previous roles in the last five years: Board positions at amongst other Aprea Therapeutics AB, Promimic AB, ClanoTech AB, InDex Pharmaceuticals AB, Akinion Pharmaceuticals AB, SciBase AB, Airsonett AB, Neuvolution AB, Neoventa Medical AB and Avidicare AB.
Holdings in OssDsign: Not applicable.

OssDsign Management

ANDERS LUNDQVIST

CEO since 2015

Born: 1956
Education and Experience: No academic qualifications.
Anders Lundqvist has over 35 years' experience from senior roles in pharmaceutical and medtech companies. In his career, Lundqvist has had a particular focus on corporate governance in an international environment, and has had senior roles in companies in Sweden, England, Hong Kong and Italy. In recent years, Lundqvist has primarily worked in senior roles in start-up companies within life science and including as Nordic General Manager for Convatec as well as CEO of Ultrasonix and the SciBase group.
Other ongoing assignments: Board member of Medrave Software AB.
Previous roles in the last five years: CEO of SciBase AB. Chairman of the board of ENCare AB.
Holdings in OssDsign: 1,800 shares and 244,663 subscription options.

CLAES LINDBLAD

CFO since 2016

Born: 1967
Education and Experience: Master of Sciences in chemical and administrative sciences from Karlstad University. Claes Lindblad has a multi-disciplinary background with qualifications in both chemical technology and economy, and has around 25 years of experience from leading roles within finance, sales and marketing in the pharmaceutical and medtech industries.
Other ongoing assignments: Not applicable.
Previous roles in the last five years: Board member of Convatec (Sweden) AB.
Holdings in OssDsign: 500 shares and 61,166 subscription options.

MALIN KYLBERG

Director Quality Assurance & Regulatory Affairs since 2017

Born: 1969
Education and Experience: Master's in natural sciences and mathematics from Uppsala University. Malin Kylberg has worked with quality assurance in the life sciences industry for the last 20 years and has comprehensive experience from quality work and regulatory issues in both pharmaceutical and medtech companies, including from senior roles with responsibilities such as being the responsible individual appointed by the Swedish Medical Products Agency.
Other ongoing assignments: Not applicable.
Previous roles in the last five years: Quality manager at Recipharm Uppsala AB.
Holdings in OssDsign: 4,000 shares and 24,466 subscription options.

KAJSA BJÖRKLUND

Director of Technical Operations since 2018 and previously Director of Development since 2016

Born: 1973
Education and Experience: M.Sc. in Chemistry from Uppsala University. PhD in Inorganic Chemistry from Uppsala University. Executive MBA from Mgruppen Svenska Management-gruppen AB.
Kajsa Björklund has worked in the life science industry since 2001 and has held positions as line manager, project manager and consultant, with a focus on MedTech. Björklund has comprehensive experience in product development, project management, design transfer and quality work. Björklund's role as Technical Operations Director includes responsibility for production, product supply, manufacturing technology and product development.
Other ongoing assignments: Not applicable.
Previous roles in the last five years: Director Project Management, Global R&D at Thermo Fisher Scientific.
Holdings in OssDsign: 1,350 shares and 24,466 subscription options.

RICK THOMAS

VP of Commercial Operations since 2016

Born: 1974
Education and Experience: Bachelor of Science in pharmacology from Sheffield University, UK. Rick Thomas has 20 years' experience from commercial roles in the pharmaceutical and medtech industries, initially in large organisations such as Medtronic and subsequently with companies in the start-up phase. Thomas was a member of the management group of Apatech, a British company successfully sold to Baxter for around USD 330 million in March 2010.
Other ongoing assignments: Board member of RedMed Consulting Ltd. and corporate director of Orthogem Ltd.
Previous roles in the last five years: Not applicable.
Holdings in OssDsign: 2,500 shares and 85,632 subscription options.

HENRIK HJORT

Director of Marketing & Business Development since 2015

Born: 1977
Education and Experience: Master of Science in Biotechnology Engineering at Uppsala University. Also undertook studies in entrepreneurship and economy at Uppsala University and Cornell University (Ithaca, New York, USA). Henrik Hjort has worked in life sciences since 2004 and has over ten years' experience from positions in or close to corporate governance in medtech companies. Henrik Hjort has comprehensive experience from development, corporate governance, marketing and sales in both start-ups and multi-national companies.
Other ongoing assignments: Not applicable.
Previous roles in the last five years: Co-founder of and global product manager at Novus Scientific AB.
Holdings in OssDsign: 500 shares and 24 466 subscription options.

ULRIK BIRGERSSON

Director Clinical Engineering sedan 2016

Born: 1979
Education and Experience: Master of Science in Computer Technology Engineering at Royal Institute of Technology. PhD from Karolinska Institutet. Ulrik Birgersson has over fifteen years' experience from the life science industry and has held various roles, with a particular focus on pre-clinical and clinical studies and trial applications, including administration of applications and reporting to and communication with medical agencies such as, for example, the American pharmaceutical authority, the FDA. Birgersson was also involved in the work prior to the PMA approval that SciBase received in 2017, and was then responsible for managing pre-IDE and pre-PMA discussions with the FDA.
Other ongoing assignments: CEO of Data Vigilence Consulting AB.
Previous roles in the last five years: Director of clinical engineering of SciBase AB.
Holdings in OssDsign: 1,600 shares and 24,466 subscription options.

Director's Report

The Board and Chief Executive Officer of OssDsign AB (publ), corp. Reg. no 556841-7546, hereby present the Annual Report and Consolidated Financial Statements for the 2019 financial year.

OPERATIONS

OssDsign AB is a med-tech company that has developed a bioceramic material that, when implanted into a patient's body, is replaced by the patient's own bone during the healing process. Based on this bioceramic material, the company has developed patient-specific cranial and facial implants and an off-the-shelf product for burr hole filling. These products lead to an improved healing process with a low risk of complications, compared with published data for traditional technologies.

The products are manufactured at the OssDsign site in Uppsala, Sweden. The company currently has regulatory approval in the EU and US and is successfully established in Europe. In the autumn of 2017, OssDsign initiated commercialization in the US, the world's largest MedTech market. The company sees strong growth potential in the US and intends to carry out significant market initiatives there in the coming years. In addition, OssDsign will invest in continued growth in Europe and establishing a position in the Japanese market.

Successful market initiatives have generated significant interest in the company's products, resulting in significant sales growth in recent years. OssDsign has determined that there is good potential to establish the company's patient-specific and off-the-shelf implants as the standard treatment for cranial and facial defects while continuing to develop new applications based on the current technology platform.

PARENT COMPANY

All development activities are conducted in the parent company. The parent company also provides administrative services to the subsidiaries.

The parent company is based in Uppsala, Sweden.

RESEARCH & DEVELOPMENT OPERATIONS

OssDsign currently has several projects ongoing in research and development in order to evaluate its unique technology platform for other indications. Within the framework of the Vinnova-funded project New Formulation for Osteoinductive Biomaterial, OssDsign and its partners have developed a new formulation of OssDsign's ceramic materials. The concept is being evaluated in a preclinical study.

An open-ended, hypothesis-based clinical study is ongoing at a clinic – Plastic and Maxillary Surgery at Uppsala University Hospital – which will evaluate the safety and clinical effect of calcium phosphate granules in connection with implant surgery in the upper jaw to create new bone.

Within the framework of a partnership between Uppsala University, ETH Zürich, and OssDsign, a simulation model has been developed to simplify the design of future implants. In cooperation with Surgical Science at Uppsala University there is also an ongoing research project for providing a more in-depth understanding of how the OssDsign ceramic material functions in the body.

Further, OssDsign is also participating as a partner-company in the European research consortium NU-SPINE through which OssDsign will have the possibility to be part of the development of new technologies and evaluate how the OssDsign technology platform could potentially be used also in the spine application.

Important events during the financial year

Group

NEW SHARE ISSUE AND LISTING ON NASDAQ FIRST NORTH

In February OssDsign completed a private placement of 64 MSEK. The financing was achieved through a combination of Swedish private investors and the French investment management company Alto Invest. On May 2nd, the Board of Directors of OssDsign AB resolved, with the support of the authorization from the Annual General Meeting on April 24, 2019, on a share issue of up to 5 500 000 shares and to apply for admission to trading of the Company's shares on Nasdaq First North. The rights issue amounted to SEK 151.3 million before issue costs. Trading on Nasdaq First North commenced on May 24th, 2019.

THE ANNUAL GENERAL MEETING 2019 WAS HELD ON APRIL 24, 2019

The Annual General Meeting resolved to adopt the income statement and balance sheet, consolidated income statement and consolidated balance sheet, determination of profit allocation and discharge from the Board of Directors and the CEO, as published in the Annual Report.
It was also decided to appoint Simon Cartmell as Chairman of the Board (re-election) and Viktor Drvota (re-election), Håkan Engqvist (re-election), Newton Aguiar (new election) and Anders Qvarnström (new election) as board members until the next AGM.
In connection with the AGM, it was decided to introduce an incentive program. The program includes a maximum of 740,107 warrants and 256,894 options for employees. For full information on the program, please refer to the company's website and the minutes of the AGM on April 24.

TRANSITION OF US COMMERCIAL OPERATIONS AND CONTINUED BUILD-UP OF THE US SALES ORGANIZATION

During the course of the year OssDsign has implemented significant changes to its US commercial operations, replacing the previous master distributor, Matador Medical, with its own US organization. The process was completed in December and the company's US commercial operations are now managed through OssDsign USA Inc, a fully owned subsidiary of OssDsign AB located in Columbia, MD. The US organization has been strengthened with the addition of three Technical Sales Managers as well as a US Operations Director. OssDsign's growing US commercial organization will continue to support the existing distributor network in driving sales growth as well as executing clinical and marketing projects in conjunction with key opinion leading neurosurgeons.

PRODUCT APPROVALS AND LAUNCHES

CranioPlug, OssDsign's new product for burr-hole closure and bone-flap fixation was introduced to selected customers in the US, Germany and Sweden during June. This is OssDsign's first off-the-shelf product targeting a high-volume market. During the fall CranioPlug was also used clinically as part of a limited launch to selected customers in these markets with positive results. The feedback from these and future clinical implantations will be used to support further marketing efforts in Europe and the US, as well as to satisfy post-market surveillance protocols.
In October, the US Food and Drug Administration (FDA) granted 510(k) clearance to market (K190523) for OssDsign Cranial PSI Accessories in the US. The cleared products are a set of 3D-printed, patient specific accessory devices designed to support and expand clinical use of OssDsign's patient specific cranioplasty implant already cleared by the FDA.

Also, in October, OssDsign received the final award contract from UK National Health Service (NHS) for the National Framework Agreement "Total Orthopaedic Solutions 2". Being awarded this contract means that all OssDsign's current products will be covered under a single National Framework Agreement open to all NHS hospitals the UK. The contract is valid from February 3rd, 2020 for a period of four years.

NEW MARKETS

In August, OssDsign received notification from reimbursement authorities in France that OssDsign Cranial PSI has been granted nationwide reimbursement for cranioplasty in France. This is the only remaining key European market where OssDsign lacked reimbursement. Apart from OssDsign, only three other competitive products have been granted reimbursement on the French market. OssDsign intensified its launch preparations during the fall and even before appointing a distribution partner, several orders were received at the end of the year.
On June 28th, OssDsign submitted a regulatory application dossier to the Japanese Pharmaceutical and Medical Device Agency (PMDA). Once the file is approved, OssDsign will gain access to the Japanese market for cranioplasty implants, which, is the second largest OECD market. Japanese neurosurgeons have prior to the submission gained clinical experience of using OssDsign products under ethical approval which presented by the highly respected Prof. Takuji Yamamoto at the 78th Annual Meeting of the Japan Neurosurgical Society held in Osaka in October.

CLINICAL DATA AND PUBLICATIONS

An important pre-clinical paper was published in the peer-reviewed medical journal Acta Neurochirurgica in June. The paper describes how OssDsign's implants can be combined with the frequently used antibiotic compound Gentamicin. The conclusion of the paper supports that OssDsign's implants, unlike the most common competing materials also tested, can be loaded with gentamicin prior to surgery which may translate into direct clinical benefits in terms of withstanding implant related infections.
As part of continuous post-market surveillance following introduction of OssDsign Cranial PSI, an updated report was compiled in November describing the outcome of 670 cranioplasties using OssDsign Cranial PSI. The data, collected in Europe, US and selected Asian markets, shows 2% of patients experiencing infections requiring re-operation compared to 7–12% reported for traditional implants. This data continues to be in line with previously published data on the low rate of complications with OssDsign Cranial PSI.

BSI RECERTIFICATION

In September, a BSI re-certification audit was successfully conducted with continued approval for certification according to (ISO13485:2016, MDD 93/42/EEC Annex II 3.2 for another three years. The assessment was performed in line with the new MDR directives, affirming OssDsign's capacity to operate within the future regulatory regimen.

PATENTS & IP

In October, the European Patent Office (EPO) granted OssDsign a new European Patent related to the Company's ceramic material technology. The Patent provides further protection of the technology related to the unique biological properties of the OssDsign Implants. The Patent covers the European market and is valid to 2033. Previously Patents of the same family have been granted in other key markets including USA and Japan.

Important events after the financial year

Due to continued growth, the company has signed a lease to occupy new premises in Uppsala and will move from the existing facility in spring 2020.
In March 2020, the Japanese Pharmaceutical and Medical Devices Agency (PMDA) granted approval for OssDsign Cranial PSI for the Japanese market.
Like many other companies, OssDsign is affected by the situation regarding the spread of COVID-19. In our case the biggest impact so far is that sales visits to hospitals are prohibited in all major markets. This reduces our ability to acquire new customers for our Cranial implants and the launch of CranioPlug.
We are also aware that existing customers, to varying degrees, are affected by delays and temporary reductions in operations where our implants are used. This is based on the priorities that may be needed to free up resources within the healthcare system. This does not mean the underlying need for surgery for these patients have changed but rather that the time for the planned surgery Is moved forward.

Significant risks and uncertainties

TECHNICAL DEVELOPMENT AND MARKET ACCEPTANCE

Delays in planned and ongoing development projects can have a negative effect on cash flows, revenues and operating margins. There is also a risk that developed products will not gain broad market acceptance and that competing solutions that are not known today may be introduced, which could have a negative impact on the company's operations, earnings and financial position.

DEPENDENT ON KEY PEOPLE

OssDsign is largely dependent on the experience and expertise of its employees. The company's future development depends largely on the ability to attract and retain competent personnel. If one or some of the key people choose to leave the company, this could result in higher costs for both product development and rectification, at least in the short term.

FINANCING RISK

The Board regularly reviews the company's existing and forecasted cash flows to ensure that the company has the funds and resources required to conduct the business and the strategic direction decided by the Board. The company's long-term cash requirements are largely determined by how successful current products will be / are on the market. In May 2019 when listed on Nasdaq First North, a new share issue was made which, before deduction of issue costs, brought the company SEK 151.3 million. The company received a net of approximately SEK 139.6 million.
The Board has considered various scenarios regarding the impact on the company's cash flow linked to Covid-19.
The Board believes that the financing of the business is deemed to be secured for at least 12 months ahead.

OWNERSHIP

At year-end, there were approximately 1,396 shareholders in OssDsign AB, of which the three largest accounted for about 40% of the capital and votes. The total number of shares amounts to 17,733,168 divided into one class of shares. The largest owners as of December 31, 2019 were SEB Venture Capital (16%), Fouriertransform AB (12%) and Karolinska Development AB (12%). In connection with the Extraordinary General Meeting on April 24, 2019, it was decided to introduce four incentive programs. The programs include a maximum of 997,001 warrants and qualified employee stock options, of which 984 768 have so far been transferred. For full information on the program, please refer to the Company's website and minutes from the Annual General Meeting on April 24, 2019.

Name	Number of shares	Owned share in %
SEB Venture Capital/SEB AB	2 746 368	15.5%
Fouriertransform AB	2 181 632	12.3%
Karolinska Development AB	2 152 912	12.1%
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Clearstream Banking S.A	511 603	2.9%
KCIF CO Investment Fund Kommanditbolag	461 184	2.6%
Almi Invest Östra Mellansverige AB	320 684	1.8%
Försäkringsbolaget Avanza pension	301 492	1.7%
Others	7 379 815	41.6%
	17 733 168	**100%**

TRENDS DURING THE YEAR GROUP

		2019	2018
Net sales	TSEK	16 873	13 264
Operating result	TSEK	-83 526	-50 145
Result after financial items	TSEK	-83 752	-55 861
Balance sheet total	TSEK	153 267	71 682
Solidity	%	88%	63%
Numbers of employees	No	34	27

TRENDS DURING THE YEAR PARENT COMPANY

		2019	2018
Net sales	TSEK	17 333	13 264
Operating result	TSEK	-82 880	-56 069
Result after financial items	TSEK	-83 026	-61 563
Balance sheet total	TSEK	122 406	40 044
Solidity	%	88%	47%
Numbers of employees	No	26	23

Financial position and development

NET SALES

Net sales for January – December 2019 amounted to TSEK 16,873 (13,264), an increase of 27%, which adjusted for currency effects gives an increase of 20%. The increase in sales was largely driven by a positive sales trend in the US (+ 53%). The more established markets in Europe also contributed to the strong sales performance with England as the biggest contributing factor (+ 51%).

OPERATING RESULT

Operating profit for the period January - December 2019 amounted to SEK -83,526 thousand (-50,145), an increased loss of SEK 33,381 thousand. The decrease in operating profit is due to increased market investments, mainly related to the sales organization in the USA and the production organization in Uppsala. The negative operating result was also affected by costs associated with listing on Nasdaq First North and that the capitalization of own work has been reduced.

CASH FLOW, INVESTMENTS AND FINANCIAL POSITION

At the beginning of the period, cash and cash equivalents amounted to SEK 14,077,000 and at the end of the period they were SEK 113,540,000. Cash flow from operating activities for the period was negative and amounted to TSEK -71,616 (-66,018), of which changes in working capital amounted to TSEK 10,069 (-11,934). The negative operating cash flow deteriorated mainly as a result of an increased loss driven by the increased investment in the market and production organization. Financing activities, including the listing on First North, contributed positively to SEK 171,337 thousand (52,552). The total cash flow for the period was positive with SEK 99,396 thousand (-21,123). Net investments in property, plant and equipment amounted to SEK 231 thousand (960) and mainly comprised investments in production equipment and office-related investments in the USA. Investments in intangible assets for the period amounted to SEK 95 thousand (6,696).

Proposed disposition of the Parent Company's profit or loss

At the disposal of the Annual General Meeting, amounts in TSEK:

Share premium	386 804
Retained earnings from previous years	-196 920
Profit for the year	-83 026
	106 857

The Board proposes that the retained earnings be treated so that it is balanced in a new account

	106 857
	106 857

Regarding the company's results and position in general, please refer to the following financial reports and the related ones notes.

Consolidated income statement

SEK 000'	Note	2019	2018
Operating income			
Net sales	2	16 873	13 264
Other operating income / Other income	2	1 723	2 373
Change of inventory items during manufacture, finished goods and work in progress on behalf of others		965	-48
Activated work for own account		95	6 696
		19 655	**22 284**
Raw materials and consumables/Cost of material		-8 169	-4 898
Other external expenses	3, 4	-44 844	-33 048
Personnel costs	5, 6, 7	-44 901	-30 290
Depreciation, amortisation and impairment of tangible and intangible fixed assets/non-financial assets	12, 13, 14	-4 099	-3 628
Reservation for credit loss		-176	-152
Other operating expenses/Other expenses		-992	-412
Total operating cost		**-103 181**	**-72 429**
Operating profit		**-83 526**	**-50 145**
Profit from financial items			
Financial income			–
Financial cost	8, 9	-226	-5 716
Profit after financial items		**-83 752**	**-55 861**
Tax expense	10	-493	-150
Profit for the year		**-84 245**	**-56 011**
Earnings per share	11		
Basic earnings per share, SEK		**-5.45**	**-11.00**

Consolidated statement of comprehensive income

SEK 000'	2019	2018
Profit/loss for the period	**-84 245**	**-56 011**
Items that will be reclassified subsequently to profit or loss		
This year's translation difference of foreign operations	18	19
Income tax relating to items that will be reclassified	0	0
Other comprehensive income for the year	**18**	**19**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-84 228**	**-55 992**

Consolidated balance sheet

SEK 000'	Note	2019-12-31	2018-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Balanced development work and similar work	12	26 431	28 514
Total intangible fixed assets		**26 431**	**28 514**
Tangible fixed assets			
Fixed assets	13	1 968	2 414
Access rights Assets	14	1 640	2 256
Total tangible fixed assets		**3 608**	**4 670**
Total fixed assets		**30 040**	**33 185**
Current assets			
Inventories			
Raw materials and consumables		935	927
Goods in production		265	173
Finished goods and merchandise		552	253
Total inventories		**1 752**	**1 354**
Receivables	15		
Current receivables	18	5 266	6 100
Other receivables	19, 22	1 650	16 319
Prepaid expenses and other accrued income	20	1 020	649
Cash equivalents	21	113 540	14 077
Total receivables		**121 475**	**37 144**
Total current assets		**123 227**	**38 498**
TOTAL ASSETS		**153 267**	**71 682**

Consolidated balance sheet, cont

SEK 000'	Note	2019-12-31	2018-12-31
SHAREHOLDER EQUITY AND LIABILITIES			
Equity	22		
Share capital		1 108	348
Unregistered share capital		–	330
Other contributed capital		294 467	122 886
Reserves		35	17
Retained earnings including profit for the year		-160 335	-76 090
Total Equity		**135 275**	**47 492**
Longterm liabilities	15, 9, 17		
Liabilities to credit institutions	23	2 310	2 781
Lease liabilities	14	976	1 963
Other liabilities		–	113
Total Longterm liabilities		**3 286**	**4 857**
Current liabilities	9		
Liabilities to credit institutions	23	513	627
Accounts payable		2 911	4 044
Lease liabilities		750	631
Current tax liabilities		356	548
Other liabilities		1 868	5 957
Accrued expenses and deferred income	24	8 308	7 528
Total current liabilities		**14 706**	**19 334**
Total liabilities		**17 992**	**24 190**
TOTAL EQUITY AND LIABILITIES		**153 267**	**71 682**

Consolidated change in shareholder's equity

SEK 000'	Note	Share capital	Subscribed Capital Unpaid	Other Capital Contribu-tions	Reserves	Profit (loss) brought forward	Total Equity
OPENING BALANCE 2018-01-01	22	**299**	**–**	**70 200**	**-2**	**-20 078**	**50 419**
Profit/loss for the year		–	–	–	–	-56 011	-56 011
Other comprehensive income		–	–	–	19	–	19
Total comprehensive income		**–**	**–**	**–**	**19**	**-56 011**	**-55 992**
Transactions with shareholders							
Redeemed convertibles		–	–	-70 200	–	–	-70 200
New share issue		49	330	124 477	–	–	124 857
Issue expenses		–	–	-1 591			-1 591
Total transactions with shareholders		**49**	**330**	**52 686**	**–**	**–**	**53 065**
CLOSING BALANCE 2018-12-31	22	**348**	**330**	**122 886**	**17**	**-76 090**	**47 492**
OPENING BALANCE 2019-01-01		**348**	**330**	**122 886**	**17**	**-76 090**	**47 492**
Profit/loss for the year		–	–	–	–	-84 245	-84 245
Other comprehensive income		–	–	–	18	–	18
Total comprehensive income		**–**	**–**	**–**	**18**	**-84 245**	**-84 228**
Transactions with shareholders							
Warrant programmes				1 479			1 479
New share issue		760	-330	183 416	–	–	183 846
Issue expenses		–	–	-13 315	–	–	-13 315
Total transactions with shareholders		**760**	**-330**	**170 101**	**–**	**–**	**172 010**
CLOSING BALANCE 2019-12-31	22	**1 108**	**–**	**294 467**	**35**	**-160 318**	**135 275**

Consolidated statement of cash flows

SEK 000'	Note	2019	2018
Operating Activities			
Profit after financial items		-83 752	-55 861
Noncash adjustments	28	2 752	2 401
Income tax paid		-685	-658
Cash flow from operating activities before change in working capital		**-81 685**	**-54 118**
Change in working capital			
Change in inventory		-411	-872
Change in receivables		-20	-19 997
Change in liabilities		-4 476	8 935
Cash flow from operating activities		**-86 593**	**-66 052**
Investment activities			
Acquisition of intangible fixed assets		-95	-6 696
Acquisition of tangible fixed assets		-231	-960
Cash flow from investment activities		**-326**	**-7 656**
Financing activities			
New share issue	22	199 057	30 186
Share issue costs		-13 315	–
Warrants		1 157	–
New borrowing		–	22 879
Repayment of borrowing		-584	-513
Cash flow from financing activities		**186 315**	**52 552**
Cash flow for the year		**99 396**	**-21 157**
Cash equivalents at the beginning of the year		14 077	35 233
Exchange rate difference in cash and cash equivalents		68	–
CASH EQUIVALENTS AT THE END OF THE YEAR		**113 540**	**14 077**
Cash flow for the period regarding interest			
Paid interest		146	213

Income statement, parent company

SEK 000'	Note	2019	2018
Operating income			
Net sales	2	17 333	13 264
Change of inventory items during manufacture, finished goods and work in progress on behalf of others		117	-48
Other operating income / Other income	2	1 723	2 373
Total operating income		**19 174**	**15 588**
Operating cost			
Raw materials and consumables/Cost of material	3, 4	-7 327	- 4 898
Other external expenses	5, 6, 7	-62 465	-41 952
Personnel costs	12, 13, 14	-30 613	-23 839
Depreciation of tangible fixed assets		-657	-555
Other operating expenses		-992	-412
Total operating cost		**-102 054**	**-71 657**
Operating profit		**-82 880**	**-56 069**
Profit from financial items			
Interest income and similar items	8	–	–
Interest cost and similar items		-146	-5 494
Profit after financial items		**-83 026**	**-61 563**
	10		
Tax expense		–	–
PROFIT FOR THE YEAR		**-83 026**	**-61 563**

Other comprehensive income in the Parent Company is in line with the profit for the year.

Balance sheet, parent company

SEK 000'	Note	2019-12-31	2018-12-31
ASSETS			
Subscribed capital unpaid	22		15 211
Fixed assets			
Tangible fixed assets			
Fixtures, tools and installations	13	1 811	2 414
Financial fixed assets			
Shares in group companies	16	0	0
Total financial fixed assets		0	0
Total fixed assets		1 811	2 414
Current assets			
Inventories			
Raw materials and consumables		935	927
Goods in production		265	173
Finished goods and merchandise		279	253
Total inventories		1 479	1 354
Receivables			
Current receivables	18	3 729	5 531
Receivables from group companies		648	972
Other receivables	19, 22	1 586	1 103
Prepaid expenses and other accrued income	20	1 062	813
Total receivables		7 025	8 418
Cash equivalents	21	112 091	12 647
Total current assets		120 595	22 419
TOTAL ASSETS		122 406	40 044

Balance sheet, parent company, cont

SEK 000'	Note	2019-12-31	2018-12-31
SHAREHOLDER EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital		1 108	348
Unregistered share capital			330
		1 108	678
Non-restricted equity	30		
Share premium		386 804	216 703
Retained earnings		-196 920	-136 837
Profit/loss for the year		-83 026	-61 563
		106 857	18 303
Total equity		107 966	18 982
Long-term liabilities	23		
Liabilities to credit institutions		2 310	2 781
Other liabilities		–	113
Total long-term liabilities		2 310	2 894
Current liabilities			
Liabilities to group companies		445	–
Liabilities to credit institutions	23	513	513
Accounts payable		2 604	4 004
Current tax liabilities		356	548
Other current liabilities		949	5 794
Accrued expenses and deferred income	24	7 263	7 310
Total current liabilities		12 130	18 169
Total liabilities		14 440	21 063
TOTAL EQUITY AND LIABILITIES		122 406	40 044

Change in shareholder's equity, parent company

SEK 000'	Note	Share capital	Subscribed capital unpaid	Convertibles	Share premium	Profit (loss) brought forward	Profit/Loss for the year	Total equity
OPENING BALANCE 2018-01-01	22	**299**	**–**	**70 200**	**93 817**	**-66 295**	**-70 542**	**27 479**
Reversal of previous year's result		–	–	–	–	-70 542	70 542	–
Redeemed convertibles		–	–	-70 200	–	–	–	-70 200
New share issue		49	330		124 477	–	–	124 857
Issue expenses		–	–	–	-1 591	–	–	-1 591
Profit/loss for the year		–	–	–	–	–	-61 563	-61 563
CLOSING BALANCE 2018-12-31	22	**348**	**330**	**0**	**216 703**	**-136 837**	**-61 563**	**18 982**
OPENING BALANCE 2019-01-01		**348**	**330**	**0**	**216 703**	**-136 837**	**-61 563**	**18 982**
Reversal of previous year's result		–	–	–	–	-61 563	61 563	–
Warrant programmes		–	–	–	–	1 479	–	1 479
New share issue		760	-330	–	183 416	–	–	183 846
Issue expenses		–	–	–	-13 315	–	–	-13 315
Profit/loss for the year		–	–	–	–	–	-83 026	-61 563
CLOSING BALANCE 2019-12-31	22	**1 108**	**0**	**0**	**386 804**	**-196 920**	**-83 026**	**107 966**

Statement of cash flows, parent company

SEK 000'	Note	**2019**	**2018**
Operating activities			
Profit after financial items		-83 026	-61 563
Noncash adjustments	28	657	555
Income tax paid		-192	-508
Cash flow from operating activities before changes in working capital		**-82 562**	**-61 516**
Change in inventory		-125	-872
Change in receivables		1 626	-20 069
Change in liabilities		-5 847	8 645
Cash flow from operating activities		**-86 907**	**-73 811**
Investment activities			
Acquisition of tangible fixed assets		-54	-960
Cash flow from investment activities		**-54**	**-960**
Financing activities			
New share issue	22	199 057	30 186
Nyemissionskostnader		-13 315	–
Warrants		1 246	–
New borrowing		–	22 879
Repayment of borrowing		-584	-513
Cash flow from financing activities		**186 404**	**52 552**
Cash flow for the year		**99 443**	**-22 220**
Cash equivalents at the beginning of the period		12 647	34 867
CASH EQUIVALENTS AT THE END OF THE PERIOD		**112 091**	**12 647**
Cash flow for the period regarding interest			
Received interest		0	0
Paid interest		-146	-212

Note 1 Accounting and valuation principles

GENERAL INFORMATION

OssDsign AB (the Parent Company) and its subsidiaries (the Group as whole) 's main business include conducting development and sales of medical technology products as well as conducting business compatible with it.
OssDsign AB, the Group's parent company, is based in Uppsala, Sweden. The head office and principal place of business is located at Virdings allé 2, 754 50 Uppsala, Sweden. The consolidated financial statements for the year ended December 31, 2019 (including comparative figures) were approved for issue by the Board on April 17th, 2020. The Group's report on earnings, other comprehensive income and report on financial position and the Parent Company's income statement and balance sheet will be subject to adoption at the Annual General Meeting held on May 20th, 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The most important accounting and valuation principles used in the preparation of the financial statements are summarized below. In cases where the parent company applies different principles, these are stated under the *Parent Company* below.

VALUATION BASES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

The Group's financial reports have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) as adopted by the EU. Assets and liabilities are valued at historical acquisition values. Preparing reports in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, management is required to make certain assessments when applying the Group's accounting principles. The areas that comprise a high degree of assessment, which are complex or such areas where assumptions and estimates are of significant importance to the consolidated financial statements, are stated in a separate section below "Significant assessments and estimates when applying accounting principles".
New and amended standards that are currently known are not expected to affect the Group's or the parent company's financial reports in a significant way.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The consolidated financial statements are presented in the currency SEK, which is also the Parent Company's functional currency.

OVERVIEW OF ACCOUNTING PRINCIPLES

Overall considerations

The most important accounting principles used in the preparation of the consolidated financial statements are summarized below.

Consolidation and acquisitions

The consolidated financial statements include subsidiaries where the Group has direct or indirect control. The Group controls a company when it is exposed to or is entitled to a variable return from its holding in the company and could influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date the controlling influence is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

All intra-group transactions and balance sheet items are eliminated on consolidation, including unrealized gains and losses on transactions between group companies. In cases where unrealized losses on intra-group sales of assets are reversed upon consolidation, the impairment needs of the underlying asset are also assessed from a group perspective. Amounts recognized in the financial statements of subsidiaries have been adjusted where necessary to ensure compliance with the Group's accounting principles. The Group attributes the total profit for the subsidiaries to the Parent Company's owners and holdings without controlling influence based on their respective ownership interests.

The Group applies the acquisition method when accounting for business combinations. The remuneration transferred by the Group to gain controlling influence over a subsidiary is calculated as the sum of the fair values on the acquisition date of the transferred assets, the liabilities assumed and the equity shares issued by the Group, which includes the fair value of an asset or liability that has arisen. upon an agreement on conditional purchase price. Subsequent changes in the fair value of a contingent consideration that are classified as a financial liability are recognized in the income statement (other operating expenses item). Acquisition-related costs are expensed when they arise in the item other operating expenses.

Acquired assets and liabilities assumed are measured at fair value at the time of acquisition.

FOREIGN CURRENCY TRANSLATION

Transactions and balance sheet items in foreign currency

Foreign currency transactions are translated into the functional currency of the respective Group companies, based on the prevailing exchange rates on the transaction date (spot rate). Gains and losses in foreign currency as a result of the settlement of such transactions and as a result of the revaluation of monetary items at the balance sheet date are reported in the income statement.
Non-monetary items are not translated on the balance sheet date but are valued at historical acquisition value (translated at the exchange rate on the transaction date), except for non-monetary items measured at fair value, which are translated at the exchange rate on the date the fair value was determined.

Overseas Operations

In the consolidated financial statements, all assets, liabilities and transactions in group companies that have a functional currency other than SEK (the Group's reporting currency) are converted to SEK at consolidation. The functional currency of the Group companies has remained unchanged during the reporting period.
At consolidation, assets and liabilities have been converted at the closing day rate on the closing day. Revenues and expenses have been translated to SEK at an average rate during the reporting period. Exchange rate differences are booked directly against other comprehensive income and are recognized in the currency translation reserve in equity. When divesting a foreign operation, the attributable accumulated translation differences that are recognized in equity are reclassified to profit and recognized as part of the gain or loss on the divestment.

Operating Segments

An operating segment is part of the Group that conducts operations from which it can generate revenue and incur costs and for which independent financial information is available. Furthermore, the performance of an operating segment is followed up by the company's highest executive decision maker to evaluate the result and to be able to allocate resources to the operating segment. See Note 2 for further description of the classification and presentation of operating segments.

Revenue from agreements with customers

IFRS 15 is a comprehensive standard for determining the amount of revenue to be reported and when this income should be recognized. According to IFRS 15, revenue is recognized when the customer gains control of the goods. Determining the time of transfer of control, i.e. at a certain time or over time, requires assessments.

Revenue is valued based on the compensation specified in the agreement with the customer. The Group recognizes revenue when control of the goods is transferred to the customer. Customers are given control when the goods have been delivered and accepted by the customer. Invoices are established at this time and usually expire within 30 days. The Group's main revenue relates to sales of ceramic implants.

Interest and dividends

Interest income and interest expenses are reported according to the effective interest method in the income statement at the time when the right to receive payment is established.

Borrowing costs

Borrowing costs are expensed in the period in which they arise and are reported in the item "Financial expenses".

Intangible assets

Research and Development

Expenses for the research phase with a view to obtaining new scientific or technical knowledge are expensed as incurred. Directly attributable expenditure on development, where research results or other knowledge is applied to achieve new or improved products or processes, is reported as an asset if or when below is met:

- that development expenditure can be measured reliably
- that the project is technically and commercially viable
- that the Group has the intention and sufficient resources to complete the project
- that the Group has the prerequisites to use or sell the software
- that the software will generate probable future economic benefits

Development expenses that do not meet these criteria for activation are expensed as incurred. Development expenses are valued at purchase value minus accumulated depreciation and any impairment losses.

Directly related expenses include personnel costs that arise in the work on software development along with relevant costs and borrowing costs.

Accounting in subsequent periods

All intangible assets with a limited useful life, including capitalized internally developed products, are recognized in accordance with the acquisition value model, whereby capitalized expenses are amortized on a straight-line basis over the estimated useful life. The residual value and the useful life are reviewed at each balance sheet date.
The following periods of use apply:

- Development costs and patents 10 years

Internally developed products that have not yet been completed, and which have been activated, are not amortized but are subject to impairment testing annually.
Subsequent expenses for maintenance of developed products are expensed as incurred.
When intangible assets are divested, the capital gain is determined as the difference between the selling price and the asset's carrying value and is recognized in profit or loss in any of the items "Other operating income" or "Other operating expenses"

Tangible fixed assets
Tangible fixed assets are reported at purchase value minus accumulated depreciation and any impairment losses. The acquisition value includes the purchase price and expenses directly attributable to the asset in order to bring it in place and in condition to be utilized in accordance with the purpose of the acquisition.
Additional expenses are only included in the asset or are reported as a separate asset, when it is probable that future financial benefits attributable to the item will benefit the Group and that the acquisition value can be calculated reliably. All other costs for repairs and maintenance are reported as expenses in the income statement during the period in which they arise.
Gains or losses arising from the sale of tangible assets are determined as the difference between what has been received and the carrying amount of the assets and are recognized in the income statement in the item "Other operating income" or "Other operating expenses".
Tangible fixed assets are amortized on a straight-line basis over the estimated useful life. The following depreciation periods are applied:
- Equipment and tools 5 years

LEASED ASSETS
Leasing
The Group has chosen to apply IFRS 16 prematurely from the Group's formation in 2017. The leasing agreements include primarily premises. The standard means that identified leasing contracts are recognized in the balance sheet classified such as utility assets and leasing liabilities. Leases of lesser value are expensed as incurred. Less value involves assets of a value in new condition below about SEK 50,000. When the Group enters into an agreement, the agreement is assessed if it grants the right to control the use of identified assets for a period against remuneration. The right of use initially amounts to the same amount as the lease debt, adjusted for any leasing fees paid before start date plus any initial direct costs and an estimate of recovery costs underlying asset, minus any discounts received.
The lease asset is then amortized on a straight-line basis over the useful life, which is considered to correspond to the lease period.
The lease asset is adjusted periodically for certain revaluations of the lease debt and any write-downs. The lease debt is initially estimated at the present value of outstanding lease payments, discounted with the implicit interest rate.
The rental fee is revalued when changes in future leasing fees arise through changes in the index or a changed assessment of the contract as a result of, for example, purchases, extensions of the agreement or termination of the agreement. A corresponding adjustment is made by the right of use.

Impairment testing of intangible assets and tangible assets
The Group's reported assets are assessed at each balance sheet date to determine if there is any indication of impairment.
IAS 36 applies to write-downs of assets other than financial assets that are recognized in accordance with IFRS 9, inventories and deferred tax assets. For exempted assets as above, the carrying amount is assessed according to the respective standard.
If there is an indication of an impairment requirement for an asset, the asset's recoverable amount is calculated.
For intangible assets with an indefinite useful life or not yet ready for use, the recoverable amount is calculated annually, regardless of whether there is an indication of a decrease in value or not.
When impairment testing, assets are grouped to the lowest level where it is possible to identify independent cash flows, a so-called cash-generating unit. For example, a cash-generating unit may be an asset or a legal entity.
An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of the fair value minus costs to sell and value in use. To determine the value in use, Group management estimates expected future cash flows from each cash-generating unit and determines an appropriate discount rate to be able to calculate the present value of these cash flows.

Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the money's time value and asset-specific risk factors.
Write-downs relating to cash-generating units first reduce the carrying amount of any goodwill distributed among the cash-generating unit. Any remaining impairment will proportionally decrease the other assets in the cash-generating units. With the exception of goodwill, a new assessment is made of all assets for signs that an earlier write-down is no longer justified. An impairment loss is reversed if the asset or cash-generating unit's recoverable value exceeds the carrying amount.

FINANCIAL INSTRUMENTS
Accounting and valuation at the first recognition
Financial instruments that are reported in the balance sheet mainly comprise accounts receivable, cash and cash equivalents, accounts payable and loan liabilities.
Financial assets and financial liabilities are reported when the Group becomes a contracting party in respect of the terms of the financial instrument. At initial recognition, these are measured at fair value adjusted for transaction costs, except for financial instruments that belong to the category of financial assets or financial liabilities measured at fair value through profit or loss. These are valued at fair value at the first accounting date. Subsequent valuation of financial assets and liabilities is described below.
Financial assets are removed from the statement of financial position when the contractual rights regarding the financial asset expire, or when the financial asset and all significant risks and benefits are transferred. A financial liability is removed from the statement of financial position when it is extinguished, fulfilled, cancelled or terminated.

Classification and subsequent measurement of financial assets
In the case of subsequent valuations, financial assets are valued based on which category they were initially classified.
The Group has the following categories of financial assets:
- receivables valued at amortized cost

The classification is determined by both:
- the company's business model for managing financial assets and
- the characteristics of the contractual cash flows from the financial asset.

Financial assets are valued at amortized cost if they are held in a business model whose aim is to hold financial assets and collect contractual cash flows that are only payments of capital amounts and interest.
The Group's cash and cash equivalents and accounts receivable belong to this category of financial instruments.

Impairment of financial assets
IFRS 9's write-down rules use forward-looking information to report expected credit losses – the 'expected credit loss model'. The financial assets covered by the model for expected credit losses are bonds and debt securities valued at amortized cost or fair value through other comprehensive income, accounts receivable, contract assets recognized and valued in accordance with IFRS 15, loan commitments and certain financial guarantee agreements (for the issuer) that are not valued at fair value through profit or loss.

Accounts receivables and other receivables
The Group uses a simplified method of accounting for accounts receivable and other receivables, as well as contract assets and reports expected loan losses for the remaining maturity. This is where the expected deficiencies in contractual cash flows are, given the risk of non-payment at some point in the life of the financial instrument. In the calculation, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a reservation matrix.
The Group applies the simplified method in IFRS 9 for accounting for the expected loan losses over the remaining maturity of all accounts receivable, as these items have no significant financing component. In assessing the expected credit losses, accounts receivable has been assessed collectively because they have common credit risk characteristics.

Classification and valuation of financial liabilities
The Groups financial liabilities include loans, accounts payable and other liabilities. Financial liabilities are valued at the accrued acquisition value at the initial recognition date using the effective interest method.
All interest-related fees are recognized in the income statement as items "Financial expenses" or "Financial income".

Inventory
Inventories are valued at the lower of cost and net realizable value. Cost includes all costs that are directly attributable to the manufacturing process and an appropriate proportion of associated manufacturing costs, based on normal capacity. Costs for commonly replaceable items are allocated according to the first in, first out principle. The net realizable value is the estimated sales price in the ongoing operations less any applicable selling costs.

Taxes
The tax expense recognized in the income statement consists of the sum of the deferred tax and current tax that is not recognized in other comprehensive income or directly in equity.

Current taxes are valued based on the tax rates and tax rules that apply on the balance sheet date. Deferred taxes are valued based on the tax rates and tax rules that were decided before the balance sheet date.
Deferred tax assets are reported to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilized against future taxable profits.

Cash and cash equivalents
Cash and cash equivalents consist of cash and available balances with banks and similar institutions, together with other short-term, liquid investments that fall due within 90 days of the date of acquisition and which can easily be converted into known amounts of cash and which are exposed to only a negligible risk of value changes.

Equity and reserves
Share capital represents the quota value for issued shares. The premium price includes any premium received on the issue of new share capital. Any transaction costs associated with the new share issue are deducted from the share price, considering any income tax effects.

Other equity items include the following:
- Translation reserve; contains translation differences from translation of financial reports for the Group's foreign operations to SEK.

Balanced profits include all balanced profits.
All transactions with the Parent Company's owners are reported separately in equity.

REMUNERATION AFTER TERMINATION OF EMPLOYMENT AND SHORT-TERM EMPLOYEE BENEFITS

Remuneration after termination of employment
The Group provides post-employment benefits through various defined contribution pension plans. Fees for defined contribution pension plans are expensed as incurred. In defined contribution plans, the company pays fixed fees to another company and has no legal or informal obligation to pay anything further, even if the other company cannot fulfil its commitment.

Short-term employee benefits
Short-term employee benefits, including holiday pay, are current liabilities, valued at the undiscounted amount that the Group is expected to pay as a result of the unused entitlement.

Share-related remuneration to employees
An option program enables employees to acquire shares in the company. The purpose of the incentive programs is, among other things, to award long-term commitment to the company's employees and to ensure that the company's long-term value growth is reflected in the program participants' remuneration. The Group has several options programs that run in parallel. Those who participate in warrants have paid a market premium that is recognized directly in equity. Those who are part of the employee stock option program have been granted options with no premium paid. Issuance of qualified employee stock options was made at the same time as warrants, which is why valuation of these has taken place at the same price. The fair value of allotted options without premium paid is recognized as personnel cost. The fair value is calculated in accordance with Black & Scholes.

State aid
State aid is reported at fair value when there is reasonable assurance that the aid will be received and that the company will fulfil all related conditions.
State aid relating to expected costs is reported as prepaid income. The support is recognized as income during the period so that the costs incurred by the state aid are intended to compensate.
State aid for the acquisition of intangible or tangible fixed assets reduces the asset carrying amount.

Cash Flow Analysis
The cash flow statement has been prepared according to indirect method. The reported cash flow only covers transactions that involve payments.

Earnings per share
The calculation of earnings per share is based on the period's earnings in the Group attributable to the Parent Company's shareholders and on the weighted average number of ordinary shares outstanding during the year. When calculating earnings per share after dilution, earnings and the average number of shares are adjusted to consider the effects of dilutive potential ordinary shares. To the extent that dilution would result in earnings per share after dilution being higher than earnings per share before dilution, or the loss per share being lower than the loss per share before dilution, earnings are not adjusted for this.

Significant assessments and estimates when applying accounting principles
Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing conditions.

Below, the most important assumptions about the future and other important sources of uncertainty in estimates on the balance sheet date are presented, which entail a significant risk of material adjustments in the carrying amounts of assets and liabilities in the coming financial year.

Uncertainty in estimates
Below is information about estimates and assumptions that have the most significant impact on the accounting and valuation of assets, liabilities, revenues and expenses. The outcome from these can differ significantly.

Impairment of intangible fixed assets
In order to assess the need for impairment, the Group management calculates the recoverable amount of the intangible fixed assets based on expected future cash flows and using an appropriate interest rate to discount the cash flow. Uncertainties lie in assumptions about future operating income and the determination of an appropriate discount rate. The book value of capitalized development costs at the end of the financial year 2019-12-31 was SEK 26,431,289 (2018-12-31 at SEK 28,514,483).
Changes in the assumptions made by the company management during the impairment test could have a material impact on the company's results and financial position.

THE PARENT COMPANY'S ACCOUNTING AND VALUATION PRINCIPLES

The Parent Company's annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 means that in the annual report for the legal entity, the parent company must apply all IFRS approved statements and statements as far as possible within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation. The recommendation specifies the exceptions and supplements to be made from IFRS.

The parent company's annual report is presented in the company's accounting currency, which is SEK.
The Parent Company's accounting and valuation principles are in accordance with the Group except as set out below.

Formats
The income statement and balance sheet follow the format of the Annual Accounts Act. The report on income and other comprehensive income, the report on changes in equity and the cash flow analysis are based on IAS 1 Presentation of financial reports and IAS 7 Report on cash flows. The differences against the Group's reports that are reflected in the Parent Company's income statements and balance sheets are mainly accounted for by financial income and expenses and equity.

Shares in subsidiaries
Shares in subsidiaries are recognized at cost less any write-downs. The acquisition value includes acquisition-related costs and any additional purchase price. When there is an indication that participations in subsidiaries have decreased in value, the recoverable amount is calculated. If this is lower than the carrying amount, a write-down is made. Write-downs are reported in the item "Profit from participations in group companies".

Group contribution
All group contributions submitted and received are reported as year-end allocations.

Leasing
The Parent Company reports all leasing agreements as operational. Operational leases are recognized as an expense on a straight-line basis over the lease term.

Intangible assets
Internally generated development costs are reported as expenses in the income statement. This means that all expenses related to the preparation of internally prepared intangible fixed assets are expensed as incurred.

Financial instruments
IFRS 9 is not applied in the Parent Company and financial instruments are measured at cost. In subsequent periods, financial assets that are acquired with the intention of being held in the short term will be reported in accordance with the lower value principle at the lower of cost and market value.

At each balance sheet date, the parent company assesses whether there is any indication of a need for impairment in any of the financial fixed assets. Write-downs occur if the impairment is deemed to be permanent. Impairment losses on interest-bearing financial assets recognized at amortized cost are calculated as the difference between the asset's carrying amount and the present value of the management's best estimate of future cash flows discounted with the asset's original effective interest rate. The write-down amount for other financial fixed assets is determined as the difference between the carrying amount and the higher of fair value fewer selling costs and the present value of future cash flows (which is based on the management's best estimate).

NOTES TO THE INCOME STATEMENT

Note 2 Operating segment

The Group's operations are divided into operating segments based on the parts of the operations the company's highest executive decision-makers follow up on, so-called "management approach" or business management perspective. The Group's internal reporting is built on the basis that the Group management monitors the business in its entirety. Based on this internal reporting, the Group has identified that the Group has only one segment.
Revenue from external customers was attributed to individual countries after the country from which the sale was made. The Group's fixed assets are entirely located in Sweden. Ossdsign has revenue from an individual customer which amounts to> 10%. Total revenue for this customer in 2019 amounts to a total of TSEK 4 703 (4 459).
Other operating income as per December 31st, 2019 consists of exchange rate gains of TSEK 818 (829), government contributions of TSEK 905 (1 386) and other income totalling TSEK 0 (158).

	Group		Parent company	
Net sales per geographical market	2019	2018	2019	2018
US	6 832	4 459	7 292	4 459
Germany	3 263	2 850	3 263	2 850
Sweden	2 433	2 507	2 433	2 507
UK	2 550	1 692	2 550	1 692
Rest of Europe	1 603	1 473	1 603	1 473
Rest of world	192	282	192	282
Total	**16 873**	**13 263**	**17 333**	**13 263**

Note 3 Remuneration to the auditor

Audit assignment means review of the annual report and accounts and the administration of the Board and the Managing Director, other duties that it is incumbent upon the company's auditor to perform, and advice or other assistance caused by observations in such an audit or the performance of such duties.

	Group		Parent company	
Expensed and other compensation amounts to	2019	2018	2019	2018
KPMG				
Audit assignment	420	240	420	240
Auditing activities in addition to audit assignments	347	–	347	–
Other services	64	10	64	10
Harmer Slater Ltd				
Audit assignment	9	–	–	–
Sum	**840**	**250**	**831**	**250**

Note 4 Operating lease and lease agreements

	2019	2018
Expected leasing fees for the year:	**1 709**	**1 449**
Non-cancellable leasing fees:		–
Within a year	2 289	1 449
Later than one year, within five years	12 081	3 291
Later than one year	6 040	348
Total future agreed lease fees	**20 410**	**5 088**

The operating leases in the parent company mainly concern premises.
The Group reports leasing agreements in accordance with IFRS 16, see Note 14.

Note 5 Salaries and remuneration to employees

Costs recognized for employee benefits are broken down as follows:

	Group		Parent company	
	2019	2018	2019	2018
Salaries – Board of Directors and CEO	3 356	1 729	3 356	1 729
Salaries – other employees	27 239	18 737	16 323	13 767
Pensions, defined contribution board and CEO	452	409	452	409
Pensions, defined contribution – other employees	1 628	1 792	1 555	1 748
Other social security contributions	10 708	5 448	7 646	4 989
Sum	**43 383**	**28 116**	**29 332**	**22 642**

Salaries and other remuneration 2019	Basic salary / Board fees	Other benefits*	Total
Simon Cartmell	348	0	348
Anders Lundqvist, CEO	2 803	82	2 885
Anders Qvarnström	103		103
Newton Aguiar	103		103
Other senior executives (1)	1 064	0	1 064
Sum	**4 420**	**82**	**4 502**

Salaries and other remuneration 2018	Basic salary / Board fees	Other benefits*	Total
Simon Cartmell	490	0	490
Anders Lundqvist, CEO	1 729	77	1 807
Other senior executives (1)	1 021	0	1 021
Sum	**3 241**	**77**	**3 318**

* Other benefits are car benefits.
In the event of termination, a mutual notice period of three months applies to the CEO and three months to other senior executives. The Group has no severance pay agreement.
Share-related remuneration is stated in Note 7

Note 6 Employees

	Group			
	2019 Average number of employees	of which women%	2018 Average number of employees	of which women%
Average number of employees	34	38	27	38
Average number of employees by country is as follows:				
Sweden	26		23	
UK	2		2	
US	6		2	
Sum	**34**		**27**	

The average number of employees in the parent company corresponds to the figure for Sweden.
The gender distribution of the Board currently consists of 100% men.

Note 7 Share-related remuneration

As of December 31, 2019, the company has issued a total of 731,780 warrants and 256,894 qualified stock options within the framework of four different incentive programs for employees, consultants and board members. During the year, 3,321 warrants related to programs in 2014/2019 expired and, further, 3,425 warrants related to programs in 2015/2020 and 9,577 warrants related to programs in 2016/2021 were transferred (due to participation in new programs). Transferred options will not be possible to exercise for subscription of shares in the company. The incentive programs are described in more detail below.

- **Incentive program 2016/2021** was approved by the Board of Directors on November 10, 2016, supported by the authorization of the AGM, and comprised a total of 13,483 warrants, of which 3,906 are outstanding as of December 31, 2019. Each warrant warrants 16 new shares in the company, each at a subscription price at SEK 53,125 per share.

- **The incentive program 2019/2022** was approved by the AGM on April 24, 2019 and comprises a total of 256,894 qualified employee stock options issued to the CFO and certain key persons in the company. Prior participation in the program requires that previous warrants be transferred to the company. Each employee stock option in the employee stock option program entitles the holder to acquire a new share in the company at a strike price of SEK 31.88 per share during the period1 / 7 2022 to 31 December 2022. The allocated stock options are earned for 36 months and can only be exercised for acquisition of new shares if the participant is still employed and other conditions for qualified employee stock options according to the Income Act are fulfilled.

- **Incentive program 2019/2022:** 1 was approved by the AGM on April 24, 2019 and comprises a total of 434,277 warrants issued to the CEO and certain employees and consultants. Prior participation in the program requires that previous warrants be transferred to the company. Each subscription option entitles the holder to acquire a new share in the company at a strike price of SEK 31.88 per share during the period 1/7 2022 up to and including 31 December 2022.

- **Incentive program 2019/2022:** 2 was approved by the Annual General Meeting on April 24, 2019 and comprises a total of 305,830 warrants issued to Board members. Prior participation in the program requires that previous warrants be transferred to the company. Each subscription warrants entitles the holder to acquire a new share in the company at a strike price of SEK 31.88 per share during the period 1/7 2022 up to and including 31 December 2022.

Warrant agreement
Holders of warrants have paid a market premium for the options, which have been valued using the Black-Scholes model. Holders of warrants 2016/2021 have entered warrants with the company under which the company has the right to repurchase warrants if the holder's employment or assignment in the company should expire before October 31, 2020. The company's right to repurchase warrants gradually decreases for each year. Warrants 2019/2022: 1 are also covered by warrants with customary terms. The warrants also contain customary "good leaver" and "bad leaver" provisions. The holder of warrants 2019/2022: 2 and the holder of warrants 2019/2022 are not bound by any warrants.

If all warrants are exercised to subscribe for shares in the company, the company's share capital will increase by SEK 66 218,5625 through issue of 1,059,497 new shares in the company, each with a quotient value of SEK 0.0625. That would mean a dilution equivalent to 6.3 percent of the share capital and the number of shares and votes in the company. See table below for details on option price and exercise price per program.

Volatility has been determined based on comparison companies and the company's debt ratio. The volatility estimate is 25% (KPMG April 2019) included in Black-Schole's calculation for the latest option price is SEK 1.91.

Incentive program	Issued number of options	Option price	Redemption price
Warrants Program Series 2014/2019 Maturity May 16, 2014 – May 16, 2019	3 321	39.64	51.63
Warrants Program Series 2015/2020 Maturity August 17, 2015 – August 17, 2020	3 425	35.48	51.63
Warrants Program Series 2016/2021 Maturity November 10, 2016 – November 10, 2021	13 483	33.61	53.13
Staff Option Program 2019/2022 Maturity April 24, 201 – December 31, 2022	256 894	0	31.88
2019/2022 Series Stock Option Program: 1 Maturity April 24, 201 – December 31, 2022	434 277	1.91	31.88
2019/2022 Series Stock Option Program: 2 Maturity April 24, 201 – December 31, 2022	305 830	1.91	31.88

Program	2014/2019	2015/2020	2016/2021	2019/2022	2019/2022:1	2019/2022:2
Outstanding January 1, 2017	3 321	3 425	13 483	0	0	0
Outstanding 31 December 2017	3 321	3 425	13 483	0	0	0
Outstanding 31 December 2018	3 321	3 425	13 483	0	0	0
Outstanding 31 December 2019	**0**	**0**	**3 906**	**256 894**	**434 277**	**305 803**

Note 8 Financial expenses / Interest expenses and similar income items

	Group		Parent company	
	2019	2018	2019	2018
Interest costs, borrowing at amortized cost				
Bank loan	-146	-5 494	-146	-5 494
Leasing	-80	-222	–	–
Sum	**-226**	**-5 716**	**-146**	**-5 494**
Total interest costs, financial liabilities not reported at fair value through profit or loss	**-226**	**-5 716**	**-146**	**-5 494**

Note 9 Liabilities attributable to financing activities

The change in liabilities attributable to financing operations can be classified as below

	Long-term liabilities	Short-term liabilities	Lease liabilities	Total
2019-01-01	2 894	627	2 594	6 115
Cash flow effect:				
Repayment	-584	-113	-868	-1 567
Total	**2 310**	**513**	**1 726**	**4 549**
2018-01-01	3 521	513	2 825	6 860
Cash flow effect:				
Repayment	-513		-232	-745
Reclassification	-113	113		–
Total	2 894	627	2 594	6 115

Note 10 Taxes

The most important components of the tax expense for the financial year and the ratio of expected tax expense based on the Swedish effective tax rate of 21.4% (2018: 22%) to the reported tax expense in the result are as follows:

	Group		Parent company	
	2019	2018	2019	2018
Result after financial items	-84	-55 861	-83 026	-61 563
Tax according to current tax rate in Sweden, 21.4% (22%)	17 923	12 289	17 768	13 544
Effect of changed tax rate	–	–	–	–
Non-deductible costs	-33	-28	-33	-28
Activation of tax on loss carryforwards	410	1 053		
Change of temporary differences	-410	-1 053		
Deferred tax assets during the year that are not recognized as assets	-18 383	-12 411	-17 734	-13 515
Reported tax in the income statement	**-493**	**-150**	**0**	**0**
The tax cost consists of the following components:				
Current Tax	-493	-150	–	–
Reported tax in the income statement	**-493**	**-150**	**0**	**0**

As of January 1, 2019, the tax rate in Sweden is 21.4% for companies with fiscal years beginning January 1, 2019 or later. The tax rate will be reduced to 20.6% for fiscal years beginning January 1, 2021 or later.

Note 11 Earnings per share

EARNINGS PER SHARE

Both earnings per share before and after dilution have been calculated by using the result attributable to the shareholders in the parent company as a numerator, i.e. no adjustments to the result had to be made in 2019 or 2018.
Reconciliation of the weighted average number of shares used to calculate earnings per share after dilution can be matched against the weighted average number of common shares used in the calculation of earnings per share before.

Results attributable to ordinary shareholders	2019	2018
Profit for the year attributable to the Parent Company's owners according to the income statement	-84 245	-56 011
No dilution effect during 2018 and 2019		

During the first quarter, the company divided its shares into a 16: 1 ratio. Since this split occurs after the end of the balance sheet date but before the Board of Directors approves the financial reports, earnings per share have been re-calculated retroactively based on the new number of shares at each time.

Number of shares	2019	2018
Weighted average number of shares used in the calculation of earnings per share before	15 444 804	5 090 362
Weighted average number of shares used in the calculation of earnings per share after dilution	**15 444 804**	**5 090 362**
Earnings per share, before and after dilution	**-5.5**	**-11.00**

Dilution of earnings per share can be done if warrants are exercised to subscribe for shares in the company, see also note 7

Note 12 Balanced development work and similar work

Changes in reported values for development work and similar work are:

	Group	
	2019-12-31	2018-12-31
Opening balance accumulated acquisition values	31 879	25 183
Internally developed	95	6 696
Closing balance accumulated acquisition values	31 974	31 879
Opening balance accumulated depreciation	-3 365	-1 977
This year's depreciations	-2 178	-1 387
Closing balance accumulated depreciation	-5 543	-3 365
Accumulated revaluations		
Reported value	26 431	28 514

The Parent Company has expensed development costs. The company has received government grants totalling SEK 7,186,938 (of which SEK 313,386 in 2018 and SEK 516,729 in 2017) linked to the balance sheet. All depreciation and write-downs are included in the item "Depreciation and write-downs of intangible and tangible fixed assets".

Note 13 Equipment and tools

Changes in reported values regarding equipment and tools are:

	Group		Parent company	
	2019	2018	2019	2018
Opening balance accumulated acquisition values	3 353	2 392	3 353	2 392
Investment of the year	229	960	54	
Closing balance accumulated acquisition values	3 581	3 353	3 406	3 353
Opening balance accumulated depreciation	-939	-384	-939	-384
This year's depreciations	-675	-555	-657	-555
Closing balance accumulated depreciation	-1 614	-939	-1 595	-939
Reported value	1 968	2 414	1 811	2 414

Note 14 Leasing agreement

The Group mainly has rights of use regarding premises in Sweden. The Group chose to apply IFRS 16 early, from the beginning of 2017.

	Koncernen	
	2019	2018
Opening balance accumulated acquisition values	7 785	6 782
Investment of the year	630	1 003
Closing balance accumulated acquisition values	8 416	7 785
Opening balance accumulated depreciation	-5 529	-3 843
This year's depreciations	-1 246	-1 686
Closing balance accumulated depreciation	-6 775	-5 529
Reported value	**1 640**	**2 256**

For 2018, errors in the balance sheet items have been noted. The error has been rectified by a reduction in the value of the right to use assets by SEK 3,438,000, long-term lease debt by SEK 2,324,000 and short-term lease debt by SEK 1,114,000. The parent company has signed a contract for new premises with access in spring 2020.
The Group also leases IT equipment with leasing periods of one to three years. These leases are short-term leases and leases of low value. The Group has chosen not to account for rights of use and leasing liabilities for these leases.

Interest expenses for the leasing agreements, see Note 9		
Cost of contracts of lesser value	1 246	1 686
Total cash outflow for the leasing agreements	80	222
Maturity analysis regarding lease debt:	660	520
Later than one year but within five years	976	4 173
Later than five years	–	–

For further information regarding maturity analysis, see Note 29.

Note 15 Financial assets and liabilities

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Accounting principles include a description of each category of financial assets and liabilities and the associated accounting principles. The reported values for financial assets and liabilities in the Group are as follows:

Group

2019-12-31	Financial assets valued at amortized cost	Financial assets at fair value through profit or loss	Total
Financial assets			
Accounts receivable	5 266	0	5 266
Prepayed costs and accrued income	1 020	0	1 020
Other receivables	1 650	0	1 650
Cash and cash equivalents	113 540	0	113 540
	121 475	**0**	**121 475**

2019-12-31	Liabilities valued at amortized cost	Liabilities at fair value through profit or loss	Total
Financial liabilities			
Long-term borrowing	3 286	0	3 286
Short-term borrowing	513	0	513
Accounts payable and other liabilities	5 529	0	5 529
Accrued income and prepaid expenses	8 308		8 308
	17 636	**0**	**17 636**

2018-12-31	Financial assets valued at amortized cost	Financial assets at fair value through profit or loss	Total
Financial assets			
Accounts receivable	6 100	0	6 100
Prepayed costs and accrued income	649	0	649
Other receivables	16 319		16 319
Cash and cash equivalents	14 077	0	14 077
	37 144	**0**	**37 144**

2018-12-31	Liabilities valued at amortized cost	Liabilities at fair value through profit or loss	Total
Financial liabilities			
Long-term borrowing	4 857	0	4 857
Short-term borrowing	627	0	627
Accounts payable and other liabilities	10 632	0	10 632
Accrued expenses and prepaid income	7 528	0	7 528
Derivative			0
Conditional purchase price			0
	23 643	**0**	**23 643**

As of the balance sheet date, 2019-12-31, the Group has a bank loan from ALMI totalling SEK 2.8 million, which runs at a fixed interest rate of 4.05% and a maturity from 2015-03-05 to 2025-03-05. Furthermore, there is a smaller interest-free loan at Uppsala Innovation Centre which amounts to SEK 113,460. Carrying amount of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities represents a reasonable approximation of fair value.

Note 16 Shares in Group companies

THE GROUP'S COMPOSITION

The Group includes direct holdings of subsidiaries as follows:

Name/Residence	Corporate ID	Number of shares	Shares % 2019	Shares % 2018
OssDsign Ltd	10690872	1	100%	100%
OssDsign USA Inc	6558835	1 000	100%	100%

	Parent company	
Change during the year:	**2019-12-31**	**2018-12-31**
Opening balance accumulated acquisition values	19	19
Reported value	**19**	**19**
whereof:		
OssDsign Ltd	11	11
OssDsign USA Inc	8	8
Closing balance accumulated acquisition values	19	19

Note 17 Deferred tax assets and tax liabilities

Deferred taxes arising from temporary differences are summarized as follows:

	2019		
Change during the year of deferred taxes for the Group:	**Deferred tax liability**	**Deferred tax assets**	**Net**
Intangible assets	5 306		-5 306
Tangible fixed assets	73		-73
Receivables		38	38
Activated loss carryforwards		5 342	5 342
	5 380	**5 380**	**–**

	2018		
	Deferred tax liability	**Deferred tax assets**	**Net**
Intangible assets	5 793	–	-5 793
Tangible fixed assets	–	8	8
Receivables	–	33	33
Activated loss carryforwards	–	5 752	5 752
	5 793	**5 793**	**–**

Deferred tax assets are recognized for tax loss carry forwards to the extent that they are likely to be credited through future taxable profits. If the Group had reported deferred tax assets on loss carry forwards, these would amount to SEK 57,909,000 (SEK 40,837,000). Deficit deductions have no limitation in time.

Note 18 Accounts receivable

Age distribution of accounts receivable and reserve for doubtful accounts receivable.

	Group	
	2019-12-31	2018-12-31
Accounts receivable gross	5 668	6 326
Reservation for customer losses	-402	-226
Accounts receivable	**5 266**	**6 100**

	Parent company	
	2019-12-31	2018-12-31
Accounts receivable not due	872	2 266
Accounts receivable overdue, 0-3 months	1 464	2 420
Accounts receivable overdue, 4-6 months	511	413
Accounts receivable overdue, more than 6 months	883	526
Reserve for doubtful accounts receivable	0	-95
Total	**3 729**	**5 531**

Note 19 Other receivables

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Subscribed but unpaid share capital	0	15 211	0	0
Subscription option, subscription not paid	234	0	234	–
VAT	927	691	927	691
Other items	489	417	425	412
	1 650	**16 319**	**1 586**	**1 103**

Note 20 Prepaid Expenses and accrued income

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Prepaid rent	337	310	337	310
Prepaid insurance	536	478	442	478
Other items	147	-139	283	25
Reported value	**1 020**	**649**	**1 062**	**813**

Note 21 Cash and cash equivalents

	2019-12-31	2018-12-31
Cash and cash equivalents include the following:		
Cash at bank and in cash:		
SEK	112 091	12 647
GBP	366	210
USD	1 083	1 219
	113 540	**14 077**

Note 22 Equity

The share capital of the Parent Company consists only of fully paid ordinary shares with a nominal (quota value) value of SEK 0.0625 / share. The company has 17,733,168 class A shares.

	2019	2018
Subscribed and paid shares		
At the beginning of the year	348	299
Reg. rights issue decided 2018	330	–
Rights issue	430	49
Subscribed and paid shares	1 108	348
Shares for share-based payments	–	–
Sum at the end of the year	**1 108**	**348**

During the first quarter, a registration of 330,333 shares was issued and resolved in 2018. The company also carried out a new share issue in the first quarter of 2019, which increased the number of shares by an additional 86,233. In addition, the company also implemented a 16: 1 ratio of shares.
The company completed a new share issue during the second quarter, which increased the number of shares by 5,500,000. The total number of shares subsequently amounted to 17,733,168 and with a quotient value of SEK 0.0625.

The Group issued shares have the same right to distribute and repay invested capital and represent a vote at OssDsign's Annual General Meeting.

Resolved shares that have not yet been issued have only been approved for use in the Group's option program (for more information, see Note 7).

Amounts received for issued shares in addition to the nominal value during the year (premium) are included in the item "other contributed capital", after deduction for registration and other similar fees and after deduction for attributable tax benefits.

During the year, the company implemented new share issues and options programs totalling SEK 171,580,509 after issue costs.

Note 23 Liabilities to credit institutions

Long-term debt items fall due with the following amount payable after more than five years.

	Group		Parent company	
Long term	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Liabilities to credit institutions	257	727	257	727
	257	**727**	**257**	**727**

Note 24 Accrued expenses and prepaid income

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Personnel-related costs	3 296	2 620	3 296	2 620
Consultants	3 327	3 697	3 327	3 697
Prepaid income	23	375	23	375
Government Grants	–	516	–	516
Other items	1 662	320	616	103
Reported Value	**8 308**	**7 528**	**7 263**	**7 310**

Note 25 Pledged assets and contingent liabilities

	Group		Parent company	
Pledged assets	2019-12-31	2018-12-31	2019-12-31	2018-12-31
For own provisions and liabilities:				
Liabilities to credit institutions				
Company mortgage	3 850	3 850	3 850	3 850
Other pledged assets	50		50	
	3 900	**3 850**	**3 900**	**3 850**

Contingent
Garantee liaison for the benefit of group companies.

Note 26 Transactions with related parties

KEY PEOPLE IN LEADING POSITION
There are no receivables or liabilities to related parties on the balance sheet date. No transactions that have materially affected the company's position and earnings have
Unless otherwise stated, there are no transactions with special conditions and no guarantees have been pledged or received. Outstanding balances are usually settled by cash.
For information on remuneration to senior executives, see Note 5.

TRANSACTIONS WITH SUBSIDIARIES
The subsidiaries OssDsign USA Inc and OssDsign Ltd invoice their costs to the parent company in accordance with transfer pricing agreements.
As of the balance sheet date, the Parent Company has a claim on OssDsign USA Inc of TSEK 648 and a debt to OssDsign Ltd of TSEK 513.

Note 27 Events after the balance sheet date

In January, Ossdsign deposited an amount of 2,315,350 with the landlord Klövern. The deposit provides security for all tenants' obligations linked to a new tenancy agreement entered in December 2019.
Like many other companies, OssDsign is affected by the situation regarding the spread of COVID-19. In our case the biggest impact so far is that sales visits to hospitals are prohibited in all major markets. This reduces our ability to acquire new customers for our Cranial implants and the launch of CranioPlug.

We are also aware that existing customers, to varying degrees, are affected by delays and temporary reductions in operations where our implants are used. This is based on the priorities that may be needed to free up resources within the healthcare system. This does not mean the underlying need for surgery for these patients have changed but rather that the time for the planned surgery Is moved forward.
No other events that lead to adjustments or significant events that do not lead to adjustments have occurred between the balance sheet date and the date.

Note 28 Non-cash-flow adjustments and changes in working capital

The following non-cash adjustments and adjustments for changes in working capital have been made in profit before tax in order to reach

	Group		Parent company	
Depreciation and write-downs on non-financial items	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Depreciation	4 099	3 628	657	555
Impairment of accounts receivable	176	–	–	
Options	89	–		
Leasing	-1 612	-1 227	–	–
Sum adjustments	**2 752**	**2 401**	**657**	**555**

Note 29 Risk related to financial instruments

RISK MANAGEMENT GOALS AND PRINCIPLES

Through its operations, the Group is exposed to various risks related to financial instruments. Summary information on the Group's financial assets and financial liabilities divided into categories can be found in Note 15. The main types of risk are market risk (interest rate risk and currency risk), credit risk and liquidity risk.
The Group's risk management is determined by the Board and aims to minimize adverse effects on the Group's financial position and earnings.
The most significant financial risks to which the Group is exposed are described below.

MARKET RISK

The Group is exposed to market risk through currency risk and interest rate risk as a result of both current operations and investment operations.

CURRENCY RISK

Transaction risk arises when future business transactions are expressed in a currency that is not the unit's functional currency. The Group's units do not have significant transactions in other than the unit's functional currency, which is why the Group's transaction risk is not material.

The Group has a number of holdings in foreign operations whose net assets are exposed to currency risks. Currency exposure arising from the net assets of the Group's foreign operations, the Group has chosen not to hedge currency, as these are not considered material. The following table illustrates the translation risk by showing how a reasonable possible change in the currency for each foreign operation, all other variables constant, would affect the translation difference in other comprehensive income, which goes into the item "Reserves" in equity.

If the exchange rate in USD and GBP increases by 10%, equity in SEK increases according to the table. If the exchange rate in USD and GBP instead decreases by 10%, the translation reserve decreases by amounts according to the table.

	2019	2018
USD/SEK: +/- 10%	121	60
GBP/SEK: +/- 10%	16	8

INTEREST RATE RISK

The Group's interest rate risk is currently considered small. The company has relatively low long-term borrowing. Borrowing at fixed interest rates in Swedish kronor.

CREDIT RISK ANALYSIS

Credit risk is the risk that a counterparty will not fulfil an obligation to the Group. The Group is exposed to this risk for various financial instruments, e.g. through claims on customers. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets on December 31, as summarized below:

	2019	2018
Types of financial assets – reported values		
Cash and cash equivalents	113 540	14 077
Accounts receivable and other receivables	5 668	22 418
Total	**119 208**	**36 495**

The Group continuously monitors cancelled payments from customers and other counterparties, identified individually or in groups by the Group, and incorporates this information into its credit risk checks. If external credit ratings and / or reports concerning customers and other counterparties are available at a reasonable cost, these are collected and used. The Group's policy is only to do business with creditworthy counterparties.

The Group's management believes that all of the above financial assets that have not been written down or due for payment on December 31 have a high credit quality.

Accounts receivable

On December 31, the Group has certain accounts receivable that are not settled at the agreed due date, but which are not considered uncertain. The amounts as of December 31 specified by time after due date are:

	2019	2018
Overdue:		
No more than three months	1 464	2 420
More than three months but not more than six months	511	413
More than six months or more	883	526
More than a year	–	–
Total	**2 857**	**3 359**

The Group applies the simplified method in IFRS 9 for accounting for the expected credit losses over the remaining maturity of all accounts receivable, since these items have no significant financing component. In assessing the expected credit losses, accounts receivable has been assessed collectively because they have common credit risk characteristics.

Cash and cash equivalents

The credit risk for liquid funds is considered negligible, as the counterparties are renowned banks with high credit ratings by external assessors.

LIQUIDITY RISK ANALYSIS

Liquidity risk is the risk that the Group will not be able to fulfil its obligations. The Group manages its liquidity needs by monitoring planned loan payments for long-term financial liabilities as well as forecasted payments and disbursements in daily operations. The data used to analyse these cash flows is consistent with those used in the analysis of agreed maturities below. Liquidity needs are monitored on an ongoing basis. Long-term liquidity needs for a period of approximately 180 days and 360 days are periodically identified to ensure the liquidity requirements over a 12-month period. At the balance sheet date, the company's liquidity reserve amounted to SEK 113,539,893 (SEK 14,076,701). This analysis shows that the available reserve is expected to be sufficient during this period. The Board has considered various scenarios regarding the impact on the company's cash flow linked to Covid-19.

As of December 31, 2019, the Group has financial liabilities that can be summarized as follows:

	Short term		Long term	
2019-12-31	Within 6 months	6-12 months	1-5 years	Later then 5 years
Liabilities to credit institutions	257	257	2 053	257
Leasing debt	375	375	976	–
Accounts payable	2 911	–	–	–
Total	**3 543**	**631**	**3 029**	**257**

This can be compared to the maturities during previous reporting periods for the Group's financial liabilities that are not derivative according to:

	Short term		Long term	
2018-12-31	Within 6 months	6-12 months	1-5 years	Later then 5 years
Liabilities to credit institutions	313	313	2 053	727
Leasing debt	872	872	4 287	–
Accounts payable	4 044	–	–	–
Total	**5 230**	**1 186**	**6 340**	**727**

COMMODITY PRICE RISK

With regard to major suppliers, price agreements are in place, which is why the commodity price risk is considered low.

Note 30 Proposal for disposal of the parent company profit or loss

At the disposal of the Annual General Meeting, amounts in SEK:

Share premium	386 804
Retained earnings from previous years	-196 920
Profit for the year	-83 026
	106 857
The Board proposes that the retained earnings be treated so that it	
Is balanced in a new account	106 857
	106 857

Certification

The Group's financial reports for the reporting period ending December 31, 2019 (including comparative figures) were approved by the Board of Directors on April 17th, 2020.

The Board's declaration:
The Board of Directors and the CEO ensure that the consolidated accounts and the annual accounts have been prepared in accordance with IFRS and generally accepted accounting principles, respectively, and provide a true and fair view of the position and earnings of the Group and the parent company. The Board of Directors' Report for the Group and the Parent Company provides a true and fair view of the Group's and the Parent Company's operations, status and results, and describes the significant risks and uncertainties that the Parent Company and the companies that are part of the Group face. The Group and the Parent Company's earnings and position in general are shown in the previous income statements and balance sheets, cash flow analyses and notes.

This report has been prepared in both Swedish and English. In the event of discrepancies between the versions, the Swedish version applies.

Stockholm, April 17th, 2020

Anders Lundqvist CEO	Simon Cartmell Chairman of the Board	Viktor Drvota Board member
Håkan Engqvist Board member	Newton Xavier Aguiar Board member	Anders Qvarnström Board member

Our audit report was submitted on April 17th, 2020

Per Hammar
KPMG

Auditor's Report

To the general meeting of the shareholders of OssDsign AB, corp. id 556841-7546

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions
We have audited the annual accounts and consolidated accounts of OssDsign AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 32-66 in this document.
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.
We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of OssDsign AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Uppsala April 17th, 2020

KPMG AB

Per Hammar
Authorized Public Accountant

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