OSSDSIGN®

# Annual Report 2021

**Contents**



*"In the beginning of 2021, we outlined a new strategy focusing on neuro- and orthopedic spinal surgeons. With clear priorities for growth, we have quickly and efficiently delivered on the key elements in the strategy and expanded our business in the US market, successfully launched OssDsign Catalyst and invested in generating clinical data to support future commercialization"*

Morten Henneveld, CEO

# **OssDsign** at a glance

OssDsign develops synthetic bone replacement products that will improve clinical outcome in orthopedic areas with high unmet medical needs. Addressing a growing market that today is valued at USD 3 billion, OssDsign is now a broader company with a new high-margin, scalable business segment and an ambitious growth strategy towards 2025.

**Patient outcome data and ongoing studies**

## 1.6%

The observed rate of explantations due to infections in patients who received OssDsign Cranial PSI. In contrast, other products available on the market have been shown to be associated with an infection complication rate of at least 10%.

## 100%

In the most established animal model – the Boden model – 8 out of 8 spinal fusions with OssDsign Catalyst were successful at a follow-up of 26 weeks. Comparable synthetic bone grafts only achieved fusion in up to 4 out of 8 cases.

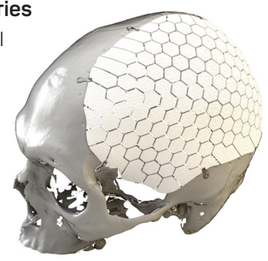
## 17

The number of patients that will be included in the clinical study TOP-FUSION, initiated in 2021. The study will evaluate the safety of OssDsign Catalyst and assess the rate of bone fusion up to 24 months after spinal surgery. Published results are expected during the first half of 2023.

**Product portfolio**

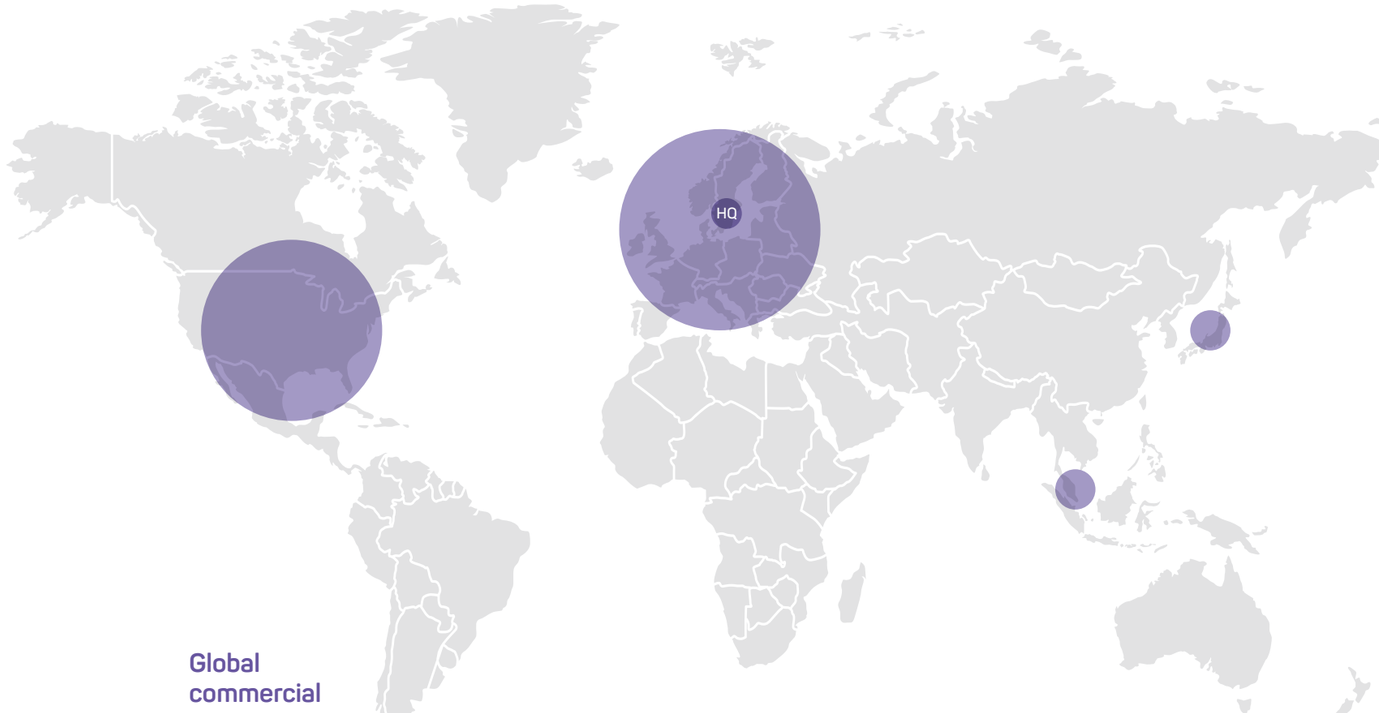
**OssDsign Cranial PSI –**
**Patient specific implants for cranial surgeries**

OssDsign Cranial PSI is a patient-specific cranial implant made from 3D printed medical-grade titanium covered by a regenerative calcium phosphate composition. While the titanium skeleton reinforces the implant and resists physical and mechanical stress, the unique calcium phosphate composition provides healing and regenerative properties, encouraging regrowth of the patient's own bone.



**OssDsign Catalyst –**
**An off-the-shelf synthetic bone graft**

OssDsign Catalyst is used to help stimulate bone growth in spinal fusions. It is an innovative synthetic bone graft composed of a proprietary nanocrystalline structure of calcium phosphate. Similar to the body's own bone mineral structure, the patented nanocrystalline structure of OssDsign Catalyst provides a favorable bone biology environment for rapid and reliable bone formation.




**Global commercial presence**

**US**
Direct sales and sales agents.
Main group purchasing agreements:
Vizient Inc.
Premier Inc.
Red One Medical

**UK and Germany**
Direct sales

**Sweden**
Global HQ
Direct sales

**Southern Europe**
Agents/distributors
Main group purchasing agreement:
AP-HP in Paris, France

**Singapore**
Main distributor

**Japan**
Main distributor

## Key Financial figures

| (TSEK) | 2021 | 2020 |
|---|---|---|
| Net sales | 31 726 | 24 872 |
| Operating profit | -89 255 | -83 934 |
| Profit for the period | -93 918 | -84 590 |
| Cash equivalents | 151 366 | 49 403 |
| Cash flow from operating activities | -89 629 | -79 097 |
| Equity ratio | 76% | 45% |
| Earnings per share | -1.9 | -4.4 |
| Average number of employees | 44.1 | 43.9 |

# **Important** events in 2021

### New clinical data from 1,055 cranioplasty procedures with OssDsign Cranial PSI continued to show class-leading low complication rates

In January, OssDsign announced that the use of OssDsign Cranial PSI in 1,055 cases of cranioplasty and cranial reconstructions, after a median follow-up time of 21 months, showed that the rate of infections leading to implant removal was 2.1%. This is consistent with the low levels previously presented. All data were collected as part of post-market surveillance of product performance in Europe, US and selected Asian markets.

### Updated strategy and new financial ambitions to support growth, value creation and innovation

In March, OssDsign launched a new strategy, ASCENT 25, that comprises five key priorities. OssDsign concomitantly revised its long-term financial ambition and set the financial ambitions to grow net sales to SEK 300-400 million in 2025 and become cash flow positive from operations in 2024.

### Anders Svensson joined as Chief Financial Officer

In March, OssDsign announced that the Company's current interim CFO, Anders Svensson, would take on the role permanently. Prior to joining OssDsign, Anders served as CFO for both Bluefish Pharmaceuticals and Aura Light, as well as CEO for Aura Light's US business.

### OssDsign raised SEK 270 million

In May, OssDsign announced that the share issue with preferential rights for the company's existing shareholders of approximately SEK 240 million was oversubscribed. Due to strong demand, the Board of Directors resolved to carry out a directed issue with deviation from the shareholders' preferential rights of approximately SEK 30 million. Shares in this Over-allotment Option were allotted to strategic and institutional investors.

### New data showed that OssDsign's innovative synthetic bone graft outperforms a comparable device

In June, OssDsign announced that OssDsign Catalyst had been evaluated in a preclinical study examining bone formation and function in the FDA preferred animal model for spine fusion. The results demonstrated that OssDsign Catalyst induced rapid and reliable bone formation and that successful fusion was achieved in 100% of the studied subjects at 26 weeks, compared to 60% in the group where a comparable market-cleared device was used.

### OssDsign's Management and Board of Directors increase their long-term commitment through acquisition of warrants

In July, Management and Board of Directors acquired 3.8m warrants under the 2021/2024 long term incentive program for a total amount of approximately SEK 1.3 million.

### OssDsign awarded group purchasing agreement with Premier Inc.

In July, OssDsign was awarded a group purchasing agreement for 3D Medical Printing Products and Accessories with Premier Inc. The agreement allows Premier members, at their discretion, to take advantage of special pricing and term pre-negotiated by Premier for OssDsign's cranial reconstructive solutions. Premier is a healthcare improvement company uniting an alliance of approximately 4,100 US hospitals and health systems and more than 200 000 other providers and organizations.

### OssDsign partnered with Red One Medical

In August, OssDsign entered into an agreement with Red One Medical, a private sector scout of medical innovation for the US Department of Veterans Affairs and Department of Defense. Through the Distribution and Pricing Agreement, American veterans and active military staff will have access to OssDsign's innovative products for the treatment of patients who have suffered from cranial or spinal bone defects.

### First patient included in clinical study of OssDsign Catalyst

In September, the first patient was included in the clinical study TOP FUSION to investigate the long-term safety and efficacy of the synthetic bone graft OssDsign Catalyst in patients undergoing spinal fusion surgery. The study is conducted at the National Center for Spinal Disorders under the leadership of Dr Péter Pál Varga and Dr Áron Lazary.

### New Senior Vice President international sales & global marketing

In September, OssDsign announced that Stéphane Corp had been recruited to OssDsign's senior management team. Stéphane Corp has responsibility for the company's international sales activities and global marketing.

### OssDsign received expanded FDA market clearance for OssDsign Cranial PSI

In October, OssDsign received an expanded market clearance from the FDA in the US. The clearance highlights the osteoconductive properties of OssDsign's patented calcium phosphate composition to be resorbed and replaced with bone tissue. OssDsign Cranial PSI is the first cranioplasty product on the US market able to claim osteoconductive properties, putting putting OssDsign in a unique position.

### First patients in the US treated with OssDsign Catalyst

In October, OssDsign announced that the first patients in the US had been treated with OssDsign Catalyst, which received market clearance from the FDA in 2020 and was launched on the US market in August 2021.

### Post-market surveillance showed continued low complication rates with OssDsign Cranial PSI

In December, OssDsign announced that the post-market surveillance data, based on 1,480 surgeries, showed that the frequency of infections leading to implant removal was 1.6% after a median follow-up time of 22 months. This positive outcome exceeded what has been observed in previous follow-ups.

### OssDsign received Innovative Technology contract from Vizient for OssDsign Cranial PSI

In December, OssDsign received an Innovative Technology contract for the patient-specific cranial implant OssDsign Cranial PSI from Vizient Inc. – the largest member-driven health care performance improvement company in the US.

# A word from our CEO

In the beginning of 2021, we outlined a new strategy focusing on neuro- and orthopedic spinal surgeons. With clear priorities for growth, we have quickly and efficiently delivered on the key elements in the strategy and expanded our business in the US market, successfully launched OssDsign Catalyst and invested in generating clinical data to support future commercialization.

Morten Henneveld, CEO

**Winning in the US**
The US orthopedic market holds enormous potential and is one of the strategic focus areas in the company. During 2021 we entered into three important collaboration agreements with major group purchasing organizations in the US. In July, we signed a contract with Premier Inc., giving access to a network of 4,100 hospitals. In August, we partnered with Red One Medical and entered a distribution and pricing agreement (DAPA) to provide our products to veterans and active military staff. In December, our cranial implant OssDsign Cranial PSI received an Innovative Technology contract from Vizient, Inc., the largest member-driven health care performance improvement company in the US, meaning that we now can offer members of Vizient's extensive network our products.

**Building the synthetic bone graft business**
Our nanosynthetic bone graft, OssDsign Catalyst, was launched in the US in August with an initial focus on spinal surgery, and in early October the first patient was treated. The launch marks an important start for our new business segment and despite the COVID-19 pandemic headwind in this initial phase, we are very happy with the interest and response we have seen from surgeons and health care providers. In building the bone graft business we will leverage our established sales organization, distribution network and network among surgeons. OssDsign's ability to efficiently expand into the spine segment is further strengthened by our management's and Board of Directors' extensive experience and strong track record in this particular field. OssDsign Catalyst is a high margin, scalable product with high potential in the market for standard procedures, creating a scalable business model with extensive growth.

**Show clinical superiority**
Strong clinical evidence is key for future growth, and we continue to invest in both clinical trials and clinical registries. Our patient-specific cranial implant, OssDsign Cranial PSI, has now solid clinical evidence of its safety and efficacy. In the last long-term follow-up published in December 2021, complications in the form of infections leading to explantation, were observed in only 1.6% of 1,480 surgeries after a median follow-up time of 22 months. These positive results surpass those in the previous follow-up report, thus highlighting the continued exceptional and class leading performance of OssDsign Cranial PSI.

For OssDsign Catalyst, we have a clear focus on collecting clinical evidence to confirm the outstanding preclinical results on which the FDA clearance is based. During 2021, we initiated the clinical study TOP FUSION in Hungary. The study will include 17 patients and primarily evaluates the safety and efficacy of OssDsign Catalyst in patients undergoing spinal fusion surgery, and we expect the first results in the first half of 2023. In parallel, we have launched PROPEL– a multi-center, prospective spinal fusion registry – in the US during the first half of 2022. PROPEL will collect further evidence for OssDsign Catalyst from a large number of patients in real-world settings, measuring patients' quality of life and neurological function.

**Innovate the portfolio**
At OssDsign, we are constantly striving to develop new innovative orthopedic treatments for patients in need. Our two innovative technology platforms – OssDsign Cranial PSI and OssDsign Catalyst – can both be further developed to new innovative products addressing new indications. In the same way, the proprietary nanocrystalline structure constituting the base of OssDsign Catalyst has the potential to be developed for synthetic bone grafts used in several other surgical disciplines.

**Drive operational efficiency**
Operational efficiency is pivotal to drive further growth and scalability in the company. For OssDsign, short-medium term, the key focus is on reducing the lead time for our Cranial PSI product, which will not only make the total commercial offering stronger but also increase relevance for more procedures, thereby increasing volume and improving margins.

**2021 constitutes a promising start of a new era for OssDsign**
Our total revenue for 2021 amounted to SEK 31.7 million, corresponding to a growth rate of 33% at constant exchange rates compared to last year, and we ended the year with three quarters in a row exceeding previous sales records. This achievement has been made in spite of the challenging market conditions caused by the pandemic, with a substantial number of elective surgeries being cancelled or postponed. We can therefore conclude that the underlying demand for our highly innovative products is strong.

With a continued focus on executing on OssDsign's strategy, I look forward to fully leverage our technologies and capabilities in this new and exciting era for the company that has just begun.

Morten Henneveld, CEO

# **The limitations** of current bone replacements

Current bone replacement technologies using metal or plastics fail to heal a wide range of skeletal defects. For patients, it means a high risk of painful complications and a need for re-operations. For society, the poor clinical outcome leads to substantial costs. OssDsign is addressing this high unmet medical need with the next generation bone replacement products.

Many skeletal defects require bone replacement products in order to heal. Regardless of whether the cause of the defect is cancer, trauma or a degenerated spine, the challenge is the same: for the procedure to be successful, the bone replacement must integrate with the patient's surrounding bone tissue.

## A gold standard with limits

For a long time, the gold standard has been to use the patient's own bone tissue as replacement, as this is familiar to the body and therefore more likely to integrate well. However, this method, referred to as using autografts or autologous bone, has its limits. Either extra surgery is needed to collect the tissue – exposing the patient to an increased risk of infections and pain as well as increasing hospitalization rates and costs for society – or the bone needs to be processed during surgery in a way that impacts its ability to successfully integrate once it is implanted back into the patient. Additionally, in patients with poor healing capabilities, the use of own bone tissue is not a viable option. The alternative, to use bone from a donor (allografts), is widely practiced. However, as with autografts, it has its limits, the main ones being the lack of donors, the body rejecting the transplant as it is perceived as foreign by the immune system and adverse perceptions associated with safety.

## Today's synthetic bone replacement are often rejected by the body

To overcome the limitations of conventional bone transplant methods, synthetic bone replacement products have been developed. A classical synthetic bone replacement product is made from artificial materials such as metals (often titanium) or plastics. The clinical outcomes so far have been acceptable in some areas – if the size of the injury is minimal and the surrounding bone tissue is dense, the bone cells will find each other and start to build new bone tissue around the synthetic bone replacement product.

However, as soon as the site of injury forms a void exceeding a couple of millimeters, difficulties start to arise. The distance hinders bone cells from communicating with each other, meaning the cellular healing processes can't be initiated and there will be no bone formation. Instead, the incidence of infections at the site increases, and rejection of the bone replacement product occurs, leading to painful complications and a need for reoperations. Since this can be a common problem in most clinical settings where bone replacement products are needed, there is a growing demand for new innovations that induce the body's own healing process.

## Two areas with unacceptably low success rates

OssDsign is focused on two particularly challenging areas where the success rate is far from acceptable today: cranial and spinal surgeries. To improve clinical outcome for cranial surgery and spinal surgery patient groups, OssDsign has engaged in extensive research and development to create synthetic bone replacement products that support the body's own bone regeneration and healing capabilities even for large and complex defect sites.

### Challenges in cranial surgery

**1 million**

The number of people in the US that suffer from traumatic brain injury each year.

**250 000**

The number of people in the US who are hospitalized and undergo surgery every year.

**~10%**

Share of cranial implants that may have to be removed and replaced, according to medical literature.

### Challenges in spinal surgery

**80%**

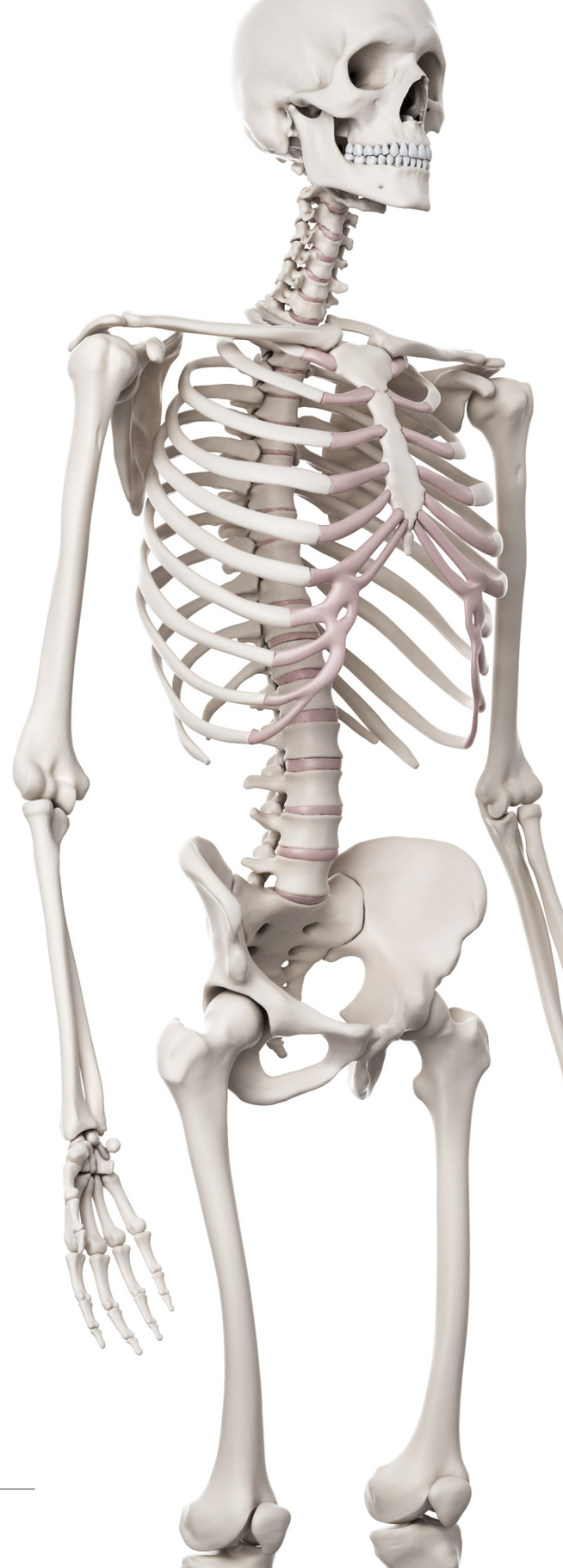
The number of people in the US that will experience low back pain at some point in their lives.

**1.5 million**

The number of instrumented spinal procedures performed each year in the US alone.

**~20%**

Share of spinal fusion surgeries that fail.



# **OssDsign Cranial PSI –** Groundbreaking technology for cranial surgeries

OssDsign Cranial PSI is built on groundbreaking material science that reduces the risk for infection and implant failure in the treatment of cranial bone defects. Multiple studies report infection rates above 10 percent for traditional methods. Updated clinical data for Cranial PSI from 2021 demonstrate that the frequency of infections leading to implant removal was only 1.6% after a median follow-up time of 22 months.

OssDsign Cranial PSI is an implant used for patients who have lost a large part of the cranium. The implant is constructed from 3D printed medical-grade titanium covered by a regenerative calcium phosphate composition. While the titanium skeleton reinforces the implant and resist physical and mechanical stress, the unique calcium phosphate composition provides healing and regenerative properties, allowing regrowth of the patient's own bone. Over time, the calcium phosphate composition is replaced with bone, leaving the patient with a well-integrated implant, potentially lasting a lifetime.

## A stable implant that allows for tissue ingrowth

The most common causes for cranial implant surgery include elevated intracranial pressure and brain swelling due to trauma or stroke, bone defects following head trauma, or bone tumors necessitating removal and reconstruction of the skull. Each implant is 3D printed based on patient-specific CT data, and the resulting titanium mesh is then combined with an outer shell of calcium phosphate composed in a mosaic tile design. The result is a stable implant that allows for tissue ingrowth and vascularization. These osteoconductive properties of OssDsign Cranial PSI have been shown both in extensive pre-clinical and clinical studies.

## Clinical data shows exceptional performance

In December last year, OssDsign announced post marketing surveillance from 1,480 surgeries in 214 hospitals worldwide showing an exceptional performance. Many cranial implant technologies are associated with high rates of costly complications and patient suffering. Multiple studies report infection rates above 10%, of which many implants will need to be removed and replaced. In contrast, the observed rate of explantations due to infections in patients who received OssDsign Cranial PSI was only 1.6% at a median follow-up time of 22 months, implying a far lower need for implant removals.

The results from post-market surveillance studies are consistent with findings from a retrospective clinical study conducted at Karolinska University Hospital in Solna, Sweden. The study examined OssDsign Cranial PSI implants in a complex patient cohort of 53 individuals, of which 64% had previous implant failures. At a median follow up time of 25 months, only 1.9% of the patients had the OssDsign Cranial PSI implant removed due to infection. The study also showed histological evidence of bone generation.

The outcome of OssDsign Cranial PSI procedures continues to be examined by independent researchers. In a recent peer-reviewed scientific paper published in Journal of Neurosurgery, researchers from Uppsala University Hospital concluded that early and sustained osteointegration of OssDsign implants in cranioplasty occurs and should confirm benefits for patients in need of the procedure.

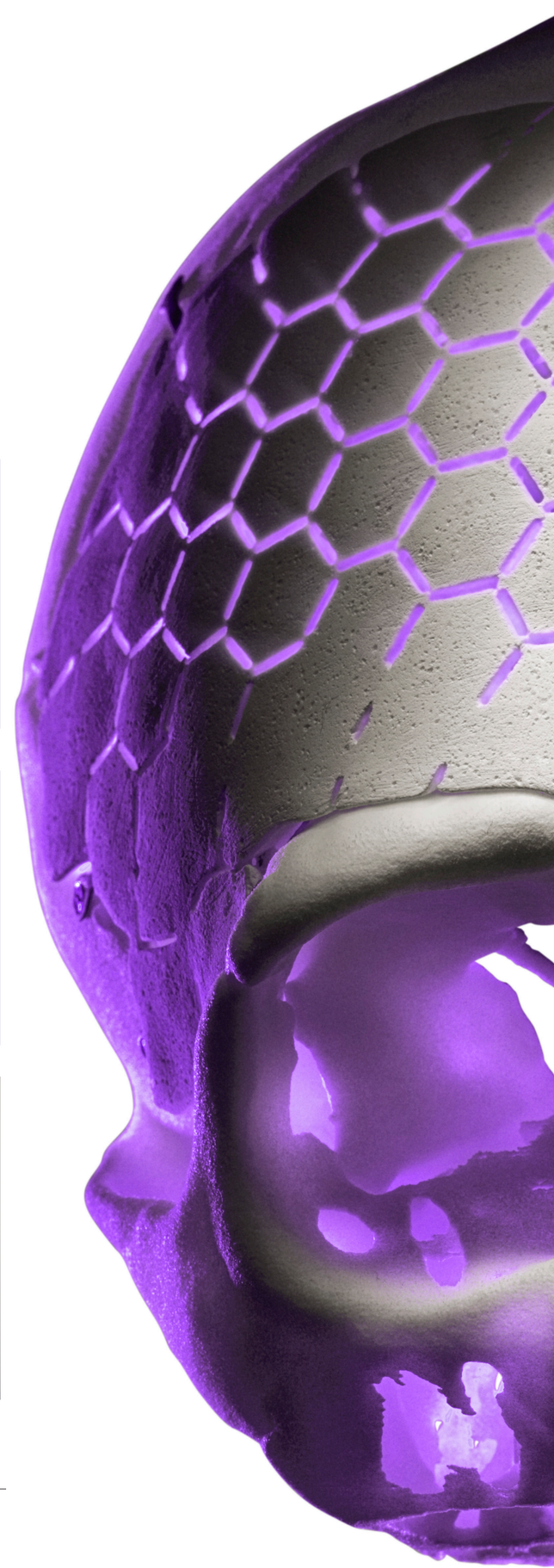
**OssDsign Cranial PSI has received regulatory approval in Europe, US and Japan**

## Commercial advantages

- OssDsign Cranial PSI is the company's landmark product. Apart from its stellar clinical performance, it has enabled long lasting relationships and networks with key institutions and surgeons, which is of importance also in commercial activities related to OssDsign Catalyst.
- Bespoke digital communication and the design platform for surgeons allows for an effective collaboration process from order to delivery that can be scaled globally.

## Benefits of OssDsign Cranial PSI

- There is far lower incidence of implant removal. The observed rate of explantations due to infections in patients who have been treated with OssDsign Cranial PSI is only 1.6%. These observations are based on 1,480 cases in 214 hospitals, which lends further strength to the numbers. As a comparison, multiple studies report infection rates above 10% using traditional technologies.
- The osteoconductive properties of OssDsign Cranial PSI have been shown both in extensive pre-clinical and clinical studies.



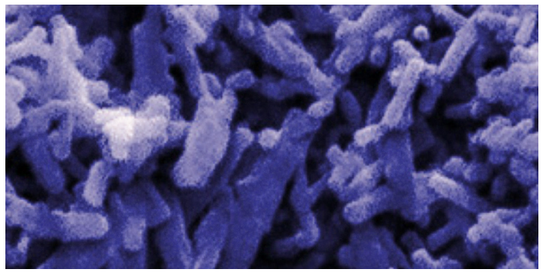
# OssDsign Catalyst
## An off-the-shelf synthetic bone graft

OssDsign Catalyst is a unique and innovative nano-synthetic bone graft with the potential to significantly improve outcomes in spinal fusions. By mimicking the body on a nano level, OssDsign Catalyst creates a favorable bone biology environment.

Spinal fusion permanently connects two or more vertebrae, and the procedure is performed in patients suffering from severe low back pain due to instability or degeneration in the spine. When surgeons perform the procedure, they use a combination of different metal implants to fixate the vertebrae, and bone replacement material to stimulate bone growth between the vertebrae to achieve a lasting fusion. Due to the presence of a relatively large gap between the vertebrae, plus compromised bone biology in many patents, proper fusion is challenging to achieve and one in five patients suffer from poor clinical outcome.

### A favorable bone biology environment

OssDsign Catalyst is an innovative synthetic bone graft composed of a proprietary nanocrystalline structure of calcium phosphate. Like the body's own bone mineral structure, the patented nanocrystalline structure of OssDsign Catalyst provides a favorable bone biology environment for rapid and reliable bone formation. This differs from traditional synthetic materials which are similar to bone at a macro level, rather than on a nano level, leading to a less relevant bone biology response.



### Results that surpass any other synthetic bone graft

OssDsign Catalyst received FDA clearance in 2020 based on preclinical results from the most established and demanding non-clinical model for spinal fusion – the Boden model. OssDsign Catalyst has shown results that surpass any other synthetic bone grafts used in this model – which is highly predictive for clinical outcomes in humans. After 12 weeks, 7 out of 8 fusions were successful and after 26 weeks 8 out of 8 fusions were successful. Comparable marketed synthetic bone grafts only achieved fusion in up to 4 out of 8 cases in the Boden model. Additionally, in several preclinical studies, OssDsign Catalyst has shown potential to stimulate and accelerate the body's own bone formation process.

Having shown a high efficacy rate in the Boden model, OssDsign Catalyst has the potential to improve the success rates of spinal surgeries – a much welcomed development for the millions of patients who require a spinal fusion to regain an active and healthy life.

### Clinical studies to confirm outperformance potential

In October 2021, the first patients in the US were treated with OssDsign Catalyst. During the same period a clinical study (TOP-FUSION) was initiated in 17 patients, evaluating the safety of OssDsign Catalyst and assessing the rate of bone fusion up to 24 months after spinal surgery. Access to early data is expected early in the first half of 2023 and important follow-ups will be performed at 6, 12, 18 and 24 months.

In the beginning of 2022, the multicenter, prospective spinal fusion registry PROPEL was initiated in the US. The registry will, over time, enable evaluation of the use and clinical outcome of OssDsign Catalyst in a real-world setting.

### Commercial advantages

- Since OssDsign has already established itself as an innovative leader among neurosurgeons, the launch of OssDsign Catalyst will follow beaten tracks to become recognized as the new standard of treatment.
- OssDsign Catalyst is a high margin product with great scalability and a large potential in the market for standard procedures, enabling extensive growth.

### Benefits of OssDsign Catalyst

- FDA clearance based on results from the Boden model – the most established and demanding nonclinical model for spinal fusion.
- Superior results in nonclinical testing. After 12 weeks, 7 out of 8 fusions were successful and after 26 weeks 8 out of 8 fusions were successful. Comparable synthetic bone grafts on the market only achieved fusion in 4 out of 8 cases.
- Osteoinductive potential, the ability to stimulate the body's own bone formation process, has been demonstrated in several preclinical studies.


# **Interview:** Melanie Marshall on building robust clinical data

Building clinical data is one of OssDsign's strategic priorities. Melanie Marshall, VP Clinical and Medical Affairs, leads the clinical development programs. She sees clear synergies in OssDsign's product portfolio and is eager to use clinical data to find the next business opportunity.

Melanie Marshall, VP Clinical and Medical Affairs

*"There are clear and powerful synergies between OssDsign Cranial PSI and OssDsign Catalyst. Robust real-world clinical data will serve as a tool to unlock the potential of both of these products."*

**As a recent hire at OssDsign, what attracted you to the company?**
I have a background in clinical research spanning academic institutions to global medtech companies as well as start-ups. I have seen so many medtech companies trying to differentiate their products from what already exists on the market, but most of them do not really add significant value. When I started to learn more about both OssDsign Cranial PSI and OssDsign Catalyst, I became very impressed. These are truly innovative products that make a difference to patients, and this presents a rare opportunity to work with clinically relevant products together with highly engaged colleagues.

**What are your main priorities regarding OssDsign Cranial PSI and OssDsign Catalyst?**
For both Cranial PSI and Catalyst, the focus going forward is on registries. High quality registries will collect real world data that is important both for showing efficacy and robust safety data. Registries also provide directional data that gives us ideas for our product development. There are clear and powerful synergies between Cranial PSI and Catalyst. Robust real-world clinical data will serve as a tool to unlock the potential of both of these products.



**OSSDSIGN** BUSINESS OVERVIEW – CMF

**For OssDsign Catalyst you are running both a premarket clinical trial, TOP FUSION, and a registry, PROPEL: how do these relate to each other?**
TOP FUSION is a first-in-man clinical study, designed to confirm the outstanding spinal fusion already showcased in demanding animal models. The result from the clinical study will be an important piece of information to showcase how OssDsign Catalyst performs in patients in a well-controlled environment. The registry, PROPEL, will complement TOP FUSION by collecting real-world data in more challenging patients that are truly representative of the typical patients surgeons treat. This is a more demanding task, but over time the registry creates even more relevant data for both efficacy and safety.

**Why is it important to continue to collect clinical data in the commercialisation phase?**
Primarily owing to the regulatory requirements – we must continue to follow the performance of our products and collect safety data. But besides the regulatory aspects and the fact that we get new ideas on future development from the registries, a registry is the best way to launch a new product in a controlled way. It shows that OssDsign is focused on evidence, and it strengthens surgeons' confidence in both our products and our processes.

**What feed-back do you get from surgeons with experience from OssDsign's products?**
OssDsign Cranial PSI has proved itself with very strong clinical data. Surgeons talk to each other and since this is such a unique product, they are constantly spreading the word. Surgeons also appreciate the extremely qualified customer service they receive from our team in Uppsala. As the products are patient specific, a close collaboration between the surgeon and the production unit is essential.

When it comes to OssDsign Catalyst, surgeons are attracted by the preclinical results and almost immediately become really interested in the product. Those who try OssDsign Catalyst appreciate the handling. It is easy to apply, and they can directly visualize the result. I often get the comment that if we can confirm our preclinical results with equally robust clinical data, we have a product that could become a game changer.

# **ASCENT25:** OssDsign's strategy for growth

OssDsign has outlined a growth strategy based on five strategic priorities. With a focused execution, the company aims at becoming the preferred partner for surgeons around the world within a few years.

### OssDsign's five strategic priorities

**1 Win in the US**
Disproportionately invest in the US to expand sales coverage and accelerate surgeon engagement and key opinion leader activities.

**2 Build a global bone graft business**
Commercialize OssDsign Catalyst by strong surgeon ambassadorship, portfolio extensions and relevant clinical data.

**3 Innovate the portfolio**
Leverage the existing technology platforms to accelerate new product development. Both OssDsign Cranial PSI and OssDsign Catalyst can be further developed to new innovative products addressing new indications.

**4 Show clinical superiority**
OssDsign will invest in clinical studies and registries, preferably in the US.

**5 Drive operational efficiency**
OssDsign will implement initiatives to deliver scale advantages and cost reductions while building robustness and reducing vulnerability in the company.





# **Market overview –** cranial and spinal surgeries

With an ageing global population and increasing life expectancy in combination with improved orthopedic treatments, the market for advanced orthopedic solutions is projected to grow significantly.

The global population in the age group 60 and above is expected to double from 2020 to 2050, while life expectancy is likely to increase from 73 to 77 years. In combination with continuous improvements of infrastructures used for discovering, performing and financing orthopedic treatments, the market for innovative orthopedic solutions is expected to grow substantially.

### OssDsign Cranial PSI available globally

The addressable global market for OssDsign's cranial implants is estimated to USD 0,4 billion, with a CAGR of approximately 7% between 2021 and 2025. In recent years, OssDsign has established a strong commercial presence in Europe and the US with its landmark innovation OssDsign Cranial PSI. The product is now commercially available in more than ten markets and is being distributed through a direct sales force, distributors, as well as through independent sales agents. In laying the foundation for a successful commercialization, the company has focused on accumulating reliable clinical data, becoming a trusted partner for experienced and influential medical professionals, recruiting and training a knowledgeable sales force, and establishing a wide network of Key Opinion Leaders (KOLs) and recognized distributors.

### OssDsign Catalyst enters the high margin bone graft market

The global addressable market for synthetic bone grafts in spinal surgeries is valued at USD 2.6 billion with an expected CAGR of 7% during 2021–2025. Of the total market, the US market alone is valued at USD 1.8 billion, making it the single largest market in the world for these products. In 2020, OssDsign Catalyst received FDA clearance, and the product was launched in the US in August 2021.

Compared to OssDsign Cranial PSI, OssDsign Catalyst is a higher margin product with great scalability. While sales of OssDsign Cranial PSI will continue to grow steadily in selected markets in the coming years, OssDsign Catalyst has a huge potential in the market for standard procedures, enabling extensive growth. Over time, OssDsign Catalyst will be established as a global product available in all major markets.

**OssDsign Cranial PSI**
**USD 0.4 billion**
Estimation of the addressable global market for OssDsign cranial implants

**7%**
Expected annual market growth

**>70%**
Gross profit for OssDsign Cranial PSI

**OssDsign Catalyst**
**USD 2.6 billion**
Estimation of the addressable global market for OssDsign bone graft

**7%**
Expected annual market growth

**>90%**
Gross profit for OssDsign Catalyst

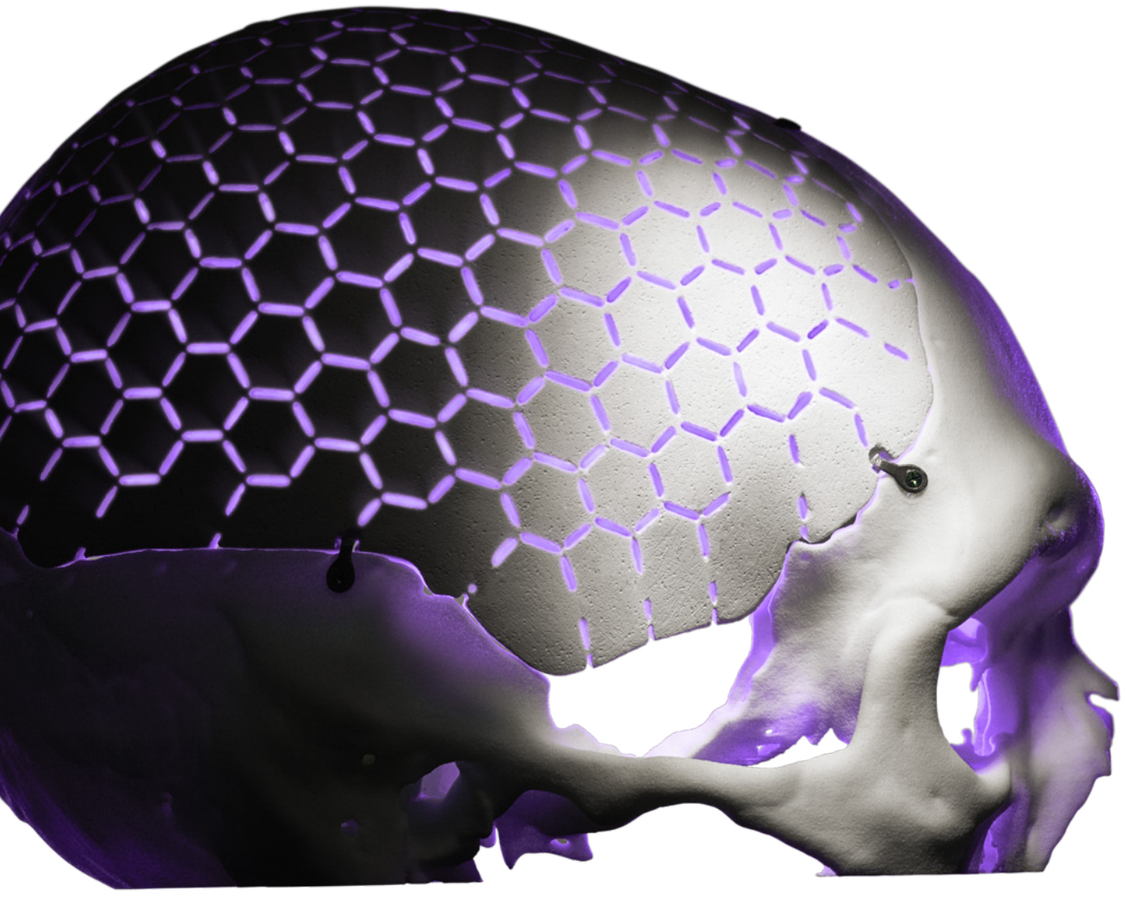
*Source:*
*United Nations: 2019 Revision of World Population Prospects*
*The Orthopaedic Industry Annual Report*
*Craniomaxillofacial Devices Market Size, Share & Trends Analysis By Product (Cranial Flap Fixation, CMF Distraction, TMJ Replacement, Thoracic Fixation), By Material, By Application, And Segment Forecasts, 2019 - 2026*

# **OssDsign** as an investment

### High unmet medical need
Current bone replacements fail to heal a wide range of skeletal defects, leading to poor clinical outcomes. OssDsign is focused on two particularly challenging areas where the success rate is far from acceptable today: cranial and spinal surgeries.

### Next generation bone replacement products
Based on cutting edge material science, OssDsign develops bone replacement products that support the body's own healing capabilities and thereby improve clinical outcome in a wide range of orthopedic areas.

### Extensive growth potential
Addressing a USD 3 billion market that is projected to increase significantly over the coming years, OssDsign has established an ambitious growth strategy.

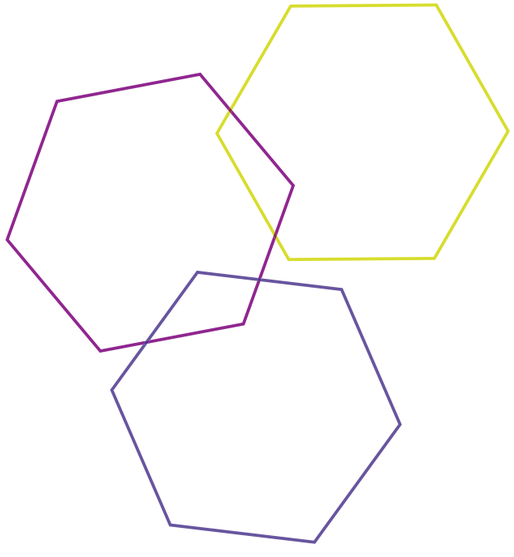


### Exceptional clinical performance
So far, OssDsign has post marketing surveillance data from close to 1,500 patients showing that the rate of explantations of OssDsign Cranial PSI due to infections is only 1.6%, an exceptional performance compared to other cranial implants according to the medical literature. OssDsign Catalyst has shown better results than any other synthetic bone graft in the most demanding animal model, which is highly predictive for the clinical outcome in humans.

### Strong commercial presence
The company has a strong commercial presence in the US, Europe and selected Asian countries, which will be leveraged to drive further growth.

### New innovative products will follow
The two innovative technology platforms behind OssDsign Cranial PSI and OssDsign Catalyst respectively can both be further developed into new and innovative products addressing further indications. Once new products have been developed, these will be marketed and commercialized through OssDsign's global sales and distribution network.

### Ability to deliver results
OssDsign's business strategy Ascent 25 was adopted in early 2021, and OssDsign has already started to deliver on the strategy with, among others, three new contracts in the US market, initiated new clinical studies and registries and published data demonstrating the superiority of the products. The total revenue demonstrated a growth rate of 33% at constant exchange rates compared to last year, and OssDsign ended the year with three quarters in a row exceeding previous sales records.



**OSSDSIGN** BUSINESS OVERVIEW – CO-WORKERS

# **Core values** and co-workers

**OssDsign's vision** is to provide patients with the next generation bone replacement products that support the body's own healing capabilities and thereby improve the clinical outcome in a wide range of orthopedic areas with high medical needs. We are simply committed to give back patients the life they deserve.

## Key figures co-workers

Number of employees
**44**

Women
**19**

Men
**25**

Number in management
**9**

Women:
**4**

Men
**5**

Employees by region

Sweden
**29**

Rest of EU
**8**

US
**7**

Employees by function

Technical operations
**18**

Sales & Marketing
**18**

Admin
**4**

Clinical
**3**

Quality
**1**

## Meet our co-workers

Ghanim Ibrahim
Manager Design Engineering,
Uppsala, Sweden

*"I received an implant when I was 20, during my university years, and I realized what a positive impact implants can have on one's life."*

**Tell us what you do on a daily basis?**
R&D includes work within product development as well as ongoing product care. Pre-studies of new products and evaluation of existing products is part of the daily routine to maintain and improve product quality. I also review all incoming patient design requests for Cranial PSI and create the design with my team. For more complex cases, I organize web-sessions with surgeons to discuss their cases. This is a way to optimize our sense of urgency towards the customer, to build our internal competence and to show the customer what we are capable of.

**What drives you in your work as a Manager/Design Responsible?**
People – both internally and externally. Seeing the company's own staff evolve to the next level with each case we receive and assisting surgeons help patients to achieve normal lives again. It's priceless.

**You started at OssDsign after university. Why did you choose OssDsign?**
I received an implant when I was 20, during my university years, and I realized what a positive impact implants can have on one's life. I decided back then that I would be working in the implant business. So, when it came to choosing a company for my master's thesis, this small start-up within biking distance from my home was a clear choice for someone with no driver's license. Once I was here, I saw the passion the small number of people had, and I had no choice but to dive deep. Sometimes your gut feeling is strong, and this time it was also right.

Erika Pihl
Manufacturing Engineer,
Uppsala, Sweden

*"We follow the implant from start to finish."*

**What does a working day look like for you?**
Very varied. We follow the implant from start to finish. Depending on where in the production flow the implant is, it could be anything from manufacturing, quality control, sterilization, and final packaging.

**What do you like best about your job?**
The variety of tasks. Good collaboration between colleagues and the opportunity to be involved in making life better for other people.

**What do you think of OssDsign as a place to work?**
A pleasant environment with a strong focus on quality and quite exciting with great development opportunities.





Adrienne Schimmel
Regional Sales Manager,
Western US

*"The OssDsign focus is so detailed on each patient which is not common with most medtech companies."*

**Why have you chosen to work at OssDsign?**
I was made aware of the OssDsign technology from my friend and colleague who was OssDsign's first US patient at University of Southern California. It made me feel very confident working for a company that I had real life experience with prior to working for them.

**You have experience from other vendors in the medtech field.**
**How does OssDsign differentiate from your other work experiences?**
OssDsign cares about people. The amount of effort that is put into each bespoke Cranial PSI impresses me every day at work. The OssDsign focus is so detailed on each patient which is not common with most medtech companies.

**OssDsign has a strong focus on the American market.**
**How do you notice it in your work?**
Launching new technology in the US is challenging, but very necessary.
The obstacles we face in the healthcare industry are a huge part of our job.
We seldom have an issue with the end user, but rather the healthcare system as whole.
Unfortunately, the financial loss or gain of a procedure often determines how a patient is treated. We do our best to partner up with healthcare providers who see the unmet need and want to help bring down complication rates.

Chip Hoover
Government Sales Manager,
Asheville, USA

*"The US leadership team and the huge sales potential of launching Catalyst are the reasons I choose to work for OssDsign."*

**What is it like to work for OssDsign in the U.S?**
Our US team works extremely well together. We collaborate on projects making sure our primary focus is the customer and ultimately the patient.

**You have thorough experience from sales in the orthopedic sector.**
**Why did you choose to work for OssDsign?**
The US leadership team and the huge sales potential of launching Catalyst are the reasons I choose to work for OssDsign. Both Catalyst and PSI are unique technologies and bring surgeons better options when treating patients.

**OssDsign has a strong focus on the U.S market.**
**How can you, as a sales manager, contribute to that focus?**
As a sales manager it is my goal to present the clinical benefits of our products to surgeons and distributors so they can make an informed decision when treating their patients. My primary focus is launching Catalyst in the government market. So far, we've conducted over 20 surgeries at military treatment facilities with great feedback from surgeons.

# OssDsign Board of Directors

## SIMON CARTMELL

*Board member and Chairman of the Board since 2016.*

**Born:** 1960
**Education and experience:**
Master of Science in Management and Economics from the University of London, as well as a Fellow from the London Business School Sloan Program, and Bachelor of Science in medical microbiology from the University of Manchester. Simon Cartmell has over 40 years of experience in senior executive and board positions in both private and listed companies in the pharmaceutical, biotech, medtech and diagnostic sectors.
**Other current roles:**
Board positions at Oviva AG, NuvoAir AB, Axis Spine Technology Ltd., MatOrtho Ltd., Route2Advisors Ltd. and Route2Property Ltd..
**Holdings in OssDsign:**
125 000 shares and 407 704 subscription options.

*Simon Cartmell is independent in relation to the company, the company management and the company's major shareholders.*

## ANDERS QVARNSTRÖM

*Board member since 2019.*

**Born:** 1960
**Education and experience:**
Master of Science in Chemical Engineering (with specialization in biochemistry), Royal Institute of Technology, Stockholm. Anders Qvarnström has 34 years international experience from several general management positions in listed and private biotech and medtech companies. He has experience in running a global business and in setting up and running sales and marketing in the EU, Japan, and the US. He has held recent positions as Country Manager for Nilfisk Inc. Japan, Divisional Manager at St. Jude Medical Japan Co., as well as COO for Global Kinetics Corp. in Australia.
**Other current roles:**
Chairman of the Board of iCellate AB
**Holdings in OssDsign:**
55 200 shares and 201 806 subscription options.

*Anders Qvarnström is independent in relation to the company and company management and in relation to the company's major shareholders.*

## HÅKAN ENGQVIST

*Board member since 2016.*

**Born:** 1972
**Education and experience:**
Master of Science and Senior Lecturer in Material Sciences, and Professor in Applied Material Sciences at Uppsala University. Håkan Engqvist has extensive research experience with focus on bioceramic materials as a replacement for hard tissues, as well as on systems for pharmaceutical distribution. Håkan is the primary inventor of the company's product OssDsign Cranial PSI as well as co-founder of OssDsign and has also founded several other companies. Håkan Engqvist has experience from board positions in a number of companies, including both pharmaceutical and medtech companies.
**Other current roles:**
Board member and CEO of Aduro Material AB. Chairman of the board at Psilox AB. Board member at Emplicure AB. Partner of GP Bio Ltd.
**Holdings in OssDsign:**
224 000 shares and 293 555 subscription options.

*Håkan Engqvist is independent in relation to the company and company management and in relation to the company's major shareholders.*

## NEWTON AGUIAR

*Board member since 2019.*

**Born:** 1964
**Education and experience:**
Bachelor of Science in Chemistry from McGill University in 1986 as well as a 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 several public and private companies, including healthcare companies based in Sweden. He has also been Senior Healthcare Advisor in Warburg Pincus as well as partner and Head of Europe for Avista Capital.
**Other current roles:**
Board member of Intervacc AB and Palette Life Sciences AB.
**Holdings in OssDsign:**
99 840 shares and 201 806 subscription options.

*Newton Aguiar is independent in relation to the company and company management and in relation to the company's major shareholders.*

## VIKTOR DRVOTA

*Board member since 2015.*

**Born:** 1965
**Education and experience:** MD, PhD, Associate Professor in Cardiology at Karolinska Institute. Viktor Drvota has over 20 years of experience from venture capital in life sciences. Drvota was manager for life science investments at SEB Venture Capital 2002–2016 and has numerous years of experience from board duties in biotech and medtech companies.
**Other current roles:**
CEO of Karolinska Development AB, chairman of the board at Modus Therapeutics AB, Modus Therapeutics Holding AB, Umecrine Cognition AB and KDev Investments AB. Board member at UC Research AB, Dilafor AB and Dilafor Incentive AB. Deputy board member at Promimic AB and Svenska Vaccinfabriken Produktion AB.
**Holdings in OssDsign:** –

*Viktor Drvota is independent in relation to the company and company management and in relation to the company's major shareholders.*

# OssDsign Management

## MORTEN HENNEVELD

*CEO since 2020.*

**Born:** 1976
**Education and experience:**
Master of Science in international business administration from Copenhagen Business School, Denmark. Morten Henneveld has extensive international experience in the medical device sector. He has previously held positions as Director, Commercial Excellence at Coloplast in 2008–2012, in the US, and in Malmö as Managing Director of Sweden and Regional Vice President, Nordics for Biomet. Subsequently, he served as Vice President, EMEA Spine for Zimmer Biomet in 2012–2016. Most recently, before joining OssDsign as CEO, Morten Henneveld was Senior Vice President, Business Transformation and Strategy for GN Group.
**Other current roles:**
Advisory Board Member at SIME Clinical AI.
**Holdings in OssDsign:**
200 000 shares and 1 712 235 subscription options.

## ANDERS SVENSSON

*CFO since 2021.*

**Born:** 1963
**Education and experience:**
Anders Svensson holds an MBA focused on strategy/finance from Australian Graduate School of Management. He has many years of experience in senior positions that span over multiple industries. Anders Svensson is an experienced Chief Financial Officer with a demonstrated track record from a diverse range of industries including pharmaceuticals, digital sustainability, retail, lighting and electronics manufacturing, banking, management consulting and software development in Sweden and internationally, and has with good merits driven finance departments.
**Other current roles:** –
**Holdings in OssDsign:**
82 915 shares and 428 058 subscription options.

## SOFIA SJÖVALL

*VP Human Resources since 2021.*

**Born:** 1975
**Education and experience:**
Bachelor of Science in Human Resource Development from Uppsala University and several international degrees in Change Management. She has over 15 years of experience from positions within HR and organizational development stemming from senior positions in multiple industries such as St. Jude Medical, the Swedish Cancer Society (Cancerfonden), and Randstad (previously Dfind). Sofia Sjövall holds vast experience from board engagement for the non-profit sector.
**Other current roles:**
Board member of Fremia – non-profit driven employer organization.
**Holdings in OssDsign:**
7 037 shares and 57 074 subscription options.

## ERIC PATERMO

*VP of Sales US since 2020.*

**Born:** 1969
**Education and experience:**
Bachelor of Arts in Economics from Saint Olaf College, Minnesota, United States. Eric Patermo holds more than 25 years of sales and marketing experience in the neurosurgical and orthopedic device sector. Most recently, Eric Patermo served as Vice President of sales for Burst Biologics (Smart Surgical), a biopharmaceutical manufacturer focusing on technologies promoting bone healing. He has previously held various sales management and leadership roles in companies focusing on spine and orthobiologics, including as a primary member of the US commercial team for Apatech Ltd., a British company that successfully sold to Baxter for around USD 330 million in March 2010.
**Other current roles:** –
**Holdings in OssDsign:**
142 686 subscription options.



## KAJSA BJÖRKLUND

*VP Operations and R&D since 2021. Previously Director of Technical Operations since 2018 and Director of Development since 2016.*

**Born:** 1973
**Education and experience:**
PhD in Inorganic Chemistry from Uppsala University. Master of Science in Chemistry from Uppsala University. Executive MBA from Mgruppen Svenska Managementgruppen AB. She has worked in the life science industry since 2001 and has held several positions, including line manager, project manager and consultant within medical technology and in vitro diagnostics. Kajsa Björklund has comprehensive experience in product development, project management, design transfer and quality assurance. Her role as Director Technical Operations includes responsibility for production, product supply, manufacturing technology and product development.
**Other current roles:** –
**Holdings in OssDsign:**
21 600 shares and 167 152 subscription options.

## STEPHANE CORP

*Senior Vice President International Sales & Global Marketing since 2021.*

**Born:** 1972
**Education and experience:**
Degree in Business and Intercultural Negotiation from Kedge Business School (Marseilles, France). Stéphane Corp has more than 20 years of experience in the medical device industry, with particular focus in orthobiologics, orthopedics, reconstructive and plastic surgery, and spinal and neurosurgery, as well as broad international experience from activities across Europe, Latin America, Asia, Middle East and the United States. Stéphane Corp has a proven track record from numerous leadership positions in the medical technology industry. He served as Senior Vice President at Scient'x (now part of Alphatec Spine) and held several senior management roles in the global medical device company Integra Lifesciences, including Vice President EMEA Spine & Orthobiologics, Orthopedics and Tissue Technologies, successively based in France and the US.
**Other current roles:**
Co-founder and Non-Executive Director of Hyprevention.
**Holdings in OssDsign:**
142 686 subscription options.

## TOM BUCKLAND

*VP Strategy and Business Development since 2021.*

**Born:** 1972
**Education and experience:**
PhD in Bioceramics from Queen Mary University of London. Tom Buckland has over 20 years commercial and technical board and senior management experience in medical device companies, including as co-founder of ApaTech Ltd, R&D director at Baxter Inc., Managing Director of NuVasive Ltd., and Chief Executive Officer of SIRAKOSS Ltd.
**Other current roles:**
Entreprenuer-in-Residence, Department of Bioengineering, Imperial College of Science and Technology, London. Head of Commercial Strategy, Orthox Ltd, Oxford UK. Chairman, Additive Instruments Limited, London UK. Founder and Director of Perspective Device Consulting Ltd.
**Holdings in OssDsign:**
85 611 subscription options.

## MELANIE MARSHALL

*VP Clinical & Medical Affairs since 2022.*

**Born:** 1979
**Education and experience:**
Bachelor's Degree in Biology and Psychology from Wheaton College in Norton, MA. Melanie has over 15 years of Clinical and Medical affairs experience in Medical Device Companies serving as the VP of Clinical Affairs at ApaTech Ltd, Director of Clinical Affairs at Baxter as well as holding roles within Boston Scientific, Medtronic and Dana Farber Cancer Institute.
**Other current roles:** –
**Holdings in OssDsign:**
142 686 subscription options.

# The share

OssDsign's share was listed on Nasdaq First North Growth Market in Stockholm on May 24, 2019. At the end of 2021, the total number of OssDsign shares was 57,074,504 and the number of shareholders was approximately 2,400.

**Share capital and ownership**
At the end of 2021, OssDsign's share capital amounted to SEK 3,567,157. All shares have equal voting rights and right to dividend. The company's largest institutional shareholders are SEB Venture Capital (11.6%), Karolinska Development AB (11.0%) and Lancelot Avalon Master (5.7%).

**Dividend policy**
OssDsign is a growth company, and to date no dividend has been distributed to its shareholders. 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.

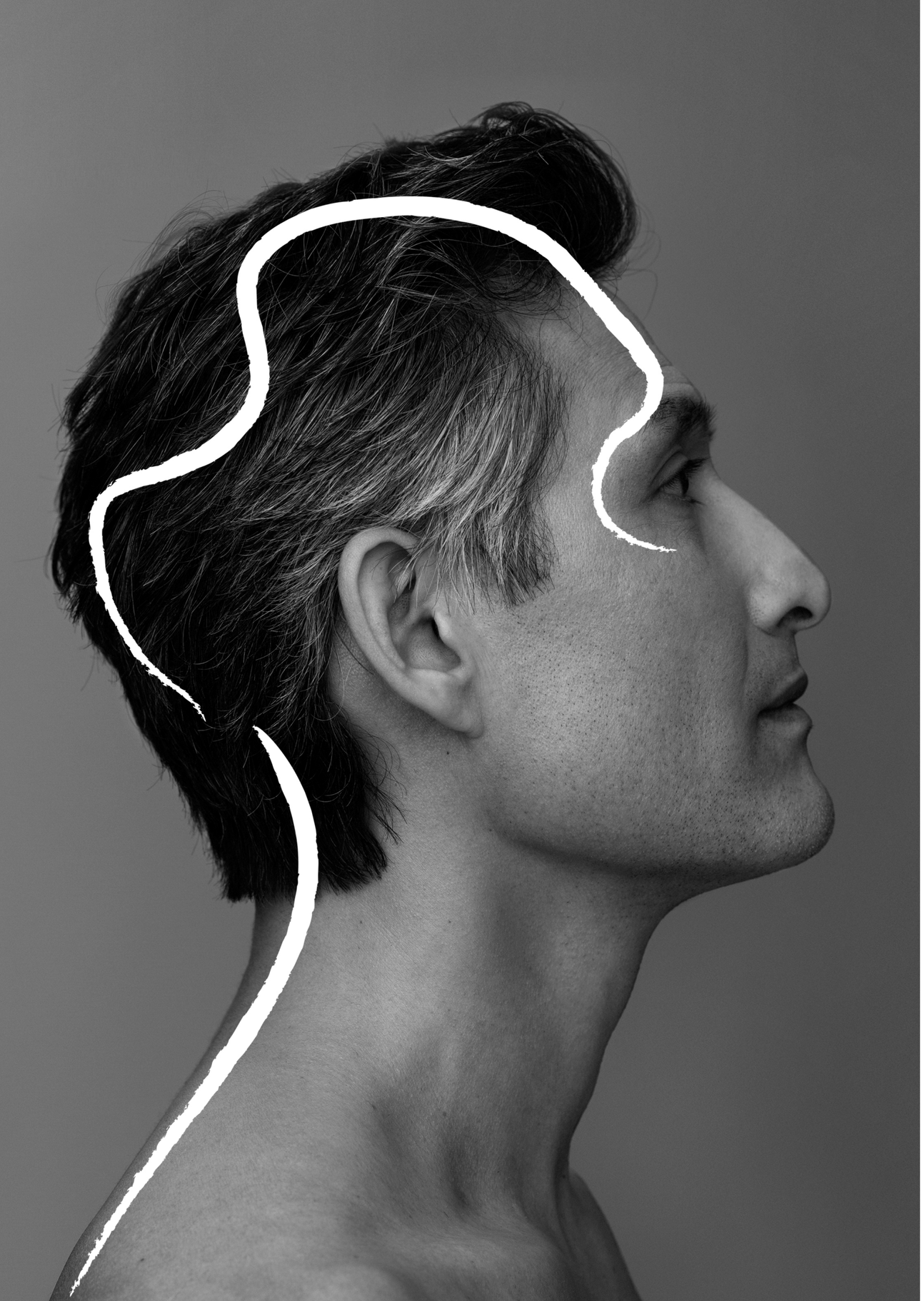
**Largest shareholders on December 31, 2021**

| Shareholder's name | Antal aktier | Ägd andel i % |
|---|---|---|
| SEB Venture Capital | 6 591 279 | 11,5% |
| Karolinska Development AB | 6 273 822 | 11,0% |
| Försäkringsbolaget Avanza Pension | 4 063 046 | 7,1% |
| Lancelot Avalon Master | 3 250 000 | 5,7% |
| Fouriertransform AB | 3 199 726 | 5,6% |
| SEB AB, Luxembourg Branch | 3 082 020 | 5,4% |
| Linc AB | 3 071 510 | 5,4% |
| Nordnet Pensionsförsäkring | 2 037 718 | 3,6% |
| Six Sis AG, W8IMY | 1 924 800 | 3,4% |
| Tamt AB | 1 656 000 | 2,9% |
| Other | 21 924 583 | 38,4% |
| **Total** | **57 074 504** | **100%** |

**Financial Calendar**
*Year-end Report 2021*
February 22, 2022
*Annual Report 2021*
April 28, 2022
*Interim Report Q1 2022*
May 24, 2022
*Annual General Meeting 2022*
June 1, 2022
*Interim Report Q2 2022*
August 23, 2022
*Interim Report Q3 2022*
November 22, 2022

**Share-based incentive programs**
There are five different share-based incentive plans covering employees and consultants, of which four share option plans issued in 2019 and 2021 will expire in 2022 and 2024 respectively, and an employee share option plan (so-called qualified employee stock options) issued in 2019 will expire in 2022.

**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.



# Directors' 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 2021 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.

During 2021 OssDsign has also started the process to expand within orthopedics into orthobiologics, through the 2020 acquisition of the Scottish bonegraft company Sirakoss Ltd, a company that has developed a nanosynthetic bone graft substitute that will give the Group access to the extensive and rapidly growing orthobiologics market. Sirakoss received a 510(k) approval by FDA in 2020, enabling sales of their bone graft substitute on the American market and OssDsign has during 2021 commercialised and launched the product OssDsign Catalyst on the American market.

Bioceramic implants and standard products are manufactured at the new OssDsign site in Uppsala, Sweden. The company currently has regulatory approval in the EU, US, Japan and Singapore and is successfully established in Europe and the US. The company sees continued strong growth potential in the US, not the least for OssDsign Catalyst, 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, where the ceramic products received market approval in 2020.

Successful market initiatives have generated significant interest in the company's products, resulting in significant sales growth in recent years. In both 2020 and 2021, the COVID-19 pandemic has hampered the commercial activities of the company, whom despite this has managed to show good to very good growth across several markets. OssDsign has determined that there is good potential to establish the company's patient-specific and off-the-shelf ceramic implants, as well as for the recently launched bone graft substitute, which is an off-the-shelf product. The company has also identified synergies between the two technology platforms, in terms of both sales and product development.

## Parent company

All development activities are conducted in the parent company. The parent company also provides administrative services to the subsidiaries. Development of the new bone graft substitute continues at Sirakoss in Scotland, with all development being managed through the central R&D department in the parent company.

The parent company is based in Uppsala, Sweden.

## Research & Development Operations

During the second half of 2021, OssDsign has commenced the clinical first-in-man study Top Fusion in Hungary with respect to the synthetic bonegraft OssDsign Catalyst. The study will include 17 patients and primarily evaluates the safety and efficacy of OssDsign Catalyst in patients undergoing spinal fusion surgery, and we expect the first results in the first half of 2023.

The company has also launched PROPEL, a multi-center prospective spinal fusion registry in the US, which will provide access to Real-World Data on OssDsign Catalyst from a large number of patients in real-world settings, measuring patients' quality of life and neurological function.

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. The study is lead by Professor Andreas Thor and has included 20 consecutive patients with planned sinus lifts. Follow-up data after 6 months showed that the calcium phosphate material had resulted in bone formation and firm anchoring of dental implants. The study has now been concluded and follow-up data after 18 months is currently being compiled.

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.

OssDsign is participating as industrial partner in the competence centre "Additive Production for Life Science" (Additiv Tillverkning för Livsvetenskaperna) whose research and development focuses on new techniques for 3D printing as well as modelling and optimisation of various biological processes/medication.

Furthermore, OssDsign is participating as a partner company in the European research consortium NU-SPINE in order to stay updated on the development of new technologies. This also give OssDsign the opportunity to evaluate how the company's technology platform could potentially be used in spine applications.

# Important Events during the financial year

## Group

### New clinical data from 1,055 cranioplasty procedures with OssDsign Cranial PSI continued to show class-leading low complication rates

In January, OssDsign announced that the use of OssDsign Cranial PSI in 1,055 cases of cranioplasty and cranial reconstructions, after a median follow-up time of 21 months, showed that the rate of infections leading to implant removal was 2.1%. This is consistent with the low levels previously presented. All data were collected as part of post-market surveillance of product performance in Europe, US and selected Asian markets.

### Updated strategy and new financial ambitions to support growth, value creation and innovation

In March, OssDsign launched a new strategy, ASCENT 25, that comprises five key priorities. OssDsign concomitantly revised its long-term financial ambition and set the financial ambitions to grow net sales to SEK 300-400 million in 2025 and become cash flow positive from operations in 2024.

### Anders Svensson joined as Chief Financial Officer

In March, OssDsign announced that the Company's current interim CFO, Anders Svensson, would take on the role permanently. Prior to joining OssDsign, Anders served as CFO for both Bluefish Pharmaceuticals and Aura Light, as well as CEO for Aura Light's US business.

### OssDsign raised SEK 270 million

In May, OssDsign announced that the share issue with preferential rights for the company's existing shareholders of approximately SEK 240 million was oversubscribed. Due to strong demand, the Board of Directors resolved to carry out a directed issue with deviation from the shareholders' preferential rights of approximately SEK 30 million. Shares in this Over-allotment Option were allotted to strategic and institutional investors.

### New data showed that OssDsign's innovative synthetic bone graft outperforms a comparable device

In June, OssDsign announced that OssDsign Catalyst had been evaluated in a preclinical study examining bone formation and function in the FDA preferred animal model for spine fusion. The results demonstrated that OssDsign Catalyst induced rapid and reliable bone formation and that successful fusion was achieved in 100% of the studied subjects at 26 weeks, compared to 60% in the group where a comparable market-cleared device was used.

### OssDsign's Management and Board of Directors increase their long-term commitment through acquisition of warrants

In July, Management and Board of Directors acquired 3.8m warrants under the 2021/2024 long term incentive program for a total amount of approximately SEK 1.3 million.

### OssDsign awarded group purchasing agreement with Premier Inc.

In July, OssDsign was awarded a group purchasing agreement for 3D Medical Printing Products and Accessories with Premier Inc. The agreement allows Premier members, at their discretion, to take advantage of special pricing and term pre-negotiated by Premier for OssDsign's cranial reconstructive solutions. Premier is a healthcare improvement company uniting an alliance of approximately 4,100 US hospitals and health systems and more than 200 000 other providers and organizations.

### OssDsign partnered with Red One Medical

In August, OssDsign entered into an agreement with Red One Medical, a private sector scout of medical innovation for the US Department of Veterans Affairs and Department of Defense. Through the Distribution and Pricing Agreement, American veterans and active military staff will have access to OssDsign's innovative products for the treatment of patients who have suffered from cranial or spinal bone defects

### First patient included in clinical study of OssDsign Catalyst

In September, the first patient was included in the clinical study TOP FUSION to investigate the long-term safety and efficacy of the synthetic bone graft OssDsign Catalyst in patients undergoing spinal fusion surgery. The study is conducted at the National Center for Spinal Disorders under the leadership of Dr Péter Pál Varga and Dr Áron Lazary.

### New Senior Vice President international sales & global marketing

In September, OssDsign announced that Stéphane Corp had been recruited to OssDsign's senior management team. Stéphane Corp has responsibility for the company's international sales activities and global marketing.

### OssDsign received expanded FDA market clearance for OssDsign Cranial PSI

In October, OssDsign received an expanded market clearance from the FDA in the US. The clearance highlights the osteoconductive properties of OssDsign's patented calcium phosphate composition to be resorbed and replaced with bone tissue. OssDsign Cranial PSI is the first cranioplasty product on the US market able to claim osteoconductive properties, thus putting OssDsign in a unique position.

### First patients in the US treated with OssDsign Catalyst

In October, OssDsign announced that the first patients in the US had been treated with OssDsign Catalyst, which received market clearance from the FDA in 2020 and was launched on the US market in August 2021.

### Post-market surveillance showed continued low complication rates with OssDsign Cranial PSI

In December, OssDsign announced that the post-market surveillance data, based on 1,480 surgeries, showed that the frequency of infections leading to implant removal was 1.6% after a median follow-up time of 22 months. This positive outcome exceeded what has been observed in previous follow-ups.

### OssDsign received Innovative Technology contract from Vizient for OssDsign Cranial PSI

In December, OssDsign received an Innovative Technology contract for the patient-specific cranial implant OssDsign Cranial PSI from Vizient Inc. – the largest member-driven health care performance improvement company in the US.

# Important Events after the financial year

## OssDsign receives approval to establish a clinical registry in the U.S. to collect real-world data on OssDsign Catalyst

In January, the Western Institutional Review Board (WIRB), one of the largest institutional research review organizations in the U.S., approved the OssDsign's application to establish PROPEL, a multi-centre, prospective spinal fusion registry, providing opportunity to study real-world data from patients who have been treated with OssDsign Catalyst.

## OssDsign steps up ambition to generate further clinical evidence for its bone replacement products through key recruitment

In February, OssDsign recruited Melanie Marshall to a new position as Vice President Clinical & Medical Affairs. This is an important step in the strategic ambition to accelerate data collection and publication of clinical evidence for the company's innovative bone replacement products, OssDsign Cranial PSI and OssDsign Catalyst. Melanie Marshall has a wealth of experience from senior positions at global medtech companies, such as Boston Scientific, Apatech/Baxter and Medtronic.

## OssDsign signs long-term contract with the largest hospital network in France to deliver unique patient specific cranial technology

In March 22, OssDsign was awarded a long-term contract to deliver OssDsign Cranial PSI to the largest hospital network in France, Assistance Publique – Hôpitaux de Paris (AP-HP). Following competitive procurement rounds, OssDsign has been selected as one of two suppliers and will deliver its innovative cranioplasty product from April 1, 2022, until October 31, 2025.

# Significant risks and uncertainties

## Risks related to COVID-19

OssDsign has, as many other companies, been affected by the situation concerning the spread of COVID-19. This has primarily affected the possibility to acquire new customers for the company's cranial implants but has also affected the launch of the company's new bone graft substitute, OssDsign Catalyst, in the US. Furthermore, the spread of COVID-19 has restricted the company's possibilities to visit existing customers at hospitals, which to varying degrees has also been affected by delays and temporary downsizing of operations in which the company's implants are used. This is due to the prioritisations which may be needed in order to release resources within the healthcare system.

The development of COVID-19 has led to a reduced order inflow during the first half of 2021, as well as towards the end of the year, due to personnel shortages caused by the Omikron variant. Those negative effects have continued into the first quarter of 2022. OssDsign is regularly monitoring the effects of COVID-19, conservatively predicting that the worst is now behind us, although most of the pandemic developments to date have proven difficult to predict.
Risks related to COVID-19 should still be taken into account, not the least as those risks have continued to affect OssDsign negatively in 2022. Should those risks continue to realise, the potential negative impact on the Group is high, which has also been considered in the scenarios that underpin the financial and operational plan for 2022 and beyond.

## 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.

## Dependence on key personnel

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 recruitment, 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 are/will be on the market.
At the previous year-end, the Board did not consider the cash position to be sufficient to secure operations at least 12 months forward, or to realise the company's business plan. Hence a rights issue was executed in May 2021, including an overallotment option, which combined generated approximately SEK 270 million, before deduction of transaction costs.

## Sustainability

OssDsign is currently in a phase of rapid growth which presents tremendous opportunities whilst also posing some challenges, especially with respect to personnel and work environment. In order to deliver quality in a period of rapid growth, OssDsign's sustainability efforts therefore revolve around personnel, primarily in terms of work environment, capacity, equality, turnover and sick leave.

To accommodate increasing production volumes, customer requirements and the Group work environment objectives, OssDsign moved into new facilities around year-end 2020. The new facilities are considerably more spacious, brighter, more comfortable and better adapted to both current and perceived future needs, which constitutes a tremendous work environment improvement.
Staff numbers are increased continuously, especially in production, and boosted by external consultants when necessary, in order to remain ahead from a capacity perspective. Continuous review of production processes and increased automation are other activities used to ensure adequate capacity.
The Group has a clear policy for equality and equal treatment and against discrimination of any kind, which has proven successful in realising the benefits of diversity. This has lead to a positive spread in the work force age range with an average number of employees of 44 in 2020 distributed over 57% men and 43% women. Staff turnover is monitored closely and is reassuringly low in the Group. Having said that, 2021 has been a transformation year with several positions being replaced and new ones added, in the executive management team as well as throughout the group.

As a pre-emptive measure, registered overtime hours and sick leave are parameters under scrutiny, where overtime hours tend to concentrate to a few individuals. Overtime hours are compensated with time off in 85% of cases, in order to minimise the risk of overload and subsequent sick leave. Similarly, sick leave also concentrates to a few individuals. Our one (1) long term sick leave reported in 2020 has continued throughout most of 2021 but ceased as of 1st December. The total number for 2021 is limited to 2.7%, despite having had another year of COVID-19 impact.

OssDsign's sustainability efforts are also subject to growth and development. During the year employee surveys are completed regularly in order to gauge and improve the work environment, as well as follow up on measures taken to date. This helps the company understand the efficiency of corrective actions and enables calibration and improvement going forward.
In terms of external environment focus, OssDsign has an environmental policy and quality targets which ensure process monitoring and improvements, especially in production, with the aim to minimise the Group's environmental footprint over time.

## Ownership

At year-end, there were approximately 2,400 shareholders in OssDsign AB, of which the seven largest owned more than 5% each and accounted for approximately 50% of the capital and votes. The total number of shares amounts to 57,074,504 divided into one class of shares. The largest owners as of December 31, 2021 are SEB Venture Capital (11.6%), Karolinska Development AB (11.0%) and Lancelot Avalon Master (5.7%). There are currently five active incentive programs in the Group. On December 31, 2021, the programs included a maximum of 4,820,987 warrants and qualified employee stock options. For full information on the program, please refer to the company's website and Note 7 Share-related remuneration.

| Name | Number of shares | Owned share in % |
|---|---|---|
| SEB Venture Capital | 6 591 279 | 11,5% |
| Karolinska Development AB | 6 273 822 | 11,0% |
| Försäkringsbolaget Avanza Pension | 4 063 046 | 7,1% |
| Lancelot Avalon Master | 3 250 000 | 5,7% |
| Fouriertransform AB | 3 199 726 | 5,6% |
| SEB AB, Luxembourg Branch | 3 082 020 | 5,4% |
| Linc AB | 3 071 510 | 5,4% |
| Nordnet Pensionsförsäkring | 2 037 718 | 3,6% |
| Six Sis AG, W8IMY | 1 924 800 | 3,4% |
| Tamt AB | 1 656 000 | 2,9% |
| Other | 21 924 583 | 38,4% |
| **Total** | **57 074 504** | **100%** |

## Four-year-trends Group

| *SEK 000'* | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Net sales | 31 726 | 24 872 | 16 873 | 13 264 |
| Operating result | -89 650 | -83 934 | -83 526 | -50 145 |
| Result after financial items | -94 077 | -83 542 | -83 752 | -55 861 |
| Balance sheet total | 343 986 | 246 650 | 153 267 | 71 682 |
| Equity ratio | 76% | 45% | 88% | 63% |
| Numbers of employees | 44 | 44 | 36 | 27 |

## Four-year-trends parent Company

| *SEK 000'* | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Net sales | 31 135 | 24 373 | 17 333 | 13 264 |
| Operating result | -85 572 | -81 244 | -82 880 | -56 069 |
| Result after financial items | -89 597 | -81 616 | -83 026 | -61 563 |
| Balance sheet total | 307 765 | 202 297 | 122 406 | 40 044 |
| Equity ratio | 79% | 43% | 88% | 47% |
| Numbers of employees | 29 | 34 | 26 | 23 |

*For definition of key figures, see Note 34.*

# Financial position and development

## Net Sales

The OssDsign group Net sales for the full year of 2021 amounted to TSEK 31,726 (24,872), which corresponds to an increase of 33% in constant currency terms, as compared to the full year of 2020. In the same period the parent company Net sales amounted to TSEK 31,135 (24,374). Sales for the full year of 2021 continued to suffer from COVID-19 related effects yet managed to post a healthy growth. Quarter on quarter growth across several markets, with the main growth markets being the US and France. We were also heading for a very good growth in Germany but this was somewhat curtailed in Q4 due to the Omikron spread, albeit still positive for the full year.

## Operating result and Net financial items

Operating loss for the period January – December 2021 amounted to TSEK 89,255 (83,934). Other operating income has had a positive impact on the result, largely due to exchange rate gains. Operating expenses have increased vs previous year as a result of the added run rate from Sirakoss operations taking full-year effect in 2021, as well as the added cost level reached through the restructuring activities that commenced in the second half of 2020 also taking full year effect in 2021. Additional personnel resources and higher activity level towards the end of the year also contributed to the opex increase and hence also to the increased operating loss. Furthermore, the Sirakoss patents have increased the amortisation of intangible assets which impacted negatively on the 2021 operating profit. The development of Other operating expenses has contributed positively to the Operating result due to a reduction in the provision for contingent consideration related to the Sirakoss acquisition. Net financial items, on the other hand, have been affected negatively as the Sirakoss acquisition related deferred cash compensation actually paid in 2021 exceeded the relevant discounted provision, where the deviation was attributable to the discounting.

## Cash Flow, Investments and financial position

At the beginning of the period, cash and cash equivalents amounted to TSEK 49,403 and at the end of the period they were TSEK 151,366. Cash flow from operating activities amounted to TSEK –89,629 (-79,097). The total cash flow for the period was TSEK 101,791 (-63,592), positively driven by the new share issue but also with a large negative impact from the two unconditional deferred cash considerations related to the Sirakoss acquisition. Investments in tangible fixed assets amounted to only TSEK -57 (-2,496). No further investments were made in the period.

# Proposed disposition of the Parent Company's profit or loss

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

| | |
|---|---|
| Share premium | 688 684 |
| Retained earnings from previous years | -360 249 |
| Profit for the year | -89 597 |
| | **238 838** |

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

| | |
|---|---|
| | 86 374 |
| | **86 374** |

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 | 2021 | 2020 |
|---|---|---|---|
| *Operating income* | | | |
| Net sales | 2 | 31 726 | 24 872 |
| Other operating income / Other income | 2 | 5 060 | 1 298 |
| Change of inventory items during manufacture, finished goods and work in progress on behalf of others | | -936 | 606 |
| | | **35 850** | **26 777** |
| Raw materials and consumables/Cost of material | | -9 947 | -9 477 |
| Other external expenses | 3, 4 | -46 028 | -38 471 |
| Personnel costs | 5, 6, 7 | -58 059 | -53 290 |
| Depreciation, amortisation and impairment of tangible and intangible fixed assets/non-financial assets | 12, 13, 15, 16, 17 | -9 733 | -6 580 |
| Other operating expenses/Other expenses | | -1 784 | -2 892 |
| **Total operating cost** | | **-125 552** | **-110 711** |
| **Operating profit** | | **-89 702** | **-83 934** |
| *Profit from financial items* | | | |
| Financial income | | 1 | – |
| Financial cost | 8, 9 | -4 428 | -608 |
| **Profit after financial items** | | **-94 130** | **-84 542** |
| Tax expense | 10 | 211 | -48 |
| **Profit for the year** | | **-93 918** | **-84 590** |
| *Earnings per share* | 11 | | |
| Basic earnings per share, SEK | | **-1,9** | **-4,4** |

# Consolidated statement of comprehensive income

| *SEK 000'* | 2021 | 2020 |
|---|---|---|
| **Profit/loss for the period** | **-93 918** | **-84 590** |
| **Other comprehensive income** | | |
| Items that have been transferred or can be transferred to the profit for the year | 303 | -52 |
| **Other income for the year** | **303** | **-52** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **-93 615** | **-84 642** |
| Parent Company's shareholders | -93 615 | **-84 642** |

# Consolidated balance sheet

| *SEK 000'* | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| ASSETS | | | |
| | | | |
| *Fixed assets* | | | |
| Intangible fixed assets | | | |
| Balanced development work and similar work | 12 | 19 961 | 23 149 |
| Patent | 13 | 24 950 | 27 722 |
| Goodwill | 14 | 114 916 | 114 916 |
| **Total intangible fixed assets** | | **159 826** | **165 786** |
| | | | |
| Tangible fixed assets | | | |
| Leasehold improvements | 15 | 157 | 199 |
| Fixed assets | 16 | 2 188 | 3 284 |
| Access rights Assets | 17 | 12 005 | 14 533 |
| **Total tangible fixed assets** | | **14 349** | **18 016** |
| | | | |
| Other long-term receivables | 20 | 2 371 | 2 365 |
| **Total financial fixed assets** | | **2 371** | **2 365** |
| **Total fixed assets** | | **176 546** | **186 168** |
| | | | |
| *Current assets* | | | |
| Inventories | | | |
| Raw materials and consumables | | 1 448 | 694 |
| Goods in production | | 213 | 202 |
| Finished goods and merchandise | | 464 | 1 155 |
| **Total inventories** | | **2 125** | **2 051** |
| | | | |
| Receivables | 18 | | |
| Current receivables | 22 | 8 637 | 6 247 |
| Current tax claim | 10 | 18 | 313 |
| Other receivables | 23 | 1 956 | 1 359 |
| Prepaid expenses and other accrued income | 24 | 3 338 | 1 109 |
| Cash equivalents | 25 | 151 366 | 49 403 |
| **Total receivables** | | **165 314** | **58 431** |
| **Total current assets** | | **167 439** | **60 482** |
| **TOTAL ASSETS** | | **343 986** | **246 650** |

# Consolidated balance sheet, cont

| *SEK 000'* | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| SHAREHOLDER EQUITY AND LIABILITIES | | | |
| | | | |
| *Equity* | 26 | | |
| Share capital | | 3 567 | 1 385 |
| Other contributed capital | | 597 466 | 355 449 |
| Reserves | | 286 | -17 |
| Retained earnings including profit for the year | | -338 597 | -244 749 |
| **Total Equity** | | **262 722** | **112 068** |
| | | | |
| *Longterm liabilities* | 9, 18, 21 | | |
| Liabilities to credit institutions | | 1 241 | 1 754 |
| Lease liabilities | 17 | 9 994 | 12 244 |
| Deferred tax liabilities | 21 | 4 740 | 5 267 |
| Other liabilities | 28 | 44 394 | 46 347 |
| **Total Longterm liabilities** | | **60 369** | **65 612** |
| | | | |
| *Current liabilities* | 9 | | |
| Liabilities to credit institutions | | 646 | 873 |
| Accounts payable | | 4 564 | 2 851 |
| Lease liabilities | 17 | 2 251 | 2 367 |
| Other liabilities | 28 | 1 435 | 48 804 |
| Accrued expenses and deferred income | 29 | 12 001 | 14 073 |
| **Total current liabilities** | | **20 896** | **68 969** |
| **Total liabilities** | | **81 264** | **134 582** |
| TOTAL EQUITY AND LIABILITIES | | **343 986** | **246 650** |

# 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 2020-01-01 | 26 | 1 108 | – | 294 467 | 35 | -160 335 | 135 275 |
| Profit/loss for the year | | – | – | – | - | -84 590 | -84 590 |
| Other comprehensive income | | – | – | – | -52 | – | -52 |
| **Total comprehensive income** | | **–** | **–** | **–** | **-52** | **-84 590** | **-84 642** |
| *Transactions with shareholders* | | | | | | | |
| Redeemed convertibles | | - | – | – | – | 176 | 176 |
| New share issue | | 277 | – | 64 892 | – | – | 65 169 |
| Issue expenses | | - | – | -3 910 | – | – | -3 910 |
| **Total transactions with shareholders** | | **277** | **-** | **60 982** | **–** | **176** | **61 435** |
| CLOSING BALANCE 2020-12-31 | | 1 385 | - | 355 449 | -17 | -244 749 | 112 068 |
| OPENING BALANCE 2021-01-01 | | 1 385 | – | 355 449 | -17 | -244 749 | 112 068 |
| Profit/loss for the year | | – | – | – | – | -93 918 | -93 918 |
| Other comprehensive income | | – | – | – | 303 | – | 303 |
| **Total comprehensive income** | | **–** | **–** | **–** | **303** | **-93 918** | **-93 616** |
| *Transactions with shareholders* | | | | | | | |
| Warrant programmes | | – | – | – | – | 70 | 70 |
| New share issue | | 2 182 | – | 269 474 | – | – | 271 656 |
| Issue expenses | | – | – | -27 457 | – | – | -27 457 |
| **Total transactions with shareholders** | | **2 182** | **–** | **242 017** | **–** | **70** | **244 269** |
| CLOSING BALANCE 2021-12-31 | 26 | 3 567 | 0 | 597 466 | 286 | -338 597 | 262 722 |



# Consolidated statement of cash flows

| *SEK 000'* | Not | 2021 | 2020 |
|---|---|---|---|
| *Operating Activities* | | | |
| Profit after financial items | | -94 130 | -84 542 |
| Noncash adjustments | 33 | 9 492 | 4 022 |
| Income tax paid | | -51 | -700 |
| **Cash flow from operating activities before change in working capital** | | **-84 689** | **-81 220** |
| **Change in working capital** | | | |
| Change in inventory | | 22 | -470 |
| Change in receivables | | -4 386 | -457 |
| Change in liabilities | | -731 | 3 049 |
| **Net cash flow from operating activities** | | **-89 784** | **-79 097** |
| **Cash flow from operating activities** | | **-89 784** | **-79 097** |
| *Investment activities* | | | |
| Acquisition of tangible fixed assets | 16 | -57 | -2 496 |
| Acquisition of shares in subsidiaries, after deductions for cash and cash equivalents | 28, 35 | -51 796 | -15 177 |
| **Cash flow from investment activities** | | **-51 853** | **-17 673** |
| *Cash flow from financing activities* | | | |
| New rights issue | 26 | 270 537 | 65 169 |
| Issue cost | | -27 457 | -3 910 |
| Warrants | | 1 119 | – |
| Rent deposit | 20 | – | -2 314 |
| Borrowings | | 158 | – |
| Repayment of loans | 9 | -929 | -25 766 |
| **Cash flow from financing activities** | | **243 428** | **33 178** |
| **Cash flow for the year** | | **101 791** | **-63 592** |
| Cash equivalents at the beginning of the year | | 49 403 | 113 540 |
| Exchange rate difference in cash and cash equivalents | | 173 | -545 |
| **CASH EQUIVALENTS AT THE END OF THE YEAR** | | **151 366** | **49 403** |
| **CASH AND CASH EQUIVALENTS FROM REMAINING ACTIVITIES** | | **151 366** | **49 403** |
| *Cash flow for the period regarding interest* | | | |
| Paid interest | | 40 | 386 |

# Income statement, parent company

| *SEK 000'* | Note | 2021 | 2020 |
|---|---|---|---|
| *Operating income* | | | |
| Net sales | 2 | 31 135 | 24 373 |
| Change of inventory items during manufacture, finished goods and work in progress on behalf of others | | -477 | 536 |
| Other operating income / Other income | 2 | 5 060 | 73 |
| **Total operating income** | | **35 718** | **24 982** |
| | | | |
| Raw materials and consumables/Cost of material | | -8 014 | -10 580 |
| Other external expenses | 3, 4 | -72 512 | -58 497 |
| Personnel costs | 5, 6, 7 | -38 361 | -35 887 |
| Depreciation of tangible fixed assets | 12, 16, 17 | -1 140 | -922 |
| Other operating expenses | | -1 290 | -340 |
| **Total operating cost** | | **-121 317** | **-106 226** |
| **Operating profit** | | **-85 599** | **-81 244** |
| | | | |
| *Profit from financial items* | | | |
| Interest income and similar items | | 1 | 353 |
| Interest cost and similar items | 8 | -4 026 | -372 |
| **Profit after financial items** | | **-89 624** | **-81 616** |
| | | | |
| Tax expense | 10 | – | -26 |
| **PROFIT FOR THE YEAR** | | **-89 624** | **-81 641** |

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



# Balance sheet, parent company

| *SEK 000'* | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| ASSETS | | | |
| | | | |
| *Fixed assets* | | | |
| Tangible fixed assets | | | |
| Leasehold improvements | 15 | 157 | 199 |
| Fixtures, tools and installations | 16 | 2 146 | 3 186 |
| **Total fixed assets** | | **2 303** | **3 385** |
| | | | |
| Financial fixed assets | | | |
| Shares in Group companies | 19 | 137 687 | 137 687 |
| Other long-term receivables | 20 | 2 314 | 2 314 |
| **Total financial fixed assets** | | **140 002** | **140 002** |
| **Total fixed assets** | | **142 304** | **143 387** |
| | | | |
| *Current assets* | | | |
| Inventories | | | |
| Raw materials and consumables | | 1 326 | 694 |
| Goods in production | | 212 | 202 |
| Finished goods and merchandise | | 389 | 877 |
| **Total inventories** | | **1 928** | **1 773** |
| | | | |
| Receivables | | | |
| Current receivables | 22 | 1 991 | 2 333 |
| Receivables from group companies | | 8 293 | 3 548 |
| Current tax claim | 10 | 66 | 977 |
| Other receivables | 23 | 1 871 | 1 229 |
| Prepaid expenses and other accrued income | 24 | 2 977 | 956 |
| **Total receivables** | | **15 198** | **9 044** |
| | | | |
| Cash equivalents | 25 | **148 335** | **48 093** |
| **Total current assets** | | **165 460** | **58 910** |
| **TOTAL ASSETS** | | **307 765** | **202 297** |

# Balance sheet, parent company, cont

| *SEK 000'* | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| SHAREHOLDER EQUITY AND LIABILITIES | | | |
| *Equity* | 26 | | |
| **Restricted equity** | | | |
| Share capital | | 3 567 | 1 385 |
| | | **3 567** | **1 385** |
| *Non-restricted equity* | 37 | | |
| Share premium | | 688 684 | 447 786 |
| Retained earnings | | -360 249 | -279 770 |
| Profit/loss for the year | | -89 597 | -81 641 |
| | | **238 838** | **86 374** |
| **Total equity** | | **242 405** | **87 759** |
| *Provisions* | | | |
| Other provisions | 27 | 44 394 | 94 162 |
| **Total provisions** | | **44 394** | **94 162** |
| *Long-term liabilities* | | | |
| Liabilities to credit institutions | | 1 241 | 1 754 |
| **Total long-term liabilities** | | **1 241** | **1 754** |
| *Current liabilities* | | | |
| Liabilities to group companies | | 513 | 513 |
| Liabilities to credit institutions | | 4 208 | 2 772 |
| Accounts payable | | 3 736 | 2 274 |
| Current tax liabilities | 10 | – | – |
| Other current liabilities | 28 | 1 348 | 823 |
| Accrued expenses and deferred income | 29 | 9 919 | 12 239 |
| **Total current liabilities** | | **19 725** | **18 621** |
| **Total liabilities** | | **20 966** | **20 375** |
| **TOTAL EQUITY AND LIABILITIES** | | **307 765** | **202 297** |

# Change in shareholder's equity, parent company

| *SEK 000'* | Not | Share capital | Share premium | Profit (loss) brought forward | Profit/Loss for the year | Total equity |
|---|---|---|---|---|---|---|
| **OPENING BALANCE 2020-01-01** | 26 | **1 108** | **386 804** | **-196 920** | **-83 026** | **107 966** |
| Reversal of previous year's result | | – | – | -83 026 | 83 026 | – |
| Redeemed convertibles | | – | – | 176 | – | 176 |
| New share issue | | 277 | 64 892 | – | – | 65 169 |
| Issue expenses | | – | -3 910 | – | – | -3 910 |
| Profit/loss for the year | | – | – | – | -81 641 | -81 841 |
| **CLOSING BALANCE 2020-12-31** | | **1 385** | **447 786** | **-279 770** | **-81 641** | **87 759** |
| **OPENING BALANCE 2021-01-01** | | **1 385** | **447 786** | **-279 770** | **-81 641** | **87 759** |
| Reversal of previous year's result | | – | – | -81 641 | 84 641 | – |
| Warrant programmes | | – | – | 1 189 | – | 1 189 |
| New share issue | | 2 182 | 268 356 | – | – | 270 537 |
| Issue expenses | | – | -27 457 | – | – | -27 457 |
| Profit/loss for the year | | – | – | – | -89 624 | -89 624 |
| **CLOSING BALANCE 2021-12-31** | 26 | **3 567** | **688 684** | **-360 223** | **-89 624** | **242 405** |

# Statement of cash flows, parent company

| *SEK 000'* | Note | 2021 | 2020 |
|---|---|---|---|
| *Operating activities* | | | |
| Profit after financial items | | -89 624 | -81 616 |
| Noncash adjustments | 33 | 3 238 | 1 098 |
| Income tax paid | | 911 | -1 358 |
| **Cash flow from operating activities before changes in working capital** | | **-85 475** | **-81 876** |
| **Changes in working capital** | | | |
| Change in inventory | | -155 | -294 |
| Change in receivables | | -7 065 | -1 041 |
| Change in liabilities | | 1 104 | 6 847 |
| **Cash flow from operating activities** | | **-91 590** | **-76 365** |
| *Investment activities* | | | |
| Acquisition of shares in subsidiaries | 28, 35 | -51 796 | -17 773 |
| Shareholder contributions provided for the year | 35 | – | -25 752 |
| Acquisition of tangible fixed assets | 16 | -57 | -2 496 |
| Rent deposit | 20 | – | -2 314 |
| **Cash flow from investment activities** | | **-51 853** | **-48 336** |
| *Financing activities* | | | |
| New share issue | 26 | 270 537 | 65 169 |
| Share issue costs | | -27 457 | -3 910 |
| Warrants | | 1 119 | – |
| Repayment of borrowing | 9 | -513 | -556 |
| **Cash flow from financing activities** | | **243 685** | **60 703** |
| **Cash flow for the year** | | **100 242** | **-63 998** |
| Cash equivalents at the beginning of the year | | 48 093 | 112 091 |
| **CASH EQUIVALENTS AT THE END OF THE YEAR** | | **148 335** | **48 093** |
| *Cash flow for the period regarding interest* | | | |
| Paid interest | | -40 | -372 |



# 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 Rapsgatan 23A, 754 50 Uppsala, Sweden.

The consolidated financial statements for the year ended December 31, 2020 (including comparative figures) were approved for issue by the Board on May 18, 2022.

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 June 1, 2022.

## 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 from 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 or net financial item).

Acquisition-related costs are expensed when they arise in the item other operating expenses

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

Conditional consideration is valued at fair value and included as part of the purchase price in the acquisition. Conditional consideration is accounted for as a financial liability until paid and is revalued at fair value on each balance sheet date. Revaluation effects are accounted for in the consolidated Group income statement.

The Group applies the 12-month rule when accounting for business acquisitions, which allows for the purchase price to be finally adjusted within 12 months from the acquisition date.

## 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. The Group has identified the parent company CEO as their highest executive decision maker and that the Group has just one operating segment. See Note 2 for further description of the classification and presentation of operating segments.

## Revenue from agreements with customers

The Group's revenues derive primarily from sales of patient specific bioceramic cranial implants, but also from patient specific facial implants and standardised products for the repair of cranial boreholes.

When determining the amount of revenue to be recognised the Group adheres to the IFRS 15 five-step-model:

1. Identify the contract
2. Identify separate performance obligations
3. Determine the transaction price
4. Allocate transaction price to performance obligations
5. Recognise revenue when each performance obligation is satisfied

Step 1 identifies the contract with the customer. The Group's contracts are always written and agreed with the customer. If two or more contracts have been entered into concurrently, or in close proximity to each other, they should, under certain circumstances, be amalgamated. Concurrent or adjacent contracts with the same customer rarely occurs in the Group so amalgamation of contracts is a rare occurrence. A contract change means a change of scope or price (or both) in a contract that has already been agreed by both parties. A contract change is accounted for as a separate contract when the widened scope is deemed as distinct (additional performance obligations) through eg additional goods or services or when the price at which the additional units are sold represent a standalone selling price. If the goods or services are not deemed as distinct the change is accounted for as part of the original contract.

Step 2 identifies separate performance obligations with respect to the goods and services to be delivered to the customer. The goods or services are deemed distinct, and hence separate, if the customer can use the product or service gainfully on its own and if it can be delivered separately from other obligations in the contract.

Step 3 determines the transaction price, particularly with respect to fixed or variable components. As the Group's revenue primarily derive from patient specific implants, each implant is quoted individually, albeit according to standardised pricing. The Group would generally not have any variable price components.

Step 4 allocates the transaction price to the performance obligations defined in step 2.

Step 5 recognises revenue when each performance obligation is satisfied. Revenue is recognised when control of the sold item has passed from seller to buyer, which can occur at a point in time or over time. Revenue is recognised in the Group when the goods or service creates or improves an asset that the customer controls. This way the customer can reap the benefits from the performance obligation as it is performed. The Group's product sales of implants and/or standardised products are recognised at a point in time, namely when the customer gains control over the sold asset. Indications of control can be the right for the seller to invoice and receive payment, the asset has been physically shipped to the customer, the risk has been transferred to the customer (as per the freight terms), or the customer has accepted the goods received. Work done but not invoiced is accounted for as accrued income in the balance sheet under Contract assets. Contract assets are subject to impairment testing according to IFRS 9, similarly to customer receivables. In cases where payment is received prior to the Group having performed its obligation, such payments are accounted for as Contract liabilities in the balance sheet.

## Operating expenses

Operating expenses are accounted for in the income statement when the service is used or the event occurs.

## 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".

## Goodwill

Goodwill represents expected future financial benefits which arise in conjunction with acquisitions, but which are not individually identified and accounted for separately. Goodwill is accounted for as accumulated acquisition value, reduced by accumulated write-downs.

## Other 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.

**Patents**

Patents that meet the criteria of being reported separately in a business acquisition are accounted for as intangible assets, initially at fair value.

## 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: 10 years
- 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

**Leasehold improvements**
In connection with the move to a new Head Office in Uppsala, some improvement work, mainly production related, was done on the new leasehold property. These improvements constitute minor amounts as well as one-off occurrences as no further improvements are envisaged. Leasehold improvements are accounted for as accumulated acquisition value, reduced by accumulated depreciation and write-downs. The Head Office rental agreement period is 9 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life, which is deemed to be the same as for other tangible assets. The following depreciation periods are applied:

Leasehold improvements: 5 years

## Leased assets

**Leasing**
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, accounts receivable, long-term receivables and other receivables 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.

Currently the Group's financial assets are accounts receivable, the treatment of which is outlined in the following section, and rent deposit. The latter consists only of rent deposit for the Group's new Head Office in Uppsala and is not considered to constitute any credit loss risk.

**Accounts receivable 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, the latter including conditional consideration. Financial liabilities, excluding conditional consideration, are valued at the accrued acquisition value at the initial recognition date.

Subsequent to the initial recognition date, financial liabilities, excluding conditional consideration, are valued at the accrued acquisition value using the effective interest method.

Conditional consideration is classified as a Level 3 liability in the group and is valued at fair value through the income statement, either as an other operating expenses item, in the case of operations related deviations, or as a net financial item, in the case of discounting related deviations.

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/warrant 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.

Employee stock options, which have been granted with no premium paid, are capital based and as such the costs for such options are booked over the income statement and against retained earnings in equity. If the options are subject to vesting, or other conditional terms, the cost for such options are recognised on a straight-line basis over the vesting period, based on best estimate of the total number of options that will eventually be vested. The Group's current employee stock option program is vested over 36 months and costed quarterly as personnel cost against retained earnings in equity.

In case employment ceases during the vesting period all stock options connected with that employment are cancelled. Accumulated costs to date are then reversed over personnel expenses in the income statement and against retained earnings in equity.

**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.

**Provisions and contingent assets and liabilities**
Provisions for product warranties, legal disputes, loss contracts or other claims are accounted for when the Group has a legal or informal obligation that arises from an earlier event, when future payment is probable and such payments can be reasonably reliably estimated. Exact timing or amount can still be uncertain. Provisions are estimated as the amount that will reasonably be required to settle the relevant obligation, based on the most reliable information available on the balance sheet date, including risks and uncertainties connected to the relevant obligation. In case several similar obligations exist, the probability of payment is estimated based on the total obligations. Where time value of such payments is deemed material, provisions are discounted and accounted for at fair value.

Potential compensation that the Group is reasonably certain to receive from an external party with respect to the obligation is accounted for as a separate asset. The value of this asset can not exceed the amount of the related provision.

No liability is recognised if payment in respect of an obligation is deemed improbable. Such obligations are accounted for as contingent liabilities, unless the probability of payment is deemed remote.

**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 primarily 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 2021-12-31 was SEK 19,960,687 (2020-12-31 at SEK 23,148,599).

The Group has to date determined that the recoverable amount of goodwill exceeds its book value.

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.

*Acquisitions*
In determining fair value, Group management uses valuation techniques applied to the assets and liabilities included in an acquisition. Fair value of conditional consideration is dependent on the future outcome of several variables, with the primary one being the acquired company's future revenue. Changes in revenue assumptions can apply to both the revenue level, driven by the growth rate, and the revenue curve, ie the future timing of revenue growth. In addition, discount rate assumptions can also affect fair value.

For more detailed information on these assumptions, as well as a sensitivity analysis on assumption deviations, refer to Note 28 Other liabilities.

It should also be noted that as conditional consideration is discounted continuously, this in itself will give rise to income statement fluctuations, even though the underlying assumptions remain unchanged.

*Leasing*
The Group holds leasing agreements for premises. In those agreements a number of assumptions are made with respect to calculation of leasing liability and right-of-use asset. One of the more critical judgements revolves around an agreement's leasing period. The Group takes into account the relative probability that it will utilize an extension option, in case such exists, given the specific circumstances surrounding each particular lease.

**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.

**Acquisition analysis**
The parent company values financial instruments according to the acquisition value principle. Accordingly, conditional consideration is valued at the amount confirmed in the acquisition analysis without any fair value revaluation. Conditional consideration is accounted for as part of the acquisition value if their realisation is deemed probable. The acquisition value is adjusted if the initial assessment of the conditional consideration is revised.

**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 segments

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.

| | Group | | Parent company | |
|---|---|---|---|---|
| Net sales per geographical market, (SEK 000') | 2021 | 2020 | 2021 | 2020 |
| US | 13 996 | 9 252 | 13 405 | 8 753 |
| Germany | 7 863 | 7 204 | 7 863 | 7 204 |
| Sweden | 1 889 | 2 518 | 1 889 | 2 518 |
| UK | 2 352 | 2 138 | 2 352 | 2 138 |
| Rest of Europe | 5 385 | 3 296 | 5 385 | 3 296 |
| Rest of world | 241 | 464 | 241 | 464 |
| **Total** | **31 726** | **24 872** | **31 135** | **24 373** |

Revenue from external customers was attributed to individual countries after the country from which the sale was made.
The Group's fixed assets are located in Sweden, US and Scotland. During 2021 Ossdsign did not have revenue from an individual customer amounting to > 10%. Other operating income as of 2021-12-31 consists of exchange rate gains of TSEK 5 025 (1 225), government contributions of TSEK 35 (73).

# 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 | 2021 | 2020 | 2021 | 2020 |
| **KPMG** | | | | |
| Audit assignment | 837 | 497 | 837 | 497 |
| Auditing activities in addition to audit assignments | – | 4 | – | 4 |
| Other services | 37 | – | 37 | – |
| **KatzAbosch** | | | | |
| Audit assignment | 479 | – | – | – |
| **Harmer Slater Ltd Audit assignment** | | | | |
| Audit assignment | 68 | 20 | – | – |
| **Sum** | **1 421** | **521** | **874** | **501** |

# Note 4 Operating lease and lease agreements

| | Parent company | |
|---|---|---|
| | 2021 | 2020 |
| **Expected leasing fees for the year:** | **3 662** | **2 622** |
| Non-cancellable leasing fees: | – | – |
| Within a year | 2 571 | 2 179 |
| Later than one year, within five years | 10 202 | 8 875 |
| Later than one year | 1 074 | 3 405 |
| **Total future agreed lease fees** | **13 847** | **14 459** |

The operating leases in the parent company mainly concern premises. The Group reports leasing agreements in accordance with IFRS 16, see Note 17.



# Note 5 Salaries and remuneration to employees

Costs recognized for employee benefits are broken down as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries – Board of Directors and CEO | 6 544 | 3 727 | 6 544 | 3 727 |
| Salaries – other employees | 36 243 | 34 627 | 20 028 | 20 898 |
| Pensions, defined contribution board and CEO | – | 632 | – | 632 |
| Pensions, defined contribution – other employees | 2 637 | 2 507 | 1 952 | 1 860 |
| Other social security contributions | 10 074 | 9 532 | 8 558 | 7 048 |
| **Sum** | **55 499** | **51 026** | **37 084** | **34 165** |

| Salaries and other remuneration 2021 | Basic salary / Board fees | Other benefits* | Total |
|---|---|---|---|
| Simon Cartmell | 313 | 0 | 313 |
| Morten Henneveld, CEO | 5 708 | 174 | 5 882 |
| Anders Qvarnström | 175 | 0 | 175 |
| Newton Aguiar | 175 | 0 | 175 |
| Other senior executives | 4 590 | 18 | 4 608 |
| **Sum** | **10 960** | **193** | **11 153** |

| Salaries and other remuneration 2020 | | | |
|---|---|---|---|
| Simon Cartmell | 225 | 0 | 225 |
| Anders Lundqvist, CEO | 2 202 | 93 | 2 296 |
| Morten Henneveld, CEO | 1 000 | 21 | 1 021 |
| Anders Qvarnström | 150 | | 150 |
| Newton Aguiar | 150 | | 150 |
| Other senior executives | 1 013 | 4 | 1 017 |
| **Sum** | **4 741** | **118** | **4 859** |

* Other benefits are car benefits and healthinsurance benefits.
In the event of termination, a mutual notice period of six months applies for the CEO, CFO and Senior vice president International Sales & Global Marketing. For other employed senior executives, a mutual notice period of three months applies. The CEO is also entitled to severance pay corresponding to six months' salary. *Share-related remuneration is stated in Note 7.*

# Note 6 Employees

| | Group | | | |
|---|---|---|---|---|
| | 2021 Average number of employees | of which women% | 2020 Average number of employees | of which women% |
| Average number of employees | 44 | 43 | 44 | 42 |
| Average number of employees by country is as follows: | | | | |
| Sweden | 29 | | 31 | |
| UK | 5 | | 3 | |
| US | 7 | | 7 | |
| Germany | 3 | | 3 | |
| **Sum** | **44** | | **44** | |

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, 2021, the company has issued a total of 4,466,248 warrants and 256,894 qualified stock options within the framework of five different incentive programs for employees, consultants and board members. During the year, the 2016/2021 program expired. In addition 110,098 warrants related to the qualified stock options program 2019/2022 expired as employment ceased. The company issued 3,738,374 new warrants over two new warrant programs 2021/2024:1 & 2. Of those, 57,074 warrants expired due to cessation of employment. The incentive programs are described in more detail below.

- **Incentive program 2019/2022** was approved by the AGM on April 24, 2019 and comprised a total of 256,894 qualified employee stock options issued to the CFO and certain key persons in the company. As of 31 December 2021, 146,796 employee stock options remain outstanding. 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 1.26 new shares in the company at a strike price of SEK 25.20 per share during the period 1/7 2022 to 31 December 2022. The allocated stock options are earned over 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, 20219 and comprised a total of 422,044 subscription warrants issued to the CEO and certain employees and consultants. As of 31 December 2021, 391,461 remain outstanding. Participation in the program requires that previous warrants be transferred to the company. Each subscription warrant entitles the holder to acquire 1.26 new shares in the company at a strike price of SEK 25.20 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 comprised a total of 305,830 subscription warrants issued to Board members. Participation in the program requires that previous warrants be transferred to the company. Each subscription warrant entitles the holder to acquire 1.26 new shares in the company at a strike price of SEK 25.20 per share during the period 1/7 2022 up to and including 31 December 2022.

- **Incentive program 2021/2024:1** was approved by the Annual General Meeting on June 22, 2021 and comprises a total of 2,939,333 subscription warrants issued to the CEO and selected employees and consultants. As of 31 December 2021, 2,882,259 warrants remain outstanding. Each subscription warrants entitles the holder to acquire a new share in the company at a strike price of SEK 11.38 per share during the period 1/7 2024 up to and including 31 December 2024.

- **Incentive program 2021/2024:2** was approved by the Annual General Meeting on June 22, 2021 and comprises a total of 799,041 subscription warrants issued to Board members. Each subscription warrant entitles the holder to acquire a new share in the company at a strike price of SEK 11.38 per share during the period 1/7 2024 up to and including 31 December 2024.

**Warrant agreement**
Holders of subscription warrants have paid a market-based premium for the their warrants, a premium that has been valued using the Black-Scholes model. Warrants 2019/2022:1, 2021/2024:1 and 2021/2024:2 are covered by warrant agreements with customary terms. The warrant agreements also contain customary "good leaver" and "bad leaver" provisions. Holders of warrants 2019/2022:2 and holders of qualified personnel stock options 2019/2022 are not bound by any subscription warrant agreements.

If all subscription warrants and qualified personnel stock options are exercised to subscribe for shares in the company, the company's share capital will increase by SEK 295,559 through issue of 4,728,946 new shares in the company, each with a quotient value of SEK 0.0625. That would mean a dilution equivalent to 7.65 percent of the share capital and the number of shares and votes in the company. See table below for details on warrant/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, Aderio AB June 2021) included in Black-Schole's calculation for the latest warrant/option prices.

| Incentive program | Issued number of options | Option price | Redemption price |
|---|---|---|---|
| Staff Option Program 2019/2022<br>Maturity April 24, 2019 – December 31, 2022 | 256 894 | 0 | 25,20 |
| Warrants Program Series 2019/2022:1<br>Maturity April 24, 2019 – December 31, 2022 | 422 044 | 1,91 | 25,20 |
| Warrants Program Series 2019/2022:2<br>Maturity April 24, 2019 – December 31, 2022 | 305 830 | 1,91 | 25,20 |
| Warrants Program Series 2021/20224:1<br>Maturity June 25, 2021 – December 31, 2024 | 2 939 333 | 0,35 | 11,38 |
| Warrants Program Series 2021/20224:2<br>Maturity June 25, 2021 – December 31, 2024 | 799 041 | 0,35 | 11,38 |

| Program | 2016/2021 | 2019/2022 | 2019/2022:1 | 2019/2022:2 | 2021/2024:1 | 2021/2024:1 |
|---|---|---|---|---|---|---|
| Outstanding 31 December 2019 | 3 906 | 256 894 | 422 044 | 305 830 | 0 | 0 |
| Outstanding 31 December 2020 | 3 906 | 256 894 | 391 461 | 305 830 | 0 | 0 |
| **Outstanding 31 December 2021** | **0** | **146 796** | **391 461** | **305 830** | **2 882 259** | **799 041** |

# Note 8 Financial expenses / Interest expenses and similar income items

| | Group | | Parent company | |
|---|---|---|---|---|
| Interest costs, borrowing at amortized cost | 2021 | 2020 | 2021 | 2020 |
| Bank loan | -40 | -386 | -40 | -372 |
| Leasing | -403 | -222 | – | – |
| Discount effect conditional consideration | -3 986 | – | -3 986 | – |
| Sum | **-4 428** | **-608** | **-4 026** | **-372** |
| **Total interest costs, financial liabilities not reported at fair value through profit or loss** | **-4 428** | **-608** | **-4 026** | **-372** |

# Note 9 Liabilities attributable to financing and investing activities

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

| | Long-term liabilities | Short-term liabilities | Lease liabilities | Total |
|---|---|---|---|---|
| **2021-01-01** | 48 101 | 48 689 | 14 612 | 111 401 |
| *Cash flow effect:* | | | | |
| Repayment | -513 | -386 | – | -900 |
| Borrowings | – | -158 | – | -158 |
| Payment of consideration | – | -51 796 | – | -51 796 |
| *Not affecting cash flow:* | | | | |
| Repayment | – | – | -2 367 | -2 367 |
| Present value / discount effect on payment of deferred consideration | – | 3 981 | – | 3 981 |
| Conditional consideration | -1 953 | – | – | -1 953 |
| Total | **45 635** | **646** | **12 244** | **58 524** |
| **2020-01-01** | 2 310 | 513 | 1 726 | 4 549 |
| *Cash flow effect:* | | | | |
| Repayment | -556 | -113 | – | -670 |
| Borrowings | – | 474 | 12 886 | 13 360 |
| *Not affecting cash flow:* | | | | |
| Conditional consideration | 46 347 | 47 815 | – | 94 162 |
| Total | **48 101** | **48 689** | **14 612** | **111 401** |

# **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 20.6% (2020: 21.4%) to the reported tax expense in the result are as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Result after financial items | - 94 077 | -84 542 | -89 624 | -81 616 |
| Tax according to current tax rate in Sweden, 20.6 (21.4%) | 19 380 | 18 092 | 18 462 | 17 466 |
| Effect of changed tax rate | -257 | – | – | – |
| Adjustment of previous years' tax | -59 | -26 | – | -26 |
| Non-taxable income | 0 | – | 0 | – |
| Non-deductible costs | -4 | -4 | -4 | -4 |
| Activation of tax on loss carryforwards | -704 | -622 | – | – |
| Change of temporary differences | 1 231 | 622 | – | – |
| Deferred tax assets during the year that are not recognized as assets | -19 376 | -18 110 | -19 459 | -17 462 |
| **Reported tax in the income statement** | **211** | **-48** | **0** | **-26** |
| The tax cost consists of the following components: | | | | |
| Current Tax | – | – | – | – |
| Tax expense | -257 | -23 | – | – |
| Adjustment of previous years' tax | -59 | -26 | – | -26 |
| Deferred tax expense/income | – | – | – | – |
| Change of temporary differences | 527 | – | – | – |
| **Reported tax in the income statement** | **211** | **-48** | **0** | **-26** |

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.

| Results attributable to ordinary shareholders | 2021 | 2020 |
|---|---|---|
| Profit for the year attributable to the Parent Company's owners according to the income statement | -93 918 | -84 590 |

No dilution effect during 2020 and 2021.
During the second quarter, the company carried out a rights issue with overallotment, resulting in a combined total of 34,908,044 shares. The total number of shares thereafter amounted to 57,074,504.

| Number of shares | 2021 | 2020 |
|---|---|---|
| Weighted average number of shares used in the calculation of earnings per share before | 48 403 486 | 19 040 882 |
| **Weighted average number of shares used in the calculation of earnings per share after dilution** | **48 403 486** | **19 040 882** |
| **Earnings per share, before and after dilution** | **-1,9** | **-4,4** |

Dilution of earnings per share can take place if warrants are exercised for subscription of shares in the company, see also Note 7.

### Dividends

In 2021 Ossdsign AB paid TSEK 0 (TSEK 0) in dividends to shareholders. This corresponds to SEK 0 (SEK 0) per share.

# **Note 12** Balanced development work and similar work

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

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening balance accumulated acquisition values | 31 974 | 31 974 |
| Internally developed | – | – |
| Closing balance accumulated acquisition values | 31 974 | 31 974 |
| | | |
| Opening balance accumulated depreciation | -8 825 | -5 543 |
| This year's depreciations | -3 188 | -3 283 |
| Closing balance accumulated depreciation | -12 013 | -8 825 |
| | | |
| Reported value | 19 961 | 23 149 |

The Parent Company has expensed development costs.
The company has received government grants totalling TSEK 7,187 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** Patents

Changes in reported values for patents

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening balance accumulated acquisition values | 27 722 | – |
| Acquisitions | – | 27 722 |
| Closing balance accumulated acquisition values | 27 722 | 27 722 |
| | | |
| Opening balance accumulated depreciation | – | – |
| This year's depreciation | -27 722 | – |
| Closing balance accumulated depreciation | -27 722 | 0 |
| **Reported values** | **27 722** | **0** |

For more information regarding impairment test, please see Note 14 Goodwill.



# **Note 14** Goodwill

Changes in reported values for goodwill

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance accumulated acquisition values | 114 916 | – |
| Acquisition of subsidiaries | – | 114 916 |
| | | |
| Closing balance accumulated acquisition values | 114 916 | 114 916 |
| **Reported value** | **114 916** | **114 916** |

## Impairment test

The Group's goodwill of SEK 114,915,827 arose through the acquisition of subsidiaries in November 2020. Goodwill is tested for impairment at the lowest levels where there are separately identifiable cash flows (cash-generating units). Only one such cash-generating unit has been identified in the Group.

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Group | 114 916 | 114 916 |
| | **114 916** | **114 916** |

The recoverable amounts for each segment were determined based on value in use calculations, which included a detailed nine-year forecast, followed by an extrapolation of expected cash flows for the units' remaining periods of use, using a declining growth rate determined by Group management. The recoverable amount for each operating segment is shown below:

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Group | 114 916 | 114 916 |
| | **114 916** | **114 916** |

The present value of expected cash flows for each segment is determined using the appropriate discount factor that reflects the time value of money and the risks that are specific to the segment.

The impairment test consists of assessing whether the unit's recoverable amount is higher than the carrying amount. The recoverable amount has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows. The DCF model used in this valuation is based on the company's business plan for the period 2022-2030 with assumptions as per below.

*Significant assumptions used for calculations of value in use are shown below:*

- Annual growth volume in the periods 2022-2025 are assuming rapid increase but at a declining rate, as per the Group's business plan. These calculations are based on estimated future cash flows before tax based on the financial business plan approved by management and the board. The acquisition that generated the goodwill value was a research company without a commercialized product. In August 2021 the Group launched the fist commercial product, OssDsign Catalyst, which means that the period 2022-2025 in the business plan will show a sharp increase and high growth figures from a low starting point. It is only after 2025 that operations are stabilized, which is also the reason why a longer period is used in the test. The patents that have been acquired and which will form the basis for business development are in force up to 2030, which is also true for the contractual revenue based variable consideration.
- The weighted average growth rate used to extrapolate cash flows beyond 2025 has been estimated at 10% until 2030. After 2030 the growth rate has been estimated at 2%. This long-term growth rate is well within the framework of the forecasts contained in industry reports.
- Gross margin development in the test period is in line with internal observed data as well as external market data.
- Operating expenses are estimated to develop in line with sales revenue, which also applies to capital expenditure needs.
- Working capital requirements are estimated conservatively in the test period, higher than the Group's current NWC level.
- The discount rate before tax used in the present value calculation of estimated future cash flows is 14.2%, which corresponds to the Group's average cost of capital (WACC).

### Cash flow assumptions

*Group*

The Group Management's important assumptions about the Group unit include stable profit margins, based on previous experience of this mature market. Group management believes that this is the best available input data for forecasts of this mature market. The cash flow calculations reflect the stable profit level achieved in the market just before the business plan period, as well as the company's own observed data from the initial sales. No expected efficiency measures have been included in the calculations and prices and wages reflect general inflation expectations in this sector.

Impairment testing as described above, taking into account the latest developments, has not identified any impairment requirements.



## Note 15 Expenses incurred on someone else's property

Changes in carrying amounts regarding expenses incurred on leased property:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Opening balance accumulated acquisition values | 211 | – | 211 | – |
| Acquisitions | – | 211 | – | 211 |
| Closing balance accumulated acquisition values | 211 | 211 | 211 | 211 |
| | | | | |
| Opening balance accumulated depreciation | -12 | – | -12 | – |
| Depriciations | -42 | -12 | -42 | -12 |
| Closing balance accumulated depreciation | -55 | -12 | -55 | -12 |
| Reported value | 157 | 199 | 157 | 199 |

## Note 16 Equipment and tools

Changes in reported values regarding equipment and tools:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Opening balance accumulated acquisition values | 6 463 | 3 581 | 5 692 | 3 406 |
| Investment of the year | 57 | 2 285 | 57 | 2 285 |
| Acquisition of subsidiaries | – | 618 | – | – |
| Exchange rate differences | 21 | -21 | – | – |
| Closing balance accumulated acquisition value | 6 463 | 6 463 | 5 749 | 5 692 |
| | | | | |
| Opening balance accumulated depreciation | -3 180 | -1 614 | -2 505 | -1 595 |
| This year's depreciations | -1 159 | -975 | -1 097 | -910 |
| Acquisition of subsidiaries | – | -593 | – | – |
| Exchange rate differences | -14 | 2 | – | – |
| Closing balance accumulated depreciation | -4 353 | -3 180 | -3 603 | -2 505 |
| | | | | |
| Reported value | 2 188 | 3 284 | 2 146 | 3 186 |

# **Note 17** Leasing agreement

The Group mainly has rights of use regarding premises in Sweden, US and Scotland.

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance accumulated acquisition values | 15 748 | 8 416 |
| Investment of the year | 43 | 15 748 |
| Disposals | – | -8 416 |
| Closing balance accumulated depreciation | 15 790 | 15 748 |
| | | |
| Opening balance accumulated depreciation | -1 214 | -6 775 |
| Disposals | – | 7 864 |
| This year's depreciations | -2 572 | -2 304 |
| Closing balance accumulated depreciation | -3 786 | -1 215 |
| | | |
| **Closing balance accumulated depreciation** | **12 004** | **14 533** |

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.

| | | |
|---|---|---|
| **Amounts recognized in profit or loss** | | |
| Cost of contracts of lesser value | 2 572 | 2 304 |
| Interest, see also Note 8 | 403 | 222 |
| Maturity analysis regarding lease debt | 206 | 1 028 |
| **Maturity analysis regarding lease debt:** | | |
| Later than one year but within five years | 8 920 | 8 839 |
| Later than five years | 1 074 | 3 405 |

Total cash flow regarding leasing for the financial year ended 31 December 2021 amounted to TSEK 3,887 (2020: TSEK 2,652). For further information regarding maturity analysis, see Note 37.



# **Note 18** 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

| 2021-12-31 | Financial assets valued at amortized cost | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|
| Other long-term receivables | 2 371 | 0 | 2 371 |
| Accounts receivable | 8 637 | 0 | 8 637 |
| Other receivables | 1 956 | 0 | 1 956 |
| Cash and cash equivalents | 151 366 | 0 | 151 366 |
| | **164 329** | **0** | **164 329** |

| 2021-12-31 | Liabilities valued at amortized cost | Liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| **Financial liabilities** | | | |
| Long-term borrowing | 1 241 | 0 | 1 241 |
| Short-term borrowing | 646 | 0 | 646 |
| Accounts payable and other liabilities* | 18 243 | 44 394 | 62 637 |
| | **20 129** | **44 394** | **64 523** |

| 2020-12-31 | Financial assets valued at amortized cost | Financial assets at fair value through profit or loss | Total |
|---|---|---|---|
| Other long-term receivables | 2 365 | 0 | 2 365 |
| Accounts receivable | 6 247 | 0 | 6 247 |
| Other receivables | 1 359 | 0 | 1 359 |
| Cash and cash equivalents | 49 403 | 0 | 49 403 |
| | **59 374** | **0** | **59 374** |

| 2020-12-31 | Liabilities valued at amortized cost | Liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| **Financial liabilities** | | | |
| Long-term borrowing | 1 754 | 0 | 1 754 |
| Short-term borrowing | 873 | 0 | 873 |
| Accounts payable and other liabilities | 18 452 | 94 162 | 112 614 |
| | **21 079** | **94 162** | **115 241** |

As of the balance sheet date, 2021-12-31, the Group has a bank loan from ALMI totalling SEK 1.8 million at a variable interest rate of 4.30% and a maturity from 2015-03-05 -- 2025-03-05. Carrying amount of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities represents a reasonable approximation of fair value. All borrowings are in SEK.

* Other liabilities valued at fair value through the profit & loss consist of conditional consideration.

# **Note 19** 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 % 2021 | Shares % 2020 |
|---|---|---|---|---|
| OssDsign Ltd | 10690872 | 1 | 100% | 100% |
| OssDsign USA Inc | 6558835 | 1 000 | 100% | 100% |
| Sirakoss Ltd | SC386423 | 1 | 100% | 0% |

| | Parent company | |
|---|---|---|
| **Change during the year:** | **2021-12-31** | **2020-12-31** |
| Opening balance accumulated acquisition values | 137 687 | 0,02 |
| Acquisition | – | 111 935 |
| Provided shareholder contributions | – | 25 752 |
| **Closing balance accumulated acquisition values** | **137 687** | **137 687** |
| **Reported value** | **137 687** | **137 687** |
| whereof: | | |
| OssDsign Ltd | 0,011 | 0,011 |
| OssDsign USA Inc | 0,008 | 0,008 |
| Sirakoss Ltd | 137 687 | 137 687 |
| **Closing balance accumulated acquisition values** | 137 687 | 137 687 |

# **Note 20** Other long-term receivables

The Group's long-term receivables primarily relate to rent deposits in favor of the landlord regarding premises in Fyrislund where the parent company conducts its operations.

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Opening balance accumulated acquisition values | 2 365 | – | 2314 | – |
| Investments | – | 2 365 | – | 2 314 |
| Currency exchange rate differences | 5337 | – | – | – |
| Closing balance accumulated acquisition values | 2 371 | 2 365 | 2 314 | 2 314 |
| Reported value | 2 371 | 2 365 | 2 314 | 2 314 |



# **Note 21** Deferred tax assets and tax liabilities

Deferred taxes arising from temporary differences are summarized as follows:

| | 2021 | | |
|---|---|---|---|
| Change during the year of deferred taxes for the Group: | **Deferred tax liability** | **Deferred tax assets** | **Net** |
| Intangible assets | 8 688 | – | -8 688 |
| Tangible fixed assets | 39 | – | -39 |
| Receivables | 27 | – | -27 |
| Activated loss carryforwards | – | 4 013 | 4 013 |
| | **8 754** | 4 013 | **-4 740** |

| | 2020 | | |
|---|---|---|---|
| | **Deferred tax liability** | **Deferred tax assets** | **Net** |
| Intangible assets | 9 871 | – | -9 871 |
| Tangible fixed assets | 73 | – | -73 |
| Receivables | 41 | – | -41 |
| Activated loss carryforwards | – | 4 718 | 4 718 |
| | **9 985** | **4 718** | **-5 267** |

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 TSEK 93,178 (TSEK 74,718). Deficit deductions have no limitation in time.

# **Note 22** Accounts receivable

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

| | Group | |
|---|---|---|
| | **2021-12-31** | **2020-12-31** |
| Accounts receivable gross | 8 741 | 6 281 |
| Reservation for customer losses | -104 | -34 |
| **Total** | **8 637** | **6 247** |

*For more information on Accounts receivable, see Note 37.*

| | Parent company | |
|---|---|---|
| Accounts receivable | **2021-12-31** | **2020-12-31** |
| Accounts receivable not due | 1 480 | 1 375 |
| Accounts receivable overdue, 0-3 months | 500 | 949 |
| Accounts receivable overdue, 4-6 months | 0 | 0 |
| Accounts receivable overdue, more than 6 months | 10 | 9 |
| **Total** | **1 991** | **2 333** |

# Note 23 Other receivables

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| VAT | 728 | 981 | 728 | 981 |
| Other items | 1 228 | 378 | 1 143 | 249 |
| | **1 956** | **1 359** | **1 871** | **1 229** |

# Note 24 Prepaid Expenses and accrued income

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Prepaid rent | 823 | 77 | 823 | – |
| Prepaid insurance | 1 226 | 682 | 997 | 682 |
| Other items | 1 288 | 350 | 1 157 | 274 |
| **Reported value** | **3 338** | **1 109** | **2 977** | **956** |

# Note 25 Cash and cash equivalents

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Cash and cash equivalents include the following: | | |
| Cash at bank and in cash: | | |
| SEK | 107 141 | 48 093 |
| GBP | 1 847 | 870 |
| EUR | 4 132 | 2 261 |
| USD | 38 245 | 440 |
| | **151 366** | **49 403** |



# Note 26 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 22,166,460 class A shares.

| | 2021 | 2020 |
|---|---|---|
| Subscribed and paid shares | | |
| At the beginning of the year | 1 385 | 1 108 |
| New share issue | 2 182 | 277 |
| Subscribed and paid shares | 3 567 | 1 385 |
| Shares for share-based payments | – | – |
| **Sum at the end of the year** | **3 567** | **1 385** |

During the second quarter, the company carried out a new share issue which increased the number of shares by 34,908,044. The total number of shares thereafter amounted to 57,074,504 and with a quota value of SEK 0.0625. Shares issued by the Group have the same right to dividends and repayments of invested capital and represent unanimously at OssDsign's Annual General Meeting. Amounts received for issued shares in excess of nominal value during the year (premium) are included in the item "other contributed capital", after deductions for registration and other similar fees and after deductions for attributable tax benefits. Resolved shares that have not yet been issued have been approved only for use in the Group's option program (for more information, see Note 7).

# Note 27 Other provisions

Other provisions consist of the following amounts:

| | Parent company | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Additional purchase price on acquisition of subsidiaries: | | |
| Milestone payment | 21 365 | 21 365 |
| Royalty | 23 029 | 24 982 |
| Purchase price partial payment 1 2021 | – | 24 702 |
| Purchase price partial payment 2 2021 | – | 23 113 |
| | **44 394** | **94 162** |

# **Note 28** Other liabilities

Other liabilities consist of the following:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Additional purchase price, acquisition of subsidiaries | 44 394 | 46 347 | – | – |
| **Other long-term liabilities** | **44 394** | **46 347** | **0** | **0** |
| Deferred fixed consideration from acquisition of subsidiaries, instalments 1 and 2 2021 | – | 47 815 | | |
| Other | 1 435 | 989 | 1 348 | 823 |
| **Other current liabilities** | **1 435** | **48 804** | **1 348** | **823** |

## Specification of conditional consideration

In the Group, all liabilities are valued at acquisition value, except for conditional consideration related to the acquisition of Sirakoss Ltd. This is valued at fair value over the P&L, as per IFRS 9. Conditional consideration is classified as a level 3 liability.

The valuation technique used in the valuation of conditional consideration is a Discounted Cash Flow model. The valuation model discounts expected future cash flows using a risk adjusted discount rate to determine present value of such cash flows. Expected cash flows are calculated using probable scenarios for future sales revenue up until 2030, as well as contractual parameters with respect to revenue based variable consideration.

**Significant non-observable data are identified as:**

* Projected compound annual growth rate (CAGR) of 42%
* Risk adjusted discount rate (14.2%)
* Projected revenue curve

**Relation between significant non-observable data and fair value calculation:**

The assessed fair value would increase (decrease) if:

* The compound annual growth rate (CAGR) were higher (lower)
* The discount rate were lower (higher)
* The revenue curve generated higher (lower) growth early in the period

| | Deferred fixed consideration, instalment 1 | Deferred fixed consideration, instalment 2 | Milestone payments | Revenue based variable consideration | Total |
|---|---|---|---|---|---|
| **Fair value 2021-01-01** | **24 702** | **23 113** | **21 365** | **24 982** | **94 162** |
| Total reported profits and losses in this year's result: | | | | | |
| Present value / discount effect – reported in net financial items | 1 301 | 2 679 | – | – | **3 981** |
| Revenue change – reported in Other operating expenses | – | – | – | -1 953 | **-1 953** |
| Payment of consideration | -26 004 | -25 793 | – | – | **-51 796** |
| **Fair value 2021-12-31** | **–** | **–** | **21 365** | **23 029** | **44 394** |

**Sensitivity analysis:**

The effects on the fair value of conditional consideration caused by potential changes in any of the significant non-observable data, all else being equal, would be as follows:

| 2021 | Increase | Decrease |
|---|---|---|
| **Conditional consideration** | | |
| Compound Annual Growth Rate (10% deviation) | 17 485 | -12 409 |
| Discount rate (1% deviation) | -2 054 | 2 183 |
| Revenue curve with higher/lower growth early in the period (20%) | 2 155 | -1 264 |

As the conditional consideration is discounted on an ongoing basis, this in itself will generate P&L effects even though the underlying assumptions remain unchanged.

# **Note 29** Accrued expenses and prepaid income

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Personnel-related costs | 7 815 | 8 834 | 6 650 | 7 789 |
| Consultants | 1 869 | 1 072 | 1 467 | 1 072 |
| Other items | 2 317 | 4 167 | 1 802 | 3 378 |
| **Reported Value** | **12 001** | **14 073** | **9 919** | **12 239** |

# **Note 30** Pledged assets and contingent liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| **Pledged assets** | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| For own provisions and liabilities | | | | |
| *Liabilities to credit institutions* | | | | |
| Company mortgage | 3 850 | 3 850 | 3 850 | 3 850 |
| Other pledged assets | 50 | 50 | 50 | 50 |
| | **3 900** | **3 900** | **3 900** | **3 900** |

# **Note 31** Transactions with related parties

**Key people in a 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 taken place between the company and related parties. 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, OssDsign Ltd and Sirakoss Ltd invoice their costs to the parent company in accordance with the transfer price agreement.
As of the balance sheet date, the parent company has a receivable on OssDsign USA Inc of TSEK 4,251 (TSEK 1,745), a receivable on OssDsign Ltd of TSEK 247 (TSEK 411) and a receivable on Sirakoss Ltd of TSEK 58 thousand (TSEK -60).

# **Note 32** Events after the balance sheet date

The COVID-19 Omikron spread in the US in late December 2021 has led to healthcare reprioritizations in several states. This, in turn, has led to the postponement in time of previously planned procedures, which has had material negative effects on OssDsign's sales in the US in the first quarter of 2022.

Russia's invasion of and subsequent war in the Ukraine has not had any direct effects on OssDsign's operations, save for the emotional reactions among our personnel. However, going forward we could conceivably experience raw material shortages, which has already prompted actions from the company in an attempt to mitigate such potential consequences.

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 of issue.

# **Note 33** 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 the cash flow from operating activities:

| | Group | | Parent company | |
|---|---|---|---|---|
| **Depreciation and write-downs on non-financial items** | **2021-12-31** | **2020-12-31** | **2021-12-31** | **2020-12-31** |
| Depreciation | 9 733 | 6 580 | 1 140 | 922 |
| Impairment of accounts receivable | 70 | -368 | – | – |
| Options | 70 | 176 | 70 | 176 |
| Leasing | -2 410 | -2 366 | – | – |
| Fair value effects on conditional consideration | 2 028 | | 2 028 | |
| **Sum adjustments** | **9 492** | **4 022** | **3 238** | **1 098** |

# **Note 34** Definition of key figures

| Key figures | Definition / calculation |
|---|---|
| **Net sales** | Operating main income, invoiced costs, side income and income corrections. |
| **Operating profit** | Difference between reported income and reported expenses but before financial items. |
| **Profit after financial items** | Profit after financial income and expenses but before appropriations and taxes. |
| **Balance sheet total** | The company's total assets. |
| **Solidity** | Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets. |
| **Number of employees** | The average number of employees based on annual working hours. |

# **Note 35** Business acquisitions

No business acquisitions were made in 2021.
On 1 November 2020, however, OssDsign AB made a substantial business acquisition in acquiring 100% of the equity instruments in Sirakoss Ltd, a company based in Scotland.
The acquisition was made to gain access to the large and fast-growing orthobiological market and broaden the Group's market position in the orthopedic market. Sirakoss has developed the next generation of bone graft substitutes and has also received a 510 (k) approval for the sale of this preparation in the USA. Sirakoss had, at the time of acquisition, no commercial operations. Such operations have been built up within the framework of OssDsign's operations during 2021, with the launch of the first commercial product, OssDsign Catalyst, in August 2021. As the acquisition took place in the comparison period and was also substantial, both in size and with respect to OssDsign's commercial operations going forward, some essential information regarding the acquisition are outlined below.

| The details of the business acquisition are as follows: | 2020-11-01 |
|---|---|
| **Fair value of transferred compensation** | |
| Amounts that have been settled in cash | 17 773 |
| Fair value of remaining compensation | 94 162 |
| **Sum** | **111 935** |
| | |
| **Reported amounts on identifiable net assets** | |
| Tangible fixed assets | 25 |
| Intangible assets | 27 722 |
| **Total fixed assets** | **27 747** |
| | |
| Accounts receivable and other receivables | 668 |
| Cash and cash equivalents | 2 596 |
| **Total current assets** | **3 264** |
| | |
| Borrowing | -26 149 |
| Deferred tax liabilities | -5 267 |
| **Total long-term liabilities** | **-31 416** |
| | |
| Provisions | – |
| Other debts | -99 |
| Accounts payable and other liabilities | -2 477 |
| **Total short-term liabilities** | **-2 576** |
| | |
| Identifiable net assets | -2 981 |
| | |
| Goodwill on acquisition | 114 916 |
| | |
| Transferred cash compensation | -17 773 |
| Acquired cash and cash equivalents | 2 596 |
| **Net cash flow on acquisition** | **-15 177** |
| | |
| **Acquisition costs expensed in the income statement** | -2 662 |

*Consideration*
The acquisition of Sirakoss Ltd was settled in cash in the amount of TSEK 17,773 at the time of acquisition. In addition, a loan to the sellers of TSEK 25,752 was settled in cash at the time of acquisition.

In addition to this, the purchase agreement contains three additional defined compensation, of which two are conditional. Accordingly, on two occasions in 2021 (June and December), a deferred cash compensation of 3,000 tUSD each has been paid, unconditionally.
The first conditional consideration is revenue based and amounts to USD 2,500 thousand on two occasions when the accumulated turnover of bone graft products exceeds USD 60,000 thousand and USD 120,000 thousand, respectively.

The second contingent consideration is a revenue based royalty calculation according to contractually agreed percentages during the period from first product sale until 2030. The fair value of the debt of tSEK 94,162 regarding both deferred and contingent purchase consideration reported at the first reporting date has per 31 December 2021 reduced to tSEK 44,394 as a direct result of the deferred cash compensation payments outlined above.

*Goodwill*
Goodwill of TSEK 114,916 mainly relates to growth expectations, expected future profitability and the significant knowledge and competence of Sirakoss's staff. Goodwill is not expected to be tax deductible. With respect to impairment test of Goodwill, refer to Note 15 Goodwill above.

# **Note 36** 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 18 above. The main types of risk are market risk (interest rate risk, commodity 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. The Group has elected not to hedge currency exposure arising from the net assets of the Group's foreign operations, as those are not considered material. The following table illustrates the translation risk by showing how a reasonably possible change in the currency for each foreign operation, all else equal, would affect the translation difference in other comprehensive income, which goes into the item "Reserves" in equity.

| | 2021 | 2020 |
|---|---|---|
| USD/SEK: +/- 10% | 5 | 47 |
| GBP/SEK: +/- 10% | 0 | 95 |

**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. *For more information on the Group's borrowing, see Notes 9 and 18.*

## 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:

| | 2021 | 2020 |
|---|---|---|
| Types of financial assets – reported values | | |
| Cash and cash equivalents | 151 366 | 49 403 |
| Accounts receivable and other receivables | 10 611 | 7 919 |
| Other long-term receivables | 2 371 | 2 365 |
| **Total** | **164 347** | **59 687** |

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 to only 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:

| | 2021 | 2020 |
|---|---|---|
| Overdue: | | |
| No more than three months | 3 042 | 3 332 |
| More than three months but not more than six months | 1 484 | 1 194 |
| More than six months or more | 408 | 128 |
| **Total** | **4 933** | **4 653** |

The Group applies the simplified method in IFRS 9 of accounting for the expected credit losses over the remaining maturity of all accounts receivable as those items do not contain a significant financing component.

In assessing the expected credit losses, accounts receivable have been assessed collectively because they have common credit risk characteristics.

Group

| 2021-12-31 | Not due | 0-6 months | More than 6 months | More than 12 months | Total |
|---|---|---|---|---|---|
| Expected credit loss | 0% | 0% | 25% | 50% | – |
| Reported value, gross | 3 808 | 4 525 | 399 | 9 | 8 741 |
| Expected credit losses for the remaining term | – | – | - 100 | -4 | -104 |

| 2020-12-31 | Not due | 0-6 months | More than 6 months | More than 12 months | Total |
|---|---|---|---|---|---|
| Expected credit loss | 0% | 0% | 25% | 50% | |
| Reported value, gross | 1 628 | 4 525 | 119 | 9 | 6 281 |
| Expected credit losses for the remaining term | – | – | -30 | -4 | -34 |

The parent company has not made any provision for expected credit losses.
Reconciliation between the accounts receivables' loss provision as of December 31, 2020 and the opening loss provision is shown below:

| | |
|---|---|
| Opening loss reserve 1 January 2020 | -402 |
| Loss provisions reported during the year | -368 |
| Loss reserve as of December 31, 2020 | -34 |
| Unutilized loss reserve that is returned during the year | -70 |
| Loss reserve as of 31 December 2020 | -104 |

## Cash and cash equivalents

The credit risk attributable to liquid funds is considered negligible as the counterparts are renowned banks with high external credit ratings.

## Liquidity risk analysis

Liquidity risk is the risk that the Group will not be able to meet its obligations. The Group manages liquidity needs by monitoring planned loan payments for long-term financial liabilities as well as forecast payments and disbursements in day-to-day operations. The data used to analyze these cash flows are 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 identified periodically to ensure the liquidity need over a 12-month period. As of the balance sheet date, the company's liquidity reserve amounts to approximately TSEK 151,366 (49,403). The analysis shows that the available reserve is expected to be sufficient during this period. The Board has considered different scenarios regarding the impact on the company's cash flow linked to COVID-19.

As of December 31, 2020, the Group has financial liabilities that can be summarized as follows:

| Group | Short term | | Long term | |
|---|---|---|---|---|
| 2021-12-31 | Within 6 months | 6-12 months | 1–5 years | Later than 5 years |
| Liabilities to credit institutions | 323 | 323 | 1 241 | – |
| Interest on liabilities to credit institutions | 33 | 33 | 67 | – |
| Accounts payable | 4 564 | – | – | – |
| Leasing debt | 1 125 | 1 125 | 8 920 | 1 074 |
| Additional purchase price | 14 | - | 5 799 | 35 581 |
| **Total** | **6 059** | **1 481** | **16 026** | **39 655** |

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 | |
|---|---|---|---|---|
| 2020-12-31 | Within 6 months | 6-12 months | 1–5 years | Later than 5 years |
| Liabilities to credit institutions | 437 | 437 | 1 754 | – |
| Interest on liabilities to credit institutions | 52 | 42 | 132 | – |
| Accounts payable | 2 851 | – | – | – |
| Leasing debt | 1 184 | 1 184 | 8 839 | 3 405 |
| Additional purchase price | 24 702 | 23 113 | 18 857 | 27 490 |
| **Total** | **29 225** | **24 776** | **29 582** | **30 895** |

| Parent company | Short term | | Long term | |
|---|---|---|---|---|
| 2021-12-31 | Within 6 months | 6-12 months | 1–5 years | Later than 5 years |
| Liabilities to credit institutions | 257 | 257 | 1 241 | – |
| Interest on liabilities to credit institutions | 33 | 33 | 67 | – |
| Accounts payable and other liabilities | 4 208 | – | – | – |
| Accounts payable | – | – | – | – |
| **Total** | **4 498** | **289** | **1 307** | **–** |

Detta kan jämföras med löptiderna under tidigare rapportperioder för koncernens finansiella skulder som inte är derivat enligt följande:

| | Short term | | Long term | |
|---|---|---|---|---|
| 2020-12-31 | Within 6 months | 6-12 months | 1–5 years | Later than 5 years |
| Liabilities to credit institutions | 257 | 257 | 1 754 | – |
| Interest on liabilities to credit institutions | 46 | 40 | 132 | – |
| Accounts payable | – | – | – | – |
| **Total** | **3 075** | **297** | **1 885** | **–** |



# **Note 37** Proposal for disposal of the parent company profit or loss

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

| | |
|---|---|
| Share premium | 688 684 |
| Retained earnings from previous years | -360 249 |
| Profit for the year | -89 597 |
| | **238 837** |
| The Board proposes that the retained earnings be treated so that it | |
| is balanced in a new account | 238 837 |
| | **238 837** |

# Certification

The Group's financial reports for the reporting period ending December 31, 2021 (including comparative figures) were approved by the Board of Directors on April 28th, 2022.

**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 28th, 2022

Morten Henneveld
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 28th, 2022
KPMG AB

Mattias Lötborn
Authorized Public Accountant



# 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 2021. The annual accounts and consolidated accounts of the company are included on pages 33-86 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 2021 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 2021 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 2021 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 28th, 2022

KPMG AB

Mattias Lötborn
Authorized Public Accountant


## CONTACT

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