

Bioventus Global Revenue Recognition Policy

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1.0 Purpose:

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and regulations of the United States Securities Exchange Commission (SEC). Accordingly, the Company applies the revenue recognition guidance contained in FASB ASC 606, *Revenue from Contracts with Customers*, and related guidance ASC 340-40-25, *Contracts with Customers - Contract Costs*, to its customer contracts. The purpose of this Revenue Recognition Policy is to provide an overview of the steps that should be performed to recognize revenue from customer contracts. *Refer to Bioventus Global Accounting Policies Manual on Bionet for guidance on all other accounting policies that govern and support the business practices, operations and transactions of Bioventus LLC and its subsidiaries.*

2.0 Background:

Bioventus is a global medical technology company focused on developing and commercializing innovative and proprietary orthobiologic products for the treatment of patients suffering from a broad array of musculoskeletal conditions. The Company derives its revenues primarily from the sale of the following three product lines:

- Osteoarthritis pain treatment products (Hyaluronic acid (HA) joint therapy products including SUPARTZ FX, GELSYN-3, and DUROLANE)
- External bone growth stimulators (EXOGEN ultrasound bone healing device), and
- Surgical bone growth products (Allograft and Synthetic offerings)

The Company sells product directly to healthcare institutions, patients, distributors and dealers. The Company also enters into arrangements with health care providers and payors that provide for privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products.

3.0 Scope:

This policy applies to all Bioventus employees (US and International) that are responsible for initiating, reviewing, and approving customer contracts, as well as Finance personnel responsible for the accounting of such transactions. This policy applies to all contracts with customers, excluding lease contracts, insurance contracts, financial instruments, guarantees (other than product or service warranties), and nonmonetary exchanges between companies in the same line of business to facilitate sales to customer or potential customers.

4.0 Revenue Recognition:

4.1 General Overview:

Revenue is recognized upon the transfer of control of the promised products to our customers in an amount that reflects the consideration we expect to receive in exchange for those products. Taxes collected from customers and remitted to governmental authorities are excluded from revenues.

Revenues are recorded at the transaction price, which is the contracted price net of estimated variable consideration resulting from discounts, rebates, returns, chargebacks, contractual allowances and certain distribution and administration fees offered in our customer contracts and other indirect customer contracts relating to the sale of our products. We establish reserves for the estimated variable consideration based on the amounts earned or to be claimed on the related sales. Where appropriate, these estimates take into consideration a range of possible outcomes which are probability-weighted for relevant factors such as the Company's historical experience, current contractual requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. The amount of variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. All reserves are reviewed regularly and updated at the end of each reporting period.

4.2 Five-Step Process:

The following five-step process should be applied to each customer contract (or portfolio of contracts with similar characteristics such that the results would not differ materially from applying the model to each individual contract):

- Step 1 — Identify the contract(s) with the customer
- Step 2 — Identify the performance obligations in the contract
- Step 3 — Determine the transaction price
- Step 4 — Allocate the transaction price to the performance obligations in the contract
- Step 5 — Recognize revenue when (or as) the Company satisfies a performance obligation

Below is a discussion on how these five steps should be applied and key points to consider when completing each step.

4.2.1 Step 1 — Identify the Contract with the Customer

Contracts can be written, oral, or implied by the Company's customary business practices. A contract exists if all of the following criteria are met:

1. Has approval and commitment of the parties;
2. Rights of the parties are identified;
3. Payment terms are identified;
4. Has commercial substance (changes in cash flows expected); and
5. Probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If the sales transaction does not meet the definition of a contract and consideration has been received from the customer, the consideration received should be recognized as revenue *only when one of the following events occurs*:

- The Company has no remaining obligations to the customer and all or substantially all of the consideration promised by the customer has been received and is nonrefundable, or
- The contract has been terminated and the consideration received from the customer is nonrefundable.

Any consideration received from the customer should be recognized as a liability until the sales transaction meets the criteria to be considered a contract or one of the above events occurs.

4.2.1.1 Collectibility Threshold: In determining if a contract exists with a customer, an assessment must be made as to whether collection of the consideration to be received from the customer is probable (generally 70-80% likelihood in US GAAP). This assessment is made after considering any price concessions expected to be provided to a customer. Price considerations are considered variable consideration and therefore, impact the transaction price. If it is determined that collection is not probable, the sales transaction does not meet the definition of a contract, and any consideration received from the customer should only be recognized as revenue when one of the criteria discussed above are met.

The Company's revenue transactions are generally governed by a written contract (or Bioventus terms and conditions stated on the back of the customer invoice) and customer purchase order (PO) that together satisfy the criteria to be considered an enforceable contract under this step. For customer transactions that fall outside of our typical transactions, the contract criteria discussed above should be reviewed and all criteria met to be considered an enforceable contract for revenue recognition purposes.

[See Appendix A for Analysis of an Enforceable Contract by Product Category and/or Geographic Market.](#)

4.2.2 Step 2 — Identify the Performance Obligations

At the contract inception, an assessment of all the goods or services promised in a customer contract is required. If those goods or services are distinct, they are considered performance obligations and are accounted for separately. A performance obligation is defined as a promise (explicit or implicit) to transfer a good or service to the customer. If more than one good or service is to be transferred to the customer, then each good or service is accounted for as a performance obligation only if it is:

1. A good or service (or bundle) that is distinct, or
2. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer (treated as a single performance obligation except when applying the contract modification and variable consideration guidance).

A good or service is distinct if the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the promise to transfer the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

4.2.2.1 Multiple Product Orders: For customer orders that include more than one product or a mix of products and are delivered at the same time, the Company generally treats these orders as a single performance obligation, and therefore, allocation of revenue to each unit or product is not necessary. For partial shipments, each product in the order is considered a separate performance obligation since they are considered distinct. That is, each product is distinct because it is sold separately and it is not dependent on or highly interrelated with the other product(s) in the order. In these situations, revenue should be allocated to each product in accordance with Step 4 - Allocate the transaction price to the performance obligations in the contract, and revenue should be recognized as control of each product is transferred to the customer in accordance with Step 5- Recognize revenue when (or as) the Company satisfies a performance obligation.

4.2.2.2 EXOGEN Optional Services: The EXOGEN performance guarantee and fitting services are optional for self-pay patients that purchase the EXOGEN unit (optional services are currently limited to Germany self-pay patients), whereby the cost of the unit is discounted if the patient opts not to be covered under the performance guarantee, and discounted by an additional amount if the patient opts not to be fitted. These services are not required in order for the product to function as intended and the Company sells the product without these services. The EXOGEN performance guarantee is considered variable consideration (see further discussion below under Performance Guarantees) and not considered a separate performance obligation. The fitting service is considered a separate performance obligation; however, since the fitting service generally occurs at the same time as when control of the product transfers to the patient (upon delivery to the patient by the sale representative), accounting for the fitting services separately from the product is not deemed necessary.

4.2.2.3 EXOGEN Reimbursement Services: The Company provides reimbursement services to certain Canadian clinics that purchase our EXOGEN product. These services include determining if the EXOGEN product is covered by the patients' private insurance (i.e., benefit coverage review). The Company is not reimbursed for this benefit coverage review regardless if the clinic purchases the product or not. As such, the benefit coverage review is considered an activity undertaken by the Company to make a sale and not a performance obligation that transfers a service to the customer. Also, this activity is not viewed as a contract cost subject to the contract cost capitalization guidance as discussed under Other Considerations section below, since the costs related to this activity would have been incurred regardless of the sale. The costs incurred to perform this service should be expensed as incurred.

4.2.2.4 Product Warranties:

- **Standard assurance-type warranty:** A warranty that the customer does not have the option to purchase separately *and* there is no other service incremental to assuring the product will function as designed (e.g., there is no extended warranty, or other service-type warranty included in the warranty), should be accounted for as a cost accrual (liability) with offset to warranty expense.
- **Service-type warranty:** A warranty, or part of a warranty, that is not sold separately but provides the customer with a service in addition to assuring that the product complies with agreed-upon specifications, should be accounted for as a separate performance obligation.
- **Optional purchase standard or assurance-type warranty:** A warranty that the customer has the option to purchase separately should be accounted for as a separate performance obligation.

All of the Company's product offerings include an express written warranty that is contained in the current product packaging and labeling and is limited to either the term stated in the written warranty or eighteen (18) months from shipment. The warranty is limited to repair or replacement of the product, or its non-conforming parts, within a reasonable time period, or refund of all or part of the purchase price. This is a standard assurance-type warranty (vs. a service-type warranty), and therefore, is accounted for as a cost accrual under product warranties in accordance with ASC 460-10.

The Company does not sell its standard warranty separately from the product, and the customer does not have the option to purchase this warranty separately. The Company also does not offer a service-type warranty on its products.

4.2.2.5 Shipping and Handling: Shipping and handling activities that occur after the customer has obtained control of a good (e.g., when the product is shipped to the customer via FOB Shipping point and other control indicators have been met) may be considered a separate performance obligation. By contrast, if control of a good does not transfer to the customer before shipment, shipping is not a promised service to the customer, but a fulfillment activity as the costs are incurred as part of transferring the goods to the customer.

Policy Election: The Company has made a policy election to account for shipping and handling activities that occur after the customer has obtained control of a good (e.g., when the product is shipped to the customer via FOB Shipping point) as a fulfillment cost rather than as an additional promised service to the customer. This accounting election should be applied consistently to similar transactions across all revenue segments. Additionally, the costs related to the shipping and handling should be accrued at the time of revenue recognition.

4.2.2.6 Performance Guarantees: A performance guarantee is the seller's promise or guarantee of a product or service performance beyond the standard warranty that the product will function according to the manufacturer's specifications as discussed under product warranties above. This type of guarantee or obligation to stand ready and accept a product return during the return period is not considered a separate performance obligation in addition to the obligation to provide a return. Such performance guarantees that could result in refunds to customers (e.g., EXOGEN product sold with standard performance guarantee¹) should be accounted for as variable consideration as discussed under Step 3-Determine the transaction price.

¹ The EXOGEN product is sold with a performance guarantee (except when sold to our Teijin distributor, as Teijin currently resells the product multiple times under their refurbishment program), whereby the Company guarantees that radiographic healing progression will be shown in non-union fractures. If the patient shows no healing progression after proper use of the product, the patient is refunded any out of pocket costs.

4.2.2.7 Customer Options: Customer options that enable a customer to acquire additional goods or services for free or at a discount are accounted for as a separate performance obligation if the option is considered a material right. An option provides a material right to the customer if the customer would not have received the option without entering into that contract (e.g., a discount that is incremental to the range of discounts typically given for those goods or services to that class of customer in the geographical area or market).

If the option is considered a material right, the standalone selling price for a customer option should be estimated (if it is not directly observable), by applying a discount that the customer would obtain when exercising the option, adjusted for both of the following:

- Any discount that the customer could receive without exercising the option, and
- The likelihood that the option will be exercised.

As a practical alternative to estimating the standalone selling price of the option, you may allocate the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration (i.e., allocate the discount across all units expected to be purchased).

Examples of customer options included in some of our customer contracts:

- Volume purchase discounts - Customer receives a volume purchase discount, whereby the price for future purchases drops as the customer reaches a specified volume level of purchases. Other similar customers in the same market are offered the same volume purchase discount pricing structure. Since other similar customers are offered the same discount on future purchases, the discount offered to the customer in this example is not considered a material right.
- Free product or services - Customer receives free training and/or Key Opinion Leader support up to a stated amount (e.g., \$75K cap) in the subsequent year if the customer purchases a specified amount of the product (reaches a specified sales target) in the current year. In this case, the free services constitute a material right, as the customer would not have received these services without entering into the contract. The amount of free services to be provided to the customer will need to be estimated and a portion of the transaction price from the current product sales should be allocated to the free services, as discussed under Step 4. Revenue allocated to the free services should be recognized as the free services are provided or the right to the free services expires.

4.2.2.8 Immaterial Promises: Promised goods or services that are immaterial in the context of the contract are not required to be accounted for as separate performance obligations. Some of our customer contracts contain terms that upon the customer's request we will provide training on the product to a physician or clinic. This performance obligation is not considered material in the context of the contract, as our products are not unique or complex to use. Instruction on use of the product provided by the sales representative is generally limited to how to open a package, fill a syringe, or operate the device. Accordingly, such promise to provide the training is generally not accounted for as a separate performance obligation.

4.2.3 Step 3 — Determine the Transaction Price

The transaction price is the amount that the Company expects to receive in exchange for the promised goods or services provided to the customer under the contract. Determining the transaction price is relatively straightforward when the contract price is fixed. However, this step becomes more complex when the transaction price can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties, or other similar items ("variable consideration").

4.2.3.1 Variable Consideration: Common types of variable consideration found in our customer contracts include:

- Rebates
- Discounts (e.g., prompt pay discounts, volume purchase discounts, etc.)
- Price concessions (e.g., adjustments to EXOGEN patient owed balances²)
- Penalties
- Index pricing
- Price protection (e.g., Most favored customer, or MFN)
- Right of return
- Performance guarantees
- Distributor chargebacks
- Royalties³

4.2.3.2 Estimation methods: For customer contracts that include variable consideration, the amount of variable consideration should be estimated using either of the following two estimation methods, depending on which method more accurately predicts the amount of consideration that is expected to be received:

- **Expected value method** - The sum of probability-weighted amounts in a range of possible amounts. This method may be more appropriate if there are a large number of contracts with similar characteristics that can be used to estimate the variable consideration.
- **Most likely amount** - Single most likely outcome in a range of possible amounts. This method may be more appropriate if there are only two possible outcomes (e.g., the customer achieves a volume rebate level or does not).

The estimation selected should be applied consistently throughout the contract when estimating the effect of uncertainty on an amount of variable consideration. All information— historical, current and forecast – that is reasonably available should be considered when estimating variable consideration.

[See Appendix B for Bioventus' Common Forms of Variable Consideration and Estimation Method Used.](#)

4.2.3.3 Constraining Estimates of Variable Consideration: Once variable consideration is estimated using one of the two methods discussed above, the next step is to consider whether the variable consideration is subject to a constraint. That is, any variable consideration should only be included in the transaction price to the extent that it is probable that the amount recognized will not be subject to a significant reversal in subsequent periods when the uncertainty associated with the variable consideration is subsequently resolved. Furthermore, if only a portion of the revenue is recognized because of the constraint, all of the costs should be recognized at the time the goods are transferred (i.e., there will not necessarily be a matching of the revenue and related cost of goods sold).

A qualitative assessment that considers both the likelihood and magnitude of a potential revenue reversal should be performed. The following factors should be considered and the presence of one or more could increase the likelihood or the magnitude of a revenue reversal:

- a. Amount is highly susceptible to factors outside the Company's control
- b. Long period before uncertainty is resolved
- c. Limited experience with similar types of contracts, or experience is not predictive
- d. Practice of providing concessions
- e. There are a large number and broad range of possible consideration amounts

The estimated transaction price and the assessment of the constraint should be updated each reporting period to reflect any changes in facts and circumstances. Any subsequent changes in the transaction price should be recognized as revenue (or reduction of revenue) in the period the transaction price changes.

² See further discussion on EXOGEN patient owed amounts not probable of collecting representing implicit price concessions in Appendix A-1a. & b. EXOGEN Revenued & Patient Assistance orders – Analysis of Enforceable Contract

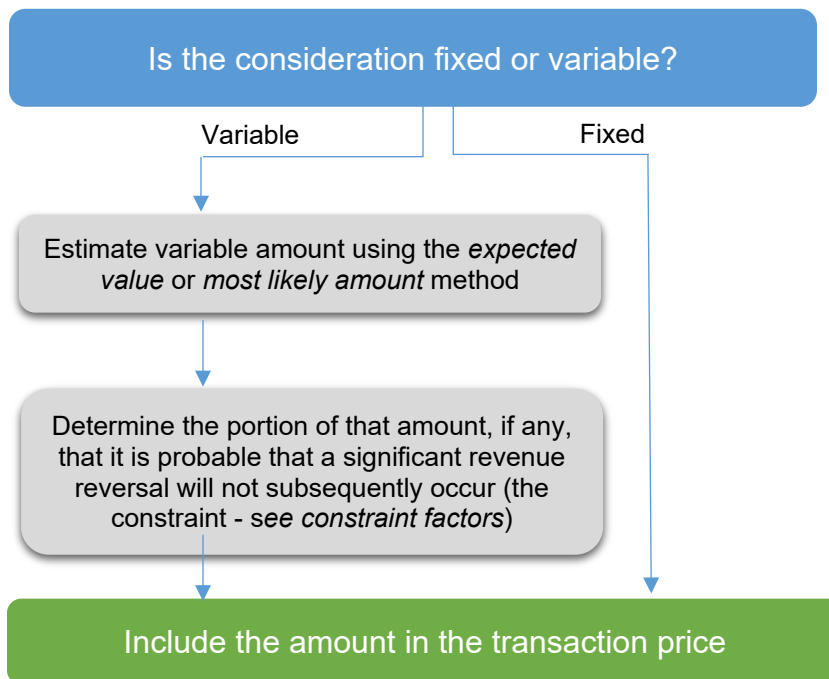
³ Limited to Teijin, our exclusive distributor for EXOGEN product in the Japanese market

The Company has an extensive history in estimating its more common forms of variable consideration (e.g., distributor chargebacks, patient implicit price concessions, product returns, and rebates), and the variable component is generally resolved within a short period of time. Accordingly, constraining all or a portion of the variable component is generally not considered necessary. However, the factors discussed above should be considered when circumstances change (e.g., new product introductions with extended period of product return rights) or other types of variable consideration are introduced that create uncertainty that could result in significant revenue reversal.

For our EXOGEN product sales to Teijin (our Japanese distributor), we estimate the royalties expected to be received from Teijin in future years (variable consideration) on each EXOGEN unit sold to Teijin (fixed consideration). The estimated future royalty income that is recorded with each product sale is constrained (i.e., limited) to the amount expected in the first year, as royalties to be earned from the product sale beyond the first year are highly susceptible to external factors outside of the Company's control that could significantly impact the amount of revenues generated in future years. See further discussion in [Appendix B-5: International Sales re: Common forms of Variable Consideration for Teijin contract only](#).

Below is a recap on how to determine the amount of variable consideration to be included in the transaction price.

Exhibit 1: Decision Tree for Variable Consideration



4.2.3.4 Sale with Right of Return: A right of return is not considered a separate performance obligation but it does impact the estimated transaction price, as revenue is only recognized for goods not expected to be returned. For products sold with a right of return, the following should be recognized upon transfer of control of the product:

- Revenue for the transferred products in the amount of consideration expected to be received from the customer (revenue would not be recognized for the products expected to be returned)
- A refund liability
- An asset (and corresponding adjustment to costs of sales) for the right to recover products from the customers on settling the refund liability

The estimate of expected returns should be calculated in the same way as other variable consideration, using either the expected value method or the most likely amount method, whichever method better predicts the amount of consideration that we expect to receive from the customer.

For product expected to be returned, the amount expected to be repaid to the customer (refund liability) should be the consideration paid for the product less any restocking fee charged for the return. Additionally, the restocking fee should be included in the transaction price and recognized at the time control of the product is transferred to the customer. The asset recorded for the right to recover the goods upon settling the refund liability should be initially recorded at the carrying amount of the product at time of sale (i.e., inventory value), reduced for expected restocking costs (costs to recover the goods) to be incurred.

The Company's standard product return policy is based on the product classification. Our EXOGEN product may be returned by the purchaser provided it is returned unused within 90 days of delivery. Our Surgical products may be returned provided it is returned unused within 30 days of delivery. Our HA products are generally non-returnable since the product must be maintained in a temperature controlled environment. However, in the US, our large wholesalers and certain specialty distributors and pharmacies have return rights that allow these customer to return HA product and receive credit if the product is outdated, slow moving due to change in market conditions, and/or is new and not selling as anticipated. A refund liability and related return asset is estimated and recorded for expected returns for all product lines, as appropriate.

4.2.3.5 Consideration Payable to the Customer: Payments to a customer include amounts that are paid or expected to be paid to the customer (or to other parties that purchase our products from the customer). It also includes credit or other items (e.g., coupon, voucher) that can be applied against the amount owed by the customer (or other parties that purchase the products from the customer).

Consideration paid to a customer should be recorded as a reduction to the transaction price (i.e., revenue reduction) unless the payment is for a distinct good or service received from the customer. If the payment is for a distinct good or service, then it should be accounted for in the same way as other vendor type purchases (e.g., expense). However, any amount paid in excess of the fair value of the good or service received from the customer should be recorded as a reduction in revenue.

[See Appendix C for Bioventus' Common Forms of Consideration Paid to Customers \(or Indirect Customers\) and Accounting Treatment.](#)

4.2.3.6 Existence of Significant Financing Component: The transaction price should be adjusted for effects of the time value of money when the arrangement contains a financing component that is significant to the arrangement. The significance of a financing component should be made at the contract level rather than at a portfolio level. In assessing whether a financing component exists and is significant to a contract, the following factors should be considered:

- a. The difference, if any, between the amount of the promised consideration and the cash selling price of the promised goods or services
- b. The combined effect of both of the following:
 1. The expected length of time between when the goods or services are transferred to the customer and when the customer pays for the them
 2. The prevailing interest rates in the relevant market.

The Company's standard payment terms for all products are net 30 days from the invoice date, although some customer payment terms may range up to 120 days, depending on the customer. Also, for our US EXOGEN patient balances (for self-pay patients and co-insurance), patient payment plans are available depending on the patient's financial circumstances that generally include payment terms of 12 months or less.

Practical expedient: The Company applies the practical expedient allowed under ASC 606-10-32-18 and does not adjust the amount of consideration due from customers for the effects of a significant financing component due to the Company's expectation that the period between the time the product is provided to the customer and the time that the customer pays for the product will be one year or less. However, the Company does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

4.2.3.7 Sales Taxes (and Other Similar Taxes): Sales taxes and other similar taxes collected on behalf of third parties (e.g., governmental agency) should not be included in the transaction price (i.e., not recognized as revenue).

Policy election: To eliminate the need to evaluate each type of tax collected in all jurisdictions the Company operates in, the Company has made a policy election to exclude all sales taxes and other similar taxes from the transaction price.

4.2.3.8 Noncash Consideration: Noncash consideration (e.g., goods, services, shares of stock) received in exchange for providing goods or services to a customer should be included at its fair value in the transaction price. In the normal course of selling products to our customers, the Company does not accept noncash consideration in exchange for its products.

4.2.4 Step 4 — Allocate the Transaction Price to the Separate Performance Obligations

For contracts that involve the sale of more than one good or service, the transaction price is allocated to each performance obligation - or distinct good or service - to depict the amount of consideration to which the Company expects to receive in exchange for transferring the promised goods or services to the customer.

4.2.4.1 Standalone Selling Price Method: A standalone selling price is determined for each item and the transaction price should be allocated based on the relative standalone selling price method (i.e., each item's relative value to the total value of the items in the arrangement).

The best evidence of the standalone selling price is the price charged by the Company when it sells the item separately in similar circumstances to similar customers. For items not sold separately, the

standalone selling price will need to be estimated (cost plus margin approach) or derived by other means (such as the use of competitors data, if available and relevant).

However, in certain circumstances, allocating discounts and variable consideration may result in a different allocation, when the discount or variable consideration relates specifically to one or more, but not all, of the items in the order, and provided all the following criteria are met:

- a. The Company regularly sells each distinct good or service (or each bundle of distinct goods or services) in the contract on a standalone basis.
- b. The Company also regularly sells on a standalone basis a bundle (or bundles) of some of those distinct goods or services at a discount to the standalone selling prices of the goods or services in each bundle.
- c. The discount attributable to each bundle of goods or services described in (b) is substantially the same as the discount in the contract, and an analysis of the goods or services in each bundle provides observable evidence of the performance obligation (or performance obligations) to which the entire discount in the contract belongs.

4.2.4.2 Multiple Product Orders:

- For multiple product orders that are delivered at the same time, there is no need to allocate the transaction price to each of the products in the order since revenue is recognized at the same time for all products in the order.
- For products delivered at different times, the transaction prices should be allocated to each product based on their standalone selling price, which is generally the contracted price unless the order includes special discounting (e.g., bulk purchase discount or volume purchase discount). For such orders, the discount should generally be allocated to all products included in the order, unless the criteria discussed above for allocating the discount to a single product is met. For sales orders that are subject to a volume purchase discount rebate (i.e., the volume discount is applied retrospectively), a rebate liability is recognized with each sale to the customer as discussed in Step 3- Variable Consideration and Appendix B.

4.2.5 Step 5 — Recognize revenue

Revenue is recognized when a good or service (an asset) transfers to the customer. An asset is transferred when (or as) the customer obtains control of the asset, which may be over time or at a point in time. This determination is made at contract inception. The customer has control when the customer has the ability to direct the use of and receive the benefit from the good or service. The customer also has control when it has the ability or right to: deploy the asset in its activities; allow another entity to deploy the assets in its activities; restrict another entity from deploying the asset; or, use, consume, sell, exchange, pledge or hold the asset.

4.2.5.1 Over Time Revenue Recognition: The Company must first determine if transfer of control occurs over time. If one of the following criteria are met, then the Company transfers control of the good or service over time and therefore, revenue should be recognized over time.

- a. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.
- b. The Company's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced.
- c. The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.

4.2.5.2 Point in Time Revenue Recognition: If it is determined based on the criteria above that transfer of control of the asset is not satisfied over time, then it is deemed to be satisfied at a point in time. To determine the point in time at which the Company has transferred control of an asset to the customer, the following indicators should be considered:

- Company has a present right to payment for the asset
- Customer has legal title to the asset
- Company has transferred physical possession of the asset
- Customer has the significant risks and rewards of ownership of the asset

4.2.5.3 Consignment Sales: The majority of our surgical product sales are through consignment inventory with our hospital customers where ownership remains with the Company until the surgery is performed and the consigned inventory is consumed. Products delivered to a consignee under a consignment arrangement generally are not recognized as sales until the consignee sells the product to a third party (or consumes the goods as in the case of our product used in surgery), at which point control of the products transfers from the consignor to the third party. The following indicators (but not limited to these indicators) should be considered to determine if the arrangement with the customer is a consignment arrangement:

- The product is controlled by the Company until a specified event occurs, such as the sale of the product to a customer of the dealer, or until a specified period expires.
- The Company is able to require the return of the product or transfer the product to a third party (such as another dealer).
- The customer does not have an unconditional obligation to pay for the product (although it might be required to pay a deposit).

Exhibit 2: Recap of when control generally transfers to Bioventus customers by major product group and/or geographic market:

Product Category	Transfer of control 'over time' vs 'point in time'	Control transfers to customer and Revenue recognized	Comments
US EXOGEN Reimbursement Orders	Point in time	When delivered to the patient	Under our payer contracts, we have not performed until the product is delivered to the patient. E.g., For Medicare claims, we are required to provide proof of delivery in order to file for reimbursement. The commercial FOB shipping terms on our invoice do not apply to the patient (consumer transactions).
US EXOGEN Non-reimbursement orders (PO and Buy & Bill orders)	Point in time	When shipped to customer	Our standard Durable Medical Equipment (DME) distributor and Buy & Bill program contracts contain FOB Shipping Point terms. Our customer PO orders that have no underlying written contract also include FOB shipping point terms on the invoice mailed out to the customer at time of shipment.
HA Product orders shipped FOB destination	Point in time	When delivered to the customer	Mostly our wholesalers and Specialty Distributor contracts
HA Product orders shipped FOB shipping point	Point in time	When shipped to customer	PO orders and most Direct Purchases and Specialty Pharmacies orders. Our standard HA Direct Purchase and Distributor contracts include FOB shipping point terms. Our customer PO orders that have no underlying written contract include FOB shipping point terms on the invoice mailed out to the customer at time of shipment
US Surgical Consignment sales	Point in time	When the customer consumes the product	For our consignment inventory with hospitals, ownership remains with the Company until the hospital performs a surgery and consumes the consigned inventory. <ul style="list-style-type: none"> The customer does not have control of the product until it is consumed, as we are able to require the return or transfer of the product to a third party. An unconditional obligation to pay for the product does not exist until the customer consumes it.
US Surgical Product orders shipped FOB destination	Point in time	When delivered to the customer	Mostly orders placed under Group Purchasing Organization (GPO) contracts and standard Direct Pricing contracts.
US Surgical Product orders shipped FOB shipping point	Point in time	When shipped to customer	PO orders, Stocking Distributors and some Direct sales contracts
International Product orders shipped FOB destination/ Incoterm DDP	Point in time	When delivered to the customer	EXOGEN reimbursement orders, PO orders and certain distributor contracts
International Product orders shipped Ex Works	Point in time*	When picked up by the customer	Most direct and indirect channel contracts

*Point in time and customized product:

- Canada market:** The Company has multiple distributors and customers in Canada. The EXOGEN unit is customized to the Canadian market, but is not customized for each distributor. Therefore, the product can be redirected to other customers in the Canadian market (the product has alternative use).
- Other international markets:** In other international markets, EXOGEN and DUROLANE, which are customized to the specific market, are sold through one distributor in the market. However, the product is not customized to the distributor and can be easily sold through a different distributor operating in the market (the product has alternative use). For the EXOGEN unit and accessories sold in Japan through our Teijin distributor, the unit and some accessories are customized but can readily be reworked and redistributed to other markets at a reasonable cost.

[See also Appendix D: Analysis of transfer of control indicators by sales type and delivery methods](#)

4.2.5.4 Generator Rentals: From time to time, Bioventus provides Generators on rental to hospitals. The equipment can be provided either for a day (rental per surgical case), or for 3 to 12 months. When equipment is rented for more than a day, Bioventus typically executes an agreement with the hospital.

According to hospital policy, in order for a rental invoice to be approved for payment, the hospital must issue a valid purchase order (“P.O.”). Therefore, Bioventus does not invoice the customer until a valid purchase order is received. In most cases, the customer only provides a P.O. after the close of the rental period. Therefore, regardless of whether there is a signed agreement between Bioventus and the hospital, **Bioventus does not recognize any rental income until a valid P.O. is received.**

The Company reviewed the magnitude of rental revenue, noting it is not material compared to consolidated revenue (approximately 1% per year). Due to materiality and considering the cost, benefit, and process risks, we determined this policy to be reasonable.

Generator rental pricing approved by the pricing committee includes:

Program	Code/SKU	What's Included	What's NOT Included	Duration	Configuration	Price Range	
BoneScalpel (BS/Std.) System Rental	Rental-BS-Case	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Case	BS/Std.	\$1,500	\$2,500
BoneScalpel (BS/Std.) System Rental	Rental-BS-Month	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Month	BS/Std.	\$5,000	\$7,500
BoneScalpel Access (BSA) Rental	Rental-BSA-Case	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Case	BSA	\$1,500	\$2,500
BoneScalpel Access (BSA) Rental	Rental-BSA-Month	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Month	BSA	\$5,000	\$7,500
SonaStar Short (SSS) System Rental	Rental-SSS-Case	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Case	SSS	\$5,000	\$7,500
SonaStar Short (SSS) System Rental	Rental-SSS-Month	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Month	SSS	\$10,000	\$15,000
SonaStar Long (SSL) System Rental	Rental-SSL-Case	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Case	SSL	\$5,000	\$7,500
SonaStar Long (SSL) System Rental	Rental-SSL-Month	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Month	SSL	\$10,000	\$15,000
SonaStar Elite (SSE) System Rental	Rental-SSE-Case	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Case	SSE	\$5,000	\$7,500
SonaStar Elite (SSE) System Rental	Rental-SSE-Month	(1) Console + (2) Handpieces	Disposables - Billed Separately	(1) Month	SSE	\$10,000	\$15,000

4.3 Other Considerations

4.3.1 Contract Costs:

Costs to obtain or fulfill a contract should be capitalized (as an asset) if these costs are expected to be recovered. However, these cost may be expensed when incurred if the amortization period of the asset is one year or less.

- Incremental costs of obtaining a contract are costs that would not have been incurred if the contract had not been obtained (e.g., sales commissions).
- Contract fulfillment costs are costs required for completing a contract (e.g., set-up costs).

An asset should be recognized from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

Any capitalized contract costs should be amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. The method for determining the pattern of amortization should be consistent with the method used to determine the pattern of revenue recognition or measuring progress. Any asset recorded by the Company is subject to an impairment assessment at the end of each reporting period

Practical expedient: The Company applies the practical expedient of recognizing the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets is one year or less. These incremental costs include sales commissions paid to our internal sales force and third party sales agents and correspond with the annual sales activities (i.e., the commission is expensed in the same period the revenue is recognized).

4.3.2 Contract Assets:

A contract asset is the Company's right to payment in exchange for goods or services that have been transferred to the customer that is conditional on something other than the passage of time (i.e., conditional right to payment, or 'unbilled receivable'). For example, unbilled royalty amounts resulting from estimated future royalties from one of our international distributors (Teijin) should be recorded as a contract asset (vs. accounts receivable, which by contrast is an unconditional right to payment).

4.3.3 Contract Liabilities:

A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. For example, customer advance payments or deposits received prior to transferring the good or service to the customer should be recorded as a contract liability.

Appendix A: Analysis of Enforceable Contract by Product Category and/or Geographic Market:

A-1: US EXOGEN Product Sales

EXOGEN product sales fall into two order processing types- reimbursement orders and non-reimbursement orders, with the majority of the sales coming from reimbursement orders.

EXOGEN Reimbursement orders

For US EXOGEN reimbursement orders, the EXOGEN product is sold directly to patients and are substantially dependent on third-party reimbursement. The Company collects co-insurance from the patient and bills the patient's medical plan for reimbursement according to the third party payer's contracted rate ('contracted payers') or special rate based on the third party plan's fee schedule or single rate for payers that we do not have a contract with ('non-contracted payers').

Reimbursement orders are primarily comprised of the following payer mix:

- Commercial insurers and other managed care organizations (HMO, PPO, TPAs, etc.)
- Government- such as Medicare and Medicaid
- Workers Compensation and Auto insurers
- Patients- co-insurance, deductibles and self-pay amounts

Reimbursement orders are further broken down into the following order categories:

- a. Revenued orders - Patient order with medical coverage and insurance claim is submitted for reimbursement (also includes patient self-pays) and revenue is recognized at the contracted payer price or estimated price for non-contracted payers.
- b. Patient Assistance orders - Patient qualifies under the Company's patient assistance program, and the device is provided at a discounted price or at no charge to patients that are otherwise unable to afford treatment. Revenue is recognized at the discounted price (or no revenue recognized if product provided at no charge).
- c. At Risk orders - Patient order that falls outside of a third-party payer's medical policy criteria; however, medical necessity has been established by the physician. An insurance claim is filed and using our At Risk claims history, we estimate the transaction price and recognize revenue at the time the claim is submitted for payment.
- d. No charge (or PASS) orders - Device is provided to the patient at no charge, generally when there is no coverage available for the patient and the patient is not eligible for the patient assistance program. No insurance claim is filed and no bill is prepared for the patient. A PASS order is at the request of the sales representative and requires approval by the Director of Sales for the respective region. No revenue is recognized for product provided at no charge.

EXOGEN non-reimbursement orders

The Company also sells EXOGEN directly to distributors, nursing homes, hospitals (PO orders), and physicians and clinics (Buy and Bill program orders). These orders do not go through the reimbursement process described above, as the customer is purchasing the medical device to provide to the patient. These customers manage the inventory, administer the device to the patient, and submit the claim for reimbursement.

There are multiple parties involved in the EXOGEN reimbursement order transactions - the patient and various third-party payers. Although the contract with the customer for purposes of the revenue guidance refers to the arrangement between the Company and the patient, the terms of a separate agreement with a third-party payer impact the transaction price (Step 3) of the contract with a patient covered by that health plan. Accordingly, we have included the third-party payers in Step 1 analysis of enforceable contract by counterparty below.

A-1a. & b. US EXOGEN Revenued and Patient Assistance Orders — Analysis of Enforceable Contract

Contract Criteria	Commercial Insurers payers*		Government payers		Patient owed amounts
	Contracted	Non-contracted	Medicaid	Medicare	
Approval and commitment	Yes - commitment by both parties represented by the payer contract (and responsibilities of the patient to pay the co-pay via signed PAIR (See Note below).	Yes - represented by Letter or Agreement (LOA), PO or credit card authorization.	Yes - represented by Medicaid qualification.	Yes - represented by the certificate of medical necessity (CMN). Fulfills the documentation required to receive payment from the CMS government entity.	Yes - commitment by both parties represented by signed PAIR form (See Note below).
Rights identified	Yes - payer contract and PAIR form.	Yes - represented by LOA, PO, or invoice.	Yes - State by State application to obtain approval for Medicaid coverage.	Yes - by receiving Medicare code (approved price list).	Yes - PAIR form.
Payment terms identified	Yes - payer contract and PAIR form.	Yes - represented by LOA and/or invoice.	Yes - State law	Yes - via code above.	Yes - PAIR form.
Commercial substance	Yes - payment received in exchange for product delivered.	Yes - same as contracted payer.	Yes	Yes	Yes
Collectibility is probable	Yes - credit checks and limits established on all 3 rd party entities; however, no credit checks performed on patients.	Yes for 3 rd party payer. No credit checks on patients.	Yes - Government funded.	Yes - Government funded. No credit checks on patients.	Yes - however, no credit checks are performed. <u>Amounts not probable of collecting represent price concessions.</u> See patient owed amounts discussion below.
Conclusion	All criteria met. Contract exists.				

*Including Workers' comp and Auto Insurers.

Note: For patients that receive a device from the sales representative via trunk stock, the patient signs a patient acknowledgment of liability/assignment of benefits form (aka 'PAIR form'), which is submitted to the home office. In this PAIR form, the patient is acknowledging and accepting financial responsibility, which is considered a written contract. For devices that are delivered via direct shipment from the Company (either authorized by the sales or reimbursement services team representative under the direct ship option), a signed PAIR form may not be returned by the patient. In those circumstances, there is an oral or implied contract when the patient accepts delivery of the unit, and provided the unit is not subsequently returned from the patient unused within the 90 day right of return period.

Patient owed amounts: The collectability threshold refers to the customer's intent and ability (financial capacity) to pay the amount promised. The Company does not perform a credit assessment on patient-owed amounts and our historical experience indicates that it is not probable that we will collect substantially all of the billed amount. Since the Company has a customary business practice of not performing a credit assessment on patient-owed amounts and its historical experience indicates that it is not probable that it will collect substantially all of the billed amount, the Company determined that the

patient amounts not probable of collection constitute implicit price concessions (variable consideration) vs. impairment losses (bad debt expense). The amount of the implicit price concession should be estimated at the time the sales transaction with the patient is recorded (Dr: Revenue; Cr: Contra A/R Reserve). Subsequent changes to the estimated amount should be adjusted through income (revenue adjustment), except patient specific information that suggests the patient no longer has ability to pay (record adjustment to bad debt expense).

A-1c. US EXOGEN At-Risk Orders — Analysis of Enforceable Contract

Contract Criteria	All Third-party payers & Patient owed amounts
Approval and commitment	Yes - signed PAIR form and/or patient accepts delivery of unit.
Rights identified	Yes - Company has right to payment for unit delivered to patient.
Payment terms identified	Yes - Company expects to receive list price less any third-party payer contractual adjustments or self-pay discounts.
Commercial substance	Yes - Company expects payment to be received in exchange for product delivered.
Collectibility is probable	Yes - Collectibility is probable based on past collections history with At Risk claims.
Conclusion	All criteria met. Contract exists.

A-1d. US EXOGEN No Charge (or PASS) Orders— Analysis of Enforceable Contract

A free EXOGEN unit provided to the patient under our Patient Assistance Program (PAP unit) or for other reasons (PASS unit) is not associated with a specific revenue transaction, and therefore, has no commercial substance. The cost to provide the free product is expensed as incurred.

A-1e. US EXOGEN Non-Reimbursement Orders (PO and Buy & Bill Orders) - Analysis of Enforceable Contract

Contract Criteria	DME Distributors	Direct Purchases (Physicians, Clinics, Hospitals, Nursing homes)
Approval and commitment	Yes - commitment by both parties represented by the Distribution contract	Yes - represented by Purchase Contract*, LOA, PO or credit card authorization
Rights identified	Yes - Distribution contract	Yes - represented by Contract, LOA, PO, or invoice
Payment terms identified	Yes - Distribution contract	Yes - represented by Contract, LOA and/or invoice
Commercial substance	Yes - payment received in exchange for product delivered	
Collectibility is probable	Yes - credit checks and limits established based on credit policy guidelines	
Conclusion	All criteria met. Contract exists.	

**Written contracts are generally master purchase agreements that provide general terms and conditions only. The PO issued by the customer and accepted by the Company contains specifics as to product and quantities orders. As such, written contracts plus the PO represent the binding contract for a sales order.*

A-2: US HA Product Sales - Analysis of Enforceable Contract

US HA products are sold directly to physicians and clinics, and through indirect channels including wholesalers, specialty distributors, and specialty and retail pharmacies. Additionally, we incur rebates through our relationships with pharmacy benefit managers (PBMs) and medical benefit managers (MBMs).

Direct Sales/PO orders: Most HA products are sold directly to physicians, clinics, and retail pharmacies, and are represented by a customer PO at the price we have provided to the customer in a quote or pricing grid. In limited circumstances, written (pricing) contracts are also used for direct sales customers when we have provided special pricing and volume minimums (e.g., single bulk volume purchase discount or volume purchase rebate).

Specialty Pharmacies, Specialty Distributors and Wholesalers: We also sell to specialty pharmacies, distributors and wholesalers. These sales orders are generally governed by a distribution agreement.

Pharmacy Benefit Managers and Medical Benefit Managers: We also provide rebates and incur administrative fees to PBMs and MBMs with respect to the utilization of our HA products by participants in plans that utilize the prescription benefit (or medical benefit) and formulary management service of these benefit managers. These benefit managers do not purchase the product but rather administer the rebate program on behalf of their customers (employer/plan sponsor or health insurer). Accordingly, there is no revenue directly tied to these rebate contracts. Our product that is covered in these plans was previously sold either directly to the physician or clinics or to the specialty pharmacies as discussed above. These rebates are considered variable consideration as discussed under Step 3.

Contract Criteria	Direct Sales/ PO orders (Physicians, Clinics, & Hospitals)	Specialty Pharmacies/Specialty Distributors	Wholesalers
Approval and commitment	Yes - commitment by both parties represented by either PO or written contract*	Yes - commitment by both parties represented by the Distribution contract*	Yes - commitment by both parties represented by the Distribution contract*
Rights identified	Yes - represented by PO, written contract, or invoice	Yes - Distribution contract	Yes - Distribution contract
Payment terms identified	Yes - represented by written contract or invoice	Yes - Distribution contract	Yes - Distribution contract
Commercial substance	Yes - payment received in exchange for product delivered		
Collectibility is probable	Yes - credit checks and limits established based on credit policy guidelines		
Conclusion	All criteria met. Contract exists.		

*Written contracts are generally master purchase agreements that provide general terms and conditions only. The PO issued by the customer and accepted by the Company contains specifics as to product and quantities orders. As such, written contracts plus the PO represent the binding contract for a sales order.

A-3: US Surgical Product Sales — Analysis of Enforceable Contract

We sell our surgical bone growth products (allograft and synthetic) used in spinal fusion and other orthopedic surgeries to hospitals through consignment inventory and direct sales. We also sell our synthetic products⁴ directly to stocking distributors. Sales transactions may be governed by a consignment contract, purchase agreement, group purchasing organization (GPO) contract and/or customer PO. For PO orders with no underlying master purchase agreement, the terms specified on the back of our invoice (e.g., delivery, terms of payment, return goods policy and warranty) apply to the sale. Pricing is determined either by an underlying contract or by an approved sales pricing sheet.

⁴ Our allograft products are also sold to distributors in limited circumstances where the distributor has an FDA license for allograft product sales.

Contract Criteria	Consignment orders	Non-consignment (Direct Sales/ PO orders)	Stocking Distributors
Approval and commitment	Yes - commitment by both parties represented by either PO, or written contract* and PO	Yes - commitment by both parties represented by either PO, or written contract* and PO	Yes - commitment by both parties represented by the Distribution contract* and PO
Rights identified	Yes - represented by PO, or written contract* and PO	Yes - represented by PO, or written contract* and PO	Yes - Distribution contract* and PO
Payment terms identified	Yes - represented by written contract or invoice	Yes - Distribution contract or invoice	Yes - Distribution contract or invoice
Commercial substance	Yes - payment received in exchange for product delivered		
Collectibility is probable	Yes - credit checks and limits established based on credit policy guidelines		
Conclusion	All criteria met. Contract exists.		

*Written contract may be a separate contract with customer or GPO contract in which customer is a member. Written contracts are generally master purchase agreements that provide general terms and conditions only. PO issued by the customer and accepted by the Company contains specifics as to product and quantities orders. As such, written contracts plus the PO represent the contract for a product sales order.

A-4: International Product Sales — Analysis of Enforceable Contract

We market and sell our EXOGEN and DUROLANE products in the international markets through direct sales representatives in 12 markets and through independent distributors (i.e., indirect market sales) in an additional 18 countries.

Direct Market Sales: Direct market sales include both PO orders and reimbursement orders.

- **PO orders:** EXOGEN direct market sales include sales to certain European markets, Australia and Canada, and are almost all PO based orders from hospitals, clinics and physicians, with the exception of Canada, in which written contracts are generally used for sales to clinics. Pricing is established in the contract or agreed upon pricing for PO orders. Similar to EXOGEN direct sales, DUROLANE direct sales are mainly to clinics and physicians, and are transacted with approved pricing and a customer PO. Written contracts are generally not used (except for Canada clinic sales noted above), since nonstandard terms are generally not negotiated for these sales.
- **Reimbursement orders:** EXOGEN is also sold directly to the patient and reimbursement is received from third-party payers in the Canada, Germany and Australia markets. There is a Reimbursement team located in Canada, Netherlands and Australia that reviews the patient's insurance plan coverage and a patient acknowledgment form is obtained prior to shipment of the product. The patient's insurance plan is billed for reimbursement according to the established rate with the third-party payer and the patient is billed for any co-pay, if applicable. There are no third-party payer contracts for these transactions. The fee reimbursed is determined by the third-party payer (and accepted by us provided it falls within our acceptable price range) and there are no other commercial terms customarily found in customer contracts.

Indirect Market Sales: Indirect market sales are governed by a specific distributor that the Company has contracted with to sell the product in that respective country or territory and most contracts provide exclusive selling rights to the distributor within the country/territory. EXOGEN indirect market sales are generated mostly from Japan and a limited number of European countries. DUROLANE indirect sales are generated from a number of countries.

Contract Criteria	Direct Market Sales/ PO orders (Physicians, Clinics and Hospitals)	Direct Market Sales/Reimbursement orders (applies to EXOGEN)		Indirect Market Sales (Distributors)
		Third Party Payers	Patient owed amounts	
Approval and commitment	Yes - commitment by both parties represented by either a PO or written contract*	Yes - commitment by both parties generally represented by signed offer letter (Germany), or written or verbal benefits authorization (Canada)	Yes - commitment by both parties represented by patient consent form and/or credit card info for self-pays (Canada); Signed patient letter (Germany)	Yes - commitment by both parties represented by the Distribution contract*
Rights identified	Yes - represented by PO, written contract, or invoice		Yes - as part of credit card processing or billing plan agreement (Canada); invoice (Germany)	Yes - Distribution contract
Payment terms identified	Yes - represented by written contract or invoice			Yes - Distribution contract
Commercial substance	Yes - payment received in exchange for product delivered			
Collectibility is probable	Yes - credit checks and limits established based on credit policy guidelines	Yes - No credit checks performed; however, bad debt write-offs have been nominal	Yes - No credit checks performed; however, bad debt write-offs have been nominal	Yes - credit checks and limits established based on credit policy guidelines
Conclusion	All criteria met. Contract exists.			

*Written contracts are generally master purchase agreements that provide general terms and conditions only. The PO issued by the customer and accepted by the Company contains specifics as to product and quantities orders. As such, written contracts plus the PO represent the binding contract for a sales order.

Appendix B: Common Forms of Variable Consideration

B-1: US EXOGEN Product Sales — Common Forms of Variable Consideration

Variable Consideration	Description	Accounting Entries	Reserve location	Estimation method
Payer Contractual Allowances	Estimate of EXOGEN third-party payer adjustments to settle claims	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Contra- A/R	Expected value
Product Right of Return	Patient may return for refund if unused and within 90 days of purchase	Dr: Contra - Sales Revenue; Cr: Accrued Liability Dr: Return Asset**; Cr: COS	Accrued Liability	Expected value
Product Performance Guarantee *	Patient eligible for a refund if complied with treatment and no healing progression shown	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability*	Expected value
Prompt pay discounts	Discount for early payment (e.g., 2% discount if paid within 10 days). Contractual term (not standard)	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Not reserved- revenue adjusted at time of payment due to immaterial amount	
Distributor Admin Fees	Fee paid to distributor based on units purchased during the period.	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Most likely amount

*Performance guarantee returns are included in the general product return liability.

** Entry to record the right to receive the product back from the customer (return asset) upon settling the refund.

B-2: US HA Product Sales — Common Forms of Variable Consideration

Variable Consideration	Description	Accounting Entries	Reserve location	Estimation method
Distributor Chargebacks	Chargebacks paid to distributor (indirect customer) due to contract pricing between (direct) customer and Bioventus.	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Contra-A/R	Expected value
Volume Purchase Rebates	Rebate based on volume purchased during quarter (E.g., rebate rate * quarterly purchases).	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Contra-A/R	Most likely amount
PBM/MBM Rebates	Rebate based on quarterly (or monthly) expected utilization reports (E.g., # units dispensed to members * Wholesale Acquisition Cost (WAC) price * applicable rebate %).	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Expected value
Product Right of Return	HA product generally not returnable; however, certain distributors have extended return rights for new product introductions (e.g., GELSYN-3 launched Q2 2016).	Dr: Contra - Sales Revenue; Cr: Accrued Liability Dr: Return Asset** Cr: COS	Accrued Liability	Expected value
Prompt pay discounts	Discount for early payment (e.g., 2% discount if paid within 10 days).	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Not reserved- revenue adjusted at time of payment due to immaterial amount	
Coupon Programs	Coupon distributed to patient by physician prescribing HA product to cover portion of patient's copay.	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Expected value
Distributor Admin Fees*	Fee paid to distributor generally based on units purchased during the period (or fixed fee). Range: 3% to 12.5% * actual sales.	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Most likely amount
Price Protection - Shelf stock adjustment	Provide credit (or refund) for distributor's on-hand and in-transit inventory in the event of product price reduction.	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Not reserved - revenue adjustment limited to unsold inventory (generally one month's supply). No history of reducing WAC price. Significant reversal of revenue for product in distribution channel (for certain distributors only) not considered probable	

* Two customers (Besse and Curascript SD) also can receive reimbursement for credit card fees incurred capped at 2% or 2 ½% of actual fees incurred. Any such fees are generally reviewed and accrued as considered necessary as part of with admin. and/ or chargeback fees accrual.

** Entry to record the right to receive the product back from the customer (return asset) upon settling the refund.

B-3: US Surgical Sales — Common Forms of Variable Consideration

Variable Consideration	Description	Accounting Entries	Reserve location	Estimation method
Volume Purchase Rebates	Rebate (tiered) based on volume of qualified product purchased during the year (E.g., rebate rate * annual qualified purchases).	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Most likely amount
GPO Rebates	Rebate to GPO members based on actual purchases in period (paid quarterly)	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Most likely amount
Product Right of Return	Surgical product may be returned if unused within 30 days after delivery	Dr: Contra - Sales Revenue; Cr: Accrued (Refund) Liability Dr: Return Asset* Cr: COS	Accrued Liability	Expected value
Prompt pay discounts	Discount for early payment (e.g., 2% discount if paid within 10 days).	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Not reserved - revenue adjusted at time of payment due to immaterial amount. Should be monitored quarterly to determine if significant to reserve.	
Price Protection - MFN	Provide refund for difference in contracted price and lower price to another customer	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Accrued Liability	Most likely amount
Late Delivery - Reimburse higher cost of substitute product	Reimburse customer for higher price of substitute product if not able to reach resolution on delivery requirement	Dr: Contra - Sales Revenue; Cr: Accrued Liability	Not reserved. No history of not being able to reach resolution with customer on late delivery requirement. Should be monitored for change in circumstances that may warrant a reserve.	

**Entry to record the right to receive the product back from the customer (return asset) upon settling the refund.*

B-4: International Sales — Common Forms of Variable Consideration (Excluding Teijin Contract)

Variable Consideration	Description	Accounting Entries	Reserve location	Estimation method
Product Right of Return	<ul style="list-style-type: none"> EXOGEN: Patient may return for refund if unused and within 90 days of purchase HA product: not returnable 	Dr: Revenue adjustment; Cr: Accrued Liability Dr: Return Asset* Cr: COS	Not reserved - revenue adjusted at time of return due to immaterial amount. Should be monitored quarterly to determine if significant to reserve.	
Performance Guarantee - EXOGEN	Patient eligible for refund if complied with treatment and no healing progression shown	Dr: Revenue adjustment; Cr: Accrued Liability	Accrued Liability	Expected value
Volume Purchase Rebates	Rebate based on volume purchased during annual period (E.g., rebate rate * annual purchases).	Dr: Revenue adjustment; Cr: Contra - A/R (Accrued Liability)	Contra - A/R (or Accrued Liability if no outstanding A/R balance)	Most likely amount
Prompt pay discounts	Discount for early payment (e.g., 2% discount if paid within 10 days).	Dr: Contra - Sales Revenue; Cr: Contra - A/R	Not reserved - revenue adjusted at time of payment due to immaterial amount. Should be monitored quarterly to determine if significant to reserve.	

*Entry to record the right to receive the product back from the customer (return asset) upon settling the refund.

B-5: International Sales re: Common Forms of Variable Consideration for Teijin Contract Only

Variable Consideration	Description	Accounting Entries	Accrual location	Estimation method
Royalty Income*- Yr 1 (1 st year sale)	Royalties received on EXOGEN product sold to Teijin and based on Teijin's in-country sales.	Dr: Royalty Receivable; Cr: Revenue Dr: Contract Asset (Unbilled Receivable) Cr: Revenue	Contract Asset	Expected value - Royalties expected to be received in future from each EXOGEN unit (Constrained to Teijin's 1 st Year sale).
Royalty Income- Yrs 2 thru 6	Royalties received on EXOGEN product sold to Teijin and based on Teijin's in-country sales.	Dr: Royalty Receivable; Cr: Revenue	Accrued Royalties	Most likely amount*
Royalty Income- 60% markup adjustment	Royalties earned from Teijin in-country sales are reduced for the 60% markup included in the product sales price to Teijin for same period	Dr: Revenue; Cr: Royalty Receivable	Accrued Royalties	Most likely amount*
22% Minimum Revenue Payment	Additional annual payment if Teijin's total annual royalty payments and transfer price payments (product sales) are less than 22% of Teijin's in-country sales for that year.	Dr: Royalty Receivable; Cr: Revenue	Accrued Royalties	Most likely amount Historically, no additional revenue payment from Teijin has been required (i.e., 22% minimum revenue payment has been met).

*Royalty Income from Teijin in-country sales: The Company earns a royalty each time Teijin sells, rents or leases the EXOGEN unit within the Japanese market (aka recycled unit). Each EXOGEN unit sold to Teijin could be recycled up to six times over six years, and thus, generate royalties over this period. Since the royalty earned is based on Teijin's in-country product sales, rather than the use of an IP, we are unable to make use of the practical expedient that allows for royalties to be recognized through the current period. Accordingly royalties expected to be generated on each EXOGEN unit is variable consideration and should be estimated using the expected value method. The expected royalty income should be constrained to the amount expected in the first year, as management concluded that royalties to be earned from the product sales beyond the first year is highly susceptible to external factors outside of the Company's control that could significantly impact the amount of revenues generated in future years. Accordingly, the first year expected royalty income variable consideration that is not constrained is recognized as royalty income when the product revenue is recognized, with an offset to contract asset (e.g., Unbilled Receivable). The remaining amount of royalty income variable consideration for years 2 through 6 (constrained amount) will be recognized as earned in the current period using the most likely amount.

Appendix C: Common Forms of Consideration Paid to Customers

C-1: US EXOGEN Product Sales — We pay our US EXOGEN distributor customers, Medline Industries and Metro Medical, an administrative fee calculated based on the amount of EXOGEN product purchased by the distributor (or its customers). This administrative fee is not for a distinct good or service that the

distributor is providing to us, since we would not pay this fee absent the sale of product to the distributors. Accordingly, this administrative fee should be accounted for as a reduction of revenue.

C-2: US HA Product Sales — Common Forms of Consideration Paid to Customers

Types of payments to customers	Customer	Description	Payment for distinct good or service?	If distinct, estimate fair value?	Accounting Treatment
Distribution /or Administration Fee	<ul style="list-style-type: none"> McKesson Amerisource Bergen Cardinal H.D Smith Morris & Dickson Besse* Henry Schein McKesson Medical-Surgical Medline Metro Medical Priority Healthcare (dba Curascript SD)* 	Fee range: 3% to 12.5% * actual sales	No - we would not pay this fee absent the sale of product to the distributors	N/A	Revenue Reduction
IT (one-time) set up Fee	<ul style="list-style-type: none"> Walgreens OptumRx Acaria Health BriovaRx 	One-time charge to set up, dispense and inventory data (Range: \$5K to 20K)	No - we cannot receive, dispense and inventory data from other parties. Not considered material to set-up as an asset to amortize over expected revenue period.	N/A	Revenue Reduction
Fee for service (monthly or quarterly)	<ul style="list-style-type: none"> Walgreens OptumRx Accredo BriovaRx 	Fee to obtain, dispense and inventory data (\$15K/quarter or \$10K to \$13K/month)	No - we cannot receive, dispense and inventory data from other parties and we would not pay this recurring fee absent the expected sale of the product.	N/A	Revenue Reduction
PBM/MBM Fee & Rebates	<ul style="list-style-type: none"> CVS/Caremark Express Scripts Health Delegates HighMark Ventegra RemedyOne Megellan Caresource 	Fee & Rebate paid to PBM (or MBM) based on formulary (product prescribed to patient in participating plan)	<u>Fee</u> : No - could be rebated back to members (not contractually prevented from flowing through to members) except Ventegra. <u>Rebate</u> : No - we would not pay this rebate absent the sale of the product in the distribution channel.	N/A	Revenue Reduction (Except Ventegra-SG&A expense) ⁵
GELSYN-3 Coupons	All potential direct sales customers' patients	Coupon distributed to patient by physician prescribing GELSYN-3 (\$50)	No - we would not pay this rebate absent the sale of the product.	N/A	Revenue Reduction
GPO Fees	<ul style="list-style-type: none"> Results Lab RMG (OA Centers) 	Admin. Fee paid to GPO	N/A - GPO is not a customer. The GPO and its members are not related parties (GPO is not owned or partially owned by any of the members). Also, GPO fee is contractually prohibited from being rebated to its members.		SG&A expense

* Besse and Curascript SD also can receive reimbursement for credit card fees incurred capped at 2% or 2 ½% of actual fees incurred. Any such fees are generally reviewed and accrued as considered necessary as part of with admin. and /or chargeback fees accrual.

⁵ Ventegra is a CSO that behaves similar to a PBM, managing the rebate program for its clients based on utilization of our product and market share. The contract includes representation from Ventegra that the administration fee will not be passed through to its customers. Also, Ventegra is required to notify us if they elect to change their practice. As such, this fee is not considered a customer payment and should be recorded as an SG&A expense. This fee is nominal at about \$10K/quarter.

C-3: US Surgical Product Sales — Common Forms of Consideration Paid to Customers

Types of payments to customers	Customer	Description	Payment for distinct good or service?	If distinct, estimate fair value?	Accounting Treatment
GPO & IDN Administration Fees	<ul style="list-style-type: none"> MedAssets GPO HealthTrust IDN Premier Healthcare GPO Mercy ROI (GPO) First Choice GPO 	Admin. Fee paid to GPO or Integrated Delivery Network (IDN) (3% rate * actual sales)	N/A - GPO (or IDN) is not a customer. The GPO (or IDN) and its members are not related parties (GPO/IDN is not owned or partially owned by any of the members) ⁶ .		SG&A expense
Distributor Bonus payments	<ul style="list-style-type: none"> Spartan Medical 	Monthly bonus payments to distributor for Synthetic sales Johnston Hospital	No - Spartan Medical is our sales agent for tissue products, but our distributor for synthetic products. Bonus payments for synthetic products sales to Johnston Hospital is essentially a rebate to meet end customer pricing.	N/A	Revenue reduction

C-4: International Product Sales — Common Forms of Consideration Paid to Customers

Types of payments to customers	Customer	Description	Payment for distinct good or service?	If distinct, estimate fair value?	Accounting Treatment
Sales Disperse Data Fee	<ul style="list-style-type: none"> Several Canadian distributors AAH Pharma. (UK) 	Fee to obtain dispense data (generally pay a monthly flat fee). Total for all customers approx. \$36K/year.	No - we would not pay this fee absent the sale of product to the distributors	N/A	Revenue reduction
Sales Commissions	<ul style="list-style-type: none"> Arenys Med (Chile) Eulogiums (Taiwan) Petra Drug (Jordan) Plato Medikal Sistemler (Turkey) Medservice (Russia) 	Commission payment to Distributor (10%) for product sales by BV and/or others. Payment is to compensate Distributor for 'missed' sale.	No - These distributors are resellers of our product and not a sales agent. As such, any such payments are not for a distinct service.	N/A	Revenue reduction There have been no such payments since inception of contract.

⁶ ROI is owned in part by Mercy, but not all customers in Mercy ROI are Mercy or related parties. Furthermore, the 3% GPO fee is consistent with other GPOs, therefore, not considered a customer payment.

Appendix D: Analysis of Transfer of Control Indicators

D-1: US EXOGEN Product Sales — Analysis of Transfer of Control Indicators

Transfer control Indicators	Reimbursement Orders (delivery methods)			PO and Buy & Bill Orders
	Trunk Deliveries (delivered by Sales Rep)	Direct Ship (option available to Sales Rep)	Direct Ship (option available to Reimbursement Services Rep)	FOB Shipping Point
BV has a present right to payment for the asset	Upon delivery - signed PAIR form obtained	Upon delivery to patient	Upon delivery to patient - DocuSign PAIR form	Upon shipment to customer (invoiced upon shipment)
Customer has legal title to the asset	Upon delivery - signed PAIR form with delivered product ID	Upon delivery to patient	Upon delivery to patient	Upon shipment to customer
BV has transferred physical possession of the asset	Upon delivery - signed PAIR form lists delivered product ID	Upon delivery to patient	Upon delivery to patient	Upon shipment to customer
Customer has the significant risks and rewards of ownership of the asset	Upon delivery - patient has ability to direct use of and obtain benefits of the asset	Upon delivery to patient	Upon delivery to patient	Upon delivery to customer <ul style="list-style-type: none"> We pay for shipping and bear risks of loss if lost or damaged in transit; however, We have legal right to charge for lost or damaged products in transit and our practice does not jeopardize our right. Lost or damaged products in transit have been nominal (< 20 units/year).
Customer has accepted the asset	Upon delivery - signed PAIR form acknowledging acceptance*	Upon delivery to patient*	Upon delivery to patient*	Upon shipment to customer <ul style="list-style-type: none"> Acceptance terms not generally specified; however, product is not customized Considered accepted upon shipment unless returned*
Conclusion	Control transfers and revenue recognized when delivered to the patient			Control transfers and revenue recognized upon shipment to the customer

*The EXOGEN unit may be returned by the patient within 90 days of receipt and provided the unit has not been used. Once this 90 day period has lapsed and/or patient has used the unit, it has been deemed accepted by the patient and can no longer be returned for a refund.

D-2: US HA Product Sales — Analysis of Transfer of Control Indicators

Transfer control Indicators	Mostly Wholesalers and Specialty Distributors orders	All PO sales and most Direct Purchases and Specialty Pharmacies orders
	FOB Destination	FOB Shipping Point
BV has a present right to payment for the asset	Upon delivery to customer	Upon shipment to customer (invoiced upon shipment)
Customer has legal title to the asset	Upon delivery to customer	Upon shipment to customer
BV has transferred physical possession of the asset	Upon delivery to customer	Upon shipment to customer
Customer has the significant risks and rewards of ownership of the asset	Upon delivery to customer	Upon delivery to customer <ul style="list-style-type: none"> • Our practice has been to pay for shipping and bear risks of loss if lost or damaged in transit. • However, we have legal right to charge for lost or damaged goods in transit and our practice to replace lost or damaged products in transit at no charge does not jeopardize our right to charge the customer in the future. • Lost or damaged products in transit have been nominal (avg. 12/yr. over last 3 yrs.).
Customer has accepted the asset	Upon delivery to customer	Upon shipment to customer <ul style="list-style-type: none"> • Acceptance terms not generally specified; however, product is not customized • Considered accepted upon shipment, as HA product is generally non-returnable due the temperature control requirements for this product
Conclusion	Control transfers and revenue recognized when delivered to the customer	Control transfers and revenue recognized upon shipment to the customer

D-3: US Surgical Product Sales — Analysis of Transfer of Control Indicators

The majority of our surgical product sales are through consignment inventory with our hospital customers where ownership remains with the Company until the surgery is performed and the consigned inventory is consumed. Products delivered to a consignee under a consignment arrangement generally are not recognized as sales until the consignee sells the product to a third party (or consumes the goods as in the case of our products used in surgery), at which point control of the products transfers from the consignor to the third party. The following indicators should be considered to determine if an arrangement is a consignment arrangement:

- The product is controlled by the Company until a specified event occurs, such as the sale of the product to a customer of the dealer, or until a specified period expires.
- The Company is able to require the return of the product or transfer the product to a third party (such as another dealer).
- The customer does not have an unconditional obligation to pay for the product (although it might be required to pay a deposit).

D-3a: Surgical Product Sales — Analysis of Transfer of Control Indicators for Consignment Sales

Transfer control Indicators	Hospitals
	Consignment Inventory
BV has a present right to payment for the asset	Upon usage, loss, damage of inventory. For some customers, it is also for inventory that has less than 12 months of shelf life.
Customer has legal title to the asset	Upon usage, loss, damage of inventory. For some customers, it is for inventory that has less than 12 months of shelf life. Contracts clearly state that title to the products remain with BV until the above scenarios occur.
BV has transferred physical possession of the asset	Customer receives physical possession of asset prior to usage.
Customer has the significant risks and rewards of ownership of the asset	The customer has some risk of ownership such as ensuring the product is not lost or damaged. However, customers do not have the risk of obsolescence as BV either maintains the shelf life of a product on consignment or a customer can return the product prior to the expiration deadline. In addition, the customer does not have any rewards of ownership until the product is actually used.
Customer has accepted the asset	Upon usage
Product is controlled by BV until a specified event occurs	Yes. Although BV agrees to maintain a par level of inventory at customers' sites, BV still controls the individual product and has the ability to move that product, as needed, so long as the customer has a par level of inventory maintained at its site. In addition, in some contracts BV agrees to manage the shelf life of the product at the customer site.
BV is able to require the return or transfer the product to a third party	Yes. It is clearly stated in the contracts that BV can request product back at any time. In many contracts, BV has committed to maintain a par level of product on the customer's site. However, in these situations, BV is able to swap out a product and redirect it elsewhere, so long as the product is replaced.
Customer does not have unconditional obligation to pay for the product (although it might be required to pay a deposit)	Yes. Customers are only obligated to pay for products once used or if lost or damaged. In some scenarios, customers will need to pay for product which has less than 12 months of shelf life left, however in these scenarios, the customer can return the product prior to the 12 month shelf life due date to avoid such a payment.
Conclusion	Control transfers and revenue recognized when the customer uses the product, the product is lost or damaged, or in some cases has less than twelve months of shelf life.

D-3b: Surgical Product Sales — Analysis of Transfer of Control Indicators for Non-Consignment Sales

Transfer control Indicators	GPOs and some Direct sales	All PO sales, Stocking distributors and some Direct sales
	FOB Destination	FOB Shipping Point
BV has a present right to payment for the asset	Upon delivery to customer	Upon shipment to customer (invoiced upon shipment)
Customer has legal title to the asset	Upon delivery to customer	Upon shipment to customer
BV has transferred physical possession of the asset	Upon delivery to customer	Upon shipment to customer
Customer has the significant risks and rewards of ownership of the asset	Upon delivery to customer	Upon delivery to customer <ul style="list-style-type: none"> • Our practice has been to pay for shipping and bear risks of loss if lost or damaged in transit. • However, we have legal right to charge for lost or damaged goods in transit and our practice to replace lost or damaged products in transit at no charge does not jeopardize our right to charge the customer in the future. • Lost or damaged products in transit have historically been nominal.
Customer has accepted the asset	Upon delivery to customer	Upon shipment to customer <ul style="list-style-type: none"> • Acceptance terms not generally specified; however, product is not customized • Considered accepted upon shipment, unless returned (30 day standard return policy).
Conclusion	Control transfers and revenue recognized when delivered to the customer.	Control transfers and revenue recognized upon shipment to the customer.

D-4: International Product Sales — Analysis of Transfer of Control Indicators

Transfer of control indicators	Ex Works	FOB Destination/ Incoterm DDP
Customer	<ul style="list-style-type: none"> • Most Direct and Indirect Channel contracts • Petra Drug (Jordan) • Zambon (Iberia) • Orthopaedics Plus (Canada) 	<ul style="list-style-type: none"> • McKesson Canada • SciGen & Club Warehouse (Australia) • Reimbursement orders • PO orders
BV has a present right to payment for the asset	When the customer takes the goods from Bioventus' premises (or designated location).	Upon delivery to customer named destination.
Customer has legal title to the asset	Upon receipt of payment.	Upon receipt of payment.
BV has transferred physical possession of the asset	When the customer takes the goods from Bioventus' premises (or designated location).	Upon delivery to customer named destination.
Customer has the significant risks and rewards of ownership of the asset	When the customer takes the goods from Bioventus' premises (or designated location).	Upon delivery to customer named destination.
Customer has accepted the asset	When the customer takes the goods from Bioventus' premises (or designated location).	Upon delivery to customer named destination.
Conclusion	Control transfers and revenue recognized when the product is picked up by the customer.	Control transfers and revenue recognized when delivered to the customer.