

- Strong finish in the quarter despite a challenging start – new customer record and positive trend in April
- Continued focus on UK market – Ideal Med appointed UK distributor
- Progress on product development initiatives targeting US market

"Despite a challenging start to the quarter, improvements were identified late March and during April, and it will be interesting to see whether we can confirm this trend in the coming weeks and months. We did set a new record for number of customers during the quarter, with good margin, and the normalisation of business volumes, combined with the positive receipt from new and existing customers following the pandemic, confirms my view that the Episealer® technology is here to stay. We continue to operate with an ambitious global agenda, supported by excellent clinical results, targeting an unmet clinical need of significant size. In our world, that is a formula for progress and success", says Pål Ryfors, CEO Episurf Medical.

	2022	2023	2024	2025	Market Opportunity
Episealer® Knee Europe & RoW	Increased commercial focus based on available data				~USD 0.4bn
Episealer® Knee US	Patient recruitment	Patient follow-up	PMA process		~USD 0.6bn
Episealer® Talus Europe & RoW	Product launch and initial Episealer® Talus studies	Commercialisation			
Episealer® Patellofemoral System US	510(k)-filing	510(k)-approval followed by product launch			
Episealer® MTP System US	Concept developmt.	510(k) filing late 2022-23	Product launch		~USD 0.4bn

First quarter 2022 compared to 2021, Group

- » Gross order intake amounted to SEK 1.7m (2.1)
- » Order book amounted to SEK 1.5m (1.8)
- » Group net sales amounted to SEK 1.6m (1.6)
- » Loss for the period amounted to SEK -16.4m (-16.7)
- » Earnings per share amounted to SEK -0.06 (-0.08)

Significant events during the first quarter

- » Episurf Medical received reimbursement coverage for Episealer® Talus in Belgium
- » Episurf Medical took the next step in the UK by the appointment of Ideal Med Ltd as agent
- » Prospective Episealer® Talus study was 50% recruited
- » Episurf Medical's implants were approved for sale in Malaysia
- » First Episealer® Talus surgery was planned in Norway

Significant events after the first quarter

- » Episurf Medical submitted follow-up 510(k) application for Episealer® Patellofemoral System that is now under substantive review at the US FDA
- » Prospective investigator-initiated study for 2 years' follow-up of Episealer® Talus patient initiated
- » First Episealer® surgery was planned in Saudi Arabia and Belgium

Dear shareholders,



Just as anticipated, and communicated in the last interim report, 2022 started slow due to COVID-19 restrictions, primarily driven by the outbreak of the Omicron variant in late 2021. However, we were expecting an improvement in the operating environment during the latter part of the quarter. We can confirm that this happened as of mid-March 2022, and we ended the quarter with a new record of customers during a quarter. 41 surgeons ordered Episealer® implants during quarter, an increase of 25% from the previous record, and a 64% increase from Q4 2021. Naturally, and as expected, individual volumes were relatively low in Q1, however, we are now starting to see a proper increase in our customer base, and as volumes continue to normalise, the commercial growth will come. It's not yet fully visible in our numbers, but we believe we are taking all the right steps with respect to commercialisation, clinical development, and product development.

1. Commercialisation

As mentioned above, the single most important development is the increase in business activity during the latter part of the quarter. We are always focusing on driving revenues through the combined effects of an expanded customer base, increased volumes with each customer, and improved pricing. I think we are seeing positive development in all aspects now.

In the last report, I referred to our first interactions with customers in India. I can now confirm that the first physical meetings with Indian surgeons have been held, and the first Indian patients are under review for an Episealer® implant. Getting started with commercial activities in India would be a tremendous milestone for Episurf, and something that we have been looking forward to for quite some time.

We recently took a strategic decision to enter into a distribution agreement with Ideal Med in the UK. We are significantly expanding our commercial efforts through Ideal Med's sales force. Ideal Med already has patient-specific knee replacements in its portfolio (total and partial knee replacements), so the Episealer® knee products complement its product portfolio very well. We are continuing to have a positive view of the reimbursement process in the UK market. The process is progressing; however, we must wait a little bit longer for a final decision.

Our commercial activities in Hong Kong have really suffered during the pandemic, but on a positive note, the Episealer® implants received national regulatory approval during the quarter. This means that post-pandemic commercial activities will be much easier to execute. During the quarter, we also secured reimbursement for Episealer® Talus in Belgium. Further, we have had our first serious look at the markets in Latin America during Q1 2021. We are currently reviewing the strategy for the region, as we have identified several interesting opportunities.

All in all, the updated commercial strategy is continuing to bear fruit. Main focus currently is to fully move Episurf into the commercial phase, and we must ensure solid progress every day.

2. Clinical development

In March, Mr Paul Jermin (Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust, Oswestry, United Kingdom) held a presentation on the Episealer® knee implants, focusing on clinical results and surgical technology, at the UK Biological Knee Society's Annual Meeting 2022. Just as the quarter had closed, we announced that a clinical study on Episealer® Talus had been initiated at the Royal National Orthopaedic Hospital NHS Trust, Stanmore, UK. We can also confirm that the first UK patients in the EPIC knee trial were recruited during the quarter. Combining this with the recent distributor arrangement and the progress on the reimbursement process, we believe we are now moving forward in the UK at a reasonable rate.

The most important scientific congress this spring is without a doubt the ESSKA congress, held every second year. On the first day of the event, there will be a presentation on the Episealer® by Prof. Niek van Dijk and Prof. Peter Verdonk. Having two global key opinion leaders presenting our knee and talus technologies at this very important meeting is nothing but a success.

Regarding the EPIC knee trial, we are, of course, not satisfied with the recruitment activity. I can promise every one of our shareholders that our team is fully committed, engaged, and incentivised to get this started properly. We are continuously reviewing and executing various initiatives, and believe we will succeed with this trial, although patient recruitment to date is a disappointment.

3. Product development

We recently announced that we completed a new 510(k) submission for the Episealer® Patellofemoral System. Following the first submission, we had discussions with the FDA on various aspects of our application filed at the turn of the year. The conclusion was that a new submission was the best way forward. This was done, and we have already received the information that our application now moves on to the next step (Substantive review). The Episealer® MTP-project is ongoing. As stated, we will communicate a firm timetable during 2022, and to date, we have no reason to change our ambition of submitting a 510(k) application in the interval Q4 2022 – Q2 2023.

Both of the above-mentioned projects have gone through an intense during Q1, and the related costs during the quarter amounted to SEK 3.0m.

4. Concluding remarks

All in all, I was quite disappointed late 2021 and early 2022, as it felt like pandemic-related restrictions once again would impact our business in a negative way. However, improvements were identified late March and during April, and it will be interesting to see whether we can confirm this trend in the coming weeks and months. The normalisation of business volumes, combined with the positive receipt from new and existing customers following the pandemic, confirms my view that the Episealer® technology is here to stay. We continue to operate with an ambitious global agenda, supported by excellent clinical results, targeting an unmet clinical need of significant size. In our world, that is a formula for progress and success.

You might have seen that our focus on Australia has increased, and I would like to conclude with a few words from one of the first surgeons in Australia who the Episealer® knee technology was presented for. His response was simply that *“this is the biggest unmet need in orthopaedics right now”*. Episurf Medical has the solution to that problem.

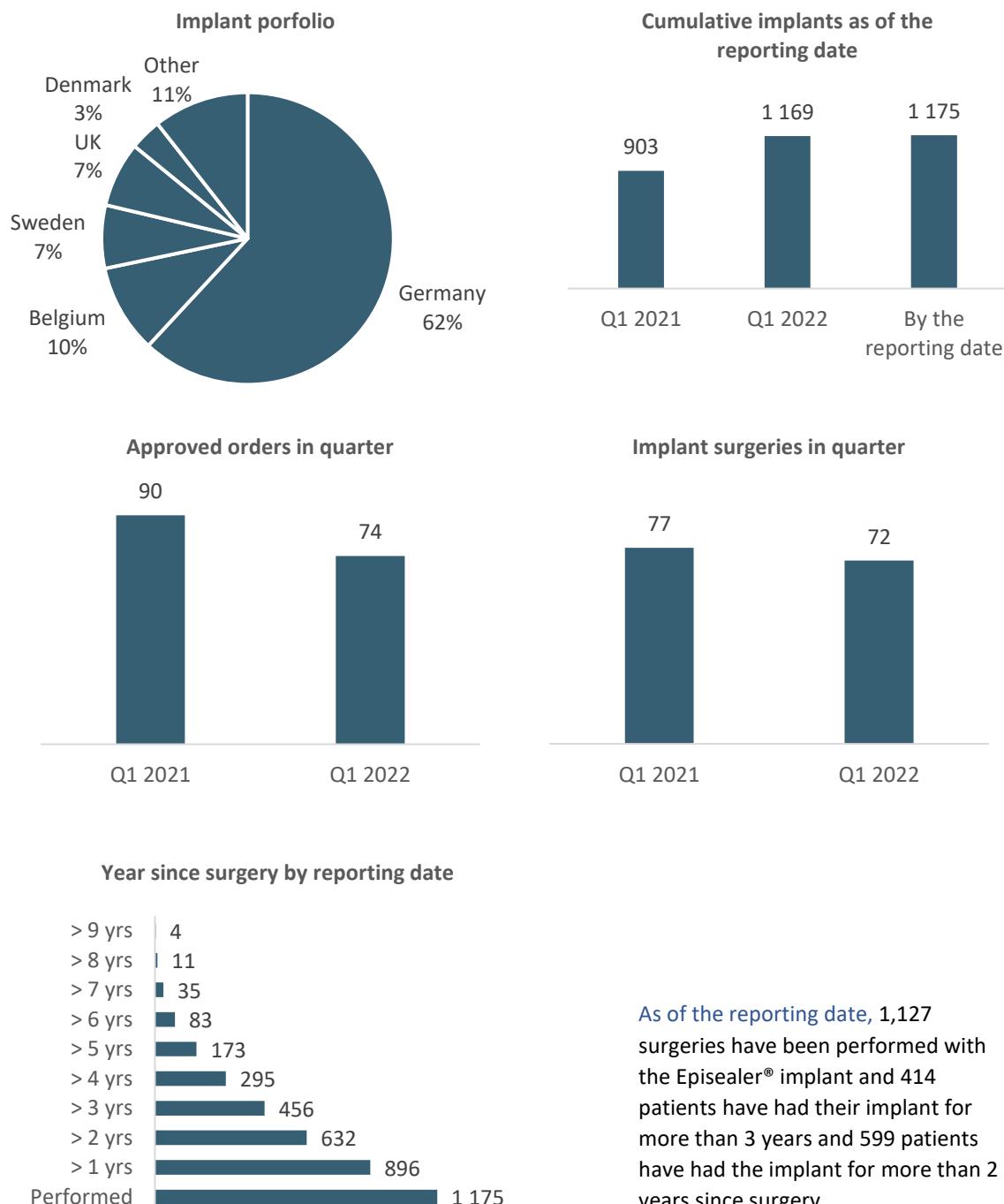
A final word – Episurf does not have any commercial exposure to either Ukraine or Russia. However, the development is of course a human disaster, and our thoughts are with the population of Ukraine. We hope that Russia does to only right thing, and immediately ends this war.

Stockholm, April 2022

Pål Ryfors, CEO

Business update and forward-looking statements

By the reporting date on April 29, 2022, Episurf Medical's implants had been used in 1,175 surgeries. Episurf Medical's patients are experiencing significant improvements in pain and mobility. Furthermore, they are also experiencing a short recovery time. Out of the total implant portfolio of 1,175 implants, we now have 295 patients who have had their implants for more than 4 years and 632 patients have now had their implants for more than 2 years since the surgery date. During the first quarter, 72 surgeries were performed with the Episealer® implant. 74 orders were approved for surgery during the first quarter.



Financial information

Group

Net sales and operating profit/loss

Group net sales amounted to SEK 1.6m (1.6) in the quarter. Loss before tax amounted to SEK -16.4m (-16.7) for the quarter. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -9.1m (-8.8) in the quarter. The company focused on product development during the quarter, which refers to SEK -3.0m (-0.9) of the other expenses. The cost for the EPIC-Knee study in US amounts to SEK -2.5m (-3.6) during the quarter.

Financial position

Group cash and cash equivalents at end of period amounted to SEK 217.4m (137.4). The equity ratio was 92.8% (91.1). Group investments in intangible assets amounted to SEK 3.0m (0.9) for the quarter of which SEK 2.6m (0.3) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter of 2022 or 2021.

Human resources

Number of employees in the Group at end of the period was 31 (25).

Transactions with closely related parties

Shareholder and Board member Leif Ryd has received consulting fees for ongoing work as well as work for the Clinical Advisory Board during the period of SEK 0.2m (0.2).

Warrants and staff option programs

In connection with a financing solution that Episurf had in 2018, 1,705,232 warrants were issued to shareholders. For a number of periods until 23 November 2023, shareholders have the opportunity to convert these warrants for an exercise price of SEK 1.40. As of this quarterly report, the company has 1,414,141 warrants outstanding. See more information on the company's website. For more information about warrants and staff option programs, see Episurfs Annual Report 2021.

Effects of the COVID-19 pandemic

During the first part of the quarter, the company's revenues and gross order intake were affected by Omicron. It can't be ruled out that new variants of COVID-19 may delay the company's development or affect delivery disruptions in the future. The company still assesses that the risk will begin to decrease.

The impact of the Ukraine crisis

The situation in Ukraine erupted at the end of February and entails risks of further impact on the world economy with increasing cost inflation and disruptions in supply chains. Episurf has no direct exposure to Ukraine or Russia and has assessed that the company is currently not affected.

Cyber security

Cyber security has become a significant threat in society and for Episurf, which is dependent on IT. The company has ongoing work to ensure that the company is well prepared to counter cyber-attacks and other types of intrusion.

Rounding

Due to rounding, the sum of numbers may differ.

Share information

There are two types of shares in the Company. Each Class A-share carries three votes and entitles the holder to three votes at the General Meeting, and each class B-share carries one vote and entitles the holder to one vote at the General Meeting. Class B shares have traded on Nasdaq Stockholm's Small Cap segment since 11 June 2014 with the ticker EPIS B.

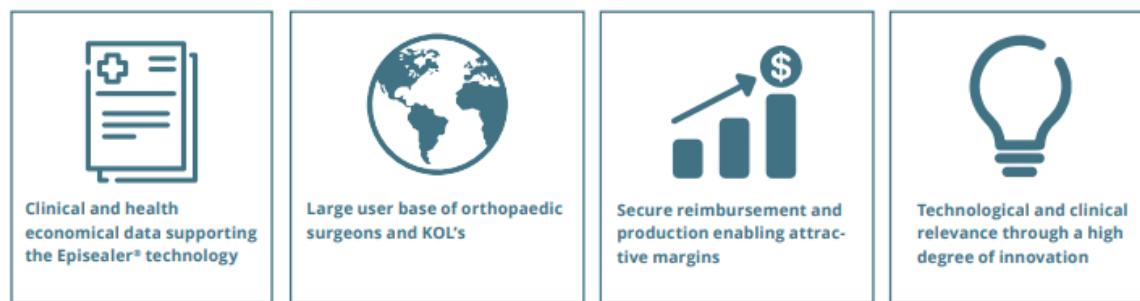
31 mars, 2022

A-shares	797,894
B-shares	265,742,092
Total number of shares	266,539,986
Total number of votes	268,135,774

The following table notes the ten largest shareholders based on information available as of March 31, 2022

Name	No. Of A-shares	No. Of B-shares	Share capital in %	Voting rights, %
Health Runner AB (Ilija Batljan)	--	34,771,101	13.0	13.0
Rhenman Partners	--	12,668,248	4.8	4.7
Fjärde AP-Fonden	--	12,537,181	4.7	4.7
Sebastian Jahreskog	--	11,089,278	4.2	4.1
Tredje AP-Fonden	--	9,980,000	3.7	3.7
LMK Forward AB	--	6,000,000	2.3	2.2
Andra AP-Fonden	--	5,400,000	2.0	2.0
Strand Småbolagsfond	--	5,100,000	1.9	1.9
Niles Noblitt	--	5,080,627	1.9	1.9
Venture Holdings Sarl	--	4,427,043	1.7	1.7
Total, 10 largest shareholders	--	107,053,478	40.2	39.9
Summary, other	797,894	158,688,614	59.8	60.1
Total	797,894	265,742,092	100.0	100.0

Episurf Medical's strategy rests on four key pillars:



Other information

Significant risks and uncertainty factors

Episurf Medical's material business risks, for the Group as well as for the Parent Company, are to obtain regulatory approval and market acceptance, the outcome of clinical studies, the ability to protect intellectual property rights, the possibility to obtain the correct reimbursement for the Group's products and dependence on key personnel and partners. The Company does not see any new material risks for the upcoming three months. For a more detailed description of significant risks and uncertainties, refer to Episurf Medical's annual report.

The Board of Directors and the CEO hereby give their assurance that the interim report gives a true and fair view of the business activities, financial position and results of operations for the Group and Parent Company, and describes significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, 28 April 2022

Dennis Stripe
Board chairman

Annette Brodin Rampe
Board member

Christian Krüeger
Board member

Leif Ryd
Board member

Laura Shunk
Board member

Ulf Grunander
Board member

Pål Ryfors
CEO

The information in this interim report has not been reviewed by the company's auditors.

Consolidated income statement

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Operating income				
Net sales	2	1.6	1.6	6.5
Other operating income		0.1	0.1	0.4
Total income		1.6	1.7	6.9
Operating expenses				
Merchandise		-1.3	-1.5	-4.8
Other expenses	3	-9.1	-8.8	-37.1
Personnel costs		-8.8	-7.6	-33.9
Capitalised development expenditure, product development		3.0	0.9	6.9
Depreciation of equipment and non-current assets		-1.8	-1.7	-7.4
Total operating expenses		-18.0	-18.6	-76.3
Operating loss		-16.3	-16.9	-69.4
Financial items				
Financial income, other		0.1	0.2	0.4
Financial expenses, other		-0.1	-0.0	-0.2
Results from net financial items		-0.1	0.2	0.2
Loss before tax		-16.4	-16.7	-69.2
Tax on income for the period		0.0	-0.0	-0.0
Loss for the period		-16.4	-16.7	-69.3

Net loss attributable to:

Parent company shareholders	-16.4	-16.7	-69.3
Earnings per share before and after dilution, SEK	-0.06	-0.08	-0.31
Average number of shares	266,539,986	222,040,543	226,593,598

Consolidated statement of comprehensive income

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net profit (loss)		-16.4	-16.7	-69.3
<i>Other comprehensive income for the period:</i>				
Other comprehensive income that may be reclassified subsequently to profit or loss for the period, net of tax		0.0	-0.1	-0.1
Total comprehensive income (loss) for the period		-16.4	-16.8	-69.4
<i>The period's loss and comprehensive income attributable to</i>				
Owners of the parent		-16.4	-16.8	-69.4

Condensed consolidated balance sheet

mSEK	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS				
Non-current assets				
<i>Intangible fixed assets</i>				
Capitalised development costs		11.0	6.4	9.0
Patents		13.9	14.1	14.1
Total intangible fixed assets		24.9	20.5	23.0
<i>Equipment and right-of-use asset</i>				
Right-of-use assets	4	7.1	3.3	3.2
Equipment		0.1	0.1	0.1
Total equipment and right-of-use asset		7.2	3.3	3.2
<i>Non-current financial assets</i>				
Other non-current financial assets		-	0.5	-
Total non-current financial assets		-	0.5	-
Total non-current assets		32.1	24.3	26.3
Current assets				
Inventories		1.6	1.8	1.9
Trade receivables		1.0	1.3	1.6
Other receivables		0.8	1.0	1.6
Deferred expenses and accrued income		2.2	1.8	1.3
Cash		217.4	137.4	237.9
Total current assets		223.0	143.4	244.4
TOTAL ASSETS		255.2	167.7	270.6
EQUITY AND LIABILITIES				
Equity		236.8	152.8	252.8
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities		1.4	0.9	2.8
Non-current lease liability	4	4.6	0.9	0.8
Total long-term liabilities		6.0	1.9	3.5
<i>Current liabilities</i>				
Trade payables		4.9	6.0	5.9
Current lease liability	4	2.2	2.4	2.1
Other liabilities		1.0	1.3	1.4
Accrued liabilities and deferred income		4.2	3.5	4.9
Total current liabilities		12.4	13.1	14.2
Total liabilities		18.4	15.0	17.8
TOTAL EQUITY AND LIABILITIES		255,2	167,7	270,6
Equity ratio		92,8%	91,1%	93,4%
Equity per share, SEK		0,89	0,69	0,95

Consolidated statement of changes in equity

mSEK	Attributable to equity holders of the parent					Total equity
	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year		
Opening equity January 1, 2021	66.7	546.2	-0.2	-443.2	169.5	
Total comprehensive income for the period				-69.3	-69.3	-69.3
Other comprehensive income			-0.1			-0.1
Total comprehensive income			-0.1	-69.3	-69.4	
Transactions with shareholders						
Expenses directed share issue, 2020*			-0.1			-0.1
Directed share issue, net after issue expenses, 2021**	13.3	137.3				150.7
Conversion warrants, net after issue expenses***	0.0	0.1				0.1
Warrants issued to staff				2.1	2.1	2.1
Total transactions with shareholders	13.4	137.3		2.1	152.8	
Closing equity December 31, 2021	80.0	683.5	-0.3	-510.4	252.8	
Opening equity January 1, 2022	80.0	683.5	-0.3	-510.4	252.8	
Total comprehensive income for the period				-16.4	-16.4	-16.4
Other comprehensive income			0.0			0.0
Total comprehensive income			0.0	-16.4	-16.4	
Transactions with shareholders						
Warrants issued to staff				0.3	0.3	0.3
Total transactions with shareholders				0.3	0.3	
Closing equity March 31, 2022	80.0	683.5	-0.3	-526.5	236.8	

*Issue expenses amounts to SEK 4.4m.

** Issue expenses amounts to SEK 8.8m.

*** Expenses amounts to SEK 0.0m.

Consolidated cash flow statement

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Operating activities				
Operating loss		-16.3	-16.9	-69.4
<i>Adjustments for items not included in cash flow</i>				
Depreciation		1.8	1.7	7.4
Employee stock option expenses		-1.1	0.5	3.3
Interest received		0.0	-	0.1
Interest paid		-0.1	-0.0	-0.2
Cash flow from current operations before change in working capital		-15.7	-14.7	-58.8
Change in working capital				
Decrease/increase in inventory		0.3	0.2	0.0
Decrease/increase in trade receivables		0.6	-0.8	-1.0
Decrease/increase in current receivables		-0.1	-0.0	-0.6
Decrease/increase in current liabilities		-2.0	-0.7	0.6
Change in working capital		-1.2	-1.3	-1.0
Cash flow from operating activities		-16.9	-16.0	-59.9
Investing activities				
Investments of intangible fixed assets		-3.0	-0.9	-6.9
Investments of tangible fixed assets		0.0	0.0	0.1
Decrease/increase in non-current financial assets		-	0.0	0.5
Cash flow from investing activities		-3.0	-0.9	-6.3
Financing activities				
Issuance of share options		-0.6	-	0.9
Amortisation of lease debt		-	-0.6	-2.4
Conversion warrants		-	-	0.1
New share issue		-	-0.1	150.6
Cash flow from financing activities		-0.6	-0.7	149.2
Cash flow for the period		-20.5	-17.5	83.0
Cash and cash equivalents at beginning of period		237.9	155.0	155.0
Cash and cash equivalents at end of period		217.4	137.4	237.9

Income statement, Parent Company

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Operating income				
Net sales		0.1	0.2	0.8
Other operating income		-	0.0	-
Total income		0.1	0.2	0.8
Operating costs				
Other external expenses		-6.4	-6.3	-25.6
Personnel costs		-4.9	-3.6	-16.1
Capitalised development expenditure		2.6	0.3	4.4
Amortisation of intangible assets and depreciation of property, plant and equipment		-0.6	-0.5	-2.2
Total operating costs		-9.2	-10.1	-39.5
Operating loss		-9.1	-9.9	-38.7
<i>Financial items</i>				
Financial income, other		0.0	0.0	0.1
Financial expenses, other		-	-0.0	-0.0
Results from net financial items		0.0	0.0	0.1
Loss before tax		-9.1	-9.9	-38.7
Tax on income for the period		-	-	-
Loss at end of the period		-9.1	-9.9	-38.7

Parent Company statement of comprehensive income

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net profit		-9.1	-9.9	-38.7
<i>Other comprehensive income for the period:</i>				
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		-9.1	-9.9	-38.7

Condensed balance sheet, Parent Company

mSEK	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS				
Fixed assets				
<i>Intangible fixed assets</i>				
Capitalised development costs		11.0	6.4	9.0
Total intangible fixed assets		11.0	6.4	9.0
<i>Tangible fixed assets</i>				
Equipment		-	0.0	-
Total tangible fixed assets		-	0.0	-
Financial assets				
Shares in group companies		207.9	177.9	192.9
Long-term receivables from group companies		15.9	18.8	27.0
Other non-current financial receivables		-	0.5	-
Total financial assets		223.8	197.2	220.0
Total fixed assets		234.8	203.7	228.9
Current assets				
<i>Short term receivables</i>				
Trade receivables		-	-	0.5
Other receivables		0.2	0.6	1.1
Prepaid expenses and accrued income		1.7	1.1	1.3
Total short term receivables		1.9	1.7	3.0
Cash		204.6	123.0	220.7
Total current assets		206.5	124.7	223.7
TOTAL ASSETS		441.3	328.4	452.6
EQUITY AND LIABILITIES				
Equity		435.3	322.4	444.4
Liabilities				
<i>Current liabilities</i>				
Trade payables		2.5	3.1	3.9
Other liabilities		0.6	0.5	0.5
Accrued liabilities and deferred income		3.0	2.5	3.8
Total current liabilities		6.0	6.0	8.2
Total liabilities		6.0	6.0	8.2
TOTAL EQUITY AND LIABILITIES		441.3	328.4	452.6

Statement of changes in equity, Parent Company

mSEK	Share capital	Development fund	Share premium	Loss brought forward	Loss for the period	Total equity
Opening equity January 1, 2021	66.7	6.7	546.2	-250.4	-36.8	332.4
Loss for the period					-38.7	-38.7
Disposition according to AGM						
Loss brought forward					-36.8	36.8
Development fund			2.3		-2.3	-
Total comprehensive loss for the period	2.3			-39.1	-1.8	-38.7
Transactions with shareholders						
Expenses directed share issue, 2020*				-0.1		-0.1
Directed share issue, net after issue expenses, 2021**	13.3		137.3			150.7
Conversion warrants, net after issue expenses***	0		0.1			0.1
Total transactions with shareholders	13.4		137.3			150.7
Closing equity December 31, 2021	80.0	9.0	683.5	-289.5	-38.7	444.4
Opening equity January 1, 2022	80.0	9.0	683.5	-289.5	-38.7	444.4
Loss for the period					-9.1	-9.1
Disposition according to AGM						
Loss brought forward					-38.7	38.7
Development fund			2.1		-2.1	-
Total comprehensive loss for the period	2.1			-40.7	29.6	-9.1
Closing equity March 31, 2022	80.0	11.0	683.5	-330.2	-9.1	435.3

* Issue expenses amount to SEK 4.4m in total in 2020 and 2021.

** Issue expenses amount to SEK 8.8m.

*** Expenses amount to SEK 0.0m.

Cash flow statement, Parent Company

mSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Current operations				
Operating loss		-9.1	-9.9	-38.7
<i>Adjustments for items not included in cash flow</i>				
Depreciation		0.6	0.5	2.2
Interest received		0.0	0.0	0.1
Interest paid		-	-0.0	-0.0
Cash flow from current activities before changes in working capital		-8.5	-9.4	-36.5
Changes in working capital				
Decrease/increase in current receivables		1.1	0.6	-0.7
Decrease/increase in current liabilities		-2.2	-1.9	0.2
Total changes in working capital		-1.1	-1.3	-0.4
Cash flow from operating activities		-9.6	-10.6	-36.9
Cash flow from investing activities				
Acquisition of intangible assets		-2.6	-0.3	-4.4
Shareholder contribution		-15.0	-15.0	-30.0
Repaid group companies		16.1	21.4	50.2
Loan group companies		-4.9	-7.1	-44.0
Decrease/increase in other non-current receivables		-	-0.0	0.5
Cash flow from investing activities		-6.4	-1.0	-27.8
Cash flow from financing activities				
Conversion warrants		-	-	0.1
New share issue		-	-0.1	150.6
Cash flow from financing activities		0.0	-0.1	150.7
Cash flow for the period		-16.1	-11.7	86.0
Cash and cash equivalents at beginning of period		220.7	134.8	134.8
Cash and cash equivalents at end of period		204.6	123.0	220.7

Notes

Note 1 Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Reports and the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act.

The Group's accounting policies are unchanged from previous year and these correspond with the accounting principles that were used in the preparation of the most recent Annual Report with the exception of the additional applications principles for accounting for license revenues described below. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

License revenue refers to the out-licensing of the parent company's patented software platform *μiFidelity®*. When licensing the Group's intellectual property (IP) to a customer, a distinction is made between two types of licensing with associated distinct performance obligation that affect whether revenue is to be reported at a certain time or accrued over time:

- a) Right to access IP – the agreement requires, or the customer can reasonably expect, that the Group will take measures that significantly affect the rights the customer is entitled to, that these measures directly affect the customer and that the measures do not involve the transfer of goods/services to the customer when the measures are carried out. The performance obligation and thus the income is reported over time, usually linearly.
- b) Right to use IP – the customer only has the right to use the IP in its existing state at the time when the right was granted to the customer. The performance obligation is fulfilled initially, at that time.

In accordance with the terms of the license agreement, it has been determined to be a right to use IP and recognized at the effective date of the contract.

Capitalised expenditures for development of products

Expenditure for development, where research results or other knowledge are applied to achieve new or improved products or processes, is recognised as an asset in the Statement of Financial Position only if the following conditions are satisfied:

1. It is technically possible to complete the intangible asset and use or sell it,
2. The Company intends to complete the intangible asset and use or sell it,
3. The conditions to use or sell the intangible asset are in place,
4. The Company demonstrates how the intangible asset will generate likely future economic benefits,
5. There are adequate technological, economic and other resources to complete development and to use or sell the intangible asset, and
6. The expenditure relating to the intangible asset during its development can be measured reliably

Directly related expenditure that is recognised mainly consists of expenditure from subcontractors and expenses for employees.

Other development expenditure that does not satisfy these criteria is expensed when it arises. Development expenditure previously expensed is not recognised as an asset in subsequent periods. The group has assessed all the above criteria to be fulfilled during the period, the costs for development that has been incurred is therefore activated.

Financial assets and liabilities

Other financial assets and liabilities in the balance sheet are reported as acquisition value, which is judged to be a good approximation to the fair value of the items.

Note 2 Breakdown of net sales by country is as follows

mSEK	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Germany	1.1	1.1	4.3
Sweden	0.1	0.0	0.2
Other countries in Europe	0.4	0.4	1.8
Other countries outside of Europe	0.0	0.0	0.1
Total net sales	1.6	1.6	6.5

Note 3 Other expenses

mSEK	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Product development	3.0	0.9	6.9
EPIC-knee study	1.7	3.3	10.1
Patent costs	0.5	0.4	1.3
Sales and marketing costs	1.2	1.1	5.5
Other expenses	2.7	3.0	13.3
Total other expenses	9.1	8.8	37.1

Note 4 Leasing

The company has extended the lease agreement for the office during the first quarter of 2022. For further information, see note 21 in the Annual Report 2022.

Definitions

General:	All amounts in the tables are presented in mSEK unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.
Net debt/equity ratio:	Net debt at the end of the period divided by equity at the end of the period.

Glossary

Approved orders:	Orders which have been approved for surgery, are in production and will be invoiced.
Arthritis:	See Osteoarthritis.
Arthroscopy:	Inspection of the inside of a joint with the help of an arthroscope. An instrument is introduced through a small cut to investigate the inside of the joint and possibly correct any problems (a type of keyhole surgery).
Cartilage:	Shock absorbing and friction reducing tissue. This tissue that covers the end of bones and allows movement with low friction.
Cartilage defect of grade III (ICRS scale):	Lesion through the cartilage, exposing the bone.
Cartilage defect of grade IV (ICRS scale):	Defect extending down to >50% of the cartilage depth.
CE marking:	A CE mark means that the manufacturer or importer has the formal approvals necessary to market and sell the product in the European Economic Area.
Clinical results:	Outcome from clinical treatment of humans, where parameters such as efficacy and safety are evaluated.
Cobalt chrome:	A metal alloy mainly consisting of cobalt and chromium, commonly occurring in metal alloys used in knee prostheses.
Debridement:	Removal of damaged tissue.
Degenerative origin:	Conditions in which the cells, tissues or organs deteriorate and lose function. In degenerative joint disease, the deterioration is due to wear, tear or breakdown of cartilage.
ESSKA:	European Society of Sports Traumatology, Knee Surgery & Arthroscopy
FDA:	US Food and Drug Administration.
Focal cartilage defect:	A cartilage defect in a well-defined area.
Femoral condyles:	Two bony protuberances on the thighbone side of the knee joint that articulate with the shinbone. The name originates from the anatomical terms femur (thighbone) and condyle (articular head).
Gross order intake:	Gross order intake represents the aggregated value of Episealer® orders received and approved by responsible surgeon during the relevant period.
Hydroxyapatite:	A mineral that is the major component of human bone tissue and the main mineral of dental enamel and dentin.
Invasive treatment alternative:	Treatments that require a surgical procedure.
Micro fracturing:	A biological surgical technique that can be used in treatment of focal cartilage defects (not extensive osteoarthritis) in an attempt to stimulate the growth of new cartilage.
MRI:	Magnetic resonance imaging, a medical imaging technique where images acquired using a strong magnetic field allows the user to get three-dimensional image data of the patient.

MTP:	Short for metatarsophalangeal, refers to relations between the metatarsal bones and the proximal phalanges (toe bones) of the toes
OA:	See osteoarthritis.
Order book:	Order book represents all orders that have been booked but where no revenue has been recognised.
Orthopaedics:	The medical specialty that focuses on injuries and diseases of the body's musculoskeletal system. This complex system includes bones, Joints, ligaments, tendons, muscles and nerves.
Osteoarthritis:	A type of joint disease that is characterised by loss of joint function with varying destruction of joint cartilage and the underlying bone.
Osteochondral defect:	Cartilage and underlying bone defect.
Patellofemoral:	Refers to relations between the patella (knee cap) and femur (thighbone) in the knee.
Prosthesis:	An artificial device that replaces a missing or injured body part, such as artificial arm or leg. The term prosthesis is also used for certain of the implants that are used to repair joints, such as hip and knee prostheses,
Reimbursement:	Reimbursement is a word that is used generally in the healthcare industry to describe the payment systems that apply to healthcare costs in various countries.
Talus:	A foot bone constituting a part of the ankle joint. Also referred to as astragalus and ankle bone.
TKA:	Total knee arthroplasty, total knee joint replacement, which is a surgical procedure primarily used to relieve arthritis in which the knee joint is replaced with artificial parts (prostheses).
Traumatic damage:	Damage caused by an outside force, such as fall injuries.
The trochlea area:	The part of the knee joint that is right under the knee-cap, part of the femur (thigh bone)
UKA:	Unicompartmental knee arthroplasty, partial knee joint replacement which is a surgical procedure primarily used to relieve arthritis in one of the knee compartments. Parts of the knee joint are replaced with artificial parts (prostheses).

This is Episurf Medical

– a unique solution for every patient

EPISURF WAS FOUNDED IN 2009 on a commitment to offer people with painful joint injuries a more active and healthy life through customised treatment alternatives. We put the patient in the centre of the design of implants and surgical instruments. By combining advanced 3D imaging technology with the latest manufacturing technologies, we are able to adapt not only each implant to the patient's injury and anatomy, but also the surgical instruments used. In this way, we can ensure that each patient receives treatment that is perfectly suited to his or her anatomy and, thus, ensure a faster, more secure, and better patient-specific treatment for a more active and healthy life.



A proprietary web-based IT platform for individualised design and surgical pre-planning

Episurf Medical's scalable **μiFidelity®** system has been developed for damage assessment, surgical pre-planning and cost-effective patient customisation of implants and associated surgical instruments. In a first step, the company's main focus has been on early stage arthritic changes in the knee joint. This is now followed by lesions in the second joint, the ankle.

Individualised implants with a focus on early stages of arthritis

Episurf Medical has three types of knee implants on the market

- » Episealer® Condyle Solo for the treatment of localised cartilage and underlying bone defects on the femoral condyles of the knee joint.
- » Episealer® Trochlea Solo for the treatment of localised cartilage and underlying bone defects in the area behind the patella (the trochlea area).
- » Episealer® Femoral Twin for the treatment of elongated localised cartilage and underlying bone defects both on the femoral condyles and in the trochlea area of the knee joint.



Episurf Medical has one implant for the ankle on the market

- » Episealer® Talus® intended for osteochondral lesions of the talar dome of the ankle joint

Patient-specific surgical instruments

Every product is delivered with our individualised surgical drill guide Epiguide® and a set of associated surgical instrument. We also offer a surgical drill guide, Epiguide® MOS, that is designed for use in mosaicplasty surgery for treatment of cartilage and deep underlying bone defects in the knee joint. Further, for the ankle Episurf Medical offers an individualised sawguide, Talus Osteotomy Guide. It is intended to help the surgeon to find the correct position and depth when performing an osteotomy of the medial malleolus for access to the talar dome of the ankle joint.



Patents and patent applications

The generation of new intellectual property and the ongoing maintenance of current IP is of paramount importance for Episurf Medical to ensure that Episurf Medical's proprietary, existing technologies and future innovations are well protected. In total Episurf Medical has approximately 200 patents and patent applications worldwide, distributed over 30 patent families.

- » The first Episealer® surgery in a human was performed in December 2012. At the end of 2021, a total of 1,098 surgeries had been performed.
- » Episurf Medical's head office is located in Stockholm and the company has sales representation in several countries in Europe, Asia and North America.
- » The share (EPIS B) has been listed on Nasdaq Stockholm since June 2014.

Financial calendar

Interim Report April-June 2022
Interim Report July-September 2022
Year-end Report 2022

15 July 2022
28 October 2022
10 February 2023

This is a translation of the original Swedish interim report. In the event of a discrepancy between this translation and the Swedish original, the Swedish interim report takes precedence. The information was submitted for publication, through the agency of the contact person set out below, on 29 April 2022 at 08.30 (CEST).

A report presentation will be uploaded on Episurf's website and on the platform Quartr at 10.00 on the reporting day.

The following analysts follow Episurf Medical's development

DNB Analyst: Patrik Ling
Redeye Analyst: Oscar Bergman

IR-contact



Pål Ryfors
CEO
Phone: +46 (0) 709 623 669
E-mail: pal.ryfors@episurf.com



Veronica Wallin
CFO
Phone: +46 (0) 700 374 895
E-mail: veronica.wallin@episurf.com



Episurf Medical AB (publ) org.no 556767-0541
Karlavägen 60, 114 49 Stockholm, Sverige
www.episurf.com