

- **72% growth in the number of active customers during the quarter – Episurf is experiencing a faster adoption and increased acceptance for the Episealer® technology**
- **In six months 2022, Episurf has already exceeded the full year 2021 figure for the number of active customers**
- **42% growth in gross order intake and a strong cash position**

*"The main priority in our commercial efforts right now is to grow the user base, and we are clearly seeing that our ability to generate new customers is better than ever. In fact, during the first two quarters of 2022, we have already had as many customers (66) as we had for the full year 2021. Volumes will increase with each customer as pandemic-related backlogs are worked through and when user experience from the Episealer® increases",* 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

## Second quarter 2022 compared to 2021, Group

- » Gross order intake amounted to SEK 2.0m (1.4)
- » Order book amounted to SEK 1.5m (1.3)
- » Group net sales amounted to SEK 1.9m (2.0)
- » Loss for the period amounted to SEK -19.4m (-17.7)
- » Earnings per share amounted to SEK -0.07(-0.08)

## First six months 2022 compared to 2021, Group

- » Gross order intake amounted to SEK 3.6m (3.6)
- » Group net sales amounted to SEK 3.4m (3.6)
- » Loss for the period amounted to SEK -35.8m (-34.4)
- » Earnings per share amounted to SEK -0.13(-0.16)

## Significant events during the second quarter

- » Promising results from comparative study with Episealer® were accepted for presentation at German orthopaedic congress
- » 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 knee implant Episealer® surgery was planned in Saudi Arabia, and India were planned
- » First Episealer® Talus surgery performed in Portugal and Belgium
- » 5-year follow-up data presented at several clinical congresses

## Significant events after the second quarter

- » Presentation by Prof Karl Eriksson about the Episealer® Knee technology and clinical results at the 5<sup>th</sup> International Conference on Meniscus Science and Surgery in Luxembourg

Dear fellow shareholders,



We are growing our customer base by 72% in the second quarter, and we set a record for the number of surgeons using Episealer® during a single quarter (43). We are very pleased with this development. The main priority in our commercial efforts right now is to grow the user base, and we are clearly seeing that our ability to generate new customers is better than ever. In fact, during the first two quarters of 2022, we have already had as many customers (surgeons) (66) as we had for the full year 2021. Volumes will increase with each customer as pandemic-related backlogs are worked through and when user experience from the Episealer® increases. We can now clearly say that we are entering the commercial phase. The gross order intake increased by 42% to SEK 2.0m, and this only reflects the start. Thus, if we can continue this trend, positive development in the gross order intake and sales figures will follow. As previously, I will account for the development during the quarter by focusing on key strategic pillars:

## 1. Commercialisation

Certain pandemic-related restrictions are still in force. Our customers often have large backlogs of, for example, total knee and hip prosthetic patients. But we are increasingly optimistic about our growth prospects, and the number of active customers during the quarter is a testament to that. From history, we know what annual volumes we can expect from our customers once they include the Episealer® in their daily practice. Hence, our revenues are recurring, as once a surgeon has the Episealer® in their algorithm, they tend to continue using it.

In terms of the commercial efforts, Q2 was a very satisfying period for us, as we started to benefit from some of the transitions made in the previous period. For example, in Q1 we moved resources to focus on our indirect market performance, and in Q2 we had our strongest quarter ever for indirect market performance. Working in close partnership with our distribution partners will be pivotal to further growth in many markets, and we are satisfied with the support we receive in most markets. We will relentlessly focus on ensuring we have the right partnerships and incentives in place as we look to scale in each market.

It was also pleasing to see momentum returning to our direct markets, with a strong performance in Germany. With a broadening customer base, transitions ongoing in the direct sales team, and with additional salespeople integrating into the team over the coming months, we are well placed to accelerate our strategy in this important market.

We are also making progress in large strategic markets. We now have our first case booked in India, which has been a target market since pre-covid, and it is exciting to see these plans regain momentum. We have also spent time in the Australian market, meeting customers and our commercial partners – which is helping us to build a coordinated launch and scale plan for this region.

## 2. Product development

In the coming months, Episurf will be embarking on two complementary areas of expansion – one based on geography and the other based on a patient's clinical condition.

As previously mentioned, first with our Patellofemoral solution in the knee and then later with our 1st MTP joint solution in the toe, Episurf will be accessing and having products commercially available in the United States, the world's largest orthopedic market. Additionally, both products represent a broadening of clinical indications that the company's solutions will ultimately treat. Historically, the Episealer product portfolio (both in the knee and ankle) has been clinically indicated for focal cartilage and bone defects. However, both the patellofemoral and MTP products will clinically be indicated for the larger osteoarthritis markets. From a surgeon's perspective, there is often much less ambiguity in diagnosing and determining how to best treat an osteoarthritis patient, and we are confident that we will be able to bring novel solutions to these challenging

problems. Many of the anatomic locations that Episurf produces products for are in areas that have beset surgeons and afflicted patients for many years, and we are hopeful that our personalised solutions will help these challenging situations.

For the Episealer® Patellofemoral System, the FDA has now completed the first review of the 510(k) submission, and Episurf has recently received feedback based on that review. Episurf will respond to the FDA with additional information and is currently working on that response. The company still aims for market clearance in 2022. For the Episealer® MTP-system, we will provide further details on the timetable shortly. However, for now, we reiterate our target of submitting a 510(k) application Q4 2022 – Q2 2023.

### 3. Clinical development

On Episealer® Talus, about 10 patients were recruited to the various clinical trials during the quarter, and we expect the study conducted at the Rizzoli Orthopaedic Institute in Bologna, Italy, to be fully recruited shortly. Regarding the EPIC knee trial, we will come back to you with additional updates regarding the trial. I will re-use the word relentless, as this best describes our approach to making this trial a success - more updates to come.

### 4. Concluding remarks

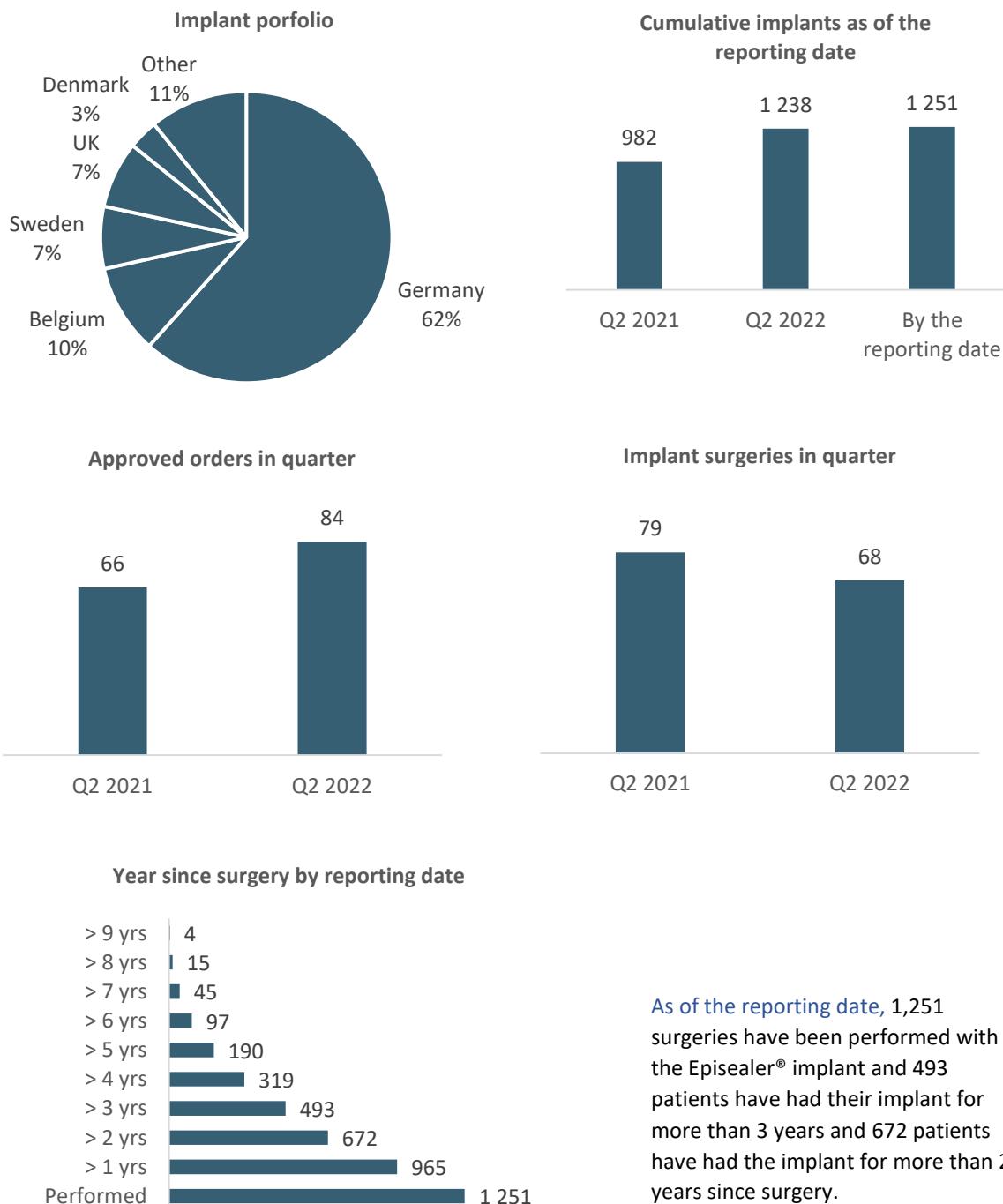
In the coming months, we will continue to focus on expanding our geographical footprint and market penetration in our markets. I can see a significant difference in the business activity in the last months, and there is no shortage of interesting commercial opportunities available to us. In the US, our focus is two-fold; We are focusing on the 510(k) process for the Patellofemoral System and the subsequent commercialisation, while also spending time on getting the EPIC-knee trial going properly. In the coming months, investors should also expect more communication on the UK reimbursement process, the targeted 510(k) submission for the Episealer® MTP-system, as well as additional commercial milestones. We are on a strong growth path and we expect this to continue, and our cash position is strong.

Stockholm, July 2022

Pål Ryfors, CEO

## Business update and forward-looking statements

By the reporting date on July 15, 2022, Episurf Medical's implants had been used in 1,251 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 1,251 implants, we now have 319 patients who have had their implants for more than 4 years and 672 patients have now had their implants for more than 2 years since the surgery date. During the second quarter, 68 surgeries were performed with the Episealer® implant. 84 orders were approved for surgery during the second quarter.



# Financial information

## Group

### Net sales and operating profit/loss

Group net sales amounted to SEK 1.9m (2.0) in the quarter and SEK 3.4m (3.6) for the first six months. Loss before tax amounted to SEK -19.3m (-17.7) for the quarter and SEK -35.7m (-34.4) for the first six months. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -10.7m (-8.9) in the quarter and SEK -19.7m (-18.1) for the first six months. The company focused on product development during the quarter, which refers to SEK 2.2m (0.8) of the other expenses, during the first six months of the year the corresponding cost was -4.8 (-1.1). The cost for the EPIC-Knee study in US amounts to SEK -4.5m (-2.8) during the quarter.

### Financial position

Group cash and cash equivalents at end of period amounted to SEK 197.1m (120.7). The equity ratio was 92.2% (90.1). Group investments in intangible assets amounted to SEK 2.8m (1.3) for the quarter of which SEK 2.2m (0.8) are related to capitalised development costs, and for the first six months investments in intangible assets amounted to SEK 5.8m (2.2), of which SEK 4.8m (1.1) 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 0.3m (0.3).

### 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 1,299,084 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 months of the year, 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.

## 2022 Annual General Meeting (AGM)

Episurfs Annual General Meeting was held on April 4, 2022. Due to the Covid-19 pandemic, the meeting was conducted without the physical presence of shareholders, proxies, or third parties. Shareholders had the opportunity to exercise their voting rights by post before the meeting in accordance with section 20 and 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations. The main resolutions of the Annual General Meeting were as follows:

- Dennis Stripe (chairman), Christian Krüeger, Leif Ryd, Laura Shunk, Annette Brodin Rampe and Ulf Grunander was re-elected as members of the board of directors
- Öhrlings PricewaterhouseCoopers AB were elected as the company's new auditor in accordance with the Nomination Committee's proposal. Tobias Strähle were appointed as the auditor-in-charge
- Fees to the Board of Directors and auditors were resolved on in accordance with the Nomination Committee's proposals
- The AGM resolved, in accordance with the board of directors' proposal, to adopt guidelines for remuneration to senior management
- The AGM resolved to approve the remuneration report
- The AGM resolved to, in accordance with the board of directors' proposal, to a) adopt an incentive program for certain employees and b) issue warrants of series 2022/2025 and approve transfers of warrants of series 2022/2025
- The AGM resolved, in accordance with the board of directors' proposal, to authorise the board of directors resolve on issues for the period until the annual general meeting 2023
- The AGM resolved, in accordance with the board of directors' proposal, to amend §10 of, and add a new §11 to, the company's articles of association

### 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.

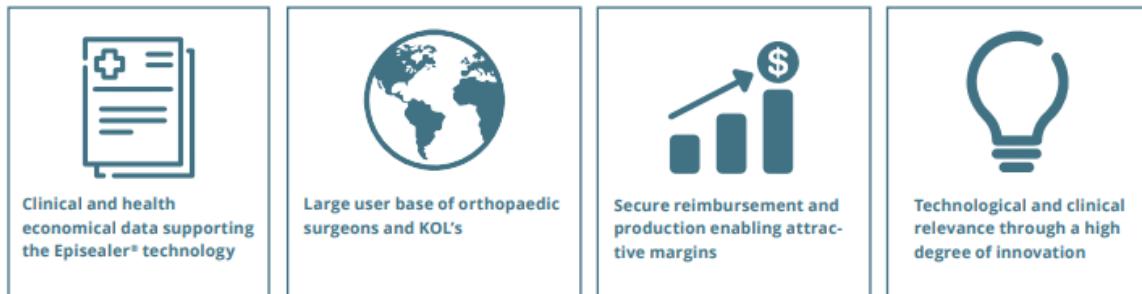
#### 30 June, 2022

A-shares	479,357
B-shares	266,175,686
<b>Total number of shares</b>	<b>266,655,043</b>
<b>Total number of votes</b>	<b>267,613,757</b>

The following table notes the ten largest shareholders based on information available as of June 30, 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
<b>Total, 10 largest shareholders</b>	<b>--</b>	<b>107,053,478</b>	<b>40.1</b>	<b>40.0</b>
<b>Summary, other</b>	<b>479,357</b>	<b>159,122,208</b>	<b>59.9</b>	<b>60.0</b>
<b>Total</b>	<b>479,357</b>	<b>266,175,686</b>	<b>100.0</b>	<b>100.0</b>

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, 14 July 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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Operating income</b>						
Net sales	2	1.9	2.0	3.4	3.6	6.5
Other operating income		-	0.1	0.0	0.2	0.4
<b>Total income</b>		<b>1.9</b>	<b>2.1</b>	<b>3.4</b>	<b>3.8</b>	<b>6.9</b>
<b>Operating expenses</b>						
Merchandise		-0.8	-1.4	-2.1	-2.8	-4.8
Other expenses	3	-10.7	-8.9	-19.7	-18.1	-37.1
Personnel costs		-10.8	-8.3	-19.6	-15.9	-33.9
Capitalised development expenditure		2.8	0.9	5.8	2.2	6.9
Depreciation of equipment and non-current assets		-1.8	-1.9	-3.6	-3.6	-7.4
<b>Total operating expenses</b>		<b>-21.2</b>	<b>-19.7</b>	<b>-39.1</b>	<b>-38.3</b>	<b>-76.3</b>
<b>Operating loss</b>		<b>-19.4</b>	<b>-17.6</b>	<b>-35.7</b>	<b>-34.5</b>	<b>-69.4</b>
<b>Financial items</b>						
Financial income, other		0.2	-	0.3	0.2	0.4
Financial expenses, other		-0.2	-0.1	-0.3	-0.1	-0.2
<b>Results from net financial items</b>		<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>
<b>Loss before tax</b>		<b>-19.3</b>	<b>-17.7</b>	<b>-35.7</b>	<b>-34.4</b>	<b>-69.2</b>
Tax on income for the period		-0.0	-0.0	-0.0	-0.0	-0.0
<b>Loss for the period</b>		<b>-19.4</b>	<b>-17.7</b>	<b>-35.8</b>	<b>-34.4</b>	<b>-69.3</b>
<i>Net loss attributable to:</i>						
Parent company shareholders		-19.4	-17.7	-35.8	-34.4	-69.3
Earnings per share before and after dilution, SEK		-0.07	-0.08	-0.13	-0.16	-0.31
Average number of shares		266,567,802	222,065,997	266,553,971	222,053,340	226,593,598

## Consolidated statement of comprehensive income

mSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Net profit (loss)</b>						
<b>Net profit (loss)</b>		<b>-19.4</b>	<b>-17.7</b>	<b>-35.8</b>	<b>-34.4</b>	<b>-69.3</b>
<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		0.1	0.0	0.1	-0.1	-0.1
<b>Total comprehensive income (loss) for the period</b>						
<b>Total comprehensive income (loss) for the period</b>		<b>-19.3</b>	<b>-17.7</b>	<b>-35.7</b>	<b>-34.5</b>	<b>-69.4</b>
<i>The period's loss and comprehensive income attributable to</i>						
Owners of the parent		-19.3	-17.7	-35.7	-34.5	-69.4

## Condensed consolidated balance sheet

mSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible fixed assets</i>				
Capitalised development costs		12.6	6.7	9.0
Patents		14.0	14.0	14.1
<b>Total intangible fixed assets</b>		<b>26.5</b>	<b>20.6</b>	<b>23.0</b>
<i>Equipment and right-of-use asset</i>				
Right-of-use assets	4	6.5	2.8	3.2
Equipment		0.1	0.0	0.1
<b>Total equipment and right-of-use asset</b>		<b>6.6</b>	<b>2.8</b>	<b>3.2</b>
<i>Non-current financial assets</i>				
Other non-current financial assets		-	0.5	-
<b>Total non-current financial assets</b>		<b>0.0</b>	<b>0.5</b>	<b>-</b>
<b>Total non-current assets</b>		<b>33.1</b>	<b>23.9</b>	<b>26.3</b>
<b>Current assets</b>				
Inventories		1.9	1.8	1.9
Trade receivables		1.8	1.7	1.6
Other receivables		0.7	1.2	1.6
Deferred expenses and accrued income		2.0	2.1	1.3
Cash		197.1	120.7	237.9
<b>Total current assets</b>		<b>203.5</b>	<b>127.4</b>	<b>244.4</b>
<b>TOTAL ASSETS</b>		<b>236.7</b>	<b>151.4</b>	<b>270.6</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
		<b>218.2</b>	<b>136.3</b>	<b>252.8</b>
<b>Liabilities</b>				
<i>Non-current liabilities</i>				
Non-current liabilities		0.7	1.1	2.8
Non-current lease liability	4	4.1	0.5	0.8
<b>Total long-term liabilities</b>		<b>4.8</b>	<b>1.6</b>	<b>3.5</b>
<i>Current liabilities</i>				
Trade payables		4.5	5.2	5.9
Current lease liability	4	2.2	2.3	2.1
Other liabilities		1.9	1.3	1.4
Accrued liabilities and deferred income		5.2	4.7	4.9
<b>Total current liabilities</b>		<b>13.7</b>	<b>13.4</b>	<b>14.2</b>
<b>Total liabilities</b>		<b>18.5</b>	<b>15.0</b>	<b>17.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>236.7</b>	<b>151.4</b>	<b>270.6</b>
Equity ratio		92.2%	90.1%	93.4%
Equity per share, SEK		0.82	0.61	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	
<b>Opening equity January 1, 2021</b>	<b>66.7</b>	<b>546.2</b>	<b>-0.2</b>	<b>-443.2</b>	<b>169.5</b>
Total comprehensive income for the period				-69.3	-69.3
Other comprehensive income			-0.1		-0.1
<b>Total comprehensive income</b>			<b>-0.1</b>	<b>-69.3</b>	<b>-69.4</b>
<b>Transactions with shareholders</b>					
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		0.9		1.2	2.1
<b>Total transactions with shareholders</b>	<b>13.4</b>	<b>138.2</b>		<b>1.2</b>	<b>152.8</b>
<b>Closing equity December 31, 2021</b>	<b>80.0</b>	<b>684.4</b>	<b>-0.3</b>	<b>-511.3</b>	<b>252.8</b>
<b>Opening equity January 1, 2022</b>	<b>80.0</b>	<b>684.4</b>	<b>-0.3</b>	<b>-511.3</b>	<b>252.8</b>
Total comprehensive income for the period				-35.8	-35.8
Other comprehensive income			0.1		0.1
<b>Total comprehensive income</b>			<b>0.1</b>	<b>-35.8</b>	<b>-35.7</b>
<b>Transactions with shareholders</b>					
Conversion warrants, net after issue expenses****	0.0	0.1			0.1
Warrants issued to staff				0.9	0.9
<b>Total transactions with shareholders</b>	<b>0.0</b>	<b>0.1</b>		<b>0.9</b>	<b>1.0</b>
<b>Closing equity June 30, 2022</b>	<b>80.1</b>	<b>684.5</b>	<b>-0.3</b>	<b>-546.2</b>	<b>218.2</b>

\*Issue expenses amounts to SEK 4.4m.

\*\* Issue expenses amounts to SEK 8.8m.

\*\*\* Expenses amounts to SEK 0.0m.

\*\*\*\* Expenses amounts to SEK 0.0m.

## Consolidated cash flow statement

mSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Operating activities</b>						
Operating loss		-19.4	-17.6	-35.7	-34.5	-69.4
<i>Adjustments for items not included in cash flow</i>						
Depreciation		1.8	1.9	3.6	3.6	7.4
Employee stock option expenses		-0.1	0.4	-1.1	0.9	3.3
Interest received		-	-	0.0	-	0.1
Interest paid		-0.1	-	-0.2	-0.0	-0.2
<b>Cash flow from current operations before change in working capital</b>		<b>-17.7</b>	<b>-15.3</b>	<b>-33.4</b>	<b>-29.9</b>	<b>-58.8</b>
<b>Change in working capital</b>						
Decrease/increase in inventory		-0.3	-0.0	0.0	0.1	0.0
Decrease/increase in trade receivables		-0.8	-0.3	-0.2	-1.1	-1.0
Decrease/increase in current receivables		0.3	-0.8	0.2	-0.8	-0.6
Decrease/increase in current liabilities		1.5	0.5	-0.6	-0.1	0.8
<b>Change in working capital</b>		<b>0.7</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-1.9</b>	<b>-0.9</b>
<b>Cash flow from operating activities</b>		<b>-17.0</b>	<b>-15.9</b>	<b>-33.9</b>	<b>-31.8</b>	<b>-59.7</b>
<b>Investing activities</b>						
Investments of intangible fixed assets		-2.8	-1.3	-5.8	-2.2	-6.9
Investments of tangible fixed assets		-	0.0	0.0	-0.0	-0.1
Decrease/increase in non-current financial assets		-	0.0	-	-0.0	0.5
<b>Cash flow from investing activities</b>		<b>-2.8</b>	<b>-1.3</b>	<b>-5.8</b>	<b>-2.2</b>	<b>-6.5</b>
<b>Financing activities</b>						
Issuance of share options		-	0.9	-	0.9	0.9
Amortisation of lease debt		-0.6	-0.6	-1.2	-1.1	-2.4
Conversion warrants		0.1	0.1	0.1	0.1	0.1
New share issue		-	-	-	-0.1	150.6
<b>Cash flow from financing activities</b>		<b>-0.5</b>	<b>0.5</b>	<b>-1.1</b>	<b>-0.2</b>	<b>149.2</b>
<b>Cash flow for the period</b>		<b>-20.3</b>	<b>-16.7</b>	<b>-40.8</b>	<b>-34.3</b>	<b>83.0</b>
Cash and cash equivalents at beginning of period		217.4	137.4	237.9	155.0	155.0
<b>Cash and cash equivalents at end of period</b>		<b>197.1</b>	<b>120.7</b>	<b>197.1</b>	<b>120.7</b>	<b>237.9</b>

## Income statement, Parent Company

mSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Operating income</b>						
Net sales		0.2	0.3	0.3	0.4	0.8
Other operating income		-	-	-	0.0	-
<b>Total income</b>		<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.8</b>
<b>Operating costs</b>						
Other external expenses		-7.6	-6.3	-14.0	-12.5	-25.6
Personnel costs		-5.3	-4.5	-10.2	-8.1	-16.1
Capitalised development expenditure		2.2	0.8	4.8	1.1	4.4
Amortisation of intangible assets and depreciation of property, plant and equipment		-0.6	-0.5	-1.2	-1.1	-2.2
<b>Total operating costs</b>		<b>-11.3</b>	<b>-10.6</b>	<b>-20.5</b>	<b>-20.7</b>	<b>-39.5</b>
<b>Operating loss</b>		<b>-11.1</b>	<b>-10.3</b>	<b>-20.2</b>	<b>-20.2</b>	<b>-38.7</b>
<i>Financial items</i>						
Financial income, other		0.0	0.0	0.0	0.0	0.1
Financial expenses, other		-0.0	-0.0	-0.0	-0.0	-0.0
<b>Results from net financial items</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>Loss before tax</b>		<b>-11.1</b>	<b>-10.3</b>	<b>-20.2</b>	<b>-20.2</b>	<b>-38.7</b>
Tax on income for the period		-	-	-	-	-
<b>Loss at end of the period</b>		<b>-11.1</b>	<b>-10.3</b>	<b>-20.2</b>	<b>-20.2</b>	<b>-38.7</b>

## Parent Company statement of comprehensive income

mSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Net profit</b>						
<i>Other comprehensive income for the period:</i>		-11.1	-10.3	-20.2	-20.2	-38.7
Other comprehensive income for the period, net of tax						
<b>Total comprehensive income for the period</b>		<b>-11.1</b>	<b>-10.3</b>	<b>-20.2</b>	<b>-20.2</b>	<b>-38.7</b>

## Condensed balance sheet, Parent Company

mSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>				
<b>Fixed assets</b>				
<i>Intangible fixed assets</i>				
Capitalised development costs		12.6	6.7	9.0
<b>Total intangible fixed assets</b>		<b>12.6</b>	<b>6.7</b>	<b>9.0</b>
<i>Tangible fixed assets</i>				
Equipment		-	-	-
<b>Total tangible fixed assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets</b>				
Shares in group companies		227.9	177.9	192.9
Long-term receivables from group companies		3.6	31.7	27.0
Other non-current financial receivables		-	0.5	-
<b>Total financial assets</b>		<b>231.6</b>	<b>210.1</b>	<b>220.0</b>
<b>Total fixed assets</b>		<b>244.1</b>	<b>216.8</b>	<b>228.9</b>
<b>Current assets</b>				
<i>Short term receivables</i>				
Trade receivables		-	0.1	0.5
Other receivables		0.2	0.7	1.1
Prepaid expenses and accrued income		1.5	1.6	1.3
<b>Total short term receivables</b>		<b>1.7</b>	<b>2.3</b>	<b>3.0</b>
Cash		185.6	100.2	220.7
<b>Total current assets</b>		<b>187.3</b>	<b>102.6</b>	<b>223.7</b>
<b>TOTAL ASSETS</b>		<b>431.5</b>	<b>319.3</b>	<b>452.6</b>
<b>EQUITY AND LIABILITIES</b>				
Equity		424.3	312.2	444.4
<b>Liabilities</b>				
<i>Current liabilities</i>				
Trade payables		2.6	3.2	3.9
Other liabilities		0.8	0.7	0.5
Accrued liabilities and deferred income		3.7	3.3	3.8
<b>Total current liabilities</b>		<b>7.1</b>	<b>7.2</b>	<b>8.2</b>
<b>Total liabilities</b>		<b>7.1</b>	<b>7.2</b>	<b>8.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>431.5</b>	<b>319.3</b>	<b>452.6</b>

## Statement of changes in equity, Parent Company

mSEK	Share capital	Development fund	Share premium reserve	Loss brought forward	Loss for the period	Total equity
<b>Opening equity January 1, 2021</b>	<b>66.7</b>	<b>6.7</b>	<b>546.2</b>	<b>-250.4</b>	<b>-36.8</b>	<b>332.4</b>
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	-
<b>Total comprehensive loss for the period</b>	<b>2.3</b>			<b>-39.1</b>	<b>-1.8</b>	<b>-38.7</b>
<b>Transactions with shareholders</b>						
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
<b>Total transactions with shareholders</b>	<b>13.4</b>		<b>137.3</b>			<b>150.7</b>
<b>Closing equity December 31, 2021</b>	<b>80.0</b>	<b>9.0</b>	<b>683.5</b>	<b>-289.5</b>	<b>-38.7</b>	<b>444.4</b>
<b>Opening equity January 1, 2022</b>	<b>80.0</b>	<b>9.0</b>	<b>683.5</b>	<b>-289.5</b>	<b>-38.7</b>	<b>444.4</b>
Loss for the period					-20.2	-20.2
Disposition according to AGM						
Loss brought forward					-38.7	38.7
Development fund			3.6		-3.6	-
<b>Total comprehensive loss for the period</b>	<b>3.6</b>			<b>-42.3</b>	<b>18.4</b>	<b>-20.2</b>
<b>Transactions with shareholders</b>						
Conversion warrants, net after issue expenses****	0.0		0.1			0.1
<b>Total transactions with shareholders</b>	<b>0.0</b>		<b>0.1</b>			<b>0.1</b>
<b>Closing equity June 30, 2022</b>	<b>80.1</b>	<b>12.6</b>	<b>683.6</b>	<b>-331.7</b>	<b>-20.2</b>	<b>424.3</b>

\* 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.

\*\*\*\* Expenses amount to SEK 0.0m.

## Cash flow statement, Parent Company

mSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
<b>Current operations</b>						
Operating loss		-11.1	-10.3	-20.2	-20.2	-38.7
<i>Adjustments for items not included in cash flow</i>						
Depreciation		0.6	0.5	1.2	1.1	2.2
Interest received		0.0	0.0	0.0	0.0	0.1
Interest paid		-0.0	-0.0	-0.0	-0.0	-0.0
<b>Cash flow from current activities before changes in working capital</b>		<b>-10.5</b>	<b>-9.8</b>	<b>-19.0</b>	<b>-19.1</b>	<b>-36.5</b>
<b>Changes in working capital</b>						
Decrease/increase in current receivables		0.2	-0.7	1.3	-0.0	-0.7
Decrease/increase in current liabilities		1.1	1.1	-1.1	-0.8	0.2
<b>Total changes in working capital</b>		<b>1.3</b>	<b>0.5</b>	<b>0.2</b>	<b>-0.8</b>	<b>-0.4</b>
<b>Cash flow from operating activities</b>		<b>-9.2</b>	<b>-9.3</b>	<b>-18.9</b>	<b>-19.9</b>	<b>-36.9</b>
<b>Cash flow from investing activities</b>						
Acquisition of intangible assets		-2.2	-0.8	-4.8	-1.1	-4.4
Shareholder contribution		-20.0	-	-35.0	-15.0	-30.0
Repaid group companies		23.1	3.8	39.2	25.2	50.2
Loan group companies		-10.9	-16.6	-15.8	-23.7	-44.0
Decrease/increase in other non-current receivables		-	0.0	-	-0.0	0.5
<b>Cash flow from investing activities</b>		<b>-9.9</b>	<b>-13.6</b>	<b>-16.4</b>	<b>-14.6</b>	<b>-27.8</b>
<b>Cash flow from financing activities</b>						
Conversion warrants		0.1	0.1	0.1	0.1	0.1
New share issue		-	-	-	-0.1	150.6
<b>Cash flow from financing activities</b>		<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>150.7</b>
<b>Cash flow for the period</b>		<b>-19.0</b>	<b>-22.8</b>	<b>-35.1</b>	<b>-34.5</b>	<b>86.0</b>
Cash and cash equivalents at beginning of period		204.6	123.0	220.7	134.8	134.8
<b>Cash and cash equivalents at end of period</b>		<b>185.6</b>	<b>100.2</b>	<b>185.6</b>	<b>100.2</b>	<b>220.7</b>

## 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**

<b>mSEK</b>	<b>Apr-Jun 2022</b>	<b>Apr-Jun 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>Jan-Dec 2021</b>
Germany	1.0	1.2	2.1	2.3	4.3
Norden	0.2	0.1	0.4	0.4	0.2
Other countries in Europe	0.6	0.7	0.9	0.7	1.8
Other countries outside of Europe	0.0	0.1	0.0	0.2	0.1
<b>Total net sales</b>	<b>1.9</b>	<b>2.0</b>	<b>3.4</b>	<b>3.6</b>	<b>6.5</b>

**Note 3 Other expenses**

<b>mSEK</b>	<b>Apr-Jun 2022</b>	<b>Apr-Jun 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>Jan-Dec 2021</b>
Product development	2.2	0.8	4.8	1.1	4.4
EPIC-Knee study	4.3	2.5	6.5	5.8	10.1
Patent costs	1.0	1.0	1.9	1.9	3.8
Sales and marketing costs	1.3	1.2	2.6	1.6	5.5
Other expenses	1.9	3.5	3.9	7.6	13.3
<b>Total other expenses</b>	<b>10.7</b>	<b>8.9</b>	<b>19.7</b>	<b>18.1</b>	<b>37.1</b>

**Note 4 Leasing**

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

## Definitions

<b>General:</b>	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.
<b>Net debt/equity ratio:</b>	Net debt at the end of the period divided by equity at the end of the period.

## Glossary

<b>Approved orders:</b>	Orders which have been approved for surgery, are in production and will be invoiced.
<b>Arthritis:</b>	See Osteoarthritis.
<b>Arthroscopy:</b>	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).
<b>Cartilage:</b>	Shock absorbing and friction reducing tissue. This tissue that covers the end of bones and allows movement with low friction.
<b>Cartilage defect of grade III (ICRS scale):</b>	Lesion through the cartilage, exposing the bone.
<b>Cartilage defect of grade IV (ICRS scale):</b>	Defect extending down to >50% of the cartilage depth.
<b>CE marking:</b>	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.
<b>Clinical results:</b>	Outcome from clinical treatment of humans, where parameters such as efficacy and safety are evaluated.
<b>Cobalt chrome:</b>	A metal alloy mainly consisting of cobalt and chromium, commonly occurring in metal alloys used in knee prostheses.
<b>Debridement:</b>	Removal of damaged tissue.
<b>Degenerative origin:</b>	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.
<b>ESSKA:</b>	European Society of Sports Traumatology, Knee Surgery & Arthroscopy
<b>FDA:</b>	US Food and Drug Administration.
<b>Focal cartilage defect:</b>	A cartilage defect in a well-defined area.
<b>Femoral condyles:</b>	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).
<b>Gross order intake:</b>	Gross order intake represents the aggregated value of Episealer® orders received and approved by responsible surgeon during the relevant period.
<b>Hydroxyapatite:</b>	A mineral that is the major component of human bone tissue and the main mineral of dental enamel and dentin.
<b>Invasive treatment alternative:</b>	Treatments that require a surgical procedure.
<b>Micro fracturing:</b>	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.
<b>MRI:</b>	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.

<b>MTP:</b>	Short for metatarsophalangeal, refers to relations between the metatarsal bones and the proximal phalanges (toe bones) of the toes
<b>OA:</b>	See osteoarthritis.
<b>Order book:</b>	Order book represents all orders that have been booked but where no revenue has been recognised.
<b>Orthopaedics:</b>	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.
<b>Osteoarthritis:</b>	A type of joint disease that is characterised by loss of joint function with varying destruction of joint cartilage and the underlying bone.
<b>Osteochondral defect:</b>	Cartilage and underlying bone defect.
<b>Patellofemoral:</b>	Refers to relations between the patella (knee cap) and femur (thighbone) in the knee.
<b>Prosthesis:</b>	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,
<b>Reimbursement:</b>	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.
<b>Talus:</b>	A foot bone constituting a part of the ankle joint. Also referred to as astragalus and ankle bone.
<b>TKA:</b>	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).
<b>Traumatic damage:</b>	Damage caused by an outside force, such as fall injuries.
<b>The trochlea area:</b>	The part of the knee joint that is right under the knee-cap, part of the femur (thigh bone)
<b>UKA:</b>	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 July-September 2022**  
**Year-end Report 2022**

16 November 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 15 July 2022 at 08.30 (CEST).

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

### **The following analysts follow Episurf Medical's development**

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