

## INTERIM REPORT 1 JANUARY – 31 MARCH 2023

- 53% increase in gross order intake and 56% increase in net sales compared to the corresponding quarter of the previous year
- Continued growth in user base globally and continued increase in clinical acceptance
- Distribution network established in the US

"In the first quarter of 2023, we experienced our best quarter to date in all respects, with higher sales (+56%), greater gross order intake (+53%) and more customers (+20%). On a rolling 12 months basis, the user base, i.e. the number of orthopaedic surgeons who use Episealer®, increased by 46% (105), and user base growth is of great importance to us, and thus something we work hard for. As we have said on several occasions before – we are only scratching the surface and we feel that it is getting easier for us to get access to the large masses of orthopaedic surgeons that we want to approach. This is due to all the data and clinical experience we have now gathered, as well as the fact that our regulatory work is starting to bear fruit in earnest. Orthopaedic surgeons also continue to use our implants with the frequency we wish. Overall, we believe we are precisely taking the right step," says Pål Ryfors, CEO Episurf Medical.

	2023	2024	2025	2026	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		→		~USD 60m
Episealer® Patellofemoral System US	Product launch		→		+USD 250m
Episealer® MTP System US	Concept development	510(k) filing mid 2023	Product launch	→	~USD 0.4bn

### First quarter 2023 compared to 2022, Group

- » Group net sales amounted to SEK 2.5m (1.6)
- » Gross order intake amounted to SEK 2.6m (1.7)
- » Order book amounted to SEK 2.2m (1.5)
- » Loss for the period amounted to SEK -23.2m (-16.4)
- » Earnings per share amounted to SEK -0.09 (-0.06)

### Significant events during the first quarter 2023

- » Episealer® health economy publication was accepted for publication in Journal of ISAKOS
- » The first Episealer® Knee surgery in Malaysia was planned
- » The first Episealer® Talus Surgery in India was scheduled

### Significant events during after the first quarter

- » Episurf Medical provided update on establishment of US commercial organisation

## Dear fellow shareholders,

In the first quarter of 2023, we experienced our best quarter to date in all respects, with higher sales (+56%), greater gross order intake (+53%) and more customers (+20%). The figures are not yet significant enough to make a real impression on the profit and loss account, but we clearly show that we are on the right track and, just as we expected, the acceptance of our implant technology is now increasing globally. On a rolling 12 months basis, the user base, i.e. the number of orthopaedic surgeons who use Episealer®, increased by 46% (105), and user base growth is of great importance to us, and thus something we work hard for. As we have said on several occasions before – we are only scratching the surface and we feel that it is getting easier for us to get access to the large masses of orthopaedic surgeons that we want to approach. This is due to all the data and clinical experience we have now gathered, as well as the fact that our regulatory work is starting to bear fruit in earnest. Orthopaedic surgeons also continue to use our implants with the frequency we wish. Overall, we believe we are precisely taking the right step.



If we look at the markets outside the US, we have put considerable resources into establishing a commercial organization consisting of a mix of our own sales force and distributors. In recent months, we have made changes in basically all countries and regions where we operate. Examples of this are changes in the distributor network in Australia, Israel, Spain, Portugal. We have also organized our own sales force to get a better mix between direct sales and managing of distributor markets. Extensive launch work is underway in India, a market we have high hopes for. We have visited clinics all over the country, performed live surgeries, and established a large pipeline of potential clients. Personally, I am satisfied with the high level of activity we now see in all our markets, and we are determined to get down to business in all the markets where we have so far only taken the first steps.

In the US, we are in the process of launching our first knee prosthesis for patients with fully developed osteoarthritis, and we have already signed agreements with several distributors in several different states. We currently cover significant parts of the US and in the coming weeks, the actual sales activities will begin. Within product development, preparations continue for a 510(k) application for our toe implant, which also targets the American market. Osteoarthritis of the big toe is a common problem that several million Americans are estimated to suffer from. The market for big toe implants is fragmented with no clear winner, and we are very excited about our ability to, with our customized technology, produce a highly successful implant that takes into account the full anatomy of the toe.

During the quarter, the first health economic study on Episealer® was accepted for publication in a scientific journal. In this study, Episealer was compared with the biological procedure microfracturing, and after 5 years, Episealer showed cost-effectiveness. In the main scenario with a 47-year-old patient, money is saved over time, and based on assumptions about implant survival and cost, Episealer® is both better and cheaper over time. In health economic terms, then, Episealer® is dominant over microfracturing, and this study will serve us well in future discussions with the healthcare system. With this publication, we continue to build on our already extensive amount of clinical evidence, something that forms the basis for the commercial ventures.

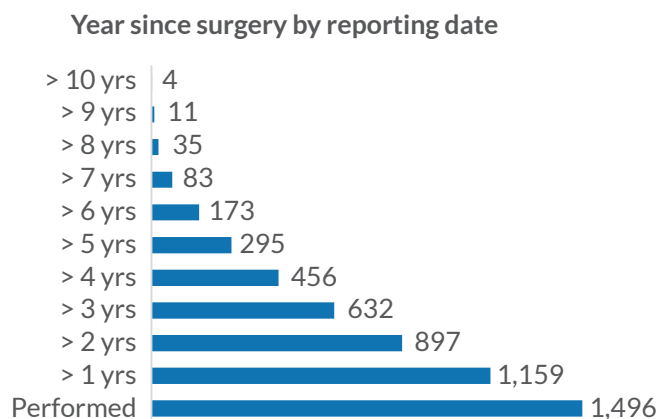
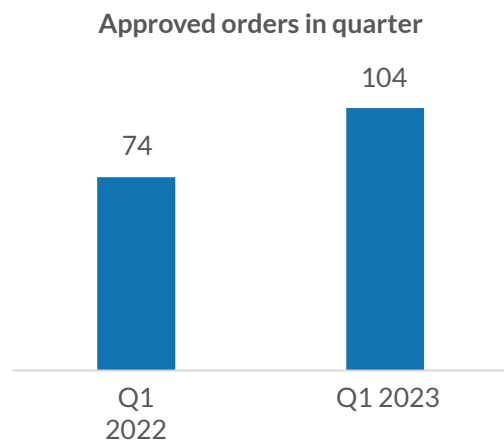
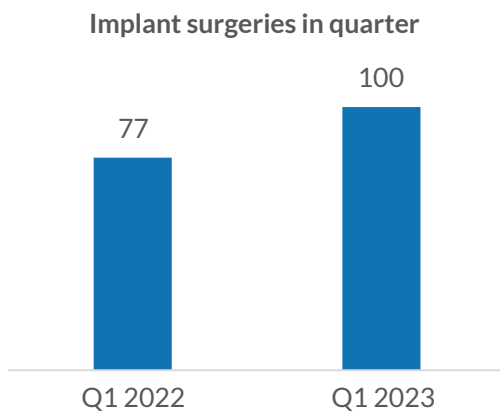
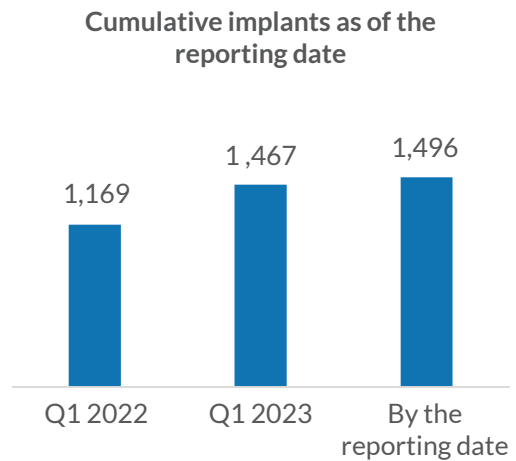
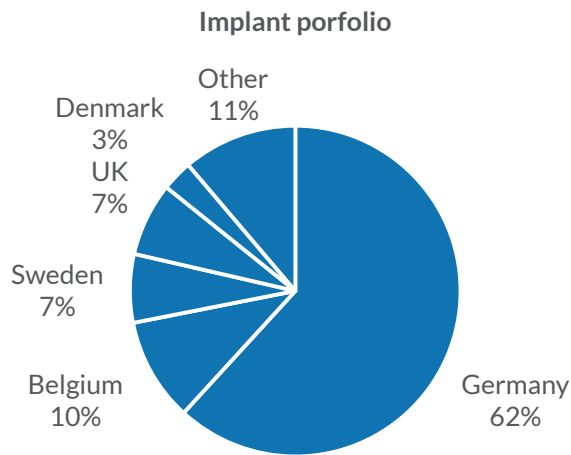
In the coming months, our top priority is to ensure continued growth in all markets, which includes the first commercial activities in the US, as well as the completion of our 510(k) application for our big toe implant. The costs have been somewhat higher in recent months, mainly due to the restructuring of the sales organization and due to the product development work towards, above all, the American market. All in all, we believe we are taking big steps in the right direction, and we are well-funded.

Stockholm, April 2023

Pål Ryfors, CEO

## BUSINESS UPDATE AND FORWARD-LOOKING STATEMENTS

By the reporting date on April 28, 2023, Episurf Medical’s implants had been used in 1,496 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 1,496 implants, we now have 456 patients who have had their implants for more than 4 years and 897 patients have now had their implants for more than 2 years since the surgery date. During the first quarter, 100 surgeries were performed with the Episealer® implant. 104 orders were approved for surgery during the first quarter.



As of the reporting date, 1,496 surgeries have been performed with the Episealer® implant and 632 patients have had their implant for more than 3 years and 897 patients have had the implant for more than 2 years since surgery.

## FINANCIAL INFORMATION

### Group

#### Net sales and operating profit/loss

Group net sales amounted to SEK 2.5m (1.6) in the quarter. Loss before tax amounted to SEK -23.2m (-16.4) for the quarter. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -12.9m (-9.1) in the quarter. The company focused on product development during the quarter, which refers to SEK -2.6m (-3.0) of the other expenses. The cost for the US amounts to SEK -3.2m (-2.5) during the quarter.

#### Cash flow and financial position

Group cash and cash equivalents at end of period amounted to SEK 130.2m (217.4). The reduced cash flow compared to the corresponding quarter last year is primarily due to a lower result. The equity ratio was 88.0% (92.8). Group investments in intangible assets amounted to SEK -2.6m (-3.0) for the quarter of which SEK -2.2m (-2.6) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter of 2023 or 2022.

#### Human resources

Number of employees in the Group at end of the period was 35 (31).

#### 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 employee stock options

##### Warrants

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 interim report, the company has 1,042,207 warrants outstanding. See more information on the company's website.

For more information about warrants and staff option programs, see Episurfs Annual Report 2022.

#### Sustainability-related risks

Episurf strives towards monitoring and continuous evaluation of sustainability-related risks and their impact on the Group's operations and earnings. Episurf's opinion is that this work will increase in importance, and the work could include, among other things, materiality analyses, monitoring of targets and commitments and by auditing various units within the company. The Group works towards having an established governance structure that involves both company management and the Board, and aims at continuously improve the company's sustainability activities and minimizing associated risks.

#### Effects of the COVID-19 pandemic

During Q1 2022, the company's revenues and gross order intake were affected by Omicron. The company currently does not foresee any effects on our operations. 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 impact of the Ukraine crisis

The situation in Ukraine erupted during the first quarter 2022 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 March 2023

A-shares	479,357
B-shares	266,432,563
<b>Total number of shares</b>	<b>266,911,920</b>
<b>Total number of votes</b>	<b>267,870,634</b>

The following table notes the ten largest shareholders based on information available as of March 31, 2023

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	4.7	4.7
Fjärde AP-Fonden	--	12,537,181	4.7	4.7
Sebastian Jahreskog	--	11,992,730	4.5	4.4
Tredje AP-Fonden	--	9,980,000	3.7	3.7
LMK Forward AB	--	6,000,000	2.2	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>108,581,182</b>	<b>40.7</b>	<b>40.5</b>
<b>Summary, other</b>	<b>479,357</b>	<b>157,851,381</b>	<b>59.3</b>	<b>59.5</b>
<b>Total</b>	<b>479,357</b>	<b>266,432,563</b>	<b>100.0</b>	<b>100.0</b>

**Episurf Medical’s strategy rests on four key pillars:**

 <p>Clinical and health economical data supporting the Episealer® technology</p>	 <p>Large user base of orthopaedic surgeons and KOL’s</p>	 <p>Secure reimbursement and production enabling attractive margins</p>	 <p>Technological and clinical relevance through a high degree of innovation</p>
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**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, April 27, 2023

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 2023	Jan-Mar 2022	Jan-Dec 2022
<i>Operating income</i>				
Net sales	2	2,5	1,6	6,6
Capitalised development expenditure		2,6	3,0	11,3
Other operating income		0,0	0,1	0,3
<b>Total income</b>		<b>5,2</b>	<b>4,6</b>	<b>18,2</b>
<i>Operating expenses</i>				
Merchandise		-1,7	-1,3	-4,2
Other expenses	3	-12,9	-9,1	-43,3
Personnel costs		-11,8	-8,8	-40,3
Depreciation of equipment and non-current assets		-1,9	-1,8	-7,4
<b>Total operating expenses</b>		<b>-28,3</b>	<b>-21,0</b>	<b>-95,2</b>
<b>Operating loss</b>		<b>-23,1</b>	<b>-16,3</b>	<b>-77,0</b>
<i>Financial items</i>				
Financial income, other		0,1	0,1	0,5
Financial expenses, other		-0,2	-0,1	-0,7
<b>Results from net financial items</b>		<b>-0,1</b>	<b>-0,1</b>	<b>-0,2</b>
<b>Loss before tax</b>		<b>-23,2</b>	<b>-16,4</b>	<b>-77,2</b>
Tax on income for the period		--	-0,0	-0,1
<b>Loss for the period</b>		<b>-23,2</b>	<b>-16,4</b>	<b>-77,3</b>
<b>Net loss attributable to:</b>				
Parent company shareholders		-23,2	-16,4	-77,3
Earnings per share before and after dilution, SEK		-0,1	-0,1	-0,3
Average number of shares		266 911 920	266 539 986	266 627 443
Average number of shares after dilution		267 954 127	267 582 193	267 669 650



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
<b>Net profit (loss)</b>		<b>-23,2</b>	<b>-16,4</b>	<b>-77,3</b>

*Other comprehensive income for the period:*

Other comprehensive income that may be reclassified subsequently to profit or loss for the period, net of tax		-0,0	-0,0	0,1
<b>Total comprehensive income (loss) for the period</b>		<b>-23,2</b>	<b>-16,5</b>	<b>-77,2</b>

*The period's loss and comprehensive income attributable to*

Owners of the parent		<b>-23,2</b>	<b>-16,5</b>	<b>-77,2</b>
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## CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible fixed assets</i>				
Capitalised development costs		17,5	11,0	15,9
Patents		13,5	13,9	13,6
<b>Total intangible fixed assets</b>		<b>31,0</b>	<b>24,9</b>	<b>29,5</b>
<i>Equipment and right-of-use asset</i>				
Right-of-use assets	4	8,5	7,1	6,6
Equipment		0,1	0,1	0,1
<b>Total equipment and right-of-use asset</b>		<b>8,6</b>	<b>7,2</b>	<b>6,7</b>
<b>Total non-current assets</b>		<b>39,6</b>	<b>32,1</b>	<b>36,2</b>
<b>Current assets</b>				
Inventories		2,0	1,6	1,9
Trade receivables		2,2	1,0	1,9
Other receivables		1,1	0,8	0,9
Deferred expenses and accrued income		0,9	2,2	1,1
Cash		130,2	217,4	155,3
<b>Total current assets</b>		<b>136,5</b>	<b>223,0</b>	<b>161,0</b>
<b>TOTAL ASSETS</b>		<b>176,1</b>	<b>255,2</b>	<b>197,2</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>154,9</b>	<b>236,8</b>	<b>177,7</b>
<b>Liabilities</b>				
<i>Non-current liabilities</i>				
Non-current lease liability	4	4,8	4,6	3,8
<b>Total long-term liabilities</b>		<b>5,2</b>	<b>6,0</b>	<b>4,8</b>
<i>Current liabilities</i>				
Trade payables		5,6	4,9	4,4
Current lease liability	4	3,1	2,2	2,5
Other liabilities		1,8	1,0	1,8
Accrued liabilities and deferred income		5,4	4,2	6,0
<b>Total current liabilities</b>		<b>16,0</b>	<b>12,4</b>	<b>14,7</b>
<b>Total liabilities</b>		<b>21,2</b>	<b>18,4</b>	<b>19,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>176,1</b>	<b>255,2</b>	<b>197,2</b>
Equity ratio		88,0%	92,8%	90,1%
Equity per share, SEK		0,6	0,9	0,7

## 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, 2022</b>	80,0	684,4	-0,3	-511,3	252,8
Total comprehensive income for the period				-77,3	-77,3
Other comprehensive income			0,1		0,1
<b>Total comprehensive income</b>			<b>0,1</b>	<b>-77,3</b>	<b>-77,2</b>
<b>Transactions with shareholders</b>					
Conversion warrants, net after issue expenses*	0,1	0,4			0,5
Expired warrants to staff				-0,2	-0,2
Share-related compensation - Value of employee's service				1,8	1,8
<b>Total transactions with shareholders</b>	<b>0,1</b>	<b>0,4</b>		<b>1,6</b>	<b>2,1</b>
<b>Closing equity December 31, 2022</b>	<b>80,1</b>	<b>684,8</b>	<b>-0,2</b>	<b>-587,0</b>	<b>177,7</b>
<b>Opening equity January 1, 2023</b>	<b>80,1</b>	<b>684,8</b>	<b>-0,2</b>	<b>-587,0</b>	<b>177,7</b>
Total comprehensive income for the period				-23,3	-23,3
Other comprehensive income			-0,0		-0,0
<b>Total comprehensive income</b>			<b>-0,0</b>	<b>-23,3</b>	<b>-23,3</b>
<b>Transactions with shareholders</b>					
Share-related compensation - Value of employee's service				0,5	0,5
<b>Total transactions with shareholders</b>				<b>0,5</b>	<b>0,5</b>
<b>Closing equity March 31, 2023</b>	<b>80,1</b>	<b>684,8</b>	<b>-0,2</b>	<b>-609,8</b>	<b>154,9</b>

\* Expenses amounts to SEK 0.0m.

## CONSOLIDATED CASH FLOW STATEMENT

mSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
<b>Operating activities</b>				
Operating loss		-23,1	-19,0	-77,0
<i>Adjustments for items not included in cash flow</i>				
Depreciation		1,9	1,8	7,4
Employee stock option expenses		-0,2	1,5	-0,2
Interest received		0,0	0,0	0,1
Interest paid		-0,1	-0,0	-0,6
<b>Cash flow from current operations before change in working capital</b>		<b>-21,5</b>	<b>-15,7</b>	<b>-70,4</b>
<b>Change in working capital</b>				
Decrease/increase in inventory		-0,2	0,0	0,1
Decrease/increase in trade receivables		-0,3	-0,1	-0,3
Decrease/increase in current receivables		-0,1	-0,6	1,5
Decrease/increase in current liabilities		0,4	2,8	-0,4
<b>Change in working capital</b>		<b>-0,2</b>	<b>2,1</b>	<b>0,9</b>
<b>Cash flow from operating activities</b>		<b>-21,7</b>	<b>-13,6</b>	<b>-69,5</b>
<b>Investing activities</b>				
Investments of intangible fixed assets		-2,6	-2,8	-11,3
Investments of tangible fixed assets		0,0	0,0	0,0
Decrease/increase in non-current financial assets		--	0,5	--
<b>Cash flow from investing activities</b>		<b>-2,6</b>	<b>-2,3</b>	<b>-11,2</b>
<b>Financing activities</b>				
Issuance of share options		-0,8	-0,6	-2,4
Amortisation of lease debt		0,0	-0,0	0,5
Conversion warrants		--	150,7	--
<b>Cash flow from financing activities</b>		<b>-0,8</b>	<b>150,0</b>	<b>-1,9</b>
<b>Cash flow for the period</b>		<b>-25,1</b>	<b>134,1</b>	<b>-82,6</b>
Cash and cash equivalents at beginning of period		155,3	103,8	237,9
<b>Cash and cash equivalents at end of period</b>		<b>130,2</b>	<b>237,9</b>	<b>155,3</b>

## INCOME STATEMENT, PARENT COMPANY

mSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
<b>Operating income</b>				
Net sales		0,3	0,1	0,7
Capitalised development expenditure		2,2	2,6	9,3
<b>Total income</b>		<b>2,4</b>	<b>2,8</b>	<b>9,9</b>
<b>Operating costs</b>				
Other external expenses		-9,6	-6,4	-29,5
Personnel costs		-5,0	-4,9	-20,0
Amortisation of intangible assets and depreciation of property, plant and equipment		-0,5	-0,6	-2,3
<b>Total operating costs</b>		<b>-15,1</b>	<b>-11,8</b>	<b>-51,9</b>
<b>Operating loss</b>		<b>-12,6</b>	<b>-9,1</b>	<b>-42,0</b>
<i>Financial items</i>				
Financial income, other		0,0	0,0	0,1
Financial expenses, other		-0,0	--	-0,1
<b>Results from net financial items</b>		<b>-0,0</b>	<b>0,0</b>	<b>-0,1</b>
<b>Loss before tax</b>		<b>-12,7</b>	<b>-9,1</b>	<b>-42,0</b>
Tax on income for the period		--	--	--
<b>Loss at end of the period</b>		<b>-12,7</b>	<b>-9,1</b>	<b>-42,0</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
<b>Net profit</b>		<b>-12,7</b>	<b>-9,1</b>	<b>-42,0</b>
<i>Other comprehensive income for the period:</i>				
Other comprehensive income for the period, net of tax		--	--	--
<b>Total comprehensive income for the period</b>		<b>-12,7</b>	<b>-9,1</b>	<b>-42,0</b>

## CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>ASSETS</b>				
<b>Fixed assets</b>				
<i>Intangible fixed assets</i>				
Capitalised development costs		17,5	11,0	15,9
<b>Total intangible fixed assets</b>		<b>17,5</b>	<b>11,0</b>	<b>15,9</b>
<b>Financial assets</b>				
Shares in group companies		259,2	207,9	256,2
Long-term receivables from group companies		0,8	15,9	22,6
<b>Total financial assets</b>		<b>260,0</b>	<b>223,8</b>	<b>278,8</b>
<b>Total fixed assets</b>		<b>277,5</b>	<b>234,8</b>	<b>294,7</b>
<b>Current assets</b>				
<i>Short term receivables</i>				
Trade receivables		0,4	--	0,6
Other receivables		0,4	0,2	0,4
Prepaid expenses and accrued income		1,2	1,7	0,8
<b>Total short term receivables</b>		<b>1,9</b>	<b>1,9</b>	<b>1,8</b>
Cash		118,2	204,6	142,2
<b>Total current assets</b>		<b>120,1</b>	<b>206,5</b>	<b>143,9</b>
<b>TOTAL ASSETS</b>		<b>397,6</b>	<b>441,3</b>	<b>438,6</b>

## CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>390,2</b>	<b>435,3</b>	<b>402,9</b>
<b>Liabilities</b>				
<i>Non-current liabilities</i>				
Non-current liabilities to group companies		--	--	27,1
<b>Total long-term liabilities</b>		<b>--</b>	<b>--</b>	<b>27,1</b>
<i>Current liabilities</i>				
Trade payables		2,9	2,5	3,0
Other liabilities		0,7	0,6	0,7
Accrued liabilities and deferred income		3,8	3,0	4,8
<b>Total current liabilities</b>		<b>7,4</b>	<b>6,0</b>	<b>8,6</b>
<b>Total liabilities</b>		<b>7,4</b>	<b>6,0</b>	<b>35,7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>397,6</b>	<b>441,3</b>	<b>438,6</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, 2022</b>	80,0	9,0	683,5	-289,5	-38,7	444,4
Loss for the period					-42,0	-42,0
Disposition according to AGM						
Loss brought forward				-38,7	38,7	--
Development fund		6,9		-6,9		--
<b>Total comprehensive loss for the period</b>		6,9		-45,6	-3,4	-42,0
<b>Transactions with shareholders</b>						
Conversion warrants, net after issue expenses*	0,1		0,4			0,5
<b>Total transactions with shareholders</b>	0,1		0,4			0,5
<b>Closing equity December 31, 2022</b>	80,1	15,9	683,9	-335,0	-42,0	402,9
<b>Opening equity January 1, 2023</b>	80,1	15,9	683,9	-335,0	-42,0	402,9
Loss for the period					-12,7	-12,7
Disposition according to AGM						
Loss brought forward				-42,0	42,0	--
Development fund		1,7		-1,7		--
<b>Total comprehensive loss for the period</b>		1,7		-43,7	29,4	-12,7
<b>Closing equity March 31, 2023</b>	80,1	17,5	683,9	-378,7	-12,7	390,2

\* Expenses amounts to SEK 0.0m.

## CASH FLOW STATEMENT, PARENT COMPANY

mSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
<b>Current operations</b>				
Operating loss		-12,6	-9,1	-42,0
<i>Adjustments for items not included in cash flow</i>				
Depreciation		0,5	0,6	2,3
Interest received		0,0	0,0	0,1
Interest paid		0,0	--	-0,1
<b>Cash flow from current activities before changes in working capital</b>		<b>-12,1</b>	<b>-8,5</b>	<b>-39,7</b>
<b>Changes in working capital</b>				
Decrease/increase in current receivables		-0,1	1,1	1,2
Decrease/increase in current liabilities		-1,2	-2,2	0,4
<b>Total changes in working capital</b>		<b>-1,3</b>	<b>-1,1</b>	<b>1,6</b>
<b>Cash flow from operating activities</b>		<b>-13,5</b>	<b>-9,6</b>	<b>-38,1</b>
<b>Cash flow from investing activities</b>				
Acquisition of intangible assets		-2,2	-2,6	-9,3
Shareholder contribution		-3,0	-15,0	-63,3
Repaid group companies		5,5	16,1	70,4
Loan group companies		-10,8	-4,9	-38,8
<b>Cash flow from investing activities</b>		<b>-10,4</b>	<b>-6,4</b>	<b>-41,0</b>
<b>Cash flow from financing activities</b>				
Conversion warrants		--	--	0,5
<b>Cash flow from financing activities</b>		<b>--</b>	<b>--</b>	<b>0,5</b>
<b>Cash flow for the period</b>		<b>-23,9</b>	<b>-16,1</b>	<b>-78,6</b>
Cash and cash equivalents at beginning of period		142,2	220,7	220,7
<b>Cash and cash equivalents at end of period</b>		<b>118,3</b>	<b>204,6</b>	<b>142,2</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 year-end 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  $\mu$ Fidelity®. 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 recognised 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 2023	Jan-Mar 2022	Jan-Dec 2022
Germany	2.0	1.1	4.4
Nordic	0.1	0.1	0.5
Other countries in Europe	0.4	0.4	1.5
Other countries outside of Europe	0.0	0.0	0.1
<b>Total net sales</b>	<b>2.5</b>	<b>1.6</b>	<b>6.6</b>

### Note 3 Other expenses

mSEK	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
Product development	2.2	3.0	9.3
US	2.9	1.7	12.0
Patent costs	0.3	0.5	2.0
Sales and marketing costs	3.1	1.2	10.2
Other expenses	4.4	2.7	9.9
<b>Total other expenses</b>	<b>12.9</b>	<b>9.1</b>	<b>43.3</b>

### Note 4 Leasing

The company has extended the lease agreement for the head office and general IT agreement and some more minor car agreements during the financial year 2022. The company has extended some minor car agreements during the first quarter 2023. 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  $\mu$ Fidelity® 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.



**Episealer®**  
Condyle Solo



**Episealer®**  
Trochlea Solo



**Episealer®**  
Femoral Twin

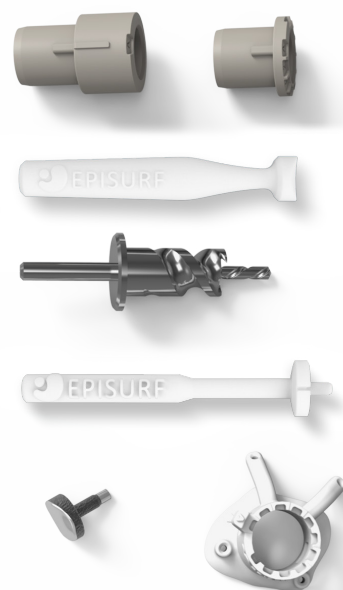


**Episurf Medical has one implant for the ankle on the market**

» 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 more than 200 patents and patent applications worldwide, distributed over 35 patent families.

- » The first Episealer® surgery in a human was performed in December 2012. At the end of 2022, a total of 1,368 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

### AGM 2023

Interim Report April-June 2023

Interim Report July-September 2023

Year-End Report 2023

4 May 2023

14 July 2023

27 October 2023

9 February 2024

This is a translation of the original Swedish year-end report. In the event of a discrepancy between this translation and the Swedish original, the Swedish year-end report takes precedence. The information was submitted for publication, through the agency of the contact person set out below, on April 28 2023 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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