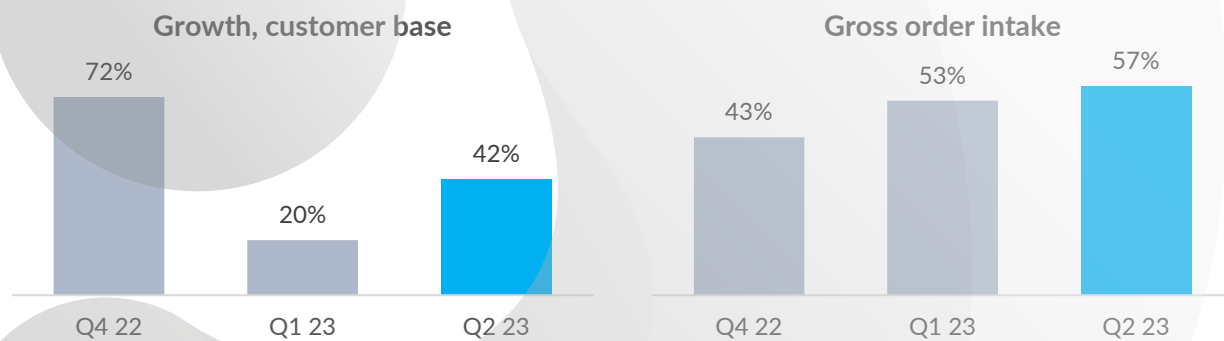


INTERIM REPORT 1 JANUARY – 30 JUNE 2023

- Gross order intake grew by 57% to SEK 3.1m and the number of customers grew by 42%
- Strategic focus of the business to decrease cost base and accelerate the road to profitability
- One-off expense of SEK 4m related to strategic initiatives

"Today we have announced that we are focusing the business further, with the implementation of several initiatives to improve the company's results. I am pleased that we are implementing these measures while maintaining a strong financial position, and we are showing strong growth in our key figures. Gross order intake grew by 57% to SEK 3.1m and the number of customers grew by 42% (61 in the quarter). Now we feel that our commercial efforts are developing in the right direction, and we are adding customers, increasing volumes with individual customers and the awareness about our technology is increasing among orthopaedic surgeons. The month of June was by far our best, with more than 2 surgeries scheduled per day Monday to Sunday. This is a good development, and we show that we are taking exactly the right steps. But we see great opportunities ahead of us, and we recently got our first product approved in the US market, and we have another 510(k)-submission coming up soon. We need to focus the business further, and we need to become more cost-effective in our way of working," says Pål Ryfors, CEO Episurf Medical.



Second quarter 2023 compared to 2022, Group

- » Gross order intake amounted to SEK 3.1m (2.0)
- » Group net sales amounted to SEK 2.2m (1.9)
- » Order book amounted to SEK 3.0m (1.5)
- » Loss for the period amounted to SEK -28.9m (-19.4) including SEK 4.0m extraordinary cost
- » Earnings per share amounted to SEK -0.11 (-0.07)

First six months 2023 compared to 2022, Group

- » Group net sales amounted to SEK 4.8m (3.4)
- » Gross order intake amounted to SEK 5.6m (3.6)
- » Loss for the period amounted to SEK -52.1m (-35.8)
- » Earnings per share amounted to SEK -0.20 (-0.13)

Significant events during the second quarter 2023

- » Episurf Medical provided an update on the establishment of a US commercial organisation
- » Episealer® Patellofemoral System is now available in the United Arab Emirates
- » Episurf Medical's first surgery in the EPIC-Knee study in Canada was scheduled

Significant events during after the second quarter

- » Episurf Medical updated strategy and objectives
- » Episurf Medical's first US VAC approval

Dear shareholders,

Today we have announced that we are focusing the business further, with the implementation of several initiatives to improve the company's results. I am pleased that we are implementing these measures while maintaining a strong financial position, and we are showing strong growth in our key figures. Gross order intake grew by 57% to SEK 3.1m and the number of customers grew by 42% (61 in the quarter). Now we feel that our commercial efforts are developing in the right direction, and we are adding customers, increasing volumes with individual customers and the awareness about our technology is increasing among orthopaedic surgeons. The month of June was by far our best, with more than 2 surgeries scheduled per day Monday to Sunday. This is a good development, and we show that we are taking exactly the right steps. But we see great opportunities ahead of us, and we recently got our first product approved in the US market, and we have another 510(k)-submission coming up soon. We need to focus the business further, and we need to become more cost-effective in our way of working.



The biggest single measure we are implementing is that we are taking another step in realigning operations outside the US towards working with distributor sales. In the past, we have had a higher share of directly employed sales representatives, but we are choosing to switch to a distributor model in its entirety. In summary, we believe that the following activities are the most important for us right now, and we will focus on executing on all of these:

- Launch of the Episealer® Patellofemoral System in the US market. The product is already cleared for the US market and approx. 20 distributors are contracted in the US. Launch activities are ongoing, and the company believes that reception among orthopaedic surgeons and distributors is very positive, and the company sees good opportunities for continued commercialization. Recently, the first approval from a Value Analysis Committee (VAC) at an American hospital was obtained for the Episealer® Patellofemoral System, which is a near-mandatory approval before a new product is used at a hospital. We have VAC processes underway at several hospitals and orthopedic centers, and we look forward to additional approvals in the near future.
- Complete and submit the 510(k)-application for Episurf's big toe implant system, the Episealer® MTP-System, to the US FDA shortly, aiming for a rapid launch in 2024. We believe that this product and this market segment are the most commercially attractive for the company in the short term. The reason for this is because we believe that this is a fast-moving segment where orthopaedic surgeons have historically shown a tendency to test new solutions at a relatively fast pace. Furthermore, we believe that the financial aspects are very attractive, with good pricing and good gross margins already from an early stage.

- Continue to drive sales for Episealer® Knee and Episealer® Talus in several countries outside the US, primarily through distributor channels. We are now showing strong growth in this market segment. As mentioned above, gross order intake grew 57% in the quarter, and the number of customers using Episealer® during the quarter grew by 42%. For the next step, we believe that a distributor model is most suitable and efficient to achieve larger scale over time.

The updated strategy means that we become more cost-effective, and that product launches better match our financing. We position ourselves to target a combination of established markets in the osteoarthritis segment, where we believe that the commercialization opportunities are very attractive in the short term, and in the segment for focal cartilage and bone lesions through Episealer® Knee and Episealer® Talus, which represent a significant opportunity in the slightly longer-term. Our total addressable market exceeds USD 2 billion annually, and we will have a significant portion of this available to us soon. We have a strong financial position with SEK 107m in liquidity at the end of the quarter, and we expect that current funding will be sufficient to launch both the Episealer® Patellofemoral System and the Episealer® MTP System with good commercial success in the US market.

During the quarter, costs were higher than the corresponding quarter of the previous year. SEK 4m relates to a one-off cost related to the strategic focus. Furthermore, we have higher personnel costs and higher marketing costs than before, and these are two cost categories that will decrease significantly in the coming quarters. Overall, the initiatives presented today are expected to reduce operational costs by approximately SEK 25 million on an annual basis. We expect that current funding will be sufficient to launch both the Episealer® Patellofemoral System and the Episealer® MTP System with good commercial success in the US market. Given that we are implementing the strategy for the US market, we also believe that profitability can be achieved more quickly, and the capital requirements are significantly less, than what the previous cost level indicated.

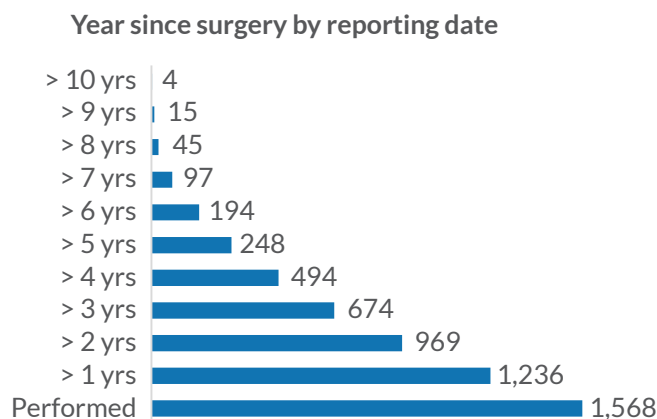
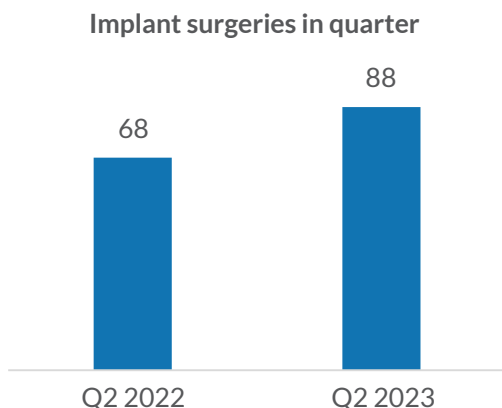
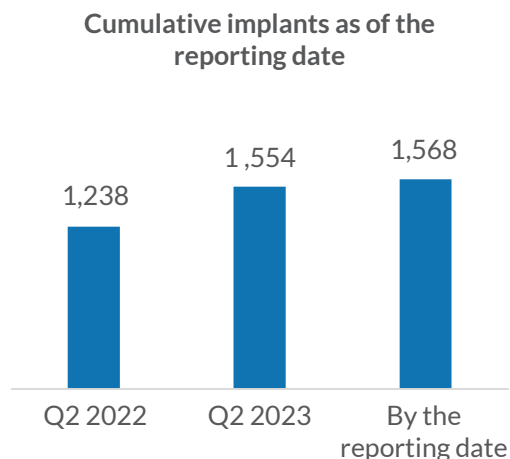
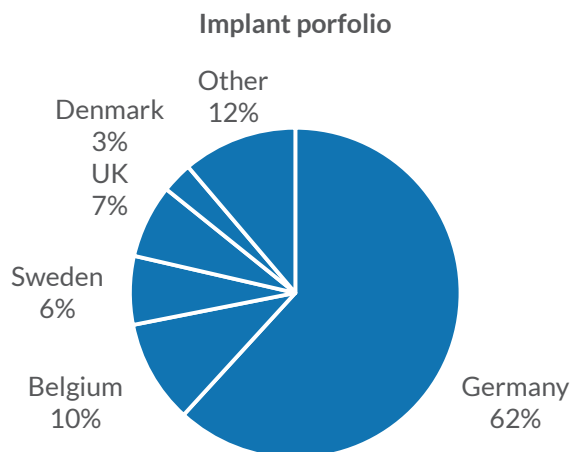
In summary, we now see great opportunities for Episurf to succeed in the US market and we are focusing the business further to take advantage of these opportunities.

Stockholm, July 2023

Pål Ryfors, CEO

BUSINESS UPDATE AND FORWARD-LOOKING STATEMENTS

By the reporting date on July 14, 2023, Episurf Medical’s implants had been used in 1,568 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 1,568 implants, we now have 494 patients who have had their implants for more than 4 years and 969 patients have now had their implants for more than 2 years since the surgery date. During the second quarter, 88 surgeries were performed with the Episealer® implant. 125 orders were approved for surgery during the second quarter.



As of the reporting date, 1,568 surgeries have been performed with the Episealer® implant and 674 patients have had their implant for more than 3 years and 969 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 2.2m (1.9) in the quarter and SEK 4.8m (3.4) for the first six months. Loss before tax amounted to SEK -28.8m (-19.3) for the quarter and SEK -52.0m (-35.7) for the first six months. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -15.2m (-10.7) in the quarter and SEK -28.1m (-19.7) for the first six months. The company focused on product development during the quarter, which refers to SEK -2.1m (-2.2) of the other expenses, during the first six months of the year the corresponding cost was SEK -4.2m (-4.8). The cost for the US amounts to SEK -3.0m (-4.5) during the quarter. During the quarter, the company has booked an accrued one-off cost of SEK -4.0m, which refers to the operational measures that intend to improve the company's financial position and running costs significantly. For more information, see the company's press releases.

Cash flow and financial position

Group cash and cash equivalents at end of period amounted to SEK 107.0m (197.1). The reduced cash flow compared to the corresponding quarter last year is primarily due to a lower result. The equity ratio was 82.0% (92.2). Group investments in intangible assets amounted to SEK -2.4m (-2.8) for the quarter of which SEK -2.1m (-2.2) are related to capitalised development costs, and for the first six months investments in intangible assets amounted to SEK -5.0m (-5.8) of which SEK -4.2m (-4.8) 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 0.3m (0.3).

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 May 2023, shareholders had the opportunity to convert these warrants for an exercise price of SEK 1.40. As of this interim report, the company has no warrants outstanding.

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 the first six months 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.

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 2023

A-shares	479,357
B-shares	266,586,090
Total number of shares	267,065,447
Total number of votes	268,024,161

The following table notes the ten largest shareholders based on information available as of June 30, 2023

Name	No. Of		Share capital in %	Voting rights %
	A-shares	B-shares		
Health Runner AB (Ilija Batljan)	-	34 771 101	13,0	13,0
Rhenman Partners	-	12 666 824	4,8	4,7
Fjärde AP-Fonden	-	12 537 181	4,7	4,7
Sebastian Jahreskog	-	11 992 730	4,5	4,5
Tredje AP-Fonden	-	9 980 000	3,7	3,7
LMK Forward AB	-	6 000 000	2,3	2,2
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
Andra AP-Fonden	-	4 373 455	1,6	1,6
Total, 10 largest shareholders	-	106 928 961	40,1	39,9
Summary, other	479 357	159 657 129	59,9	60,1
Total	479 357	266 586 090	100,0	100,0

2023 Annual General Meeting (AGM)

Episurfs Annual General Meeting was held on May 4, 2023 at the Company’s office. The Board of Directors had, pursuant to Chapter 7, Section 4 a of the Swedish Companies Act (Sw. aktiebolagslagen (2005:551)) and the Company’s Articles of Association, decided that shareholders shall be able to exercise their voting rights by post prior to the Meeting.

The main resolutions of the Annual General Meeting were as follows:

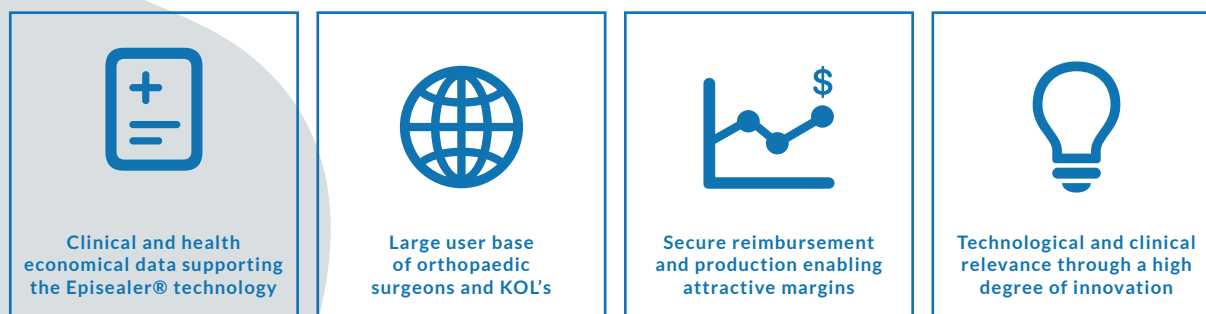
- Ulf Grunander (new chairman), Christian Krüeger, Leif Ryd, Laura Shunk, and Annette Brodin Rampe awas re-elected as members of the board of directors
- Öhrlings PricewaterhouseCoopers AB were elected as the company’s auditor in accordance with the Nomination Committee’s proposal. Tobias Strähle were 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 for 2022
- 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 2023/2026 and approve transfers of warrants of series 2023/2026
- 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

See the group’s website for more information about the AGM and decisions.

Rounding

Due to rounding, the sum of numbers may differ.

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, July 14, 2023

Ulf Grunander
Board chairman

Annette Brodin Rampe
Board member

Christian Krüeger
Board member

Leif Ryd
Board member

Laura Shunk
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 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
<i>Operating income</i>						
Net sales	2	2,2	1,9	4,8	3,4	6,6
Capitalised development expenditure		2,4	2,8	5,0	5,8	11,3
Other operating income		0,0	-	0,1	0,0	0,3
Total income		4,7	4,7	9,9	9,3	18,2
<i>Operating expenses</i>						
Merchandise		-1,5	-0,8	-3,2	-2,1	-4,2
Other expenses	3	-15,2	-10,7	-28,1	-19,7	-43,3
Personnel costs		-15,8	-10,8	-27,6	-19,6	-40,3
Depreciation of equipment and non-current assets		-1,3	-1,8	-3,2	-3,6	-7,4
Total operating expenses		-33,7	-24,1	-62,0	-45,0	-95,2
Operating loss		-29,0	-19,4	-52,1	-35,7	-77,0
<i>Financial items</i>						
Financial income, other		0,3	0,2	0,3	0,3	0,5
Financial expenses, other		-0,0	-0,2	-0,2	-0,3	-0,7
Results from net financial items		0,2	0,0	0,1	-0,0	-0,2
Loss before tax		-28,8	-19,3	-52,0	-35,7	-77,2
Tax on income for the period		-0,1	-0,0	-0,1	-0,0	-0,1
Loss for the period		-28,9	-19,4	-52,1	-35,8	-77,3
Net loss attributable to:						
Parent company shareholders		-28,9	-19,4	-52,1	-35,8	-77,3
Earnings per share before and after dilution, SEK		-0,1	-0,1	-0,2	-0,1	-0,3
Average number of shares		266 943 975	266 567 802	266 928 036	266 553 971	266 627 443
Average number of shares after dilution		266 943 975	266 567 802	266 928 036	266 553 971	267 669 650

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Net profit (loss)		-28,9	-19,4	-52,1	-35,8	-77,3
<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	0,0	0,1	0,1
Total comprehensive income (loss) for the period		-28,9	-19,3	-52,1	-35,7	-77,2
<i>The period's loss and comprehensive income attributable to</i>						
Owners of the parent		-28,9	-19,3	-52,1	-35,7	-77,2

CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS				
Non-current assets				
<i>Intangible fixed assets</i>				
Capitalised development costs		19,0	12,6	15,9
Patents		13,1	14,0	13,6
Total intangible fixed assets		32,1	26,5	29,5
<i>Equipment and right-of use asset</i>				
Right-of-use assets	4	8,5	6,5	6,6
Equipment		0,1	0,1	0,1
Total equipment and right-of-use asset		8,6	6,6	6,7
Total non-current assets		40,8	33,1	36,2
Current assets				
Inventories		2,6	1,9	1,9
Trade receivables		1,7	1,8	1,9
Other receivables		0,9	0,7	0,9
Deferred expenses and accrued income		1,8	2,0	1,1
Cash		107,0	197,1	155,3
Total current assets		114,0	203,5	161,0
TOTAL ASSETS		154,8	236,7	197,2

CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity		126,9	218,2	177,7
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities		0,1	0,7	1,0
Non-current lease liability	4	4,8	4,1	3,8
Total long-term liabilities		4,9	4,8	4,8
<i>Current liabilities</i>				
Trade payables		7,2	4,5	4,4
Current lease liability	4	3,1	2,2	2,5
Other liabilities		1,9	1,9	1,8
Accrued liabilities and deferred income		10,8	5,2	6,0
Total current liabilities		23,0	13,7	14,7
Total liabilities		27,9	18,5	19,5
TOTAL EQUITY AND LIABILITIES		154,8	236,7	197,2
Equity ratio		82,0%	92,2%	90,1%
Equity per share, SEK		0,5	0,8	0,7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					Total equity
	mSEK	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year	
Opening equity January 1, 2022		80,0	684,4	-0,3	-511,3	252,8
Total comprehensive income for the year					-77,3	-77,3
Other comprehensive income				0,1		0,1
Total comprehensive income				0,1	-77,3	-77,2
Transactions with shareholders						
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
Total transactions with shareholders		0,1	0,4		1,6	2,1
Closing equity December 31, 2022		80,1	684,8	-0,2	-587,0	177,7
Opening equity January 1, 2023		80,1	684,8	-0,2	-587,0	177,7
Total comprehensive income for the period					-52,1	-52,1
Other comprehensive income				0,0		0,0
Total comprehensive income				0,0	-52,1	-52,1
Transactions with shareholders						
Conversion warrants, net after issue expenses**		0,0			0,2	0,2
Share-related compensation - Value of employee's service					1,1	1,1
Total transactions with shareholders		0,0			1,2	1,3
Closing equity June 30, 2023		80,2	684,8	-0,2	-637,9	126,9

* Expenses amounts to SEK 0.0m.

** Expenses amounts to SEK 0.0m.

CONSOLIDATED CASH FLOW STATEMENT

mSEK	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Operating activities						
Operating loss		-29,0	-19,4	-52,1	-35,7	-77,0
<i>Adjustments for items not included in cash flow</i>						
Depreciation		1,3	1,8	3,2	3,6	7,4
Employee stock option expenses		0,3	-0,1	-0,1	-1,1	-0,2
Interest received		-	-	0,0	0,0	0,1
Interest paid		-0,1	-0,1	-0,2	-0,2	-0,6
Cash flow from current operations before change in working capital		-27,5	-17,7	-49,3	-33,4	-70,4
Change in working capital						
Decrease/increase in inventory		-0,6	-0,3	-0,8	0,0	0,1
Decrease/increase in trade receivables		0,5	-0,8	0,1	-0,2	-0,3
Decrease/increase in current receivables		-0,7	0,3	-0,1	0,2	1,5
Decrease/increase in current liabilities		8,1	1,5	8,1	-0,6	-0,4
Change in working capital		7,3	0,7	7,4	-0,6	0,9
Cash flow from operating activities		-20,3	-17,0	-41,9	-33,9	-69,5
Investing activities						
Investments of intangible fixed assets		-2,4	-2,8	-5,0	-5,8	-11,3
Investments of tangible fixed assets		0,0	-	0,0	0,0	0,0
Cash flow from investing activities		-2,4	-2,8	-5,0	-5,8	-11,2
Financing activities						
Issuance of share options		-0,8	-0,6	-1,6	-1,2	-2,4
Amortisation of lease debt		0,2	0,1	0,2	0,1	0,5
Cash flow from financing activities		-0,6	-0,5	-1,4	-1,1	-1,9
Cash flow for the period		-23,3	-20,3	-48,3	-40,8	-82,6
Cash and cash equivalents at beginning of period		130,2	217,4	155,3	237,9	237,9
Cash and cash equivalents at end of period		107,0	197,1	107,0	197,1	155,3

INCOME STATEMENT, PARENT COMPANY

mSEK	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Operating income						
Net sales		0,3	0,2	0,6	0,3	0,7
Capitalised development expenditure		2,1	2,2	4,2	4,8	9,3
Total income		2,4	2,4	4,8	5,1	9,9
Operating costs						
Other external expenses		-9,5	-7,6	-19,1	-14,0	-29,5
Personnel costs		-5,8	-5,3	-10,8	-10,2	-20,0
Amortisation of intangible assets and depreciation of property, plant and equipment		-0,6	-0,6	-1,1	-1,2	-2,3
Total operating costs		-15,9	-13,5	-30,9	-25,3	-51,9
Operating loss		-13,5	-11,1	-26,1	-20,2	-42,0
<i>Financial items</i>						
Financial income, other		0,0	0,0	0,0	0,0	0,1
Financial expenses, other		-0,1	-0,0	-0,1	-0,0	-0,1
Results from net financial items		-0,1	-0,0	-0,1	-0,0	-0,1
Loss before tax		-13,6	-11,1	-26,2	-20,2	-42,0
Tax on income for the period		-	-	-	-	-
Loss at end of the period		-13,6	-11,1	-26,2	-20,2	-42,0

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Net profit		-13,6	-11,1	-26,2	-20,2	-42,0
<i>Other comprehensive income for the period:</i>						
Other comprehensive income for the period, net of tax		-	-	-	-	-
Total comprehensive income for the period		-13,6	-11,1	-26,2	-20,2	-42,0

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS				
Fixed assets				
<i>Intangible fixed assets</i>				
Capitalised development costs		19,0	12,6	15,9
Total intangible fixed assets		19,0	12,6	15,9
Financial assets				
Shares in group companies		281,2	227,9	256,2
Long-term receivables from group companies		-	3,6	22,6
Total financial assets		281,2	231,6	278,8
Total fixed assets		300,3	244,1	294,7
Current assets				
<i>Short term receivables</i>				
Trade receivables		0,3	-	0,6
Other receivables		0,4	0,2	0,4
Prepaid expenses and accrued income		1,0	1,5	0,8
Total short term receivables		1,7	1,7	1,8
Cash		91,2	185,6	142,2
Total current assets		92,9	187,3	143,9
TOTAL ASSETS		393,1	431,5	438,6

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity		376,8	424,3	402,9
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities to group companies		6,3	-	27,1
Total long-term liabilities		6,3	-	27,1
<i>Current liabilities</i>				
Trade payables		4,2	2,6	3,0
Other liabilities		0,7	0,8	0,7
Accrued liabilities and deferred income		5,1	3,7	4,8
Total current liabilities		10,0	7,1	8,6
Total liabilities		16,3	7,1	35,7
TOTAL EQUITY AND LIABILITIES		393,1	431,5	438,6

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

mSEK	Share capital	Development fund	Share premium reserve	Loss brought forward	Loss for the period	Total equity
Opening equity January 1, 2022	80,0	9,0	683,5	-289,5	-38,7	444,4
Loss for the year					-42,0	-42,0
Disposition according to AGM						
Loss brought forward				-38,7	38,7	-
Development fund		6,9		-6,9		-
Total comprehensive loss for the period		6,9		-45,6	-3,4	-42,0
Transactions with shareholders						
Conversion warrants, net after issue expenses*	0,1		0,4			0,5
Total transactions with shareholders	0,1		0,4			0,5
Closing equity December 31, 2022	80,1	15,9	683,9	-335,0	-42,0	402,9
Opening equity January 1, 2023	80,1	15,9	683,9	-335,0	-42,0	402,9
Loss for the period					-26,2	-26,2
Disposition according to AGM						
Loss brought forward				-42,0	42,0	-
Development fund		3,0		-3,0		-
Total comprehensive loss for the period		3,0		-45,0	15,8	-26,2
Transactions with shareholders						
Conversion warrants, net after issue expenses**	0,0		0,2			0,2
Total transactions with shareholders	0,0		0,2			0,2
Closing equity June 30, 2023	80,2	18,9	684,1	-380,0	-26,2	376,8

* Expenses amounts to SEK 0.0m.

** Expenses amounts to SEK 0.0m.

CASH FLOW STATEMENT, PARENT COMPANY

mSEK	Note	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Current operations						
Operating loss		-13,5	-11,1	-26,1	-20,2	-42,0
<i>Adjustments for items not included in cash flow</i>						
Depreciation		0,6	0,6	1,1	1,2	2,3
Interest received		0,0	0,0	0,0	0,0	0,1
Interest paid		-0,1	-0,0	-0,1	-0,0	-0,1
Cash flow from current activities before changes in working capital		-13,0	-10,5	-25,2	-19,0	-39,7
Changes in working capital						
Decrease/increase in current receivables		0,2	0,2	0,1	1,3	1,2
Decrease/increase in current liabilities		2,6	1,1	1,4	-1,1	0,4
Total changes in working capital		2,8	1,3	1,5	0,2	1,6
Cash flow from operating activities		-10,2	-9,2	-23,7	-18,9	-38,1
Cash flow from investing activities						
Acquisition of intangible assets		-2,1	-2,2	-4,2	-4,8	-9,3
Shareholder contribution		-22,0	-20,0	-25,0	-35,0	-63,3
Repaid group companies		25,8	23,1	31,4	39,2	70,4
Loan group companies		-18,8	-10,9	-29,6	-15,8	-38,8
Cash flow from investing activities		-17,1	-9,9	-27,5	-16,4	-41,0
Cash flow from financing activities						
Conversion warrants		0,2	0,1	0,2	0,1	0,5
Cash flow from financing activities		0,2	0,1	0,2	0,1	0,5
Cash flow for the period		-27,0	-19,0	-51,0	-35,1	-78,6
Cash and cash equivalents at beginning of period		118,2	204,6	142,2	220,7	220,7
Cash and cash equivalents at end of period		91,2	185,6	91,2	185,6	142,2

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 μ 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	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Germany	1,5	1,0	3,5	2,1	4,4
Nordic	0,2	0,2	0,3	0,4	0,5
Other countries in Europé	0,5	0,6	0,9	0,9	1,5
Other countries outside of Europé	0,1	0,0	0,1	0,0	0,1
Total net sales	2,2	1,9	4,8	3,4	6,6

Note 3 Other expenses

mSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Product development	2,4	2,2	5,0	4,8	9,3
US	3,0	4,3	5,9	6,5	12,0
Patent costs	0,7	1,0	2,1	1,9	2,0
Sales and marketing costs	5,3	1,3	8,4	2,6	10,2
Other expenses	3,8	1,9	6,6	3,9	9,9
Total net sales	15,2	10,7	28,1	19,7	43,3

Note 4 Leasing

The company has extended some minor car agreements during the first six months 2023. 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. 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 μ 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

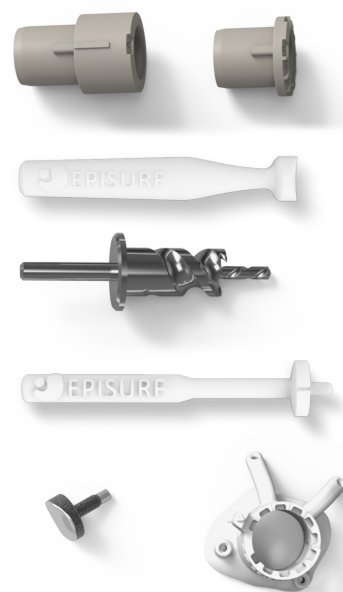


Episurf Medical has one implant for the ankle on the market

» 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

Interim Report July-September 2023
Year-End Report 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 July 14 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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