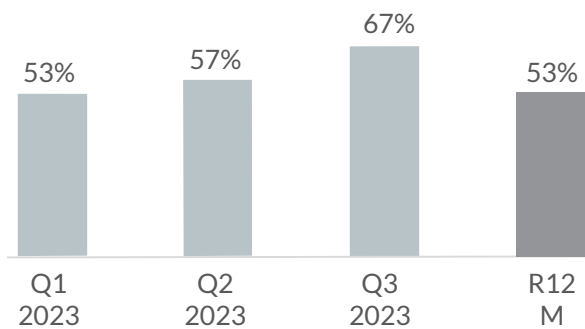


INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2023

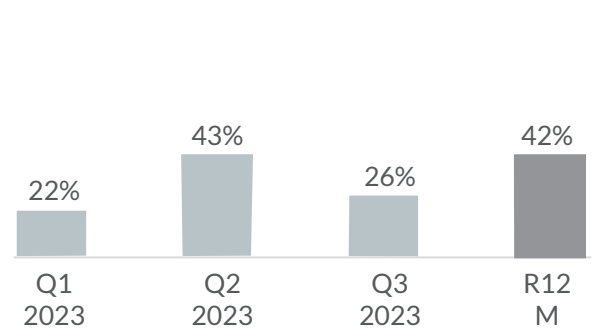
- **US:** Commercial business started promising with the first surgeries performed. 510(k) application for Episealer® MTP-system submitted
- **OUS:** Continued steady growth driven by continued strong growth in customer base
- Execution of re-structuring program ongoing

"In connection with the report for the third quarter of 2023, we clearly show we are on the right track. The expansion of the business model, both in terms of the product portfolio and geographies, is now showing clear progress, and we expect this development to continue at an increasingly rapid pace. While posting 86% revenue growth, 67% gross order intake growth, and continued strong growth of the customer base, we believe the interesting phase just started. Our OUS business now shows signs of taking off, and the US business has started promising, and we expect a product launch in an additional US market segment next year. We now have the breath, the products, and the market presence to deliver a commercial breakthrough," says Pål Ryfors, CEO Episurf Medical.

Growth, gross order intake %



Growth, customer base %



Third quarter 2023 compared to 2022, Group

- » Group net sales amounted to SEK 2.6m (1.4)
- » Gross order intake amounted to SEK 2.5m (1.5)
- » Loss for the period amounted to SEK -20.8m (-17.8)
- » Earnings per share amounted to SEK -0.08 (-0.07)

First nine months 2023 compared to 2022, Group

- » Group net sales amounted to SEK 7.4m (4.8)
- » Gross order intake amounted to SEK 8.2m (5.0)
- » Loss for the period amounted to SEK -72.9m (-53.6)
- » Earnings per share amounted to SEK -0.27 (-0.20)

Significant events during the third quarter 2023

- » Episurf Medical's received its first US VAC approval
- » Prospective Episealer® Talus clinical study was fully recruited
- » Early results from Episealer® Talus study were presented at a scientific congress
- » Results from the use of Episealer® were accepted for publication in scientific journal
- » Scientific article on Episealer® Talus surgical technique was published in Foot & Ankle Clinics

Significant events after the quarter

- » First commercial case in the US was performed
- » Episurf Medical has filed 510(k) submission for big toe implant

Dear shareholders,

In connection with the report for the third quarter of 2023, we clearly show we are on the right track. The expansion of the business model, both in terms of the product portfolio and geographies, is now showing clear progress, and we expect this development to continue at an increasingly rapid pace. Below, I outline what we consider to be most significant from recent developments:



- Gross order intake grew by 67% in the quarter (to SEK 2.6 million) and by 65% during the first nine months of the year (to SEK 8.2 million). As of the reporting date, gross order intake over the past twelve months amounts to SEK 11.0 million, and we have grown by 61% during this period. Net sales grew by 86% (to SEK 2.6 million) during the quarter. During the start of the fourth quarter, we started to see the US contribution properly, and the US market already constitutes a significant share of the gross order intake.
- During October 2023, we surpassed the entire October 2022 gross order intake after just two weeks. In summary, we continue to see increasingly strong growth outside the US, while the US is now starting to make a material contribution to gross order intake from the fourth quarter onwards. We recently submitted the 510(k) application for another product for the US market, with an expected launch in 2024, and we look forward with great optimism to the coming quarters.
- The user base (the number of orthopaedic surgeons using the Episealer® implant during a given period) continues to grow increasingly rapidly. The user base grew by 26% in the quarter and by 42% during the rolling 12 months up to and including the reporting date, where we have now reached 130 orthopaedic surgeons on a rolling 12-month basis. We feel that it is easier and easier for us to recruit customers, and customers are adopting the technology ever faster. In the last three months, we have also had more new users than ever, with almost two new customers per week. Our strategy will also positively impact this key figure by adding the US market from the fourth quarter as well as an additional market segment in the US in 2024.
- Our geographic expansion generates value. In 2023, 19 countries have contributed to the gross order intake, and we have study clinics in additional countries. It is becoming increasingly clear that the combination of strong clinical evidence, broadened product range, and hard work through local presence over many years is starting to pay off - and we expect continued progress in our geographical expansion. Our recent restructuring means that we continue to have business managers in our most important regions, and our global presence continues, although with an even greater focus on distributor sales.

In summary, we expect continued growth in new and existing markets. Our products are not sold off the shelf, meaning no one buys a tray of Episealer® implants. Instead, we sell patient by patient. This possibly means that sometimes, getting started with a customer might take longer time than desired - but on the other hand, it provides stability when the technology is adopted.

We now have a steady increase in usage and gross order intake for some time, with low volatility, in our opinion. We have significant portions of our total addressable market of about USD 2 billion available to us, and now we want to take significant steps commercially. We do not provide forecasts, but we have previously exemplified the future using scenario analysis, in which we reach a customer base of 1,000 customers globally. At expected pricing, 7 implants per year on average, such a scenario results in an annual revenue level of SEK 250 million. We are now working hard to expand the customer base, increase the usage at each clinic, and confirm pricing globally.

Another important data point to mention is our first experience from sales of the Episealer® Patellofemoral System, a product approved in the US with the clinical indication osteoarthritis. We expect the conversion ratio from MR scan to Episealer® implant to be higher than for Episealer® Knee and Episealer® Talus. This is because the patients have already reached the osteoarthritis stage, and the probability of an intervention with a prosthesis, all else being equal, is greater than for patients with focal lesions. Of the first 10 US MRI scans we received with a request for the Episealer® Patellofemoral System, all resulted in Episealer® surgery, and the conversion ratio thus amounted to 100%. The pricing in the US meets our expectations, and although the US launch is at an early stage, it shows precisely the right development. We expect this development to continue within the knee market and in 2024 into the big toe market as well.

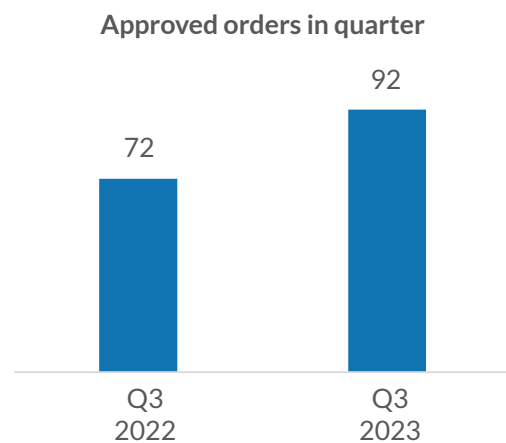
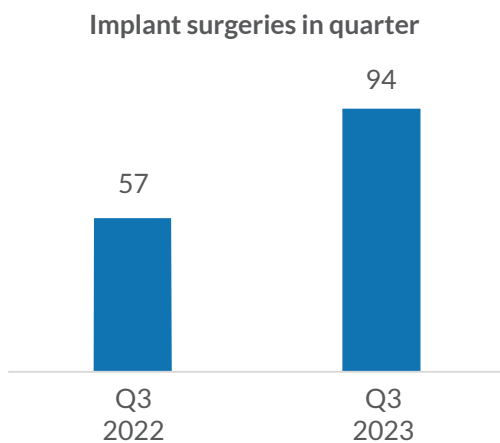
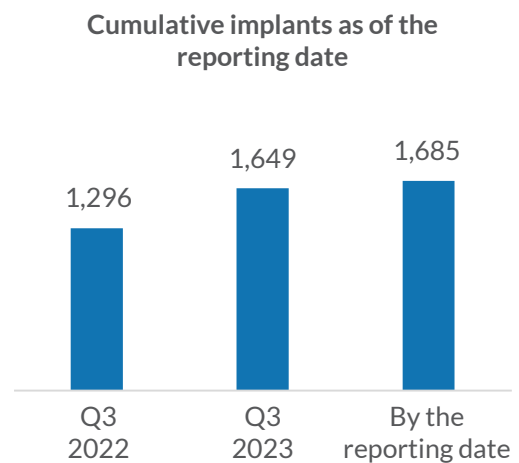
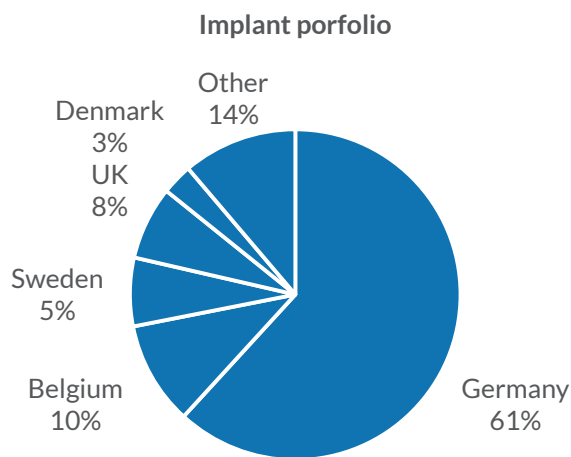
The reorganisation we announced in July is ongoing and will fully affect the figures from the start of 2024. This will mean a significant improvement in the cost level, and we expect clear profit improvements in 2024. We had SEK 80.7 million in liquidity at the end of the third quarter, and our current funding is deemed sufficient throughout 2024. We consider the most critical milestone in the near term to be the FDA approval for the Episealer® MTP-System. Our application was recently submitted and is now following the FDA review process.

Stockholm, October 2023

Pål Ryfors CEO

BUSINESS UPDATE AND FORWARD-LOOKING STATEMENTS

By the reporting date on October 27, 2023, Episurf Medical’s implants had been used in 1,685 surgeries, and an additional 160 surgeries are planned. 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 1,685 implants, several patients have now had their implants between 5 and 10 years since the surgery date. During the third quarter, 94 surgeries were performed with the Episealer® implant. 92 orders were approved for surgery during the third quarter.



FINANCIAL INFORMATION

Group

Net sales and operating profit/loss

Group net sales amounted to SEK 2.6 (1.4) in the quarter and SEK 7.4m (4.8) for the first nine months. Loss before tax amounted to SEK -20.8m (-17.8) for the quarter and SEK -72.9m (-53.6) for the first nine months. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -11.5m (-9.2) in the quarter and SEK -39.6m (-28.9) for the first nine months. The company focused on product development during the quarter, which refers to SEK -2.8m (-1.6) of the other expenses, during the first nine months of the year the corresponding cost was SEK -7.1m (-6.4). The cost for the US amounts to SEK -1.9m (-3.8) during the quarter. During the second quarter, the company booked a one-off cost of -4.0 MSEK related to the previously announced restructuring program. The company still has an accrued cost of SEK -2.4m by the end of September. 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 80.7m (178.2). The reduced cash flow compared to the corresponding quarter last year is primarily due to a lower result. The equity ratio was 82.9% (92.4). Group investments in intangible assets amounted to SEK -3.0m (-2.4) for the quarter of which SEK -2.8m (-1.6) are related to capitalised development costs, and for the first nine months investments in intangible assets amounted to SEK -8.0m (-8.2) of which SEK -7.1m (-6.4) 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 34 (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 0.4m (0.5).

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. During May 2023, 153,527 warrants were exercised and 888,680 warrants expired. As of this interim report, the company has no warrants outstanding.

Employee stock option and warrant program 2023

At the annual general meeting on May 4, 2023, it was resolved to adopt a stock option and warrant program. A total of 3,813,109 employee stock options were allowed to be issued, of which the CEO was allotted 1,042,277, and other management team members were allotted a total of 1,941,181. As of this interim report, the company has 3,559,489 outstanding employee stock options. The employee stock options that have expired are due to terminated employments. The subscription price is 2.04, and the fair value per option is 1.05 per this interim report. The company uses the Black-Scholes calculation model.

For more information about warrants and staff option programs, see Episurfs Annual Report 2022 and note 4.

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.

Changes related to general economic and political conditions

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.

Due to the escalating violence in Israel and Gaza in October 2023, the company is also monitoring developments in the Middle East. Episurf has a presence in several countries in the Middle East with limited sales so far and has assessed that there is no material financial impact on the company.

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.

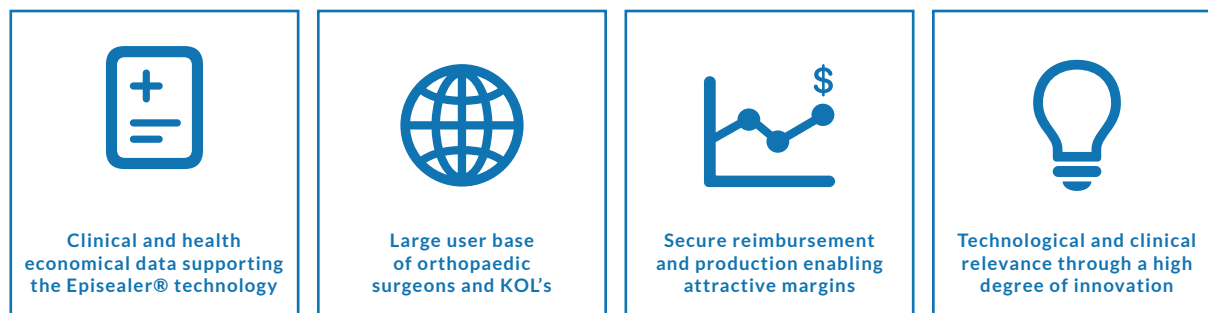
30 September 2023

A-shares	473,357
B-shares	266,592,090
Total number of shares	267,065,447
Total number of votes	268,012,161

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

Namn	Antal A-aktier	Antal B-aktier	Kapital, %	Röster, %
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
Pål Ryfors	-	3 000 000	1,1	1,1
Totalt, de tio största ägarna	-	105 555 506	39,6	39,4
Totalt, övriga aktieägare	473 357	161 036 584	60,4	60,6
Totalt antal aktier	473 357	266 592 090	100,0	100,0

Episurf Medical's strategy rests on four key pillars:



OTHER INFORMATION

Significant risks and uncertainty factors

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

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

Stockholm, October 26, 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



Auditor's report

Episurf Medical AB corp. reg. no. 556767-0541

Introduction

We have reviewed the condensed interim financial information (interim report) of Episurf Medical AB as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 27 October 2023

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle

Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
<i>Operating income</i>						
Net sales	2	2,6	1,4	7,4	4,8	6,6
Capitalised development expenditure		3,0	2,4	8,0	8,2	11,3
Other operating income		0,1	0,1	0,1	0,1	0,3
Total income		5,6	3,8	15,5	13,1	18,2
<i>Operating expenses</i>						
Merchandise		-1,7	-0,9	-4,9	-3,1	-4,2
Other expenses	3	-11,5	-9,2	-39,6	-28,9	-43,3
Personnel costs	4	-9,7	-8,8	-37,3	-28,4	-40,3
Depreciation of equipment and non-current assets		-3,2	-2,5	-6,4	-6,1	-7,4
Total operating expenses		-26,2	-21,4	-88,2	-66,4	-95,2
Operating loss		-20,5	-17,6	-72,7	-53,4	-77,0
<i>Financial items</i>						
Financial income, other		0,2	0,1	0,5	0,4	0,5
Financial expenses, other		-0,4	-0,3	-0,6	-0,6	-0,7
Results from net financial items		-0,2	-0,2	-0,1	-0,2	-0,2
Loss before tax		-20,8	-17,8	-72,8	-53,6	-77,2
Tax on income for the period		-0,0	-0,0	-0,1	-0,0	-0,1
Loss for the period		-20,8	-17,8	-72,9	-53,6	-77,3
Net loss attributable to:						
Parent company shareholders		-20,8	-17,8	-72,9	-53,6	-77,3
Earnings per share before and after dilution, SEK		-0,08	-0,07	-0,27	-0,20	-0,29
Average number of shares		267 065 447	266 655 043	266 974 343	266 588 032	266 627 443
Average number of shares after dilution		267 065 447	266 567 802	266 974 343	266 553 971	267 669 650

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Net profit (loss)		-20,8	-17,8	-72,9	-53,6	-77,3

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	0,1	0,0	0,1	0,1
Total comprehensive income (loss) for the period		-20,8	-17,8	-72,9	-53,5	-77,2

The period's loss and comprehensive income attributable to

Owners of the parent		-20,8	-17,8	-72,9	-53,5	-77,2
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CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS				
Non-current assets				
<i>Intangible fixed assets</i>				
Capitalised development costs	5	21,0	13,6	15,9
Patents	5	12,6	14,0	13,6
Total intangible fixed assets		33,6	27,6	29,5
<i>Equipment and right-of use asset</i>				
Right-of-use assets		7,1	6,0	6,6
Equipment		0,1	0,1	0,1
Total equipment and right-of-use asset		7,2	6,0	6,7
Total non-current assets		40,8	33,7	36,2
Current assets				
Inventories		2,5	1,8	1,9
Trade receivables		1,9	1,0	1,9
Other receivables		0,7	1,0	0,9
Deferred expenses and accrued income		1,8	1,8	1,1
Cash		80,7	178,2	155,3
Total current assets		87,5	183,8	161,0
TOTAL ASSETS		128,3	217,5	197,2

CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity		106,4	201,0	177,7
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities		0,2	0,4	1,0
Non-current lease liability		3,4	3,6	3,8
Total long-term liabilities		3,6	4,0	4,8
<i>Current liabilities</i>				
Trade payables		5,4	5,0	4,4
Current lease liability		3,2	2,1	2,5
Other liabilities		1,6	1,4	1,8
Accrued liabilities and deferred income		8,0	4,0	6,0
Total current liabilities		18,3	12,5	14,7
Total liabilities		21,9	16,5	19,5
TOTAL EQUITY AND LIABILITIES		128,3	217,5	197,2
Equity ratio		82,9%	92,4%	90,1%
Equity per share, SEK		0,40	0,75	0,67

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

mSEK	Attributable to equity holders of the parent				Total equity
	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year	
Opening equity January 1, 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				-72,9	-72,9
Other comprehensive income			0,0		0,0
Total comprehensive income			0,0	-72,9	-72,9
Transactions with shareholders					
Conversion warrants, net after issue expenses**	0,0	0,2			0,2
Share-related compensation - Value of employee's service		1,3			1,3
Total transactions with shareholders	0,0	1,5			1,5
Closing equity September 30, 2023	80,2	686,3	-0,2	-659,9	106,4

* Expenses amounts to SEK 0.0m.

** Expenses amounts to SEK 0.0m.

CONSOLIDATED CASH FLOW STATEMENT

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Operating activities						
Operating loss		-20,5	-17,6	-72,7	-53,4	-77,0
<i>Adjustments for items not included in cash flow</i>						
Depreciation		3,2	2,5	6,4	6,1	7,4
Employee stock option expenses		0,4	0,3	0,5	-0,9	-0,2
Interest received		0,2	0,0	0,2	0,0	0,1
Interest paid		-0,1	-0,3	-0,5	-0,5	-0,6
Cash flow from current operations before change in working capital		-16,8	-15,2	-66,0	-48,7	-70,4
Change in working capital						
Decrease/increase in inventory		0,1	0,1	-0,6	0,2	0,1
Decrease/increase in trade receivables		-0,2	0,7	-0,0	0,6	-0,3
Decrease/increase in current receivables		0,3	-0,1	-1,2	0,6	1,5
Decrease/increase in current liabilities		-5,9	-1,0	3,5	-1,9	-0,4
Change in working capital		-5,7	-0,2	1,7	-0,6	0,9
Cash flow from operating activities		-22,5	-15,4	-64,4	-49,3	-69,5
Investing activities						
Investments of intangible fixed assets		-3,0	-2,4	-8,0	-8,2	-11,3
Investments of tangible fixed assets		-	-	-0,0	0,0	0,0
Cash flow from investing activities		-3,0	-2,4	-8,0	-8,2	-11,2
Financing activities						
Issuance of share options		-0,8	-1,2	-2,4	-2,4	-2,4
Amortisation of lease debt		-	-	0,2	0,1	0,5
Cash flow from financing activities		-0,8	-1,2	-2,2	-2,3	-1,9
Cash flow for the period		-26,3	-18,9	-74,7	-59,7	-82,6
Cash and cash equivalents at beginning of period		107,0	197,1	155,3	237,9	237,9
Cash and cash equivalents at end of period		80,7	178,2	80,7	178,2	155,3

INCOME STATEMENT, PARENT COMPANY

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Operating income						
Net sales		0,3	0,1	0,8	0,5	0,7
Capitalised development expenditure		2,8	1,6	7,1	6,4	9,3
Total income		3,1	1,8	7,9	6,9	9,9
Operating costs						
Other external expenses		-8,5	-6,6	-27,6	-20,6	-29,5
Personnel costs	4	-5,6	-4,1	-16,4	-14,3	-20,0
Amortisation of intangible assets and depreciation of property, plant and equipment		-0,9	-0,6	-1,9	-1,8	-2,3
Total operating costs		-15,0	-11,4	-46,0	-36,7	-51,9
Operating loss		-11,9	-9,6	-38,1	-29,8	-42,0
<i>Financial items</i>						
Write-downs of financial fixed assets and short-term investments		-81,2	-	-81,2	-	-
Financial income, other		0,2	0,0	0,2	0,0	0,1
Financial expenses, other		-0,0	-0,1	-0,1	-0,1	-0,1
Results from net financial items		-81,0	-0,1	-81,1	-0,1	-0,1
Loss before tax		-92,9	-9,7	-119,2	-29,9	-42,0
Tax on income for the period		-	-	-	-	-
Loss at end of the period		-92,9	-9,7	-119,2	-29,9	-42,0

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Net profit		-92,9	-9,7	-119,2	-29,9	-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		-92,9	-9,7	-119,2	-29,9	-42,0

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS				
Fixed assets				
<i>Intangible fixed assets</i>				
Capitalised development costs	5	21,0	13,6	15,9
Total intangible fixed assets		21,0	13,6	15,9
Financial assets				
Shares in group companies		200,0	237,9	256,2
Long-term receivables from group companies		19,8	-	22,6
Total financial assets		219,8	237,9	278,8
Total fixed assets		240,8	251,5	294,7
Current assets				
<i>Short term receivables</i>				
Trade receivables		0,2	-	0,6
Other receivables		0,1	0,4	0,4
Prepaid expenses and accrued income		0,9	1,3	0,8
Total short term receivables		1,2	1,7	1,8
Cash		65,7	168,3	142,2
Total current assets		66,9	170,0	143,9
TOTAL ASSETS		307,7	421,5	438,6

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	30 Sep 2023	30 Sep 2022	31 Dec 2022
EQUITY AND LIABILITIES				
Equity		283,9	414,6	402,9
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities to group companies		15,5	0,1	27,1
Total long-term liabilities		15,5	0,1	27,1
<i>Current liabilities</i>				
Trade payables		3,1	2,7	3,0
Other liabilities		0,8	0,6	0,7
Accrued liabilities and deferred income		4,4	3,5	4,8
Total current liabilities		8,3	6,8	8,6
Total liabilities		23,8	6,9	35,7
TOTAL EQUITY AND LIABILITIES		307,7	421,5	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					-119,2	-119,2
Disposition according to AGM						
Loss brought forward				-42,0	42,0	-
Development fund		5,1		-5,1		-
Total comprehensive loss for the period		5,1		-47,1	-77,2	-119,2
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 September 30, 2023	80,2	21,0	684,1	-382,2	-119,2	283,9

* Expenses amounts to SEK 0.0m.

** Expenses amounts to SEK 0.0m.

CASH FLOW STATEMENT, PARENT COMPANY

mSEK	Note	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Current operations						
Operating loss		-11,9	-9,6	-38,1	-29,8	-42,0
<i>Adjustments for items not included in cash flow</i>						
Depreciation		0,9	0,6	1,9	1,8	2,3
Interest received		0,2	0,0	0,2	0,0	0,1
Interest paid		-0,0	-0,1	-0,1	-0,1	-0,1
Cash flow from current activities before changes in working capital		-10,9	-9,1	-36,0	-28,1	-39,7
Changes in working capital						
Decrease/increase in current receivables		0,5	0,0	0,6	1,3	1,2
Decrease/increase in current liabilities		-1,7	-0,4	-0,3	-1,4	0,4
Total changes in working capital		-1,2	-0,3	0,3	-0,2	1,6
Cash flow from operating activities		-12,1	-9,4	-35,8	-28,3	-38,1
Cash flow from investing activities						
Acquisition of intangible assets		-2,8	-1,6	-7,1	-6,4	-9,3
Shareholder contribution		-	-10,0	-25,0	-45,0	-63,3
Repaid group companies		2,9	11,2	34,2	50,4	70,4
Loan group companies		-13,5	-7,4	-43,1	-23,2	-38,8
Cash flow from investing activities		-13,4	-7,9	-40,9	-24,3	-41,0
Cash flow from financing activities						
Conversion warrants		-	-	0,2	0,1	0,5
Cash flow from financing activities		-	-	0,2	0,1	0,5
Cash flow for the period		-25,5	-17,3	-76,5	-52,4	-78,6
Cash and cash equivalents at beginning of period		91,2	185,6	142,2	220,7	220,7
Cash and cash equivalents at end of period		65,7	168,3	65,7	168,3	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. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

Note 2 Breakdown of net sales by country is as follows

mSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Germany	1,4	1,0	4,7	3,1	4,4
Nordic	0,1	0,0	0,4	0,4	0,5
Other countries in Europe	1,0	0,4	2,0	1,2	1,5
Other countries outside of Europe	0,1	0,0	0,3	0,0	0,1
Total net sales	2,6	1,4	7,4	4,8	6,6

Note 3 Other expenses

mSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Product development	2,8	1,6	7,1	6,4	9,3
US	1,9	3,8	8,1	8,8	12,0
Patent costs	0,4	1,0	2,1	2,8	2,0
Sales and marketing costs	3,8	2,0	9,9	6,1	10,2
Other expenses	2,6	0,8	12,4	4,8	9,9
Total net sales	11,5	9,2	39,6	28,9	43,3

Note 4 Changes in outstanding stock options

Changes in outstanding stock options of series 2022/2025	30 Sep 2023	31 Dec 2022
Opening balance	1 817 887	-
Granted	-	2 556 392
Expired	-162 292	-738 505
Amount at end of period	1 655 595	1 817 887

Changes in outstanding stock options of series 2021/2024	30 Sep 2023	31 Dec 2022
Opening balance	2 443 877	2 570 406
Expired	-187 374	-126 529
Amount at end of period	2 256 503	2 443 877

Changes in outstanding stock options of series 2020/2023	30 Sep 2023	31 Dec 2022
Opening balance	4 859 375	5 273 003
Expired	-	-413 628
Amount at end of period	4 859 375	4 859 375

Note 5 Intangible assets

Group

Patents, mSEK	30 Sep 2023	31 Dec 2022
Opening cost	37,7	35,7
Purchases	1,0	2,0
Sales and disposals	0,0	0,0
Closing accumulated cost	38,7	37,7
Opening depreciation	-24,1	-21,6
The year's depreciation	-2,0	-2,5
Sales and disposals	0,0	0,0
Closing accumulated depreciation	-26,1	-24,1
Closing carrying amount	12,6	13,6
Development expenses, MSEK	30 Sep 2023	31 Dec 2022
Closing cost	29,2	20,0
The year's capitalisation	7,1	9,3
Closing accumulated cost	36,3	29,2
Opening depreciation	-13,4	-11,0
The year's depreciation	-1,9	-2,3
Closing accumulated depreciation	-15,3	-13,4
Closing carrying amount	21,0	15,9
Closing carrying amount, patents and development expenses	33,6	29,5

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

Episealer® Patellofemoral System for the treatment of isolated osteoarthritis of the patellofemoral joint.”



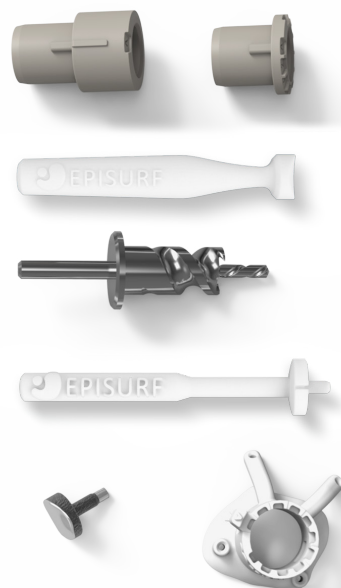
Episurf Medical has one implant for the ankle on the market

» 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 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

Year-end Report 2023	9 February 2024
AGM 2024	9 April 2024
Interim Report January-March 2024	24 April 2024
Interim Report April-June 2024	12 July 2024
Interim Report July-September 2024	25 October 2024
Year-end Report 2024	7 February 2025

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 October 27, 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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