

Our personalised implants and surgical tools enable excellent clinical outcomes

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Pål Ryfors
Acting CEO and CFO

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Dear Shareholder,

I am writing this letter shortly after returning from attending with a number of Episurf colleagues the 2017 annual meeting of the AAOS (American Academy of Orthopaedic Surgeons) in San Diego. This event may be the largest of the year for the orthopaedics industry, attracting a huge number of industry participants and observers, including many leading orthopaedic surgeons, to learn, to network, and to see, experience, and absorb the innovations and developments in our dynamic sector. It was Episurf Medical's first

official participation in this event, and I am pleased to say that it was an informative and successful maiden voyage!

One important conclusion that I would draw from the event is that there is a strong and intensifying interest coming from multiple directions in all kinds of patient-specific and customised solutions. This applies to all steps in the patient treatment journey, from diagnosis and treatment planning, to surgical tools, devices, and procedures, all the way to the rehabilitation phase. We think that our Episealer® technology fits very well into this development: our pre-sur-

gical assessment tool assists surgeons to make superior and well informed pre-surgical decisions; our personalised implants and surgical tools enable excellent clinical outcomes; and, along with our key surgeons, we have begun developing a truly personalised rehabilitation tool.

A second important conclusion is that there is no shortage (perhaps even a glut) of providers of knee replacement prostheses, but very few people are focussing on the more challenging problem of the treatment of earlier focal cartilage and bone lesions. For this hard-to-treat, large and underserved patient segment, Episurf Medical is one of the few true innovators with a successful solution that is attracting increasing attention from the industry. Certainly at AAOS we were gratified by the attention we attracted from both industry participants and surgeons who had not previously experienced Episurf Medical's technology.

I think it's worth repeating, the existing treatment gap is of significant scale which leads to a missing piece in the

surgeons' treatment algorithm, this is where Episurf Medical comes in.

My final conclusion from the meeting was a confirmation that we are doing the right thing by continuing our intense focus on collecting the clinical data that is the single most important factor in persuading surgeons to entrust their patients to our technology. To broaden the pool of surgeons utilizing our products as we advance our commercialization phase, we must continue to collect and disseminate solid clinical data. And we are doing just this. In February 2017, we welcomed Davide Masoni to our team as our Clinical Marketing Manager. Davide's extensive industry experience and international network will help us in this very important work.

I am very pleased to be able to say that the trip to the US helped confirm to us that our strategy and what we are doing at Episurf Medical are heading in the right direction to address large and open market opportunities in Europe and the United States.

We still await feedback from the FDA on our regulatory strategy for the US to guide our next major steps with respect to the US market. Until then, we are fully focused on our important European operations.

I would like to conclude by thanking all employees of Episurf Medical for a very solid performance during 2016. I am very grateful for the opportunity to work together with such a skilled workforce. This skilful and dedicated team is the most important reason that Episurf Medical is so well positioned for an exciting future.

Stockholm, April 2017

Pål Ryfors,
Acting CEO and CFO

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Prioritized areas and milestones in 2016

