



Pål Ryfors,
Acting CEO and CFO

Message from the CEO

Progress across the business

During the first quarter, the Episurf Medical team continued to inform and educate surgeons across Europe about the benefits of Episealer technology, winning new converts and new patients. We also participated formally at an industry congress in the US for the first time, and reached a number of other important milestones.

As I write this, 193 patients have been treated with the Episealer® knee implant technology and, as we recently announced, we look forward to our 200th surgery in the coming days. Over 40 patients have now had their Episealer® implants for two years or longer, and 12 for three years or more. These numbers will continue to grow rapidly, supported by very strong clinical data.

In our 2016 annual report on April 20, 2017, we summarized Episurf Medical's participation at the AAOS 2017 (American Academy of Orthopaedic Surgeons annual meeting 2017), our first formal participation in a major US congress. We maintain our very strong focus towards the

surgeons interested in starting to use the Episealer® technology. With broadening knowledge about the Episealer® technology among surgeons in Germany, we can now also increase our informational activities and marketing towards patients.

In the first quarter, we also announced changes in our management group. The Episurf management team is becoming a close-knit group with a wide variety of relevant competences and backgrounds. I feel that the organization is now well-staffed and working efficiently, and we do not expect any significant changes to the workforce during 2017. I look forward to working with this leadership team and all our dedicated employees to develop Episurf Medical together.

The result for the first quarter 2017 was negatively impacted by expenses of some SEK 3 million related to the termination of the previous CEO. Further, we have developed our accounting methodology for intangible assets,

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US, and the US market constitutes a significant opportunity for Episurf Medical. I refer to the annual report for a longer review of the AAOS meeting, but our main conclusions were regarding the growing demand in the industry for personalized treatment options and the confirmation that our strategy of consistent collection and production of clinical data is correct. We continue to develop our strategy for the US and we will maintain an open dialogue with our shareholders on this topic.

Just at the close of the first quarter, we announced to the market that we had performed our 50th implantation in Germany. I am proud to say that our sales force is now covering all 16 local German regions, with a population of well over 80 million people. We are working our way systematically through the regions, and our technology has gained real traction in the German market, with many

leading to a negative effect of SEK 0.6 million during the first quarter.

On a final note, we are humbled by and truly grateful for the confidence in our company demonstrated by both existing and new shareholders in our most recent capital raise of SEK 109.5 million. This capital raise was closed during the first quarter and it is the fuel we need to take Episurf Medical to the next level, and help even more patients back to life.

Stockholm, May 2017

Pål Ryfors
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