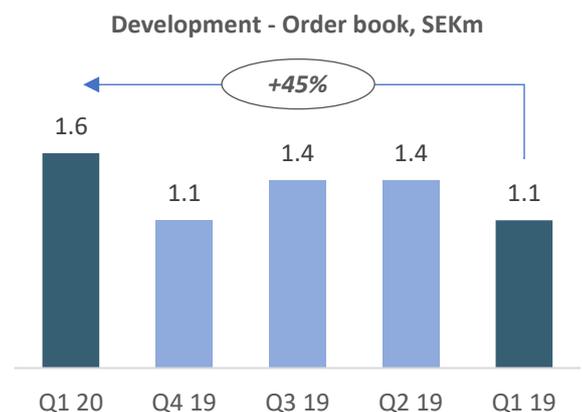




## Interim Report 1 January – 31 March 2020

### First quarter 2020 compared to 2019, Group

- » Gross order intake amounted to SEK 1.6m (1.1), an increase by 45.5%. From late February, we noticed a negative impact from the outbreak of the Covid-19 as elective surgeries in Europe were temporarily halted
- » Order backlog amounted to SEK 1.0m (1.0)
- » Group net sales increased by 3.9% to SEK 1.5m (1.4)
- » 40.8% increase in orders for Episealer® knee implants during the quarter with 69 (49) approved orders
- » Loss for the period amounted to SEK -17.9m (-14.6), the increased costs during the quarter are due to the group's work on the IDE study in the US, seasonal variations and business development projects
- » Earnings per share amounted to SEK -0.19 (-0.35)



### Significant events during the first quarter

- » Episurf Medical announced a directed share issue and fully guaranteed rights issue of in total SEK 140m prior to transaction costs
- » Episurf Medical received CE mark for Episealer® Talus and Talus Osteotomy Guide
- » Episurf Medical updated on AI-based production process
- » Episurf Medical reached milestone of 700 implants
- » Episurf Medical announced that the first surgery in Italy has been scheduled
- » Episealer® was presented at a sports medicine meeting in Germany
- » Clinical data for Episealer® were presented at orthopaedic congress in The United Kingdom
- » Important European patent approval received for Episurf Medical within 3D visualisation
- » Episurf Medical announced positive results from a clinical study with follow-up of the 30 first Swedish patients
- » Episurf Medical announced progress for European sites in the US clinical trial, the EPIC-Knee study
- » Episurf Medical announced positive results from the first comparative Episealer® study
- » US patent approvals for Episurf Medical
- » Episealer® Talus was registered for sale in Italy and Spain

### Significant events after the first quarter

- » Episurf Medical conducted the rights issue and raised approximately SEK 51m prior to transaction costs

## Message from the CEO

Dear shareholders,

2020 started very well for Episurf Medical. We experienced rapid growth, just as we had hoped for. Reported patient outcomes remained strong, and we completed the CE-marking process of our ankle implant. That said, late February, the operating environment changed dramatically as elective surgeries across Europe were postponed due to the Covid-19 situation. Of course, we fully support this line of action, and we are forever grateful to all our friends and customers in the healthcare system who are on the frontlines battling this virus.



Even though the halt in elective surgeries negatively impacted about one-third of the quarter, we posted a 45% growth in our order-intake. As you might recall, I have been focusing on this key ratio in recent reports, as I believe it is a relevant indicator of our early commercial progress. I am very proud of this achievement, and the run-rate for Episealer® orders that we experienced at several clinics during January and February was impressive. We are in an early phase of our commercialisation, but during these initial months of 2020, we experienced a significant increase in orders for the Episealer® implant. I always emphasise the fact that we are still operating with a minimal amount of clinical evidence, meaning that many surgeons are testing the technology, and following up on their cases. However, surgeons that have built experience with the Episealer®, and where the Episealer® is an integrated part of the treatment algorithm, these surgeons are buying Episealer® implants at increasing rates. We consider this to be a strong commercial proof-of-concept. I can honestly say, that the business volumes that we experienced with some of our key customers in January and February actually exceeded our expectations.

### Clinical results

We continued to deliver on our clinical strategy during the quarter, and I would like to highlight two events of great importance:

On March 8th, we communicated positive results from a follow-up of 30 patients in a Swedish multi-centre clinical trial. In this study, the first 30 patients from nine Swedish clinics showed good implant safety and significantly improved patient-reported outcome scores. The objective of the prospective consecutive cohort study was to assess the subjective short-term outcome and possible longer-term risks of the intervention. The mean follow-up time is 55 months, and out of the 30 patients, one had undergone revision to a partial knee prosthesis.

The second key event I would like to highlight is a retrospective study performed at Charité University Hospital in Berlin. The objective of this study was to measure the knee function of patients who received an Episealer® implant and compare the knee function of patients who received a total knee prosthesis as well as patients with healthy, untreated knees. The early communicated results from this study were also very positive. The results indicated that knee function in the Episealer®-patients were just as good as a healthy untreated knee and better than knees with a traditional knee prostheses. I firmly believe that this is of utmost importance, as the ability to maintain an active lifestyle is a key priority for patients in our targeted population. Naturally, patients who are facing any kind of knee surgery ask what level of activity they can expect post-surgery.

The Swedish study involving 30 patients has been submitted for publication to a scientific journal, and the German comparative study is 90% recruited. Once fully recruited and analysed, we look forward to that these results also are submitted for publication. There is good progress on other clinical trials that are ongoing, and

the most important ones when it comes to results publication in the near future include the Swedish long-term follow up as well as the larger European multicenter trial. This work continues with full force.

### **Financing**

During the first quarter, we also launched a financing process that is being completed early in Q2. This financing was a significant success for us, and we are grateful for the strong support we have received from existing, as well as new investors. Through a combination of a directed issue and a rights issue, we significantly strengthened our shareholder base, and we raised a significant amount of funding at a critical point in time. Through the share issue, we secured our financial requirements at least until mid-2022, by which time we will have achieved several additional commercial and clinical milestones. The coming years are critical for Episurf Medical, with much activity planned in both Europe and the US.

### **Episealer® Talus**

Following the CE-approval of the ankle implant Episealer® Talus early in the first quarter, a Talus skills lab was arranged with some of our key customers in Luzern, Switzerland, in February. The skills lab was led by our clinical advisor, Prof. Niek van Dijk. Just before the outbreak of the Coronavirus, the first Episealer® Talus surgeries since the CE-approval were scheduled, and we look forward to these being performed as soon as the current situation improves.

### **Covid-19**

The outbreak of the Coronavirus has impacted our business; however, the net financial effect is limited. Elective surgeries in Europe are halted, only a limited number of surgeries are carried out these days. The orderbook in late February and March was negatively impacted, and we believe that this situation also will impact the second quarter in a negative way. As a company, we have taken measures to reduce costs, which includes short term layoffs (*Sw: Permittering*). In parts of the business where the rules for short term layoffs are not available to us, the staff has agreed to temporary reduction in remuneration. This also includes the Board of Directors. We have been able to offset the lost revenues due to the Coronavirus by a reduction in costs.

### **Organisation**

Effective as of May 1st, the current Head of Sales, Göran Martinsson, will assume a new role as Head of Distribution Markets. In his new capacity, Göran will focus even more on new business opportunities outside of our European key regions in Germany, the UK, the Nordics and Benelux. We are seeing significant commercial opportunities in several other countries, and we would like to make sure that we are allocating resources accordingly. Following this re-organisation, the sales managers in Germany, the UK and in the Nordics/Benelux will report to myself. The management team as of May 1st will include Katarina Flodström (COO), Veronica Walling (CFO & HR), Fredrik Zetterberg (Clinical Marketing) as well as myself.

### **Looking forward**

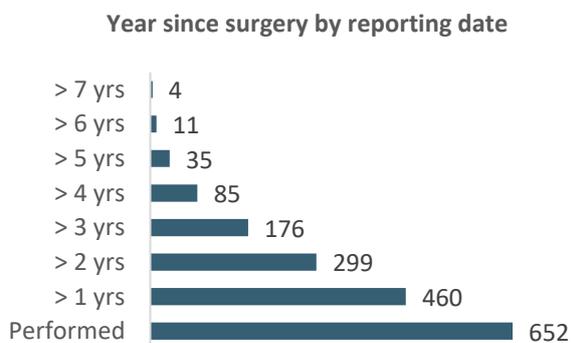
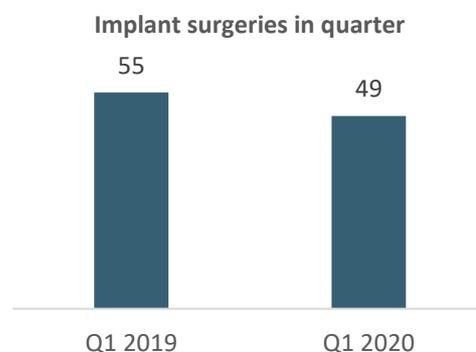
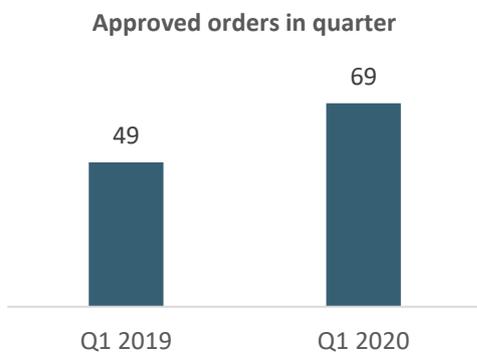
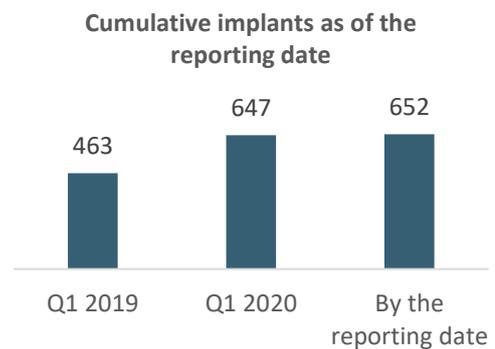
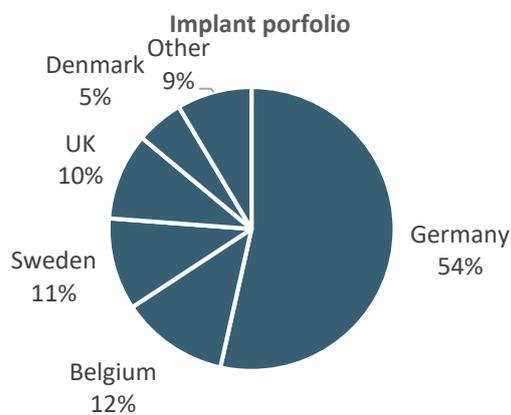
We are eager to get back to the business activity that we experienced in the beginning of the year. We are expecting to reach several important clinical milestones this year, which includes a substantial increase in the amount of clinical evidence which is available for the Episealer® implant. This will drive clinical acceptance and enable access to new customers and patients. The year started very well, and we expect to be back on track once the operating environment is improved.

Stockholm, April 2020

Pål Ryfors

## Business update and forward-looking statements

By the reporting date on April 24, 2020, Episurf Medical's implants had been used in 652 surgeries. Another 61 orders are approved for surgery in the coming weeks. 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 652 implants, we now have 85 patients who have had their implants for more than 4 years and 299 patients have now had their implants for more than 2 years since the surgery date. During the first quarter, 49 surgeries were performed with the Episealer® knee implant and we continued to make progress in all of our key markets. 69 orders were approved for surgery during the first quarter.



As of the reporting day, 652 surgeries have been performed with the Episealer® implant and 176 patients have had their implant for more than 3 years and 299 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 1.5m (1.4) in the quarter. Loss before tax amounted to SEK -17.9m (-14.6) for the quarter. Other expenses amounted to SEK -9.7m (-7.8) in the quarter, the increased costs are due to the group's work on the IDE study in the US, seasonal variations and business development projects. Initial costs for entering the US market amounts to SEK 2.8m (1.9) during the quarter.

#### Financial position and continued operation

Group cash and cash equivalents at end of period amounted to SEK 86.0m (13.5).

The equity ratio was 84.1% (63.1). Group investments in intangible assets amounted to SEK 0.9m (1.8) for the quarter of which SEK 0.2m (0.6) are related to capitalised development costs, remaining investments relates to patents. Investments in tangible assets amounted to SEK -m (-) for the quarter.

#### Human resources

Number of employees in the Group at end of the period was 24 (25).

### Parent Company

#### Net sales and operating profit/loss

Net sales amounted to SEK 0.1m (0.1) in the quarter. Loss before tax amounted to SEK -10.4m (-8.7) in the quarter. Other expenses amounted to SEK -6.8m (-4.8) in the quarter, the increased costs are mainly due to the company's work on the IDE study in the US, seasonal variations and business development projects.

#### Financial position and continued operation

Cash and cash equivalents at the end of period for the Parent Company amounted to SEK 73.8m (3.3). The equity ratio was 96.4% (95.1). Investments in intangible assets, capitalised development costs, amounted to SEK 0.2m (0.6) for the quarter. Investments in tangible assets amounted to SEK -m (-) for the quarter.

#### Human resources

Number of employees in the Parent Company at end of the period was 13 (12).

### Directed share issue & rights issue

#### Directed share issue

During the first quarter of 2020, Episurf Medical conducted a directed share issue. The directed share issue was aimed at a limited number of institutional investors, including the Fourth Swedish National Pension Fund, Nyenburgh Investment Partners, Rhenman Partners Asset Management, and Strand Kapitalförvaltning Fonder. The subscription price per share was SEK 1.50 and the company is allocated a total of SEK 90m before deduction for issue costs. Through the directed issue, the company's shares will increase by 60,000,000 B-shares, and the company's share capital will increase by SEK 18,015,235.96.

#### Rights issue

During the first quarter, Episurf Medical announced that the company will carry out a rights issue which has been completed with a subscription period from March 19 to April 2, 2020. The new B-shares were issued at a price of SEK 1.50 per share. The company reported the outcome on April 7, 2020, and it showed that 13,884,906 shares corresponding to approximately 40.7 percent of the rights issue were subscribed for by the exercise of subscription rights (including subscription undertakings). In addition, 918,363 shares were subscribed without subscription rights, corresponding to approximately 2.7 percent of the rights issue. 19,295,764 shares, corresponding to approximately 56.5 percent of the issue, were subscribed for by guarantors. Through the rights issue, Episurf Medical will receive approximately SEK 51m before deduction of

costs related to the rights issue. Through the rights issue, the company's shares will increase by 34,099,033 B-shares, and the company's share capital will increase by SEK 10,238,368.77.

### **Effects of the Covid-19 pandemic**

The outbreak of Covid-19 has affected people and companies all over the world, and Episurf is closely monitoring the development and effects of the pandemic as well as following the guidelines put forth by local authorities.

#### *Episealer® orders and revenue*

Episurf started the first quarter of 2020 strong and initially started seeing the effects of the ongoing pandemic during the end of February, negatively impacting the company's gross order intake and revenues for the first quarter. Since the company's sales are made to hospitals, the company has seen a decreased inflow of approved orders and has rescheduled surgeries that were to take place at the end of March and April. It is our assessment that we will see a continued negative impact on revenues during the second quarter of 2020.

#### *Organisation*

Episurf has executed short term layoffs in certain parts of the organisation and initiated cost saving measures throughout the organisation.

#### *Production*

Episurf has maintained an ongoing dialogue with our suppliers to avoid delays in deliveries, and up until this point in time, we haven't experienced any noticeable effects on our production process. Our assessment is that there will not be a significant impact even during the second quarter of 2020.

#### *Clinical studies*

During the first quarter, Episurf announced several accomplishments on our ongoing studies. Our assessment is that these studies will not be noticeably delayed but that the "EPIC-Knee: Episealer® Knee System IDE Clinical Study" in the US may see slight delays.

#### *Geographic expansion*

Episurf's largest market continues to be Germany; however, the company has earlier announced that the first surgery in Italy is planned, and we expect that our expansion to new countries may be somewhat delayed.

#### *Digitalisation*

Episurf continuously works to improve the digital environment, both internally and externally with our counterparts. Our assessment is that the Covid-19 pandemic has affected digitalisation in a positive direction and that this will have beneficial outcomes going forward.

### **Transactions with closely related parties**

Shareholder and Board member Leif Ryd has received consulting fees for ongoing work as well as work for the Clinical Advisory Board during the period of SEK 0.2m (0.2). Board member Wilder Fulford has received consulting fees for ongoing projects during the period of SEK 0.6m (-).

### **Rounding**

Due to rounding, the sum of numbers may differ.

### **Financing Agreement**

During 2018, a financing agreement with European Select Growth Opportunities Fund ("ESGOF") was entered. The agreement provided the company with access to SEK 70m over a 36month period in the form of convertible debt securities divided into a number of tranches. The Company has used one tranche of SEK 7m and all convertible debentures have now been converted. The Company terminated the agreement during 2019. In connection with the used tranche of convertibles, warrants were also issued to ESGOF and existing shareholders.

### Main characteristics of the warrants issued to ESGOF

» ESGOF and existing shareholders received warrants without further remuneration.  
» The warrants have a term of five (5) years from the date of the registration of their issuance with the Swedish Companies Registration Office. Each warrant gives right to subscribe for one (1) new share (subject to standard adjustments in accordance with the terms and conditions of the warrants) in Episurf Medical at a fixed strike price representing a 120 % premium to the reference price on the date of the request from Episurf Medical to issue a tranche.

### Use of convertibles and warrants

» The first and only tranche was conducted in the second quarter of 2018 as a targeted issue of SEK 7m through the issuance of 140 convertibles of 573,770 associated warrants to ESGOF. In connection with this, 1,131,462 warrants were also issued to the shareholders. All warrants have a redeeming price of SEK 6.10. Which has been adjusted in connection with the rights issue that was carried out during 2019 to 1.40 according to current conditions. See table below for follow-up of number of outstanding and utilised convertibles and warrants.

#### **Convertibles**

<b>Tranches</b>	<b>Amount before costs</b>	<b>Date</b>	<b>Number of notes</b>	<b>Number utilised</b>	<b>Number of outstanding notes</b>
KV1	SEK 7m	2018-05-23	140	140	-

#### **Warrants**

<b>Tranche</b>	<b>Registration date</b>	<b>Term to maturity</b>	<b>Strike price</b>	<b>Number of warrants outstanding</b>	<b>Number of utilised</b>	<b>Number outstanding</b>
KV1/TO4B	2018-05-23	5 year	1.40*	1,705,232	-	1,705,232

\* Has been adjusted based on calculation in the terms and conditions of the warrants in connection with the rights issue during the second quarter 2019, the rights issue 2020 does not entail any adjustments.

#### **Share information**

There are two types of shares in the Company. Each Class A-share carries three votes, and entitles the holder to three votes at the General Meeting and each class B-share carries one vote and entitles the holder to one vote at the General Meeting. Class B shares have traded on Nasdaq Stockholm's Small Cap segment since 11 June 2014 with the ticker EPIS B.

#### **31 March 2020**

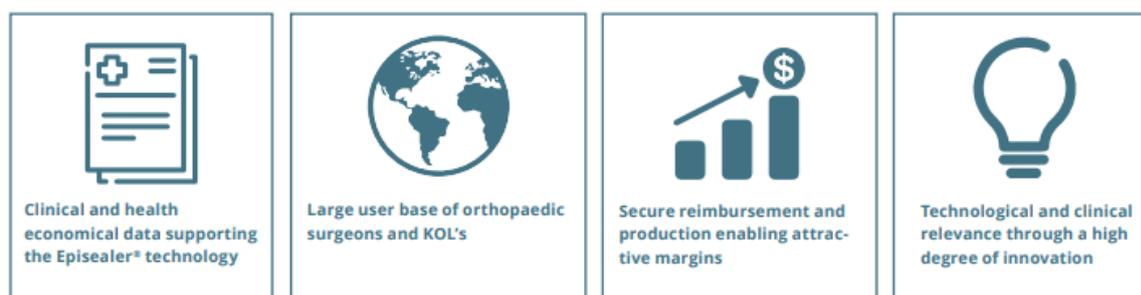
A-shares	971,024
B-shares	143,293,064
<b>Total number of shares</b>	<b>144,264,088</b>
<b>Total number of votes</b>	<b>146,206,136</b>

## The ten largest shareholders in Episurf Medical at March 31, 2020\*

Name	No. Of A-shares	No. Of B-shares	Share capital in %	Voting rights, %
Banque Pictet & Cie (Europé) SA, W81MY	-	7,376,831	8.1	7.9
Försäkringsaktiebolaget, Avanza Pension	-	5,043,730	5.6	5.4
CBNY-National Financial Services LL	-	3,714,720	4.1	4.0
Skandinaviska Enskilda Banken, W81MY	-	3,694,454	4.1	4.0
SEB Life International	-	3,341,878	3.7	3.6
Mikael Lönn	318,537	1,445,730	1.9	2.6
Nordnet Pensionsförsäkring AB	-	1,795,090	2.0	1.9
Aktiebolaget Gile Medicinkonsult	421,185	215,714	0.7	1.6
Erik Jeppsson	-	1,235,000	1.4	1.3
Swedbank Försäkring	-	1,177,906	1.3	1.3
<b>Total, 10 largest shareholders</b>	<b>739,722</b>	<b>29,041,053</b>	<b>32.8</b>	<b>33.7</b>
<b>Summary, other</b>	<b>231,302</b>	<b>60,918,678</b>	<b>67.2</b>	<b>66.3</b>
<b>Total</b>	<b>971,024</b>	<b>89,959,731</b>	<b>100.0</b>	<b>100.0</b>

\* As of March 31, 2020, there were 53,333,333 paid subscribed shares that have not been re-registered for shares, and therefore these are not included in the above list of shares.

### 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, 23 April 2020

Dennis Stripe  
Board chairman

Wilder Fulford  
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	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Operating income</b>			
Net sales	1.5	1.4	4.9
Other operating income	0.1	0.1	0.5
<b>Total income</b>	<b>1.6</b>	<b>1.5</b>	<b>5.4</b>
<b>Operation expenses</b>			
Merchandise	-1.5	-1.2	-4.5
Other expenses	-9.7	-7.8	-39.7
Personnel costs	-7.2	-6.7	-28.1
Capitalised development expenditure	0.9	1.8	5.5
Depreciation of equipment and non-current assets	-1.9	-1.7	-7.4
<b>Total operating expenses</b>	<b>-19.5</b>	<b>-15.6</b>	<b>-74.2</b>
<b>Operating loss</b>	<b>-17.9</b>	<b>-14.0</b>	<b>-68.9</b>
<b>Financial items</b>			
Financial income, other	0.1	0.3	0.5
Financial expenses, other*	-0.1	-0.8	-1.5
<b>Results from net financial items</b>	<b>0.0</b>	<b>-0.6</b>	<b>-0.9</b>
<b>Loss before tax</b>	<b>-17.9</b>	<b>-14.6</b>	<b>-69.8</b>
Tax on income for the period	-0.0	-0.0	0.0
<b>Loss for the period</b>	<b>-17.9</b>	<b>-14.6</b>	<b>-69.8</b>
<i>Net loss attributable to:</i>			
Parent company shareholders	-17.9	-14.6	-69.8
Earnings per share before and after dilution, SEK	-0.19	-0.35	-1.04
Average number of shares	94,447,238	41,520,220	67,343,023

\* During the financial year 2019 the Group has taken a cost of SEK 0.7m, which relates to the termination of the financing agreement with European Select Growth Opportunities Fund, that the company has terminated.

## Consolidated statement of comprehensive income

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Net profit</b>	<b>-17.9</b>	<b>-14.6</b>	<b>-69.8</b>
<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	0.0	-0.1
<b>Total comprehensive income for the period</b>	<b>-17.9</b>	<b>-14.6</b>	<b>-69.9</b>
<i>The period's loss and comprehensive income attributable to</i>			
Owners of the parent	<b>-17.9</b>	<b>-14.6</b>	<b>-69.9</b>

## Condensed consolidated balance sheet

mSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible fixed assets</i>			
Capitalised development costs	7.6	9.5	8.0
Patents	13.8	12.3	13.5
<b>Total intangible fixed assets</b>	<b>21.4</b>	<b>21.8</b>	<b>21.5</b>
<i>Equipment and right-of use asset</i>			
Rights-of-use asset	5.5	7.6	5.9
Equipment	0.1	0.1	0.1
<b>Total equipment and right-of use asset</b>	<b>5.6</b>	<b>7.7</b>	<b>6.0</b>
<b>Total non-current assets</b>	<b>27.0</b>	<b>29.5</b>	<b>27.5</b>
<b>Current assets</b>			
Inventories	1.9	1.5	1.8
Trade receivables	1.0	0.8	0.7
Other receivables	1.8	1.4	1.3
Deferred expenses and accrued income	2.1	1.7	1.1
Cash	86.0	13.5	25.3
<b>Total current assets</b>	<b>92.8</b>	<b>18.9</b>	<b>30.2</b>
<b>TOTAL ASSETS</b>	<b>119.8</b>	<b>48.4</b>	<b>57.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>100.8</b>	<b>30.6</b>	<b>41.4</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Non-current liabilities	0.0	0.0	0.0
Non-current lease liability	3.2	5.1	3.5
<b>Total long-term liabilities</b>	<b>3.2</b>	<b>5.1</b>	<b>3.5</b>
<i>Current liabilities</i>			
Trade payables	8.1	3.6	6.0
Current interest-bearing liabilities	-	2.3	-
Current lease liability	2.4	2.3	2.4
Other liabilities	2.0	1.4	1.2
Accrued liabilities and deferred income	3.4	3.2	3.2
<b>Total current liabilities</b>	<b>15.8</b>	<b>12.7</b>	<b>12.7</b>
<b>Total liabilities</b>	<b>19.0</b>	<b>17.8</b>	<b>16.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>119.8</b>	<b>48.4</b>	<b>57.6</b>
Equity ratio	84.1%	63.1%	71.9%
Equity per share, SEK	0.70	0.87	0.46

## Consolidated statement of changes in equity

mSEK	Attributable to equity holders of the parent				Total equity
	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year	
<b>Opening equity January 1, 2019</b>	<b>10.5</b>	<b>346.0</b>	<b>0.5</b>	<b>-312.1</b>	<b>44.8</b>
<b>Total</b>					
<b>Reclassification*</b>		-1.1	-0.7	1.8	-
<b>Total comprehensive income for the period</b>				-69.8	-69.8
<b>Total</b>			-0.1		-0.1
<b>Total comprehensive income</b>			<b>-0.1</b>	<b>-69.8</b>	<b>-69.9</b>
<b>Transactions with shareholders</b>					
Issue in-kind, for conversion of debt**	0.7	2.2			2.9
New share issue, net after issue expenses***	16.1	47.4			63.6
<b>Total transactions with shareholders</b>	<b>16.8</b>	<b>49.7</b>			<b>66.5</b>
<b>Closing equity December 31 2019</b>	<b>27.3</b>	<b>394.6</b>	<b>-0.4</b>	<b>-380.1</b>	<b>41.4</b>
<b>Opening equity January 1, 2020</b>	<b>27.3</b>	<b>394.6</b>	<b>-0.4</b>	<b>-380.1</b>	<b>41.4</b>
<b>Total</b>					
Total comprehensive income for the period				-17.9	-17.9
Other comprehensive income			0.0		0.0
<b>Total comprehensive income</b>			<b>0.0</b>	<b>-17.9</b>	<b>-17.9</b>
<b>Transactions with shareholders</b>					
New share issue, net after issue expenses****	16.0	61.2			77.2
<b>Total transactions with shareholders</b>	<b>16.0</b>	<b>61.2</b>			<b>77.2</b>
<b>Closing equity March 31, 2020</b>	<b>43.3</b>	<b>455.8</b>	<b>-0.3</b>	<b>-398.0</b>	<b>100.8</b>

\* Correction of previous classification.

\*\* See more information about the financing agreement under financial information on page 6-7.

\*\*\* Issue expenses amount to SEK 11.6m.

\*\*\*\* Issue expenses amount to SEK 2.8m.

## Consolidated cash flow statement

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Operating activities</b>			
Operating loss	-17.9	-14.0	-68.9
<i>Adjustments for items not included in cash flow</i>			
Depreciation	1.9	1.7	7.4
Employee stock option expenses	0.0	-0.0	0.1
Interest received	-	0.0	0.0
Interest paid	-	-	-0.3
<b>Cash flow from current operations before change in working capital</b>	<b>-16.0</b>	<b>-12.3</b>	<b>-61.7</b>
<b>Change in working capital</b>			
Decrease/increase in inventory	-0.1	0.0	-0.3
Decrease/increase in trade receivables	-0.3	-0.0	0.1
Decrease/increase in current receivables	-1.9	-1.2	-0.5
Decrease/increase in current liabilities	3.2	0.6	3.3
<b>Change in working capital</b>	<b>0.9</b>	<b>-0.7</b>	<b>2.6</b>
<b>Cash flow from operating activities</b>	<b>-15.1</b>	<b>-13.0</b>	<b>-59.2</b>
<b>Investing activities</b>			
Investments of intangible fixed assets	-0.9	-1.8	-5.5
<b>Cash flow from investing activities</b>	<b>-0.9</b>	<b>-1.8</b>	<b>-5.5</b>
<b>Financing activities</b>			
Amortisation of lease debt	-0.5	-	-2.0
New share issue	77.2	-	63.6
<b>Cash flow from financing activities</b>	<b>76.7</b>	<b>-</b>	<b>61.6</b>
<b>Cash flow for the period</b>	<b>60.7</b>	<b>-14.8</b>	<b>-3.0</b>
Cash and cash equivalents at beginning of period	25.3	28.3	28.3
<b>Cash and cash equivalents at end of period</b>	<b>86.0</b>	<b>13.5</b>	<b>25.3</b>

## Income statement, Parent Company

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Operating income</b>			
Net sales	0.1	0.1	0.6
Other operating income	-	-	0.0
<b>Total income</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>
<b>Operating costs</b>			
Other external expenses	-6.8	-4.8	-26.5
Personnel costs	-3.3	-3.3	-12.6
Capitalised development expenditure	0.2	0.6	1.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-0.6	-0.6	-2.6
<b>Total operating costs</b>	<b>-10.5</b>	<b>-8.1</b>	<b>-40.6</b>
<b>Operating loss</b>	<b>-10.4</b>	<b>-7.9</b>	<b>-40.0</b>
<i>Financial items</i>			
Financial income, other	0.0	0.0	0.0
Financial expenses, other*	-0.1	-0.8	-0.9
<b>Results from net financial items</b>	<b>-0.1</b>	<b>-0.7</b>	<b>-0.9</b>
<b>Loss before tax</b>	<b>-10.4</b>	<b>-8.7</b>	<b>-40.9</b>
Tax on income for the period	-	-	-
<b>Loss at end of the period</b>	<b>-10.4</b>	<b>-8.7</b>	<b>-40.9</b>

\* During the financial year 2019 the Group has taken a cost of SEK 0.7m, which relates to the termination of the financing agreement with European Select Growth Opportunities Fund, that the company has terminated.

## Parent Company statement of comprehensive income

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Net profit</b>	<b>-10.4</b>	<b>-8.7</b>	<b>-40.9</b>
<i>Other comprehensive income for the period:</i>			
Other comprehensive income for the period, net of tax	-	-	-
<b>Total comprehensive income for the period</b>	<b>-10.4</b>	<b>-8.7</b>	<b>-40.9</b>

## Condensed balance sheet, Parent Company

mSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalised development costs	7.6	9.5	8.0
<b>Total intangible fixed assets</b>	<b>7.6</b>	<b>9.5</b>	<b>8.0</b>
<i>Tangible fixed assets</i>			
Equipment	0.0	0.0	0.0
<b>Total tangible fixed assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial assets</b>			
Shares in group companies	153.4	106.9	137.4
Long-term receivables from group companies	17.0	30.6	20.0
<b>Total financial assets</b>	<b>170.4</b>	<b>137.5</b>	<b>157.4</b>
<b>Total fixed assets</b>	<b>178.0</b>	<b>147.0</b>	<b>165.4</b>
<b>Current assets</b>			
<i>Short term receivables</i>			
Other receivables	1.2	0.8	0.8
Prepaid expenses and accrued income	1.2	0.8	0.9
<b>Total short term receivables</b>	<b>2.4</b>	<b>1.6</b>	<b>1.6</b>
Cash	73.8	3.3	18.1
<b>Total current assets</b>	<b>76.1</b>	<b>4.9</b>	<b>19.8</b>
<b>TOTAL ASSETS</b>	<b>254.1</b>	<b>151.9</b>	<b>185.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>245.0</b>	<b>144.4</b>	<b>178.2</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term liabilities	-	-	-
<b>Total long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Trade payables	5.6	2.0	4.3
Current interest-bearing liabilities	-	2.3	-
Other liabilities	0.9	0.5	0.4
Accrued liabilities and deferred income	2.6	2.6	2.3
<b>Total current liabilities</b>	<b>9.2</b>	<b>7.5</b>	<b>7.0</b>
<b>Total liabilities</b>	<b>9.2</b>	<b>7.5</b>	<b>7.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>254.1</b>	<b>151.9</b>	<b>185.2</b>

## Statement of changes in equity, Parent Company

mSEK	Share capital	Development fund	Share premium reserve	Loss brought forward	Loss for the period	Total equity
<b>Opening equity January 1, 2019</b>	<b>10.5</b>	<b>7.9</b>	<b>344.9</b>	<b>-181.0</b>	<b>-29.7</b>	<b>152.6</b>
<b>Comprehensive loss for the period</b>						
Loss for the period					-40.9	-40.9
Disposition according to AGM						
Loss brought forward				-29.7	29.7	-
Development fund		-0.4		0.4		-
<b>Total comprehensive loss for the period</b>	<b>10.5</b>	<b>7.4</b>	<b>344.9</b>	<b>-210.2</b>	<b>-40.9</b>	<b>111.7</b>
<b>Transactions with shareholders</b>						
Issue in-kind, for conversion of debt*	0.7		2.2			2.9
New share issue, net after issue expenses**	16.1		47.4			63.6
<b>Total transactions with shareholders</b>	<b>16.8</b>		<b>49.7</b>			<b>66.5</b>
<b>Closing equity December 31, 2019</b>	<b>27.3</b>	<b>7.4</b>	<b>394.6</b>	<b>-210.2</b>	<b>-40.9</b>	<b>178.2</b>
<b>Opening equity January 1, 2020</b>	<b>27.3</b>	<b>7.4</b>	<b>394.6</b>	<b>-210.2</b>	<b>-40.9</b>	<b>178.2</b>
<b>Comprehensive loss for the period</b>						
Loss for the period					-10.4	-10.4
Disposition according to AGM						
Loss brought forward				-40.9	40.9	-
Development fund		-0.2		0.2		-
<b>Total comprehensive loss for the period</b>	<b>27.3</b>	<b>7.2</b>	<b>394.6</b>	<b>-250.9</b>	<b>-10.4</b>	<b>167.7</b>
<b>Transactions with shareholders</b>						
New share issue, net after issue expenses***	16.0		61.2			77.2
<b>Total transactions with shareholders</b>	<b>16.0</b>		<b>61.2</b>			<b>77.2</b>
<b>Closing equity March 31, 2020</b>	<b>43.3</b>	<b>7.2</b>	<b>455.8</b>	<b>-250.9</b>	<b>-10.4</b>	<b>245.0</b>

\* See more information about the financing agreement under financial information on page 6-7.

\*\* Issue expenses amount to SEK 11.6m.

\*\*\* Issue expenses amount to SEK 2.8m.

## Cash flow statement, Parent Company

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Current operations</b>			
Operating loss	-10.4	-7.9	-40.0
<i>Adjustments for items not included in cash flow</i>			
Depreciation	0.6	0.6	2.6
Interest received	-	0.0	0.0
Interest paid	-	0.0	-0.0
<b>Cash flow from current activities before changes in working capital</b>	<b>-9.8</b>	<b>-7.3</b>	<b>-37.4</b>
<b>Changes in working capital</b>			
Decrease/increase in current receivables	-0.7	-0.4	-0.4
Decrease/increase in current liabilities	2.1	0.8	2.7
<b>Total changes in working capital</b>	<b>1.4</b>	<b>0.4</b>	<b>2.3</b>
<b>Cash flow from operating activities</b>	<b>-8.4</b>	<b>-6.9</b>	<b>-35.2</b>
<b>Cash flow from investing activities</b>			
Acquisition subsidiary	-	-0.1	-0.1
Acquisition of intangible assets	-0.2	-0.6	-1.1
Shareholder contribution	-16.0	-	-30.5
Repaid group companies	25.0	0.2	33.9
Loan group companies	-22.0	-6.8	-30.0
<b>Cash flow from investing activities</b>	<b>-13.1</b>	<b>-7.4</b>	<b>-27.9</b>
<b>Cash flow from financing activities</b>			
Investment in warrants	0.0	-	-
New share issue	77.2	-	63.6
<b>Cash flow from financing activities</b>	<b>77.2</b>	<b>0.0</b>	<b>63.6</b>
<b>Cash flow for the period</b>	<b>55.7</b>	<b>-14.3</b>	<b>0.6</b>
Cash and cash equivalents at beginning of period	18.1	17.6	17.6
<b>Cash and cash equivalents at end of period</b>	<b>73.8</b>	<b>3.3</b>	<b>18.1</b>

## Notes

### Note 1 Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Reports and the Annual Accounts Act. The 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.

#### 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 capitalised 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 there for activated.

#### Financial assets and liabilities

Other financial assets and liabilities in the balance sheet are reported as acquisition value, which is judged to be a good approximation to the fair value of the items.

### Note 2 Breakdown of net sales by country is as follows

mSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Germany	1.2	1.1	3.4
Sweden	0.0	0.1	0.2
Other countries in Europe	0.2	0.2	1.2
Other countries outside of Europe	--	--	0.1
<b>Total net sales</b>	<b>1.5</b>	<b>1.4</b>	<b>4.9</b>

## Definitions

<b>General:</b>	All amounts in the tables are presented in mSEK unless otherwise stated. All amounts in brackets ( ) represent comparative figures for the same period of the prior year, unless otherwise stated.
<b>Net debt/equity ratio:</b>	Net debt at the end of the period divided by equity at the end of the period.

## Glossary

<b>Approved orders:</b>	Orders which have been approved for surgery, are in production and will be invoiced.
<b>Arthritis:</b>	See Osteoarthritis.
<b>Arthroscopy:</b>	Inspection of the inside of a joint with the help of an arthroscope. An instrument is introduced through a small cut to investigate the inside of the joint and possibly correct any problems (a type of keyhole surgery).
<b>Cartilage:</b>	Shock absorbing and friction reducing tissue. This tissue that covers the end of bones and allows movement with low friction.
<b>Cartilage defect of grade III (ICRS scale):</b>	Lesion through the cartilage, exposing the bone.
<b>Cartilage defect of grade IV (ICRS scale):</b>	Defect extending down to >50% of the cartilage depth.
<b>CE marking:</b>	A CE mark means that the manufacturer or importer has the formal approvals necessary to market and sell the product in the European Economic Area.
<b>Clinical results:</b>	Outcome from clinical treatment of humans, where parameters such as efficacy and safety are evaluated.
<b>Cobalt chrome:</b>	A metal alloy mainly consisting of cobalt and chromium, commonly occurring in metal alloys used in knee prostheses.
<b>Debridement:</b>	Removal of damaged tissue.
<b>Degenerative origin:</b>	Conditions in which the cells, tissues or organs deteriorate and lose function. In degenerative joint disease, the deterioration is due to wear, tear or breakdown of cartilage.
<b>FDA:</b>	US Food and Drug Administration.
<b>Focal cartilage defect:</b>	A cartilage defect in a well-defined area.
<b>Femoral condyles:</b>	Two bony protuberances on the thighbone side of the knee joint that articulate with the shinbone. The name originates from the anatomical terms femur (thighbone) and condyle (articular head).
<b>Gross order intake:</b>	Gross order intake represents the aggregated value of Episealer® orders received and approved by responsible surgeon during the relevant period.
<b>Hydroxyapatite:</b>	A mineral that is the major component of human bone tissue and the main mineral of dental enamel and dentin.
<b>Invasive treatment alternative:</b>	Treatments that require a surgical procedure.
<b>Micro fracturing:</b>	A biological surgical technique that can be used in treatment of focal cartilage defects (not extensive osteoarthritis) in an attempt to stimulate the growth of new cartilage.
<b>Mosaicplasty:</b>	A biological surgical technique for treatment of cartilage and underlying bone defects where cylindrical bone and cartilage plugs are harvested from less weight-bearing surfaces of the knee joint and inserted into the damaged area.

<b>MRI:</b>	Magnetic resonance imaging, a medical imaging technique where images acquired using a strong magnetic field allows the user to get three-dimensional image data of the patient.
<b>OA:</b>	See osteoarthritis.
<b>Order backlog:</b>	Order backlog represents all orders that have been booked but where no revenue has been recognised.
<b>Orthopaedics:</b>	The medical specialty that focuses on injuries and diseases of the body's musculoskeletal system. This complex system includes bones, Joints, ligaments, tendons, muscles and nerves.
<b>Osteoarthritis:</b>	A type of joint disease that is characterised by loss of joint function with varying destruction of joint cartilage and the underlying bone.
<b>Osteochondral defect:</b>	Cartilage and underlying bone defect.
<b>Prosthesis:</b>	An artificial device that replaces a missing or injured body part, such as artificial arm or leg. The term prosthesis is also used for certain of the implants that are used to repair joints, such as hip and knee prostheses,
<b>Reimbursement:</b>	Reimbursement is a word that is used generally in the healthcare industry to describe the payment systems that apply to healthcare costs in various countries.
<b>TKA:</b>	Total knee arthroplasty, total knee joint replacement, which is a surgical procedure primarily used to relieve arthritis in which the knee joint is replaced with artificial parts (prostheses).
<b>Traumatic damage:</b>	Damage caused by an outside force, such as fall injuries.
<b>UKA:</b>	Unicompartmental knee arthroplasty, partial knee joint replacement which is a surgical procedure primarily used to relieve arthritis in one of the knee compartments. Parts of the knee joint are replaced with artificial parts (prostheses).

## This is Episurf Medical

– a unique solution for every patient

**EPISURF WAS FOUNDED IN 2009** on a commitment to offer people with painful joint injuries a more active and healthy life through customised treatment alternatives. We put the patient in the centre of the design of implants and surgical instruments. By combining advanced 3D imaging technology with the latest manufacturing technologies, we are able to adapt not only each implant to the patient's injury and anatomy, but also the surgical instruments used. In this way, we can ensure that each patient receives treatment that is perfectly suited to his or her anatomy and, thus, ensure a faster, more secure, and better patient-specific treatment for a more active and healthy life.



### **A proprietary web-based IT platform for individualised design and surgical pre-planning**

Episurf Medical's scalable  $\mu$ Fidelity<sup>®</sup> 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<sup>®</sup> Condyle Solo for the treatment of localised cartilage and underlying bone defects on the femoral condyles of the knee joint.
- » Episealer<sup>®</sup> Trochlea Solo for the treatment of localised cartilage and underlying bone defects in the area behind the patella (the trochlea area).
- » Episealer<sup>®</sup> 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.



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

- » Episealer Talus<sup>®</sup> 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<sup>®</sup> and a set of associated surgical instrument. We also offer a surgical drill guide, Epiguide<sup>®</sup> 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 approximately 180 patents and patent applications worldwide, distributed over 20 patent families.

- » The first Episealer<sup>®</sup> surgery in a human was performed in December 2012. At the end of 2019, a total of 598 surgeries had been performed throughout Europe
- » Episurf Medical's head office is located in Stockholm and the company has an in-house sales organisation in Europe
- » The share (EPIS B) has been listed on Nasdaq Stockholm since June 2014

## Financial calendar

**Interim Report April-June 2020**  
**Interim Report July-September 2020**  
**Year-End Report 2020**

17 July 2020  
23 October 2020  
5 February 2021

This is a translation of the original Swedish interim report. In the event of a discrepancy between this translation and the Swedish original, the Swedish interim report takes precedence.

This information is information that Episurf Medical AB (publ) is obliged to make public, pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on 24 April 2020 at 08.30 (CEST).

**The following analysts follow Episurf Medical's development:**

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