

Interim Report 1 January – 31 March 2021

“Whilst this is the best quarter in the history of Episurf, I know that once the Covid-19 pandemic has subsided, we have much more to look forward to. Of course, we recognise that we are at the start of our financial journey. But showing a strong increase in gross order intake, a growing number of surgeons using the Episealer®, an improving annual run-rate indicating continued repeat business, and a strong growth in the number of countries in which we are active, during such a challenging quarter as the first quarter of 2021, gives me a lot of confidence for the future”, says Pål Ryfors, CEO Episurf Medical.

First quarter 2021 compared to 2020, Group

- » Gross order intake amounted to SEK 2.1m (1.6), an increase of 30%. We experienced a 30% increase in orders for Episealer® implants during the quarter with 90 (69) approved orders. Episurf has had the best quarter ever with strong growth in the order book, despite the negative impact of COVID-19
- » Order book amounted to SEK 1.8m (1.0), an increase of 71%
- » Total income of SEK 1.7m (1.6), a growth of 9%
- » Group net sales increased by 10% to SEK 1.6m (1.5)
- » Loss for the period amounted to SEK -16.7m (-17.9); The improved result is primarily due to the company's efforts to reduce costs for Europe in connection with the costs of the IDE study increasing and lower costs due to COVID-19
- » Earnings per share amounted to SEK -0.08 (-0.19)

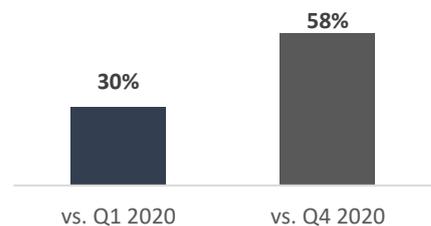
Significant events during the first quarter

- » Episurf Medical announced its intention to file a 510(k) application in the US for an Episealer® Patellofemoral System
- » First Episealer® Talus surgery in the Asia-Pacific region performed
- » New patents approved in Hong Kong and US for Episurf Medical
- » Episurf Medical entered into distribution agreement for Australia and New Zealand
- » Episealer®: Clinical results with 5-years’ follow-up data has been presented at the 3rd World Arthroplasty Congress
- » Clinical results for Episealer® were accepted for presentation at the 19th ESSKA congress
- » Episurf Medical provided COVID-19 related update ahead of an investor conference

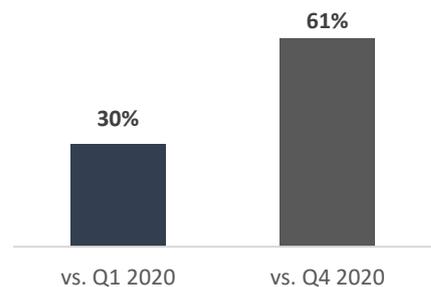
Significant events after the first quarter

- » New patent approved in US for Episurf Medical
- » Episurf Medical reached milestone of 1,000 implants
- » Poster with 5-years’ follow-up data presented at the 3rd World Arthroplasty Congress available

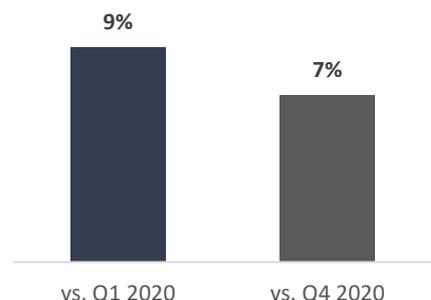
Growth in Q1, compared to Q1 2020 and Q4 2020 - Episealer® surgeries booked



Growth in Q1, compared to Q1 2020 and Q4 2020 - Gross order intake



Growth in Q1, compared to Q1 2020 and Q4 2020 - Net sales



Message from the CEO

Dear shareholders,

Increased pandemic-related restrictions led to a tough start of the quarter, but we were positively surprised by the development of the gross order intake during the quarter. We ended the quarter with a gross order intake of SEK 2.1m, an increase of 30% compared to Q1 2020 and 61% compared to Q4 2020. The quarter was our best ever, and we are committed to building on this momentum as restrictions ease in our markets. Although the absolute figures still have much room for improvement, we are pleased to be building a solid foundation for further growth. I want to explain this statement a bit more today: The core of our strategy is to build a large and loyal base of repeat customers delivering orders quarter after quarter. If this strategy succeeds, we will see the Episealer® included as a standard part of the surgeons' treatment options (the "treatment algorithm"), and in my opinion, we are really starting to see the beginning of this. In the early days of a strategy execution, it is critical that key indicators shows that you are on track, and I firmly believe we are.



34 surgeons ordered Episealer® implants during the first quarter, an increase of 55% compared to Q1 2020 and 55% compared to Q4 2020. This growth is substantial and important as it is indicative of sustainable success in our sales initiatives, designed to grow the user base. In particular, I was happy about this figure, as the activity level with most clinics decreased significantly during the quarter due to the restrictions. In certain countries or regions, there has been essentially a complete halt of elective surgeries due to the pandemic. In Germany, for example, clinics can only have very few patients in the waiting rooms, consultations hours are kept at a minimum, and patients refrain from visiting their doctors given the restrictions. We expected growth to strengthen as most surgeons are back to regular consultation hours and hospitals return to full operations. In our long-term business planning, we expect surgeons to perform about 14 Episealer® surgeries per year. In Q1 2021, the annualised run-rate among our customers well exceeded 10 surgeries per year across the customer group. The same figure for German customers alone amounted to 16. We are delighted by this development, which indicates the steady patient flow that we need to reach our goals. In 2021, we expect to grow the customer base, and we know that surgeon activity tends to increase with an increasing surgical experience (Episealer®) with associated positive patient outcomes.

An additional positive sign is that, during the first quarter, surgeons in 11 countries ordered Episealer® implants, representing an increase by 120% compared to Q1 2020 and 38% compared to Q4 2020. Geographical expansion is another important task, as we are targeting the early innovator group in several countries, and our geographical presence is growing. This secures a large base to grow from.

Of course, we recognise that we are at the start of our financial journey. But showing a strong increase in gross order intake, a growing number of surgeons using the Episealer®, an improving annual run-rate indicating continued repeat business, and a strong growth in the number of countries in which we are active, during such a challenging quarter as the first quarter of 2021, gives me a lot of confidence for the future. That gross order intake, which is increasing when an implant is ordered, is increasing more than the net sales is explained by the fact that invoicing occur at the time of surgery, which can take place later, especially during the pandemic. This is reflected in the order book which amounted to SEK 1.8m at the end of the quarter, an increase of 71% compared to Q1 2020, and 38% compared to Q4 2020.

We have entered a phase in which we will increase our marketing activities based on excellent and extensive 2-year clinical results and highly promising 5-year data. For the rest of the year, we will be as active as we possibly can in all our target markets. Our marketing strategy has been adjusted for the pandemic, and current marketing initiatives involve a combination of digital and physical events during the year. These activities will take place in various marketing channels, including close co-operation with our strong network of KOLs globally.

Other highlights during the first quarter included the presentation of 5-year data, which was arranged just after the quarter's close. The data, presented by Dr Johannes Holz from Orthocentrum Hamburg, shows a strong performance of the Episealer® implant of up to 5 years, which is yet another critical clinical milestone. This is the second time we see strong 5-year results from ongoing clinical studies. There have been endless studies performed on our target patient group, and as far as we are concerned, no competing product or procedure has yielded results as good as ours.

Clinical results were also accepted for presentation at the European Society for Sports Traumatology, Knee Surgery and Arthroscopy (ESSKA) congress. This abstract, from the European multicentre study with 24 months' follow up of 75 Episealer® Knee patients (*Mini-metal implants - 2 year detailed cohort analysis of a patient specific implant*"), is authored by Associate Professor Tim Spalding, University Hospitals Coventry and Warwickshire NHS Trust, UK. ESSKA is a very important organisation for Episurf and represents an optimal channel for us to reach out to surgeons globally. This year, we have deepened our relationship with ESSKA, and we will run educational seminars and conduct other activities with them during 2021.

The challenges with properly initiating the patient recruitment in the US clinical trial have continued during the first quarter, unfortunately. But at the same time, a lot of work is ongoing in the background in order for the study to kick-start in a good way as soon as possible. Following easing of the restrictions, it appears as if sites in the UK can start research activities shortly, which would be very important for the trial.

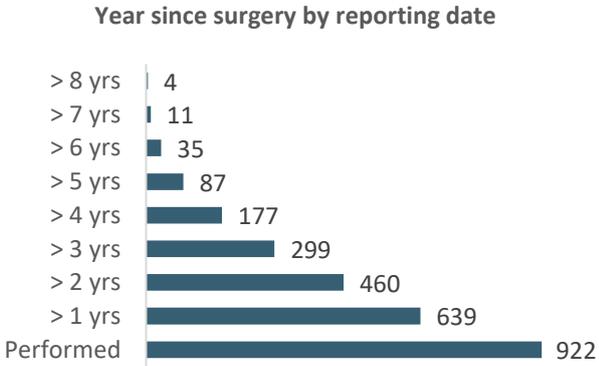
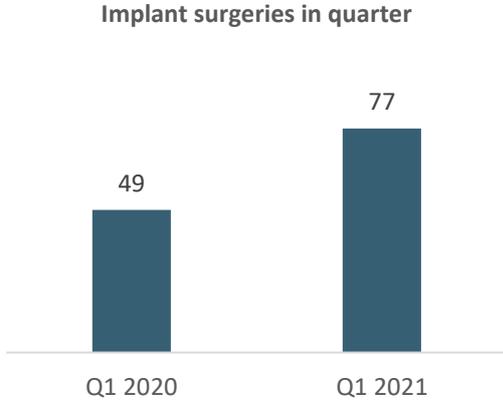
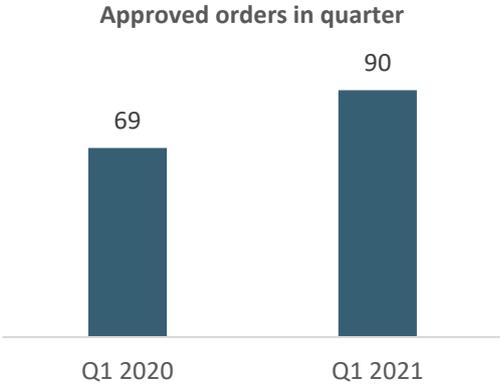
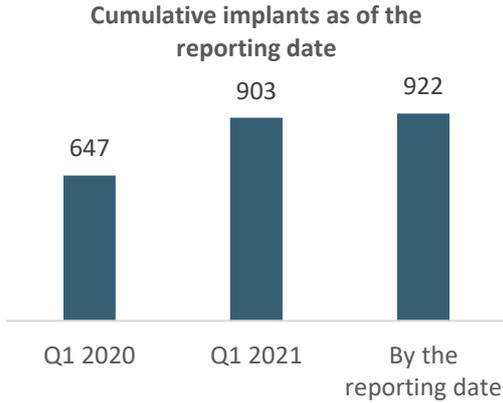
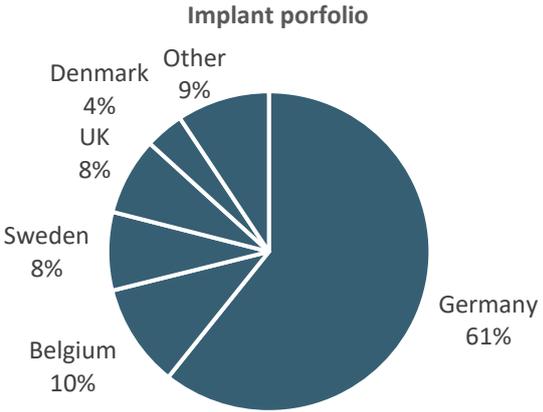
With the clinical results published last year, and more still to come, we are excited by the powerful clinical message we can take to an ever-expanding group of surgeons. The whole company is energised by the potential we see for 2021 and beyond.

Stockholm, April 2021

Pål Ryfors
CEO

Business update and forward-looking statements

By the reporting date on April 29, 2021, Episurf Medical’s implants had been used in 922 surgeries. Another 103 orders are approved for surgery. 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 922 implants, we now have 177 patients who have had their implants for more than 4 years and 460 patients have now had their implants for more than 2 years since the surgery date. During the first quarter, 77 surgeries were performed with the Episealer® knee implant. 90 orders were approved for surgery during the first quarter.



As of the reporting date, 922 surgeries have been performed with the Episealer® implant and 299 patients have had their implant for more than 3 years and 460 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 1.6m (1.5) in the quarter. Loss before tax amounted to SEK -16.7m (-17.9) for the quarter. Other expenses amounted to SEK -8.8m (-9.7) in the quarter. The decreased costs for the quarter are mainly due to the company's efforts to reduce costs for Europe in connection with the costs of the IDE study increasing and lower costs due to COVID-19. The cost for the EPIC-Knee study in US amounts to SEK 3.6m (2.8) during the quarter.

Financial position

Group cash and cash equivalents at end of period amounted to SEK 137.4m (86.0).

The equity ratio was 91.1% (84.1). Group investments in intangible assets amounted to SEK 0.9m (0.9) for the quarter of which SEK 0.3m (0.2) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter of 2021 or 2020.

Human resources

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

Parent Company

Net sales and operating profit/loss

Net sales amounted to SEK 0.2m (0.1) in the quarter. Loss before tax amounted to SEK -9.9m (-10.4) in the quarter. Other expenses amounted to SEK -6.3m (-6.8) in the quarter. The decreased costs for the quarter are mainly due to the company's efforts to reduce costs for Europe in connection with the costs of the IDE study increasing and lower costs due to COVID-19.

Financial position

Cash and cash equivalents at the end of the period for the Parent Company amounted to SEK 123.0m (73.8). The equity ratio was 98.2% (96.4). Investments in intangible assets, capitalised development costs, amounted to SEK 0.3m (0.2) for the quarter. No significant investments have been made in tangible assets during the quarter of 2021 or 2020.

Human resources

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

Effects of the COVID-19 pandemic

The outbreak of COVID-19 has affected people and companies all over the world, and Episurf closely monitors the development and effects of the pandemic as well as following the guidelines put forth by local authorities. The following paragraphs provide more detailed information on how the Group is affected by COVID-19.

Episealer® orders and revenue

Episurf Medical had higher net sales during the quarter compared to Q1 2020. Healthcare has focused on covid-19 instead of elective surgery, which has affected the company's ability to grow during the quarter. The company's inflow of approved orders was significantly affected during the quarter, even though it was the best quarter ever. The company assesses that there will be a recovery in 2021.

Government support/Organisation

The subsidiary Episurf UK Ltd received SEK 0.1m in government support during the quarter. No other support has been received.

Production

Episurf Medical 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 during the second quarter 2021 either.

Clinical studies

Episurf Medical published several studies in 2020 but estimates that ongoing studies were negatively affected during the first quarter.

Geographic expansion

Episurf Medical's largest market continues to be Germany; however, during the quarter, the company carried out and planned operations in several countries. The company assesses that expansion towards new countries may be somewhat delayed, but the company still has a good pace ahead.

Digitalisation

Episurf Medical 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). No consulting fees for ongoing projects were paid to Shareholder and Board member Wilder Fulford during the period (0.6).

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 into. The agreement provided the company with access to SEK 70m over a 36-month 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 were converted during 2018 and 2019. 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

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

Warrants

Tranche	Registration date	Term to maturity	Strike price	Number of warrants outstanding	Number of utilised	Number outstanding
KV1/TO4B	2018-05-23	5 year	1.40*	1,705,232	199,756	1,505,476

* 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.

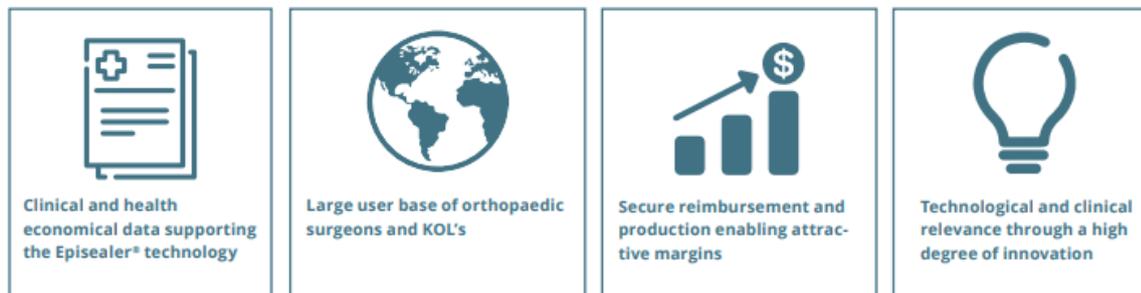
31 March 2021

A-shares	971,024
B-shares	221,069,519
Total number of shares	222,040,543
Total number of votes	223,982,591

The ten largest shareholders in Episurf Medical at March 31, 2021

Name	No. Of A- shares	No. Of B- shares	Share capital in %	Voting rights, %
Skandinaviska Enskilda Banken, W8IMY	-	10,563,208	4.8	4.7
Fjärde AP-Fonden	-	10,450,000	4.7	4.7
Försäkringsbolaget, Avanza Pension	-	10,071,722	4.5	4.5
Tredje AP-Fonden	-	7,900,000	3.6	3.5
SIX SIS AG, W8IMY	-	7,369,423	3.3	3.3
Nordnet Pensionsförsäkring AB	-	7,246,739	3.3	3.2
Banque Pictet & Cie (Europe) SA, W8IMY	-	6,511,361	2.9	2.9
SEB Life International	-	6,000,000	2.7	2.7
Andra AP-Fonden	-	5,400,000	2.4	2.4
Unionen	-	5,400,000	2.4	2.4
Total, 10 largest shareholders	-	76,912,453	34.6	34.3
Summary, other	971,024	144,157,066	65.4	65.7
Total	971,024	221,069,519	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, 28 April 2021

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 2021	Jan-Mar 2020	Jan-Dec 2020
Operating income			
Net sales	1.6	1.5	5.0
Other operating income	0.1	0.1	2.0
Total income	1.7	1.6	7.0
Operating expenses			
Merchandise	-1.5	-1.5	-5.1
Other expenses	-8.8	-9.7	-33.5
Personnel costs	-7.6	-7.2	-28.3
Capitalised development expenditure	0.9	0.9	4.1
Depreciation of equipment and non-current assets	-1.7	-1.9	-7.6
Total operating expenses	-18.6	-19.5	-70.4
Operating loss	-16.9	-17.9	-63.4
Financial items			
Financial income, other	0.2	0.1	0.1
Financial expenses, other	-0.0	-0.1	-0.7
Results from net financial items	0.2	0.0	-0.5
Loss before tax	-16.7	-17.9	-63.9
Tax on income for the period	-0.0	0.0	-0.0
Loss for the period	-16.7	-17.9	-63.9
<i>Net loss attributable to:</i>			
Parent company shareholders	-16.7	-17.9	-63.9
Earnings per share before and after dilution, SEK	-0.08	-0.19	-0.39
Average number of shares	222 040 543	94 447 238	162 078 945

Consolidated statement of comprehensive income

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Net profit (loss)	-16.7	-17.9	-63.9
<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	-0.1	-0.0	0.1
Total comprehensive income (loss) for the period	-16.8	-17.9	-63.8
<i>The period's loss and comprehensive income attributable to</i>			
Owners of the parent	-16.8	-17.9	-63.8

Condensed consolidated balance sheet

mSEK	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS			
Non-current assets			
<i>Intangible fixed assets</i>			
Capitalised development costs	6.4	7.6	6.7
Patents	14.1	13.8	14.1
Total intangible fixed assets	20.5	21.4	20.8
<i>Equipment and right-of use asset</i>			
Right-of-use asset	3.3	5.5	3.8
Equipment	0.1	0.1	0.0
Total equipment and right-of-use asset	3.3	5.6	3.8
<i>Non-current financial assets</i>			
Other non-current financial assets	0.5	-	0.5
Total non-current financial assets	0.5	-	0.5
Total non-current assets	24.3	27.0	25.1
Current assets			
Inventories	1.8	1.9	2.0
Trade receivables	1.3	1.0	0.6
Other receivables	1.0	1.8	0.9
Deferred expenses and accrued income	1.8	2.1	1.9
Cash	137.4	86.0	155.0
Total current assets	143.4	92.8	160.3
TOTAL ASSETS	167.7	119.8	185.4
EQUITY AND LIABILITIES			
Equity	152.8	100.8	169.5
Liabilities			
<i>Non-current liabilities</i>			
Non-current liabilities	0.9	0.0	0.6
Non-current lease liability	0.9	3.2	1.5
Total long-term liabilities	1.9	3.2	2.1
<i>Current liabilities</i>			
Trade payables	6.0	8.1	5.4
Current lease liability	2.4	2.4	2.4
Other liabilities	1.3	2.0	2.3
Accrued liabilities and deferred income	3.5	3.4	3.8
Total current liabilities	13.1	15.8	13.9
Total liabilities	15.0	19.0	16.0
TOTAL EQUITY AND LIABILITIES	167.7	119.8	185.4
Equity ratio	91.1%	84.1%	91.4%
Equity per share, SEK	0.69	0.70	0.76

Consolidated statement of changes in equity

mSEK	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year	Total equity
Opening equity January 1, 2020	27.3	394.6	-0.4	-380.1	41.4
Total comprehensive income for the period				-63.9	-63.9
Other comprehensive income			0.1		0.1
Reclassification reserves*			0.0	-0.0	0.0
Total comprehensive income			0.1	-63.9	-63.8
Transactions with shareholders					
New share issue, net after issue expenses**	28.3	100.5			128.8
Directed share issue, net after issue expenses***	11.1	50.9			61.9
Conversion warrants, net after issue expenses****	0.1	0.2			0.2
Warrants issued to staff		0.1		0.8	0.9
Total transactions with shareholders	39.4	151.6		0.8	191.8
Closing equity December 31, 2020	66.7	546.2	-0.2	-443.2	169.5
Opening equity January 1, 2021	66.7	546.2	-0.2	-443.2	169.5
Total comprehensive income for the period				-16.7	-16.7
Other comprehensive income			-0.1		-0.1
Total comprehensive income			-0.1	-16.7	-16.8
Transactions with shareholders					
Costs directed share issue 2020		-0.1			-0.1
Warrants issued to staff				0.2	0.2
Total transactions with shareholders		-0.1		0.2	0.1
Closing equity March 31, 2021	66.7	546.1	-0.3	-459.7	152.8

* Correction of previous classification.

** Issue expenses amounts to SEK 12.4m.

*** Issue expenses amounts to SEK 4.3m.

**** Expenses amounts to SEK 0.0m.

Consolidated cash flow statement

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Operating activities			
Operating loss	-16.9	-17.9	-63.4
<i>Adjustments for items not included in cash flow</i>			
Depreciation	1.7	1.9	7.6
Employee stock option expenses	0.5	0.0	1.4
Interest received	-	-	0.0
Interest paid	-0.0	-	0.0
Cash flow from current operations before change in working capital	-14.7	-16.0	-54.3
Change in working capital			
Decrease/increase in inventory	0.2	-0.1	-0.2
Decrease/increase in trade receivables	-0.8	-0.3	0.2
Decrease/increase in current receivables	-0.0	-1.9	-0.8
Decrease/increase in current liabilities	-0.7	3.2	1.0
Change in working capital	-1.3	0.9	0.2
Cash flow from operating activities	-16.0	-15.1	-54.1
Investing activities			
Investments of intangible fixed assets	-0.9	-0.9	-4.6
Investments of tangible fixed assets	0.0	-	-
Decrease/increase in non-current financial assets	0.0	-	-0.5
Cash flow from investing activities	-0.9	-0.9	-5.1
Financing activities			
Issuance of share options	-	-	0.1
Amortisation of lease debt	-0.6	-0.5	-2.2
New share issue	-0.1	77.2	190.9
Cash flow from financing activities	-0.7	76.7	188.8
Cash flow for the period	-17.5	60.7	129.7
Cash and cash equivalents at beginning of period	155.0	25.3	25.3
Cash and cash equivalents at end of period	137.4	86.0	155.0

Income statement, Parent Company

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Operating income			
Net sales	0.2	0.1	0.5
Other operating income	0.0	-	1.5
Total income	0.2	0.1	2.0
Operating costs			
Other external expenses	-6.3	-6.8	-23.8
Personnel costs	-3.6	-3.3	-13.7
Capitalised development expenditure	0.3	0.2	1.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-0.5	-0.6	-2.5
Total operating costs	-10.1	-10.5	-38.9
Operating loss	-9.9	-10.4	-36.9
<i>Financial items</i>			
Financial income, other	0.0	0.0	0.0
Financial expenses, other*	-0,0	-0.1	-0,0
Results from net financial items	0.0	-0.1	0.0
Loss before tax	-9.9	-10.4	-36.8
Tax on income for the period	-	-	-
Loss at end of the period	-9.9	-10.4	-36.8

Parent Company statement of comprehensive income

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Net profit	-9.9	-10.4	-36.8
<i>Other comprehensive income for the period:</i>			
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-9.9	-10.4	-36.8

Condensed balance sheet, Parent Company

mSEK	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised development costs	6.4	7.6	6.7
Total intangible fixed assets	6.4	7.6	6.7
<i>Tangible fixed assets</i>			
Equipment	0.0	0.0	0.0
Total tangible fixed assets	0.0	0.0	0.0
Financial assets			
Shares in group companies	177.9	153.4	162.9
Long-term receivables from group companies	18.8	17.0	33.2
Other non-current financial receivables	0.5	-	0.5
Total financial assets	197.2	170.4	196.6
Total fixed assets	203.7	178.0	203.2
Current assets			
<i>Short term receivables</i>			
Other receivables	0.6	1.2	0.6
Prepaid expenses and accrued income	1.1	1.2	1.7
Total short term receivables	1.7	2.4	2.3
Cash	123.0	73.8	134.8
Total current assets	124.7	76.1	137.1
TOTAL ASSETS	328.4	254.1	340.3
EQUITY AND LIABILITIES			
Equity	322.4	245.0	332.4
Liabilities			
<i>Current liabilities</i>			
Trade payables	3.1	5.6	3.5
Other liabilities	0.5	0.9	1.4
Accrued liabilities and deferred income	2.5	2.6	3.1
Total current liabilities	6.0	9.2	7.9
Total liabilities	6.0	9.2	7.9
TOTAL EQUITY AND LIABILITIES	328.4	254.1	340.3

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, 2020	27.3	7.4	394.6	-210.2	-40.9	178.2
Loss for the period					-36.8	-36.8
Disposition according to AGM						
Loss brought forward				-40.9	40.9	-
Deposition/resolution development fund		-0.8		0.8		-
Total comprehensive loss for the period		-0.8		-40.1	4.1	-36.8
Transactions with shareholders						
New share issue, net after issue expenses*	28.3		100.5			128.8
Directed share issue, net after issue expenses**	11.1		50.9			61.9
Conversion warrants, net after issue expenses***	0.1		0.2			0.2
Warrants issued to staff			0.1			0.1
Total transactions with shareholders	39.4		151.6			191.0
Closing equity December 31, 2020	66.7	6.7	546.2	-250.4	-36.8	332.4
Opening equity January 1, 2020	66.7	6.7	546.2	-250.4	-36.8	332.4
Loss for the period					-9.9	-9.9
Disposition according to AGM						
Loss brought forward				-36.8	36.8	-
Development fund		-0.2		0.2		-
Total comprehensive loss for the period		-0.2		-36.6	26.9	-9.9
Transactions with shareholders						
Costs directed share issue 2020			-0.1			-0.1
Total transactions with shareholders			-0.1			-0.1
Closing equity March 31, 2021	66.7	6.4	546.1	-286.9	-9.9	322.4

* Issue expenses amount to SEK 12.4m.

**Issue expenses amounts to SEK 4.3m.

**** Expenses amounts to SEK 0.0m.

Cash flow statement, Parent Company

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Current operations			
Operating loss	-9.9	-10.4	-36.9
<i>Adjustments for items not included in cash flow</i>			
Depreciation	0.5	0.6	2.5
Interest received	0.0	-	0.0
Interest paid	-0.0	-	-0.0
Cash flow from current activities before changes in working capital	-9.4	-9.8	-34.4
Changes in working capital			
Decrease/increase in current receivables	0.6	-0.7	-0.7
Decrease/increase in current liabilities	-1.9	2.1	1.0
Total changes in working capital	-1.3	1.4	0.3
Cash flow from operating activities	-10.6	-8.4	-34.1
Cash flow from investing activities			
Acquisition of intangible assets	-0.3	-0.2	-1.1
Shareholder contribution	-15.0	-16.0	-25.5
Repaid group companies	21.4	25.0	36.1
Loan group companies	-7.1	-22.0	-49.2
Decrease/increase in other non-current receivables	-0.0	-	-0.5
Cash flow from investing activities	-1.0	-13.1	-40.3
Cash flow from financing activities			
Issuance of share options	-	0.0	0.1
New share issue	-0.1	77.2	190.9
Cash flow from financing activities	-0.1	77.2	191.0
Cash flow for the period	-11.7	55.7	116.6
Cash and cash equivalents at beginning of period	134.8	18.1	18.1
Cash and cash equivalents at end of period	123.0	73.8	134.8

Notes

Note 1 Accounting policies

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

The Group's accounting policies are unchanged from previous year and these correspond with the accounting principles that were used in the preparation of the most recent Annual Report with the exception of the additional applications principles for accounting for license revenues described below. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

License revenue refers to the out-licensing of the parent company's patented software platform μiFidelity®. When licensing the Group's intellectual property (IP) to a customer, a distinction is made between two types of licensing with associated distinct performance obligation that affect whether revenue is to be reported at a certain time or accrued over time:

- a) Right to access IP - the agreement requires, or the customer can reasonably expect, that the Group will take measures that significantly affect the rights the customer is entitled to, that these measures directly affect the customer and that the measures do not involve the transfer of goods/services to the customer when the measures are carried out. The performance obligation and thus the income is reported over time, usually linearly.
- b) Right to use IP - the customer only has the right to use the IP in its existing state at the time when the right was granted to the customer. The performance obligation is fulfilled initially, at that time.

In accordance with the terms of the license agreement, it has been determined to be a right to use IP and recognised at the effective date of the contract.

Capitalised expenditures for development of products

Expenditure for development, where research results or other knowledge are applied to achieve new or improved products or processes, is recognised as an asset in the Statement of Financial Position only if the following conditions are satisfied:

1. It is technically possible to complete the intangible asset and use or sell it,
 2. The Company intends to complete the intangible asset and use or sell it,
 3. The conditions to use or sell the intangible asset are in place,
 4. The Company demonstrates how the intangible asset will generate likely future economic benefits,
 5. There are adequate technological, economic and other resources to complete development and to use or sell the intangible asset, and
 6. The expenditure relating to the intangible asset during its development can be measured reliably
- Directly related expenditure that is 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 therefore activated.

Financial assets and liabilities

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

Note 2 Breakdown of net sales by country is as follows

mSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Germany	1.1	1.2	3.9
Sweden	0.0	0.0	0.1
Other countries in Europe	0.4	0.2	1.0
Other countries outside of Europe	0.0	-	0.0
Total net sales	1.6	1.5	5.0

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.
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.
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.
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.
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.
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.



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 approximately 180 patents and patent applications worldwide, distributed over 20 patent families.

- » The first Episealer[®] surgery in a human was performed in December 2012. At the end of 2020, a total of 825 surgeries had been performed.
- » 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

AGM	10 May 2021
Interim Report April-June 2021	16 July 2021
Interim Report July-September 2021	29 October 2021
Year-End Report 2021	11 February 2022

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 29 April 2021 at 08.30 (CEST).

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