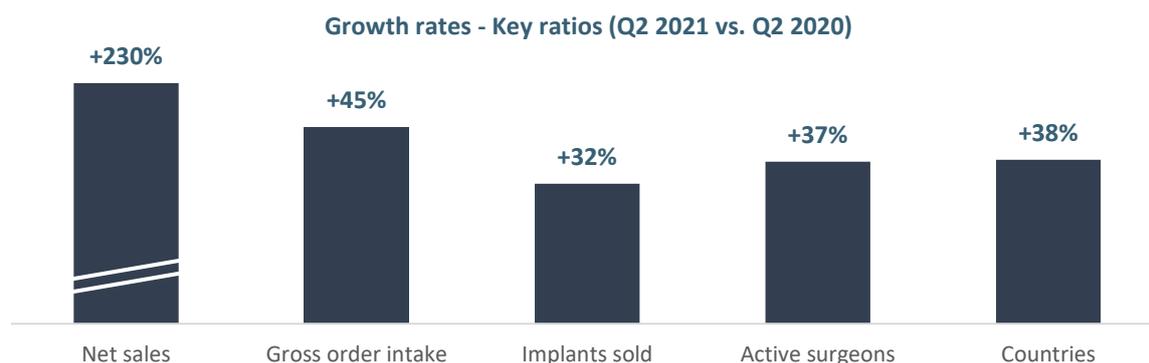


- Strong growth in key ratios – significant steps in the right direction
- Sales growth of 230% – signs of a normalization within healthcare following the pandemic
- Confirmed timetable for 510(k) application and several clinical milestones during H2 2021

“We are continuing to establish a solid foundation for growth globally, and I can confidently say that based on the now available clinical results for the Episealer®, our operating environment is improving substantially. As the clinical acceptance for a mini-metal implant with excellent clinical results grows in the orthopaedic community, our growth rates will increase in several markets. Moreover, the interest in the Episealer® Talus implant technology is exceeding our expectations. Of course, we are yet to see the full financial impact of these positive developments, but we are increasingly confident that this will come in the next steps of our journey”, says Pål Ryfors, CEO Episurf Medical.



Second quarter 2021 compared to 2020, Group

- » Gross order intake amounted to SEK 1.4m (1.0), an increase of 45%. We experienced a 32% increase in orders for Episealer® implants during the quarter with 66 (50) approved orders
- » Order book amounted to SEK 1.3m (1.2), an increase of 11%
- » Group net sales increased by 230% to SEK 2.0m (0.6)
- » Loss for the period amounted to SEK -17.7m (-14.4)
- » Earnings per share amounted to SEK -0.08 (-0.08)

First six months 2021 compared to 2020, Group

- » Gross order intake amounted to SEK 3.6m (2.5) a increase of 46%
- » 31% increase in orders for Episealer® implants with 156 (119) approved orders
- » Group net sales increased by 74% to SEK 3,6m (2.1)
- » Loss for the period amounted to SEK -34,4m (-32.3)
- » Earnings per share amounted to SEK -0,16 (-0.24)

Significant events during the second 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
- » New patent approved in Europe and China for Episurf Medical
- » First Episealer® surgery in Portugal was scheduled
- » Episurf Medical entered into a distribution agreement with Spain and Portugal
- » European multicentre study initiated for 5 years' follow-up of Episealer® Knee patients

Significant events after the second quarter

- » Episurf Medical announced additions to the European sales force
- » Episurf Medical provided an update on the project Episealer® Patellofemoral System for the US market

Dear shareholders,



The early commercialization took significant steps in the right direction during the second quarter of 2021. Year-on-year, net sales grew by 230%, gross order-intake grew by 45%, the number of active surgeons during the quarter increased by 37%, and the number of countries in which we sold implants grew by 38%. We aim at a high level of activity, with many surgeons in many countries – every quarter. We are continuing to establish a solid foundation for growth globally, and I can confidently say that based on the now available clinical results for the Episealer®, our operating environment is improving substantially. As the clinical acceptance for a mini-metal implant with excellent clinical results grows in the orthopaedic community, our growth rates will increase in several markets. Moreover, the interest in the Episealer® Talus implant technology is exceeding our expectations. Of course, we are yet to see the full financial impact of this positive development, but we are increasingly confident that this will come in the next steps of our journey.

Several factors will drive generation of net sales in the years to come, and the key indicators for those are developing in a very positive way. Let me explain: First, we are seeing strong growth in the number of surgeons using the Episealer®. This will be key to our growth. And as mentioned above, our strategy is to ensure that this happens in several markets. Secondly, as orthopaedic surgeons' confidence in the technology grows and patient outcomes continue to be highly positive, the activity with each surgeon is growing. Thirdly, given the presence of strong clinical results, our ability to charge is improving. The combined effect from these three factors speaks for a favorable development as we advance. Episurf and I frequently receive questions about the sale process and what it takes for a surgeon to adopt new technologies. The reality is that the first surgery for a new customer, especially with a new technology, is the most challenging one to arrange. This surgery requires the most from us as well as from the surgeon. During the years up to and including 2020, it was evident that we only worked with the surgeons who are referred to as "early innovators", and in large, surgeons tested the technology on a small scale. During those years, we did not see any significant growth in the user base. During the fall of 2020, results from the first larger studies on the Episealer® were published. From that point onwards, these results have been available to us in our sales processes. Despite the pandemic, we have seen strong growth in the user base, both during Q1 2021 and Q2 2021. We have just recently been able to commercialize with the help of data, which is crucial for establishing a new implant technology with clinics, payors, and patients. Of course, it is difficult to disregard from the impact of COVID-19. We clearly see an improvement regarding the pandemic-related restrictions, but we are not yet back to a normal scenario. We have talked about this several times, and we do not need to repeat ourselves on this point, but we are looking forward to a normalization for elective surgery levels in the months to come.

On the back of the strong momentum we are experiencing, we have decided to expand our commercial organization in our core markets. Today, we have announced that we have entered into an agent agreement with JAMO Orthopaedics for specific regions in the UK midlands. JAMO Orthopaedics will complement our current UK sales force by selling both Episealer Knee and Episealer Talus. In addition, Episurf Medical has today communicated that we are re-activating our efforts towards the Benelux region. The Benelux region was a critical region for Episurf in the initial years. However, since 2019 the region has been de-prioritized. As clinical data for broader commercialization is available, we have decided to focus on the region by hiring a senior sales rep.

We are looking forward to several important milestones during the second half of 2021. First, three important clinical papers are submitted for publication in scientific journals. Moreover, and very important, is that an investigator-initiated European multicentre study with 5 years' follow-up of 50 Episealer® Knee patients is ongoing. Preliminary results from the follow-up are expected during the fourth quarter of 2021, while full results are expected in early 2022. It is highly exciting to have such a milestone ahead of us already this year. The available 2-year results have led to significant improvement in our sales processes, and the value of 5-year data cannot be emphasized enough.

Concerning our strategy for the US market, we have today communicated that our product development project of the Episealer® Patellofemoral System is progressing according to plan. We confirm our target of submitting a 510(k) application for this implant technology later this year. We are also preparing for the commercialization of the Episealer® Patellofemoral System in the US market during 2022. We are in a dialogue with the FDA regarding the EPIC-knee clinical trial where we intend to carry out certain adjustments to the clinical protocol, aiming at significantly speeding up patient recruitment as COVID-19 related restrictions are lifted, and the trial can properly start again at all sites.

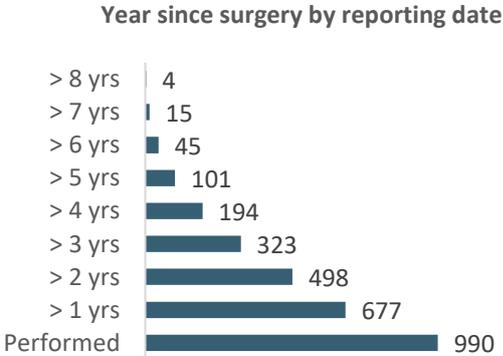
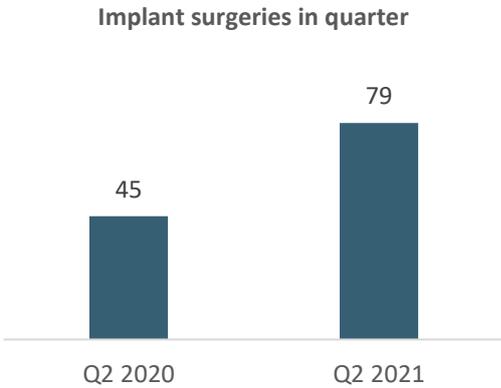
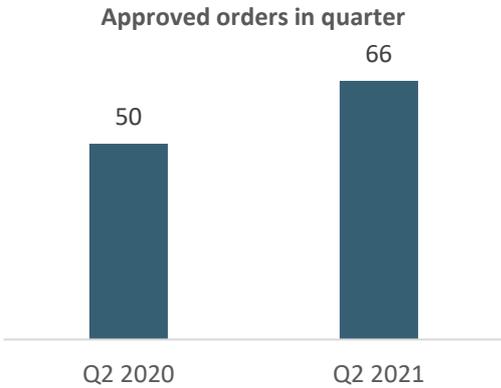
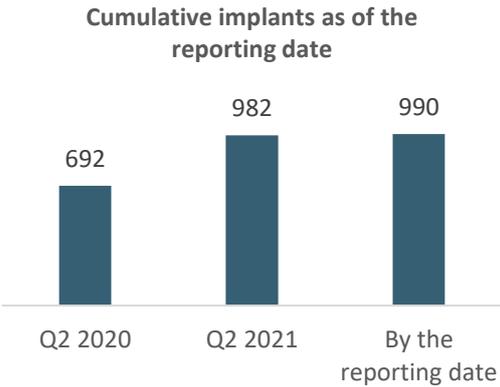
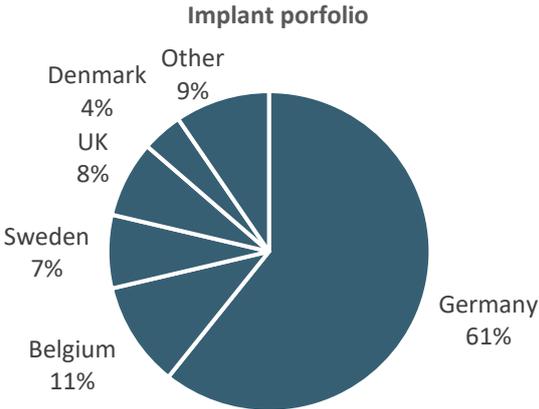
The third quarter has started very well, and we are highly optimistic about the future. Short-term, we cannot rule out the impact of COVID-19 on our figures. However, with a little bit of perspective; we are optimistic about delivering strong growth, solid performance in our clinical trials and in our product development projects. More and more clinics are integrating the Episealer® technology in their treatment algorithm for lesions in the knee and in the ankle, and we believe we are the market leading supplier of treatment solutions for treating these challenging lesions.

Stockholm, July 2021

Pål Ryfors, CEO

Business update and forward-looking statements

By the reporting date on July 16, 2021, Episurf Medical’s implants had been used in 990 surgeries. Another 98 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 990 implants, we now have 194 patients who have had their implants for more than 4 years and 498 patients have now had their implants for more than 2 years since the surgery date. During the second quarter, 79 surgeries were performed with the Episealer® knee implant. 66 orders were approved for surgery during the second quarter.



As of the reporting date, 990 surgeries have been performed with the Episealer® implant and 323 patients have had their implant for more than 3 years and 498 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 2.0m (0.6) in the quarter and SEK 3.6m (2.1) for the first six months. Loss before tax amounted to SEK -17.7m (-14.4) for the quarter and SEK -34.4m (-32.3) for the first six months. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -8.9m (-7.5) in the quarter and SEK -18.1m (-17.2) for the first six months. The increased costs during the quarter are primarily due to an increased focus on activities that have not been prioritised for a long time with COVID-19. It primarily means increased activities in marketing and sales and that the company, in comparison with last year, has not had any government support in major parts of the group. The cost for the EPIC-Knee study in US amounts to SEK 2.8m (2.9) during the quarter.

Financial position

Group cash and cash equivalents at end of period amounted to SEK 120.7m (121.2).

The equity ratio was 90.1% (90.8). Group investments in intangible assets amounted to SEK 1.3m (1.0) for the quarter of which SEK 0.8m (0.2) are related to capitalised development costs, and for the first six months investments in intangible assets amounted to SEK 2.2m (1.9), of which SEK 1.1m (0.3) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter or first six months 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 0.3m (0.1) in the quarter and SEK 0.4m (0.2) for the first six months. Loss before tax amounted to SEK -10.3m (-7.9) in the quarter and SEK -20.2m (-18.3) for the first six months. Other expenses amounted to SEK -6.3m (-5.0) in the quarter and SEK -12.5m (-11.8) for the first six months. The increased costs during the quarter are primarily due to an increased focus on activities that have not been prioritised for a long time with COVID-19. It primarily means increased activities in marketing and sales and that the company, in comparison with last year, has not had any government support in major parts of the group.

Financial position

Cash and cash equivalents at the end of the period for the Parent Company amounted to SEK 100.2m (110.4). The equity ratio was 97.8% (98.2). Investments in intangible assets, capitalised development costs, amounted to SEK 0.8m (0.2) for the quarter and SEK 1.1m (0.3) for the first six months. No significant investments have been made in tangible assets during the quarter or first six months 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 Q2 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 has seen a recovery during 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 third quarter 2021 either.

Clinical studies

Episurf Medical published several studies in 2020 but estimates that patient recruitment in ongoing studies was negatively affected during the second 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 0.3m (0.3).

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	288,846	1,416,386

* 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.

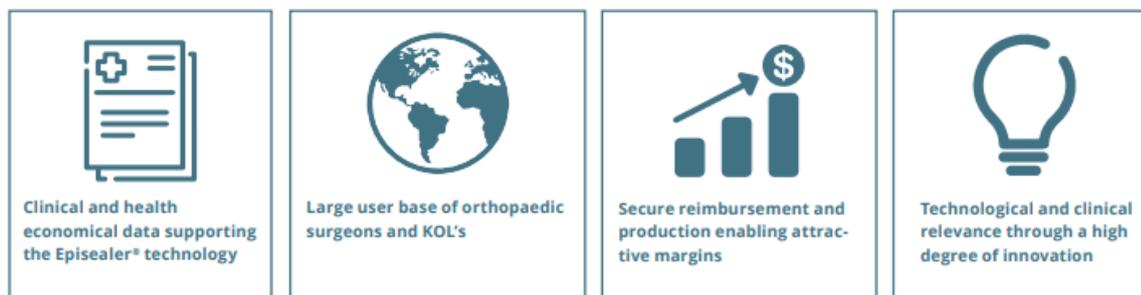
30 June, 2021

A-shares	951,020
B-shares	221,178,613
Total number of shares	222,129,633
Total number of votes	224,031,673

The ten largest shareholders in Episurf Medical at June 30, 2021

Name	No. of A-shares	No. of B-shares	Share capital in %	Voting rights, %
Rhenman Partners	-	10,563,208	4.8	4.7
Fjärde AP-Fonden	-	10,450,000	4.7	4.7
Sebastian Jahreskog	-	8,727,776	3.9	3.9
Tredje AP-Fonden	-	7,900,000	3.6	3.5
LMK Forward AB	-	6,000,000	2.7	2.7
Venture Holdings Sarl	-	5,950,810	2.7	2.7
Andra AP-Fonden	-	5,400,000	2.4	2.4
Unionen	-	5,400,000	2.4	2.4
Strand Småbolagsfond	-	5,100,000	2.3	2.3
Niles Noblitt	-	5,039,127	2.3	2.2
Total, 10 largest shareholders	-	70,530,921	31.8	31.5
Summary, other	951,020	150,647,692	68.2	68.5
Total	951,020	221,178,613	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, 15 July 2021

Dennis Stripe
Board chairman

Annette Brodin Rampe
Board member

Christian Krüeger
Board member

Leif Ryd
Board member

Laura Shunk
Board member

Ulf Grunander
Board member

Pål Ryfors
CEO

The information in this interim report has not been reviewed by the company's auditors.

Consolidated income statement

mSEK	Note	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Revenues						
Net sales	2	2.0	0.6	3.6	2.1	5.0
Other revenues		0.1	0.1	0.2	0.2	2.0
Total revenues		2.1	0.7	3.8	2.3	7.0
Operating expenses						
Merchandise		-1.4	-0.7	-2.8	-2.2	-5.1
Other expenses		-8.9	-7.5	-18.1	-17.2	-33.5
Personnel costs		-8.3	-5.7	-15.9	-12.9	-28.3
Capitalised development expenditure		0.9	1.0	2.2	1.9	4.1
Depreciation of equipment and non-current assets		-1.9	-1.9	-3.6	-3.7	-7.6
Total operating expenses		-19.7	-14.7	-38.3	-34.2	-70.4
Operating loss		-17.6	-14.0	-34.5	-32.0	-63.4
Financial items						
Financial income, other		-	0.0	0.2	0.2	0.1
Financial expenses, other		-0.1	-0.4	-0.1	-0.5	-0.7
Results from net financial items		-0.1	-0.4	0.1	-0.3	-0.5
Loss before tax		-17.7	-14.4	-34.4	-32.3	-63.9
Tax on income for the period		-0.0	-0.0	-0.0	-0.0	-0.0
Loss for the period		-17.7	-14.4	-34.4	-32.3	-63.9
<i>Net loss attributable to:</i>						
Parent company shareholders		-17.7	-14.4	-34.4	-32.3	-63.9
Earnings per share before and after dilution, SEK		-0.08	-0.08	-0.16	-0.24	-0.39
Average number of shares		222,066,976	171,534,061	222,053,760	132,990,650	162,078,945

Consolidated statement of comprehensive income

mSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net profit (loss)	-17.7	-14.4	-34.4	-32.3	-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	0.0	0.0	-0.1	-0.1	0.1
Total comprehensive income (loss) for the period	-17.7	-14.5	-34.5	-32.4	-63.8
<i>The period's loss and comprehensive income attributable to</i>					
Owners of the parent	-17,7	-14,5	-34,5	-32,4	-63,8

Condensed consolidated balance sheet

mSEK	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS			
Non-current assets			
<i>Intangible fixed assets</i>			
Capitalised development costs	6.7	7.2	6.7
Patents	14.0	13.9	14.1
Total intangible fixed assets	20.6	21.1	20.8
<i>Equipment and right-of use asset</i>			
Right-of-use asset	2.8	4.9	3.8
Equipment	0.0	0.1	0.0
Total equipment and right-of-use asset	2.8	5.0	3.8
<i>Non-current financial assets</i>			
Other non-current financial assets	0.5	-	0.5
Total non-current financial assets	0.5	0.0	0.5
Total non-current assets	23.9	26.1	25.1
Current assets			
Inventories	1.8	1.9	2.0
Trade receivables	1.7	0.7	0.6
Other receivables	1.2	0.9	0.9
Deferred expenses and accrued income	2.1	1.4	1.9
Cash	120.7	121.2	155.0
Total current assets	127.4	126.2	160.3
TOTAL ASSETS	151.4	152.3	185.4
EQUITY AND LIABILITIES			
Equity	136.3	138.4	169.5
Liabilities			
<i>Non-current liabilities</i>			
Non-current liabilities	1.1	0.1	0.6
Non-current lease liability	0.5	2.6	1.5
Total long-term liabilities	1.6	2.7	2.1
<i>Current liabilities</i>			
Trade payables	5.2	4.1	5.4
Current lease liability	2.3	2.3	2.4
Other liabilities	1.3	1.1	2.3
Accrued liabilities and deferred income	4.7	3.7	3.8
Total current liabilities	13.4	11.3	13.9
Total liabilities	15.0	13.9	16.0
TOTAL EQUITY AND LIABILITIES	151.4	152.3	185.4
Equity ratio	90.1%	90.8%	91.4%
Equity per share, SEK	0.61	0.75	0.76

Consolidated statement of changes in equity

mSEK	Attributable to equity holders of the parent				Total equity
	Share capital	Other contributed capital	Reserves	Accumulated deficit incl. loss for the year	
Opening equity January 1, 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				-34.4	-34.4
Other comprehensive income			-0.1		-0.1
Total comprehensive income			-0.1	-34.4	-34.5
Transactions with shareholders					
New share issue, net after issue expenses, 2020***		-0.1			-0.1
Conversion warrants, net after issue expenses****	0.0	0.1			0.1
Warrants issued to staff				1.4	1.4
Total transactions with shareholders	0.0	-0.0		1.4	1.4
Closing equity June 30, 2021	66.7	546.2	-0.3	-476.2	136.3

* Correction of previous classification.

** Issue expenses amounts to SEK 12.4m.

*** Issue expenses amounts to SEK 4.4m.

**** Expenses amounts to SEK 0.0m.

***** Expenses amounts to SEK 0.0m.

Consolidated cash flow statement

mSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Operating activities					
Operating loss	-17.6	-14.0	-34.5	-32.0	-63.4
<i>Adjustments for items not included in cash flow</i>					
Depreciation	1.9	1.9	3.6	3.7	7.6
Employee stock option expenses	0.4	0.3	0.9	0.3	1.4
Interest received	-	-	-	-	0.0
Interest paid	-	-	-0.0	-	0.0
Cash flow from current operations before change in working capital	-15.3	-11.9	-29.9	-27.9	-54.3
Change in working capital					
Decrease/increase in inventory	-0.0	0.0	0.1	-0.1	-0.2
Decrease/increase in trade receivables	-0.3	0.3	-1.1	0.0	0.2
Decrease/increase in current receivables	-0.8	1.2	-0.8	-0.3	-0.8
Decrease/increase in current liabilities	0.5	-4.5	-0.1	-1.6	1.0
Change in working capital	-0.7	-3.0	-1.9	-2.0	0.2
Cash flow from operating activities	-15.9	-14.8	-31.8	-29.9	-54.1
Investing activities					
Investments of intangible fixed assets	-1.3	-1.0	-2.2	-1.9	-4.6
Investments of tangible fixed assets	0.0	-	-0.0	-	-
Decrease/increase in non-current financial assets	0.0	-	-0.0	-	-0.5
Cash flow from investing activities	-1.3	-1.0	-2.2	-1.9	-5.1
Financing activities					
Issuance of share options	0.9	0.1	0.9	0.1	0.1
Amortisation of lease debt	-0.6	-0.6	-1.1	-1.1	-2.2
Conversion warrants	0.1	-	0.1	-	-
New share issue	-	51.6	-0.1	128.8	190.9
Cash flow from financing activities	0.5	51.1	-0.2	127.8	188.8
Cash flow for the period	-16.7	35.3	-34.3	96.0	129.7
Cash and cash equivalents at beginning of period	137.4	86.0	155.0	25.3	25.3
Cash and cash equivalents at end of period	120.7	121.2	120.7	121.2	155.0

Income statement, Parent Company

mSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Revenues					
Net sales	0.3	0.1	0.4	0.2	0.5
Other revenues	-	-	0.0	-	1.5
Total revenues	0.3	0.1	0.4	0.2	2.0
Operating costs					
Other external expenses	-6.3	-5.0	-12.5	-11.8	-23.8
Personnel costs	-4.5	-2.5	-8.1	-5.8	-13.7
Capitalised development expenditure	0.8	0.2	1.1	0.3	1.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-0.5	-0.6	-1.1	-1.2	-2.5
Total operating costs	-10.6	-7.9	-20.7	-18.4	-38.9
Operating loss	-10.3	-7.9	-20.2	-18.3	-36.9
<i>Financial items</i>					
Financial income, other	0.0	0.0	0.0	0.0	0.0
Financial expenses, other	-0.0	-0.0	-0.0	-0.1	-0.0
Results from net financial items	0.0	0.0	0.0	-0.1	0.0
Loss before tax	-10.3	-7.9	-20.2	-18.3	-36.8
Tax on income for the period	-	-	-	-	-
Loss at end of the period	-10.3	-7.9	-20.2	-18.3	-36.8

Parent Company statement of comprehensive income

mSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net profit	-10.3	-7.9	-20.2	-18.3	-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	-10.3	-7.9	-20.2	-18.3	-36.8

Condensed balance sheet, Parent Company

mSEK	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalised development costs	6.7	7.2	6.7
Total intangible fixed assets	6.7	7.2	6.7
<i>Tangible fixed assets</i>			
Equipment	-	0.0	0.0
Total tangible fixed assets	-	0.0	0.0
Financial assets			
Shares in group companies	177.9	153.4	162.9
Long-term receivables from group companies	31.7	22.0	33.2
Other non-current financial receivables	0.5	-	0.5
Total financial assets	210.1	175.4	196.6
Total fixed assets	216.8	182.6	203.2
Current assets			
<i>Short term receivables</i>			
Trade receivables	0.1	-	-
Other receivables	0.7	0.4	0.6
Prepaid expenses and accrued income	1.6	0.6	1.7
Total short term receivables	2.3	1.0	2.3
Cash	100.2	110.4	134.8
Total current assets	102.6	111.4	137.1
TOTAL ASSETS	319.3	294.0	340.3
EQUITY AND LIABILITIES			
Equity	312.2	288.7	332.4
Liabilities			
<i>Current liabilities</i>			
Trade payables	3.2	2.2	3.5
Other liabilities	0.7	0.2	1.4
Accrued liabilities and deferred income	3.3	2.9	3.1
Total current liabilities	7.2	5.3	7.9
Total liabilities	7.2	5.3	7.9
TOTAL EQUITY AND LIABILITIES	319.3	294.0	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					-20.2	-20.2
Disposition according to AGM						
Loss brought forward				-36.8	36.8	-
Development fund		0.0		-0.0		-
Total comprehensive loss for the period		0.0		-36.8	16.6	-20.2
Transactions with shareholders						
Costs directed share issue 2020			-0.1			-0.1
Conversion warrants, net after issue expenses****	0.0		0.1			0.1
Total transactions with shareholders	0.0		-0.0			0.0
Closing equity June 30, 2021	66.7	6.7	546.2	-287.2	-20.2	312.2

* Issue expenses amount to SEK 12.4m.

** Issue expenses amounts to SEK 4.4m.

*** Expenses amounts to SEK 0.0m.

**** Expenses amounts to SEK 0.0m.

Cash flow statement, Parent Company

mSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Current operations					
Operating loss	-10.3	-7.9	-20.2	-18.3	-36.9
<i>Adjustments for items not included in cash flow</i>					
Depreciation	0.5	0.6	1.1	1.2	2.5
Interest received	0.0	-	0.0	-	0.0
Interest paid	-0.0	-	-0.0	-	-0.0
Cash flow from current activities before changes in working capital	-9.8	-7.3	-19.1	-17.1	-34.4
Changes in working capital					
Decrease/increase in current receivables	-0.7	1.3	-0.0	0.6	-0.7
Decrease/increase in current liabilities	1.1	-3.9	-0.8	-1.8	1.0
Total changes in working capital	0.5	-2.6	-0.8	-1.2	0.3
Cash flow from operating activities	-9.3	-9.8	-19.9	-18.3	-34.1
Cash flow from investing activities					
Acquisition of intangible assets	-0.8	-0.2	-1.1	-0.3	-1.1
Shareholder contribution	-	-	-15.0	-16.0	-25.5
Repaid group companies	3.8	0.3	25.2	25.3	36.1
Loan group companies	-16.6	-5.3	-23.7	-27.3	-49.2
Decrease/increase in other non-current receivables	0.0	-	-0.0	-	-0.5
Cash flow from investing activities	-13.6	-5.2	-14.6	-18.3	-40.3
Cash flow from financing activities					
Issuance of share options	-	0.1	-	0.1	0.1
Conversion warrants	0.1	-	0.1	-	-
New share issue	-	51.6	-0.1	128.8	190.9
Cash flow from financing activities	0.1	51.7	0.0	128.9	191.0
Cash flow for the period	-22.8	36.6	-34.5	92.3	116.6
Cash and cash equivalents at beginning of period	123.0	73.8	134.8	18.1	18.1
Cash and cash equivalents at end of period	100.2	110.4	100.2	110.4	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	Apr-Jun 2021	Apr-Jun 2020	Jan-Dec 2020
Germany	1.2	0,6	3.9
Sweden	0.1	-	0.1
Other countries in Europe	0.7	0.0	1.0
Other countries outside of Europe	0.1	-	0.0
Total net sales	2.0	0.6	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

Q2 report presentation	10:00 (CEST), 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 16 July 2021 at 08.30 (CEST).

Episurf Medical invites analysts, investors and media to a webcasted presentation in connection with the publishing of the Q2 report.

Date: July 16th 2021

Start time: 10:00 (CEST)

Location: <https://www.finwire.tv/webcast/episurf/episurf-q2-2021/>

The presentation will be held in English by CEO Pål Ryfors, and afterwards questions are invited. An on-demand version of the webcast will be available at Episurf Medical's website after closing of the presentation.

The following analysts follow Episurf Medical's development:

DNB Analyst: Patrik Ling

Redeye Analyst: Anders Hedlund

IR-contact



Pål Ryfors

CEO

Phone: +46 (0) 709 623 669

E-mail: pal.ryfors@episurf.com



Veronica Wallin

CFO

Phone: +46 (0) 700 374 895

E-mail: veronica.wallin@episurf.com



Episurf Medical AB (publ) org.nr 556767-0541
Karlavägen 60, 114 49 Stockholm, Sverige
www.episurf.com