

- Despite pandemic related challenges: 30% sales growth and surgeries in 15 countries during 2021
- Episurf Medical’s first 510(k) submission completed in line with timetable. FDA review ongoing
- Commercial organisation expanded with Head of Sales OUS, re-start of commercial activities following the end of the pandemic

“Approaching the end of the pandemic is a relief on a human level, far beyond business life. However, it is fair to say that wearing the Episurf jersey during the pandemic has been extremely tough. Elective surgery has been severely hit, with experimental elective surgery even more so. Hence, that we have been able to deliver growth throughout the pandemic, and that we now, finally, are expecting a return to normalcy, is just highly encouraging. We are in a better position than ever, with a strengthened organisation, several products in the pipeline, a strong scientific foundation to operate from, regulatory access to several markets globally, and a strong financial position. We are very optimistic about the future, and although Q1 2022 still offers some COVID-related challenges, we expect to take significant steps during 2022”, says Pål Ryfors, CEO Episurf Medical.

	2022	2023	2024	2025	Market Opportunity
<b>Episealer® Knee Europe &amp; RoW</b>	Increased commercial focus based on available data				~USD 0.4bn
<b>Episealer® Knee US</b>	Patient recruitment	Patient follow-up		PMA process	~USD 0.6bn
<b>Episealer® Talus Europe &amp; RoW</b>	Product launch and initial Episealer® Talus studies				
<b>Episealer® Patellofemoral System US</b>	510(k)-filing	510(k)-approval followed by product launch			
<b>Episealer® MTP System US</b>	Concept developmt.	510(k) filing late 2022-23	Product launch		~USD 0.4bn

#### Fourth quarter 2021 compared to 2020, Group

- » Gross order intake amounted to SEK 1.6m (1.3), an increase of 23%
- » Order book amounted to SEK 1.3m (1.3)
- » Group net sales amounted to SEK 1.5m (1.5)
- » Loss for the period amounted to SEK -18.9m (-16.2)
- » Earnings per share amounted to SEK -0.08 (-0.08)

#### Twelve months 2021 compared to 2020, Group

- » Gross order intake amounted to SEK 6.6m (5.6), an increase of 18%
- » Group net sales increased by 30% to SEK 6.5m (5.0)
- » Loss for the period amounted to SEK -69.3m (-63.9)
- » Earnings per share amounted to SEK -0.31 (-0.39)

#### Significant events during the fourth quarter

- » Episurf Medical carried out a directed share issue of SEK 159m. Ilija Batljan entered as the largest shareholder
- » Episurf Medical submitted 510(k) application for Episealer® Patellofemoral System
- » Episurf Medical’s implants approved for sale in Saudi Arabia
- » Episurf Medical hired Stephen Caswell to head Global Sales OUS

#### Significant events after the fourth quarter

- » Episurf Medical’s implants approved for sale in Malaysia

Dear shareholders,

With this report, we summarise 2021. It was yet another year, during which, the pandemic heavily affected the orthopedic industry. Still, I believe we took some significant steps, and we managed to re-focus our resources towards product development and regulatory work as commercial activities naturally had lower activity. All in all, our revenues grew by 30% compared to the previous year. We continued to focus on our three key areas: commercialisation, clinical development, and product development. Now, we aim at accelerating our commercial activities in 2022.



### 1. Commercialisation

2021 saw the Episealer technology used by surgeons in no less than 15 countries. That is quite an achievement, and it is a testament to the increased efforts towards securing market access globally that we have been focusing on during the pandemic. We have a strong foundation in place for growth, and I am pleased to see the organisation's efforts under the leadership of our new Head of Sales OUS, Steve Caswell. Steve's mission is crystal clear; drive commercial growth in our markets. Fortunately, COVID-related restrictions are about to ease up in our markets, but they continued to have a negative impact on Q4 2021 and the start of Q1 2022. Our sales force and our customers are longing for in-person meetings such as masterclasses, clinic meetings, and patient referral meetings. These activities have essentially been non-existent for the last two years, and still, hospitals often require testing, formal protocols, and very strict meeting schedules before accepting visitors. This hampers the natural flow of business between the orthopaedic company and the clinic. We do however expect this to change. By the end of Q1, we expect that all our markets have opened, and our sales representatives and distributors can look forward to a more normalised working environment. Once that happens, our activity pipeline is extensive, and we are eager to get out in the field, and we are in a better position than ever.

Last year, we informed about the continued market access initiatives in the UK market, specifically the process regarding NICE (The National Institute for Health and Care Excellence) guidelines. Inclusion in the NICE Guidelines is critical for clinical acceptance and reimbursement in the UK. This process is subject to an extensive review by the Interventional Procedures Advisory Committee (IPAC). We can now confirm that the process has started. In January 2022, Episurf representatives participated in a hearing in which the committee, following a review, asked questions and also allowed us to further explain details of our technology and our results. We were pleased with the outcome of the hearing, and we look forward to the next steps of this process, which is estimated to last until Q3 2022. Regarding market access initiatives, we also recently received regulatory clearances in Malaysia and Saudi Arabia.

We have had our eyes on the Indian market for several years, but commercial activities have been on hold during the pandemic. We have recently had our first meetings with Indian surgeons, and we have registered several prospective customers in our system. Now, we aim at performing the first surgeries in India, both on Episealer Knee and Episealer Talus, as early as Q3 2022. The Indian orthopaedic market is a very interesting commercial opportunity, and we are excited about taking the next steps.

### 2. Clinical development

We have previously described the challenges with patient recruitment in the EPIC knee study during the pandemic. We expect significantly more favorable conditions during 2022 than the last two years in this context. We have recently met with all investigators in the trial, and the group is excited about driving the trial forward. I am optimistic about having our first patients in the UK recruited shortly, and we see increased activity across the trial.

Clinical results from various 5-year follow-ups were presented at the Bristol & Oxford Uniknee meeting in November 2021 and at the annual ISAKOS (International Society for Arthroscopy, Knee Surgery and Orthopaedic Sports Medicine) meeting, also in November. We are looking forward to additional 5-year data during 2022, which adds great value to an already strong scientific base.

The studies currently ongoing on the Episealer Talus are progressing well. More than 50% of the subjects in an Italian study, conducted by Prof. Zaffagnini at the Istituto Ortopedico Rizzoli in Bologna, are recruited. Approximately 25% of the subjects in a European study, led by Prof. Niek van Dijk are recruited. We are hopeful to have both trials fully recruited during 2022.

### 3. Product development

The 501(k)-submission for the Episealer Patellofemoral System was completed during the last days of 2021 and the application was formally submitted during the first days of 2022. This is tremendously exciting, and it represents a significant milestone for us. Following the submission, we received the FDA Acknowledgement letter, and our dossier is now under review by the FDA.

We continue with the development process for the Episealer MTP-System. We are yet to communicate our final timetable for this project, and for now, we remain optimistic about filing a 510(k) submission late 2022 or latest mid-2023.

### 4. Concluding remarks

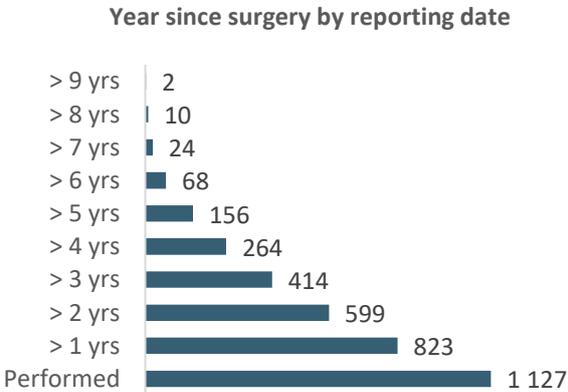
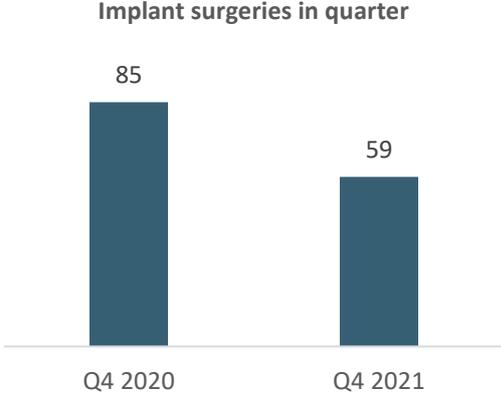
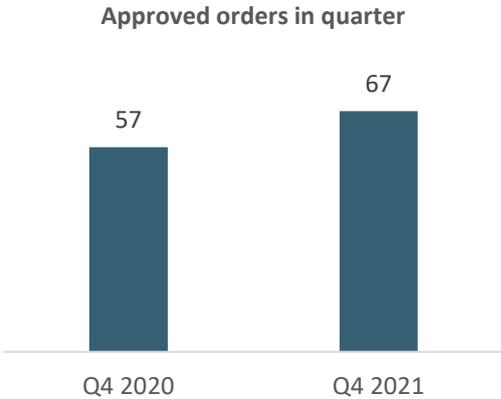
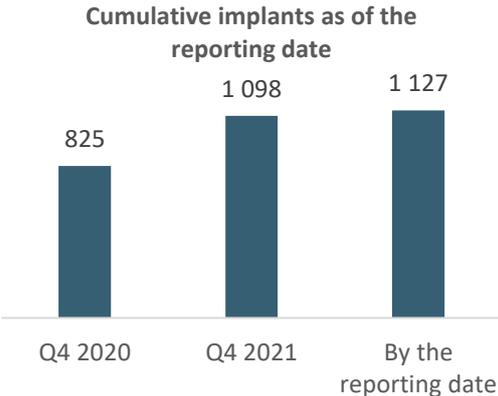
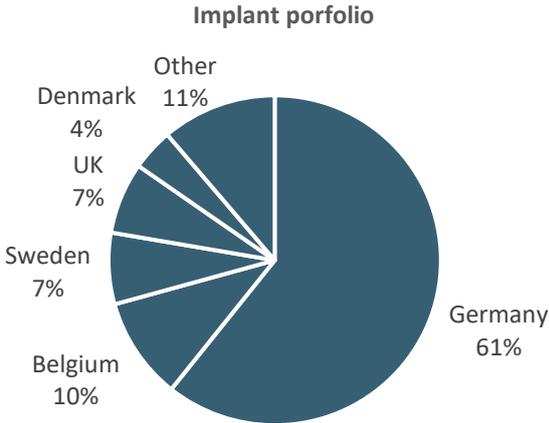
Approaching the end of the pandemic is a relief on a human level, far beyond business life. However, it is fair to say that wearing the Episurf jersey during the pandemic has been extremely tough. Elective surgery has been severely hit, with experimental elective surgery even more so. Hence, that we have been able to deliver growth throughout the pandemic, and that we now, finally, are expecting a return to normalcy, is just highly encouraging. We are in a better position than ever, with a strengthened organisation, several products in the pipeline, a strong scientific foundation to operate from, regulatory access to several markets globally, and a strong financial position. We are very optimistic about the future, and although Q1 2022 still offers some COVID-related challenges, we expect to take significant steps during 2022.

Stockholm, February 2022

Pål Ryfors  
CEO

# Business update and forward-looking statements

By the reporting date on February 11, 2022, Episurf Medical’s implants had been used in 1,127 surgeries. Another approx. 90 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 1,127 implants, we now have 264 patients who have had their implants for more than 4 years and 599 patients have now had their implants for more than 2 years since the surgery date. During the fourth quarter, 59 surgeries were performed with the Episealer® implant. 67 orders were approved for surgery during the fourth quarter.



As of the reporting date, 1,127 surgeries have been performed with the Episealer® implant and 414 patients have had their implant for more than 3 years and 599 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 (1.5) in the quarter and SEK 6.5m (5.0) for the financial year. Loss before tax amounted to SEK -18.9m (-16.2) for the quarter and SEK -69.3m (-63.9) for the financial year. Other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -10.8m (-8.8) in the quarter and SEK -37.1m (-33.5) for the financial year. 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 2.7m (3.7) during the quarter.

#### Financial position

Group cash and cash equivalents at end of period amounted to SEK 237.9m (155.0). The equity ratio was 93.5% (91.4). Group investments in intangible assets amounted to SEK 2.8m (1.0) for the quarter of which SEK 2.2m (0.2) are related to capitalised development costs, and for the financial year investments in intangible assets amounted to SEK 6.9m (4.6), of which SEK 4.4m (1.1) 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 nine months of 2021 or 2020.

#### Completed issues during the year

During the fourth quarter 2021, Episurf Medical conducted a directed share issue. The directed share issue was directed mainly to Health Runner AB, a company controlled by Ilija Batljan, which invested approximately SEK 125 million and which now owns 13 percent of the total number of shares in Episurf Medical, and in addition to a limited number of institutional investors, among others Fjärde AP-fonden and Rhenman Healthcare Equity L/S. The subscription price per share was SEK 3.59, and the company was allocated a total of SEK 159,425,107.72 before transaction costs. Through the directed issue, the company's shares increased by 44,408,108 B-shares and the company's share capital increased by SEK 13,333,709.08.

#### Warrants and staff option programs

In connection with a financing solution that Episurf had in 2018, 1,705,232 warrants were issued to shareholders. For a number of periods until 23 November 2023, shareholders have the opportunity to convert these warrants for an exercise price of SEK 1.40. As of this quarterly report, the company has 1,414,141 warrants outstanding. See more information on the company's website. For more information about warrants and staff option programs, see Episurfs Annual Report 2020.

#### Human resources

Number of employees in the Group at end of the period was 29 (25).

#### 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*

Healthcare has focused on COVID-19 instead of elective surgery, which has affected both net sales and the company's ability to grow during the quarter. However, the company's assessment is that recovery will take place during 2022.

#### *Government support/Organisation*

The subsidiary Episurf UK Ltd received SEK 0.1m in government support during the financial year. 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 2022.

#### *Clinical studies*

Episurf Medical estimates that patient recruitment in ongoing studies was negatively affected during 2021.

#### *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 0.6m (0.6).

#### **Rounding**

Due to rounding, the sum of numbers may differ.

#### **Dividend**

The Board of Directors proposes that Episurf Medical does not pay a dividend for the financial year 2021.

#### **Share information**

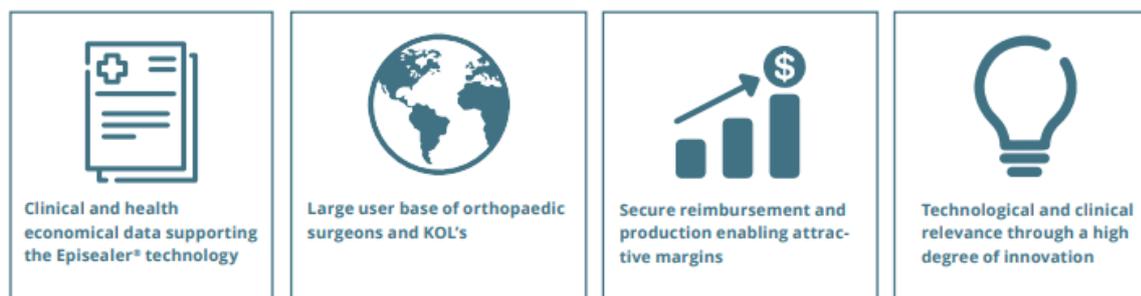
There are two types of shares in the Company. Each Class A-share carries three votes and entitles the holder to three votes at the General Meeting, and each class B-share carries one vote and entitles the holder to one vote at the General Meeting. Class B shares have traded on Nasdaq Stockholm's Small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

<b>31 December, 2021</b>	
A-shares	851,018
B-shares	265,688,968
<b>Total number of shares</b>	<b>266,539,986</b>
<b>Total number of votes</b>	<b>268,242,022</b>

The following table notes the ten largest shareholders based on information available as of December 31, 2021

Name	No. Of A-shares	No. Of B-shares	Share capital in %	Voting rights, %
Health Runner AB (Ilija Batljan)	--	34,771,101	13.0	13.0
Rhenman Partners	--	12,677,034	4.8	4.7
Fjärde AP-Fonden	--	12,537,181	4.7	4.7
Sebastian Jahreskog	--	11,089,278	4.2	4.1
Tredje AP-Fonden	--	9,480,000	3.6	3.5
LMK Forward AB	--	6,000,000	2.3	2.2
Andra AP-Fonden	--	5,400,000	2.0	2.0
Strand Småbolagsfond	--	5,100,000	1.9	1.9
Niles Noblitt (co-founder Biomet)	--	5,080,627	1.9	1.9
Venture Holdings Sarl	--	4,764,043	1.8	1.8
<b>Total, 10 largest shareholders</b>	--	<b>106,899,264</b>	<b>40.1</b>	<b>39.9</b>
<b>Summary, other</b>	<b>851,018</b>	<b>158,789,704</b>	<b>59.9</b>	<b>60.1</b>
<b>Total</b>	<b>851,018</b>	<b>265,688,968</b>	<b>100.0</b>	<b>100.0</b>

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 year-end 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, 10 February 2022

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 year-end report has not been reviewed by the company's auditors.*

## Consolidated income statement

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Operating income</b>				
Net sales	1.5	1.5	6.5	5.0
Other operating income	0.1	1.6	0.4	2.0
<b>Total income</b>	<b>1.5</b>	<b>3.1</b>	<b>6.9</b>	<b>7.0</b>
<b>Operating expenses</b>				
Merchandise	-0.8	-1.5	-4.8	-5.1
Other expenses	-10.8	-8.8	-37.1	-33.5
Personnel costs	-9.9	-8.0	-33.9	-28.3
Capitalised development expenditure	2.8	1.0	6.9	4.1
Depreciation of equipment and non-current assets	-1.8	-1.8	-7.4	-7.6
<b>Total operating expenses</b>	<b>-20.5</b>	<b>-19.1</b>	<b>-76.3</b>	<b>-70.4</b>
<b>Operating loss</b>	<b>-19.0</b>	<b>-16.0</b>	<b>-69.4</b>	<b>-63.4</b>
<b>Financial items</b>				
Financial income, other	0.2	-	0.4	0.1
Financial expenses, other	-0.1	-0.2	-0.2	-0.7
<b>Results from net financial items</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.2</b>	<b>-0.5</b>
<b>Loss before tax</b>	<b>-18.9</b>	<b>-16.2</b>	<b>-69.2</b>	<b>-63.9</b>
Tax on income for the period	-0.0	0.0	-0.0	-
<b>Loss for the period</b>	<b>-18.9</b>	<b>-16.2</b>	<b>-69.3</b>	<b>-63.9</b>
<i>Net loss attributable to:</i>				
Parent company shareholders	-18.9	-16.2	-69.3	-63.9
Earnings per share before and after dilution, SEK	-0.08	-0.08	-0.31	-0.39
Average number of shares	239,990,026	196,672,337	226,593,598	162,078,945

## Consolidated statement of comprehensive income

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Net profit (loss)</b>	<b>-18.9</b>	<b>-16.2</b>	<b>-69.3</b>	<b>-63.9</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	0.2	-0.1	0.1
<b>Total comprehensive income (loss) for the period</b>	<b>-19.0</b>	<b>-16.0</b>	<b>-69.4</b>	<b>-63.8</b>
<i>The period's loss and comprehensive income attributable to Owners of the parent</i>	<b>-19.0</b>	<b>-16.0</b>	<b>-69.4</b>	<b>-63.8</b>

## Condensed consolidated balance sheet

mSEK	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
<i>Intangible fixed assets</i>		
Capitalised development costs	9.0	6.7
Patents	14.1	14.1
<b>Total intangible fixed assets</b>	<b>23.0</b>	<b>20.8</b>
<i>Equipment and right-of use asset</i>		
Right-of-use asset	3.2	3.8
Equipment	0.1	0.0
<b>Total equipment and right-of-use asset</b>	<b>3.2</b>	<b>3.8</b>
<i>Non-current financial assets</i>		
Other non-current financial assets	-	0.5
<b>Total non-current financial assets</b>	<b>-</b>	<b>0.5</b>
<b>Total non-current assets</b>	<b>26.3</b>	<b>25.1</b>
<b>Current assets</b>		
Inventories	1.9	2.0
Trade receivables	1.6	0.6
Other receivables	1.6	0.9
Deferred expenses and accrued income	1.3	1.9
Cash	237.9	155.0
<b>Total current assets</b>	<b>244.4</b>	<b>160.3</b>
<b>TOTAL ASSETS</b>	<b>270.6</b>	<b>185.4</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>252.8</b>	<b>169.5</b>
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Non-current liabilities	2.8	0.6
Non-current lease liability	0.8	1.5
<b>Total long-term liabilities</b>	<b>3.5</b>	<b>2.1</b>
<i>Current liabilities</i>		
Trade payables	5.9	5.4
Current lease liability	2.1	2.4
Other liabilities	1.4	2.3
Accrued liabilities and deferred income	4.9	3.8
<b>Total current liabilities</b>	<b>14.2</b>	<b>13.9</b>
<b>Total liabilities</b>	<b>17.8</b>	<b>16.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>270.6</b>	<b>185.4</b>
Equity ratio	93.4%	91.4%
Equity per share, SEK	0.95	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	
<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>
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
<b>Total comprehensive income</b>			<b>0.1</b>	<b>-63.9</b>	<b>-63.8</b>
<b>Transactions with shareholders</b>					
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
<b>Total transactions with shareholders</b>	<b>39.4</b>	<b>151.6</b>		<b>0.8</b>	<b>191.8</b>
<b>Closing equity December 31, 2020</b>	<b>66.7</b>	<b>546.2</b>	<b>-0.2</b>	<b>-443.2</b>	<b>169.5</b>
<b>Opening equity January 1, 2021</b>	<b>66.7</b>	<b>546.2</b>	<b>-0.2</b>	<b>-443.2</b>	<b>169.5</b>
Total comprehensive income for the period				-69.3	-69.3
Other comprehensive income			-0.1		-0.1
<b>Total comprehensive income</b>			<b>-0.1</b>	<b>-69.3</b>	<b>-69.4</b>
<b>Transactions with shareholders</b>					
New share issue, net after issue expenses, 2020***		-0.1			-0.1
New share issue, net after issue expenses, 2021*****	13.3	137.3			150.7
Conversion warrants, net after issue expenses*****	0.0	0.1			0.1
Warrants issued to staff				2.1	2.1
<b>Total transactions with shareholders</b>	<b>13.4</b>	<b>137.3</b>		<b>2.1</b>	<b>152.8</b>
<b>Closing equity December 31, 2021</b>	<b>80.0</b>	<b>683.5</b>	<b>-0.3</b>	<b>-510.4</b>	<b>252.8</b>

\* Correction of previous classification.

\*\* Issue expenses amounts to SEK 12.4m.

\*\*\* Issue expenses amounts to SEK 4.4m.

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

\*\*\*\*\* Issue expenses amounts to SEK 8.8m.

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

## Consolidated cash flow statement

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Operating activities</b>				
Operating loss	-19.0	-16.0	-69.4	-63.4
<i>Adjustments for items not included in cash flow</i>				
Depreciation	1.8	1.8	7.4	7.6
Employee stock option expenses	1.5	0.6	3.3	1.4
Interest received	0.0	0.0	0.1	0.0
Interest paid	-0.0	-0.0	-0.2	-0.0
<b>Cash flow from current operations before change in working capital</b>	<b>-15.7</b>	<b>-13.5</b>	<b>-58.8</b>	<b>-54.3</b>
<b>Change in working capital</b>				
Decrease/increase in inventory	0.0	-0.2	0.0	-0.2
Decrease/increase in trade receivables	-0.1	0.6	-1.0	0.2
Decrease/increase in current receivables	-0.6	-1.0	-0.6	-0.8
Decrease/increase in current liabilities	2.8	2.4	0.6	1.0
<b>Change in working capital</b>	<b>2.1</b>	<b>1.7</b>	<b>-1.0</b>	<b>0.2</b>
<b>Cash flow from operating activities</b>	<b>-13.7</b>	<b>-11.8</b>	<b>-59.9</b>	<b>-54.1</b>
<b>Investing activities</b>				
Investments of intangible fixed assets	-2.8	-1.0	-6.9	-4.6
Investments of tangible fixed assets	0.0	-0.5	0.1	-
Decrease/increase in non-current financial assets	0.5	-	0.5	-0.5
<b>Cash flow from investing activities</b>	<b>-2.3</b>	<b>-1.5</b>	<b>-6.3</b>	<b>-5.1</b>
<b>Financing activities</b>				
Issuance of share options	-	-	0.9	0.1
Amortisation of lease debt	-0.6	-0.5	-2.4	-2.2
Conversion warrants	-0.0	-	0.1	-
New share issue	150.7	62.2	150.6	190.9
<b>Cash flow from financing activities</b>	<b>150.0</b>	<b>61.6</b>	<b>149.2</b>	<b>188.8</b>
<b>Cash flow for the period</b>	<b>134.1</b>	<b>48.3</b>	<b>83.0</b>	<b>129.7</b>
Cash and cash equivalents at beginning of period	103.8	106.6	155.0	25.3
<b>Cash and cash equivalents at end of period</b>	<b>237.9</b>	<b>155.0</b>	<b>237.9</b>	<b>155.0</b>

## Income statement, Parent Company

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Operating income</b>				
Net sales	0.2	0.2	0.8	0.5
Other operating income	-	1.5	-	1.5
<b>Total income</b>	<b>0.2</b>	<b>1.6</b>	<b>0.8</b>	<b>2.0</b>
<b>Operating costs</b>				
Other external expenses	-6.7	-6.3	-25.6	-23.8
Personnel costs	-4.2	-4.0	-16.1	-13.7
Capitalised development expenditure	2.2	0.2	4.4	1.1
Amortisation of intangible assets and depreciation of property, plant and equipment	-0.5	-0.7	-2.2	-2.5
<b>Total operating costs</b>	<b>-9.3</b>	<b>-10.8</b>	<b>-39.5</b>	<b>-38.9</b>
<b>Operating loss</b>	<b>-9.1</b>	<b>-9.2</b>	<b>-38.7</b>	<b>-36.9</b>
<i>Financial items</i>				
Financial income, other	0.0	0.0	0.1	0.0
Financial expenses, other	-	-0.0	-0.0	-0.0
<b>Results from net financial items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
<b>Loss before tax</b>	<b>-9.1</b>	<b>-9.2</b>	<b>-38.7</b>	<b>-36.8</b>
Tax on income for the period	-	-	-	-
<b>Loss at end of the period</b>	<b>-9.1</b>	<b>-9.2</b>	<b>-38.7</b>	<b>-36.8</b>

## Parent Company statement of comprehensive income

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Net profit</b>	<b>-9.1</b>	<b>-9.2</b>	<b>-38.7</b>	<b>-36.8</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>-9.1</b>	<b>-9.2</b>	<b>-38.7</b>	<b>-36.8</b>

## Condensed balance sheet, Parent Company

mSEK	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>		
<b>Fixed assets</b>		
<i>Intangible fixed assets</i>		
Capitalised development costs	9.0	6.7
<b>Total intangible fixed assets</b>	<b>9.0</b>	<b>6.7</b>
<i>Tangible fixed assets</i>		
Equipment	-	0.0
<b>Total tangible fixed assets</b>	<b>-</b>	<b>0.0</b>
<b>Financial assets</b>		
Shares in group companies	192.9	162.9
Long-term receivables from group companies	27.0	33.2
Other non-current financial receivables	-	0.5
<b>Total financial assets</b>	<b>220.0</b>	<b>196.6</b>
<b>Total fixed assets</b>	<b>228.9</b>	<b>203.2</b>
<b>Current assets</b>		
<i>Short term receivables</i>		
Trade receivables	0.5	-
Other receivables	1.1	0.6
Prepaid expenses and accrued income	1.3	1.7
<b>Total short term receivables</b>	<b>3.0</b>	<b>2.3</b>
Cash	220.7	134.8
<b>Total current assets</b>	<b>223.7</b>	<b>137.1</b>
<b>TOTAL ASSETS</b>	<b>452.6</b>	<b>340.3</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>444.4</b>	<b>332.4</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Trade payables	3.9	3.5
Other liabilities	0.5	1.4
Accrued liabilities and deferred income	3.8	3.1
<b>Total current liabilities</b>	<b>8.2</b>	<b>7.9</b>
<b>Total liabilities</b>	<b>8.2</b>	<b>7.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>452.6</b>	<b>340.3</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, 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>
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		-
<b>Total comprehensive loss for the period</b>		<b>-0.8</b>		<b>-40.1</b>	<b>4.1</b>	<b>-36.8</b>
<b>Transactions with shareholders</b>						
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
<b>Total transactions with shareholders</b>	<b>39.4</b>		<b>151.6</b>			<b>191.0</b>
<b>Closing equity December 31, 2020</b>	<b>66.7</b>	<b>6.7</b>	<b>546.2</b>	<b>-250.4</b>	<b>-36.8</b>	<b>332.4</b>
<b>Opening equity January 1, 2021</b>	<b>66.7</b>	<b>6.7</b>	<b>546.2</b>	<b>-250.4</b>	<b>-36.8</b>	<b>332.4</b>
Loss for the period					-38.7	-38.7
Disposition according to AGM						
Loss brought forward				-36.8	36.8	-
Development fund		2.3		-2.3		-
<b>Total comprehensive loss for the period</b>		<b>2.3</b>		<b>-39.1</b>	<b>-1.8</b>	<b>-38.7</b>
<b>Transactions with shareholders</b>						
Costs directed share issue 2020**			-0.1			-0.1
Costs directed share issue 2021****	13.3		137.3			150.7
Conversion warrants, net after issue expenses*****	0.0		0.1			0.1
<b>Total transactions with shareholders</b>	<b>13.4</b>		<b>137.3</b>			<b>150.7</b>
<b>Closing equity December 31, 2021</b>	<b>80.0</b>	<b>9.0</b>	<b>683.5</b>	<b>-289.5</b>	<b>-38.7</b>	<b>444.4</b>

\* Issue expenses amount to SEK 12.4m.

\*\* Issue expenses amounts to SEK 4.4m.

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

\*\*\*\* Issue expenses amounts to SEK 8.8m.

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

## Cash flow statement, Parent Company

mSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Current operations</b>				
Operating loss	-9.1	-9.2	-38.7	-36.9
<i>Adjustments for items not included in cash flow</i>				
Depreciation	0.5	0.7	2.2	2.5
Interest received	0.0	0.0	0.1	0.0
Interest paid	-	-0.0	-0.0	-0.0
<b>Cash flow from current activities before changes in working capital</b>	<b>-8.5</b>	<b>-8.5</b>	<b>-36.5</b>	<b>-34.4</b>
<b>Changes in working capital</b>				
Decrease/increase in current receivables	-1.2	-1.2	-0.7	-0.7
Decrease/increase in current liabilities	2.2	2.0	0.2	1.0
<b>Total changes in working capital</b>	<b>1.0</b>	<b>0.8</b>	<b>-0.4</b>	<b>0.3</b>
<b>Cash flow from operating activities</b>	<b>-7.5</b>	<b>-7.7</b>	<b>-36.9</b>	<b>-34.1</b>
<b>Cash flow from investing activities</b>				
Acquisition subsidiary	-	-	-	-
Acquisition of intangible assets	-2.2	-0.2	-4.4	-1.1
Shareholder contribution	-4.0	-5.5	-30.0	-25.5
Repaid group companies	13.1	6.2	50.2	36.1
Loan group companies	-17.5	-10.6	-44.0	-49.2
Decrease/increase in other non-current receivables	0.5	-0.5	0.5	-0.5
<b>Cash flow from investing activities</b>	<b>-10.1</b>	<b>-10.6</b>	<b>-27.8</b>	<b>-40.3</b>
<b>Cash flow from financing activities</b>				
Issuance of share options	-	-	-	0.1
Conversion warrants	-0.0	-	0.1	-
New share issue	150.7	62.2	150.6	190.9
<b>Cash flow from financing activities</b>	<b>150.7</b>	<b>62.2</b>	<b>150.7</b>	<b>191.0</b>
<b>Cash flow for the period</b>	<b>133.0</b>	<b>43.8</b>	<b>86.0</b>	<b>116.6</b>
Cash and cash equivalents at beginning of period	87.7	91.0	134.8	18.1
<b>Cash and cash equivalents at end of period</b>	<b>220.7</b>	<b>134.8</b>	<b>220.7</b>	<b>134.8</b>

## Notes

### Note 1 Accounting policies

The year-end report for the Group has been prepared in accordance with IAS 34 Interim Reports and the Annual Accounts Act. The year-end 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 year-end 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 recognised 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**

<b>mSEK</b>	<b>Oct-Dec 2021</b>	<b>Oct-Dec 2020</b>	<b>Jan-Dec 2021</b>	<b>Jan-Dec 2020</b>
Germany	1.1	1.1	4.3	3.9
Sweden	0.0	0.0	0.2	0.1
Other countries in Europe	0.3	0.3	1.8	1.0
Other countries outside of Europe	0.0	0.0	0.1	0.0
<b>Total net sales</b>	<b>1.5</b>	<b>1.4</b>	<b>6.5</b>	<b>5.0</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>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 book:</b>	Order book 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>The trochlea area:</b>	The part of the knee joint that is right under the knee-cap, part of the femur (thigh bone)
<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 200 patents and patent applications worldwide, distributed over 30 patent families.

- » The first Episealer<sup>®</sup> surgery in a human was performed in December 2012. At the end of 2021, a total of 1,098 surgeries had been performed.
- » Episurf Medical's head office is located in Stockholm and the company has sales representation in several countries in Europe, Asia and North America.
- » The share (EPIS B) has been listed on Nasdaq Stockholm since June 2014.

## Financial calendar

<b>Year-end report presentation</b>	10:00 (CET), 11 February 2022
<b>AGM</b>	4 April 2022
<b>Interim Report January-March 2022</b>	29 April 2022
<b>Interim Report April-June 2022</b>	15 July 2022
<b>Interim Report July-September 2022</b>	28 October 2022
<b>Year-end Report 2022</b>	10 February 2023

This is a translation of the original Swedish year-end report. In the event of a discrepancy between this translation and the Swedish original, the Swedish year-end report takes precedence. This information is information that Episurf Medical AB (publ) is obliged to make public, pursuant to the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on 11 February 2022 at 08.30 (CET).

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

**Date and start time:** February 11th, 2022, 10:00 (CET)

**Location:** <https://www.finwire.tv/webcast/episurf/q4-2021/>

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.

### Annual General Meeting 2022

The 2022 Annual General Meeting will be held on Monday 4 April 2022. Notice of the AGM will be published no later than the beginning of March 2022 and will also be available at [www.episurf.com](http://www.episurf.com). Shareholders wishing to have a matter addressed at the Annual General Meeting can submit their proposal to Episurf Medical's Board at the address: Episurf Medical AB (publ), Att. The Board, Karlavägen 60, 114 49 Stockholm by e-mail: [ir@episurf.com](mailto:ir@episurf.com). Ahead of the 2022 Annual General Meeting, Episurf Medical's Nomination Committee consists of the following members: Dennis Stripe, Chairman of the Board of Episurf Medical AB, Sebastian Jahreskog, Johan Wadell, representing Andra AP-fonden, Robert Charpentier (Chairman of the Nomination Committee), representing Health Runner AB

### Annual Report 2021

The Annual Report and the Corporate Governance Report are expected to be published at the beginning of March on [www.episurf.com](http://www.episurf.com) and sent out by post to shareholders that have so requested. The documents will also be available at the company's head office.

### The following analysts follow Episurf Medical's development

**DNB Analyst:** Patrik Ling

**Redeye Analyst:** Oscar Bergman

### IR-contact



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