

INTERIM REPORT 1 JANUARY – 31 MARCH 2024

- Reduced cost base following implementation of restructuring programme
- Ongoing regulatory process targeting 510(k)-clearance Episealer® MTP-System
- Largest distribution agreement to date in the US with Performance Orthopaedics of the Carolinas, Inc., an exclusive distributor for DePuy Synthes Reconstruction products for North Carolina and South Carolina

“During the first quarter, our transition towards a higher degree of distributor sales continued. Of course, this change has affected our sales negatively in the short term, but it is the right step to take to reach out on a broader scale and create the conditions for growth globally. We have aimed for a significantly lower cost base, and our personnel costs amounted to SEK 8.5m (11.8) during the first quarter, which is SEK 3.3m lower than the corresponding period last year. Adjusted for accounting technical effects from share-related programs, personnel costs amount to SEK 8.1m, which on a comparable basis is SEK 3.8m better than the previous year. Furthermore, we have a not inconsiderable share of regulatory costs, which we estimate will decrease significantly after 2024. Despite undergoing this transition, growth continues, and we are now positioning ourselves for continued growth through a distributor-focused organization. We ended the first quarter with a gross order intake growth rate of 41% on a rolling 12-month basis, and we continue to grow our customer base and improve our pricing, although the big lift we’re aiming for is still ahead of us. We are expecting a continued cost reduction and a continued revenue increase,” says Pål Ryfors, CEO Episurf Medical.

First quarter 2024 compared to 2023, Group

- » Group net sales amounted to SEK 3.1m (2.5)
- » Gross order intake amounted to SEK 2.7m (2.6)
- » Loss for the period amounted to SEK -20.5m (-23.2)
- » Earnings per share amounted to SEK -0.08 (-0.09)

Significant events during the first quarter 2024

- » Results from up to 10 years follow-up of Episealer® patients were accepted for presentation

Significant events after the quarter

- » Episurf Medical announced a partially secured rights issue of units of up to approximately SEK 120m and notice of Extraordinary General Meeting on 22 May 2024
- » Episurf Medical enters into distribution agreement with exclusive distributor of DePuy Synthes, the orthopaedic arm of the Johnson & Johnson Group, for two US states

Dear shareholders,

During the first quarter, our transition towards a higher degree of distributor sales continued. Of course, this change has affected our sales negatively in the short term, but it is the right step to take to reach out on a broader scale and create the conditions for growth globally. We have aimed for a significantly lower cost base, and our personnel costs amounted to SEK 8.5m (11.8) during the first quarter, which is SEK 3.3m lower than the corresponding period last year. Adjusted for accounting technical effects from share-related programs, personnel costs amount to SEK 8.1m, which on a comparable basis is SEK 3.8m better than the previous year.

Furthermore, we have a not inconsiderable share of regulatory costs, which we estimate will decrease significantly after 2024. Despite undergoing this transition, growth continues, and we are now positioning ourselves for continued growth through a distributor-focused organization. We ended the first quarter with a gross order intake growth rate of 41% on a rolling 12-month basis, and we continue to grow our customer base and improve our pricing, although the big lift we're aiming for is still ahead of us. We are expecting a continued cost reduction and a continued revenue increase.



Recently, we reached our potentially largest commercial milestone to date when we entered into a distribution agreement for the Episealer® Patellofemoral System with Performance Orthopaedics of the Carolinas, Inc., an exclusive distributor for DePuy Synthes Reconstruction products for North Carolina and South Carolina. DePuy Synthes is the orthopaedics company of the Johnson & Johnson group, a global orthopaedic market leader and a company we admire, naturally. The company has a reported market share of 15% within the global Knee reconstruction market, and independent distributors account for a significant share of DePuy Synthes' US sales force. We have been in touch with Depuy Synthes at various levels for several years, and it has been clear that we must establish ourselves within their distributor organization. We believe this is of great importance to us as it is our first agreement of this kind, and our understanding is that distributors within Depuy Synthes rarely bring in external products in their assortment. This agreement shall be seen as a start, and I am pleased to have attracted this type of distributor less than six months after the first US surgeries. The agreement covers regions with a population of approximately 16 million people. We aim to expand our distributor network in the US with additional distributors from the Depuy Synthes organization, and I can confirm that we have ongoing discussions with several parties.

In the US, much time was spent during the quarter following up on the first surgeries and evaluating the first efforts among our distributors. It is very pleasing that several patients have already returned for an Episealer® treatment on their other knee. Limited cartilage and bone lesions, which we focus on in our markets outside the US, are often found in a knee. In developed osteoarthritis, it is significantly more common for the patient to have similar problems in both the left and right knee. This creates opportunities for us. In the latter part of the quarter and the beginning of Q2, we have seen more new customers ordering implants, and we continue our dedicated work in the US.

During the first quarter, the evaluation of Episealer® Knee continued in one of Germany's and also Europe's largest hospital chains. After a 2-year follow-up within the group with very good results, an expert group decided to expand the evaluation of Episealer® Knee evaluation to include more clinics. This is a crucial step in obtaining full approval within this hospital group, which would be a significant milestone for us. We do not have complete insight into what process we can expect or the timetable for this, but it is clear that there is a great interest in our technology and we aim to reach to full approval.

Our regulatory process for our big toe implant (Episealer® MTP System) has continued in full force during the start of the year. We learned a lot during our recent successful 510(k) process (Episealer® Patellofemoral System), and are now working hard to achieve our goal of reaching 510(k) clearance with subsequent market launch in the US in 2024. We look forward to updating our investors on this process going forward.

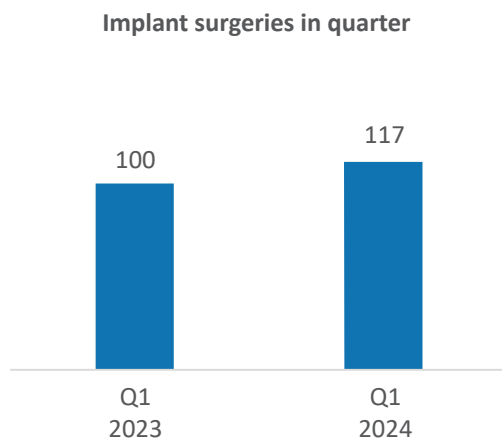
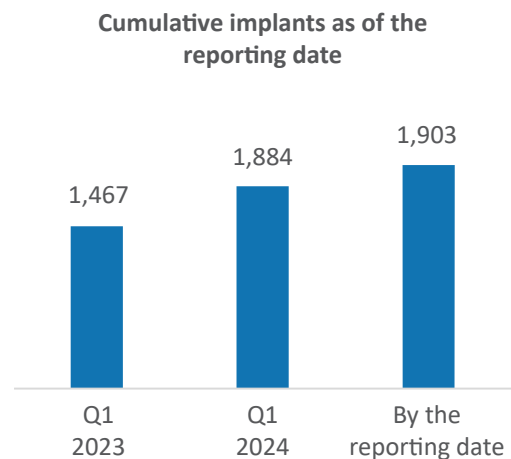
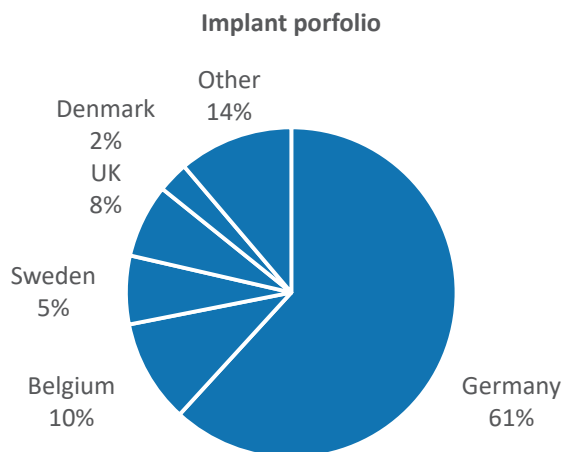
At the start of the second quarter, we announced a partially secured rights issue of up to SEK 120m, with warrants that can provide up to an additional SEK 48m. Conditional upon the rights issue being successfully completed, we will also adopt a financial target to reach annual sales of SEK 150-200 million in the medium term, at which point we expect to become cash flow positive. This transaction is an important step as we are continuing the execution of our global strategy with full force.

Stockholm, April 2024

Pål Ryfors, CEO

BUSINESS UPDATE AND FORWARD-LOOKING STATEMENTS

By the reporting date on April 24, 2024, Episurf Medical's implants had been used in 1,903 surgeries. 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 1,903 implants, several patients have now had their implants between 5 and 10 years since the surgery date. During the first quarter, 117 surgeries were performed with the Episealer® implant. 97 orders were approved for surgery during the first quarter.



FINANCIAL INFORMATION

Group

Net sales and operating profit/loss

Group net sales amounted to SEK 3.1m (2.5) in the quarter. Loss before tax amounted to SEK -20.5m (-23.2) and other expenses, which for example includes expenses for clinical trials, marketing and product development, amounted to SEK -11.5m (-12.9). Personnel costs amounted to -8.5 MSEK (-11.8). Other external and personnel costs have been reduced due to the restructuring program the group carried out in the second half of 2024.

Cash flow and financial position

Group cash and cash equivalents at end of period amounted to SEK 34.6m (130.2). The improved cash flow compared to the corresponding quarter last year is primarily due to the restructuring measures taken by the company. The equity ratio was 78.4% (88.0). Group investments in intangible assets amounted to SEK -0.9m (-2.6) for the quarter of which SEK -0.6m (-2.2) are related to capitalised development costs, remaining investments relates to patents. No significant investments have been made in tangible assets during the quarter or for the year of 2024 or 2023.

Human resources

Number of employees in the Group at end of the period was 25 (35).

Transactions with closely related parties

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

Rights Issue

Episurf Medical has announced a partially secured rights issue of units of up to approximately SEK 120m. Each unit consists of fifteen (15) new class B shares in the Company and six (6) warrants of series TO13 B. Upon full subscription and exercise, the warrants will contribute with additional proceeds of corresponding to a maximum of approximately SEK 48m. The EGM is proposed to approve the Board of Directors' resolution on the Rights Issue and certain related proposals to enable the Rights Issue. The EGM is planned to be held on 22 May 2024. The Company has received subscription commitments and subscription intentions as well as guarantee commitments for approximately 75 percent of the Rights Issue, corresponding to SEK 90 million. In addition to this, the Company's largest shareholder, Health Runner AB, as well as shareholder Sacajo Investments LLC (Niles Noblitt), have expressed an ambition to subscribe for their respective pro-rata shares in the Rights Issue. See more information about the transaction on the company's website.

Warrants and employee stock options

Warrants

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 May 2023, shareholders had the opportunity to convert these warrants for an exercise price of SEK 1.40. During May 2023, 153,527 warrants were exercised and 888,680 warrants expired. As of this interim report, the company has no warrants outstanding. See more information on the company's website.

For more information about staff option programs, see Episurfs Annual Report 2023 note 9 and note 4 below.

Sustainability-related risks

Episurf strives towards monitoring and continuous evaluation of sustainability-related risks and their impact on the Group's operations and earnings. Episurf's opinion is that this work will increase in importance, and the work could include, among other things, materiality analyses, monitoring of targets and commitments and by auditing various units within the company. The Group works towards having an established governance structure that involves both company management and the Board, and aims at continuously improve the company's sustainability activities and minimizing associated risks.

Effects of the COVID-19 pandemic

The company currently does not foresee any effects on our operations. It can't be ruled out that new variants of COVID-19 may delay the company's development or affect delivery disruptions in the future.

Changes related to general economic and political conditions

The situation in Ukraine entails risks of impact on the world economy with increasing cost inflation and disruptions in supply chains. Episurf has no direct exposure to Ukraine or Russia and has assessed that the company is currently not affected.

Due to the escalated conflict in Israel and Gaza since October 2023, the company is also monitoring developments in the Middle East. Episurf has a presence in several countries in the Middle East with limited sales so far and has assessed that there is no material financial impact on the company.

Cyber security

Cyber security has become a significant threat in society and for Episurf, which is dependent on IT. The company has ongoing work to ensure that the company is well prepared to counter cyber-attacks and other types of intrusion.

Rounding

Due to rounding, the sum of numbers may differ.

Share information

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





31 March 2024

A-shares	473,357
B-shares	266,592,090
Total number of shares	267,065,447
Total number of votes	268,012,161

The following table notes the ten largest shareholders based on information available as of March 31, 2024

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
Sebastian Jahreskog	-	12 852 878	4,8	4,8
Rhenman Partners	-	12 666 824	4,8	4,7
Fjärde AP-Fonden	-	12 537 181	4,7	4,7
Tredje AP-Fonden	-	9 980 000	3,7	3,7
LMK Forward AB	-	6 000 000	2,3	2,2
Strand Småbolagsfond	-	5 100 000	1,9	1,9
Niles Noblitt	-	5 080 627	1,9	1,9
Venture Holdings Sarl	-	4 427 043	1,7	1,7
Pål Ryfors	-	3 000 000	1,1	1,1
Total, 10 largest shareholders	-	106 415 654	39,9	39,7
Summary, other	473 357	160 176 436	60,1	60,3
Total	473 357	266 592 090	100,0	100,0

Episurf Medical's strategy rests on four key pillars:

 <p>Clinical and health economical data supporting the Episealer® technology</p>	 <p>Large user base of orthopaedic surgeons and KOL's</p>	 <p>Secure reimbursement and production enabling attractive margins</p>	 <p>Technological and clinical relevance through a high degree of innovation</p>
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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, April 23, 2024

Ulf Grunander
Board chairman

Annette Brodin Rampe
Board member

Christian Krüeger
Board member

Leif Ryd
Board member

Laura Shunk
Board member

Jess Lonner
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	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Operating income				
Net sales	2	3,1	2,5	10,3
Capitalised development expenditure		0,9	2,6	9,5
Other operating income		0,0	0,0	0,3
Total income		4,0	5,2	20,1
Operating expenses				
Merchandise		-2,4	-1,7	-7,3
Other expenses	3	-11,5	-12,9	-54,3
Personnel costs	4	-8,5	-11,8	-46,6
Depreciation of equipment and non-current assets		-2,1	-1,9	-8,7
Total operating expenses		-24,6	-28,3	-116,9
Operating loss		-20,6	-23,1	-96,7
Financial items				
Financial income, other		0,4	0,1	3,1
Financial expenses, other		-0,3	-0,2	-0,9
Results from net financial items		0,1	-0,1	2,2
Loss before tax		-20,5	-23,2	-94,6
Tax on income for the period		-0,0	-	-0,3
Loss for the period		-20,5	-23,2	-94,8
Net loss attributable to:				
Parent company shareholders		-20,5	-23,2	-94,8
Earnings per share before and after dilution, SEK		-0,08	-0,09	-0,36
Average number of shares		267 065 447	266 911 920	266 997 306
Average number of shares after dilution		267 065 447	267 954 127	266 997 306

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Net profit (loss)		-20,5	-23,2	-94,8

Other comprehensive income for the period:

Other comprehensive income that may be reclassified subsequently to profit or loss for the period, net of tax

		0,1	-0,0	-0,1
Total comprehensive income (loss) for the period		-20,5	-23,2	-94,9

The period's loss and comprehensive income attributable to

Owners of the parent

-20,5 -23,2 -94,9

CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	31 Mar 2024	31 Mar 2023	31 Dec 2023
ASSETS				
Non-current assets				
<i>Intangible fixed assets</i>				
Capitalised development costs	5	21,3	17,5	21,5
Patents	5	11,9	13,5	12,2
Total intangible fixed assets		33,2	31,0	33,7
<i>Equipment and right-of use asset</i>				
Right-of-use assets		5,0	8,5	5,6
Equipment		0,0	0,1	0,0
Total equipment and right-of-use asset		5,1	8,6	5,6
Total non-current assets		38,3	39,6	39,3
Current assets				
Inventories		3,4	2,0	3,7
Trade receivables		2,0	2,2	1,4
Other receivables		0,7	1,1	0,5
Deferred expenses and accrued income		3,1	0,9	1,5
Cash		34,6	130,2	57,9
Total current assets		43,8	136,5	65,0
TOTAL ASSETS		82,1	176,1	104,3

CONDENSED CONSOLIDATED BALANCE SHEET

mSEK	Note	31 Mar 2024	31 Mar 2023	31 Dec 2023
EQUITY AND LIABILITIES				
Equity		64,4	154,9	84,5
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities		0,2	0,4	0,2
Non-current lease liability		1,6	4,8	2,3
Total long-term liabilities		1,8	5,2	2,4
<i>Current liabilities</i>				
Trade payables		7,9	5,6	6,1
Current lease liability		3,1	3,1	2,9
Other liabilities		1,3	1,8	1,9
Accrued liabilities and deferred income		3,7	5,4	6,4
Total current liabilities		15,9	16,0	17,4
Total liabilities		17,7	21,2	19,8
TOTAL EQUITY AND LIABILITIES		82,1	176,1	104,3
Equity ratio		78,4%	88,0%	81,0%
Equity per share, SEK		0,24	0,58	0,32

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, 2023	80,1	684,8	-0,2	-587,0	177,7
Total comprehensive income for the year				-94,8	-94,8
Other comprehensive income			-0,1		-0,1
Transactions with shareholders					
Conversion warrants, net after issue expenses*	0,0			0,2	0,2
Warrants issued to staff				1,5	1,5
Total transactions with shareholders	0,0			1,7	1,7
Closing equity December 31, 2023	80,2	684,8	-0,3	-680,2	84,5
Opening equity January 1, 2024	80,2	684,8	-0,3	-680,2	84,5
Total comprehensive income for the period				-20,5	-20,5
Other comprehensive income			0,1		0,1
Total comprehensive income			0,1	-20,5	-20,5
Transactions with shareholders					
Adjustment conversion warrants, net after issue expenses		0,2		-0,2	0,0
Share-related compensation (stock option program)				0,4	0,4
Total transactions with shareholders		0,2		0,2	0,4
Closing equity March 31, 2024	80,2	685,0	-0,2	-700,5	64,4

* Expenses amounts to SEK 0.0m.

CONSOLIDATED CASH FLOW STATEMENT

mSEK	Note	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Operating activities				
Operating loss		-20,6	-23,1	-96,7
<i>Adjustments for items not included in cash flow</i>				
Depreciation		2,1	1,9	8,7
Employee stock option expenses		0,4	-0,2	0,7
Interest received		0,4	0,0	2,3
Interest paid		-0,3	-0,1	-0,6
Cash flow from current operations before change in working capital		-18,0	-21,5	-85,6
Change in working capital				
Decrease/increase in inventory		0,3	-0,2	-1,8
Decrease/increase in trade receivables		-0,6	-0,3	0,4
Decrease/increase in current receivables		-1,8	-0,1	-0,0
Decrease/increase in current liabilities		-2,2	0,4	2,2
Change in working capital		-4,4	-0,2	0,7
Cash flow from operating activities		-22,3	-21,7	-84,8
Investing activities				
Investments of intangible fixed assets		-0,9	-2,6	-9,5
Investments of tangible fixed assets		-	0,0	-0,0
Cash flow from investing activities		-0,9	-2,6	-9,5
Financing activities				
Amortisation of lease debt		-0,1	-0,8	-3,2
Issuance of share options		-	-	0,2
Cash flow from financing activities		-0,1	-0,8	-3,0
Cash flow for the period		-23,3	-25,1	-97,4
Cash and cash equivalents at beginning of period		57,9	155,3	155,3
Cash and cash equivalents at end of period		34,6	130,2	57,9

INCOME STATEMENT, PARENT COMPANY

mSEK	Note	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Operating income				
Net sales		0,3	0,3	1,1
Capitalised development expenditure		0,6	2,2	8,3
Total income		0,8	2,4	9,4
Operating costs				
Other external expenses		-8,6	-9,6	-37,6
Personnel costs		-4,3	-5,0	-22,0
Amortisation of intangible assets and depreciation of property, plant and equipment		-0,8	-0,5	-2,7
Total operating costs		-13,6	-15,1	-62,3
Operating loss		-12,8	-12,6	-52,9
Financial items				
Write-downs of financial fixed assets and short-term investments		-	-	-81,2
Financial income, other		0,0	0,0	2,3
Financial expenses, other		-0,1	-0,0	-0,0
Results from net financial items		-0,1	-0,0	-78,9
Loss before tax		-12,9	-12,7	-131,8
Tax on income for the period		-	-	-
Loss at end of the period		-12,9	-12,7	-131,8

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

mSEK	Note	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Net profit		-12,9	-12,7	-131,8
<i>Other comprehensive income for the period:</i>				
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		-12,9	-12,7	-131,8

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	31 Mar 2024	31 Mar 2023	31 Dec 2023
ASSETS				
Fixed assets				
<i>Intangible fixed assets</i>				
Capitalised development costs	5	21,3	17,5	21,5
Total intangible fixed assets		21,3	17,5	21,5
<i>Financial assets</i>				
Shares in group companies		208,0	259,2	202,0
Long-term receivables from group companies		32,2	0,8	22,7
Total financial assets		240,2	260,0	224,7
Total fixed assets		261,5	277,5	246,2
Current assets				
<i>Short term receivables</i>				
Trade receivables		-	0,4	-
Other receivables		0,5	0,4	0,2
Prepaid expenses and accrued income		2,5	1,2	0,9
Total short term receivables		3,0	1,9	1,1
Cash		20,0	118,2	42,3
Total current assets		22,9	120,1	43,5
TOTAL ASSETS		284,5	397,6	289,6

CONDENSED BALANCE SHEET, PARENT COMPANY

mSEK	Note	31 Mar 2024	31 Mar 2023	31 Dec 2023
EQUITY AND LIABILITIES				
Equity		258,4	390,2	271,3
Liabilities				
<i>Non-current liabilities</i>				
Non-current liabilities to group companies		17,3	-	8,9
Total long-term liabilities		17,3	-	8,9
<i>Current liabilities</i>				
Trade payables		5,5	2,9	3,3
Other liabilities		0,8	0,7	0,8
Accrued liabilities and deferred income		2,6	3,8	5,4
Total current liabilities		8,8	7,4	9,5
Total liabilities		26,1	7,4	18,4
TOTAL EQUITY AND LIABILITIES		284,5	397,6	289,6

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, 2023	80,1	15,9	683,9	-335,0	-42,0	402,9
Loss for the year					-131,8	-131,8
Disposition according to AGM						
Loss brought forward				-42,0	42,0	-
Development fund		5,6		-5,6		-
Total comprehensive loss for the period		5,6		-47,6	-89,8	-131,8
Transactions with shareholders						
Conversion warrants, net after issue expenses*	0,0		0,2			0,2
Total transactions with shareholders	0,0		0,2			0,2
Closing equity December 31, 2023	80,2	21,5	684,1	-382,7	-131,8	271,3
Opening equity January 1, 2024	80,2	21,5	684,1	-382,7	-131,8	271,3
Loss for the period					-12,9	-12,9
Disposition according to AGM						
Loss brought forward				-131,8	131,8	-
Development fund		-0,2		0,2		-
Total comprehensive loss for the period		-0,2		-131,6	118,9	-12,9
Closing equity March 31, 2024	80,2	21,3	684,1	-514,2	-12,9	258,4

* Expenses amounts to SEK 0.0m.

CASH FLOW STATEMENT, PARENT COMPANY

mSEK	Note	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Current operations				
Operating loss		-12,8	-12,6	-52,9
<i>Adjustments for items not included in cash flow</i>				
Depreciation		0,8	0,5	2,7
Interest received		0,0	0,0	2,3
Interest paid		-0,1	0,0	-0,0
Cash flow from current activities before changes in working capital		-12,1	-12,1	-47,8
Changes in working capital				
Decrease/increase in current receivables		-1,7	-0,1	0,2
Decrease/increase in current liabilities		-0,4	-1,2	0,8
Total changes in working capital		-2,1	-1,3	1,0
Cash flow from operating activities		-14,3	-13,5	-46,8
Cash flow from investing activities				
Acquisition of intangible assets		-0,6	-2,2	-8,3
Shareholder contribution		-6,0	-3,0	-27,0
Repaid group companies		6,5	5,5	7,6
Loan group companies		-8,0	-10,8	-7,0
Cash flow from investing activities		-8,1	-10,4	-34,7
Cash flow from financing activities				
Raised loans group companies		-	-	2,0
Amortisation debt group companies		-	-	-20,5
Conversion warrants		-	-	0,2
Cash flow from financing activities		-	-	-18,3
Cash flow for the period		-22,3	-23,9	-99,8
Cash and cash equivalents at beginning of period		42,3	142,2	142,2
Cash and cash equivalents at end of period		20,0	118,3	42,3

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 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. Information according to IAS 34.16A is included in these financial statements and related notes as well in other parts of this interim report.

Note 2 Breakdown of net sales by country is as follows

mSEK	Jan-Mar 2023	Jan-Mar 2023	Jan-Dec 2023
Germany	1,7	2,0	6,1
US	0,6	-	0,4
Nordic	0,2	0,1	0,7
Other countries in Europe	0,6	0,4	2,8
Other countries outside of Europe	0,1	0,0	0,4
Total net sales	3,1	2,5	10,3

Note 3 Other expenses

mSEK	Jan-Mar 2023	Jan-Mar 2023	Jan-Dec 2023
Product development	0,9	2,1	8,4
Patent costs	0,2	0,5	1,5
Costs for clinical studies	2,5	2,2	9,2
Sales and marketing costs	4,1	4,8	21,4
Other expenses	3,9	3,2	13,8
Total other expenses	11,5	12,9	54,3

Note 4 Changes in outstanding stock options

Changes in outstanding stock options of series 2023/2026	31 Mar 2024	31 Dec 2023
Opening balance	2 479 537	-
Granted	-	3 813 109
Expired	-	-1 333 572
Amount at end of period	2 479 537	2 479 537

Changes in outstanding stock options of series 2022/2025	31 Mar 2024	31 Dec 2023
Opening balance	1 456 340	1 817 887
Expired	-	-361 547
Amount at end of period	1 456 340	1 456 340

Changes in outstanding stock options of series 2021/2024	31 Mar 2024	31 Dec 2023
Opening balance	2 256 503	2 443 877
Expired	-	-187 374
Amount at end of period	2 256 503	2 256 503

Changes in outstanding stock options of series 2020/2023	31 Mar 2024	31 Dec 2023
Opening balance	4 445 747	4 859 375
Expired	-	-413 628
Amount at end of period	4 445 747	4 445 747

Note 5 Intangible assets

Patents, mSEK	31 Mar 2024	31 Dec 2023
Opening cost	38,9	37,7
Purchases	0,3	1,2
Sales and disposals	-	0,0
Closing accumulated cost	39,3	38,9

Opening depreciation	-26,7	-24,1
The year's depreciation	-0,6	-2,6
Sales and disposals	-	0,0
Closing accumulated depreciation	-27,4	-26,7
Closing carrying amount	11,9	12,2

Development expenses, mSEK	31 Mar 2024	31 Dec 2023
Closing cost	37,5	29,2
The year's capitalisation	0,6	8,3
Closing accumulated cost	38,1	37,5

Opening depreciation	-16,1	-13,4
The year's depreciation	-0,8	-2,7
Closing accumulated depreciation	-16,8	-16,1

Closing carrying amount	21,3	21,5
Closing carrying amount, patents and development expenses	33,2	33,7

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.
ESSKA:	European Society of Sports Traumatology, Knee Surgery & Arthroscopy
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.
MTP:	Short for metatarsophalangeal, refers to relations between the metatarsal bones and the proximal phalanges (toe bones) of the toes.
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.
Patellofemoral:	Refers to relations between the patella (knee cap) and femur (thighbone) in the knee.
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.
Talus:	A foot bone constituting a part of the ankle joint. Also referred to as astragalus and ankle bone.
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.
The trochlea area:	The part of the knee joint that is right under the knee-cap, part of the femur (thigh bone).
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 iFidelity® 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 two types of knee implants on the market

» Episealer® Knee (comprising Episealer® Condyle Solo, Episealer® Trochlea Solo and Episealer® Femoral Twin) for the treatment of localised cartilage and underlying bone defects on the femoral condyles and in the trochlea area of the knee joint.

» Episealer® Patellofemoral System for the treatment of isolated osteoarthritis of the patellofemoral joint.



Episealer®
Condyle Solo



Episealer®
Trochlea Solo



Episealer®
Femoral Twin



Episealer®
Patellofemoral System



Episealer® Talus

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. 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.

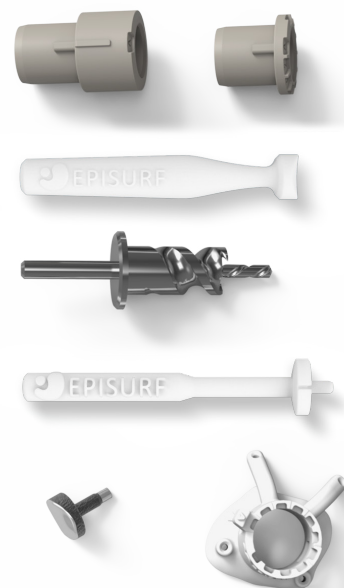
Patents and patent applications

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 more than 200 patents and patent applications worldwide, distributed over 35 patent families.

» The first Episealer® surgery in a human was performed in December 2012. At the end of 2023, a total of 1,768 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

Interim Report April-June 2024

12 July 2024

Interim Report July-September 2024

25 October 2024

Year-end Report 2024

7 February 2025

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 year-end report takes precedence. The information was submitted for publication, through the agency of the contact person set out below, on April 24, 2024 at 08.30 (CEST).

A report presentation will be uploaded on Episurf's website and on the platform Quartr on the reporting day.

The following analysts follow Episurf Medical's development

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