

INTERIM REPORT APRIL – JUNE 2022

S2Medical AB (publ)



INTERIM REPORT

APRIL – JUNE 2022

SUMMARY OF THE INTERIM REPORT

During the second quarter, sales in regular wound healing products amounted to M SEK 0.5 (1.9). The Group's net turnover during the quarter amounted to MSEK 0.9 (2.2). Turnover during the second quarter of 2021 was affected by a larger one-off sale of approximately MSEK 0.9. The turnover of wound healing products in the first half of 2022 amounted to MSEK 2.3 (2.6), which indicates that sales within the Company's turnover during the second quarter of 2022 were affected due to the war in Ukraine, which caused disruptions in logistics chains and reduced willingness from distributors to temporarily tie up capital in stock assets. During the quarter, S2Medical AB has strived to strengthen its stock, as it has been assessed that the reduced turnover is of a temporary nature, which is also supported by inventories made at distributors, which indicate that sales to end customers have continued at a normal rate during the quarter resulting in low stock quantities in the distributor chain. As a result of more winning tenders during the period, the Company has focused on securing raw material stocks for the coming year in order to safeguard manufacturing capacity, which together with issue costs negatively affected the cash flow for the period. During the second quarter of 2022, the Group's liquidity has been strengthened through an issue of units with preferential rights for S2Medical AB's shareholders.

DEVELOPMENT WITHIN THE GROUP, APRIL - JUNE 2022

- Net turnover within the Company's regular wound healing products amounted to MSEK 0.5 (1.9)
- Total net turnover amounted to MSEK 0.9 (2.2)
- Operating result amounted to MSEK -6.2 (-4.1)
- Result for the period amounted to MSEK -6.8 (-4.1)
- Earnings per share amounted to SEK -0.33 (-0.28)

SIGNIFICANT EVENTS DURING THE PERIOD, APRIL 1 - JUNE 30 2022

As of April 13, S2Medical AB has received an order code (Oracle code) for the products in the Epiprotect series in Mediclinic in the United Arab Emirates. Mediclinic is one of the largest private healthcare providers in the country, with seven hospitals and over 20 clinics with a total of over 900 beds. The order code enables regular orders of the coded product and as such has opened up further growth in the Company's branch in Dubai.

On April 28, it was announced that S2Medical AB, via Mediq AB, won a procurement at Region Jönköping for wound healing items. The products in the procurement are Ynolen's perfume-free odor remover and a wound scraper, both of which are manufactured by subcontractors to the Company. The procurement runs over four years and is estimated to be worth a total of approximately MSEK 4.5.

On May 10, S2Medical AB announced the result of the issuance of units with preferential rights for the Company's shareholders, which was announced on March 15. The rights issue was subscribed for at 37.0 per cent, with and without the support of unit rights, the remaining part of the rights issue is allocated to underwriters and the Company is thereby provided with a total of approximately MSEK 21 before issue costs.

On June 8, it was announced that S2Medical AB had recruited a new Chief Financial Officer. Ingvid Pizarro, who comes from a position as Vice President at the listed company Hoylu AB, will start the position as Chief Financial Officer in September at the latest.

As of June 15, S2Medical AB has received notification from the control body that an extended shelf life, from one to three years, for products in the Epiprotect series has been approved. The approval was obtained after review of the required testing and documentation. S2Medical AB has already carried out the tests required to further increase the durability of the products to five years, and intends to submit an application to ECM for approval of the documentation in the near future.

On June 15, it was announced that S2Medical AB had won a procurement for wound healing items in the five Swedish regions collectively known as Femklövern. The products referred to in the procurement are Ynolen's perfume-free odor remover, which is manufactured by a subcontractor to the Company. The procurement runs for a maximum of four years and is estimated to be worth up to MSEK 6. The value of the procurement is calculated based on previous years' consumption.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

As of July 26, S2Medical AB (publ) has signed an exclusive distribution agreement with Wesbury Trading for the Qatari market. The agreement covers all products that the Company represents in the region and involves initial orders totalling approximately SEK 250 000, as well as obligations for additional orders of at least MSEK 8 over the next three years in order to maintain the validity of the contract. Wesbury Trading is a large distribution company in Qatar and represents several well-known brands in a number of medical device categories.



A FEW WORDS FROM OUR CEO

I would like to start by thanking all existing investors and welcoming all the new who, like us, believe in the company and participated in the rights issue S2Medical carried out during the second quarter of 2022. S2Medical is a company that strives to make a difference, a company that has its sights set on changing wound care into wound healing on a global market. With its strong portfolio in wound healing, the company already has a position as a leading player in several of the countries in the Middle East and Scandinavia. S2Clinic, which is S2Medical's clinical department for wound healing, has since its start healed numerous chronic wounds and has proven that our technologies can reduce a considerable size of the cost for healthcare in social welfare states.

Sales during the second quarter of 2022 has mainly been delivered from our distributors' warehouses, a strategic decision made due to the war in Ukraine. S2Medical wants to secure the supply of burn dressing within the EU, as burn dressing are a strategically sensitive products during times of war. At the same time, our team has increased our production during the quarter and has been able to secure raw materials for the rest of the year. As a result of the world situation our team was successful in increasing the durability of the product, which is especially important when creating extra emergency inventories to keep on stock. As a result, we are now able to release products to our overseas distributors while minimizing the risks of being affected by uncertain times. As a result, you can see this in the temporary decrease in sales, which we consider more as a postponement of sales than a real decrease. Our expectations for continued growth in the wound healing assortment are still unchanged for future quarters.

In addition to the secured liquidity this quarter, we've also had the pleasure to announce that the company has won two procurements in Sweden and received an oracle code with Mediclinic in the United Arab Emirates which is great news!

PETTER SIVLÉR
CEO

S2MEDICAL IN BRIEF

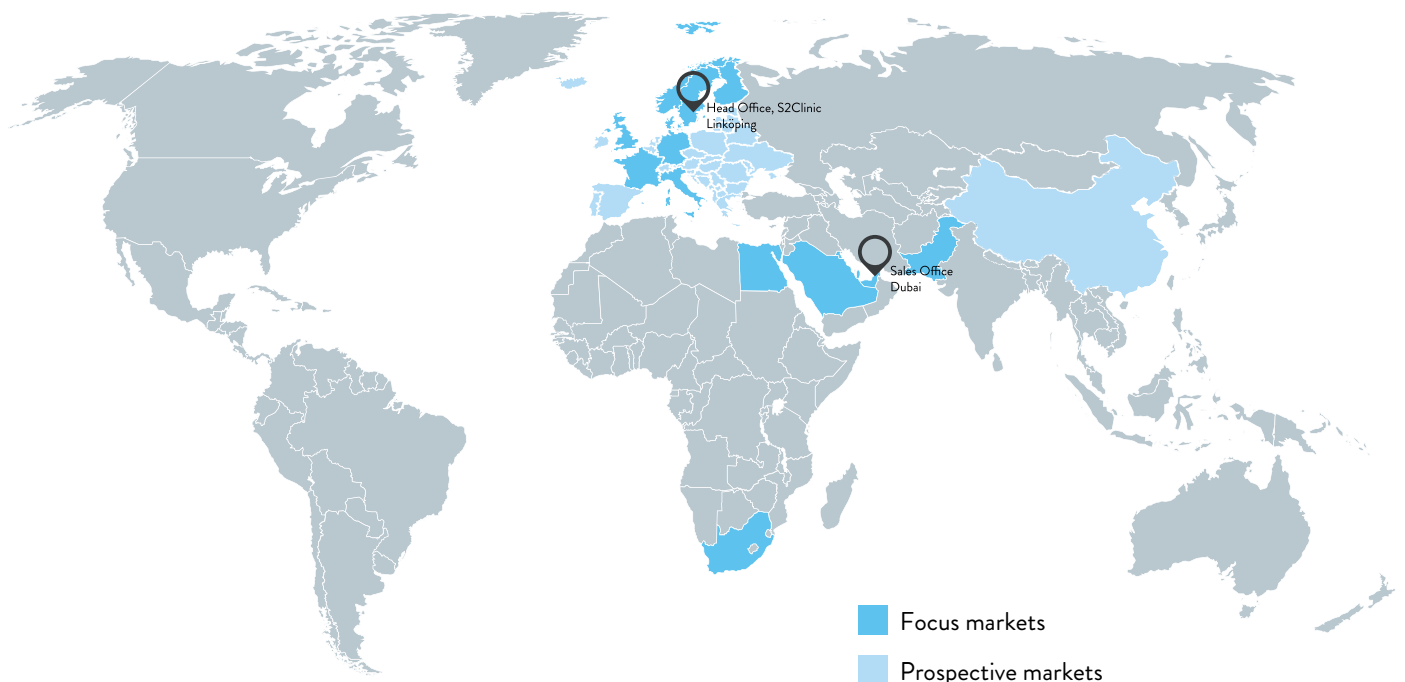
S2Medical is an innovative medical technology group founded in 2013, with the vision of replacing wound care with a holistic concept for wound healing, the Company intends to become a market-leading player in wound healing for burns and chronic wounds.

The Group offers a holistic concept in wound healing, based on the three essential steps of debridement, granulation, and re-epithelialization. In addition to proprietary products, S2Medical AB is also a reseller of a broad portfolio of medical technology products in wound healing. During the third quarter of 2021, the Company completed the acquisition of Curenc AB, a technology platform for antibacterial peptides, which the Company believes will involve a major advance in the treatment of multi-resistant bacteria. The subsidiary Instagraft AB is already part of the Company group.

S2Medical AB operates in an attractive market undergoing growth, the global wound care market is expected to amount to Bn.USD 27.3 in 2028, with an average annual growth (CAGR) of 4.1% during the period 2020-2028. Growth is driven, among other things, by an aging population and an increased incidence of chronic diseases.

S2Medical AB has its head office and production facility in Linköping, Sweden. Since 2019, the Company has also been established in the Middle East through a sales office based in Dubai. The Company has also had its own wound healing center in Linköping since 2018, under the name S2Clinic.

Sales of the Companies' products take place via direct sales in the Nordic region, and via a strategic network of distributors in the Company's other main markets; Europe, the Middle East, Africa and Asia.



FINANCIAL OVERVIEW

Figures in parentheses below indicate information for the corresponding period during the previous financial year.

TURNOVER AND RESULT FOR THE GROUP

Turnover for the second quarter amounted to MSEK 0.9 (2.2). The change compared with previous years is attributable to weaker sales in the Middle East during the second quarter, which was affected by a larger one-off order of approximately MSEK 0.9 in 2021. Inventories of distributors' stocks indicate, however, that sales to end customers continued at normal levels during the quarter, which suggests that more orders may come in the second half of the year.

Expenses have increased compared with the previous year, attributable to increased external costs as a result of increased consulting fees and increased marketing costs during the quarter. The increased consulting costs are largely related to the work the Company has carried out to increase the durability of the products in the Epiprotect series. Personnel costs are higher as a result of increased personnel and a negative currency effect from the Company's branch in the United Arab Emirates. Interest expenses have increased as a result of the loan financing that S2Medical AB raised during the fourth quarter of 2021.

The result for the second quarter amounted to MSEK -6.8 (-4.1), and, in addition to the increased costs mentioned above, is also negatively affected compared to the previous year by increased interest expenses as a result of the loan financing S2Medical AB raised during the fourth quarter of 2021.

FINANCIAL POSITION

Cash and cash equivalents as of the balance sheet date amounted to MSEK 10.8, compared with MSEK 2.1 at the beginning of the period. Cash flow for the quarter amounted to MSEK 8.5 (-6.8). Cash flow during the quarter was positively affected by the issuance of units which S2Medical carried out during the second quarter.

The equity/assets ratio at the end of the period was 50%.

INVESTMENTS

No significant investments have been made during the first quarter of 2022.

PARENT COMPANY

The Parent Company's revenues for the second quarter amounted to MSEK 0.9 (2.2). The operating result for the second quarter amounted to MSEK -6.0 (-4.1). The Parent Company's equity amounted to MSEK 16.6 (24.2) at the end of the period.

CHANGE IN EQUITY FOR THE GROUP

(Amounts in TSEK)	2022-01-01 – 2022-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
Opening equity	14 681	32 973	32 973
Payment of share capital	618	0	16
New issue	20 455	0	1 874
Direct issue costs	-4 889	0	-103
Result for the period	-14 583	-8 581	-20 079
Closing equity	16 282	24 392	14 681

S2MEDICAL AB's STOCK

S2Medical AB has been listed on the Nasdaq First North Growth Market since 2018 (ticker: S2M).

As of June 30, 2021, S2Medical AB had 25 598 541 outstanding shares, of which 3 125 000 were A shares and 22 473 521 B shares. At the beginning of the quarter, the number of shares amounted to 15 052 083 outstanding shares, of which 3 125 000 were A shares and 11 927 083 B shares.

DATA PER SHARE

(St.)	2022-04-01 – 2022-06-30	2021-04-01 – 2021-06-30	2022-01-01 – 2021-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
Number of shares outstanding at the end of the period	25 598 451	14 785 417	25 598 451	14 785 417	15 052 083
Average number of shares at the end of the period	20 320 312	14 785 417	17 686 198	14 785 417	14 829 861
Earnings per share, SEK	-0,33	-0,28	-0,82	-0,58	-1,33

The table below shows S2Medical's largest shareholders at the end of the period.

Name	No. of A shares	No. of B shares	Capital %	Votes %
SivlerSkog Group AB	2 500 000	2 530 667	19,65	51,25
Arbona AB (publ)	625 000	910 784	6,00	13,33
Avanza Pension		1 391 806	5,44	2,59
BigState International Investment Ltd		1 335 400	5,22	2,49
Johan Grevelius		890 904	3,48	1,66
Avaco AB		654 584	2,56	1,22
Fadi Barakat		638 780	2,50	1,19
LUSAM Invest AB		605 028	2,36	1,13
Iraj Arastoupour		523 667	2,05	0,97
Martin Öhrn		378 381	1,48	0,70
Other		12 613 540	49,27	23,48
Total	3 125 000	22 473 541	100	100

ACCOUNTING PRINCIPLES

The Company prepares its accounts in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 (K3). The Company is a Parent Company of the wholly owned subsidiaries Instagraft AB, 559049-5817 and Curenc AB, 559273-5137.

UPCOMING REPORTING PERIODS

Interim Report, third quarter, 2022	November 8, 2022
Year-end Report for 2022	February 28, 2023

This report has not been subject to review by the auditor.

CERTIFIED ADVISER

Vator Securities AB (telephone +46 8 580 065 99/www.vatorsec.se) is the Company's Certified Adviser on the Nasdaq First North Growth Market.

FOR MORE INFORMATION

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The information in this press release is such that S2Medical AB (publ.) is obliged to publish in accordance with the EU Market Abuse Regulation (EU) No. 596/2014 and the Swedish Securities Market Act. The information was submitted, through the care of the specified contact person, for publication on August 20, 2022 at 21:00.

FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

(Amounts in TSEK)	2022-04-01 – 2022-06-30	2021-04-01 – 2021-06-30	2022-01-01 – 2022-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
OPERATING REVENUE					
Net turnover	881	2 174	2 695	5 375	7 700
Change of stock items during manufacture, finished goods and work in progress on behalf of others	2 044	622	2 014	608	541
Capitalized production	415	1 144	904	2 108	2 934
Other operating revenue	312	145	385	304	326
Total operating revenue	3 653	4 085	5 998	8 396	11 501
OPERATING EXPENSES					
Raw materials and consumables	-886	-1 317	-2 132	-3 465	-4 078
Other external costs	-3 355	-2 875	-7 249	-5 910	-12 206
Personnel costs	-5 110	-3 584	-9 261	-6 834	-13 334
Depreciation	-487	-326	-965	-655	-1 494
Other operating expenses	-12	-69	-48	-92	-225
Total operating expenses	-9 851	-8 170	-19 654	-16 956	- 31 337
OPERATING RESULT	-6 199	-4 085	-13 655	-8 560	-19 836
RESULT FROM FINANCIAL ITEMS					
Other interest income and similar profit or loss items	0	0	0	0	0
Interest expenses and similar profit or loss items	-600	-11	-928	-21	-243
Total result from financial items	-600	-11	-928	-21	-243
RESULT AFTER FINANCIAL ITEMS	-6 799	-4 096	-14 583	-8 581	-20 079
RESULT FOR THE PERIOD	-6 799	-4 096	-14 583	-8 581	-20 079
RESULT FOR THE PERIOD	-6 799	-4 096	-14 583	-8 581	-20 079
Attributable to the Parent Company's shareholders	-6 799	-4 096	-14 583	-8 581	-20 079

CONSOLIDATED BALANCE SHEET

(Amounts in TSEK)	2022-06-30	2021-06-30	2021-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill	1 513	0	1 702
Capitalized expenses for development work and similar work	9 953	8 714	9 346
Patents	468	779	623
Total Intangible fixed assets	11 933	9 493	11 671
Tangible fixed assets			
Plant and machinery	726	968	897
Equipment, tools and fittings	800	967	847
Total tangible fixed assets	1 526	1 935	1 744
TOTAL FIXED ASSETS	13 459	11 428	13 415
CURRENT ASSETS			
Inventory etc.			
Raw materials and consumables	4 668	1 728	2 338
Finished goods and merchandise	1 027	1 984	1 328
Advances to suppliers	1 086	903	957
Total Inventory etc.	6 781	4 615	4 623
Current receivables			
Accounts receivable	470	1 661	753
Current tax receivables	0	0	0
Other receivables	632	658	511
Prepaid expenses and accrued income	574	1 094	895
Total current receivables	1 676	3 414	2 159
Cash and bank balances	10 759	9 829	9 479
TOTAL CURRENT ASSETS	19 216	17 858	16 262
TOTAL ASSETS	32 675	29 286	29 676

CONSOLIDATED BALANCE SHEET CONT.

(Amounts in TSEK)	2022-06-30	2021-06-30	2021-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1 499	866	882
Other contributed capital	99 181	81 783	83 554
Other equity including result for the year	-84 397	-58 257	-69 755
Total Equity	16 282	24 392	14 681
Long-term liabilities			
Liabilities to credit institutions	0	0	0
Total long-term liabilities	0	0	0
Short-term liabilities			
Liabilities to credit institutions	0	519	208
Advances from customers	231	402	114
Accounts payable	1 410	974	988
Current tax liabilities	70	51	73
Other liabilities	10 607	499	10 654
Accrued expenses and prepaid income	4 075	2 450	2 958
Total short-term liabilities	16 393	4 894	14 995
TOTAL EQUITY AND LIABILITIES	32 675	29 286	29 676

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in TSEK)	2022-04-01 – 2022-06-30	2021-04-01 – 2021-06-30	2022-01-01 – 2022-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
OPERATING ACTIVITIES					
Operating result	-6 199	-4 085	-13 655	-8 560	-19 836
Depreciation	487	326	965	655	1 494
Interest paid	-96	-11	-424	-21	-32
Tax paid	20	10	-3	15	36
Adjustments for items not included in the cash flow	0	-23	0	-23	-18
Cash flow from operating activities before changes in working capital	-5 787	-3 784	-13 118	-7 935	-18 356
Cash flow from changes in working capital					
Changes in inventory	-1 677	-589	-2 157	-86	-94
Changes in current receivables	789	-1 279	483	-1 916	-495
Changes in short-term liabilities	-297	36	1 104	-707	-720
Cash flow from operating activities	-6 972	-5 616	-13 688	-10 645	-19 665
INVESTMENT ACTIVITIES					
Acquisition of intangible fixed assets	-415	-1 145	-904	-2 108	-2 909
Acquisition of tangible fixed assets	-110	0	-104	-74	-188
Sale of tangible fixed assets	0	73	0	73	73
Acquisition of subsidiaries	0	0	0	0	0
Cash flow from investment activities	-525	-1 072	-1 008	-2 109	-3 024
FINANCING ACTIVITIES					
Loans taken	0		0	0	10 000
Amortization of loans	-52	-156	-208	-312	-623
New issue	21 073	0	21 073	0	0
Issue costs	-4 889	0	-4 889	-2 426	-2 529
Subscription warrants	0	0	0	0	0
Cash flow from financing activities	16 132	-156	15 977	-2 737	6 848
CASH FLOW FOR THE PERIOD	8 635	-6 843	1 280	-15 491	-15 841
Cash and cash equivalents at the beginning of the period	2 124	16 673	9 479	25 320	25 320
Cash and cash equivalents at the end of the period	10 759	9 829	10 759	9 829	9 479

PARENT COMPANY INCOME STATEMENT

(Amounts in TSEK)	2022-04-01 – 2022-06-30	2021-04-01 – 2021-06-30	2022-01-01 – 2022-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
OPERATING REVENUE					
Net turnover	881	2 174	2 695	5 375	7 700
Change of stock items during manufacture, finished goods and work in progress on behalf of others	2 044	622	2 014	608	541
Capitalized production	415	1 144	904	2 108	2 934
Other operating revenue	312	145	385	305	326
Total operating revenue	3 653	4 085	5 998	8 396	11 501
OPERATING EXPENSES					
Raw materials and consumables	-886	-1 317	-2 132	-3 465	-4 078
Other external costs	-3 298	-2 874	-7 176	-5 909	-12 182
Personnel costs	-5 110	-3 584	-9 261	-6 834	-13 334
Depreciation	-389	-322	-768	-647	-1 290
Other operating expenses	-12	-69	-48	-93	-225
Total operating expenses	-9 696	-8 166	-19 384	-16 948	-31 109
OPERATING RESULT	-6 044	-4 081	-13 386	-8 552	-19 608
RESULT FROM FINANCIAL ITEMS					
Other interest income and similar profit or loss items	0	0	0	0	0
Interest expenses and similar profit or loss items	-600	-11	-928	-21	-243
Total result from financial items	-600	-11	-928	-21	-243
RESULT AFTER FINANCIAL ITEMS	-6 643	-4 092	-14 314	-8 573	-19 851
RESULT BEFORE TAX	-6 643	-4 092	-14 314	-8 573	-19 851
RESULT FOR THE PERIOD	-6 643	-4 092	-14 314	-8 573	-19 851

PARENT COMPANY BALANCE SHEET

(Amounts in TSEK)	2022-06-30	2021-06-30	2021-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized expenses for development work and similar work	9 953	8 714	9 346
Patents	467	779	623
Total intangible fixed assets	10 420	9 493	9 970
Tangible fixed assets			
Plant and machinery	726	968	897
Equipment, tools and fittings	786	938	825
Total tangible fixed assets	1 512	1 906	1 722
Financial assets			
Participation in group companies	1 951	0	1 916
Total fixed assets	13 883	11 399	13 607
CURRENT ASSETS			
Inventory etc.			
Raw materials and consumables	4 668	1 728	2 338
Finished goods and merchandise	1 027	1 984	1 328
Advances to suppliers	1 086	903	957
Total inventory etc.	6 781	4 615	4 623
Current receivables			
Accounts receivable	470	1 661	753
Receivables from group companies	29	168	29
Current tax receivables	0	0	0
Other receivables	619	495	359
Prepaid expenses and accrued income	574	1 094	895
Total current receivables	1 693	3 418	2 037
Cash and bank balances	10 431	9 663	9 294
TOTAL CURRENT ASSETS	18 904	17 696	15 954
TOTAL ASSETS	32 788	29 095	29 561

PARENT COMPANY BALANCE SHEET CONT.

(Amounts in TSEK)	2022-06-30	2021-06-30	2021-12-31
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	1 499	866	882
Development expenditure fund	9 953	8 810	9 346
Total restricted equity	11 452	9 676	10 228
Unrestricted equity			
Share premium fund	99 179	81 840	83 612
Balanced profit or loss	-79 745	-58 750	-59 287
Result for the year	-14 314	-8 573	-19 851
Total unrestricted equity	5 120	14 517	4 474
Total equity	16 572	24 193	14 702
Long-term liabilities			
Liabilities to credit institutions	0	0	0
Total long-term liabilities	0	0	0
Short-term liabilities			
Liabilities to credit institutions	0	519	207
Advances from customers	231	402	114
Accounts payable	1 348	1 113	967
Liabilities to group companies	0	0	0
Current tax liabilities	70	50	73
Other liabilities	10 501	378	10 550
Accrued expenses and prepaid income	4 065	2 440	2 948
Total short-term liabilities	16 216	4 902	14 859
TOTAL EQUITY AND LIABILITIES	32 788	29 095	29 561

PARENT COMPANY CASH FLOW STATEMENT

(Amounts in TSEK)	2022-04-01 – 2022-06-30	2021-04-01 – 2021-06-30	2022-01-01 – 2022-06-30	2021-01-01 – 2021-06-30	2021-01-01 – 2021-12-31
OPERATING ACTIVITIES					
Operating result	-6 044	-4 081	-13 386	-8 552	-19 608
Depreciation	389	322	768	647	1 290
Interest paid	-96	-11	-99	-21	-32
Tax paid	20	10	-3	15	37
Adjustments for items not included in the cash flow	0	-23	0	-23	-19
Cash flow from operating activities before changes in working capital	-5 730	-3 783	-12 720	-7 934	-18 332
Cash flow from changes in working capital					
Changes in inventory	-1 677	-589	-2 157	-86	-95
Changes in current receivables	645	-1 279	344	-1 762	-380
Changes in short-term liabilities	-341	36	738	-851	-841
Cash flow from operating activities	-7 103	-5 615	-13 795	-10 633	-19 648
INVESTMENT ACTIVITIES					
Acquisition of intangible fixed assets	-415	-1 144	-904	-2 108	-2 934
Acquisition of tangible fixed assets	-110	0	-104	-74	-188
Sale of tangible fixed assets	0	72	0	72	73
Acquisition of subsidiaries	0	0	0	0	0
Cash flow from investment activities	-525	-1 072	-1 008	-2 109	-3 049
FINANCING ACTIVITIES					
Loans taken	0	0	0	0	10 000
Amortization of loans	-52	-156	-208	-312	-623
New issue	21 073	0	21 073	0	0
Issue costs	-4 889	0	-4 889	-2 426	-2 529
Provided shareholder contributions	-18	0	-36	0	0
Cash flow from financing activities	16 114	-156	15 941	-2 738	6 848
CASH FLOW FOR THE PERIOD	8 486	-6 843	1 137	-15 480	-15 849
Cash and cash equivalents at the beginning of the period	1 945	16 506	9 294	25 143	25 143
Cash and cash equivalents at the end of the period	10 431	9 663	10 431	9 663	9 294

