

INTERIM REPORT JULY – SEPTEMBER 2022

S2Medical AB (publ)



INTERIM REPORT

JULY – SEPTEMBER 2022

SUMMARY OF THE INTERIM REPORT

During the third quarter, sales in regular wound healing products amounted to MSEK 0.8 (0.7). The Group's net turnover during the quarter amounted to MSEK 0.8 (0.7).

Costs increased compared to the same period last year. The increase of costs is mainly attributable to increased currency losses as a result of a weak krona as well as salary costs and travel costs, which is partly a consequence of increased activity within the company after the years of pandemic.

However, costs are lower than the first and second quarter of the current year.

Profit for Q3 amounted to SEK -7.6 (-4.9) million and, in addition to the increased costs mentioned above, is also negatively affected compared to the previous year by increased interest costs as a result of the loan financing S2Medical AB raised during the fourth quarter of 2021.

DEVELOPMENT IN THE GROUP, JULY - SEPTEMBER 2022

- Net turnover in regular wound healing products amounted to MSEK 0.8 (0.7)
- Total net turnover amounted to MSEK 0.8 (0.7)
- Operating result amounted to MSEK -7.0 (-4.9)
- Result for the period amounted to MSEK -7.6 (-4.9)
- Earnings per share amounted to SEK -0.30 (-0.33)

SIGNIFICANT EVENTS DURING THE PERIOD JULY 1 – SEPTEMBER 30, 2022

In August, the Company's patent application for the instagraft technology was approved in Europe, which is expected to provide patent protection in around forty European countries. The corresponding patent application in Israel was also approved later in the period.

During the period, the Company has evaluated the effect of Epiprotect in a number of clinical studies and decided to classify the product as a skin substitute, which is expected to provide market advantages as healthcare facilities can receive a higher level of reimbursement when using the product.

The Ministry of Health and Prevention in the United Arab Emirates decided to directly procure Epiprotect during the period, at an estimated value of approximately MSEK 7. Progress was also made in Saudi Arabia during the period, when a number of major healthcare facilities completed an evaluation with positive results. The evaluation is expected to result in a purchase code from the national procurement body NUPCO, enabling the purchase of Epiprotect from the majority of the country's healthcare facilities. The initial need at the evaluation institutions is calculated to correspond to approximately MSEK 12.6 annually.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

After the period, the exercise of subscription warrants in series TO1 was completed, which provided the Company with a capital contribution of approximately MSEK 5.7, before issue costs.

The EPO granted extensive European patent protection for the Company's AMP technology, which is intended to be used to fight infections. The technology can also be combined with old, calculated antibiotics that will once again become fit for use.



A FEW WORDS FROM OUR CEO

I want to start by thanking everyone who invested in the subscription rights that were released right after quarter, the capital that is added will secure our progress during the year. As we announced last quarter, we have been working intensively to ensure a stock of products for the coming year, a process that is now complete. With our initial crisis stock, we are now ready to start delivering significantly larger quantities of dressings to those customers where the products are procured, and this with minimal risks from the influence of external factors. During this quarter, our products have gone in some way to replenish the distributors' stocks, which has an impact on our turnover. However, the actual usage is greater than the turnover shows, and has already depleted a large part of these distributor stocks, which means that we expect new orders in the near future.

Regarding the Company's upcoming sales, the biggest news of the quarter is that the National Unified Procurement Company (NUPCO) in Saudi Arabia has completed an evaluation of Epiprotect at five major hospitals. The five hospitals themselves have expressed an intention to start using Epiprotect to a significant extent as soon as the code is in place, and we are currently negotiating with our distributor in the country to get the logistics in place for when large quantities of dressings are to be transported from our factory in Linköping, via our distributor, and connected with NUPCO's logistics chain. Even in the neighboring UAE, our sales team achieved success when the Ministry of Health and Prevention directly procured a larger quantity of Epiprotect. The team on site in the UAE has also initiated a larger collaboration with the country's largest burns hospital, with the aim of improving burn care in the country as a whole, including by creating a national action plan to ensure not only that patients end up in the right place for more efficient care, but also to standardize the guidelines for how burns should be healed in the best possible way. Since Epiprotect already has a fixed place in this area within all of the country's major healthcare organizations, it is likely that this will be consolidated within the framework of this action plan.

We have also started a collection to donate products to Ukraine. We took this initiative after receiving letters from hospitals in Ukraine specifically requesting Epiprotect, which in itself is not surprising as the product plays a strategic role in the treatment of war injuries, where burns are a frequent occurrence. More information about how you can help us donate our products to the victims of the war can be found on our website (www.s2m.se). Our products make a big difference for those affected, and every SEK we can collect will make a difference.

Finally, I would also like to mention the clinical work that our incredible employees at S2Clinic do. This extends far beyond just managing absolutely world-class wound healing activities. A major evaluation conducted of available clinical data and documentation showed that the effect of Epiprotect is greater than that which can be attributed to a simple wound dressing. This has resulted in a reclassification of Epiprotect as a skin substitute, which will help us gain greater market share faster. This change will also increase the possibility of a more effective market introduction in the US, where the level of reimbursement for skin substitutes is significantly better than for standard dressings, making it easier for hospitals to pay for the product while also justifying greater use.

PETTER SIVLÉR
CEO

S2MEDICAL IN BRIEF

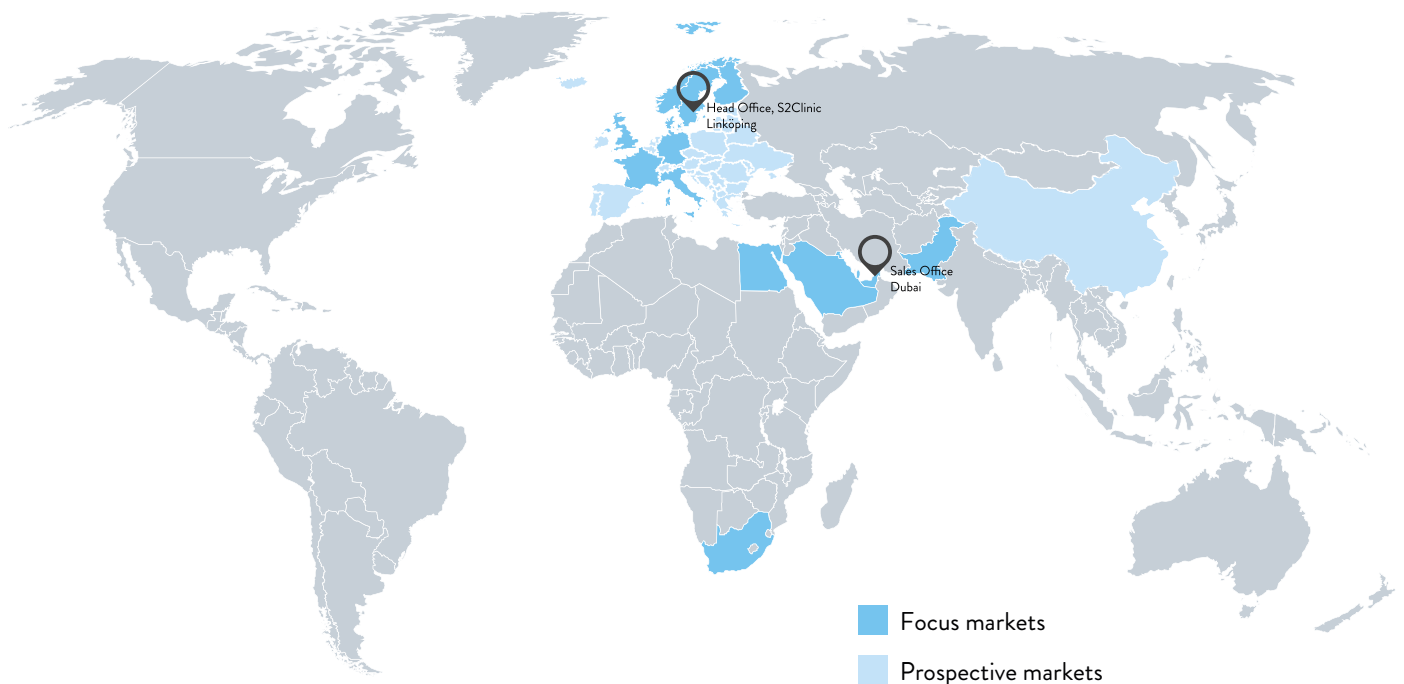
S2Medical is an innovative medical technology group founded in 2013, with the vision of replacing wound care with a holistic concept for wound healing, the Company intends to become a market-leading player in wound healing for burns and chronic wounds.

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 USD 27.3 billion 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

Net turnover for the third quarter amounted to MSEK 0.8 (0.7).

Expenses increased compared to the same period last year. The increase in expenses is primarily attributable to greatly increased currency losses as a result of a weak SEK, as well as salary costs and travel expenses, which is in part a consequence of increased activity in the Company following the pandemic years. However, costs are lower than the first and second quarter, of the current year.

The result for the third quarter amounted to MSEK -7.6 (-4.9) and, in addition to the increased expenses 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 3.4, compared with MSEK 10.8 at the beginning of the period. Cash flow for the quarter amounted to MSEK -7.3 (-6.8).

The equity/assets ratio at the end of the period was 35%.

INVESTMENTS

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

PARENT COMPANY

The Parent Company's net revenues for the quarter amounted to MSEK 0.8 (0.7). The operating result for the third quarter amounted to MSEK -7.0 (-4.9). The Parent Company's equity amounted to MSEK 9 (21.1) at the end of the period.

CHANGE IN EQUITY FOR THE GROUP

(Amounts in TSEK)	2022-01-01 – 2022-09-30	2021-01-01 – 2021-09-30	2021-01-01 – 2021-12-31
Opening equity	14 681	32 766	32 973
Payment of share capital	618	16	16
New issue	20 455	1 874	1 874
Direct issue costs	-4 889	-103	-103
Result for the period	-22 135	-13 467	-20 079
Closing equity	8 730	21 086	14 681

S2MEDICAL AB'S STOCK

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

As of September 30, 2022, S2Medical AB had 25 588 541 outstanding shares, of which 3 125 000 were A shares and 22 463 541 B shares.

DATA PER SHARE

(Pc.)	2022-07-01 – 2022-09-30	2021-07-01 – 2021-09-30	2022-01-01 – 2022-09-30	2021-01-01 – 2021-09-30	2021-01-01 – 2021-12-31
Number of shares outstanding at the end of the period (Pc.)	25 588 541	15 052 082	25 588 541	15 052 083	15 052 083
Average number of shares at the end of the period (Pc.)	25 588 541	14 918 750	20 320 312	14 829 861	14 829 861
Earnings per share, SEK	-0.30	-0.33	-0.87	-0.89	-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	19,66	51,25
Arbona AB (publ)	625 000	910 784	6,00	13,33
Avanza Pension		1 387 211	5,42	2,58
BigState International Investment Ltd		1 335 400	5,22	2,49
Kia Romlin		1 022 752	4,00	1,90
Johan Grevelius		890 904	3,48	1,66
Avaco AB		654 584	2,56	1,22
Fadi Barakat		638 780	2,50	1,19
Iraj Arastoupour		504 571	1,97	0,94
Nordnet Pensionförsäkring		440 142	1,72	0,82
Other		12 147 683	47,47	22,62
Total	3 125 000	22 463 541	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

Year-end Report for 2022	February 17, 2023
Annual report for 2022	April 26, 2023
Interim report Q1	May 17, 2023
Annual general meeting	June 1, 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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For any questions relating to the report, please contact:

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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 November 11, 2022 at 13:00 CET.

FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

(Amounts in TSEK)	2022-07-01- 2022-09-30	2021-07-01- 2021-09-30	2022-01-01- 2022-09-30	2021-01-01- 2021-09-30	2021-01-01- 2021-12-31
OPERATING REVENUE					
Net turnover	810	717	3505	6 092	7 700
Change of stock items during manufacture, finished goods and work in progress on behalf of others	-226	142	1788	755	541
Capitalized production	174	296	1 078	2 404	2 934
Other operating revenue	125	6	510	311	326
Total operating revenue	883	1 166	6 881	9 562	11 501
OPERATING EXPENSES					
Raw materials and consumables	-134	-263	-2 268	-3 729	-4 078
Other external costs	-2 755	-2 338	-10 004	-8 247	-12 206
Personnel costs	-4 063	-3 061	-13 324	-9 894	-13 334
Depreciation	-478	-322	-1 443	-969	-1 494
Other operating expenses	-496	-70	-544	-162	-225
Total expenses	-7 926	-6 054	-27 580	-23 001	-31 337
OPERATING RESULT	-7 044	-4 888	-20 699	-13 440	-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	-509	-6	-1 437	-2	-243
Total financial items	-509	-6	-1 437	-27	-243
RESULT AFTER FINANCIAL ITEMS	-7 552	-4 894	-22 136	-13 467	-20 079
RESULT BEFORE TAX	-7 552	-4 894	-22 136	-13 467	-20 079
RESULT FOR THE PERIOD	-7 552	-4 894	-22 136	-13 467	-20 079
Attributable to the Parent Company's shareholders	-7 552	-4 894	-22 136	-13 467	-20 079

CONSOLIDATED BALANCE SHEET

(Amounts in TSEK)	2022-09-30	2021-09-30	2021-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill	1 418	0	1 702
Capitalized expenses for development work and similar work	9 978	8 914	9 346
Patents	515	701	623
Total intangible fixed assets	11 911	9 615	11 671
Tangible fixed assets			
Plant and machinery	648	978	897
Equipment, tools and fittings	722	868	847
Total tangible fixed assets	1 369	1 846	1 744
Financial fixed assets	0	1 916	
TOTAL FIXED ASSETS	13 280	13 377	13 415
CURRENT ASSETS			
Inventory etc.			
Raw materials and consumables	734	1 865	2 338
Goods under process	3 719		
Finished goods and merchandise	1 015	2 004	1 328
Advances to suppliers	1 171	1 021	957
Total inventory etc.	6 640	4 890	4 623
Current receivables			
Accounts receivable	716	292	753
Current tax receivables	0	0	0
Accounts receivable at Group companies	0	168	0
Other receivables	358	308	511
Prepaid expenses and accrued income	469	839	895
Total receivables	1 543	1 607	2 159
Cash and bank balances	3 388	5 099	9 479
TOTAL CURRENT ASSETS	11 571	11 596	16 262
TOTAL ASSETS	24 851	24 973	29 676

CONSOLIDATED BALANCE SHEET CONT.

Amounts in TSEK)	2022-09-30	2021-09-30	2021-12-31
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	1 499	882	882
Other contributed capital	99 181	83 611	83 554
Other equity, including result for the year	-91 951	-63 407	-69 775
Total equity	8 730	21 086	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	364	208
Advances from customers	231	228	114
Accounts payable	1 023	710	988
Current tax liabilities	70	79	73
Other liabilities	10 848	517	10 654
Accrued expenses and prepaid income	3 950	1 989	2 958
Total short-term liabilities	16 122	3 887	14 995
TOTAL EQUITY AND LIABILITIES	24 851	24 973	29 676

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in TSEK)	2022-07-01- 2022-09-30	2021-07-01- 2021-09-30	2022-01-01- 2022-09-30	2021-01-01- 2021-09-30	2021-01-01- 2021-12-31
OPERATING ACTIVITIES					
Operating result	- 7 044	-4 894	-20 699	-13 467	-19 836
Depreciation	478	322	1 443	969	1 494
Interest paid	-509	0	-1 437	-0	-32
Tax paid	0	4	-3	18	36
Adjustments for items not included in the cash flow	0	0	0	-23	-18
Cash flow from operating activities before changes in working capital	-7 075	-4 568	-20 693	-12 503	-18 356
Cash flow from changes in working capital					
Changes in inventory	141	-275	-2 017	-361	- 94
Changes in current receivables	133	1 836	616	74	-495
Changes in short-term liabilities	-271	-914	1131	-1765	-720
Cash flow from operating activities	-7 072	-3921	-20 963	-14 555	-19 665
INVESTMENT ACTIVITIES					
Acquisition of intangible fixed assets	-299	-296	-1 203	-2 404	-2 909
Acquisition of tangible fixed assets	0	-88	-109	-162	-188
Sale of tangible fixed assets	0	0	0	73	73
Acquisition of subsidiaries	0	0	0	0	0
Cash flow from investment activities	-299	-384	-1 312	-2 493	-3 024
FINANCING ACTIVITIES					
Loans taken	0	0	0	0	10 000
Amortization of loans	0	-156	0	-467	-623
New issue	0	0	21 073	0	0
Issue costs	0	-103	-4 889	-2 529	-2 529
Subscription warrants	0	0	0	0	0
Cash flow from financing activities	0	-259	16 184	-2 996	6 848
CASH FLOW FOR THE PERIOD	-7 371	-4 564	-6 091	-20 044	-15 841
Cash and cash equivalents at the beginning of the period	10 759	9 963	9 479	25 320	25 320
Cash and cash equivalents at the end of the period	3 388	5 099	3 388	5099	9 479

PARENT COMPANY INCOME STATEMENT

(Amounts in TSEK)	2022-07-01- 2022-09-30	2021-07-01- 2021-09-30	2022-01-01- 2022-09-30	2021-01-01- 2021-09-30	2021-01-01- 2021-12-31
OPERATING REVENUE					
Net turnover	810	717	3 505	6 092	7 700
Change of stock items during manufacture, finished goods and work in progress on behalf of others	-226	147	1 788	755	541
Capitalized production	174	296	1 078	2 404	2 934
Other operating revenue	124	6	509	305	326
Total operating revenue	883	1 166	6 881	9 562	11 501
OPERATING EXPENSES					
Raw materials and consumables	-134	-263	-2 266	-3 729	-4 078
Other external costs	-2 823	-2 338	-9 999	-8 247	-12 182
Personnel costs	-4 063	-3 061	-13 324	-9 894	-13 334
Depreciation	-383	-322	- 1 151	-969	-1 290
Other operating expenses	-496	-70	-544	-162	-225
Total operating expenses	-7 900	-6 054	-27 284	-23 001	- 31 109
OPERATING RESULT	-7 018	-4 888	-20 403	-13 440	-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	-509	-6	-1 437	-27	-243
Total result from financial items	-509	-6	-1 437	-27	-243
RESULT AFTER FINANCIAL ITEMS	-7 527	-4 894	-21 840	-13 467	-19 851
RESULT BEFORE TAX	-7 527	-4 894	-21 840	-13 467	-19 851
RESULT FOR THE PERIOD	-7 527	-4 894	-21 840	-13 467	-19 851

PARENT COMPANY BALANCE SHEET

(Amounts in TSEK)	2022-09-30	2021-09-30	2021-12-31
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized expenses for development work and similar work	9 978	8 914	9 346
Patents	390	701	623
Total intangible fixed assets	10 368	9 615	9 970
Tangible fixed assets			
Plant and machinery	648	978	897
Equipment, tools and fittings	707	868	825
Total tangible fixed assets	1 355	1 846	1 722
Financial assets			
Participation in group companies	1 996	1 916	1 916
Total fixed assets	13 719	11 377	13 607
CURRENT ASSETS			
Inventory etc.			
Raw materials and consumables	734	1 865	2 338
Goods in process	3 719		
Finished goods and merchandise	1 016	2 004	1 328
Advances to suppliers	1 171	1 021	957
Total inventory etc.	6 640	4 890	4 623
Current receivables			
Accounts receivable	716	292	753
Receivables from group companies	29	168	29
Current tax receivables	0	0	0
Other receivables	328	308	359
Prepaid expenses and accrued income	469	839	895
Total current receivables	1 542	1 607	2 037
Cash and bank balances	3 061	5 099	9 294
TOTAL CURRENT ASSETS	11 243	11 596	15 954
TOTAL ASSETS	24 962	24 973	29 561

PARENT COMPANY BALANCE SHEET CONT.

(Amounts in TSEK)	2022-09-30	2021-09-30	2021-12-31
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	1 499	882	882
Development expenditure fund	9 978	9 010	9 346
Total restricted equity	11 477	9 892	10 228
Unrestricted equity			
Share premium fund	99 181	83 611	83 612
Balanced profit or loss	-79 770	-58 950	-59 287
Result for the year	-21 840	-13 467	-19 851
Total equity	9 045	21 086	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	364	207
Advances from customers	231	228	114
Accounts payable	933	710	967
Liabilities to group companies	0	0	0
Current tax liabilities	70	79	73
Other liabilities	10 742	517	10 550
Accrued expenses and prepaid income	3 940	1 989	2 948
Total short-term liabilities	15 917	3 887	14 859
TOTAL EQUITY AND LIABILITIES	24 962	24 973	29 561

PARENT COMPANY CASH FLOW STATEMENT

(Amounts in TSEK)	2022-07-01- 2022-09-30	2021-07-01- 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01- 2021-12-31
OPERATING ACTIVITIES					
Operating result	-7 018	-4 894	-20 403	-13 467	-19 608
Depreciation	383	322	1151	969	1 290
Interest paid	-509	0	-1437	0	-32
Tax paid	0	4	-3	18	37
Adjustments for items not included in the cash flow	0	0	0	-23	-19
Cash flow from operating activities before changes in working capital	-7 144	-4 568	-20 692	-12 503	-18 332
Cash flow from changes in working capital					
Changes in inventory	140	-275	-2 017	-361	- 95
Changes in current receivables	151	1 836	473	74	-380
Changes in short-term liabilities	-299	-914	1085	-1765	-841
Cash flow from operating activities	-7 152	-3 921	-21 151	-14 555	-19 648
INVESTMENT ACTIVITIES					
Acquisition of intangible fixed assets	-174	-296	-1078	-2 404	-2 934
Acquisition of tangible fixed assets	0	-88	-109	-162	- 188
Sale of tangible fixed assets	0	0	0	73	73
Acquisition of subsidiaries	0	0	0	0	0
Cash flow from investment activities	-174	-384	-1 187	-2 493	-3 049
FINANCING ACTIVITIES					
Loans taken	0	0	0	0	10 000
Amortization of loans	0	-156	0	-467	-623
New issue	0	0	21 073	0	0
Issue costs	0	-103	-4 889	-2 529	-2 529
Subscription warrants	-45	0	-80	0	0
Cash flow from financing activities	-45	-259	16 104	-2 996	6 848
CASH FLOW FOR THE PERIOD	-7 371	-4 564	-6 234	-20 044	-15 849
Cash and cash equivalents at the beginning of the period	10 431	9 663	9 294	25 143	25 143
Cash and cash equivalents at the end of the period	3 060	5 099	3 060	5 099	9 294

