

## Notice of Annual General Meeting of Episurf Medical AB (publ)

The shareholders in Episurf Medical AB (publ), 556767-0541 ("Episurf" or the "Company"), are hereby summoned to the Annual General Meeting on Monday, 9 April 2018 at 10:00 (CET) (the "Meeting") at the Company's offices at Karlavägen 60, 114 49 Stockholm. The doors open at 09:30 (CET).

### Notice of attendance, etc.

Shareholders who wish to attend and vote at the Meeting must be registered in the share register maintained by Euroclear Sweden AB on Tuesday 3 April 2018, and no later than on Tuesday 3 April 2018 give notice of attendance via the Company's website, [www.episurf.com](http://www.episurf.com), or by post to Episurf Medical AB (publ), Karlavägen 60, 114 49 Stockholm, Sweden.

Notice of attendance must be received by the Company no later than on Tuesday 3 April 2018. Notification shall include the shareholder's name, personal identification number/corporate registration number and daytime telephone number. The notice of attendance shall also include the number of accompanying advisors (not more than two) who are attending the Meeting. Shareholders who are represented by a proxy must submit a dated and signed power of attorney. The original of the power of attorney and, for legal entities, a certified copy of a certificate of registration, should be sent to the Company at the postal address above in ample time prior to the Meeting. The power of attorney may not be valid for a longer period than one year from its issuance. However, the power of attorney may be valid for up to five years from its issuance if so explicitly stated. A form of power of attorney is available on the Company's website, [www.episurf.com](http://www.episurf.com).

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name to be entitled to participate at the Meeting. Such registration must be completed at Euroclear Sweden AB no later than on Tuesday 3 April 2018. The nominee should therefore be instructed well in advance of this date.

### Proposed agenda

- 1) Opening of the Meeting
- 2) Appointment of chairman of the Meeting
- 3) Preparation and approval of the voting list
- 4) Election of one or two persons to approve the minutes of the Meeting
- 5) Approval of the agenda
- 6) Determination of whether the Meeting has been duly convened
- 7) Presentation of the annual accounts and the auditors' report and the consolidated accounts and the auditors' report on the consolidated accounts
- 8) Presentation by the CEO, and shareholders' questions to the Board of Directors and management of the Company
- 9) Resolution on:
  - a) adoption of the income statement and the balance sheet and the consolidated income statement and balance sheet
  - b) allocation of the result of the Company in accordance with the adopted balance sheet
  - c) discharge of liability for the members of the Board of Directors and the CEO
- 10) Resolution on the number of members of the Board of Directors
- 11) Determination of fees for the members of the Board of Directors and the auditor
- 12) Election of members of the Board of Directors, chairman of the Board of Directors and auditor
- 13) Resolution on the Nomination Committee for the annual general meeting of 2019
- 14) Resolution regarding guidelines for remuneration to the senior management
- 15) Resolutions on:
  - a) adoption of an employee stock option and warrant programme
  - b) an issue of warrants of series 2018/2021(A)
  - c) an issue of warrants of series 2018/2021(B) and approval of transfers of warrants of series 2018/2021(B)
- 16) Resolution on authorisation for the Board of Directors to resolve on new issues
- 17) Closing of the Meeting

### Proposals for resolutions

#### Proposals from the Nomination Committee under item 2 and 10-13

The Nomination Committee, established in accordance with the principles adopted at the annual general meeting of 2017, appointed by the three, in terms

of votes, largest shareholders makes the following proposals under items 2, 10, 11 and 12.

- Advokat Gustav Skogö Nyvang is proposed to be appointed as chairman of the Meeting.
- The Board of Directors is proposed to consist of five members with no deputy members.
- Proposed re-election of Dennis Stripe, Wilder Fulford, Christian Krüeger, Leif Ryd and Laura Shunk as members of the Board of Directors until the end of the next annual general meeting. Saeid Esmaeilzadeh has informed the Nomination Committee that he is not available for re-election.
- Proposed re-election of Dennis Stripe as Chairman of the Board of Directors until the end of the next annual general meeting.
- Total fees of SEK 1,000,000 are proposed to be paid to the Board of Directors, of which SEK 400,000 are proposed to be paid to the Chairman of the Board of Directors, SEK 200,000 are proposed to be paid to each of Wilder Fulford and Laura Shunk and SEK 100,000 are proposed to be paid to each of Leif Ryd and Christian Krüeger. No fees are proposed to be paid for committee work.
- Proposed re-election of KPMG AB as auditor of the Company until the end of the next annual general meeting. Should the proposal be adopted, KPMG intends to appoint Duane Swanson as auditor in charge.
- Auditors' fees are proposed to be payable in accordance with approved invoice.

The Nomination Committee proposes that the Meeting resolves on the following principles for appointing the Nomination Committee for the next annual general meeting.

The Nomination Committee shall consist of four members. The three, in terms of votes, largest shareholders/owner groups (the "**Largest Shareholders**") as per 31 August the year prior to the next annual general meeting, according to the list of shareholders in the share register maintained by Euroclear Sweden AB or that in another way are proved to be one of the Largest Shareholders, are entitled to appoint one member of the Nomination Committee each. In addition, the chairman of the Board of Directors shall be appointed as member of the Nomination Committee. The chairman of the Board of Directors shall summon the Largest Shareholders by 15 October the year preceding the annual general meeting, at the latest. If any of these shareholders waive their right to appoint a member of the Nomination Committee, the next shareholder/owner groups in order of size shall be given the opportunity to appoint a member of the Nomination Committee.

The CEO or any other person from the senior management shall not be a member of the Nomination Committee. The chairman of the Board of Directors shall summon the Nomination Committee's first meeting.

The chairman of the Board of Directors shall not be appointed chairman of the Nomination Committee. The Nomination Committee's term of office extends until a new Nomination Committee is appointed. The composition of the Nomination Committee shall be made public no later than six months before the annual general meeting.

If it becomes known that a shareholder that has appointed a member of the Nomination Committee, as a result of changes in the said owner's shareholdings or due to changes in other owners' shareholdings, is no longer one of the Largest Shareholders, the committee member who was appointed by said shareholder shall, if the Nomination Committee so decides, resign and be replaced by a new member appointed by the shareholder who at the time is the largest registered shareholder that has not already appointed a member of the Nomination Committee.

If the registered ownership structure is otherwise significantly changed prior to the completion of the Nomination Committee's work, the composition of the Nomination Committee shall, if the Nomination Committee so decides, be changed in accordance with the above stated principles.

The tasks of the Nomination Committee shall be to prepare, for the next annual general meeting, proposals in respect of number of directors of the Board of Directors, remuneration to the Chairman of the Board of Directors, the other directors of the Board of Directors and the auditors, respectively, remuneration, if any, for committee work, the composition of the Board of Directors, the Chairman of the Board of Directors, resolution regarding the Nomination Committee, chairman at the annual general meeting and election of auditors. The Company shall pay for reasonable costs that the Nomination Committee has considered to be necessary in order for the Nomination Committee to be able to complete its assignment.

#### **Proposal under item 14; Resolution regarding guidelines for remuneration to the senior management**

The Board of Directors of the Company proposes that the meeting resolves on the following guidelines for remuneration to the senior management for the period until the annual general meeting of 2019.

Compensation and conditions of employment for the senior management, by which is meant the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Head of Quality & Regulatory Affairs, the Sales Director and the Marketing Director shall be designed to ensure the Company's access to executives with the right set of skills. The remuneration shall consist of a fixed salary, a possible variable compensation, an incentive program and other possible benefits including a company car and pension. The remuneration shall be on market terms and competitive, and be related to the executive's responsibilities and authorities. Any variable remuneration shall be related to established, well-defined objectives and to the fixed salary and shall be limited to a maximum amount equivalent to six months' salary (gross).

Besides from the CEO, no other senior executive or other employee is entitled to severance pay.

The Board of Directors is given the possibility to deviate from the above guidelines in individual cases should special reasons justify this. If this is the case, the information and the reasons for the deviation shall be reported at the next annual general meeting.

#### **Proposal under item 15; Resolution on (a) adoption of an employee stock option and warrant programme, (b) an issue of warrants of series 2018/2021(A), and (c) an issue of warrants of series 2018/2021(B) and approval of transfers of warrants of series 2018/2021(B)**

##### ***Proposal under item 15(a); Resolution on adoption of an employee stock option and warrant programme***

###### **General**

The Board of Directors proposes that the Meeting resolves to adopt an employee stock option and warrant programme for the employees of the Company and its subsidiaries (the "**Programme**").

The rationale for the proposal is to achieve optimum alignment of interests between the employees and the shareholders in Company, to create conditions for retaining and recruiting competent personnel to the Episurf group and to drive performance among the employees. The Board of Directors is of the opinion that the Programme is in favour of Episurf and its shareholders.

The Programme means that the participants will, in accordance with below (i) be entitled to subscribe for a certain number of warrants of series 2018/2021 (A) (the "**Incentive Warrants**") for a price calculated in accordance with below, and (ii) be allotted a certain number of employee stock options (the "**Stock Options**") free of charge.

The Programme is proposed to comprise the management team (excluding the CEO and COO who have chosen not to participate) and employees in the

Episurf group. The Programme comprises up to 23 participants No more than 68,500 Incentive Warrants and no more than 253,500 Stock Options will be issued. This implies a maximum dilution of approximately 1.0 per cent of the share capital and 0.7 per cent of the votes in the Company.

#### **Allocation, etc.**

The Incentive Warrants shall be allocated in accordance with the following.

- a) the four members of the senior management (excluding the CEO and COO) are entitled to subscribe for a total of up to 38,000 Incentive Warrants (of which not more than 15,000 Incentive Warrants may be subscribed for by a sole participant);
- b) the other participants (19 persons) are entitled to subscribe for a total of 30,500 Incentive Warrants (of which not more than 5,000 Incentive Warrants may be subscribed for by a sole participant).

The Stock Options shall be allocated in accordance with the following.

- a) the four members of the senior management (excluding the CEO and COO) are allotted a total of up to 75,000 Stock Options (of which not more than 30,000 Stock Options may be allotted to a sole participant
- b) the other participants (19 persons) are allotted a total of up to 178,500 Stock Options (of which not more than 15,000 Stock Options may be allotted to a sole participant).

#### **Stock Options**

Provided that the participant is still employed by the Episurf group at the exercise of the Stock Options, each Stock Option entitles the employee to purchase one B-share in the Company during the period from and including 1 June 2021 until and including 31 May 2022. The price for the shares of series B shall be equal to an amount corresponding to 125 per cent of the average volume-weighted share price for the Company's share of series B on Nasdaq Stockholm during the period from and including 29 March 2018 until and including 6 April 2018 (the "**Calculation Period**"), provided however that the purchase price shall never be less than the quota value of the share.

The Stock Options may not be transferred or pledged.

In case of special circumstances, the Board of Directors shall be authorised to resolve that Stock Options may be kept and exercised despite the fact that the employment in the Episurf group has ceased, for example due to illness.

The Board of Directors shall be entitled to make adjustments to the Programme if significant changes in the Episurf group, or its markets, result in a situation where the decided terms and conditions for exercising the Stock Option are no longer appropriate.

#### **Incentive Warrants**

The Incentive Warrants are issued for a price corresponding to the Incentive Warrants' market value calculated according to the Black & Scholes formula. Each Incentive Warrant entitles its holder to subscribe for one (1) share of series B in the Company during the period from and including 1 June 2021 until and including 31 May 2022 for a subscription price corresponding to 125 per cent of the volume-weighted average of the price for the Company's share of series B on Nasdaq Stockholm during the Calculation Period.

#### **Proposal under item 15(b); Resolution on an issue of warrants of series 2018/2021(A)**

As further described under item 15(a) above, the Board of Directors proposes that the Company shall issue a maximum of 68,500 Incentive Warrants. The right to subscribe for the Incentive Warrants shall, with deviation from the shareholders' preferential rights, belong to employees of the Episurf group. Subscription of the Incentive Warrants shall take place on a separate subscription list not later than 29 June 2018. Payment shall be made no later than on the same date.

The increase of the Company's share capital will, upon exercise of the Incentive Warrants, amount to not more than approximately SEK 20,567.39 calculated as per the date of this notice.

#### **Proposal under item 15(c); Resolution on an issue of warrants of series 2018/2021(B) and approval of transfers of warrants of series 2018/2021(B)**

To ensure delivery of shares to holders of Stock Options, the Board of Directors proposes that the Company shall issue a maximum of 253,500 warrants of series 2018/2021(B) ("**Hedge Warrants**"). The right to subscribe for the Hedge Warrants shall, with deviation from the shareholders' preferential rights, belong to Episurf Operations AB (the "**Subsidiary**"), a wholly-owned Swedish subsidiary of the Company.

The Hedge Warrants shall be issued to the Subsidiary without compensation and subscription shall take place on a separate subscription list not later than on 29 June 2018.

Each Hedge Warrants entitles the holder to subscribe for one new share of series B in the Company during the period from and including 1 June 2021 until and including 31 May 2022. The subscription price shall be equal to an amount corresponding to 125 per cent of the volume-weighted average of the price for the Company's share of series B on Nasdaq Stockholm during Calculation Period. The increase of the Company's share capital will, upon exercise of the Hedge Warrants, amount to not more than approximately SEK 76,114.37 calculated as per the date of this notice.

The Board of Directors finally proposes that the meeting approves that up to 253,500 Hedge Warrants during the period from and including 1 June 2021 until and including 31 May 2022 are transferred by the Subsidiary to participants in the Programme or to third parties in order to ensure delivery of shares of series B pursuant to the Stock Options.

#### **Majority requirements and conditions, etc.**

The Board of Directors proposals for resolution pursuant to item 15(a)–(c) above constitute a "package", since the various proposals are dependent on and strongly tied to each other. On account of this, it is proposed that the Meeting only pass one resolution in relation to the above-mentioned proposals with observance of the majority rules that are stated in Chapter 16 of the Swedish Companies Act, meaning that the resolution must be supported by shareholders representing at least nine tenths of both the votes cast and of the shares represented at the Meeting.

#### **Proposal under item 16; Resolution on authorisation for the Board of Directors to resolve on new issues**

The Board of Directors proposes that the Meeting authorises the Board of Directors to, during the period until the next annual general meeting, on one or more occasions, with or without deviation from the shareholders' preferential rights, resolve on new issues of shares, convertibles and/or warrants in the Company. The number of shares issued by virtue of authorisation of the AGM shall amount to not more than 7,164,855 shares (corresponding to approx.

23.5 per cent of the total number of shares at the date of the Meeting) when resolving on deviation from the shareholders' preferential rights.

Payment may, except for in cash, be made in kind, by right of set-off or otherwise against markets terms according to the Board of Directors' assessment on a case-by-case level. The purpose of the authorisation is to strengthen the Company's financial position, enable acquisitions as well as fulfil the undertakings arising from the agreement with the European Select Growth Opportunities Fund.

The Board of Directors or a person appointed by the Board of Directors are authorised to make minor adjustments to the resolution that may be necessary in connection with the registration of the resolution with the Swedish Companies Registration Office or due to other formal requirements.

A valid resolution under this item must be supported by shareholders representing at least two-thirds of the votes cast as well as the shares represented at the Meeting.

#### **Miscellaneous**

On the date of this notice, the total number of shares in Episurf is 30,549,495, of which 6,308,410 are shares of series A with three votes each, and 24,241,085 are shares of series B with one vote each. Accordingly, the total number of votes amounts to 43,166,315. The Company does not hold any shares in treasury.

The Nomination Committee's complete proposals are, together with the annual report and the auditors' report, available at the Company's website [www.episurf.com](http://www.episurf.com) and at the Company's head office at Karlavägen 60, 114 49 Stockholm, Sweden. A form of power of attorney as well as the Board of Directors' complete proposals and reports prepared in accordance with the Swedish Companies Act will not later than on 19 March 2018 be available to the shareholders on the Company's website and at the Company's head office. All documents will also be sent free of charge to those shareholders who so request and provide the Company with their address.

The shareholders are informed of their right to request information from the Board of Directors and the CEO at the Meeting in accordance with Chapter 7, Section 32 of the Swedish Companies Act.

Welcome!

Stockholm in March 2018

The Board of Directors

[www.episurf.com](http://www.episurf.com)

#### **For more information, please contact:**

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#### **About Episurf Medical**

*Episurf Medical is endeavoring to bring people with painful joint injuries a more active, healthier life through the availability of minimally invasive and personalized treatment alternatives. Episurf Medical's Episealer® personalized implants and Epiguide® surgical drill guides are developed for treating localized cartilage injury in joints. Episurf Medical's µiFidelity® system enables implants to be cost-efficiently tailored to each individual's unique injury for the optimal fit and minimal intervention. Episurf Medical's head office is in Stockholm, Sweden. Its share (EPIS B) is listed on Nasdaq Stockholm. For more information, go to the company's website: [www.episurf.com](http://www.episurf.com).*