

Episurf Medical AB (publ) acquires financing of SEK 7 million by issuing convertible notes and warrants

Episurf Medical AB (publ) ("Episurf") acquires financing of 7 MSEK within the agreement signed with European Select Growth Opportunities Fund ("ESGO"). The capital injection shall be used for financing of the company's ongoing projects. Free warrants are allocated to existing shareholders to counteract dilution.

On the evening of 2nd May 2018, Episurf's board of directors approved the first transaction with ESGO and granted the issue of a first tranche of convertible notes and warrants not applying the shareholders' pre-emption following the general shareholders' meeting 9 April 2018 where a new authorization for the board of directors to issue notes and warrants was granted. The issue relates to the agreement entered between Episurf and ESGO, announced on 23 February 2018. The 7 million SEK tranche is the first tranche under the agreement.

The capital injection will be used for financing of the company's ongoing projects.

In connection with the issue of the first tranche of 140 notes and 1,147,540 warrants to ESGO, Episurf has also issued 1,131,462 free warrants to its shareholders to protect them against dilution. One (1) warrant will be granted for 27 existing shares held by the shareholder. The record date for the right for the shareholders to receive the warrants will be announced after the issue is registered with the Swedish Companies Registration Office. Each warrant entitles the holder to subscribe for one (1) new Episurf share at a fixed strike price of SEK 6.10. The warrants have a maturity of five years from the date of their registration with the Swedish Companies Registration Office, and will be admitted to trading on Nasdaq First North.

In order to fulfil the requirements for the listing of the warrants on Nasdaq First North, Episurf and ESGO have entered on 2 May 2018 into an amendment agreement under which there shall be no warrants issued under the second tranche but instead the number of warrants issued under the first tranche shall be doubled. Episurf's shareholders will be granted the same number of warrants as initially provided, this timetable change being only meant to allow their listing on Nasdaq First North.

The conversion price for the notes will be set at 8% discount to the lowest daily volume weighted average price ("VWAP") over the last 15 trading days during which ESGO will not have traded any share of Episurf in the market among the trading days immediately preceding the conversion date. The strike price of the warrants is set at 6.10 SEK, corresponding to a 20% premium to the lowest daily VWAP over the 15 trading days prior to 8 January 2018.

Based on a VWAP (plus 20 %) of 6,10 SEK per share, the potential increase in shares resulting from the conversion of all the notes and the exercise of all the warrants of the first tranche will be the following. Please note that the conversion price will change depending on the date of the request to convert, as stated above.

- Tranche amount: SEK 7,000,000
- Number of notes: $7,000,000 / 50,000 = 140$ Notes
- Number of warrant to ESGO: $7,000,000 * 100\% / 6.10 = 1,147,540$
- Number of warrants to the shareholders: 1,131,462

Full exercise of the warrants:

- Investment from ESGO's warrants at exercise: $SEK 6.10 * 1,147,540 \approx SEK 6,999,994.00$
- Investment from shareholders' warrants at exercise: $SEK 6.10 * 1,131,462 \approx SEK 6,901,918.20$
- Total additional investment from the warrants: SEK 13,901,912.20
- Total number of shares from the warrants: 2,279,002

Example based on today's reference price (VWAP of SEK 5,75):

- Conversion Price: $SEK 5.65 * 92\% \approx SEK 5.20$ (rounded down to the nearest SEK 0.10)
- Number of shares: $SEK 7,000,000 / 5.20 SEK = 1 346 154$ shares
- Dilution of shareholders per current number of shares from notes and at full exercise of all the warrants: ~ 10,6 %

The terms and conditions for the notes and the warrants will be published on Episurf's website, together with a follow-up table setting out information about the number of outstanding notes, warrants and shares issued upon conversion of the notes and exercise of the warrants.

For more information, please contact:

Pål Ryfors, CEO, Episurf Medical

Tel: +46 (0) 709 62 36 69

Email: pal.ryfors@episurf.com

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 personalised treatment alternatives. Episurf Medical's Episealer® personalised 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.

This information is information that Episurf Medical AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 CEST on 3 May 2018.