

Episurf's Board of Directors resolves on a directed share issue and boards a new major shareholder, subject to approval from an Extraordinary General Meeting

NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA, SOUTH AFRICA, JAPAN, HONG KONG SWITZERLAND, SINGAPORE OR NEW ZEALAND OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL

The Board of Episurf Medical AB (publ) ("Episurf" or the "Company") has today resolved on a new issue of no more than 3,713,814 shares of series B (the "Share Issue") directed to a number of selected investors, including Niles Noblitt, one of the founders of Biomet, and the current shareholder Rhenman Healthcare Equity L/S. Furthermore, the Board has also resolved on a directed issue of warrants to Niles Noblitt, which entitles him to subscribe for a maximum of 2,252,210 additional shares of series B (the "Warrant Issue"). Both issues are subject to approval from an Extraordinary General Meeting that is expected to be held on 7 December 2018.

- The shares of series B are issued at a subscription price of SEK 4.00 per share, which corresponds to a discount of approximately 4.8 percent compared to the closing price of Episurf's share of series B as per 9 November 2018. Through the Share Issue, Episurf may raise proceeds of a maximum of approximately MSEK 15, excluding transaction costs.
- The warrants are issued free of charge and provides the right to subscribe for up to 2,252,210 shares of series B during a period of two years at a subscription price of SEK 4.00 per share. Through the Warrant Issue, Episurf may raise proceeds of a maximum of approximately MSEK 9.

Accordingly, Episurf may raise proceeds of a maximum of approximately MSEK 24. The Company intends to use the potential issue proceeds for continued execution of the Company's strategy, with focus on initiation of a clinical study in the United States, launch of an ankle implant and continued growth in Europe.

New major US shareholder

Niles Noblitt, one of the founders of and previous chairman of one of the global leaders within the orthopedic industry, Biomet (now Zimmer-Biomet), has undertaken to subscribe for 2,252,210 shares of series B in the Share Issue to a total amount of MSEK 9, provided that, during a two-year period, he is provided the opportunity to double his investment on the same terms. This is achieved by the Board of Directors having resolved upon the Warrant Issue. If the Extraordinary General Meeting approves the new issues, Niles Noblitt will own between 2,252,210 and 4,504,420 shares of series B, corresponding to approximately 5-11 percent of the votes and 7-14 percent of the shares in the Company.

"Episurf Medical has developed one of the most interesting technologies available for the treatment of bone and cartilage injuries in the knee joint, which generates significant interest in the orthopaedic industry. We are incredibly happy and proud that Niles Noblitt has chosen to invest a significant amount in Episurf. Niles was one of the founders of the global industry leader Biomet (now part of Zimmer Biomet) and has an impressive career and background from the orthopaedic industry. We could not have asked for a more suitable investor for Episurf Medical. We are now broadening our shareholder base to include a sophisticated US investor among the largest shareholders. We are continuing to execute on our strategy with full force, and our technology has delivered excellent results for a patient group in need of an efficient treatment standard, it is incredibly exciting," says Pål Ryfors, CEO, Episurf Medical.

Additional information about the new issues

In addition to Niles Noblitt, the Share Issue is directed to a limited number of selected investors, including certain existing shareholders (including Rhenman Healthcare Equity L/S that increases its share of the capital in Episurf from 4.4 percent to 4.9 percent through the transaction).

The reason for the deviation from the shareholders' preferential rights is to secure capital in a fast and resource-efficient manner and enable the Company to board a new principal owner who contributes with both capital and valuable industry knowledge. The subscription price and terms have been determined through a bidding procedure and negotiations with investors and is assessed by the Board of Directors to correspond to the market value of the shares.

The Board's resolution to issue shares is subject to an approval from the Extraordinary General Meeting, which is expected to be held on 7 December 2018. The Company will today separately summon this Extraordinary General Meeting. The new shares of series B will not be admitted to trading on Nasdaq Stockholm until a prospectus has been prepared and approved by the Swedish Financial Supervisory Authority, which is expected to occur by the end of December 2018.

Through the Share Issue, the number of shares in the Company may increase by no more than 3,713,814 shares, from 31,244,556 shares (of which 5,221,662 shares of series A with three votes and 26,002,894 shares of series B with one vote) to 34,958,370 shares (of which 5,221,662 shares of series A with three votes and 29,736,708 shares of series B with one vote). The number of votes may increase by no more than 3,713,814, from 41,687,880 to 45,401,694. This means a maximum dilution of approximately 12 percent of the shares and 9 percent of the votes.

Through the Warrant Issue, an additional 2,252,210 shares of series B may be issued, corresponding to an additional maximum dilution of approximately 7 percent of the shares and 5 percent of the votes, or a total of no more than 19 percent of the shares and 14 percent of the votes.

For more information, please contact:

Pål Ryfors, CEO, Episurf Medical
Tel: +46 (0) 709 62 36 69
Email: pal.ryfors@episurf.com

This information is information that Episurf Medical AB (publ) 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 07:30 on 12 November 2018.

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

Important information

The release, announcement or distribution of this press release may, in certain jurisdictions, be subject to restrictions. The recipient of this press release is responsible for using the information in this press release in accordance with applicable law in each jurisdiction. This press release does not constitute an offer, or a solicitation of any offer, to buy or subscribe for any securities in the Company in any jurisdiction.

These materials may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This press release does not constitute or form part of an offer or solicitation to purchase or subscribe for securities in the United States. Securities may not be offered or sold in the United States absent (i) registration under the U.S. Securities Act of 1933, as amended (the "Securities Act") or (ii) an available exemption from registration under the Securities Act. The securities mentioned herein have not been, and will not be, registered under the Securities Act and will not be offered to the public in the United States

The information in this press release may not be announced, published or distributed, directly or indirectly, to Canada, Australia, New Zealand, Singapore, South Africa, Switzerland, Japan or Hong Kong or in any other jurisdiction where the announcement, publication or distribution of the information would not comply with applicable laws and regulations.

This press release is not a prospectus for the purposes of Directive 2003/71/EC as amended through Directive 2010/73/EU. The Company has not authorized any offer to the public of shares or rights in any member state of the EEA and no prospectus or other offering document has been or will be prepared in connection with the directed share issue.