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 22 May 2017 at 18.00 (CET) (the "**Meeting**") at "7A Odenplan", Odengatan 65, SE-113 22 Stockholm. The doors open at 17.30 (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 16 May 2017, and no later than on Tuesday 16 May 2017 give notice of attendance via the Company's website, 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 16 May 2017. 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.

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 16 May 2017. The nominee should therefore be instructed well in advance of this date.

Proposed agenda

1) Opening of the Meeting

2) Appointment of a 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 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 2018

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 2017/2020(A)

c) an issue of warrants of series 2017/2020(B) and approval of transfers of warrants of series 2017/2020(B)

16) Resolution regarding authorisation for the Board of Directors to resolve on new issues of shares

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 2016, appointed by the three, in terms

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

- Advokat Carl Westerberg is proposed to be appointed as chairman of the Meeting
- The Board of Directors is proposed to consist of six members with no deputy members.
- Proposed re-election of Dennis Stripe, Saeid Esmaeilzadeh, Wilder Fulford, Christian Krüeger and Leif Ryd and election of Laura Shunk as members of the Board of Directors until the end of the next annual general meeting. Wil Boren 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 1,100,000 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 Saeid Esmaeilzadeh, 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.

Laura Shunk is a senior and founding partner in the law firm of Hudak, Shunk and Farine, Co LPA in Cuyahoga Falls, Ohio, USA, where she has practiced in the field of Intellectual Property Law since 1987. Laura's career has included patent and trademark prosecution work focused in the healthcare and medical device field with representations including InvaCare, Cross Medical, Biomet, OrthoHelix Surgical Designs, Tornier, and Wright Medical.

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 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 6 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 Episurf Medical AB (publ) proposes that the meeting resolves on the following guidelines for remuneration to the senior management for the period until the annual general meeting of 2018.

Compensation and conditions of employment for the senior management, by which is meant the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, Head of Quality & Regulatory Affairs, Sales Director and 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 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 6 month's 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 2017/2020(A), and (c) an issue of warrants of series 2017/2020(B) and approval of transfers of warrants of series 2017/2020(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 the favour of Episurf and its shareholders.

The Programme means that the participants will, in accordance with the below (i) be entitled to subscribe for a certain number of warrants of series 2017/2020 (A) (the "**Incentive Warrants**") for a price calculated in accordance with the below, and (ii) be allotted a certain number of employee stock options (the "**Stock Options**") free of charge.

The Programme is proposed to comprise all employees in the Episurf group as of the date of this notice (27 persons). No more than 117,400 Incentive Warrants and no more than 513,700 Stock Options will be issued. This implies a maximum dilution of 2.0 per cent of the share capital and 1.4 per cent of the votes in the Company.

Allocation, etc.

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

a) the acting CEO is entitled to subscribe for up to 15,000 Incentive Warrants;

b) the other members of the senior management (four persons) are entitled to subsribe for 8,000 Incentive Warrants each (i.e. a total of 32,000 Incentive Warrants);

c) the other participants (22 persons) are entitled to subscribe for 3,200 Incentive Warrants each. (i.e. a total of 70,400 Incentive Warrants).

The Stock Options shall be allocated in accordance with the following. Each participant is proposed to be allotted, free of charge:

a) 6,000 Stock Options (except the acting CEO, who is alloted 10,000 Stock Options), plus

b) 350 Stock Options per month he or she has been employed by the Episurf group, plus

c) one (1) Stock Option for each Employee Warrant subscribed for in accordance with the below.

Stock Options

Provided that the participant is still employed by the Episurf group at the exercise of the options, each Stock Option entitles the employee to purchase one share of series B in the Company during the period from and including 1 June 2020 until and include 31 May 2021. The price for the shares of series B shall be equal to an amount corresponding to 130 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 15 May 2017 until and including 19 May 2017 (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 based on the volume-weighted average of the price for the Company's share of series B on Nasdaq Stockholm during the Calculation Period. 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 2020 until and including 31 may 2021 for a subscription price corresponding to 130 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 2017/2020(A)

As further described under item 15(a) above, the Board of Directors proposes that the Company shall issue a maximum of 117,400 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 30 June 2017. 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 35,249.81 calculated as per the date of this notice.

Proposal under item 15(c); Resolution on an issue of warrants of series 2017/2020(B) and approval of transfers of warrants of series 2017/2020(B)

To ensure delivery of shares to holders of Stock Options, the Board of Directors proposes that the Company shall issue a maximum of 513,700 warrants of series 2017/2020(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 30 June 2017.

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 2020 up until and including 31 May 2021. The subscription price shall be equal to an amount corresponding to 130 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 154,240.45 calculated as per the date of this notice.

The Board of Directors finally proposes that the meeting approves that up to 513,700 Hedge Warrants during the period from and including 1 June 2020 up until and including 31 May 2021 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 authorising the Board of Directors to resolve on new issues of shares

The Board of Directors proposes that the Meeting authorises the Board of Directors during the period until the next annual general meeting, on one or more occasions, to resolve on a new issue of shares of series A or series B with or without deviation from the shareholders' preferential rights.

The number of shares, issued by virtue of authorisation of the AGM, shall be equivalent to a maximum of 10 (ten) per cent of the total number of shares at the date of the Meeting.

The board shall be authorised to resolve that shares issued pursuant to the authorisation, wholly or partly, shall be subscribed for against payment in cash, in kind or by right of set-off.

New shares issued by virtue of authorisation shall be issued at market terms and shall be used by the Company as payment in connection with acquisition of shares or assets or participations in legal entities or in order to capitalise the Company before such acquisition or capitalise the Company in other respects.

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 6,386,468 are shares of series A with three votes each, and 24,163,027 are shares of series B with one vote each. Accordingly, the total number of votes amounts to 43,322,431. 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 and at the Company's head of office at Karlavägen 60, 114 49 Stockholm, Sweden. A proxy form as well as the Board of Directors' complete proposals and reports prepared in accordance with the Swedish Companies Act will not later than 28 April 2017 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 April 2017

The Board of Directors

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.

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