

Episurf announces directed share issue and fully guaranteed rights issue of in total SEK 140m

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

The Board of Directors of Episurf Medical AB (publ) ("Episurf" or the "Company") has today resolved on a capital raise of approx. SEK 140m in total allocated between a directed share issue of class B shares (the "Directed Issue") of SEK 90m and an issue with preferential rights for existing shareholders of class B shares (the "Rights Issue") of approx. SEK 51m. The resolution by the Board of Directors is subject to approval by the Extraordinary General Meeting and the Board of Directors therefore issues notice to an Extraordinary Shareholders Meeting that is planned to be held on March 10 2020. A number of institutional and well reputable investors intend to subscribe for shares in the Directed Issue and have undertaken to, without compensation, guarantee such part of the Rights Issue that is not covered by subscription commitments. The Rights Issue is thereby 100 percent covered by subscription commitments, guarantee commitments and intentions. Investors in the Directed Issue include among others Strand Kapitalförvaltning Fonder, The Fourth Swedish National Pension Fund, Nyenburgh Investment Partners and Rhenman Partners Asset Management.

The share issues will finance the EPIC-Knee study in the US and Europe and carry the costs for continued expansion of the European business, including commercialization efforts and investments in clinical studies.

Background and motive

Episurf Medical addresses major medical needs not met by today's orthopaedic industry, with a vision to help more people return to living their lives as they wish. To fulfil this vision, Episurf Medical's business idea is to provide orthopaedic surgeons with clinically first-class patient-specific treatment alternatives through Episurf Medical's proprietary technology for imaging analysis, implant design and manufacturing. Episealer® technology is mainly aimed at patients suffering from early signs of osteoarthritis of the knee joint, but the Company has also recently launched an implant technology for osteochondral injuries of the Talus bone in the ankle.

The Episealer® technology for knee injuries, which is now gaining more and more attention in Europe with the help of very promising study results, represents a unique treatment method for an orthopaedic treatment gap. Episurf is of the opinion that this treatment gap is of significant size on a global basis. Based on the clinical results that have been published and presented to date, the Company concludes that the Episealer® technology leads to strong clinical improvements, fast rehab and high implant survival rates. As of February 6, 2020, 617 surgeries had been performed in Europe with Episurf's implant Episealer®. The Company has now expanded its product portfolio to also include an ankle implant, for which the Company obtained CE approval in January 2020, as well as a visualization tool for knee joints, which was CE-marked in September 2018. During 2020, the Company expects published results from several clinical studies which are being conducted in Europe, and the Company has also initiated a clinical trial in the US, which will constitute an important part of the Company's future FDA-application.

The clinical performance of the Episealer® implant is the single most important factor for the Company now preparing to expand its operations in existing, as well as into new markets. In view of the fact that more money will be required to execute the set strategy, the board of Episurf Medical has resolved, subject to approval by the EGM, on a Rights Issue which is covered by intentions, subscription and guarantee commitments up to 100 per cent, corresponding to approximately SEK 51m as well as a Directed Issue of SEK 90m.

Comment from Episurf's CEO, Pål Ryfors

"We are delighted that several well-known sophisticated investors have chosen to participate in Episurf's latest round of financing, adding an important new pillar to our shareholder base and strengthening our position. We are also welcoming our existing investors to continue to support us by participating in the share issue. In the coming year, we anticipate the publication of significant new clinical evidence in support of the Episealer® technology, which will help us to continue to deliver and even accelerate the rapid growth that we are enjoying. So far in 2020 we have seen the order-book more than double over the prior period, and we look forward to expanding further into selected new markets. Through the current share issue, we are securing our financial requirements at least until mid-2022, by which time we will have achieved several additional commercial and clinical milestones. The coming years are critical to the company, with much activity planned in both Europe and the US. Finally, I would like to express my appreciation and thanks to both existing and new shareholders for their belief in Episurf's future opportunities. The entire company is confident that we can achieve great commercial success while bringing relief and hope to thousands of suffering patients who currently go untreated." – Pål Ryfors, CEO.

The Rights Issue in brief

The Board of Directors has today, February 7 2020, subject to subsequent approval by the EGM scheduled to be held on March 10 2020, resolved to offer existing shareholders to subscribe for class B shares in Episurf at a subscription price of SEK 1.50 through a Rights Issue. The Rights Issue comprises up to 34 099 033 class B shares, fully subscribed equivalent to an increase of the share capital of SEK 10 238 368.76. The total issue amounts to SEK 51m before issue costs.

The Rights Issue will be issued on the following terms:

The preferential right to subscribe for new class B shares shall be in relation to the number of old class A and/or B shares that the shareholder owns. For eight (8) existing shares the shareholder receives three (3) new class B shares. Each share previously held will entitle the shareholder to receive three (3) subscription rights of class B. Eight (8) subscription rights are required to subscribe for one (1) new share. Those who are not current shareholders can also subscribe for shares in the Rights Issue. For shares subscribed for without preferential right, allotment shall take place as follows:

1. Firstly, to those who have subscribed for class B shares with subscription rights and who wishes to subscribe for additional shares, irrespective of whether or not the subscriber was a shareholder of the Company as of the record date, *pro rata* to their subscription with subscription rights, and to the extent this cannot be effected, by the drawing of lots;
2. Secondly, to others that have announced their interest in subscription of class B shares without subscription rights (and who are not included under item a) above), *pro rata* to their announced interest, and to the extent this cannot be effected, by the drawing of lots;
3. Ultimately, to those who have issued guarantee commitments regarding the subscription of class B shares in relation to the terms and conditions of the respective guarantee commitment.

Per each subscribed class B share, SEK 1.50 shall be paid. The record date, i.e. the day when shareholders must be entered the share registry to receive preferential right in the Rights Issue is March 16 2020. The subscription period for new shares is from March 19 2020 - April 2 2020. Subscriptions for shares with preferential right are made by cash payment. Subscription without preferential right is made through a depository bank or directly to the issuer agent Aqrat Fondkommission on a special subscription list. Payment for shares subscribed for without preferential right shall be made no later than three (3) business days after the decision on allocation, according to the instructions on the contract note. The Board of Directors is authorized to extend the subscription period and the time of payment. New shares are entitled to dividends from the date the shares were entered in the share register kept by Euroclear Sweden AB. The CEO reserves the right to make minor adjustments necessary for the registration at the Swedish Companies Registration Office and Euroclear Sweden AB. Fully subscribed, the Rights issue will increase the share capital by SEK 10 238 368.76 and the number of shares will increase by 34 099 033.

Intentions, subscription and guarantee commitments

Episurf has received subscription undertakings representing approximately 27 percent of the Rights Issue and guarantee commitments and intentions representing approximately 73 percent, which together corresponds to 100 percent of the Rights Issue. Thus, the issue is fully covered by intentions, subscription and (gratuitous) guarantee commitments.

Preliminary timeline

- March 10 2020 – Extraordinary General Meeting
- March 10 2020 – Estimated publication of prospectus
- March 12 2020 – Last day of trading incl. subscription rights
- March 13 2020 – First day of trading excl. subscription rights
- March 16 2020 – Record date
- March 19 2020 – March 31 2020 – Trading in subscription rights
- March 19 2020 – April 2 2020 – Subscription period
- March 19 2020 – Until the Rights Issue is registered at the Swedish Companies Registration Office – Trading in paid subscribed shares (BTA)
- April 7 2020 – Disclosure of outcome of Rights Issue

Investor meetings

Invitation to investor meetings will be sent out separately and will also be presented on Episurf and Redeye AB's respective websites (www.episurf.com, www.redeye.se).

Prospectus

Publication of the prospectus is expected around March 10 2020. Full terms and conditions as well as information about subscription and guarantee commitments will be available in Episurf's prospectus which, will be published on the Company's and Redeye AB's respective websites (www.episurf.com, www.redeye.se).

The Directed Issue in brief

The Board of Directors has today, February 7 2020, subject to subsequent approval by the EGM scheduled to be held on March 10 2020, resolved to carry out a Directed Issue of 60 000 000 shares at a subscription price of SEK 1.50 per share, increasing the share capital with SEK 18 015 235,96. The Company will receive SEK 90m through the Directed Issue before issue costs.

The dilution effect for current shareholders, calculated after the Rights Issue fully subscribed, will be approximately 32,4 percent.

The Directed Issue is aimed at a limited number of institutional investors, including among others Strand Kapitalförvaltning Fonder, The Fourth Swedish National Pension Fund, Nyenburgh Investment Partners and Rhenman Partners Asset Management.

The subscription price in the Directed Issue has been determined through a book building procedure. In addition, investors participating in the Directed Issue have entered no-fee guarantee commitments and/or declarations of intent regarding an amount in the Rights Issue corresponding to 50 percent of the amount invested in the Directed Issue. Shares issued in connection with the Directed Issue are not eligible to participate in the Rights Issue.

The reason for deviating from the shareholders' preferential rights is to provide additional capital to the Company in order to finance its continued expansion as well as to provide long-term institutional shareholders and thereby promote Episurf's potential to develop the Company with the purpose of creating added value for all shareholders.

The resolution by the Board of Directors on the Directed Issue of new shares is subject to the subsequent approval by the EGM, which is to be held on March 10 2020. Shareholders representing approximately 30 percent of the share capital and votes in Episurf have notified that they are positive to the Transaction and have undertaken to vote in favor of the relevant resolutions at the EGM. For further information, please refer to the notice of the EGM in a separate press release.

Advisers

Redeye AB and Zonda Partners AB act as financial advisers and DLA Piper Sweden KB acts as legal adviser in connection with the issues. Aqrat Fondkommission acts as the issuing agent in the Rights Issue and Aktieinvest FK AB acts as the issuing agent in connection with the Directed Issue.

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 individualised treatment alternatives. Episurf Medical's Episealer® individualised implants and Epiguide® surgical drill guides are developed for treating localised 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 07.00 CET on February 7, 2020.

Important information

The information in this press release does not constitute an offer to acquire, subscribe for or otherwise trade with shares or other securities in Episurf Medical. No action has been taken, nor will any actions be taken, to permit an offer to the public in any other jurisdiction than Sweden. An invitation to eligible persons to subscribe for shares in Episurf Medical will only be made through the prospectus which Episurf Medical intends to publish on or about March 10 2020.

The information in this press release may not be published or distributed, directly or indirectly, within or into the United States of America (including its territories and possessions, any state of the United States and the District of Columbia, the "USA"), Australia, Canada, Hong Kong, Japan, New Zealand, South Africa, Switzerland, the United Kingdom or any jurisdiction where doing so might be unlawful, subject to legal restrictions or require other actions than the ones prescribed under Swedish law. Actions in violation of these instructions may constitute a breach of applicable securities law. This press release does not constitute an offer of invitation to acquire or subscribe for shares in the USA. No subscription rights, paid subscribed shares (BTA) or shares or other securities issued by the Company (the "Securities") have been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws in any other state or jurisdiction in the USA and no Securities may be offered, subscribed, used, pledged, sold, retailed, delivered or transferred, directly or indirectly, in or into the United States other than pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Securities have not been and will not be approved or registered by the Securities and Exchange Commission, any state securities authority or other authority in the USA. No such authority has assessed or made any statements about the offer or the accuracy or reliability of the prospectus. To assert the contrary is a criminal act in the USA.

Within the European Economic Area ("EEA"), no public offering of Securities is made in any other country than Sweden. In other EEA member states which have implemented Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "Prospectus Regulation") an offering of Securities may only be made in accordance with an exemption from the Prospectus Regulation and any relevant implementing measure.

This press release may contain certain forward-looking statements which reflect Episurf Medical's current view of future events and financial and operational developments. Words such as "intends", "estimates", "expects", "may", "plans", "deems", "believes", "assesses", "anticipates", "will", and other similar expressions which imply indications or predictions regarding future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is by nature affiliated with known and unknown risks and uncertainties since it is dependent on future events and circumstances. Forward-looking information does not constitute any guarantee regarding future results or development and the actual outcome may materially differ from forward-looking statements. The information, assessments and forward-looking statements in this press release are only relevant as of the date of this press release and may change without notice.