



Company Announcement
July 26, 2016

Notice of Extraordinary General Meeting of Episurf Medical AB (publ)

The shareholders in Episurf Medical AB (publ), 556767-0541 ("Episurf" or the "Company"), are hereby summoned to an Extraordinary General Meeting on Thursday 18 August 2016 at 10.30 a.m. (CET) at T-House, Engelbrektsplan 1, 114 34 in Stockholm.

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 Friday 12 August 2016, and give notice of attendance to the Company by mail (Episurf Medical AB, Stora Skuggans väg 11, 115 42 Stockholm) or by email ir@episurf.se.

Notice of attendance must be received by the Company no later than on Friday 12 August 2016. 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 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 Friday 12 August 2016. 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) Resolution on the number of members of the Board of Directors
- 8) Determination of fees for new members of the Board of Directors and the Chairman of the Board of Directors
- 9) Election of new members of the Board of Directors and new Chairman of the Board of Directors

- 10) Resolutions on (a) adoption of an employee stock option programme, and (b) an issue of warrants
- 11) Closing of the Meeting

PROPOSALS FOR RESOLUTIONS

Proposals under items 2, 7, 8, and 9

The Nomination Committee, established in accordance with the principles adopted at the Annual General Meeting of 2015, appointed by the three, in terms of votes, largest shareholders makes the following proposals:

- Carl Westerberg to be appointed Chairman of the Meeting
- Six members of the Board of Directors to be appointed without deputy members
- Dennis D. Stripe and Wil Boren to be elected as new members of the Board of Directors in addition to Saeid Esmaeilzadeh, Leif Ryd, Wilder Fulford and Christian Krüeger who were elected at the Annual General Meeting 2016
- Dennis D. Stripe to be elected as new Chairman of the Board of Directors
- Remuneration of the members of the Board of Directors and the Chairman of the Board of Directors to be as follows: (i) SEK 200,000 to each new member of the Board of Directors, (ii) SEK 400,000 to the new Chairman of the Board of Directors, and (iii) no fees for committee work.

Proposal under item 10; Resolution on (a) adoption of an employee stock option programme, and (b) an issue of warrants

Proposal under item 10(a); Resolution on adoption of an employee stock option programme

The Board of Directors proposes that the Meeting resolves to adopt an employee stock option programme for the senior management and certain other employees of the Company in Sweden (the “**Programme**”). The rationale for the proposal is to achieve optimum alignment of interests between the participants and the shareholders, 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 be allotted a certain number of employee stock options free of charge. Provided that the participant is still employed by the Episurf group at the exercise of the options, each employee stock option entitles the employee to purchase one share of series B in the Company during the period from and including the date falling three years from the date the employee is allotted the employee stock options until and including the date falling four years the date the employee is allotted the employee stock options. The subscription price for the shares of series B shall be equal to an amount corresponding to 150 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 10 August 2016 until and including 17 August 2016, provided however that the purchase price shall never be less than the quota value of the share.

The English text in this notice is an unofficial translation of the Swedish original. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.



It is proposed that the Programme comprises not more than 151,600 employee stock options, corresponding after dilution to not more than approximately 0.9 per cent of the share capital and not more than approximately 0.7 per cent of the votes at the date of this notice.

The Programme is proposed to comprise (i) the managing director, who is proposed to be allotted 53,200 employee stock options, (ii) the CFO, who is proposed to be allotted 40,500 employee stock options, (iii) the COO, who is proposed to be allotted 33,900 employee stock options, and (iv) twelve other employees of the Company in Sweden, who are proposed to be allotted 2,000 employee stock options each.

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 options are no longer appropriate.

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

No compensation will be paid for dividend payments on the underlying share.
The employee stock options may not be transferred or pledged.

The Programme is expected to incur accounting costs as well as expenses in the form of social security contributions. The accounting costs are expected to amount to approximately SEK 199,016 and the social security contributions are expected to amount to approximately SEK 64,481. The Black & Scholes formula has been used for the valuation of the employee stock options.

Proposal under item 10(b); Resolution on an issue of warrants and approval of transfer of warrants

To ensure delivery of shares to participants in the Programme, the Board of Directors proposes that the Company shall issue a maximum of 151,600 warrants. The right to subscribe for warrants shall, with deviation from the shareholders' preferential rights, belong to Episurf Operations AB, 556921-7739 (the "Subsidiary"), a wholly-owned Swedish subsidiary of the Company.

The warrants shall be issued to the Subsidiary without compensation and subscription of the warrants shall take place on a separate subscription list not later than 31 August 2016.

Each warrant entitles the holder to subscribe for one new share of series B in the Company during the period from and including 17 August 2019 up until and including 31 December 2020. The subscription price shall be equal to an amount corresponding to 150 per cent of the volume-weighted average of the price for the Company's share of series B on Nasdaq Stockholm during the period from and including 10 August 2016 until and including 17 August 2016. The increase of the Company's share capital will, upon exercise of the warrants, amount to not more than approximately SEK 45,518 calculated as per the date of this notice.

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In order to fulfil the commitments arising from the Programme, the Board of Directors finally proposes that the Meeting authorises that the Subsidiary may assign to a third party or in another way dispose of the warrants.

The Board of Directors proposes that the Meeting authorises the Board of Directors to make such minor adjustments in the Meeting's resolutions as may be required in connection with the registration of the warrants with the Swedish Companies Registration Office and Euroclear Sweden AB.

Majority requirements and conditions, etc.

The Board of Directors proposals for resolution pursuant to item 10(a)–(b) 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.

MISCELLANEOUS

On the date of this notice, the total number of shares in Episurf is 15,949,804, of which 3,431,974 are shares of series A with three votes each, and 12,517,830 are shares of series B with one vote each. Accordingly, the total number of votes amounts to 22,813,752. The Company does not hold any of its own shares.

The Nomination Committee's complete proposals are available at the Company's website www.episurf.com and at the Company's head of office at Stora Skuggans väg 11, 115 42 Stockholm. 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 August 2016 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 Managing director at the Meeting in accordance with Chapter 7, Section 32 of the Swedish Companies Act. Welcome!

Stockholm in July 2016

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

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Episealer® personalized implants and Epiguide® surgical drill guides are developed for treating localized cartilage injury in joints. Episurf Medical's µFidelity® 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 CET on 26 July 2016.