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N.B. This press release has been published in Swedish and English. In the event of any discrepancy between these two versions, the Swedish version shall prevail.

Press release
16 March 2017

OUTCOME OF EPISURF MEDICAL'S RIGHTS ISSUE

The subscription period for Episurf Medical's new issue of A and B shares with preferential right for the company's shareholders ended on 13 March 2017 and the final outcome shows that the rights issue was subscribed for by shareholders to approximately 91.5 per cent, which means that Episurf Medical receives approximately SEK 109.5 million before issue related costs.

In accordance with the resolution of the shareholders' meeting on 20 February 2017, which approved the board of directors' resolution on a new issue of A and B shares with preferential rights for the Company's shareholders, Episurf Medical AB (publ) ("**Episurf Medical**" or the "**Company**") has carried out the new issue (the "**Rights Issue**"). The subscription price for the new shares of series A and B was SEK 7.50 per share and the subscription period took place from and including 27 February 2017 until and including 13 March 2017.

The Rights Issue was subscribed for to 91.5 per cent. The summation shows that 13,477,883 shares (of which 2,983,597 A shares and 10,494,286 B shares), corresponding to 84.5 per cent of the offered shares, were subscribed for by subscription rights. 1,121,808 shares, corresponding to 7.0 per cent of the offered shares, were subscribed for without subscription rights. This means that 14,599,691 shares (of which 2,985,597 A shares and 11,614,094 B shares) will be issued. Hence, the Company will raise approximately SEK 109.5 million before issue related costs, which means that the guarantee commitments do not have to be used.

"The rights issue represents a significant capital contribution for Episurf and it enables us to execute upon our growth plan. We are seeing a great interest in our technology and our products and an increasing number of orthopaedic surgeons are turning to our solution for treatment of patients with cartilage and bone lesions of the knee joint. Our clinical portfolio is growing steadily and to date, approximately 180 patients have been treated with our implants. In step with this we are strengthening our opportunities to establish Episealer and Epioscopy on the global market where we see a great interest in our technology. Further, we can happily conclude that there is a significant interest for our company among investors given the solid support in the capital issue from existing shareholders as well as new investors" says Pål Ryfors, acting CEO of Episurf.

Through the Rights Issue, Episurf Medical's share capital will increase with approximately SEK 4,383,614.75 to SEK 9,172,606.25. The number of A shares will increase by 2,985,597 to 6,386,468 A

Episurf Medical AB (publ)
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shares and the number of B shares will increase by 11,614,094 to 24,163,027 B shares. Thus, the total number of shares will increase by 14,599,691 to 30,549,495 shares and the total number of votes will increase by 20,570,885 to 43,322,431 votes.

As confirmation of the allocation of the new A shares and B shares subscribed for without subscription rights, a contract note will be sent to the subscriber or the nominee. Subscribed and allocated new shares shall be paid for in cash on the settlement date in accordance with the instructions on the contract note, around 21 March 2017. Shareholders holding shares through nominees will receive information on allocation in accordance with the routines of respective nominee.

New shares subscribed for with subscription rights are expected to be registered with the Swedish Companies Registration Office on or about 17 March 2017. The BTA will be booked as shares once the entire Rights Issue is registered. New B shares are expected to be admitted to trading on Nasdaq Stockholm during week 13, 2017.

Advisors

Asperia AB and Erik Penser Bank are financial advisors and Gernandt & Danielsson is legal advisor to Episurf in connection with the rights issue.

Episurf Medical AB (publ)

The Board of Directors

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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.

This information is information that Episurf 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 CET on 16 March 2017.

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The information, opinions and forward-looking statements concluded in this announcement speak only as of its date and are subject to change without notice.