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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
23 February 2017

Episurf Medical AB (publ) publishes prospectus; Episurf's former CEO's incentive programmes terminated

The prospectus regarding the rights issue in Episurf Medical AB (publ) ("Episurf" or the "Company") has been approved and registered by the Swedish Financial Supervisory Authority and is now available on the Company's website (www.episurf.com).

On 18 January 2017, the Board of Directors of Episurf resolved on an up to approximately SEK 120 million new issue of A and B shares with preferential rights for shareholders, subject to subsequent approval of an extraordinary general meeting. The extraordinary general meeting held on 20 February 2017 resolved to approve the resolution of the Board of Directors. The prospectus regarding the rights issue and admission for trading of the new B shares on Nasdaq Stockholm has today been approved and registered by the Swedish Financial Supervisory Authority.

Episurf has reached a final agreement with the former CEO Rosemary Cunningham Thomas, who left the Company on 5 January 2017. The agreement includes, among other things, a settlement of the vested part of the incentive programme resolved upon by the annual general meeting of the Company on 24 May 2016, which means that no "incentive shares" in the Company's UK subsidiary Episurf UK Limited will be issued to Cunningham Thomas. The employee stock options issued to Cunningham Thomas in accordance with a resolution on the extraordinary general meeting of Episurf on 18 August 2016 are also terminated.

The prospectus and the application form can be obtained from Episurf and Erik Penser Bank and will also be available on Episurf's website (www.episurf.com) as well as Erik Penser Bank's website (www.penser.se).

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 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.

Episurf Medical AB (publ) publishes this information in compliance with the Swedish Act on Trading in Financial Instruments. This information was announced on February 23, 2017, at 16.00 (CET).

Important information

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This press release contains forward-looking statements which reflect Episurf's current view on future events and financial and operational development. Words such as "intend", "will", "expect", "anticipate", "may", "plan", "estimate" and other expressions than historical facts which imply indications or predictions of future development or trends, constitute forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the actual outcome could differ materially from the forward-looking statements.

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