

Hansa Medical

The Board of Directors' proposal to adopt a long term incentive programme based on warrants and/or performance based share rights for employees in Hansa Medical (item 16)

The Board of Directors proposes that the Annual General Meeting resolves to adopt a long term incentive programme based on warrants and/or performance based share awards ("**Share Awards**") for employees in the Hansa Medical-group in accordance with item 16 (a) below ("**LTIP 2018**"). The Annual General Meeting's decision to adopt LTIP 2018 in accordance with item 16 (a) shall, as a basis, be conditioned upon the Annual General Meeting's decision to adopt the Board of Directors' proposal in accordance with item 16 (b)-(c) below. However, if required majority for item 16 (b)(i) and 16 (c) cannot be achieved at the Annual General Meeting, the programme shall only consist of Share Awards in accordance with item 16 (b)(ii) and may instead be hedged through a decision in accordance with the Board of Directors' proposal under item 16 (d) below. LTIP 2018 is proposed to be directed to a maximum of 52 employees.

Adoption of an incentive programme (item 16 (a))

Within the framework of LTIP 2018, participants will be given the opportunity to acquire warrants at market value and/or receive Share Awards free of charge in accordance with the terms set out below. Each participant will be entitled to choose whether to invest in warrants and/or to receive Share Awards. The value per participant for investment in warrants (calculated based on the market value of the warrants at the time of the allocation) and the allocation of Share Awards (calculated based on the market value of the Share Awards at the time of the allocation) may amount to a maximum value ("**Participant Value**") and a maximum number of warrants or Share Awards which is determined by the category of which the participant belongs to (see the table below).

If the participant decides not to acquire any warrants, the participant will be allocated Share Awards corresponding to the entire Participant Value. If the participant chooses to acquire 50 per cent of the Participant Value in warrants, the remaining 50 per cent of the Participant Value will be allocated in Share Awards. If the participant chooses to acquire 100 percent of the Participant Value in warrants, no Share Awards will be allocated to the participant. As a result of the participants' right to choose to acquire warrants and to receive the remaining Participant Value in the form of Share Awards, the outcome of LTIP 2018 will vary, for example, in terms of costs and dilution.

| Category | Maximum no. employees | Maximum Participant Value per employee (mSEK) | Maximum Participant Value per category (mSEK) | Maximum no. of warrants | Maximum no. of Share Awards |
|--|------------------------------|--|--|--------------------------------|------------------------------------|
| CEO | 1 | 5.1 | 5.1 | 84,769 | 51,385 |
| Executive Management (management team) | 8 | 1.5 | 9.4 | 154,915 | 93,907 |
| Middle management | 11 | 0.7 | 7.7 | 127,787 | 77,462 |
| Other employees | 32 | 0.3 | 7.5 | 123,948 | 75,148 |
| Total | 52 | n.a. | 29.8 | 491,419 | 297,902 |

Warrants and/or Share Awards may also be acquired by and allocated to new employees who have not yet joined the Hansa Medical-group. For such acquisitions and allocations, the terms shall be equivalent to those stated in this proposal, however, such acquisitions and allocations may not occur later than the day before the Annual General Meeting 2019.

The rationale for the proposal

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The purpose of LTIP 2018 is to create the conditions for motivating and retaining competent employees in the Hansa Medical-group, as well as increase the coherence between employee's, shareholder's and the company's goals, as well as raising the motivation to reach, and exceed, the company's financial targets. In the preparation of LTIP 2018, the principles decided in connection with the warrant programme 2015 and the LTIP 2016 have been taken into account. LTIP 2018 has been designed to include up to 52 participants and offers the opportunity for future employees to participate in the programme. The Board welcomes the fact that all employees in the Hansa Medical-group are shareholders in the company. The background to the programme's structure is to generate a high participation (since an investment is optional) while at the same time allowing for a potentially high leverage for those willing to invest in warrants.

By offering an incentive based on the development of the share price, participants are premised for increased shareholder value. LTIP 2018 also rewards employees' continued loyalty and thus the long term value growth in the company. After these considerations, the Board of Directors believes that LTIP 2018 will have a positive effect on the future development of the Hansa Medical-group and will therefore be beneficial to both the company and its shareholders.

Preparation of the proposal, design and administration

LTIP 2018 has been prepared by the Board of Directors and the Remuneration Committee in consultation with external advisors. LTIP 2018 has been discussed by the Board of Directors at Board meetings during January to April 2018.

The warrants shall be subject to marketable conditions, including a right for the company to repurchase the options to the current market value if the employee's employment within the company ceases. The Board of Directors proposes that the Annual General Meeting instructs to the Board of Directors to execute the decision presented above and to ensure that the Board of Directors of Cartela R&D AB (the "**Subsidiary**"), a wholly owned subsidiary of the company, executes the transfer of the warrants as described below. The Board of Directors of the company shall be able to cancel warrants that have not been transferred to employees or warrants that have been repurchased from employees.

The Board of Directors, or a special committee set up by the board, shall be responsible for preparing the detailed terms and conditions of the Share Awards, in accordance with the presented terms and guidelines including provisions on recalculation in the event of an in-between bonus issue, share split, rights issue or similar measures. To this end, the Board of Directors shall be entitled to make adjustments to meet foreign regulations or market conditions, including resolving on cash or other settlement if deemed favourable for Hansa Medical based on foreign tax regulations. The board shall also be entitled to take other adjustments if significant changes occur in the Hansa Medical-group or its outside world that would result in the adopted terms for the Share Awards no longer fulfilling their objectives.

Previous incentive programme in Hansa Medical

For a description of the company's other long term incentive programmes, please see the company's annual report 2017, page 45, and the company's website, www.hansamedical.com. In addition to the described programmes, there are no other long term incentive programmes in Hansa Medical.

Proposal to adopt a long term incentive programme based on warrants (item 16 (b)(i))

The Board of Directors proposes that the company issues and transfers warrants to participants to a price corresponding to market value of the warrants. The company shall issue not more than 491,419 warrants. The right to subscribe for the warrants shall, with deviation from the shareholders' pre-emption rights, rest with the Subsidiary. Subscription must take place no later than June 12, 2018. The warrants are issued free of charge. The Subsidiary shall transfer the warrants in accordance with the below.

Terms

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Each warrant entitles the holder to subscribe for one new ordinary share in Hansa Medical. Subscription of shares in accordance with the terms of the warrants may take place from June 12, 2021 through June 12, 2022. The subscription price shall be the market value of the share at the offer for subscription of the warrants with an annual enumeration of 7 per cent. This means that the subscription price after three years will amount to approximately 122.5 per cent of the current market value of one ordinary share, and after four years amount to approximately 131.1 per cent. The calculation of the volume-weighted share price shall be made based on the ten trading days immediately prior to the offer for subscription of the warrants.

Except for the CEO, all participants will be offered a subsidy to partially finance the acquisition of warrants. The subsidy will be equal to 25 per cent of the warrant investment (after tax).

Full recalculation for any dividends paid to existing shareholders will be made by adjusting the strike price for and number of shares per warrant in accordance with standard market practice and the general terms for the warrants.

Allocation of warrants

Allocation requires that the acquisition of warrants can legally be done and, at the board's assessment, can be done with reasonable administrative and financial efforts. The last day for allocation of warrants shall be the day prior to the Annual General Meeting 2019.

For participants who have not yet joined the Hansa Medical-group, acquisitions must be made at the current market value on the day of allocation. The warrants are otherwise subject to the terms and conditions set forth in [Appendix A](#).

Dilution, costs and effects on key ratios

The number of warrants and Share Awards allocated to the participants will vary depending on how the participants choose to allocate their Participant Values. As a consequence, dilution, cost and effect on key ratios will vary and this will be described below based on a maximum number of warrants. For corresponding information regarding the Share Awards, please see below.

The warrants shall be transferred on marketable terms at a price (premium) determined on the basis of a calculated market value for the warrants, using the Black & Scholes valuation model calculated by an independent valuation institution. The value has been preliminarily estimated to SEK 60.60 per warrant, based on a share price of SEK 231 per share. To all participants except the CEO, a subsidy will be offered through a one-time cash bonus for up to 25 per cent of the participant's post tax-premium. The total cost of the subsidy, based on assumptions about the abovementioned option value, may amount to a maximum of SEK 18.8 million including social security costs. Except for the administration cost of the programme, no additional costs in connection with the warrant programme are estimated to incur.

At a maximum allocation of warrants, 491,419 warrants will be acquired by the participants, which means a dilution effect of approximately 1.3 per cent of the number of shares and votes in the company. Taking the shares which may be issued pursuant to previously implemented incentive programmes in the company, the maximum dilution amounts to 3.0 per cent on a fully diluted basis. The dilution is expected to have a marginal effect on the company's key performance indicator "Earnings per share".

Proposal to adopt a long term incentive programme based on Share Awards (item 16 (b)(ii))

Participants will be given the opportunity to receive ordinary shares within the framework of LTIP 2018, known as "**Performance Shares**", in accordance with the terms set out below. The maximum number of Share Awards that can be allocated to the participants is 297,902 and derives from the outcome of the remaining Participant Value after the participants' purchase of warrants. The remaining Participant Value of each participant will, after the allocation of warrants, receive the remaining Participant Value in the form of Share Awards.

Terms and conditions

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A Share Award may be exercised provided that the participant, with certain exceptions, from the date of the start of LTIP 2018 for each participant, up until and including the date three years thereafter (the “**Vesting Period**”), maintains his or her employment within the Hansa Medical-group. The latest start date to receive Share Awards shall be the day prior to Hansa Medical’s Annual General Meeting 2019.

In addition to the requirement for the participant’s maintained employment in accordance with the above, a certain shareholder return condition, based on the so-called total shareholder return of the Hansa Medical share, will apply. A participant’s Share Awards entitle to Performance Shares if the total shareholder return (the return to shareholders through an increased share price and reinvestments of any dividends during the Vesting Period) on the company’s ordinary shares exceeds the below percentage rates during the Vesting Period.

The performance condition is set at a “minimum level” and “maximum level”, where the number of Share Awards which may result in the granting of Performance Shares is increased linearly between the minimum level and maximum level. In order for the Share Awards to entitle to the allocation of Performance Shares, the minimum level has to be reached or exceeded. If the specified minimum level of the performance condition is achieved, 25 per cent of each participant’s Share Awards will entitle to Performance Shares. If the maximum level is reached, 100 per cent of each participant’s Rights will entitle to Performance Shares.

During the Vesting Period, the minimum level for each participant’s shareholder yield shall be a 25 per cent and the maximum level 100 per cent.

The Share Awards

The Share Awards shall, in addition to what is set out above, be governed by the following terms and conditions:

- Share Awards are allocated free of charge no later than the day before the Annual General Meeting 2019.
- Share Awards vest during the Vesting Period.
- Share Awards may not be transferred or pledged.
- Each Share Award entitles the participant to receive one Performance Share free of charge after the end of the Vesting Period (with certain exceptions where the Vesting Period may be accelerated) if the participant, with certain exceptions, have maintained his or her employment within the Hansa Medical-group by the end of the Vesting Period.
- In order to align the interests of the participant with the shareholders’, the company will recalculate the number of shares that each Share Award gives the right to after the vesting period for any dividend paid to existing shareholders.

Allocation of Performance Shares under LTIP 2018 and hedging arrangements

The Board of Directors has considered different methods for transfer of ordinary shares under LTIP 2018, in order to implement the programme in a cost-effective and flexible manner. The Board of Directors has found the most cost-effective alternative to be, and thus proposes it as a main alternative, that the Annual General Meeting resolves (i) to authorise the Board of Directors to resolve on a directed issue of not more than 391,503 class C shares to the participating bank, of which not more than 93,601 class C shares may be issued to secure social charges arising as a result of LTIP 2018, and (ii) to authorise the Board of Directors to resolve on the repurchase of all issued class C shares, in accordance with 16 (c)(ii) below.

Following conversion of the class C shares to ordinary shares, the shares are intended to be both transferred to LTIP 2018 participants, as well as transferred in the market in order to cover the cash flow effects associated with LTIP 2018, primarily social charges. For this purpose the Board of Directors proposes that the Annual General Meeting resolves (iii) to transfer not more than 297,902 ordinary shares free of charge to LTIP 2018 participants in accordance with LTIP 2018 and that not

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more than 93,601 ordinary shares may be transferred to secure social charges arising as a result of LTIP 2018.

If the majority required for resolution in accordance with the above proposed hedge is not met, LTIP 2018 shall instead be hedged through a resolution to conclude an equity swap-agreement, in accordance with the Board of Director's proposal under item 16 (d) below.

Dilution, costs and effects on key ratios

The number of warrants and Share Awards that are allocated to the participants will vary depending on how the participants choose to distribute their Participant Value. As a result of this, the dilution, costs and effect on key ratios will vary be described from perspective of maximum number of Share Awards. For corresponding information about the warrants, please see above.

The maximum dilution effect of LTIP 2018, which combines two programme types, occurs if all of participants choose to solely subscribe for warrants. Thus, LTIP 2018 can not result in a higher dilution than what is described under item 16 (b)(i) above "Dilution, costs and effect on key ratios". The Share Awards will be accounted for in accordance with IFRS 2 which entails that the Share Awards shall be recorded as personnel expenses during the Vesting Period.

The costs for the programme is estimated to approximately SEK 25.5 million, excluding social charges, accounted in accordance with IFRS 2 based on the following assumptions: (i) that no warrants but 297,902 (i.e. the maximum number) Share Awards are allocated (ii) that the share price, at the beginning of the LTIP 2018, is SEK 231 per share, (iii) an estimated average annual increase in the share price of 26 per cent, (iv) that the performance condition is fully met; and (v) an estimated annual turnover of personnel of 5 per cent. Based on the same assumption as above, and a social security tax rate of 31.42 per cent, the costs for social charges are expected to amount to approximately SEK 37.1 million. The total cost for the LTIP 2018, including costs according to IFRS 2 is therefore estimated to approximately SEK 20.9 million annually including social security costs.

Upon maximum allocation of Share Awards and provided that the hedging arrangements in accordance with item 16 (c) below are adopted by the general meeting, 297,902 shares will be allocated to participants under LTIP 2018, and 93,601 class C shares will be used to secure social charges arising as a result of LTIP 2018, which would entail a dilution effect of approximately 1.0 per cent of the total number of shares and votes in the company. Taking the shares which may be issued pursuant to previously implemented incentive programmes in the company, the maximum dilution amounts to 2.8 per cent on a fully diluted basis. The dilution is expected to have a marginal effect on the company's key performance indicator "Earnings per share".

Authorisation for the Board of Directors to issue new class C shares, authorisation to repurchase issued class C shares, transfer own ordinary shares to participants in the Share Awards programme and the market (item 16 (c))

The resolutions under items 16 (c)(i)-(iii) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution.

Authorisation for the Board of Directors to issue class C shares (item 16 (c)(i))

The Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors, during the period until the Annual General Meeting 2019, on one or more occasions, to increase the company's share capital by not more than SEK 391,503 by the issue of not more than 391,503 class C shares, each with a quota value of SEK one (1). With deviation from the shareholders' pre-emption rights, the participating bank shall be entitled to subscribe for the new class C shares at a subscription price corresponding to the quota value of the shares. The purpose of the authorisation and the reason for the deviation from the shareholders' pre-emption rights in connection with the issue of shares is to ensure delivery of shares to employees under the long term incentive programme, as well as to secure potential social charges arising as a result of LTIP 2018.

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Authorisation for the Board of Directors to issue class C shares (item 16 (c)(ii))

The Board of Directors proposes that the Annual General Meeting resolves to authorise the Board of Directors, during the period until the Annual General Meeting 2019, on one or more occasions, to repurchase class C shares. The repurchase may only be effected through an offer directed to all holders of class C shares and shall comprise all outstanding class C shares. Repurchases shall be effected at a purchase price corresponding to the quota value of the share. Payment for the acquired class C shares shall be made in cash. The purpose of the proposed repurchase authorisation is to ensure delivery of Performance Shares under LTIP 2018 and to secure possible social charges arising as a result of LTIP 2018.

Decision to transfer own ordinary shares (item 16 (c)(iii))

The Board of Directors proposes that the Annual General Meeting resolves that class C shares that the company acquires based on the authorisation to repurchase class C shares in accordance with item 16 (c)(ii) above, may, following the reclassification into ordinary shares, be transferred free of charge to participants of LTIP 2018 in accordance with the adopted terms and conditions in order to secure possible social charges arising as a result of LTIP 2018.

The Board of Directors therefore proposes that the Annual General Meeting resolves that not more than 297,902 ordinary shares may be transferred to participants in accordance with the terms and conditions of LTIP 2018, and that not more than 93,601 ordinary shares shall be transferred on Nasdaq Stockholm at a price within the registered price range at the relevant time, to cover any social charges in accordance with the terms and conditions of LTIP 2018. The number of shares to be transferred is subject to recalculation in the event of a bonus issue, split, rights issue and/or other similar events during the Vesting Period.

Equity swap agreement with a third party (item 16 (d))

In the event that the required majority for item 16 (c) above cannot be achieved, the Board of Directors proposes that the Annual General Meeting resolves to hedge LTIP 2018 by allowing Hansa Medical to conclude equity swap agreements with third parties on marketable terms, where the third party in its own name will be able to acquire and transfer ordinary shares in Hansa Medical to the participant.

LTI 2018 – issue of warrants

The board of directors proposes that the shareholders' meeting resolves to issue not more than 491,419 warrants.

1. With deviation from the shareholders' pre-emptive rights, Cartela R&A AB, a wholly owned subsidiary of Hansa Medical (publ) shall be entitled to subscribe for the warrants.
2. Subscription of shares in accordance with the terms of the warrants may take place from June 12, 2021 through June 12, 2022. The subscription price shall be the market value of the share at the offer for subscription of the warrants with an annual enumeration of 7 per cent. This means that the subscription price after three years will amount to approximately 122.5 per cent of the current market value of one ordinary share, and after four years amount to approximately 131.1 per cent. The calculation of the volume-weighted share price shall be made based on the ten trading days immediately prior to the offer for subscription of the warrants. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards.
3. If the warrants are completely exercised the share capital will increase by SEK 491,419.
4. The subscription for warrants shall be made no later than June 12, 2018.
5. The warrants shall be issued free of charge.
6. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix A.1.

It is further proposed that the Board of Directors should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for employees in the Hansa Medical.