

## ***The Board of Directors' proposal to adopt a long term incentive programme based on performance based share rights for employees in Hansa Biopharma***

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The Board of Directors proposes that the Annual General Meeting resolves to adopt a long term incentive programme based on performance based share rights for employees in the Hansa Biopharma group (“**LTIP 2019**”) in accordance with item 16(i) below. The decision to adopt LTIP 2019 in accordance with item 16(i) shall further be conditional upon that the general meeting resolves on hedging measures relating to the incentive programme, either in accordance with item 16(ii) below or in accordance with the Board of Directors’ proposal in item 16(iii) below.

### ***Proposal to adopt LTIP 2019 (item 16 (i))***

#### *The programme in brief*

LTIP 2019 is proposed to include the CEO, senior executives and other key employees, meaning that a maximum of 45 individuals within the Hansa Biopharma group will be able to participate. Participants will be given the opportunity to receive ordinary shares free of charge within the framework of LTIP 2019, so-called “**Performance Shares**”, in accordance with the conditions set out below.

Within the framework of LTIP 2019, the company will allot participants rights to Performance Shares which means that, subject to certain conditions being met, the right to receive a Performance Share free of charge (“**Share Rights**”).

#### *Terms and conditions*

A Share Right may be exercised provided that the participant, with certain exceptions, from the start date of the LTIP 2019 for each participant, up until and including the date three years thereafter (the “**Vesting Period**”), is still employed by the Hansa Biopharma group. The last date for the start of the LTIP 2019 shall be the day before the Annual General Meeting of Hansa Biopharma in 2020.

In addition to the requirement for the participant’s continued employment according to the above, the final number of Performance Shares that each participant is entitled to receive shall also be conditional upon the following performance conditions:

- (i) 22 per cent of the Performance Shares in the event that market approval is obtained by EMEA within the EU during the Vesting Period (“**Performance Condition 1**”),
- (ii) 22 per cent of the Performance Shares in the event that market approval is obtained by the FDA in the United States during the Vesting Period (“**Performance Condition 2**”), and
- (iii) Up to 56 per cent of the Performance Shares related to 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 during the Vesting Period (“**Performance Condition 3**”).

The above distribution of the number of Performance Shares is based on a valuation of each instrument and corresponds to a value-based distribution of 25 per cent to Performance Condition 1, 25 per cent to Performance Condition 2 and 50 per cent to Performance Condition 3, respectively. This entails that participants will be entitled to 22 per cent of the Performance Shares if Performance

Condition 1 is achieved and 22 per cent of the Performance Shares if Performance Condition 2 is achieved. In addition, participants will be entitled to 56 per cent of the Performance Shares under Performance Condition 3 if the total shareholder return for the company's ordinary share during the Vesting Period reaches or exceeds 75 per cent. If, during the Vesting Period, the total shareholder return for the company's ordinary share falls below 25 per cent, no allotment of Performance Shares will be made under Performance Condition 3. In between the percentages, allotment will be made linearly. In the event that Performance Condition 1 and Performance Condition 2, after the initial allotment, are not considered to be relevant incentives for Share Rights allotted in subsequent allocations under the programme, these Performance Conditions may be replaced by other strategic goals for the company.

### *Share Rights*

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

- Share Rights are allotted free of charge no later than the day before the Annual General Meeting 2020.
- Share Rights vest during the Vesting Period.
- Share Rights may not be transferred or pledged.
- Each Share Right 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, is still employed by the Hansa Biopharma group by the end of the Vesting Period.
- In order to align the interests of the participant and the shareholders', the company will also compensate the participants for dividends paid by increasing the number of Performance Shares that each Share Right entitle to after the Vesting Period.

### *Preparation of the proposal, design and administration*

The Board of Directors, or a special committee set up by the board, shall be responsible for preparing the detailed design and administration of the terms and conditions of LTIP 2019, 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 and/or similar measures. In connection therewith, the Board of Directors shall be entitled to make adjustments to meet specific foreign regulations or market conditions. The Board of Directors shall also be entitled to make other adjustments if significant changes occur in the Hansa Biopharma group or in its environment that would result in that the adopted terms for the LTIP 2019 no longer fulfils their objectives.

### *Allotment of Share Rights*

The participants are divided into different categories and, in accordance with the above, the Share Rights under LTIP 2019 may be allotted to the following participants in the different categories:

Category	Maximum number of persons	Maximum number of Share Rights	Maximum number of Share Rights per person in the category
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CEO	1	35,151	35,151
Senior executives and other key employees	44	515,548	11,717

#### *Receiving Performance Shares under LTIP 2019 and hedging arrangements*

The Board of Directors has considered different methods for transfer of ordinary shares under LTIP 2019 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, in accordance with item 16(ii) below, that the Annual General Meeting resolves (a) to authorise the Board of Directors to resolve on a directed issue of not more than 715,910 class C shares to the participating bank, of which not more than 165,211 class C shares may be issued to secure social contributions arising as a result of LTIP 2019, and (b) to authorise the Board of Directors to resolve on the repurchase of all issued class C shares, in accordance with item 16(ii) below.

Following conversion of the class C shares to ordinary shares, the ordinary shares are intended to be both transferred to LTIP 2019 participants, as well as sold in the market in order to cover the cash flow-related to social contribution costs associated with LTIP 2019. For this purpose, the Board of Directors proposes that the Annual General Meeting resolves (c) to transfer not more than 550,699 ordinary shares free of charge to participants in accordance with LTIP 2019 and that not more than 165,211 ordinary shares may be sold to secure social contribution costs arising as a result of LTIP 2019.

If the majority required for resolution in accordance with item 16(ii) is not met, LTIP 2019 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(iii) below.

#### *Scope and costs for LTIP 2019*

LTIP 2019 will be reported in accordance with IFRS 2, which means that the Share Rights will be expensed as personnel costs over the Vesting Period. The costs for LTIP 2019 is estimated to amount to a maximum of SEK 71.0 million, excluding social contributions, accounted in accordance with IFRS 2 based on the following assumptions: (i) that 550,699 Share Rights are allotted, (ii) that the share price, at the beginning of LTIP 2019, is SEK 220 per ordinary share, (iii) that the performance conditions are fully met, and (iv) an estimated annual turnover of personnel of 5 per cent. Based on the same assumption as above, and subject to social contributions of approximately 30 per cent and a share price increase of 75 per cent from the start of LTIP 2019 until the participants are allotted shares, the costs for social contributions are estimated to amount to SEK 54.5 million. The total cost for LTIP 2019, including costs according to IFRS 2, is therefore estimated to a maximum of SEK 41.8 million per year.

#### *Dilution and effects on key ratios*

Upon maximum allotment of Share Rights and provided that the hedging arrangements in accordance with item 16(ii) below are adopted by the General Meeting, 550,699 ordinary shares will be allotted to participants under LTIP 2019, and that 165,211 ordinary shares will be used to secure social contributions arising as a result of LTIP 2019, which would entail a dilution effect of approximately

1.71 per cent of the total number of ordinary shares in the company. The dilution of shares is based on full dilution taking into account all outstanding incentive programmes.

Given the above assumptions regarding scope and costs, and that LTIP 2019 was introduced in 2017, it is estimated that the key figure earnings per share for full year 2018 would have decreased from SEK -6.47 to approximately SEK -7.56.

If all outstanding incentive programmes in the company are included in the calculation, including the Board of Director's proposal for the Annual General Meeting 2019 on the adoption of a long term incentive programme (option programme), the corresponding maximum dilution, at the time of the Annual General Meeting, amounts to approximately 4.7 per cent of the share capital.

### ***Hedging arrangements related to the programme***

#### ***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 programme and the market (item 16(ii)(a)-(c))***

The resolutions under items 16(ii)(a)-(c) 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 (ii)(a))***

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 2020, on one or more occasions, to increase the company's share capital by not more than SEK 715,910 by the issue of not more than 715,910 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 contributions arising as a result of LTIP 2019.

#### ***Authorisation for the Board of Directors to repurchase class C shares (item 16(ii)(b))***

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 2020, 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 2019 and to secure possible social contributions arising as a result of LTIP 2019.

#### ***Decision to transfer own ordinary shares (item 16(ii)(c))***

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(ii)(b) above, may, following the reclassification into ordinary shares, be transferred free of charge to participants of LTIP 2019 in accordance with the adopted terms and conditions in order to secure possible social contributions arising as a result of LTIP 2019.

The Board of Directors therefore proposes that the Annual General Meeting resolves that not more than 550,699 ordinary shares may be transferred to participants in accordance with the terms and conditions of LTIP 2019, and that not more than 165,211 ordinary shares shall be transferred on Nasdaq Stockholm, including through a financial intermediary, at a price within the registered price range at the relevant time, to cover any social contributions in accordance with the terms and conditions of LTIP 2019. 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.

#### ***Equity swap arrangements with third parties (item 16(iii))***

In the event that the required majority for item 16(ii) above cannot be achieved, the Board of Directors proposes that the Annual General Meeting resolves to hedge LTIP 2019 by allowing Hansa Biopharma to enter into equity swap arrangements with third parties on market terms, where the third party in its own name will be able to acquire and transfer ordinary shares in Hansa Biopharma to the participants.

#### *The background and rationale for the proposal*

The purpose of LTIP 2019 is to create the conditions for motivating and retaining competent employees within the Hansa Biopharma group and to increase the coherence between the employees', shareholders' and the company's objectives, as well as to increase the motivation to reach and exceed the company's financial targets. LTIP 2019 has been designed so that the programme includes both current and future senior executives and other key employees.

By offering Share Rights that are based on both share price development and partly on strategic goals, the participants are premised for increased shareholder value/value-creating measures. LTIP 2019 also rewards employees' continued loyalty and thus the long term value growth of the company. After these considerations, the Board of Directors considers that LTIP 2019 will have a positive effect on the future development of the Hansa Biopharma group and will consequently be beneficial for both the company and its shareholders.

#### *The preparation of the proposal*

LTIP 2019 has been prepared by the company's Board of Directors and its Remuneration Committee in consultation with external advisors. LTIP 2019 has been discussed by the Board of Directors at a meeting held in April 2019.

#### *Previous incentive programmes in Hansa Biopharma*

For a description of the company's other long term incentive programmes, please refer to the company's Annual Report for 2018, pages 94-96, and the company's website, [www.hansabiopharma.com](http://www.hansabiopharma.com). In addition to the described incentive programmes, there are no other long term incentive programmes in Hansa Biopharma.

#### *Terms*

The resolution of the General Meeting regarding the implementation of LTIP 2019 according to item 16(i) above is conditional on the meeting either deciding in accordance with the Board of Director's proposal according to item 16(ii) above, or in accordance with the Board of Director's proposal according to item 16(iii) above.

*Majority requirement*

The resolution of the General Meeting pursuant to item 16(i) above requires a majority of more than half of the votes cast. A decision according to the proposal under item 16(ii) above is valid only where supported by shareholders holding not less than nine-tenths of both the votes cast and of the shares represented. For a valid decision according to the proposal under item 16(iii) above, a majority of more than half of the votes cast shall be required.

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The Board of Director's statement in accordance with Chapter 19 Section 22 of the Swedish Companies Act is held available with the proposal.