

## ***The Board of Directors' proposal to adopt a long term incentive programme based on warrants and employee stock options 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 for employees within the Hansa Biopharma group (“**Option Programme 2019**”) in accordance with items 17(a) – 17(c) below. The resolutions under items 17(a) and (b) and 17(a) and (c) below are proposed to be conditional upon each other, respectively. In the event that the majority requirement for item 17(c) below is not met, the Board of Directors proposes that the company be able to enter into an equity swap arrangement with a third party in accordance with item 17(d) and the subsequent decisions under items 17(a) and (d) shall then be conditional upon each other. The Option Programme 2019 is proposed to include a maximum of 16 employees within the Hansa Biopharma group.

### ***Proposal regarding the adoption of Option Programme 2019 (item 17 (a))***

#### *The programme in brief*

The Option Programme 2019 comprises two series. Series 1 consists of warrants that can be transferred to senior executives who are taxable in Sweden and the warrants can be exercised after approximately 3 years, after which the holder is entitled to exercise the warrants to subscribe for ordinary shares during a period of one month. Series 2 consist of employee stock options that can be allotted to the CEO and senior executives. The employee stock options have a vesting period of 3 years, after which the holder is entitled to exercise the options for ordinary shares during a period of one month.

The Board of Directors therefore proposes, for delivery of ordinary shares under the Option Programme 2019, that the meeting resolves on the transfer of a maximum of 438,553 warrants, of which a maximum of 169,848 warrants can be issued in Series 1 and a maximum of 268,705 warrants can be issued in Series 2. The right to subscribe for warrants shall vest with the wholly owned subsidiary Cartela R&D AB, which shall transfer the warrants of Series 1 to an entitled participant, or to hold the warrants of Series 2 to ensure delivery of shares upon exercise of employee stock options in Series 2 to participants as well as to dispose of the warrants to secure costs for social contributions, respectively. Each warrant and option entitle the holder to subscribe for one ordinary share. The warrants are issued free of charge to Cartela R&D AB and the last day for allotment under each series according to the Option Programme 2019 shall be the day before the Annual General Meeting for Hansa Biopharma 2020.

Below is a description of the terms and conditions for each of the option series.

#### *Series 1 - Warrants*

The company will transfer warrants in Series 1 to participants at a price corresponding to the market value of the warrants (i.e. the warrant premium) at the time of the offer. Warrants of Series 1 can be transferred to senior executives who are taxable in Sweden and who have entered into a repurchase agreement with Hansa Biopharma. The warrants are transferred to participants, current or new senior executives, on one occasion until the day before the Annual General Meeting of Hansa Biopharma 2020.

The warrants can be exercised for subscription of shares during the period from 15 June 2022 up to and including 15 July 2022. Each warrant entitles the holder to subscribe for one new ordinary share in Hansa Biopharma at a subscription price corresponding to 110 per cent of the volume weighted average share price during the 10 trading days immediately prior to the offer to subscribe for the warrants, however, as a minimum, the quota value of the share.

The issued warrants of Series 1 may, with deviation from the shareholders' pre-emptive rights, be subscribed by Cartela R&D AB – which is a wholly owned subsidiary to Hansa Biopharma – after which the company shall offer the warrants to the participants. The transfer of the warrants in Series 1 shall be made at a price corresponding to the market value of the warrants (the warrant premium) at the time of the transfer, calculated according to the Black & Scholes valuation model. The valuation of the warrants shall be made by an appraiser or audit firm. In connection with the transfer of warrants to the participants, the company shall reserve the right to repurchase the warrants if the participant's employment or assignment within the group ceases or if the participant in turn wishes to transfer the warrants before the warrants can be exercised according to the terms and conditions that apply to the warrants.

#### *Series 2 – Employee stock options*

The company will allot employee stock options to the CEO and senior executives. Each option entitles the employee to acquire one share in Hansa Biopharma in accordance with the following terms and conditions:

- The employee stock options will be allotted free of charge.
- Allotment requires that an acquisition of employee stock options can take place legally and that, according to the Board of Director's assessment, it can be carried out with reasonable administrative and financial efforts. The last day for allotment of employee stock options shall be the day before the Annual General Meeting 2020.
- Each employee stock option that is transferred entitles the holder to acquire one share in the company, provided that the participant, with certain exceptions, is still employed within the group, at an exercise price corresponding to the volume weighted average share price during the 10 trading days immediately preceding the respective allotment of the employee stock options, however, as a minimum, the quota value of the share.
- The employee stock options are vested over a period of three years from the time when allotment to the participants has taken place. The employee stock options entitle, after they have been vested in accordance with the above, the holder to subscribe for shares during one month.
- The employee stock options shall not constitute securities and may not be transferred or pledged.

#### *Recalculation due to split, consolidation, new share issue, etc.*

The exercise price for Series 1 and Series 2, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant and employee stock option, respectively, entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. Upon full exercise of the options, the share capital will increase by SEK 438,553.

#### *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 the Option Programme 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 Option Programme 2019 no longer fulfils their objectives.

*Allocation of warrants and employee stock options*

The right to receive warrants shall accrue to senior executives who are taxable in Sweden and who have entered into a repurchase agreement with Hansa Biopharma, and the right to receive employee stock options shall accrue to the CEO and senior executives, current and future. The maximum allotment amounts to 66,347 employee stock options to the CEO (“**Category 1**”) and 318,465 warrants or employee stock options for senior executives (“**Category 2**”), as applicable.

Category	Maximum number of persons	Maximum number of warrants/employee stock options	Maximum number of warrants/employee stock options per person within the category
Category 1	1	66,347	66,347
Category 2	15	318,465	21,231

Board members shall not be eligible to participate in the Option Programme 2019.

*Scope and costs for the Option Programme 2019*

The transfer of the warrants in Series 1 shall be made at a price corresponding to the market value of the warrants at the time of the transfer, which entails that no social security contributions shall arise for the group in connection with the transfer of the warrants. The market value of the warrants is, in accordance with a preliminary valuation, made based on a market value on the underlying share corresponding to SEK 220, SEK 56.52 per warrant, assuming an exercise price of SEK 242 per share. The Black & Scholes valuation model has been used for valuation of the warrants, assuming a risk free interest of -0.42 per cent and a volatility of 43 per cent.

To encourage participation in the Option Programme 2019, the company will, pre taxation, subsidise up to 100 per cent of the participant’s premium for the acquisition of the warrants through a one time cash bonus. The total cost of the subsidies, based on the assumptions regarding the warrants value above, amounts to SEK 12.6 million including social contributions.

Costs related to the employee stock options in Series 2 are estimated to amount to SEK 12.1 million, excluding social contributions, accounted in accordance with IFRS 2 based on the following assumptions: (i) that 214,964 employee stock options are allotted, (ii) that the share price, at the beginning of the Option Programme 2019, is SEK 220 per ordinary share, and (iii) an estimated annual turnover of personnel of 0 per cent. Based on the same assumptions as above, and subject to social contributions of 25 per cent, and a share price increase of 75 per cent from the start of the

Option Programme 2019 until the employee stock options are exercised, the costs for social contributions are estimated to amount to SEK 7.7 million. The total cost, including costs according to IFRS 2, is therefore estimated to a maximum of SEK 6.6 million per year.

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

Upon maximum allotment of warrants and employee stock options, 384,812 warrants will be issued for new subscription of ordinary shares pursuant to the Option Programme 2019, together with 53,741 warrants that can be used to cover social contributions as a result of the Option Programme 2019, the dilution effect will amount to approximately 1.04 per cent of the 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 instead, it is estimated that the key figure earnings per share for full year 2018 would have decreased from SEK -6.47 to approximately SEK -6.75.

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 (performance based share rights), the corresponding maximum dilution, at the time of the Annual General Meeting, amounts to approximately 4.7 per cent of the share capital

#### *Delivery of shares pursuant to the Option Programme 2019*

In order to ensure delivery of shares in accordance with the Option Programme 2019 and to cover costs related to social contributions, attributable to Series 2, the Board of Directors proposes that the Annual General Meeting resolves on the issue and exercise of warrants in accordance with items 17(b) and 17(c) below, or, with regard to the employee stock options, that an equity swap is entered into in accordance with item 17(d).

#### ***Proposal regarding issue and transfer of warrants in Series 1 (item 17 (b))***

The board of directors proposes that the company shall issue not more than 169,848 warrants for subscription of shares, whereby the company's share capital may be increased by not more than SEK 169,848.

The right to subscribe for warrants shall only vest with the subsidiary Cartela R&D AB, with the right and obligation to dispose of the warrants as described above, primarily with regard to transfer to participants in the Option Programme 2019. Each warrant entitles the holder to subscribe for one ordinary share. The warrants shall be issued free of charge to Cartela R&D AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix A.

#### ***Proposal regarding issue and transfer of warrants in Series 2 (item 17 (c))***

The board of directors proposes that the company shall issue not more than 268,705 warrants to secure the delivery of shares under Series 2 and to secure social contribution costs, of which the company's share capital may be increased by a maximum of SEK 268,705.

The right to subscribe for warrants shall only vest with the subsidiary Cartela R&D AB, with the right and obligation to dispose of the warrants as described above, primarily with regard to transfer to participants in the Option Programme 2019 and transfer to a participating bank for hedging of social contributions due to the Option Programme 2019. Each warrant entitles the holder to subscribe for one ordinary share. The warrants shall be issued free of charge to Cartela R&D AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix B.

#### ***Equity swap arrangements with third parties (item 17(d))***

In the event that the required majority for item 17(c) above cannot be achieved, the Board of Directors proposes that the Annual General Meeting 2019 resolves to hedge the Option Programme 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 the Option Programme 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. The Option Programme 2019 has been designed so that the programme includes both current and future senior executives.

By offering options that are based on the share price development, the participants are premiated for increased shareholder value. The Option Programme 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 the Option Programme 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.

#### *Majority requirement*

The resolution of the General Meeting pursuant to item 17(a) and (b) and 17(a) and (c) above, respectively, is valid only where supported by shareholders holding not less than nine-tenths of both the shares voted and of the shares represented. For a valid decision according to the proposal under item 17(a) and 17(d) above, a majority of more than half of the votes cast shall be required.

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**Option Programme 2019 – issue of warrants in Series 1**

The Board of Directors proposes that the shareholders' meeting resolves to issue not more than 169,848 warrants.

1. The right to subscribe for warrants shall, with deviation from the shareholders' pre-emptive rights, vest with the subsidiary Cartela R&D AB, a wholly owned subsidiary of Hansa Biopharma AB (publ), for further transfer to participants in the Option Programme 2019.
2. Each warrant shall, during the period from 15 June 2022 up to and including 15 July 2022, entitle the holder to subscribe for one new share in Hansa Biopharma AB (publ) at a subscription price corresponding to 110 per cent of the average volume weighted share price during the 10 trading days immediately prior to the offer to subscribe for the warrants, however, as a minimum, the quota value of the share. The determined exercise price shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. Upon full exercise of the options, the share capital will increase by SEK 169,848.
3. The subscription for warrants shall be made no later than 15 June 2019. However, the Board of Directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. 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 CEO 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.

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The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for senior executives in the company.

**Option Programme 2019 – issue of warrants in Series 2**

The Board of Directors proposes that the shareholders' meeting resolves to issue not more than 268,705 warrants.

1. The right to subscribe for warrants shall, with deviation from the shareholders' pre-emptive rights, vest with the subsidiary Cartela R&D AB, a wholly owned subsidiary of Hansa Biopharma AB (publ), for further transfer to participants in the Option Programme 2019 and transfer to a participating bank for hedging of social contribution costs.
2. Each warrant entitles the holder to, during the period from 15 June 2022 up to and including 15 July 2023, subscribe for one new ordinary share in Hansa Biopharma AB (publ) at a subscription price corresponding to the quota value of the share. Upon full exercise of the options, the share capital will increase by SEK 268,705.
3. The subscription for warrants shall be made no later than 15 June 2019. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix B.1.

It is further proposed that the CEO 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.

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The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for senior executives in the company.