

*The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.*

## **NOTICE OF ANNUAL GENERAL MEETING IN ASCELIA PHARMA AB**

The shareholders in Ascelia Pharma AB, Reg. No. 556571-8797, are hereby invited to attend the annual general meeting (Sw. årsstämma) to be held at the premises of Setterwalls Advokatbyrå AB at Stortorget 23 in Malmö, Sweden on Thursday 14 November 2019 at 11.00 a.m.

### **Right to participate in the meeting and notice of participation**

Shareholders wishing to attend the annual general meeting must:

- be registered in the company's share register kept by Euroclear Sweden AB (the Swedish Securities Register Center) as of Friday 8 November 2019; and
- no later than on Friday 8 November 2019, notify the company of their intention to participate in the annual general meeting by mail to Ascelia Pharma AB, att: Kristian Borbos, Per Albin Hanssons väg 41, SE-205 12 Malmö, Sweden, by e-mail to kb@ascelia.com or by phone +46 (0)735 179 113. The notice should specify the complete name of the shareholder, personal identity number or company registration number, the number of shares held by the shareholder, address, telephone number during work hours and, when applicable, information on the number of advisors (two at the most).

### **Trustee-registered shares**

Shareholders, whose shares are trustee-registered, must, in order to be entitled to participate in the general meeting, temporarily register their shares in their own name in the share register kept by Euroclear Sweden AB. Such temporary re-registration of ownership must be implemented no later than as of Friday 8 November 2019, meaning that shareholders wishing for such re-registration must notify their trustee well in advance of this date.

### **Proxies etc.**

Shareholders intending to participate by proxy must issue a written, signed and dated proxy. The validity term of the power of attorney may be at the longest five years if this is specifically stated. In case no validity term is stated, the power of attorney is valid for at the longest one year. Should the power of attorney be issued by a legal entity, a certified copy of a registration certificate (Sw. registreringsbevis) or equivalent document shall be presented at the meeting. In order to facilitate the preparations before the meeting, a copy of the power of attorney and other proof of authority should be attached to the notice of participation. A template power of attorney can be found at the company website ([www.ascelia.com](http://www.ascelia.com)) and will be sent by mail to the shareholders who request it and state their address.

### **Proposed agenda**

0. Opening of the meeting.
1. Election of chairman of the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons who shall approve the minutes of the meeting.

5. Determination of whether the meeting was duly convened.
6. Address by the CEO.
7. Submission of the annual report and the audit report and the consolidated annual report and consolidated audit report.
8. Resolutions regarding:
  - a. adoption of the income statement and the balance sheet and the consolidated income statement and the consolidated balance sheet;
  - b. allocation of the company's profits in accordance with the adopted balance sheet; and
  - c. discharge of the members of the board of directors and the CEO from liability.
9. Determination of the number of members of the board of directors and the number of auditors and deputy auditors.
10. Determination of remuneration for the members of the board of directors and auditors.
11. Election of members of the board of directors, chairman of the board of directors and auditors.
12. Resolution on instruction and charter for the Nomination Committee.
13. Determination of guidelines for remuneration to senior executives.
14. Resolution on change of the company's financial year and thereto related amendment of the Articles of Association.
15. Resolution on authorization for the board of directors regarding new share issues.
16. Resolution on implementation of a long-term incentive program by way of (A) implementation of a performance-based share saving program; (B) amendment of the Articles of Association; (C) authorization on a directed issue of series C shares; (D) authorization for repurchase of series C shares; and (E) resolution on transfer of own ordinary shares.
17. Closing of the meeting.

#### **Proposed resolutions**

##### ***Item 1: Election of chairman of the meeting***

The Nomination Committee, that has consisted of Jørgen Thorball (chairman), appointed by Sunstone Life Science Ventures II K/S, Nils Lorentzen, appointed by CMC SPV of 3 April 2017 AB, Håkan Nelson, appointed by Øresund Healthcare Capital K/S and Peter Benson, chairman of the board of directors, proposes that attorney Ola Grahn is elected as chairman of the meeting.

##### ***Item 8 b: Resolution regarding allocation of the company's profits in accordance with the adopted balance sheet***

The board of directors proposes that no dividends are paid to the shareholders and that the available funds of SEK 255,690,178 are carried forward.

##### ***Item 9: Determination of the number of members of the board of directors and the number of auditors and deputy auditors***

The Nomination Committee proposes that the board of directors shall be composed of six members. Furthermore, it is proposed, in accordance with the recommendation from the audit committee, that one registered accounting firm is appointed as auditor.

***Item 10: Determination of remuneration for the members of the board of directors and auditors***

At the annual general meeting on 23 November 2018, board remuneration including remuneration for committee work was resolved and in connection herewith, it was resolved that remuneration to the chairman of the audit committee should be paid with SEK 50,000. Due to the company's initial public offering (IPO) on Nasdaq Stockholm, the work of the chairman of the audit committee Helena Wennerström became more extensive in the previous year than expected. Therefore, the Nomination Committee proposes that additional remuneration of SEK 70,000 shall be paid to Helena Wennerström as remuneration for her work as chairman of the audit committee related to the company's IPO for the period since the annual general meeting 2018. As a result, the total remuneration to the chairman of the audit committee for the period since the annual general meeting 2018 will amount to SEK 120,000.

Provided that the annual general meeting resolves to change the company's financial year from broken financial year (1 July–30 June) to calendar year (1 January–31 December) in accordance with the proposal from the board of directors, meaning that the current financial year ends on 31 December 2019, the Nomination Committee proposes that board remuneration for the period until the annual general meeting 2020 (i.e. a 6 month period) shall be paid with SEK 200,000 to the chairman of the board (unchanged compared to previous year based on a full year) and with SEK 100,000 to each of the other board members who are not employed by the company (unchanged compared to previous year based on a full year). It is further proposed that remuneration for committee work shall be paid with SEK 50,000 to the chairman of the audit committee (SEK 50,000 previous year based on a full year), and with SEK 12,500 to each of the other members of the audit committee (unchanged compared to previous year based on a full year).

Should the annual general meeting not resolve to change the company's financial year from broken financial year (1 July–30 June) to calendar year (1 January–31 December) in accordance with the proposal from the board of directors, meaning that the current financial year ends on 30 June 2020, the Nomination Committee proposes that board remuneration for the period until the annual general meeting 2020 (i.e. a 12 month period) instead shall be paid with SEK 400,000 to the chairman of the board and with SEK 200,000 to each of the other board members who are not employed by the company. It is further proposed that remuneration for committee work shall be paid with SEK 100,000 to the chairman of the audit committee and with SEK 25,000 to each of the other members of the audit committee.

Remuneration for the auditor is, in accordance with the recommendation from the Audit Committee, proposed to be paid in accordance with customary norms and approved invoice.

***Item 11: Election of members of the board of directors, chairman of the board of directors and auditors***

The Nomination Committee proposes that Peter Benson, Niels Mengel, Bo Jesper Hansen, René Spogård, Helena Wennerström and Hans Maier are re-elected as ordinary board members, and that Peter Benson is re-elected as chairman of the board.

Information on the board members proposed for re-election can be found at the company website ([www.ascelia.com](http://www.ascelia.com)) and in the annual report.

Furthermore, the Nomination Committee proposes, in accordance with the recommendation from the audit committee, that Öhrlings PricewaterhouseCoopers AB is re-elected as accounting firm. Öhrlings PricewaterhouseCoopers AB has informed that authorized public accountant Carl Fogelberg will continue to be the auditor in charge.

***Item 12: Resolution on instruction and charter for the Nomination Committee***

The Nomination Committee proposes that an instruction and charter for the Nomination Committee shall be adopted in accordance with the following substantial terms.

The Nomination Committee shall consist of four members, representing the three largest shareholders as per the end of September, together with the chairman of the board of directors. The “three largest shareholders” refer to the ownership grouped registered or in any other way known shareholders as per the end of September. However, ahead of the annual general meeting 2020, the Nomination Committee shall instead be composed based on the circumstances as per the end of November. The foregoing is based on the assumption that the annual general meeting resolves to change the company’s financial year from broken financial year (1 July–30 June) to calendar year (1 January–31 December) in accordance with the proposal from the board of directors, meaning that the current financial year ends on 31 December 2019 and that the annual general meeting 2020 will be held in the Spring of 2020. Should the annual general meeting not resolve to change the financial year, the Nomination Committee shall instead be composed based on the circumstances as per the end of March.

The chairman of the board of directors shall as soon as possible when the information regarding the three shareholders as per the end of September (ahead of the annual general meeting 2020, as per the end of November, or if the annual general meeting would not resolve to change the financial year, as per the end of March) is known, contact the three largest shareholders to find out whether they wish to appoint a representative to the Nomination Committee. In case one of the three largest shareholders refrain from appointing a representative, or such representative resign prior to completion of the assignment and without the shareholder who has appointed the representative appointing a new member, the chairman of the board of directors shall encourage the next owner in size (i.e. in the first place the fourth largest shareholder) to appoint a representative. The procedure shall go on until the Nomination Committee is composed of four members including the chairman of the board of directors.

The Nomination Committee shall appoint the Chairman of the Nomination Committee among its members. The chairman of the board of directors or another member of the board of directors should not be appointed as Chairman of the Nomination Committee.

The members of the Nomination Committee shall be announced no later than six months before the annual shareholders’ meeting. When significant changes in the ownership occur after the date the Nomination Committee was appointed, the Nomination Committee may, if it considers it necessary, decide to offer a new owner a position in the Nomination Committee in accordance with the principles above. Changes in the Nomination Committee shall be made public immediately.

The Nomination Committee’s term shall run until such time as a new Nomination Committee has been elected.

No fees shall be paid to the members of the Nomination Committee.

The Nomination Committee shall prepare and propose the following to the coming annual general meeting:

- (a) election of chairman at the general meeting;
- (b) election of chairman of the board of directors and other members of the board of directors;
- (c) fees to the board of directors, divided between the chairman and other members, and any fees for committee work;
- (d) election of auditor and fees to the auditor; and

- (e) principles for appointment of the Nomination Committee (if the Nomination Committee considers that the current principles and instruction should be updated).

These principles for the Nomination Committee's appointment and instructions for the Nomination Committee shall be valid until further notice until a resolution on amendment is passed by a general meeting.

***Item 13: Determination of guidelines for remuneration to senior executives***

The board of directors proposes that the annual general meeting resolves to adopt the following guidelines for remuneration to senior executives.

The company shall offer remuneration levels and employment terms at market terms, aimed at facilitating the recruitment and retention of senior executives with high competence and capacity, in order to achieve established targets. The guidelines shall apply to employment agreements entered into after the adoption of these guidelines by the shareholders' meeting or amendments to existing agreements made after the adoption of the guidelines.

The remuneration to the CEO and other senior executives can be comprised of fixed salary, variable remuneration, pension benefits, share-based incentive programs resolved by the shareholders' meeting and other benefits. Senior executives refer to the CEO and the other persons forming part of the company's management team.

Remuneration and other employment terms for the CEO and other senior executives are prepared by the Remuneration Committee and resolved by the board of directors.

The fixed salary shall take into consideration the individual's competence, area of responsibility and performance. A review should generally be made annually.

The variable remuneration is to be based on the outcome of predetermined well defined objectives. The variable consideration is to be limited and may not exceed 40 per cent of the fixed annual salary for the CEO and 20 per cent of the fixed annual salary for other senior executives, whereby the individual highest level should be based on factors such as the position held by the specific individual.

The company's commitments in reference to variable remuneration for the CEO and other senior executives who can be entitled to variable remuneration targets are for the financial year 2019 calculated to amount to, if all targets are met in full, at the highest approximately SEK 1.5 million (excluding social charges). The calculation is based on the persons currently being senior executives and who can be entitled to variable remuneration. Furthermore, the calculation has been made on the assumption that the annual general meeting resolves to change the company's financial year from broken financial year (1 July–30 June) to calendar year (1 January–31 December) in accordance with the proposal from the board of directors, meaning that the current financial year ends on 31 December 2019 and will hence only comprise 6 months.

In addition to what follows from law or collective bargain agreements or other agreements, the CEO and other senior executives may be entitled to arrange individual pension schemes. Refrained salaries and variable remuneration can be used for increased pension contributions, provided that the total cost for the company is unchanged over time.

Share-based incentive programs shall, where applicable, be resolved by the shareholders' meeting.

The senior executives may be awarded other customary benefits, such as a company car, occupational health services, etc.

In case of termination of the CEO's employment by the company, the notice period should not exceed 6 months. In case the company terminates the CEO's employment, the CEO shall, in addition to salary during the notice period, be entitled to severance payment corresponding to 6 months' base salary.

The notice period for other senior executives shall not exceed 6 months. The employment agreements with senior executives may also include provisions regarding right for the senior executive to receive customary compensation for non-compete undertakings following the termination of the employment.

At the time of the annual general meeting, the company has no outstanding remuneration commitments towards senior executives except for running commitments.

To the extent that a board member performs work for the company, besides the board membership, consultancy fees and other remuneration may be granted for such work. The remuneration shall correspond to relevant market conditions and shall, as well as other conditions, be determined by the board of directors.

The board of directors shall be entitled to deviate from these guidelines in individual cases if there are special reasons for doing so.

***Item 14: Resolution on change of the company's financial year and thereto related amendment of the Articles of Association***

The board of directors proposes that the annual general meeting resolves to convert the company's financial year from broken financial year (1 July–30 June) to calendar year (1 January–31 December). In connection therewith, the board of directors proposes that the current financial year is shortened to only cover a period of six months. If the annual general meeting resolves in accordance with the proposal from the board of directors, the last day of the current financial year will be 31 December 2019.

In view of the above, the board of directors also proposes that the annual general meeting resolves to amend § 10 of the company's Articles of Association in accordance with the following:

**§ 10 Financial year**

*Current wording*

The financial year of the company shall be 1 July–30 June.

*Proposed wording*

The financial year of the company shall be 1 January–31 December.

***Item 15: Resolution on authorization for the board of directors regarding new share issues***

The board of directors proposes that the annual general meeting resolves to authorize the board of directors to, at one or several occasions, during the time up until the next annual general meeting, with or without deviation from the shareholders' preferential rights, and with or without provisions regarding payment in kind or through set-off or other provisions, resolve on new share issues. The reason for that deviation from the shareholders' preferential rights shall be permitted is to enable the company to raise working capital, to execute acquisitions of companies or operating assets as well as to enable new share issues to industrial partners within the framework of partnerships and alliances. The total number of shares that can be issued must not exceed 5,872,227, which corresponds to a dilution of approximately 20 percent calculated on the current number of outstanding shares in the company. To the extent a new share issue is made with deviation from the shareholders' preferential rights, the new issue should be made on market terms.

**Item 16: Resolution on implementation of a long-term incentive program by way of (A) implementation of a performance-based share saving program; (B) amendment of the Articles of Association; (C) authorization on a directed issue of series C shares; (D) authorization for repurchase of series C shares; and (E) resolution on transfer of own ordinary shares**

The board of directors proposes that the annual general meeting resolves to implement a long-term incentive program in the form of a performance-based share saving program (the “LTI 2019”) for employees in accordance with A below. The resolution is conditional upon that the annual general meeting also resolves to amend the Articles of Association in accordance with B below whereby the possibility to issue series C shares is introduced and that the annual general meeting resolves on hedging measures in accordance with C – E below.

**A. Implementation of a performance-based share saving program**

**Background**

The overall purpose with LTI 2019 is to align the interests of the employees with those of the shareholders and thus ensure a maximum long-term value adding commitment. LTI 2019 is also considered to create a long-term focus on increase in earnings and growth among the participants. LTI 2019 is further considered to facilitate for the company to recruit and retain employees.

**Terms and conditions for LTI 2019**

1. LTI 2019 shall comprise senior executives and key employees divided into three categories.
2. LTI 2019 means that the participants will invest in ordinary shares in the company (“**Saving Shares**”). Following a predefined time period, the participants will, free of charge, have the right to receive additional shares in the Company (“**Matching Shares**”). In addition, conditional upon fulfilment of a goal related to the development of the share price, the participants will further, free of charge, have the right to receive additional shares in the company (“**Performance Shares**”). The conditions for receipt of Matching Shares and Performance Shares are set out below.
3. The maximum number of Saving Shares that each participant shall be entitled to invest in shall amount to the following:

<b>Position</b>	<b>Maximum number of Saving Shares</b>
CEO	24,500
Other senior executives (3 persons)	10,000 - 18,000
Other key employees (3 persons)	2,000 - 5,000

4. The board of directors shall, within the intervals stated above, resolve on the maximum number of Saving Shares that each individual participant may acquire.
5. The investment in Saving Shares shall be made through acquisition of ordinary shares on the stock market on 31 December 2019 at the latest (the “**Investment Period**”). The board of directors shall be entitled to prolong the Investment Period in case participants have been unable to acquire shares due to applicable insider regulations.

6. For each Saving Share, the participant shall be entitled to receive 1 Matching Share. In addition, for each Saving Share, the participant shall have the possibility to receive up to 5 Performance Shares for each Saving Share.
7. The total number of Matching Shares will not exceed 77,700 and the total number of Performance Shares will not exceed 388,500, meaning that the total number of shares that can be issued to the participants in connection with LTI 2019 will not exceed 466,200. The number of shares that can be issued in connection with LTI 2019 might be recalculated in accordance with what is set out in Section 11 below.
8. Receipt of both Matching Shares and Performance Shares are conditional upon the fulfilment of the following conditions:
  - (a) that the participant has retained all Saving Shares during the period from the expiration of the Investment Period to 31 December 2022 (the “**Saving Period**”); and
  - (b) that the participant has continued to be employed by the company (or another company in its group) throughout the Saving Period.

As regards the employment condition as per (b) above, the board of directors shall in certain cases be entitled to resolve on proportionate allocation in case the employment is terminated prior to the expiration of the Qualification Period as set out in Section 14 below.

9. Receipt of Performance Shares is further, in addition to the conditions following from Section 8 above, conditional upon that the requirement related to the development of the company's share price from the date of the annual general meeting on 14 November 2019 to and including 31 December 2022 (the “**Performance Target**”) is fulfilled. The Performance Target will be measured based on the volume weighted average share price 30 trading days immediately following the annual general meeting on 14 November 2019 and 30 trading days immediately preceding 31 December 2022. An increase in the share price with less than 20 per cent does not entitle to any vesting of any of the Performance Shares, an increase in the share price with 20 per cent entitles to vesting of 1 Performance Share per Saving Share and an increase in the share price with 80 per cent or more entitles to vesting of all the 5 Performance Shares per Saving Share. In the event of an increase in the share price of between 20 and 80 per cent, vesting of the Performance Shares will occur linearly between 1 and 5.
10. Before the number of Performance Shares to be allocated is finally determined, the board of directors shall evaluate if allocation pursuant to the principles set out above is reasonable, having regard to the company's results and financial standing, to conditions on the stock market and to other circumstances in general. If the board of directors finds that it is not reasonable, then the board of directors may decrease the number of Performance Shares to be allocated to the lower number of shares that the board of directors finds reasonable.
11. The number of Matching Shares and Performance Shares that may be allotted by virtue of Saving Shares shall be subject to recalculation in consequence of a bonus issue, split or reverse split, rights issue, and/or other similar company actions.
12. Allotment of Matching Shares and Performance Shares shall take place within 30 days from the publication of the financial report for the period October – December 2022.
13. Participation in LTI 2019 is conditional upon that the participation is legally possible and that the participation in the company's sole opinion can be made with reasonable administrative costs for the company.
14. LTI 2019 shall be governed by separate agreements with the respective participant. The board of directors shall be responsible for the preparation and management of LTI 2019 within the



above mentioned principal terms and guidelines. In connection herewith, the board of directors shall be entitled to resolve on diverging terms for the allocation of Matching Shares and Performance Shares in connection with cessation of employment during the Saving Period due to death, early retirement or similar occasions or due to termination by the company that is not related to misconduct by the participants. In these cases the board of directors may resolve that the participant will be entitled to receive a proportionate part of the Matching Shares and the Performance Shares. Furthermore, in the event of a public take-over offer, a sale of the company's business, liquidation, merger or any other such transaction affecting the company, the board of directors shall, at its sole discretion, be entitled to resolve that the Matching Shares and Performance Shares (partially or in full) shall vest and be allotted on completion of such transaction. The board of directors will make this resolution based on the level of achievement of the Performance Target, the remainder of the Saving Period and any other factors deemed relevant by the board of directors.

**B. Amendment of the Articles of Association**

In order to enable the issuance of series C shares under LTI 2019, the board of directors proposes that the annual general meeting resolves to incorporate a new § 6 in the company's Articles of Association in accordance with the following wording. Following the incorporation of the new section in the Articles of Association, the already existing shares shall be ordinary shares.

*§ 6 Share classes*

*Shares may be issued in two classes, ordinary shares and series C shares. The ordinary shares shall carry one vote per share and series C shares shall carry one-tenth of a vote per share. Shares of either share class may be issued up to an amount corresponding to the full share capital.*

*Series C shares do not entitle to dividends. Upon the dissolution of the company, series C shares shall carry equivalent right to the company's assets as other shares, however, not to an amount exceeding the quota value of the share.*

*If the company resolves to issue new ordinary shares and series C shares, against payment other than contribution in kind, owners of ordinary shares and series C shares shall have pre-emption rights to subscribe for new shares of the same class pro rata to the number of shares previously held by them (primary pre-emption right). Shares which are not subscribed for pursuant to the primary pre-emption rights shall be offered to all shareholders for subscription (secondary pre-emption right). If the shares thus offered are not sufficient for the subscription pursuant to the secondary pre-emption rights, the shares shall be allocated between the subscribers pro rata to the number of shares previously held and, to the extent such allocation cannot be effected, by the drawing of lots.*

*If the company resolves to issue new shares of either solely ordinary shares or series C shares, against payment other than contribution in kind, all shareholders shall, irrespective of whether their shares are ordinary shares or series C shares, have pre-emption rights to subscribe for new shares pro rata to the number of shares previously held by them.*

*What is set out above with regard to pre-emption rights shall apply mutatis mutandis in the event of issues of warrants and convertible bonds, and shall not limit the right to resolve upon an issue with deviation from the shareholders' pre-emption rights.*

*In the event of a bonus issue, new shares of each class shall be issued pro rata to the number of shares of the same class previously issued. In connection therewith, the owners of existing shares of a certain class shall entitle the holder to new shares of the same class. This shall not entail any restrictions on the possibility of issuing new shares of a new class by means of a bonus issue, following the required amendments of the Articles of Association.*

*Reduction of share capital, which in any case shall not fall below the minimum share capital, may, at the request of a holder of a series C share and after resolution by the company's board of directors or a shareholders' meeting, take place through redemption of series C shares. A request from a shareholder must be submitted in writing. When a resolution on reduction has been passed, an amount corresponding to the reduction amount shall be transferred to the company's reserve fund, if the required funds are available. The redemption amount per series C share shall be the quota value of such share.*

*Following receipt of the redemption resolution, holders of shares subject to redemption shall promptly receive payment for the shares, or, if authorization for the redemption from the Swedish Companies Registration Office (Sw. Bolagsverket) or a court is required, following the receipt of notice that the final and effected resolution has been registered.*

*Series C shares held by the company may, upon resolution of the board of directors be reclassified into ordinary shares. Immediately thereafter, the board of directors shall register the reclassification with the Swedish Companies Registration Office. The reclassification is effected when it has been registered and the reclassification has been reflected in the central securities depository register.*

As a result of the incorporation of the new section, the existing sections 6 – 11 of the Articles of Association will be renumbered.

**C. Authorization on directed issues of series C shares**

The board of directors proposes that the annual general meeting resolves to authorize the board of directors, for the period up until the next annual shareholders' meeting, on one or several occasions, to issue a maximum of 588,560 series C shares. The new shares may, with deviation from the shareholders' preferential rights, only be subscribed for by a bank or a securities company at a subscription price which corresponds to the quota value of the shares. The purpose of the authorization and the reason for the deviation from the shareholders' preferential rights in connection with an issue of shares is to secure delivery of Matching Shares and Performance Shares under LTI 2019 and, in terms of liquidity, to hedge payments of future social security contributions related to LTI 2019. It is noted that this shall be achieved through the company repurchasing the series C shares issued pursuant to the authorization in section D below whereafter the repurchased series C shares will be converted to ordinary shares and transferred in accordance with section E below.

**D. Authorization on repurchase of series C shares**

The board of directors proposes that the annual general meeting resolves to authorize the board of directors, for the period up until the next annual shareholders' meeting, on one or several occasions, to repurchase its own series C shares. Repurchase may only be effected through a public offer directed to all holders of series C shares and shall comprise all outstanding series C shares. Repurchase may also be made of so-called interim shares, by Euroclear Sweden AB designated as a Paid Subscribed Share (Sw. Betald Tecknad Aktie (BTA)), regarding a series C share. Repurchase shall be made at a purchase price per share which corresponds to the quota value of the share. The purpose of the proposed repurchase authorization is to secure delivery of Matching Shares and Performance Shares under LTI 2019 and, in terms of liquidity, to hedge payments of future social security contributions related to LTI 2019.

The board of directors' statement pursuant to Chapter 19, Section 22 of the Swedish Companies Act (Sw. aktiebolagslagen) is presented in a separate document.

**E. Resolution on transfer of own ordinary shares**

In order to fulfil the company's obligations towards participants in LTI 2019, the board of directors proposes that the annual general meeting resolves that the company shall be entitled to transfer the company's own ordinary shares as follows:

1. The company shall have the right to transfer the number of ordinary shares that the company has a maximum obligation to allocate as Matching Shares and Performance Shares to participants in LTI 2019, at most 466,200 shares.
2. The number of shares that may be transferred pursuant to LTI 2019 shall be subject to recalculation in consequence of a bonus issue, split or reverse split, rights issue, and/or other similar corporate action which affects the number of shares in the company.
3. The right to acquire ordinary shares shall, with deviation from the shareholders' preferential rights, vest in participants in LTI 2019 who are entitled to be allotted Matching Shares and Performance Shares in accordance with the terms and conditions of the program.
4. Transfer of shares to participants in LTI 2019 shall be made free of charge and be executed at the relevant time specified in the terms and conditions for LTI 2019.

The reason for the deviation from the shareholders' preferential rights in connection with the transfers of own ordinary shares is to enable the company's delivery of Matching Shares and Performance Shares to participants in LTI 2019.

Since LTI 2019 is not expected to initially give rise to any costs for social security contributions for the company (and since a resolution on transfer is valid only until the next annual general meeting), the board of directors has decided not to propose that the annual general meeting 2019 resolves on an authorization for the board of directors to transfer the company's own ordinary shares on a regulated market for hedging of cash flow for social security payments. However, before any transfers of shares to participants in LTI 2019 are made, the board of directors intends to propose to a later general meeting to resolve on an authorization for the board of directors to transfer own ordinary shares on a regulated market in order to hedge such payments.

#### *Costs, impact on key ratios, existing incentive programs and dilution*

The board of directors has made a preliminary cost calculation for LTI 2019. The costs for LTI 2019 are accrued over the vesting period which runs until 31 December 2022. The calculation has been made based on the quoted closing price for shares in the company as per 11 October 2019, i.e. SEK 18.50 per share, and with the following assumptions: (i) all participants acquire the maximum number of Saving Shares; (ii) an annual dividend yield of 0 per cent; (iii) an estimated annual employee turnover of 0 per cent; and (iv) an achievement of the Performance Target corresponding to a share price increase of 50 per cent resulting in that 1 Matching Share and 3 Performance Shares are allocated for each Saving Share. Based on these assumptions, the total costs for LTI 2019 are estimated to amount to approximately SEK 8.6 million, excluding social security contributions. The costs for social security contributions are estimated to amount to approximately SEK 2.3 million, based on the above assumptions, and under the assumption of a share price increase of 50 per cent during the duration of LTI 2019 and an average tax rate of 26.25 per cent for social security contributions.

The anticipated annual costs of approximately SEK 3.6 million, including social security contributions, correspond to approximately 30 per cent of the company's total employee costs for the financial year 2018/2019. Based on the calculation of costs as described above, the key figure earnings per share for the full year 2018/2019 had been changed from SEK -2.16 to SEK -2.37. It should be noted the calculations are based on the assumptions stated above and are only intended to provide an illustration of the outcome.

As per the date of the notice, the number of shares in the company amounts to 23,488,908.

The maximum number of shares that can be issued in relation to LTI 2019 is 588,560, whereof 466,200 for delivery of Matching Shares and Performance Shares to the participants and in the aggregate 122,360 related to hedging of cash flow for social security payments, which corresponds to a dilution of approximately 2.4 per cent of the company's share capital and votes after full dilution, calculated on the number of shares that will be added upon full issuance of shares in connection with LTI 2019.

Since previously, there are two incentive programs in the form of employee option programs outstanding in the company. In case all warrants issued in relation to these incentive programs (including the warrants issued for hedging of cash flow for social security payments) are exercised for subscription of shares, a total of 1,296,680 new shares will be issued. In case all outstanding incentive programs as well as the proposed LTI 2019 are exercised in full, a total of 1,885,240 shares will be issued, which corresponds to an aggregate dilution of approximately 7.4 per cent of the company's share capital and votes after full dilution, calculated on the number of shares that will be added upon full exercise of all outstanding incentive programs as well as the suggested LTI 2019.

The above calculations regarding dilution are subject to re-calculation of the warrants in accordance with the customary recalculation terms included in the complete applicable warrant terms.

#### *Preparation of the proposal*

The proposal for LTI 2019 has been prepared by the Remuneration Committee together with external consultants. The final proposal has been resolved upon by the board of directors.

#### **Particular majority requirements**

For valid resolutions on the proposals pursuant to item 14 and item 15, the proposals have to be supported by shareholders representing at least two thirds of the votes cast as well as of all shares represented at the annual general meeting. For a valid resolution on the proposal pursuant to item 16, the proposal has to be supported by shareholders representing at least nine-tenths of the votes cast as well as of all shares represented at the annual general meeting.

#### **Information at the annual general meeting**

The board and the CEO shall at the annual general meeting, if any shareholder so requests and the board believes that it can be done without significant harm to the company, provide information regarding circumstances that may affect the assessment of items on the agenda, circumstances that can affect the assessment of the company's or its subsidiaries financial position and the company's relation to other companies within the group.

#### **Financial statements and complete proposals**

Financial statements, the audit report, the statement by the auditor on the compliance of the applicable guidelines for remuneration to senior executives as well as the complete proposals for resolutions, will be available for the shareholders at the company's office at Per Albin Hanssons väg 41, SE-205 12 Malmö, Sweden, and at the company's website ([www.ascelia.com](http://www.ascelia.com)) as from no later than three weeks prior to the annual general meeting. Copies of the documents will be sent to the shareholders upon their request to the company, provided that such shareholders state their address, and will also be made available at the annual general meeting.

#### **Number of shares and votes in the company**

The total number of shares and votes in the company amounts to 23,488,908. The company does not hold any own shares.

**Processing of personal data**

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<https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-GM-English.pdf>.

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Malmö in October 2019

Ascelia Pharma AB (publ)

The Board of Directors