

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

The board of directors of Ascelia Pharma AB (publ), Reg. No. 556571-8797 (the "**Company**"), proposes that the annual general meeting on 14 November 2019 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:

Position	Maximum number of Saving Shares
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 Saving 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 an-

nual 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 takeover 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. Following the amendments, the Articles of Association will have the wording set out in **Appendix A**.

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 provided with this proposal.

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.

Majority requirement

The board of directors' proposal on implementation of a long-term incentive program in accordance with Sections A to E above constitutes an overall proposal which shall be resolved upon as one resolution. The resolution is subject to the provisions in Chapter 16 of the Swedish Companies Act (*Sw. aktiebolagslag 2005:551*), and a valid resolution hence requires that the proposal is supported by shareholders with at least nine-tenths of the votes cast as well as of all shares represented at the meeting.

The chairman of the board of directors, or anyone appointed by him, shall be authorized to make minor formal adjustments of the resolution which may be required for registration with the Swedish Companies Registration Office (*Sw. Bolagsverket*) or Euroclear Sweden AB.

Malmö in October 2019
ASCELIA PHARMA AB (PUBL)
The Board of Directors

Appendix A

ARTICLES OF ASSOCIATION

§ 1 Name

The name of the company is Ascelia Pharma AB. The company is a public company (publ).

§ 2 Registered office of the board of directors

The registered office shall be in the municipality of Malmö, Skåne county.

§ 3 Object of the company's business

The company shall, directly or indirectly, develop, market and sell medical devices and pharmaceutical products and conduct other activities compatible therewith.

§ 4 Share capital

The share capital shall not be less than SEK 11,200,000 and shall not exceed SEK 44,800,000.

§ 5 Number of shares

The number of shares shall not be less than 11,200,000 and shall not exceed 44,800,000.

§ 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.

§ 7 Board of directors

The board of directors shall, to the extent appointed by the shareholders' meeting, be composed of not less than 3 and not more than 8 members.

§ 8 Auditor

The company shall have not less than 1 and not more than 2 auditors with not more than 2 deputy auditors. As auditor and, when applicable, deputy auditor, an authorized public accountant or a registered accounting firm shall be appointed.

§ 9 Notice of general meeting

Notice convening a general meeting shall be made by announcement in the Swedish Official Gazette (*Sw. Post- och Inrikes Tidningar*) and by making the notice available on the company's website. It shall further be announced in Svenska Dagbladet that a notice has been made.

Shareholders wishing to participate in the general meetings must be listed as shareholder in a printout or other transcript of the entire share register reflecting the circumstances five weekdays before the general meeting and notify participation to the company no later than on the date specified in the notice. The last mentioned day may not be a Sunday,

other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday before the general meeting. A shareholder may be accompanied by advisors at a general meeting only if the shareholder notifies the number of advisors to the company in accordance with the procedure prescribed for notification of shareholders' intention to participate in the general meeting.

§ 10 Annual general meeting

The following matters shall be addressed at the annual general meeting:

- 1) Election of a chairman of the meeting.
- 2) Preparation and approval of the voting register.
- 3) Approval of the agenda.
- 4) Election of one or two persons to verify the minutes.
- 5) Determination as to whether the meeting has been duly convened.
- 6) Presentation of the annual report and the auditor's report and, if applicable, the consolidated annual report and the auditor's report on the consolidated annual report.
- 7) Resolution:
 - a) in respect of the adoption of the profit and loss statement and the balance sheet and, if applicable, the consolidated profit and loss statement and the consolidated balance sheet;
 - b) in respect of the allocation of the company's profits or losses as set forth in the adopted balance sheet; and
 - c) in respect of discharge from liability of the board members and the managing director.
- 8) Determination of the number of board members, auditors and deputy auditors.
- 9) Determination of fees for the board of directors and fees for the auditors.
- 10) Election of board of directors and auditors.
- 11) Any other matter which rests with the general meeting in accordance with the Swedish Companies Act or the company's articles of association.

§ 11 Financial year

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

§ 12 Record day provision

The company's shares shall be registered in a record day register pursuant to the Swedish Central Securities Depositories and Financial Instruments Act (SFS 1998:1479).