

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) authorization on directed issues of series C shares; (C) authorization on repurchase of series C shares; and (D) resolution on transfer of own ordinary shares

The board of directors of Ascelia Pharma AB, Reg. No. 556571-8797 (the "**Company**"), proposes that the annual general meeting on 6 May 2020 resolves to implement a long-term incentive program in the form of a performance-based share saving program (the "**LTI 2020**") for employees in accordance with A below. The resolution is conditional upon that the annual general meeting also resolves on hedging measures in accordance with B – D below.

A. Implementation of a performance-based share saving program

Background

The overall purpose with LTI 2020 is to align the interests of the employees with those of the shareholders and thus ensure a maximum long-term value adding commitment. LTI 2020 is also considered to create a long-term focus on increase in earnings and growth among the participants. LTI 2020 is further considered to facilitate for the Company to recruit and retain employees.

At the annual general meeting 2019, it was resolved to implement a corresponding incentive program for employees in the Company (LTI 2019).

Terms and conditions for LTI 2020

1. LTI 2020 shall comprise senior executives and key employees divided into three categories.
2. LTI 2020 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	11,000
Other senior executives (3 persons)	6,000 – 12,000
Directors (4 persons)	2,500 – 5,000
Other employees (3 persons)	750 – 1,500

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. It is noted that when determining the intervals, the board of directors has considered, and when determining the maximum number of Saving Shares that each individual participant may acquire within the intervals, the board of directors will, consider that certain participants (including the CEO and 2 of the other senior executives) are also participating in LTI 2019 that was approved at the annual general meeting held in November 2019 and these participants will then only be offered to acquire 50 per cent of the number of Saving Shares that would otherwise have been offered.
5. The investment in Saving Shares shall be made through acquisition of ordinary shares on the stock market on 30 September 2020 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 55,750 and the total number of Performance Shares will not exceed 278,750, meaning that the total number of shares that can be issued to the participants in connection with LTI 2020 will not exceed 334,500. The number of shares that can be issued in connection with LTI 2020 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 30 September 2023 (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 6 May 2020 to and including 30 September 2023 (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 6 May 2020 and 30 trading days immediately preceding 30 September 2023. 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 June – September 2023.
13. Participation in LTI 2020 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 2020 shall be governed by separate agreements with the respective participant. The board of directors shall be responsible for the preparation and management of LTI 2020 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. 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 general meeting, on one or several occasions, to issue a maximum of 423,350 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 2020 and, in terms of liquidity, to hedge payments of future social security contributions related to LTI 2020. It is noted that this shall be achieved through the Company repurchasing the series C shares issued pursuant to the authorization in section C below whereafter the repurchased series C shares will be converted to ordinary shares and transferred in accordance with section D below.

C. 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 general 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 2020 and, in terms of liquidity, to hedge payments of future social security contributions related to LTI 2020.

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.

D. Resolution on transfer of own ordinary shares

In order to fulfil the Company's obligations towards participants in LTI 2020, 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 2020, at most 334,500 shares.
2. The number of shares that may be transferred pursuant to LTI 2020 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 2020 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 2020 shall be made free of charge and be executed at the relevant time specified in the terms and conditions for LTI 2020.

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 2020.

Since LTI 2020 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 2020 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 2020 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 2020. The costs for LTI 2020 are accrued over the vesting period which runs until 30 September 2023. The calculation has been made using the generally accepted modelling technique Monte-Carlo simulation based on the quoted closing price for shares in the Company as per 30 March 2020, i.e. SEK 17.80 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) a share price volatility of 55 per cent. Based on these assumptions, the total costs for LTI 2020 are estimated to amount to approximately SEK 3.5 million, excluding social security contributions. The costs for social security contributions are estimated to amount to approximately SEK 1.0 million, based on the above assumptions, and an average tax rate of 27.16 per cent for social security contributions.

The anticipated annual costs of approximately SEK 1.5 million, including social security contributions, correspond to approximately 8.5 per cent of the Company's total employee costs for the financial year 2019 on an annualized basis (i.e. adjusted to reflect that the financial year 2019 was a shortened financial year only comprising six months). Based on

the calculation of costs as described above, the key figure earnings per share for the financial year 2019 had been changed from SEK –1.70 to SEK –1.76. 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 23,999,453 shares, of which 23,488,908 are ordinary shares and 510,545 are series C shares which were issued in connection with the share saving program resolved at the annual general meeting 2019 and which will be converted into ordinary shares prior to delivery to the participants.

The maximum number of shares that can be issued in relation to LTI 2020 is 423,350, whereof 334,500 for delivery of Matching Shares and Performance Shares to the participants and in the aggregate 88,850 related to hedging of cash flow for social security payments, which corresponds to a dilution of approximately 1.73 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 2020.

Since previously, there are incentive programs in the form of two employee option programs and one performance-based share saving program outstanding in the Company. In case all outstanding incentive programs as well as the proposed LTI 2020 are exercised in full, a total of 2,230,175 new ordinary shares will be issued, which corresponds to an aggregate dilution of approximately 8.50 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 2020.

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 2020 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 D 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 annual general 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 April 2020
The Board of Directors of Ascelia Pharma AB (publ)