

## **COMPLETE PROPOSAL REGARDING ITEM 14 ON THE AGENDA**

*Item 14 – Resolution on (A) employee warrant program 2019/2028, (B) directed issue of warrants, and (C) approval of transfer*

The Board proposes that the meeting decides (A) on the introduction of an employee warrant program for the Company's management, researchers and other staff, (B) on a directed issue of warrants to the Company, alternatively to a wholly owned subsidiary of the Company ("the Subsidiary") in order to ensure the Company's delivery of shares according to the employee warrant program, and (C) on approval of transfer of warrants or shares in the Company to the participants in the employee warrant program.

The Board considers that it is essential and in all shareholders' interest that the Company's management, researchers and other staff who are considered to be important for the Company's further development has a long-term interest in a good growth in value of the shares in the Company. A personal long-term ownership commitment can be expected to contribute to an increased interest in the Company's operations and result development, as well as raise the participants' motivation and sense of community with the Company and its shareholders.

The maximum dilution effect of employee warrant program 2019/2028 is estimated to be a maximum of 1.1 percent of the share capital and 0.5 percent of the votes in the Company (calculated on the number of existing shares in the Company), provided full exercise of all employee warrants.

This proposal was prepared by the Remuneration Committee and thereafter by the Board in consultation with external counsel.

### **A. Employee warrant program 2019/2028**

The Board proposes that the AGM decides on the introduction of an employee warrant program 2019/2028 essentially on the following terms:

1. The employee warrant program 2019/2028 shall include not more than 1,000,000 warrants.
2. The employee warrants shall be assigned to program participants free of charge.
3. Each employee warrant shall entitle the holder to acquire one (1) new B-share in the Company at an exercise price corresponding to 110 percent of the volume-weighted average price of the Company's share according to Nasdaq Stockholm's price list during the period ten (10) trading days before
  - (i) June 1, 2019 for offer of warrants given until August 31, 2019, and
  - (ii) the first day of the quarter in which the offer is made for warrants offered later.
4. The subscription price can in no case be less than the quotient value.
5. Offering of employee warrants shall be decided by the Company's Board of Directors according to the following:
  - The CEO may be offered 100,000 employee warrants.

- management and senior researchers may be offered 20,000 employee warrants per person.
- other employees may be offered 5,000 employee warrants per person, and
- remaining employee warrants shall be reserved for new staff.

The Board has, however, in addition to the provisions above, the right to offer individuals 50 percent more warrants than specified above after special assessment.

6. The employee warrants may be exercised for the subscription of B-shares in the Company, in accordance with the terms for the employee warrants, provided that at least 50 percent of the total number of employee warrants earned are exercised on each occasion.

- 60 percent of the allocated employee warrants may be exercised for share subscription no earlier than three years after the participant signed the option agreement relating to the employee warrants.
- A further 20 percent of the allocated employee warrants may be exercised for share subscription no earlier than four years after the participant signed the option agreement relating to the employee warrants.
- The remaining 20 percent of the allocated employee warrants may be exercised for share subscription no earlier than five years after the participant signed the option agreement relating to the employee warrants.

Subscription after three and four years as described above requires approval by the Board of Directors.

7. The right to participate in the employee warrant program 2019/2028 is subject to the participant entering into an option agreement with the Company substantially in accordance with what is set out in appendix 1.
8. Issued employee warrants do not constitute securities and may not be transferred, pledged or otherwise disposed by the holder.
9. The warrants are tied to the participant's employment in the Company. If the employment in the Company is terminated before the warrants are exercised for share subscription, all unused employee warrants of the owner expire without right of use.
10. If a general meeting should decide on e.g. an increase or decrease of the number of outstanding shares during the term of the employee warrants, recalculation can be performed to maintain the value of the employee warrants. Decisions on recalculation shall be made by the Board of Directors of the Company.
11. The Board of Directors or a person designated by the Board shall have the right to decide on minor deviations in the program that may be needed to fulfill the program's purpose.
12. Participation in the employee warrant program 2019/2028 requires, first, that such participation may lawfully be made, secondly, that such participation according to the Company's assessment can be made with reasonable administrative costs and financial efforts.

#### *B. Directed issue of warrants to the Company or the Subsidiary*

To enable the Company's delivery of shares under the employee warrant program 2019/2028, the Board of Directors proposes that the AGM decides on a directed issue of a maximum of 1,000,000 warrants according to the following terms:

1. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, apply to the Company or its wholly owned Subsidiary, LPB Sweden AB, Reg. No. 559035-9112. Oversubscription cannot occur.
2. The reason for the deviation from the shareholders' preferential rights is that the issue is a step in the introduction of the employee warrant program 2019/2028.
3. The warrants are issued free of charge.
4. Subscription of warrants shall be made within three weeks from the date of the issue decision. The board has the right to extend the subscription period.
5. The increase of the Company's share capital may, upon full exercise of the warrants, amount to a maximum of SEK 20,000.
6. The warrants can be exercised through the application for subscription of new B-shares during the period from registration at the Swedish Companies Registration Office up to and including May 31, 2028.
7. The subscription price for the share on exercise of the warrants is SEK 0.02 SEK. The subscription price may however not be less than the quotient value of the Company's share.
8. The Board of Directors, or a person designated by the Board, is authorized to make minor adjustments that are required for the registration and execution of the decision.

The complete terms and conditions for the warrants are set out in [appendix 2 – “Terms and conditions of warrants of series \(2019/2028:1\) to subscribe for new shares in BioArctic AB \(publ\)](#). In the terms and conditions, it is stated that the subscription price, as well as the number of new shares to which each warrant entitles the holder to subscribe, may be recalculated in the event of a bonus issue, issue of shares and certain other cases.

*C. Approval of the transfer of warrants or shares in the Company to participants in the employee warrant program 2019/2028.*

The Board proposes that the AGM resolves to authorize the Company or Subsidiary to transfer warrants or shares to participants in the employee warrant program 2019/2028, or otherwise dispose of the warrants, to ensure the Company's obligations arising from the employee warrant program 2019/2028.

Costs for the employee warrant program 2019/2028

The Board considers that the employee warrant program 2019/2028 at each redemption date will prompt the reporting of payroll benefits with social security costs as a result.

Existing incentive programs in the Company

The main owners Demban AB and Ackelsta AB have during 2017 issued call options to certain board members and senior executives of the Company, including the CEO, concerning a total of 366,795 of the main owners' B-shares. The exercise period runs until June 30, 2020. The exercise price for the options is SEK 26.67 per share. In connection with the issue of the options the option holders paid an option premium, corresponding to the market value of the option calculated according to the Black & Scholes model, to the main owners.

There are no other share-based incentive programs in the Company.

**Majority requirement**

Decisions pursuant to items (A), (B) and (C) above shall be taken as one decision and are thus conditioned by each other. A valid resolution requires approval of shareholders representing at least nine tenths of the shares and the votes represented at the AGM.