

*English translation for information purposes only. If there are differences between the English translation and the Swedish original, the Swedish text will take precedence.*

## **THE BOARD'S PROPOSAL FOR RESOLUTION ON A PERFORMANCE-BASED INCENTIVE PROGRAM (LTI 2020)**

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The Board proposes that the annual general meeting resolves to adopt a performance-based incentive program ("**LTI 2020**") for certain employees and contractors in Promore Pharma AB (the "**Company**"). If the meeting adopts LTI 2020, the Board intends to subsequently provide notice of target levels and results not later than at the annual general meeting in 2023.

### **Summary and reasons**

The program covers a maximum of three current employees and contractors in the Company (the "**Participants**"). The Board may also, if the Board finds it in the Company's best interest, offer one or more newly hired employees or contractors (or as the case may be, a current employee or contractor not initially offered to participate in LTI 2020) to become a Participant in LTI 2020 within the scope of the terms and conditions and guidelines set forth herein. After a qualifying period of three years, the Participants will be allotted warrants in the Company without any payment of consideration provided that certain qualifying terms and conditions have been fulfilled ("**Performance Share Right**"). In order for these so-called Performance Share Rights to entitle the Participant to receive allotment, the Participants must have elected to maintain the scope of their assignment in the Company during a Qualifying Period. In order for allotment to take place, performance targets based on certain milestones must also be achieved.

The reasons for the proposal by the Board regarding LTI 2020 are to strengthen the Company's ability to maintain its workforce, to broaden and increase share ownership amongst the Participants, and to ensure a common focus on long-term growth in shareholder value which ensures that shareholders and the Participants have the same targets. Through a performance-based incentive program, the rewards provided to the Participants can be linked to the Company's future prospects thereby prioritizing long-term growth and ensuring that the shareholders and Participants have the same targets.

To be able to implement LTI 2020 in a cost-efficient manner, the Board's proposal for LTI 2020 is conditional on that the AGM also resolves on the delivery and hedging methods proposed under item 13 a) – c) on the agenda.

## **Performance Share Rights**

Performance Share Rights mean that Participants in the program are entitled, for each Performance Share Right, to acquire one warrant in the Company with a right for its holder to acquire a share in the Company for a price equal to the share's quota value (SEK 0.04), provided that the below qualifying terms and conditions have been fulfilled. Performance Share Rights are allotted without payment of any consideration.

## **Participant terms and conditions for LTI 2020**

LTI 2020 covers a maximum of three existing employees and contractors of the Company as well as any additional employee or contractor the Board decides to offer to participate in the program (the Participants) who are divided into four categories as follows:

- Category 1: One Participant – the CEO
- Category 2: One Participant – the CSO
- Category 3: One Participant – the CFO
- Category 4: One or more Participants – Any additional Participants

Participants in each category may receive an allotment of the following maximum number of Performance Share Rights:

- Category 1: 600,000 Performance Share Rights
- Category 2: 360,000 Performance Share Rights
- Category 3: 240,000 Performance Share Rights
- Category 4: Up to 200,000 Performance Share Rights (the total number of Performance Share Rights that may be allotted to all Participants in Category 4 may never exceed 200,000)

## **Qualifying terms and conditions**

In order for the Participant to be able to exercise their Performance Share Rights and receive allotment, the following qualifying terms and conditions must be fulfilled:

### *Maintained assignment*

The Participant must be at the Company's disposal to carry out the Participant's assignment as the Company from time to time requests up until the announcement of the Company's interim report for the first quarter of 2023, or if no such report is published, 1 June 2023 (the "**Qualifying Period**").

### *Performance*

The Participant will earn the right to exercise 25 percent of the Performance Share Rights allotted to the Participant for the fulfilment of each of four established performant targets based on the

Company achieving certain milestones (the “**Performance Targets**”). The milestones relate to the performance and progress of the Company’s two programs in late-stage clinical development; LL-37 and PXL01. The Performance Targets shall also be deemed to be met if there is a change of control of the Company.

#### *Recovery of right to exercise Performance Share Rights*

If the Participant may not exercise a portion of the allotted Performance Share Rights, due to failure to meet a Performance Target, on one or several occasions during the Program, the Participant may recover the right to exercise the Performance Share Rights in case of a significant increase in the share price of the Company during a period established in relation to the date the Performance Target should have been fulfilled (the “**Performance Period**”).

At and above an increase of 50 percent (the “**Compensation Threshold**”) in the share price of the Company during the relevant Performance Period, the following formula for compensation shall apply:

*For each percentage point increase in share price above the Compensation Threshold, the Participant will recover the right to exercise 0.5 percent of the Performance Share Rights the Participant had lost due to the non-fulfilment of the Performance Target in question. The number of Performance Share Rights a Participant may exercise may however never exceed the number of Performance Share Rights the Participant could have exercised if the Performance Target in question would have been fulfilled.*

#### **Other terms and conditions**

The following terms and conditions otherwise apply to the Performance Share Rights:

Participants are not entitled to transfer, pledge, or sell the Performance Share Rights, or to exercise any shareholder rights with respect to the Performance Share Rights, during the qualifying period.

#### **Structure and administration**

The Board is responsible for the more detailed structure and administration of LTI 2020 as well as the detailed terms and conditions which shall apply between the Company and the Participant under the program, within the scope of the terms and conditions and guidelines set forth herein. In conjunction with this, the Board shall be entitled to establish different terms and conditions for the program regarding, among other things, the Qualifying Period and allotment, in the event of termination of assignment during the Qualifying Period under specific circumstances. The Board shall also be entitled to make adjustments in order to fulfil specific rules or market conditions.

In certain cases, the Board shall be entitled to reduce the final allotment or to terminate LTI 2020 early, in whole or in part, without payment of any compensation to the Participants in the event of significant changes in the Company or on the market.

### **Maximum quantity**

The maximum number of Performance Share Rights which may be issued according to LTI 2020 is 1,400,000, corresponding to approximately 3.7 percent of the outstanding shares and votes in the Company.

According to the specific conditions adopted by the Board, the number of shares covered by LTI 2020 may be subject to recalculation due to a bonus issue, reverse share split or share split, rights issue, or similar measures carried out by the Company, taking into consideration customary practice for corresponding incentive programs. Recalculation may also be made so that extraordinary payments of dividends are taken into consideration.

### **Delivery and cost-hedging measures**

In order to secure the Company's obligations pursuant to the Performance Share Rights, the Board proposes that the Company shall issue and resolve to transfer warrants to the Participants (according to item 13 a) and b)). If necessary to secure certain costs, the Board proposes that it shall be authorized to enter into a swap-agreement with a third part (inter alia a shareholder or a financial institute, according to item 13 a) and c)).

### **Costs for LTI 2020**

As a result of the proposed delivery and cost-hedging measures (item 13 a) – c)), the Company's liquidity will only be impacted by administrative costs and VAT occurring in relation to LTI 2020.

Costs related to the Performance Share Rights will be booked in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's (BFNAR) General Recommendation 2012:1: Annual Report and Consolidated Accounts ("K3"). Initially there will be no effect on company accounts, apart from social security costs for physical persons (i.e. the president/CEO) receiving Share Rights, which are estimated at 1,500,000 SEK, given a yearly increase of the share value of 20 percent. The future effect on company accounts will be the increase in equity of 72,000 SEK (warrants x quota value per share), if all warrants are exercised. Any difference between the quota value and market value at exercise will for physical persons be handled by benefit taxation for the difference.

The Board is authorised to reduce the number of Performance Share Rights the Participant may exercise, if for example the expected taxation of LTI 2020 differs from the actual taxation, resulting in additional costs for the Company. Such costs are hedged through the measure proposed in item 13 c).

The Board believes that the positive earnings' effects which ultimately can be achieved through LTI 2020 will outweigh any costs related to LTI 2020.

### **Dilution**

The total number of warrants issued to enable the delivery and for hedging costs is 1,800,000. At full utilisation of the warrants, the number of outstanding shares in the company will increase by 1,800,000. These shares constitute 4.7 percent of the number of shares and votes after full dilution, calculated as the number of new shares in relation to the number of existing and new shares in the Company.

### **Preparation of the matter**

LTI 2020 was initiated by the Board of the Company and has been prepared in consultation with Advokatfirman Lindahl KB.

### **Other long-term incentive programs**

The Company currently has bonus agreements with senior executives. If the general meeting decides to implement LTI 2020 for certain employees and consultants, the bonus agreements with the people in question will be terminated in their entirety.

### **The Board's proposal for a resolution**

In consideration of the aforementioned description, the Board proposes that the annual general meeting resolves to implement LTI 2020.

### **Majority requirement**

The Board's proposal for a resolution implementing LTI 2020 is conditional upon the annual general meeting approving the Board's proposal under item 13 a) – c). Hence, the Board proposes that the annual general meeting resolves on item 12 and item 13 a) – c) jointly and that a resolution only shall be valid if it is supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the general meeting.

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Solna in April 2020  
**Promore Pharma AB**  
*The Board of Directors*