

The Board of Directors' proposal for resolution on implementation of a long-term incentive program for senior executives and other key 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; alternatively (E) authorization to enter into a share swap agreement with a third party

The board of directors of BONESUPPORT HOLDING AB (publ), Reg. No. 556802-2171 (the "**Company**"), proposes that the annual general meeting ("**AGM**") on 20 May 2021 resolves to implement a long-term incentive program in the form of a performance-based share saving program for senior executives and other key employees (the "**LTI 2021**") in accordance with A below.

The resolution, pursuant to section A, shall be conditioned upon that the AGM also resolves on hedging measures in accordance with either sections B – D, or, if the majority requirement for sections B - D is not achieved, according to section E. If sections B - D are adopted section E will lapse. In the event that section A is not adopted, sections B - E will lapse.

A. Implementation of a performance-based share saving program

Background and motives

Since 2018 the AGM of the Company has adopted incentive programs for senior executives and other key employees where the terms mainly correspond to the terms that constitute LTI 2021, which are found below.

The overall purpose of LTI 2021 is to align the interests of the employees with those of the shareholders and thus ensure a maximum long-term value adding commitment. LTI 2021 is also considered to create a long-term focus on increase in earnings and growth among the participants. LTI 2021 is further considered to facilitate for the Company to recruit and retain senior executives and other key employees.

In light of the above, the terms set out below, the allotment size and other circumstances, the board considers that the proposed LTI 2021 is well-balanced and beneficial for the Company and its shareholders.

Terms and conditions for LTI 2021

1. To be entitled to participate in LTI 2021, it is required that the participant has been employed by the Company or another company within the Group at the latest on the date of expiration of the Investment Period in accordance with the below. LTI 2021 entails that the participants will invest in ordinary shares in the Company ("**Saving Shares**"). In order to be entitled to participate in LTI 2021, each participant must at least acquire or allocate the number of Saving Shares which has been specified for each category in the table set out in paragraph 4 below (which also corresponds to the maximum number of Saving Shares that CEO, CFO and other senior executives may acquire or allocate within the framework of LTI 2021). The investment in Saving Shares shall be made through acquisition of ordinary shares on the stock market or by allocating shares already held by the participant and which have not been used as saving shares in an already existing incentive program. Investment or allocation shall have taken place during period: from the time the AGM resolves to introduce LTI 2021 up to and including 31 December 2021 (the "**Investment Period**").

2. If the Saving Shares are retained as from the expiration of the Investment Period to and including 31 December 2023 (the "**Saving Period**") the participant is entitled to allotment of additional ordinary shares in the Company free of charge (the "**Performance Shares**"), provided that, firstly the performance targets (the "**Performance Targets**") mentioned below are achieved or exceeded, secondly, that the participant's employment, with the exceptions set out in paragraph 8 below, has not been subject to notice of termination before the expiry of the Saving Period. The reason why the Saving Period is less than three years is that the Company in the near future is facing a period with important milestones, which are crucial for the Company's long-term development. By implementing LTI 2021 the shareholder interest among senior executives and other key employees is expected to increase, which is deemed to benefit the Company's long-term development.

3. Regarding the Sales Target and the EBITDA Target listed below, vesting of Performance Shares pertaining to these will occur linearly during the Saving Period, while vesting of Performance Shares pertaining to the Share Price Target specified below will occur at the last day of the Share Price Target's measurement period, i.e. on 31 December 2023.

4. LTI 2021 shall include the following employee categories and the participant shall acquire or allocate the following number of Saving Shares, with the opportunity to be allotted up to the following number of vested Performance Shares per Saving Share:

Position	Number of Saving Shares (per participant)	Maximum number of Performance Shares per Saving Share	Total and maximum number of Performance Shares

CEO	28,000	6	168,000
CFO	8,000	6	48,000
Senior executives (General management team) (7 persons)	5,000	6	210,000
Key employees (not including senior executives) (13 persons)	Maximum 3,000 (but fewer numbers Saving Shares can acquired / allocated in steps of 1 000)	6	234,000

5. The final number of Performance Shares vested by each participant shall be rounded downwards to the nearest whole number.
6. The total number of Performance Shares, pursuant to LTI 2021, shall not exceed 660,000.
7. The Performance Targets that have to be achieved or exceeded relate to (i) the share price development of the Company's shares (the "**Share Price Target**"), weighted as 30 percent of Performance Targets, (ii) the net sales for each respective financial year of 2021-2023 (the "**Sales Target**") weighted as 50 percent of Performance Targets, and (iii) the EBITDA for each respective financial year of 2021-2023 (the "**EBITDA Target**") weighted as 20 percent of Performance Targets. Whereby the measurement period for the Sales Target and the EBITDA Target shall be divided with 1/3 for each of the financial years: 2021, 2022 and 2023.

The Share Price Target relates to the development of the Company's share price on Nasdaq Stockholm over the period from the date of the AGM 2021 to and including 31 December 2023. The share price development will be measured based on the volume weighted average share price 30 trading days immediately following the AGM 2021 and 30 trading days immediately preceding 31 December 2023. An increase in the share price with less than 25 percent does not entitle to any vesting of any of the Performance Shares pertaining to the Share Price Target and an increase in the share price with 50 percent or more does entitle a vesting of all of the Performance Shares pertaining to the Share Price Target. In the event of an increase in the share price of between 25 and 50 percent, vesting of the Performance Shares pertaining to the Share Price Target will occur linearly.

The Sales Target and the EBITDA Target shall be determined by the board of directors annually, with regard to the financial year 2021, before LTI 2021 is offered to the participants and concerning the following years, as soon as possible, at the beginning of each financial year. For each respective target, a minimum level and a target level (maximum) shall be determined for each respective financial year. If the minimum level is not achieved, no Performance Shares are vested in relation to the relevant Performance Target for the financial year and if the target level is achieved, full vesting shall take place of the Performance Shares pertaining to the relevant Performance Target for the financial year. If the minimum level is exceeded but the target level is not achieved, vesting of the Performance Shares pertaining to the actual Performance Target for the financial year will occur linearly. The board of directors intends to present the determined targets regarding the Sales Target and the EBITDA Target as well as the achievement of these in connection with the expiration of LTI 2021 at the latest.

8. If, before the end of the Saving Period, a participant's employment in the Company (i) ceases due to retirement, death or long-term illness; (ii) is subject to notice of termination given by the Company whereby the notice is not attributable to personal reasons (*Sw personliga skäl*) or material breach of contract; or (iii) is terminated or subject to notice of termination and if, in accordance with the board's assessment, there are corresponding reasonable reasons for termination or notice of termination of the employment, the person in question shall continue to be entitled to receive already vested Performance Shares, even in if he or she sells his or her Saving Shares after the above event but before the end of the Saving Period.
9. Before the number of Performance Shares to be allocated is finally determined, the board of directors shall evaluate if allocation pursuant to the terms set out above is reasonable, with regard to the Company's results, financial standing, conditions on the stock market and 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 allotted to the lower number of shares that the board of directors finds reasonable.
10. The number of Performance Shares that may be allotted by virtue of Saving Shares shall be subject to recalculation in consequence of a bonus issue, split, rights issue, and/or other similar company actions.
11. Allotment of Performance Shares shall take place after the publication of the year-end report for the financial year 2023, with the aim of allocating Performance Shares approximately 30 days after the publication of the year-end report.
12. Participation in LTI 2021 presupposes 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.

13. The board of directors shall be responsible for the details and management of LTI 2021 within the framework of the main conditions as set out above, and the board of directors shall be authorized to make minor adjustments to these conditions as required by law or for administrative reasons. The board of directors shall also be authorized to adjust or deviate from the terms and conditions as required by local laws and regulations as well as existing market practices. 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 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 Targets, 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 AGM resolves to authorize the board of directors, for the period up until the next AGM, on one or several occasions, to issue a maximum of 728,000 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 hedge delivery of Performance Shares under LTI 2021 and to hedge associated costs, such as social charges, which shall be effected through the Company repurchasing the series C shares issued pursuant to the authorization in section C below and thereafter, when the series C shares have been converted to ordinary shares, by transferring ordinary shares to the participants in LTI 2021 as set out in section D below.

C. Authorization on repurchase of series C shares

The board of directors proposes that the AGM resolves to authorize the board of directors, for the period up until the next AGM, 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 Performance Shares and to hedge associated costs, such as social charges for LTI 2021.

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 2021 and to hedge associated costs, such as social charges, the board of directors proposes that the AGM 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 Performance Shares to participants in LTI 2021, at most 660,000 shares.
2. The shares that can be transferred in accordance with paragraph 1 above may consist of either shares newly issued and repurchased in accordance with paragraphs B - C above or, after conversion into ordinary shares, C shares issued in connection with corresponding previous LTI programs, but which are no longer required for the performance of the Company's commitments under such programs.
3. Whereby it is noted that the number of shares that may be transferred pursuant to LTI 2021 shall be subject to recalculation in consequence of a bonus issue, split, rights issue, and/or other similar corporate action which affects the number of shares in the Company, which consequently, to the corresponding degree affects the highest number of shares that can be transferred.
4. The right to acquire ordinary shares shall, with deviation from the shareholders' preferential rights, vest in participants in LTI 2021 who are entitled to be allotted Performance Shares in accordance with the terms and conditions of the program.
5. Transfer of shares to participants in LTI 2021 shall be made free of charge and be executed at the relevant time pursuant to the terms of LTI 2021.

Since LTI 2021 initially, in principle, is not expected to give rise to any social charges for the Company, the board of directors has decided not to propose to the 2021 AGM to decide on authorization regarding the transfer of own ordinary shares on a regulated market to hedge costs associated to LTI 2021, such as social charges. However, before the transfer of the Company's shares to the participants in LTI 2021, the board of directors intends to propose to a later AGM to decide on a transfer of ordinary shares which may take place on a regulated market to hedge such payments.

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 Performance Shares to participants in LTI 2021.

E. Share swap agreement with a third party

Should the majority requirement for paragraphs B - D above not be met, the board of directors proposes that the AGM, for the purpose of hedging the delivery of Performance Shares and to cover therewith associated costs, such as social charges, instead resolves to authorize the board to enter into a share swap agreement with a third party. The share swap agreement entails that the third party in its own name shall acquire and transfer

ordinary shares in the Company to the participants in LTI 2021 and sell ordinary shares in the market.

LTI 2021 costs

The board of directors has made a preliminary cost calculation for LTI 2021. The costs for LTI 2021, which will be reported under the profit and loss statement, are calculated in accordance with the accounting standard IFRS 2 and are accrued over the vesting period which runs until December 2023. The calculation has been made based on the quoted closing price for shares in the Company as per 26 March 2021, i.e. SEK 60.80 per share, and with the following assumptions: (i) an annual dividend yield of 0 percent; (ii) an estimated annual employee turnover of 0 percent; (iii) an achievement of the Performance Targets with 100 percent; and (iv) that a total maximum of 660,000 Performance Shares may be allotted.

In addition to the above, the costs for LTI 2021 have been based on LTI 2021 comprising a maximum of 22 participants. In total, the costs for LTI 2021 are, according to IFRS 2, estimated to amount to approximately SEK 33.3 million, excluding social charges. The costs for social charges are estimated to amount to approximately SEK 14.9 million, based on the above assumptions, and under the assumption of a share price increase of 50 percent during the duration of LTI 2021 and an average tax rate of 24.7 percent for social charges.

The anticipated annual costs of SEK 19.3 million, including social security contributions, correspond to approximately 13.6 percent of the Company's total employee costs for the financial year 2020. Based on the calculation of costs as described above, the key figure earnings per share for the full year 2020 had been changed from SEK -1.72 to SEK -1.98.

Should the AGM resolve on section E, the cost of entering into a share swap agreement is expected to amount to approximately SEK 1 million.

Existing incentive programs and dilution

As per the date of the notice, the number of shares in the Company amounts to 65,064,222 shares, of which 63,774,222 are ordinary shares and 1,290,000 are series C shares which were issued in connection with the share saving programs resolved at the AGM 2018, 2019 and 2020, and which will be converted into ordinary shares prior to delivery to the participants.

The Company currently has outstanding incentive programs in the form of, three (3) employee stock option programs, one (1) warrant program and four (4) performance-based share saving programs.

Considering the possibility of using existing C shares according to paragraph D 2. above, the maximum number of shares issued to fulfil the transfer of Performance Shares and to hedge costs associated with LTI 2021, amount to 728,000, which corresponds to a maximum dilution of approximately 1.1 percent of the Company's ordinary shares after full dilution, calculated on the number of ordinary shares added at full utilization of the now proposed incentive program.

The Company's board of directors has been informed that the Company's Nomination Committee, in parallel with LTI 2021 which is aimed at employees of the Company, intends to submit a proposal to the AGM regarding an incentive program with similar conditions as for LTI 2021 intended for some of the board members of the Company (“**Board-LTI 2021**”). LTI 2021 and Board-LTI 2021 will in total, including the shares issued to hedge costs associated with the programs, entail that a maximum of 876,000 shares will be issued.

In case all outstanding incentive programs and the proposed LTI 2021 including Board-LTI 2021 are exercised in full, a total of 2,823,132 new ordinary shares will be issued, which corresponds to a dilution of approximately 4.2 percent of the Company's ordinary shares after full dilution, calculated on the number of ordinary shares that will be added upon full exercise of all outstanding and now proposed incentive programs.

The above calculations regarding dilution and impact on key ratios are subject to recalculation of the warrants in accordance with the customary recalculation terms included in the complete applicable warrant terms.

Should the AGM resolve on section E, the share swap agreement will not affect the dilution or earnings per share set aside for the costs incurred by LTI 2021.

Preparation of the proposal

The proposal for LTI 2021 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

For a valid resolution regarding the proposal in section A, it is required that shareholders representing at least half of the votes cast at the AGM support the proposal. Regarding sections B - D above these constitute a joint proposal and shall be resolved upon as one resolution and for the resolution to be valid it is required that the resolution is supported by at least nine tenths of the shares represented at the AGM and the votes cast. For a valid resolution regarding the proposal in section E, it is required that shareholders representing at least half of the votes cast at the AGM supports the proposal.

Authorization

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

Lund in April 2021

BONESUPPORT HOLDING AB (publ)

The Board of Directors