

## **The Board of Directors' 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 BONESUPPORT HOLDING AB (publ), Reg. No. 556802-2171 (the "**Company**"), proposes that the annual shareholder's meeting on 19 May 2020 resolves to implement a long-term incentive program in the form of a performance-based share saving program for employees (the "**LTI 2020**") in accordance with A below. The resolution shall be conditional upon that the annual shareholders' meeting also resolves on hedging measures in accordance with B – D below.

### **A. Implementation of a performance-based share saving program**

#### ***Background***

At the annual shareholders' meeting 2019, it was resolved to implement a corresponding performance-based share saving program for employees (the "**LTI 2019**"). According to the resolution by the annual shareholders' meeting, LTI 2019 could comprise a maximum of 795,000 shares. The maximum number of shares that may be issued upon full outcome has however been reduced as a result of that all employees who were offered the possibility to participate did not accept the offer and that some participants have resigned. As of today, a maximum of 685,000 shares may be issued pursuant to LTI 2019, i.e. 110,000 shares less than what was approved by the annual shareholders' meeting 2019. The now proposed LTI 2020 will, upon full outcome, result in a maximum of 110,000 shares being issued, and will thus not result in any further dilution than what was approved by the annual shareholders' meeting 2019. In light of this, the board of directors considers that it is justified to propose to the annual shareholders' meeting to resolve upon LTI 2020, wherein the "difference" between what was approved at the annual shareholders' meeting 2019 and what actually came to be allocated is "reused" in the form of a new program for newly hired employees.

The overall purpose of 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.

### **Terms and conditions for LTI 2020**

1. LTI 2020 shall only comprise (i) 1 senior executive; and (ii) up to 5 other employees. LTI 2020 shall only be offered to newly hired employees who do not participate in previous incentive programs in the Company.

To be entitled to participate in LTI 2020, 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.

2. LTI 2020 means that the participants will invest in ordinary shares in the Company ("**Saving Shares**"). In order to be entitled to participate in LTI 2020, each participant must at least acquire the number of Savings Shares which has been specified for each category below (which amount also corresponds to the maximum number of Saving Shares that each participant in each category may acquire within the framework of LTI 2020). The investment in Saving Shares shall be made through acquisition of ordinary shares on the stock market on 31 December 2020 at the latest (the "**Investment Period**").
3. If the Saving Shares are retained as from the expiration of the Investment Period to and including 31 December 2023 (the "**Saving Period**") and the participant has continued to be employed by the Company or another company within the Group throughout the Saving Period, the participant is entitled to allotment of additional ordinary shares in the Company free of charge (the "**Performance Shares**"), provided that the performance targets (the "**Performance Targets**") mentioned below are achieved or exceeded.
4. Participants shall acquire the following number of Saving Shares and shall have the opportunity to be allotted with up to the following number of Performance Shares per Saving Share:

<b>Position</b>	<b>Number of Saving Shares</b>	<b>Maximum number of Performance Shares per Saving Share</b>
Senior executive <sup>1</sup> (1 person)	20,000	3
Other employees (up to 5 persons)	5,000 per participant	2

5. The total number of Performance Shares shall not exceed 110,000.
6. 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**"), (ii) the net sales for each respective financial year of 2020-2023 (the "**Sales Target**"), and (iii) the EBITDA for each respective financial year of 2020-2023 (the "**EBITDA Target**"), whereby each Performance Target is weighted by 1/3

and with regard to the Sales Target and EBITDA Target, each respective financial year is weighted by 1/4 for these two performance targets.

*The Share Price Target* relates to the development of the Company's share price over the period from the date of the annual shareholders' meeting 2019 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 annual shareholders' meeting 2019 (which was SEK 27.10) 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 100 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 100 percent, vesting of the Performance Shares pertaining to the Share Price Target will occur linearly. The reason for the "entry price" being measured based on the conditions of the annual shareholders' meeting 2019 instead of this year's annual shareholders' meeting is that the participants in LTI 2020 shall have the same "entry price" as the participants in LTI 2019.

*The Sales Target and the EBITDA Target* shall be determined by the board of directors annually and with regard to the financial year 2020, before LTI 2020 is offered to the participants. 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 actual 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 actual 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 2020 at the latest.

The final number of Performance Shares vested by each participant shall be rounded downwards to the nearest whole number.

7. 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, with regard to the Company's results and 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 allocated to the lower number of shares that the board of directors finds reasonable.
8. 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.

9. Allotment of Performance Shares shall take place within 30 days from the publication of the year-end report for the financial year 2023.
10. Participation in LTI 2020 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.
11. The board of directors shall be responsible for the details and management of LTI 2020 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 annual shareholders' 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 55,000 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 secure delivery of Performance Shares under LTI 2020, 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 2020 in accordance with section D below.

**C. Authorization on repurchase of series C shares**

The board of directors proposes that the annual shareholders' 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 Performance Shares under 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 shareholders' 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 Performance Shares to participants in LTI 2020, at most 110,000 shares. In connection with this, it is noted that of these shares, 55,000 shares are shares that are issued pursuant to the issue in accordance with section B above, while the remaining 55,000 shares are shares that the Company already holds as a result of issues and repurchases that have occurred in connection with existing performance-based share savings programs but where the maximum number of shares which can be transferred to participants has decreased as a result of participants resigning from the Company or another company within the Group.
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, 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 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 Performance Shares to participants in LTI 2020.

#### **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, 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 9 April 2020, i.e. SEK 30.1 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 110,000 Performance Shares may be allocated.

In addition to the above, the costs for LTI 2020 have been based on LTI 2020 comprising a maximum of 6 participants. In total, the costs for LTI 2020 are, according to IFRS 2, estimated to amount to approximately SEK 2.7 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 under the assumption of a share price increase of 100 percent during the duration of LTI 2020 and an average tax rate of 15 percent for social security contributions.

The anticipated annual costs of SEK 1.1 million, including social security contributions, correspond to approximately 0.8 percent of the Company's total employee costs for the financial year 2019. Based on the calculation of costs as described above, the key figure earnings per share for the full year 2019 had been changed from SEK -3.10 to SEK -3.12.

As per the date of the notice, the number of shares in the Company amounts to 53,888,740 shares, of which 52,653,740 are ordinary shares and 1,235,000 are series C shares which were issued in connection with the share saving programs resolved at the annual shareholders' meetings 2018 and 2019, which will be converted into ordinary shares prior to delivery to the participants. In addition thereto, warrants have been issued in connection with a previous financing agreement which could result in a maximum of 599,114 additional ordinary shares being issued. The dilution calculations below do not consider the shares that may be issued upon exercise of these warrants.

The maximum number of Performance Shares amount to 110,000, which corresponds to a dilution of approximately 0.21 percent of the Company's ordinary shares after full dilution, calculated on the number of ordinary shares that will be added upon full issuance of Performance Shares in connection with LTI 2020.

Since previously, there are incentive programs in the form of three employee option programs, one warrant programs and three performance-based share saving programs outstanding in the Company. In case all outstanding incentive programs as well as the proposed LTI 2020 are exercised in full, a total of 2,254,101 new ordinary shares will be issued, which corresponds to a dilution of approximately 4.11 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 incentive programs and the proposed LTI 2020.

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.

### **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. aktiebolagslagen 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.

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Lund in April 2020

BONESUPPORT HOLDING AB (publ)

The Board of Directors