

## Resolution to approve a share savings program for 2019 (item 18(a)-(c))

### 1. Background

The AGMs of 2014 – 2018 decided to implement share savings programs for all employees of the Recipharm group ("Previous Programs"). The board's intention is to make the structure of Previous Programs long-lasting, which is why the board intends to make similar proposals to be decided upon by the AGMs in the years to come. The board therefore proposes that the AGM approves a share savings program for 2019 (the "Program"), which is to include all employees in the group according to the following.

### 2. The Program

#### *Objective and motivation*

The main purpose of the Program is to increase the possibilities to recruit and retain employees in the group. Ownership commitment among the participants of the Program is also expected to increase the interest for the operations and the results, as well as raise the motivation and the affinity with Recipharm. The Program will constitute a competitive and motivating incitement for senior executives and other key members of the Recipharm group. The board therefore proposes that the AGM resolves to approve a share savings program for 2019 mainly based on the Previous Programs and based on the following conditions and principles.

#### *Preconditions for participation*

The Program will cover all employees in the Recipharm group operating in Sweden and other countries. Participation in the Program requires that participants, with their own funds, during the period from July 2019 to July/August 2020, acquires shares of series B in Recipharm ("Saving Shares") at market price on Nasdaq Stockholm and for an amount not exceeding 5 percent of each participant's annual fixed gross salary. Participation for senior executives, members of the subsidiaries executive groups and selected key employees, who are also eligible for the Performance Shares as described below, requires that participants acquire Saving Shares for an amount not exceeding 10 percent of the annual fixed gross salary.

#### *Scope and dilution of shares*

The maximum number of shares covered by the Program amounts to 1,119,026 shares of series B, corresponding to approximately 1.62 percent of the number of issued shares after dilution and approximately 0.54 percent of the votes after dilution. Considering the number of shares estimated to be issued according to the group's other outstanding share saving programs, the total dilution effect for the 2019 Program and the other outstanding programs is expected to amount to a total of approximately 1.80 percent of issued shares after dilution and approximately 0.60 percent of the votes after dilution. The expected dilution has been calculated on actual allocated shares in the 2016 and 2017 program and actual allocated shares and shares expected to be allocated in relationship with actual number of participants in the 2018 program. For the 2019 program the expected dilution has been calculate with the parameters disclosed in section "Estimated costs and value of the Program, and effects on key ratios".

#### *Safety measures*

To ensure the delivery of Matching Shares and Performance Shares (see definitions below) the board proposes an authorization for the board to decide upon a directed issue of convertible and redemption shares of series D, which are to be repurchased and converted to shares of series B within the Program, according to item 18(b) and 18(c) below.

### *Estimated costs and value of the Program, and effects on key ratios*

The Program will be accounted for in accordance with IFRS 2 which stipulates that the rights should be recorded as a personnel expense in the income statement during the vesting period. Based on the assumptions of a share price of SEK 136.5 (closing share price on 9 April 2019), a participation of 50 percent, no annual employee turnover among the participants of the Program and full satisfaction of performance conditions, the cost for the Program, excluding social security costs, is estimated to approximately SEK 76.4 million. The cost will be allocated over the years 2019-2022. The estimated social security costs will be recorded as a personnel expense in the income statement by current reservations. The social security costs are estimated to around SEK 30.5 million with the assumptions above, an average social security tax rate of 30 percent and an annual share price increase for Recipharm's shares of series B of 10 percent during the vesting period.

However, the board assess that the positive effects on the financial results of Recipharm, which are expected to arise from the Program, will outweigh the costs related to the Program.

### *Preparation of the matter*

The Program has been initiated by the board of directors of Recipharm and has been worked out in detail in cooperation with external advisors. The Program has been prepared in the remuneration committee and processed at the board meetings held in the beginning of 2019.

## 3. The Board's proposal to resolution

The board proposes that the AGM decides upon the implementation of the Program in accordance with the description above and in accordance with the guidelines below.

### Decision on the adoption of share savings program for 2019 (item 18(a))

With reference to the description above, the board proposes that the AGM decides to adopt a share savings program substantially based on the terms and principles below.

1. The Program will encompass all employees of the Recipharm group who are active in Sweden as well as other countries. Participation in the Program requires that participants, with their own funds, during the period from July 2019 to July/August 2020, acquires Saving Shares in Recipharm at market price on Nasdaq Stockholm and for an amount not exceeding 5 percent of each participant's annual fixed gross salary. Participation for senior executives, members of the subsidiaries' managerial groups and selected key employees, who are also eligible for the Performance Shares as described below, requires that participants acquire Saving Shares for an amount not exceeding 10 percent of the annual fixed gross salary.
2. The duration of the Program is suggested to be set at just above 3 years from the effective date of the Program ("Saving Period").
3. A participant who keeps the Saving Shares during the entire Saving Period, and additionally remain employed in the group during the entire Saving Period, will, after the expiration of the Saving Period, receive one new Saving Share of series B for every old Saving Share ("Matching Share"), free of charge.
4. The senior executives within the company group, members of local managerial groups and selected key employees will, in addition to Matching Shares, also be eligible for free additional shares of series B in Recipharm ("Performance Shares"), provided that the participant remains employed within the group for the entire Saving Period, and also fulfils certain requirements of performance. These requirements of performance involve that the yield on the Recipharm share remains positive during the entire Saving Period and that the outcome of the Program is made dependent on the total yield in relation to certain predetermined reference companies. The CEO of the company is entitled to a maximum of six Performance Shares per Saving Share, and certain other senior executives (including affiliates' CEOs) are entitled to a maximum of four Performance Shares respectively. Members of local managerial groups (excluding affiliates' CEOs) and

selected key employees are entitled to one Performance Share per Saving Share. As a board member (who is, moreover, one of the main owners of the company), the current CEO of the company, Thomas Eldered will refrain from participating in the Program.

5. The number of Matching Shares and Performance Shares can be subject of recalculation in the event of an intervening bonus issue, preferential issue, split, and/or other similar measures.
6. The board, or the remuneration committee of the company, shall be responsible for the further construction of the detailed conditions for the Program, within the scope of the conditions and guidelines stated above. The board shall have the right to make necessary adjustments in order to observe legislation, market conditions or restrictions of certain jurisdictions. The board shall also, in the event that participation and/or delivery of shares to participants outside Sweden cannot be fulfilled at reasonable costs and with a reasonable amount of administrative efforts, have the right to make adjustments, encompassing inter alia a right to decide upon a cash deduction-offer to an employee. Furthermore, it is proposed that the board shall have the right to make other amendments, if the board finds it suitable, if changes occur within the Recipharm group or its surroundings, which imply that the Program does no longer fulfils its overarching purpose.
7. The maximum number of shares covered by the Program amounts to 1,119,026 shares of series B, corresponding to approximately 1.62 percent of the number of issued shares after dilution and approximately 0.54 percent of the votes after dilution. Considering the number of shares estimated to be issued under the group's other outstanding share saving programs the expected total dilution effect amounts to approximately 1.80 percent of the issued shares after dilution and approximately 0.60 percent of the number of votes after dilution.

#### Resolution on authorization for the board to decide on a direct issue of shares of series D (item 18(b))

The board proposes that the AGM authorizes the board to resolve upon a directed issue of shares of series D on the following terms and conditions.

1. The number of shares of series D which may be issued may not exceed SEK 559,513, through an issue of new shares of a maximum of 1,119,026 shares of series D, each with a par value of SEK 0.50.
2. The authorization may be used on one or several occasions until the AGM of 2020.
3. The new shares may, with deviation from the shareholders' preferential rights, be subscribed for by a bank or a securities company.
4. The amount to be paid for each new share (the subscription price) shall correspond to the share's quota value at the time of the subscription.
5. The new shares shall be subject to Chapter 4, Section 6, of the Swedish Companies Act (conversion restriction) and Chapter 20, Section 31, of the Swedish Companies Act (redemption restriction).

The purpose of the authorization and the reason for deviation from the shareholders' preferential rights is to assure delivery of shares to the participants in accordance with all Recipharm's share saving programs.

#### Resolution on authorization for the board to decide on a repurchase of shares of series D (item 18(c))

The board proposes that the AGM authorizes the board to resolve upon repurchases of all issued redeemable and convertible shares of series D in Recipharm on the following terms and conditions.

1. Repurchase may only take place by way of an acquisition offer directed to all holders of shares of series D and shall encompass all outstanding shares of series D.
2. The authorization may be used on one or several occasions until the AGM of 2020.
3. The maximum number of series D shares to be repurchased may not exceed 1,119,026 shares of series D.
4. A repurchase of shares shall be made at a price per share corresponding to the quota value per share applicable at the time of subscription.
5. Payment of repurchased shares shall be made in cash.
6. The Board of Directors shall have the right to resolve on other terms and conditions for the repurchase.
7. Repurchase may also be made of a so-called interim share, by Euroclear Sweden AB designated as a Paid Subscribed Share (*Sw. Betald Tecknad Aktie (BTA)*), regarding a series D share.

The purpose of the authorization is to hedge to undertakings of the delivery of Matching Shares and Performance Shares to the participants in accordance with all Recipharm's share saving programs.

The reasoned statement of the Board of Directors pursuant to Chapter 19, Section 22 of the Swedish Companies Act, as regards the proposition on authorization for the board to decide on repurchases of shares of series D, is available at the company's premises and on the company's website as of 12 April 2019 and will be sent, free of charge, to any shareholder who requests it.

### Conditions and specified majority requirements

A resolution adopted under item 18(a) is valid only if it has been supported by shareholders with a majority of at least 9/10 of the votes cast as well as 9/10 of the shares represented at the AGM. Items 18(a), 18(b) and 18(c) are conditioned upon each other. A resolution adopted under item 18(b) or 18(c) is valid only if it has been supported by shareholders with a majority of at least 2/3 of the votes cast as well as 2/3 of the shares represented at the AGM.

The board, the CEO or anyone appointed by either of them shall have the right to make minor amendments to the decision on authorization that may be necessary in connection with a registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

### Compilation of on-going share savings programs

Share savings programs with similar structures as the program that is proposed by the board above was adopted at the AGMs of 28 April 2016, 10 May 2017 and of 14 May 2018.

The share savings program of 2016 encompassed 617,000 shares of series B, corresponding to a dilution effect of approximately 0.90 percent of the capital stock and approximately 0.30 percent of the number of votes based on the current number of shares in the company.

The share savings program of 2017 encompassed 1,059,000 shares of series B, corresponding to a dilution effect of approximately 1.54 percent of the capital stock and approximately 0.51 percent of the number of votes based on the current number of shares in the company. The share savings program of 2018 encompassed 1,508,000 shares of series B, corresponding to a dilution effect of approximately 2.18 percent of the capital stock and approximately 0.73 percent of the number of votes based on the current number of shares in the company.