

**THE BOARD OF DIRECTORS' PROPOSAL
FOR THE ANNUAL GENERAL MEETING IN Q-LINEA AB (PUBL) ON 22 MAY 2019**

Proposal on resolution to adopt a long-term incentive programme

The board proposes that the annual general meeting resolves to adopt a long-term incentive programme in the form of a performance-based share programme for certain employees of Q-linea AB (publ) ("**Company**") in accordance with item 14 a) below. The resolution shall be conditional upon that the annual general meeting resolves to authorize the board to issue and repurchase shares in accordance with item 14 b) and 14 c) below and to transfer shares in accordance with item 14 d) below.

Thus, the board proposes that all resolutions under item 14 are conditional on each other and are therefore proposed to be adopted jointly.

The purpose of the incentive programme is to recruit and retain competent employees, raise motivation to achieve or exceed the Company's strategic and operational goals and to create a close community of interests between the employees and the shareholders.

Item 14 a) – Resolution on adoption of a long-term incentive programme LTIP 2019

The board proposes that the annual general meeting resolves to adopt a long-term incentive programme ("**LTIP 2019**").

LTIP 2019 is proposed to include a maximum of 10 current or future employees who are not participating in any previous incentive programme in the Company. However, the board may allow participants to participate in more than one programme. The participants will be granted the opportunity to receive ordinary shares, free of charge, in accordance with LTIP 2019, so called "**Performance Shares**" in accordance with the terms and conditions set out below.

The Company will under LTIP 2019 grant participants the right to Performance Shares, meaning the right to obtain one Performance Share free of charge ("**Rights**"), provided that certain conditions are fulfilled. A Right may be exercised provided that the participant, with certain exceptions, from the date of the start of LTIP 2019 for each participant, up until and including the date three years thereafter (the "**Vesting Period**"), maintains its employment within the Company. The Rights shall, in addition to what is set out above, be governed by the following terms and conditions:

- Rights are granted free of charge no later than 31 December 2019.
- Rights vest during the Vesting Period.
- Rights may not be transferred or pledged.
- Each Right entitles the participant to receive one Performance Share free of charge after the end of the Vesting Period (with certain exceptions where the Vesting Period may be accelerated), provided that (i) the participant, with certain exceptions, maintains its employment within the Company by the end of the Vesting Period and (ii) the stated strategic and operational goals for the period have been met. The goals will be determined by the board in advance and will be linked to important events in the Company's development, such as progress in product development, product approvals and commercialization.

The participants are divided into different categories and LTIP 2019 will comprise the following Rights to be allocated to participants of the different categories:

- Management (up to 5 individuals): the participants within this category that are not participating in any previous incentive programme in the Company, may in total, be allocated a maximum of 63,100 Rights. However, each participant may, as a maximum, be allocated 12,620 Rights per person, entitling the holder to allotment of not more than one (1) Performance Share for each Right. The board may allow participants to participate in more than one programme.
- Other employees (up to 5 individuals): the participants within this category that are not participating in any previous incentive programme in the Company, may in total, be allocated a maximum of 26,250 Rights. However, each participant may, as a maximum, be allocated 5,250 Rights per person, entitling the holder to allotment of not more than one (1) Performance Share for each Right. The board may allow participants to participate in more than one programme.

The board has considered different methods for transfer of ordinary shares under LTIP 2019, in order to implement the programme in a cost-effective and flexible manner. The board has found the most cost-effective alternative, and thus proposes that the annual general meeting resolves in accordance with the resolution items below to authorise the board to resolve on a directed issue of not more than 117,424 Class C shares to Carnegie Investment Bank, of which not more than 28,074 Class C shares may be issued to secure social charges arising as a result of LTIP 2019, and to authorise the board to resolve on the repurchase of all issued Class C shares. Following conversion from Class C shares to ordinary shares, the shares are intended to be transferred to LTIP 2019 participants, as well as transferred in the market in order to cover the cash flow effects associated with LTIP 2019, primarily social charges. For this purpose, the board proposes that the annual general meeting resolves to transfer not more than 89,350 ordinary shares free of charge to LTIP 2019 participants in accordance with LTIP 2019 and that not more than 28,074 ordinary shares may be transferred to secure social charges arising as a result of LTIP 2019.

The board, or a committee specifically established by the board, shall be responsible for the detailed design and management of the terms of LTIP 2019, within the framework of the said conditions and guidelines including provisions on recalculation in the event of a bonus issue, split, rights issue and/or other similar events during the Vesting Period. In connection therewith, the board shall have the right to make adjustments to meet specific foreign rules or market conditions.

Item 14 b) – Resolution on authorisation for the board to issue shares

The board proposes that the annual general meeting resolves to authorise the board, during the period until the annual general meeting 2020, to increase the Company's share capital by not more than SEK 5,871:20 by the issue of not more than 117,424 Class C shares, each with a quota value of SEK 0,05. Carnegie Investment Bank shall, with deviation from the shareholders' preferential rights, be entitled to subscribe for the new Class C shares at a subscription price corresponding to the quota value of the shares.

The purpose of the authorisation and the reason for the deviation from the shareholders' preferential rights in connection with the issue of shares is to ensure delivery of shares to employees under the long-term incentive programme, as well as to secure potential social charges arising as a result of LTIP 2019.

Item 14 c) – Resolution on authorisation for the board to repurchase own shares

The board proposes that the annual general meeting resolves to authorise the board, during the period until the annual general meeting 2020, to repurchase Class C shares. The repurchase may only be effected through an offer directed to all holders of Class C shares and shall comprise all outstanding Class C shares. Repurchases shall be effected at a purchase price corresponding to the quota value of the share. Payment for the acquired Class C shares shall be made in cash.

The purpose of the proposed repurchase authorisation is to ensure delivery of Performance Shares under the long-term incentive programme, as well as to secure potential social charges arising as a result of LTIP 2019.

Item 14 d) – Resolution on transfer of own ordinary shares

The board proposes that the annual general meeting resolves that Class C shares that the Company acquires based on the authorisation to repurchase Class C shares in accordance with item 14 c) above, may, following the reclassification into ordinary shares, be transferred free of charge to participants of LTIP 2019 in accordance with the adopted terms and conditions and in order to secure possible social charges arising as a result of LTIP 2019.

The board therefore proposes that the annual general meeting resolves that not more than 89,350 ordinary shares may be transferred to participants in accordance with the terms and conditions of LTIP 2019, and that not more than 28,074 ordinary shares shall be transferred on to Nasdaq Stockholm at a price within the registered price range at the relevant time, to cover any social charges in accordance with the terms and conditions of LTIP 2019.

The number of shares to be transferred is subject to recalculation in the event of a bonus issue, split, rights issue and/or other similar events during the Vesting Period.

Dilution

Upon maximum allotment of all 117,424 C shares, the number of shares will increase by 117,424 and the share capital will increase by SEK 5,871.20. Based on the Company's current share capital, this will entail a dilution effect of approximately 0.51 per cent of the shares. The dilution effect has been calculated according to formula 1 - (existing number of shares / new number of shares upon full vesting of shares which may be issued as a result of LTIP 2019). The calculation has not taken already outstanding options and performance share rights LTIP 2018 into account.

Costs for the long-term incentive programme

LTIP 2019 will be accounted for in accordance with IFRS 2 and be borne by the Company for a three-year period. The size of the costs will depend on the assessed value of the Company's share.

Social costs will be accounted for in accordance with UFR 7 and will vary with the development of the value of the Company's share.

In accordance with IFRS 2 and UFR 7, only the shares that are earned and thus allocated will be expensed. If the performance conditions are not met, and performance shares thus not be allocated, no cost arises in accordance with IFRS 2 and neither does social costs according to UFR 7 during the performance period as a whole.

In addition to certain initial advisory costs, it is expected that the incentive programme will cause some minor administrative costs in connection with registration and subscription of shares.

Previous incentive programmes in the Company

Employee share option programme

The 2011 annual general meeting resolved to introduce a performance-based employee share option programme. This programme includes senior executives and other key individuals at the Company. There is also a programme for employees who joined the Company within four years after it was founded (2008–2012). The programme comprises a total of 7,778 employee share options, of which a total of 7,750 employee share options (allotted free of charge to programme participants) were outstanding on 31 December 2018. The Company has issued warrants to ensure the delivery of the shares to the appropriate employees when they exercise the employee share options.

The employee share options could originally be exercised to subscribe for shares up to and including 31 December 2016. However, the conditions of the employee share options were changed in 2016 with the term being extended up to and including 31 December 2019. In connection with this, the term of the underlying warrants was also extended.

The employee share options originally carried entitlement to subscription for one share per employee share option and the exercise price for the employee share options originally amounted to SEK 300 per share. In light of the share split implemented by the Company in connection with the 2018 annual general meeting, the employee share options and the underlying warrants were subject to recalculation in accordance with signed employee share option agreements and the conditions of the underlying warrants. This means that each employee share option carries entitlement to subscription for 20 shares for an exercise price of SEK 15 per share (provided that no further recalculation takes place) and that each registered warrant carries entitlement to subscription for 20 shares.

Performance share-based incentive programme (LTIP 2018)

At the extraordinary general meeting on 12 November 2018, it was resolved to implement a long-term incentive programme in the form of a performance share-based programme (LTIP 2018). In total, up to 16 of the Company's key employees, including the CEO and the management team, will be offered to participate in the incentive programme.

Participation in the performance share-based programme enables employees to receive performance shares, provided that a number of targets set by the board regarding product development, product approval, and commercialisation are achieved. Performance shares will be allotted after the expiry of a performance period that runs for three years from the date of implementation of the incentive programme. The rights to receive performance shares will be distributed free of charge no later than the day before the annual general meeting in 2019. At the time of the notice, 14 persons had been granted rights.

In addition to the requirement that the internal goals are met, the allocation of performance shares requires that the participant has been permanently employed at the Company throughout the performance period. The board, or a special committee established by the board, will be responsible for the further development and management of the terms of the incentive programme. The performance share-based programme is estimated to comprise a total of no more than 211,048 shares. Of the total number of performance shares included in the incentive programme, 160,590 shares may be transferred to participants in the programme while 50,458 shares may be transferred to Nasdaq Stockholm in order to cash-flow secure certain payments related to social security contributions related to the incentive programme.

Preparations of the proposal

The proposal has been prepared within the board's remuneration committee and thereafter within the board in consultation with external advisors.

Majority requirements

Resolution under items 14 a) – 14 d) above requires, for its validity, that a minimum of nine tenths of the votes cast and the shares represented at the meeting support the resolution.

Other

The managing director, or any other person appointed by the board, shall have the right to take those smaller measures that may be required in order to register and execute the resolution.

Uppsala in April 2019

Q-linea AB (publ)

The board of directors