

Hansa Medical

- NOTICE -
20 October 2016

Notice of Extraordinary General Meeting of Hansa Medical AB (publ)

The shareholders of Hansa Medical AB (publ) are summoned to attend the Extraordinary General Meeting on 21 November 2016, at 10:30 am CET at Hansa Medical's offices on Scheelevägen 22, Lund, Sweden.

The shareholders of Hansa Medical AB (publ) are hereby summoned to attend the Extraordinary General Meeting ("EGM") on 21 November 2016, at 10:30 am CET at Hansa Medical's offices on Scheelevägen 22, Lund, Sweden. Registration starts at 10:00 am CET and will be possible until the meeting starts.

Right to participate

Those who have been recorded as shareholders in the share register kept by Euroclear Sweden AB as per 15 November 2016, and who, no later than on 15 November 2016 at 12.00 pm CET, have given notice to the company of their intent to participate at the EGM, shall have the right to participate at the EGM. Notice to participate shall be made in writing to the address Hansa Medical AB (publ), Box 785, SE-220 07 Lund, Sweden or by e-mail to annika.nielsen@hansamedical.com. The notice shall contain the shareholder's name, personal identity number or registration number and daytime telephone number and, where applicable, the number of advisors (maximum two). After giving notice of participation the shareholder will receive a confirmation. If no confirmation is received, notice has not been duly given.

A shareholder whose shares are nominee-registered must temporarily register his/her shares in his/her own name in the share register kept by Euroclear Sweden AB in order to be entitled to participate in the EGM. Such registration must be effected no later than on 15 November 2016 and should be requested with the nominee well in advance.

Proxy

If a shareholder wishes to be represented by proxy, a power of attorney shall be issued to the proxy. The power of attorney shall be made in writing, dated and duly signed by the shareholder. If the shareholder is a legal entity, a copy of the registration certificate or, if no such document exists, equivalent documentation shall be included with the notification. The documentation shall certify the right for the person that has signed the power of attorney to appoint a proxy for the legal entity. To facilitate registration at the EGM, the power of attorney shall be provided in original as well as the registration certificate and other documents of authority shall be provided to the company before 12.00 pm CET on 15 November 2016. If the power of attorney and the other authorization documents have not been submitted in advance, the power of attorney in original form and other authorization documents must be presented at the EGM. Power of attorney forms are available at the company and on the company's website, www.hansamedical.com, and will be sent upon request to any shareholder who states their postal address.

Proposal of agenda

- 0) Opening of the meeting
- 1) Election of chairman of the meeting
- 2) Preparation and approval of the voting register
- 3) Approval of the agenda
- 4) Election of one or two persons to attest the minutes
- 5) Determination as to whether the meeting has been duly convened
- 6) The board of directors' proposal for a resolution on a directed issue of ordinary shares

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- 7) The board of directors' proposal to adopt a long-term incentive programme (performance share programme) for employees of Hansa Medical
- 8) Closing of the meeting

Proposals

The board of directors' proposal for a resolution on a directed issue of ordinary shares (item 6)

The board of directors proposes that the general meeting resolves to carry out a directed issue of not more than 2,642,857 new ordinary shares, entailing an increase in the share capital of not more than SEK 2,642,857. The right to subscribe for the new ordinary shares in the directed issue shall, with deviation from the shareholders' pre-emption rights, be granted certain selected strategic and institutional investors. The reason for the deviation from the shareholders' pre-emption rights is that the company shall, in a timely manner, be able to secure the capital need for the company's operations, as well as to broaden the ownership structure of the company with strategic and institutional investors.

The subscription price per ordinary share shall be SEK 70. The basis for the subscription price has been determined through a so-called private placement procedure. Subscription for the newly issued ordinary shares shall take place no later than on 24 November 2016. Subscription shall be made on a separate subscription list. Payment for the ordinary shares subscribed shall be made no later than on 24 November 2016. The new ordinary shares shall entitle to dividends from and including the first record day for dividends following the registration of the issue. The board shall be entitled to extend the subscription period. The board shall be entitled to delay the date of payment. The board of directors, or any person appointed by the board of directors, shall have the right to make any adjustments or amendments of the above resolutions which may be required in connection with the registration of such resolutions and to take any other measure deemed necessary for the execution of the resolutions.

The board of directors' proposal to adopt a long-term incentive programme (performance share programme) for employees of Hansa Medical (item 7)

The board of directors proposes that the general meeting resolves to adopt a long-term incentive programme in the form of a performance based share programme for employees of the Hansa Medical group in accordance with item 7(i) below. Further, the resolution in accordance with item 7(i) shall be conditional upon that the general meeting resolves to adopt the hedging arrangements in connection with the incentive programme, either in accordance with the board of directors' proposal under item 7(ii) below, or in accordance with the board of directors' proposal under item 7(iii) below.

Adoption of an incentive programme (item 7(i))

Summary of the programme

The board of directors proposes that the general meeting resolves to adopt a long-term incentive programme ("**LTIP 2016**"). LTIP 2016 is proposed to include all employees of the group, whereby not more than 30 individuals within the Hansa Medical group may participate. The participants will be granted the opportunity to receive ordinary shares, free of charge, in accordance with LTIP 2016, so called "**Performance Shares**" in accordance with the terms and conditions set out below.

The company will under LTIP 2016 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.

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Terms and conditions

A Right may be exercised provided that the participant, with certain exceptions, from the date of the start of LTIP 2016 for each participant, up until and including the date three years thereafter (the “**Vesting Period**”), maintains its employment within the Hansa Medical group. The latest possible start date for participation in LTIP 2016 shall be the date before Hansa Medical’s annual general meeting 2017.

In addition to the requirement for the participant’s maintained employment in accordance with the above, a certain shareholder return condition, based on the so-called total shareholder return of the Hansa Medical share is stipulated. A participant’s Rights entitle to Performance Shares if the total shareholder return (the return to shareholders through an increased share price and reinvestments of any dividends during the Vesting Period) on the company’s ordinary shares exceeds the below percentage rates during the Vesting Period.

The performance condition is set at a “minimum level” and “maximum level”, where the number of Rights which may result in the granting of Performance Shares is increased lineally between the minimum level and maximum level. However, in order for the Rights to entitle to the granting of Performance Shares, the minimum level has to be reached or exceeded. If the specified minimum level of the performance condition is achieved, 25 per cent of each participant’s Rights will entitle to Performance Shares. If the maximum level is reached, 100 per cent of each participant’s Rights will entitle to Performance Shares.

During the Vesting Period, the minimum level, for each participant, shall be a 25 per cent shareholder return condition and the maximum level shall be a 100 per cent shareholder return condition.

The Rights

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 the day before the annual general meeting 2017.
- 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) if the participant, with certain exceptions, have maintained its employment within the Hansa Medical group by the end of the Vesting Period.
- In order to align the participants’ and the shareholders’ interests, the company will compensate the participants for any dividends paid by increasing the number of Performance Shares that each Right entitles to at the end of the Vesting Period.

Preparation and administration

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The board of directors, or a committee established by the board of directors for these purposes, shall be responsible for preparing the detailed terms and conditions of LTIP 2016 in accordance with the above terms and conditions, 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 of directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The board of directors may also make other adjustments if significant changes in the Hansa Medical group or its environment would result in a situation where the adopted terms and conditions of LTIP 2016 no longer serve their purpose.

Allocation

The participants are divided into different categories and in accordance with the above, LTIP 2016 will comprise the following Rights to be allocated to participants of the different categories:

- the CEO: may be allocated a maximum of 55,000 Rights, entitling the holder to allotment of not more than one (1) Performance Share for each Right;
- management (up to 7 individuals): the participants within this category may, in total, be allocated a maximum of 160,000 Rights. However, each participant may, as a maximum, be allocated 40,000 Rights per person, entitling the holder to allotment of not more than one (1) Performance Share for each Right; and
- other employees (up to 22 individuals): the participants within this category may, in total, be allocated a maximum of 90,000 Rights. However, each participant may, as a maximum, be allocated 10,000 Rights per person, entitling the holder to allotment of not more than one (1) Performance Share for each Right.

Allotment of Performance Shares under LTIP 2016 and hedging arrangements

The board of directors has considered different methods for transfer of ordinary shares under LTIP 2016, in order to implement the programme in a cost-effective and flexible manner. The board of directors has found the most cost-effective alternative to be, and thus proposes that the general meeting as a main alternative, resolves (a) to authorise the board of directors to resolve on a directed issue of not more than 401,000 Class C shares to the participating bank, of which not more than 96,000 Class C shares may be issued to secure social charges arising as a result of LTIP 2016, and (b) to authorise the board of directors to resolve on the repurchase of all issued Class C shares, in accordance with item 7(ii) below.

Following conversion to ordinary shares, the shares are intended to both be transferred to LTIP 2016 participants, as well as transferred in the market in order to cover the cash flow effects associated with LTIP 2016, primarily social charges. For this purpose the board of directors proposes that the general meeting resolves (c) to transfer not more than 305,000 ordinary shares free of charge to LTIP 2016 participants in accordance with LTIP 2016 and that not more than 96,000 ordinary shares may be transferred to secure social charges arising as a result of LTIP 2016.

Should the majority requirement under item 7(ii) below not be met, the board of directors proposes that Hansa Medical shall be able to enter into an equity swap agreement with a third party in accordance with item 7(iii) below.

Scope and costs of LTIP 2016

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LTIP 2016 will be accounted for in accordance with IFRS 2 which entails that the Rights shall be recorded as personnel expenses during the Vesting Period. The costs for LTIP 2016 are estimated to amount to approximately SEK 7.9 million, excluding social charges, calculated in accordance with IFRS 2 based on the following assumptions: (i) that 305,000 Rights are allotted; (ii) that the share price, at the start of LTIP 2016, is SEK 75 per ordinary share; (iii) that the performance condition is fully met; and (iv) an estimated annual turnover of personnel of 5 per cent. Based on the same assumption as above, and a social security tax rate of 31.42 per cent, the costs for social charges are expected to amount to approximately SEK 12.3 million. Altogether, the IFRS 2 costs and the social security costs are expected to amount to SEK 6.7 million annually.

If the performance condition is partly met based on a total shareholder return of 50 per cent, and the assumptions above in all other aspects are valid, the costs for social charges for LTIP 2016 are expected to amount to approximately SEK 7.9 million in accordance with IFRS 2. Based on the same assumptions as above, and a social security tax rate of 31.42 per cent, the costs for social charges are expected to amount to approximately SEK 4.6 million. Altogether, the IFRS 2 costs and the social security costs are expected to amount to SEK 4.2 million annually.

Effects on key ratios and dilution

Upon maximum allotment of Performance Shares and provided that the hedging arrangements in accordance with item 7(ii) below are adopted by the general meeting, 305,000 ordinary shares will be allotted to participants under LTIP 2016, and 96,000 Class C shares will be used to secure social charges arising as a result of LTIP 2016, which would entail a dilution effect of approximately 1.21 per cent of the total number of ordinary shares and votes in the company. The dilution of shares is calculated as the total number of new shares upon full vesting divided by the total number of shares after full exercise of all previously issued warrants and full vesting of shares which may be issued as a result of this proposal. Since there is only one class of shares in the company, where each share entitles to one vote, the dilution of votes has been calculated in a corresponding manner.

If the performance condition is partly met based on a total shareholder return of 50 per cent, and the assumptions above in all other aspects are valid, the annual costs of LTIP 2016, including social charges, are expected to amount to approximately SEK 4.2 million, which, on an annual basis, corresponds to approximately 16.4 per cent of Hansa Medical's total personnel costs, including social charges, for the financial year 2015.

The costs are expected to have a limited effect on Hansa Medical's key ratios.

Hedging arrangements in respect of the programme

Authorization for the board of directors on a directed issue of Class C shares, authorization to repurchase Class C shares, transfers of own ordinary shares to participants of the programme and in the market, as well as amendment of the articles of association (item 7(ii)(a)-(d))

Each resolution under item 7(ii)(a)-(d) are proposed to be conditioned upon the others and are therefore proposed to be adopted in conjunction.

Authorization for the board of directors to issue Class C shares (item 7(ii)(a))

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The board of directors proposes that the general meeting resolves to authorize the board of directors, during the period until the annual general meeting 2017, on one or more occasions, to increase the company's share capital by not more than SEK 401,000 by the issue of not more than 401,000 Class C shares, each with a quota value of SEK one (1). With deviation from the shareholders' preferential rights, the participating bank shall 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 authorization 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 2016.

Authorization for the board of directors to resolve to repurchase own Class C shares (item 7(ii)(b))

The board of directors proposes that the general meeting resolves to authorize the board of directors, during the period until the annual general meeting 2017, on one or more occasions, 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. No value transfers have occurred since the closing date of the annual report for 2015. Taking into account changes in the restricted equity since the closing date of the annual report for 2015, SEK 179,135,539 remains of the disposable amount pursuant to Chapter 17, Section 3, first paragraph of the Swedish Companies Act. The purpose of the proposed repurchase authorization is to ensure delivery of Performance Shares under LTIP 2016 and to secure possible social charges arising as a result of LTIP 2016.

Resolution to transfer own ordinary shares (item 7(ii)(c))

The board of directors proposes that the general meeting resolves that Class C shares that the company acquires based on the authorization to repurchase Class C shares in accordance with item 7 (ii)(b) above, may, following the reclassification into ordinary shares, be transferred free of charge to participants of LTIP 2016 in accordance with the adopted terms and conditions in order to secure possible social charges arising as a result of LTIP 2016.

The board of directors therefore proposes that the general meeting resolves that not more than 305,000 ordinary shares may be transferred to participants in accordance with the terms and conditions of LTIP 2016, and that not more than 96,000 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 2016. 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.

Amendment of the articles of association (item 7(ii)(d))

To facilitate the issue of Class C shares under LTIP 2016, in accordance with what has been stated above, the board of directors proposes that the general meeting resolves to amend the articles of association. The proposed amendments entail, *inter alia*, that the company introduces a new class of shares, Class C shares, which includes an amendment of § 5 of the articles of association. In short, the board of directors' proposes the following:

- § 5 is proposed to be amended so that two classes of shares may be issued, ordinary shares and Class C shares. The ordinary shares shall carry one vote each and the Class C

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shares shall carry one tenth of a vote each. Shares of either class may be issued up to an amount corresponding to the entire share capital.

- § 5 is proposed to be amended so that Class C shares are not entitled to dividends. Upon the company's liquidation, Class C shares carry equivalent right to the company's assets as other shares, however not with an amount exceeding the quota value of the share.
- § 5 is proposed to be amended whereby certain preferential rights are established.
- § 5 is proposed to be amended so that the company's board of directors shall have the right to resolve on a reduction of the share capital through redemption of all Class C shares, whereby shareholders of Class C shares will be required to redeem their Class C shares for an amount correspond to the quota value.
- § 5 is proposed to be amended so that Class C shares held in treasury shall, upon a decision by the board of directors, be converted into ordinary shares.

The board of directors proposes that the company's existing shares shall be ordinary shares.

Equity swap agreement with a third party (item 7(iii))

Should the majority requirement under item 7(ii) above not be met, the board of directors proposes that the general meeting resolves that the expected financial exposure of LTIP 2016 shall be hedged so that Hansa Medical can enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer ordinary shares of Hansa Medical to the participants.

The rationale for the proposal

The rationale for LTIP 2016 is to create conditions for motivating and retaining competent employees of the Hansa Medical group as well as for the alignment of the targets of the employees with those of the shareholders and the company, as well as to increase the motivation of meeting and exceeding the company's financial targets. LTIP 2016 has been designed to include all employees but also to offer future employees participation in the programme, and the board of directors considers it to be positive that all employees within the Hansa Medical group are shareholders in the company.

By offering Rights which are based on the development of the share value, the participants are rewarded for increased shareholder value. Further, LTIP 2016 rewards employees' loyalty and thereby the long-term value growth of the company. Against this background, the board of directors is of the opinion that the adoption of LTIP 2016 will have a positive effect on the Hansa Medical group's future development and thus be beneficial for both the company and its shareholders.

Preparations of the proposal

The company's board of directors and its remuneration committee have prepared LTIP 2016 in consultation with external advisors. LTIP 2016 has been reviewed by the board of directors at board meetings in October 2016.

Previous incentive programmes in Hansa Medical

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For a description of the company's other long-term incentive programmes, please see the company's annual report for 2015, page 60, and the company's website, www.hansamedical.com. In addition to the programme there being described, no other long-term incentive programmes of Hansa Medical exist.

Conditions

The general meeting's resolution on the implementation of LTIP 2016 according to item 7(i) above is conditional upon that the general meeting either resolves in accordance with the board of directors' proposal under item 7(ii) above or in accordance with the board of directors' proposal under item 7(iii) above.

Majority requirements

The general meeting's resolution under item 6 above requires that shareholders representing not less than two thirds of both the votes cast and of the shares represented at the meeting approve the resolution. The general meeting's resolution under item 7(i) above requires a simple majority among the votes cast. A valid resolution under item 7(ii) above requires that shareholders representing not less than nine tenths of both the votes cast and of the shares represented at the meeting approve the resolution. A valid resolution under item 7(iii) above requires a simple majority among the votes cast.

Other information

When this notice to attend the EGM was issued, the total number of shares and votes in the company was 32,412,003. The company does not own any treasury shares. The board of directors' complete proposal will be available at the company and on the company's website www.hansamedical.com, at least three weeks prior to the EGM. Copies of the documents will be sent upon request to any shareholder stating his/her postal address. The shareholders are reminded of their right to require information in accordance with Chapter 7, Section 32 of the Swedish Companies Act.

This is a non-official translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text shall prevail.

Lund, October 2016
Hansa Medical AB (publ)
The Board of Directors