

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting (“EGM”) in Aerocrine AB is held on Wednesday 16 November 2011 at 5.00 p.m. CET at the offices of Mannheimer Swartling Advokatbyrå, Norrlandsgatan 21 in Stockholm.

Right to attend and notice of attendance

Shareholders who wish to attend the EGM must be recorded in the share register, maintained by Euroclear Sweden AB on Thursday 10 November 2011 and notify the company of their intention to attend by no later than Thursday 10 November 2011, preferably before 3.00 p.m. CET. Notice of attendance is made in writing to Aerocrine AB, Sundbybergsvägen 9, 171 21 Solna, Sweden, or by phone +46 8 629 07 80, or by fax +46 8 629 07 81, or by e-mail info@aerocrine.com. The notice of attendance shall include name, personal or corporate ID number, address and phone number. The same dates, addresses, etc. apply for notifying the company of any accompanying advisors. Powers of attorney, certificates of incorporation and other documents of authorization must be presented at the EGM, but can preferably be sent to the company in connection with the notice of attendance. Powers of attorney must be presented in original and shall not be older than one year, provided that the power of attorney does not state a longer period of validity (maximum 5 years). A proxy form is available on the company’s website, www.aerocrine.com, and may also be ordered from the company at the above address.

Shareholders whose shares are registered in the name of a nominee must, in order to be entitled to attend the EGM, request that the nominee re-register their shares in the name of the shareholder, so that the shareholder is recorded in the share register on Thursday 10 November 2011. Such registration may be temporary.

Proposed agenda

1. Opening of the EGM
2. Election of the Chairman of the EGM
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of one or two persons approving the minutes
6. Determination of whether the EGM has been duly convened
7. Resolution on
 - A. the implementation of a long-term incentive program
 - B. the issuance and approval of transfer of warrants
8. Election of new member of the Board of Directors
9. Closing of the EGM

Proposal on (A.) the implementation of a long-term incentive program, and (B.) the issuance and approval of transfer of warrants (item 7)

Background and reasons

The Board of Directors proposes that the EGM resolves to implement a long-term incentive program (“LIP 2011”) for senior executives as well as other employees and key persons (including scientific and clinical consultants). LIP 2011 includes employee stock options and hedging measures created through the issuance and approval of transfer of warrants. The Board considers the existence of an efficient share-related, time and share price performance-based, incentive program for senior executives, other employees and key persons to be of material importance to the growth of Aerocrine. The proposed program is aimed at creating a common focus for participating employees and partners in various divisions of Aerocrine. Furthermore, the proposed program is part of Aerocrine’s strategy to build and strengthen the company’s U.S. operations and commercial organization, including the recent recruitment of Scott Myers as the new CEO. It is also in light of this strategy the size and terms of the proposed program should be seen. It is deemed necessary to create an incentive program with terms and conditions that are perceived as being competitive with those U.S. employers typically offer so as to enable appropriate recruitment in the United States and thereby continue the development of Aerocrine’s U.S.

operations. The Board is of the opinion that the proposed program is vital to the attraction of Aerocrine as an employer and partner, both in the United States and elsewhere, thereby facilitating the recruitment and retention of key persons who will be important to the continued growth of Aerocrine and to maximize the shareholder value.

It is proposed that LIP 2011 shall comprise employee stock options (“**ESOs**”) of three series (“**ESOs of Series I**”, “**ESOs of Series II**” and “**ESOs of Series III**”). ESOs of Series I, with an exercise price based on the share price at the time of allotment, will be allotted to all participants. In addition, ESOs of Series II, with an exercise price based on the quota value of the share, will be allotted to participants based in Sweden and other countries where such allotment can be made with reasonable tax consequences for the participants. Participants who for this reason cannot be allotted ESOs of Series II, primarily expected to concern employees in the United States, will instead be allotted ESOs of Series III. Compared to ESOs of Series II, ESOs of Series III also have an exercise price based on the quota value of the share, but different terms of exercise. For participants who are U.S. taxpayers, ESOs of Series III allotted to such participants shall be treated as restricted stock for U.S. tax purposes. Of the total allotment, at least 75% shall consist of ESOs of Series I and the remaining part of ESOs of Series II or, alternatively, Series III.

The Board believes that LIP 2011, in view of its terms, the presence of other incentive programs and other circumstances, is reasonable and advantageous for both Aerocrine and its shareholders.

A. Implementation of LIP 2011

The Board of Directors proposes that the EGM resolves on the implementation of LIP 2011 in accordance with the following main terms and guidelines.

Under LIP 2011, a total of not more than 10,000,000 ESOs shall be allotted free of charge to approximately 80 current and, in addition thereto, future senior executives and other employees within the group as well as other key persons, including scientific and clinical consultants. A total of not more than 7,934,200 ESOs of Series I shall be allotted to all participants in LIP 2011. A total of not more than 619,740 ESOs of Series II shall be allotted to participants residing in Sweden and other countries where such allotment can be made with reasonable tax consequences for the participants. A total of not more than 1,446,060 ESOs of Series III shall be allotted to participants who cannot be allotted ESOs of Series II. The CEO shall be allotted not more than 2,850,000 ESOs of Series I and not more than 900,000 ESOs of Series II or III, as the case may be. Other senior executives shall each be allotted not more than 600,000 ESOs of Series I and not more than 200,000 ESOs of Series II or Series III, as the case may be. Other employees and key persons shall each be allotted not more than 150,000 ESOs of Series I and not more than 50,000 ESOs of Series II or Series III, as the case may be. Employees and key persons in either category who have made extraordinary efforts may each be allotted an additional maximum of 50,000 ESOs of Series I. Allotment of the ESOs shall be resolved upon by the Board, or its Compensation Committee, taking into consideration the employee’s performance, position within and contribution to the group. Allotment of the ESOs may be made up until the 2017 Annual General Meeting.

Vesting of ESOs of Series I allotted to a holder will take place over a period of up to five years, with one-fourth vesting on 31 December of the year of allotment and the remaining ESOs vesting with one-forty-eighth at the end of each month during the next following four years (corresponding to 18.75% per year). Vesting of ESOs of Series II and Series III allotted to a holder will take place of a period of up to five years, with one-fifth vesting on 31 December of the year of allotment and the remaining ESOs vesting with one-fifth on 31 December during the next following four years. Each vested ESO of Series I shall entitle to the acquisition of one share in Aerocrine at an exercise price corresponding to 100% of the higher of either (i) the volume-weighted average price paid for the Aerocrine share on NASDAQ OMX Stockholm (the “**VWAP**”) during the ten trading days preceding the day of allotment, or (ii) the VWAP on the day of allotment. The exercise price shall be rounded to the nearest SEK 0.10, with SEK 0.05 being rounded up. Each vested ESO of Series II and Series III, respectively, shall entitle to the acquisition of one share at an exercise price corresponding to the quota value of the share from time to time (currently SEK 0.50). The exercise price and/or the number of shares that each vested ESO entitles the holder to acquire shall be recalculated in the event of a share split, reverse share split, rights issue, etc.

The ESOs shall not be transferable. Exercise of vested ESOs shall, with certain customary exceptions, require that the holder is still an employee within, or still has a consultancy assignment from, the group at the time of exercise. To the extent that ESOs are forfeited due to termination of employment or consultancy assignment, a corresponding number of ESOs may be allotted to future participants in LIP 2011, without it counting towards the maximum number of ESOs set out above. Exercise of ESOs of Series I and Series II shall be allowed in connection with Aerocrine's publication of year-end reports and ordinary interim reports over a period starting when the ESOs are vested and ending on 1 December 2021. ESOs of Series I and Series II that are not exercised within such time will lapse. Exercise of ESOs of Series III shall only be allowed on the day they are vested. ESOs of Series III that are not exercised on such day will lapse. If a shareholder, alone or together with related parties, holds more than 90% of the shares in Aerocrine, all allotted ESOs shall be deemed to have vested and the holder shall be entitled to exercise them within certain time. Upon the occurrence of the termination of the CEO's employment after a change of control in Aerocrine, all ESOs allotted to the CEO shall under certain circumstances be deemed to have vested and the CEO shall then be entitled to exercise them during their term as set out above.

The Board shall resolve on the detailed terms and conditions of LIP 2011. The Board shall be entitled to deviate from, or make adjustments to, the terms and conditions due to local regulations and practice or if there otherwise are exceptional reasons. The issuance of ESOs is subject to such issuance being legally permissible and appropriate in relevant jurisdictions, and that it, in the opinion of the Board, can be made with reasonable (a) administrative costs, (b) tax and accounting consequences for Aerocrine, any other employer company within the group, or those participating in LIP 2011, and (c) financial efforts.

B. Issuance and approval of transfer of warrants

Issuance of warrants of series 2011/2021

In order to enable the delivery of shares and otherwise safeguard the fulfillment of Aerocrine's obligations under LIP 2011, the Board of Directors proposes that the EGM resolves to issue warrants on the following terms and conditions.

Not more than 8,648,461 warrants shall be issued, whereby Aerocrine's share capital may increase by not more than SEK 4,324,230.50. The warrants shall, with deviation from the shareholders' preferential rights, be subscribed for by the wholly-owned subsidiary Aerocrine ESOP AB. Subscription for warrants shall be made not later than 30 November 2011, with a right for the Board to extend the subscription period. The warrants shall be issued free of charge. Each warrant shall entitle the holder to subscribe for one new share in Aerocrine at a subscription price corresponding to the quota value of the share from time to time (currently SEK 0.50). The warrants may be exercised from the time of registration with the Swedish Companies Registration Office until 31 December 2021. Shares issued upon exercise of warrants shall entitle to any dividend the first time on the record date for dividend occurring next after the registration of the shares with the Swedish Companies Registration Office. The warrants shall be subject to customary re-calculation provisions. The reason for the deviation from the shareholders' preferential rights is that the issuance constitutes a part of the implementation of LIP 2011.

Approval of transfer of warrants

The Board of Directors proposes that the EGM resolves to approve that Aerocrine ESOP AB may transfer the warrants of series 2011/2021 to employees within the group under LIP 2011, and otherwise may dispose of the warrants to safeguard the fulfillment of Aerocrine's obligations under LIP 2011 and secure the costs relating thereto.

The Annual General Meetings in 2007 and 2009 resolved on the implementation of long-term employee stock option programs and, to enable the delivery of shares under the programs and secure the costs relating thereto, the issuance of warrants to Aerocrine ESOP AB. Given the number of employee stock option actually granted in said programs, the Board believes that part of these warrants can be used also under LIP 2011. Moreover, the Board proposes that warrants then issued to cover social security costs instead shall be used to enable the delivery of shares under LIP 2011. The Board therefore proposes that the EGM resolves to approve that Aerocrine ESOP AB

may transfer not more than 770,897 warrants (corresponding to 863,559 shares) of series 2007/2016 and 473,767 warrants (corresponding to 487,980 shares) of series 2009/2019 to employees within the group under LIP 2011, and otherwise may dispose of the warrants to safeguard the fulfillment of Aerocrine's obligations under LIP 2011 and secure the costs relating thereto.

Dilution, estimated costs and majority requirements

LIP 2011 includes the issuance of not more than 8,648,461 warrants. If the warrants are exercised in full, the number of shares will increase with 8,648,461, corresponding to a dilution of approximately 7.8% of the number of shares and votes in Aerocrine (7.0% after full conversion of outstanding convertible bonds). LIP 2011, together with previously issued warrants, may result in a dilution of in total not more than approximately 11.0% of the number of shares and votes in Aerocrine (9.9% after full conversion of outstanding convertible bonds).

The Board estimates the current value of each ESO of Series I to SEK 2.50, and each ESO of Series II and Series III to SEK 6.90. The estimation is based upon generally accepted valuation methods, by use of Black-Scholes formula for valuation of options. Under the accounting standard IFRS 2, the costs of the LIP 2011 are accounted for in the income statement and periodized over the vesting period. Based on the estimated values of the ESOs, the maximum cost for the proposed program has been calculated at approximately SEK 34.7 million, excluding social security costs. The expected cost over the income statement for the program, based on historical data for employee turnaround in the group, has been calculated at approximately SEK 30.6 million, excluding social security costs. Based on a theoretical assumption of a share price of SEK 10 upon exercise, the social security costs for the program are estimated at approximately SEK 5.4 million. Based on a theoretical assumption of a share price of SEK 15 upon exercise, the social security costs for the program are estimated at approximately SEK 12.2 million. For each SEK 1 that the share price exceeds SEK 15, the social security costs increase with approximately SEK 1.4 million. The social security costs are not secured through the proposed issuance of warrants. Even if the Board expects that, to a limited extent, it will be possible to dispose of warrants to cover such costs, for example, as a result of forfeiture of ESOs, it is foreseen that most of the costs will burden Aerocrine's working capital.

The proposal under Section B above that warrants of series 2007/2016 and series 2009/2019 issued to cover social security costs under Aerocrine's 2007 and 2009 incentive programs instead shall be used to enable the delivery of shares under LIP 2011 means that such social security costs no longer are hedged and therefore are also expected to burden Aerocrine's working capital. Based on a theoretical assumption of a share price of SEK 10 upon exercise, the social security costs for the 2007 and 2009 programs are estimated at approximately SEK 7.1 million in total. Based on a theoretical assumption of a share price of SEK 15 upon exercise, the social security costs for the programs are estimated at approximately SEK 10.8 million. For each SEK 1 that the share price exceeds SEK 15, the social security costs increase with approximately SEK 0.7 million.

The Board's proposals under Sections A and B above constitute a package since they are interdependent. It is therefore proposed that the EGM resolves on the proposals through one single resolution, subject to majority requirements in Chapter 16, section 8 of the Swedish Companies Act. This means that the resolution must be supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the EGM.

Election of new member of the Board of Directors (item 8)

Karl Swartling will step down from the Board of Directors in conjunction with the EGM. Shareholders together representing 63.7% of the total shares and votes in the company has proposed that Thomas Eklund be elected new member of the Board, replacing Karl Swartling, up until the next Annual General Meeting. [The Nomination Committee has expressed its support of the proposal.] Thomas Eklund (born 1967, MBA from Stockholm School of Economics) works at Investor Growth Capital Europe since 2002 and is currently responsible for the operations in Stockholm. Other assignments include CEO of Investor Growth Capital AB and member of the Boards of Biotage AB, Global Health Partner AB, Memira Holding AB, Neoventa Medical AB and Vårdapoteket Norden AB. Thomas Eklund has previously ten years of experience from Corporate Finance at Handelsbanken, with a focus on Life Science.

Documents, etc.

The Board of Directors' complete proposals under item 7 on the agenda, together with documentation pursuant to Chapter 14, section 8 of the Swedish Companies Act will be available at the company and on the company's website, www.aerocrine.com, by no later than 26 October 2011. The proposal will also be sent to shareholders who give notice of their intention to attend the EGM and upon request to other shareholders who provide their postal address. The documents will also be available at the EGM.

Upon request by a shareholder and where the Board believes that it can be done without significant harm to the company, the Board and the CEO will at the EGM provide information on circumstances which may affect the assessment of a matter on the agenda, circumstances which may affect the assessment of the company's or a subsidiary's financial situation and the company's relation to other group companies.

There are 102,346,369 shares and votes in the company as at the issuance of this notice.

Solna in October 2011

Aerocrine AB (publ)
The Board of Directors

About Aerocrine

Aerocrine AB is a medical technology company focused on the improved management and care of patients with inflammatory airway diseases. As the pioneer and leader in the technology to monitor and manage airway inflammation, Aerocrine markets NIOX MINO® and NIOX® Flex. Both products enable fast and reliable management of airway inflammation and may therefore play a critical role in more effective diagnosis, treatment and follow-up of patients with inflammatory airway diseases such as asthma. Aerocrine is based in Sweden with subsidiaries in the US, Germany and the UK. Aerocrine shares were listed on the Stockholm Stock Exchange on 15 June 2007.

Aerocrine discloses the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 21:01 pm on October the 17 th 2011.
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