

## **The Board's proposal for decision on long-term incentive program 2020/2025 (item 16)**

The Board proposes that the Annual General Meeting resolves upon the implementation of a long-term incentive program 2020/2025 ("LTI2020") for the CEO and other key employees in Ratos in accordance with the below.

### **(a) The Board's proposal for resolution on LTI2020 (the inclusion of the CEO in the LTI2020 is conditional upon the approval of the Annual General Meeting under item (b) below)**

The Board proposes that the Annual General Meeting resolves upon the implementation of LTI2020 consisting of convertible debentures and warrants (below jointly referred to as the "Instruments"). An incentive system for the company's business organization is of great strategic importance for Ratos. Accordingly, the Board considers that the existence of an efficient share-based incentive program for the company's key employees is essential for the company's development and the Board has the ambition to offer all key employees an opportunity to participate in the program every year. The purpose of this proposal is to create opportunities for retaining and recruiting competent employees and increase their motivation. LTI2020 will further increase the interest in the company's business and profitability and will contribute to a common interest of participants and shareholders. Consequently, the Board considers that the introduction of LTI2020 on the terms described below will be to the benefit of the group and the company's shareholders.

### **Issue of convertible debentures and warrants**

The Board proposes that the Annual General Meeting resolves:

- a. that the company shall take up a debenture loan at a nominal amount not exceeding SEK 65,000,000 or such lower amount set forth below, through an issue of convertible debentures without preemptive rights for the shareholders. The loan shall be represented by convertible debentures not exceeding 1,300,000, each at a nominal amount equivalent to the Conversion Price (as defined below). The increase of the company's share capital could not amount to more than SEK 4,095,000 upon full conversion of the convertible debentures (based on the current quotient value and that no recalculation has been made in accordance with [Appendix 2A](#)).
- b. to carry out an issue of not more than 1,300,000 warrants without preemptive rights for the shareholders. The increase of the company's share capital could not amount to more than SEK 4,095,000 upon full exercise of the warrants (based on the current quotient value and that no recalculation has been made in accordance with [Appendix 2B](#)).

Yet, a maximum of 1,300,000 Instruments can be issued. The increase of the company's share capital can accordingly, if all the Instruments are subscribed for and converted/exercised, amount to not more than SEK 4,095,000 (based on the current quotient value and that no recalculation has been made in accordance with [Appendix 2A and 2B](#)).

The right to subscribe for the Instruments, with deviation from the shareholders' preemptive rights, shall belong to the CEO with not more than 200,000 Instruments (excluding the right to additional subscription as stated below), the CFO with not more than 150,000 Instruments (excluding the right to additional subscription as stated below) and other key employees currently active in Ratos or that may be recruited, with a right to subscribe for not more than 100,000 Instruments per person (excluding right to additional subscription as stated below). Members of the Board whom are not employed by Ratos are not included in this offering. In total, a maximum of 20 individuals are included in this offering.

As a requirement for the allotment of warrants, the employee must have signed an agreement with the company regarding repurchase right etc. in which inter alia the company or another buyer appointed by the company has a right to redeem the warrants if the participant's employment is terminated. Furthermore, allotment of the Instruments requires that subscription is legally possible and that it, according to the Board's opinion, can be made with reasonable administrative and financial efforts.

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Participants are free to decide to which extent the offered Instruments shall consist of convertible debentures and/or warrants. Subscription of the convertible debentures and warrants must however be made in even numbers of thousands.

In the event that a participant does not subscribe for the full amount of Instruments offered, other participants have a right to subscribe for such Instruments to an amount corresponding to not more than 50 per cent of their initial allocation. In the event that the issue is oversubscribed, the Instruments will be allotted pro rata in relation to the participant's initial allocation. Oversubscription of the convertible debentures and warrants must however be made in even numbers of hundreds.

The reasons for the deviation from the shareholders' preemptive right are to introduce an incentive program through which the employees are offered to take part of, and contribute to, an increased value of the company's share during the period of the proposed program and to enable the company to retain and recruit competent employees.

Subscription of the Instruments shall be made during the period from and including 12 May 2020 until and including 19 May 2020 on a separate subscription list. The Board has the right to extend the subscription period for the Instruments and the time for payment for the convertible debentures.

The subscription price for each convertible debenture shall correspond to its nominal amount. Subscribed convertible debentures shall be paid in cash no later than on 1 June 2020. The warrants shall be issued at a market price determined as stated below, free of charge, i.e. the employees will receive the warrants free of charge resulting in costs for the company (see below). Subscribed warrants shall be paid in cash no later than on 1 June 2020. As the warrants are offered to the employees free of charge, the employees will thereby receive a benefit corresponding to the market value of the warrants at allocation, calculated in accordance with Black & Scholes.

Each convertible debenture entitles at the time of conversion to one new share of Class B in the company and each warrant entitles to subscription of one new share of Class B in the company. The convertible debentures can be converted into new share of Class B during the period from and including 30 April 2023 until and including 30 April 2024. The warrants may be exercised to subscribe for new shares of Class B during the period from and including 30 October 2023 until and including 30 April 2025. Such right is however limited to a period of 10 Banking Days as from the first Banking Day immediately following the publishing of an interim report/year-end report as well as regarding the convertible debentures during the period from and including 31 March 2024 until and including 30 April 2024 and regarding the warrants during the period from and including 31 March 2025 until and including 30 April 2025.

The Conversion Price per share at the time of conversion of the convertible debenture shall correspond to a certain percentage (the "Percentage") of the volume weighted average share price according to Nasdaq Stockholm's official price list for the shares of Class B during the period from 1 May 2020 until and including 11 May 2020 (the "Conversion Price"), but not lower than the current quotient value of the shares of Class B or higher than SEK 50. The Percentage shall be determined in accordance with the calculation methodology set forth in Appendix I which is available at the company's website. Based on a share price for shares of Class B amounting to SEK 31.55 (the closing price as per 13 January 2020 of SEK 32.20 adjusted for the proposed dividend of SEK 0.65 per share) the Percentage would have been 105.1 per cent and the Conversion Price SEK 33.85. The subscription price per share shall upon exercise of the warrants correspond to 125 per cent of the volume weighted average share price according to Nasdaq Stockholm's official price list for shares of Class B during the period from and including 1 May 2020 until and including 11 May 2020, but not lower than the current quotient value of a share of Class B. The Percentage, Conversion Price and subscription price shall be adopted by the Board immediately after the expiration of the mentioned measurement period.

The convertible debentures are due for payment on 31 May 2024, to the extent that conversion has not taken place by then. The convertible debentures shall carry an annual interest to be determined the first time on 28 May 2020 for the period from 1 June 2020 until and including 30 March 2021. The interest rate is STIBOR (3 or 6 months) plus 1.9 percentage points, where the starting point of STIBOR never can fall below 0 per cent. The interest is due for payment in arrears on 30 March each year, the first time on 30 March 2021, and at the maturity date of the loan.

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The subscription price ~~and the Conversion Price~~ for the warrants and the convertible debentures is a market price determined as stated above. The methodology for the calculation of the subscription price and the Conversion Price for the convertibles is based on a valuation requested by the Board from one of the larger audit firms (“Valuation Firm”). For the valuation, the Valuation Firm shall apply methods considered by market professionals as established for comparable securities. The subscription price and Conversion Price for the convertible debentures is to be determined before the start of the subscription period. The calculation of the value of the warrants at allocation shall be based on a market price based on a valuation requested by the Board from the Valuation Firm. For the valuation, the Valuation Firm shall apply methods considered by market professionals as established for comparable securities. The value of the warrants at allocation is to be determined before the start of the subscription period.

The new shares, which may be issued through conversion or upon subscription for new shares are not subject to any restrictions.

Complete terms and conditions of the Instruments are set forth in Appendix 2A and 2B, which are available at the company’s website. The terms and conditions of the Instruments include customary terms for the recalculation of the subscription price and the Conversion Price in the presence of certain corporate events (such as dividends, bonus issues and preemptive right issues).

Warrants held by the company or a wholly-owned subsidiary due to a repurchase from a participant may be cancelled by the company following a resolution by the Board with consent of the Board of Directors of the subsidiary. Cancellation shall be filed for registration to the Swedish Companies Registration Office.

The Board or a person appointed by the Board is authorized to make such minor adjustments required in connection with the registration of the resolution with the Swedish Companies Registration Office and Euroclear Sweden AB.

## **More information on LTI2020**

### **Dilution**

During LTI2020, not more than 1,300,000 Instruments can be issued and allotted. At full subscription/conversion, not more than 1,300,000 new shares can be issued, which corresponds to a dilution of approximately 0.41 per cent of the number and approximately 0.12 per cent of the votes, calculated based on the number of outstanding shares (i.e., the total amount of issued shares reduced by the numbers of shares held by the company) (notwithstanding a possible recalculation in accordance with Appendix 2A and 2B). At full conversion and exercise of the proposed Instruments, together with already outstanding options and convertible debentures, the amount of shares amounts to 1.53 per cent of the number and 0.45 per cent of the votes, calculated based on the amount of outstanding shares.

### **Preparation of the proposal**

The proposal of LTI2020 has been prepared by the Compensation Committee in consultation with external experts and the Board. The Board has subsequently decided to present this proposal to the annual general meeting. The CEO has not participated in the preparations of the proposal.

### **Other share-based incentive programs**

The ongoing share-based incentive programs of Ratos are described in the company’s annual report 2019, note 7.

### **Effects on key ratio and costs etc.**

LTI2020 will entail certain limited costs consisting of remuneration to external consultants and administration costs regarding the Instruments and the program in general.

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~~Based on a share price of Ratos's share of Class B of SEK 31.55 and other market conditions prevailing on 13 January 2020 and the Board's proposal of a dividend for the financial year 2019, the value per warrant has been estimated to SEK 5.31, which implies a value for all warrants that could be issued of a maximum of approximately SEK 6.9 million.~~

~~LTI2020, calculated on the basis of the above estimated warrant value, entails a cost for the company amounting to a maximum of approximately SEK 9.1 million, of which SEK 6.9 million refers to the benefit value of the warrants at allotment and SEK 2.2 million refers to social security contributions.~~ The proposed warrants and convertible debentures are not expected to result in any social security contributions for the company. The dilution effect of the Instruments may affect the key ratio per share in accordance with the IAS 33 accounting standard, but to a very limited extent.

#### Financing

A Swedish commercial bank will offer financing for the employees who intend to participate in the convertible debenture program. Such financing will be on market terms.

#### Instruction to the Board

The Board proposes the Annual General Meeting to authorize the Board of the company to execute the resolution in accordance with above.

#### Majority requirement

A decision under this item (a) and item (b) below is only valid if it is supported by shareholders holding not less than nine-tenths of both votes cast and shares represented at the Meeting.

#### **(b) Approval of inclusion of the CEO in the LTI2020**

As the CEO of the company, Jonas Wiström, also is a member of the Board of the company, the Board proposes that the Annual General Meeting resolves, as a separate resolution, to approve the inclusion of the CEO of the company in the program.

Stockholm, March 2020

Ratos AB (publ)

*Board of Directors*