

### **The Board's proposal for decision on the issue of synthetic options to company management and other key people at Ratos (item 18)**

The Board of Ratos AB (publ) ("the Company") proposes that the Annual General Meeting resolves to introduce a cash-based option programme related to the Company's investments in portfolio companies. It is proposed that the programme is carried out through the issue of synthetic options ("2011 Option Programme"). The programme is essentially identical to the 2010 Option Programme decided at the 2010 Annual General Meeting.

A programme that in the long term gives key people an opportunity to share in the growth in value of the portfolio companies will maintain confidence in the Company and increase the value of its shares. The 2011 Option Programme is also expected to lead to greater involvement and increased motivation for the participants in the programme and result in those included in the programme having stronger ties to Ratos. The 2011 Option Programme is intended to include approximately 35 existing and future senior executives and other key people at Ratos. The Company's Board is of the opinion that the 2011 Option Programme will benefit the Company's shareholders and that it will contribute to opportunities to recruit and retain competent employees.

In order to be able to carry out the 2011 Option Programme, the Board proposes that the Annual General Meeting decides on the main conditions for the issue to the Company's management and other key people of synthetic options related to the Company's investments in portfolio companies during the period until the next Annual General Meeting. In accordance with what is stated below, it is proposed that participants are invited to acquire such issued options at market price.

The options will be transferred at market price. Initially therefore, Ratos will not incur any cost. The future cost or revenue for Ratos attributable to issued options will depend on the value growth of Ratos's investment in the portfolio company concerned. If the value growth is less than 15 per cent per year, the options will be worthless and the paid-in premium will be revenue for Ratos. If the value growth on Ratos's investment in the portfolio company concerned exceeds 15 per cent per year, the options will have a value. The total value of the issued options at the closing date will be a maximum of 3 per cent of the difference between the actual realised value for Ratos's investment at the closing date and the acquisition value increased by 15 per cent per year. The value of the options on the closing date, minus paid-in premium, will be the cost to Ratos. Any gains for option holders will be paid at Ratos's exit. The proposal has been prepared together with external advisers and has been examined by the Compensation Committee and the Board at three meetings. The proposal was adopted by the Board on 16 February 2011.

Invitation for acquisition of and entering into an agreement regarding options shall be decided by the Board according to the following terms and conditions:

- a) The invitation to acquire options shall include the CEO and additional key people (investment managers and others) working at Ratos, a total of approximately 35 people, with a maximum of between 10 and 120 options per person and investment. The Company's Board members are not included in the invitation.
- b) The invitation to acquire and agreements regarding options shall include all the portfolio companies the Company invests in during the period from the 2011 Annual General Meeting until the next Annual General Meeting. The total number of options attributable to one portfolio company shall amount to 1,000. The total number of options per portfolio company shall relate to three (3) per cent of the Company's total investment in the portfolio company. However, a maximum total of 8,000 synthetic options shall be issued in the 2011 Option Programme.
- c) Participants in the 2011 Option Programme shall no later than 27 April 2011 provide notification of how many options per investment he or she wishes to purchase. Notification and the invitation to acquire shall relate to options in all portfolio companies invested in by the Company

during the period from the 2011 Annual General Meeting until the next Annual General Meeting (subject to the limitation that a maximum total of 8,000 options may be issued in the 2011 Option Programme).

- d) Employees' option acquisitions shall be made at market value. The value will be calculated by an independent valuation institute applying a standard valuation model (Black & Scholes).
- e) Acquisition of options attributable to a specific portfolio company shall take place in conjunction with the Company's investment in the portfolio company.
- f) The issue of synthetic options shall take place by an agreement being concluded between the Company and the employee containing the following main terms and conditions.
  - One option shall give the option holder the right to receive from the Company a sum of money calculated on the basis of the cash flow the Company receives from its investment in the portfolio company, after Ratos has received a return of 15 per cent per year.
  - The term of the option shall correspond to the Company's investment period in the portfolio company, although a maximum of ten years.
  - The option shall be freely transferable, but subject to a pre-emptive right for the Company to acquire the option.
- g) The Board shall be responsible for the detailed design and management of the 2011 Option Programme within the framework of the main terms and guidelines set out above.

The Annual General Meeting's decision according to the above shall be made taking into account the majority rules stipulated in Chap 7, § 40 of the Swedish Companies Act, which means that the decision must be supported by shareholders representing more than half of the number of votes represented at the Meeting.

Stockholm, February 2011

Ratos AB (publ)

*Board of Directors*