

## **The Board's proposal for decision regarding the issue of synthetic options to senior executives and other key people at Ratos (item 19)**

The Board proposes that the Annual General Meeting resolves to introduce a cash-based option programme related to Ratos's investments in the portfolio companies. It is proposed that the programme is carried out through the issue of synthetic options ("2015 Option Programme"). The 2015 Option Programme is 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 2015 Option Programme is intended to include approximately 30 present and future senior executives and key people at Ratos. Ratos's Board is of the opinion that the Programme will benefit Ratos's shareholders and that it will contribute to opportunities to recruit and retain competent employees.

The Board shall be responsible for the detailed design and management of the 2015 Option Programme within the framework of the following terms and conditions:

- The invitation to acquire options shall include the CEO and other key people (investment managers and others) currently working at Ratos or who may be employed during the period until the next Annual General Meeting, a total of approximately 30 people, with a maximum of between 10 and 140 options per person and investment. Members of Ratos's Board are not included in the invitation.
- The invitation to acquire and agreements regarding options shall include all the portfolio companies invested in by Ratos during the period from the 2015 Annual General Meeting (or where applicable, from the date after the 2015 Annual General Meeting when the participant is employed) and until the next Annual General Meeting. The total number of options attributable to a portfolio company shall amount to a maximum of 1,000 and represent three (3) per cent of Ratos's total investment in the portfolio company. However a maximum total of 8,000 synthetic options shall be issued in the 2015 Option Programme.
- Participants in the 2015 Option Programme shall no later than 6 May 2015 provide notification of participations. Participants employed after the 2015 Annual General Meeting shall be entitled to submit notification of participation at a later date. Notification to acquire shall relate to options in all portfolio companies invested in by Ratos during the period from the 2015 Annual General Meeting (or where applicable, from the date after the 2015 Annual General Meeting when the participant is employed) and until the next Annual General Meeting. Acquisition of options attributable to a specific portfolio company shall be made in conjunction with Ratos's investment in the company.
- Employees' option acquisitions shall be made at market value. The value will be calculated by two independent valuation institutes applying a standard valuation model (Black & Scholes).
- The issue of synthetic options shall take place by an agreement being concluded between Ratos and the employee containing principally the following terms and conditions:
  - One option shall give the option holder the right to receive from Ratos a sum of money calculated on the basis of the cash flow Ratos receives from its investment in the portfolio company, after Ratos has received a return of 10 per cent per year.
  - The term of the option shall correspond to Ratos'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 Ratos to acquire the option.
- The purchase of options will be subsidised by the option purchaser receiving an extra cash compensation corresponding to a maximum of 50 per cent of the option premium after deduction for 55 per cent standard tax, whereby the compensation will be divided into equal components over five years and normally provided the person concerned is still working in the Ratos Group and still holds options acquired from Ratos.

The options will be transferred at a market price. Ratos's initial cost for the programme corresponds therefore only to the cost of the subsidy including social security contributions. The future costs 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 10 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 10 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 three per cent of the difference between the actual realised value for Ratos's investment at the closing date and the acquisition value increased by 10 per cent per year. The value of the options on the closing date, with deduction of paid-in premium and addition of costs for the proposed subsidy, will be the total cost to Ratos. Any gains for option holders will be paid at Ratos's exit. Based on the average outcome of previous years' option programmes, the cost for the subsidy is estimated to amount to approximately SEK 4 million.

The proposal has been prepared together with external advisers and has been examined by the Compensation Committee and the Board. The proposal was adopted by the Board on 18 February 2015.

A decision under this item is only valid if it is supported by shareholders representing more than half of votes cast at the Meeting.

Stockholm, February 2015  
Ratos AB (publ)  
*Board of Directors*