

## **The Board's proposal for decision regarding issue of call options and transfer of treasury shares (item 17)**

The Board proposes that the Annual General Meeting decides on the issue of a maximum of 1,150,000 call options on treasury shares in the company and that a transfer of a maximum of 1,150,000 class B shares be made in connection with possible exercise of the call options.

### **Main terms for the options**

1. Exercise period is 1 October 2015-20 March 2017.
2. The price per share (exercise price) shall correspond to 125 per cent of the average of the highest and lowest price paid for Ratos B shares on Nasdaq OMX Stockholm according to its official price list for each trading day during the period 17-21 September 2012, rounded to the nearest full ten öre, whereby five öre are rounded up.
3. A market premium shall be paid for the options based on a market accepted valuation model (Black & Scholes) based on the average listed highest and lowest price paid for Ratos shares listed on Nasdaq OMX Stockholm according to its official price list for each trading day during the period 17-21 September 2012, rounded to the nearest full ten öre (whereby five öre shall be rounded up). The calculation will be performed by Nordea Bank AB (publ) and Deloitte AB whereby the average of the valuations, rounded off to the nearest full ten öre (whereby five öre shall be rounded up), shall be regarded as market premium. The purchase of options will be subsidised by the option purchaser receiving an extra remuneration 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 provided the person concerned is still working in the Ratos Group and still holds options acquired from Ratos or shares acquired through the options. For executives covered by ITP 1 (new ITP) the gross subsidy will be reduced by the ITP premiums paid on the subsidy to the extent the subsidy, together with other salary, exceeds the ITP limit for ITP 2.
4. The right to purchase options shall apply to the CEO and other key people (investment managers and others) with a maximum of between 10,000 and 300,000 options per person. A maximum total of approximately 30 people will be included in this offer. Allocation will be made by the Board in accordance with the principles adopted by the Annual General Meeting and based on position and experience. Notification of purchase of options shall be made in the period 17-24 September 2012.
5. Transfer of shares may only be made to holders of call options who during the period 1 October 2015 until and including 20 March 2017 backed by call options request such a transfer. Payment for shares acquired backed by call options shall be made within ten banking days from the request to purchase.

The number of shares and the selling price for the shares included in the decision for transfer according to this item may be restated on the basis, among other things, of a bonus issue, reversed split or split of shares, new issue or reduction of share capital or

similar measures. The date of transfer of shares may be brought forward as a result of a merger or similar measures.

Complete terms and conditions for the options are provided in [Appendix 1](#).

### **Value of call options**

Based on a price for Ratos shares of SEK 87.25, and on other market circumstances that prevailed on 23 February 2012 and the Board's proposal for a dividend for the 2011 financial year, the value per option has been estimated by the above-named valuation institutes at SEK 5.50, which provides a value for all options of approximately SEK6 million.

### **Existing share-related incentive programmes**

The company has the following existing share-related incentive programmes.

Call options carrying entitlement to purchase B shares from 1 October 2010 until and including 31 March 2012 at an exercise price of SEK 139.00 per share. Each call option carries entitlement to purchase two shares. At 23 February 2012, 518,000 options were outstanding, which combined carry entitlement to purchase of 1,036,000 shares.

Call options carrying entitlement to purchase B shares from 3 October 2011 until and including 20 March 2013 at an exercise price of SEK 127.80 per share. Each call option carries entitlement to purchase 2.04 shares. At 23 February 2012, 552,500 options were outstanding, which combined carry entitlement to purchase of 1,127,100 shares.

Call options carrying entitlement to purchase B shares from 1 October 2012 until and including 20 March 2014 at an exercise price of SEK 94.10 per share. Each call option carries entitlement to purchase two shares. At 23 February 2012, 641,000 options were outstanding, which combined carry entitlement to purchase of 1,282,000 shares.

Call options carrying entitlement to purchase B shares from 1 October 2013 until and including 20 March 2015 at an exercise price of SEK 126.10 per share. Each call option carries entitlement to purchase two shares. At 23 February 2012, 529,500 options were outstanding, which combined carry entitlement to purchase of 1,059,000 shares.

Call options carrying entitlement to purchase B shares from 1 October 2014 until and including 18 March 2016 at an exercise price of SEK 158.90 per share. Each call option carries entitlement to purchase one share. On 23 February 2012, 640,000 options were outstanding, which combined carry entitlement to purchase of 640,000 shares.

The 2007-2011 Annual General Meetings decided on cash-based option programmes related to Ratos's investments in portfolio companies. The Board proposes that a similar option programme be also decided on at the 2012 Annual General Meeting.

### **Costs of the programme and dilution effects**

Subsidy of the option premium, calculated on the basis of the above-mentioned estimated option value, gives rise to a maximum cost of approximately SEK 9 million including social security costs.

In the event of exercise of the proposed options, the number of outstanding shares will increase. These new shares will comprise, in the event of full exercise, 0.4 per cent of the number of shares and 0.1 per cent of voting rights, based on shares outstanding (i.e. total number of issued shares reduced by the company's holding of treasury shares).

A decrease in the number of shares outstanding will be made by the same number through purchase of treasury shares.

In the event of full exercise of the options now proposed together with existing options, the number of shares will comprise 2.0 per cent of shares outstanding and 0.6 per cent of voting rights, based on shares outstanding (i.e. total number of issued shares reduced by the company's holding of treasury shares).

The Board's proposal will result – applying IAS 33 – in a decrease in earnings per share of SEK 0.03 to SEK 1.60 per share and an unchanged equity per share of SEK 43 for 2011 pro forma.

### **Motivation and reason for deviation from preferential rights of shareholders**

The incentive system for the company's business organisation is of major strategic importance for Ratos. Against this background, a remuneration and incentive system has been drawn up designed to offer competitive terms at the same time as the company's employees are motivated to work in the interests of shareholders. The system comprises four components – basic salary, variable salary, call options and synthetic options – and rests on five basic principles.

- Ratos's employees shall be offered competitive fundamental terms of employment in an industry where competition for qualified employees is intense and at the same time be encouraged to remain with Ratos.
- Both individual efforts and group performance must be linked to clear targets set by the Board.
- Variable salary paid shall be linked to the results development that benefits shareholders. Variable salary is not payable until certain conditions have been met regarding return on the company's equity.
- Each year the Board sets a limit for the total variable salary. This means that the variable salary component can only amount at maximum to approximately one per cent of the company's equity at the start of the financial year.
- Key people at Ratos shall be encouraged to have the same perspective as the company's shareholders which will be achieved through a reasonably balanced option programme where employees can share in price rises alternatively realised changes in value, as well as taking a personal risk by paying a market price for the options.

Against the above background, the Board is of the opinion that an effective share-related incentive for the company's key people is highly significant for the company's

development. The Board's aim is that all key people should be given an opportunity to participate in an option programme every year and acquire and hold options of five different series. The programme is judged to be advantageous for the Company and its shareholders.

### **Preparation of the proposal**

The proposal was drafted by the company's Compensation Committee (CC) and adopted by the Board. CC comprises four Board members. Representatives for the company's management assisted CC. The CEO did not participate in the Board's decision.

### **Majority requirement**

The Annual General Meeting's decision according to the Board's above proposal will only be valid if it is supported by shareholders with at least nine-tenths of both votes cast and the shares represented at the Meeting.

Stockholm, February 2012  
Ratos AB (publ)  
*Board of Directors*