

## **PROPOSAL BY THE BOARD OF DIRECTORS OF NOBIA AB (PUBL), REG NO 556528-2752, REGARDING PERFORMANCE SHARE PLAN AND TRANSFER OF BOUGHT-BACK SHARES**

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The Board of Directors proposes that the Annual General Meeting resolves on a performance share plan ("**Performance Share Plan 2019**") for Nobia AB (publ) ("**Nobia**") and on transfer of bought-back shares according to items (A), (B) and (C) below.

### **(A) PERFORMANCE SHARE PLAN 2019**

#### **1.1 Performance Share Plan 2019 in brief**

- Performance Share Plan 2019 is designed to drive a long-term value growth for the shareholders.
- If the maximum level for both performance targets is achieved, the estimated value increase over three years is approximately SEK 4 billion whereof approximately SEK 71 million, or 2 per cent, is expected to go to the participants of the plan.
- The performance targets entail that no allocation of shares will be made if the total shareholder return (TSR) for the Nobia share is negative during the period.

Performance Share Plan 2019 essentially follows the same structure as the performance share plan adopted at the Annual General Meeting 2018, however with the differences that a personal investment in shares is required for participation and that changed performance targets shall apply compared to the previous year. The purpose of Performance Share Plan 2019 is to link the employees' rewards to the company's future earnings and value growth and thereby reward both shareholders and the employees concerned. Furthermore, a long-term incentive plan is also considered to facilitate the company's recruitment and retention of senior managers, particularly outside of Sweden, where approximately 70 per cent of the Nobia Group's staff are employed.

Performance Share Plan 2019 comprises approximately 100 employees consisting of senior managers and employees with senior positions within the Nobia Group. To participate in the plan a personal investment in shares in Nobia is required. After the vesting period, the participants will be allocated shares in Nobia free of charge, provided that certain conditions are fulfilled. In order to be entitled to allotment of shares, the participant must have had continued employment in the Nobia Group during the vesting period and none of the invested shares shall have been transferred during the same period. In addition, allocation of shares requires that performance targets related to average operating profit (EBIT) and total shareholder return (TSR) for the Nobia share have been achieved. Should the performance target related to EBIT be achieved but the total shareholder return (TSR) of the Nobia share be negative, no allocation shall be made.

#### **1.2 Participants in Performance Share Plan 2019**

Performance Share Plan 2019 comprises approximately 100 employees consisting of senior managers and employees with senior positions within the Nobia Group, divided into three categories. The first category includes the President, the second category comprises approximately 11 members of the group management and the third category comprises approximately 88 other employees with senior positions within the Nobia Group.

### 1.3 The personal investment and allocation of share rights

To participate in the plan the participant is required to acquire shares in Nobia ("**Saving Shares**") to a value corresponding to either 25, 50, 75 or 100 per cent of the participant's monthly salary in March 2019 before tax. For category 1, i.e. the President of the company, each Saving Share entitles to seven (7) share rights. For category 2, i.e. the other 11 members of the Group management, each Saving Share entitles to six (6) share rights. For category 3, i.e. the other 88 employees with senior positions, each Saving Share entitles to four (4) share rights. Allocation of shares in Nobia shall normally occur within two weeks after announcement of Nobia's interim report for the first quarter of 2022.

### 1.4 Terms for share rights

The following conditions apply to share rights:

- Share rights are allocated free of charge.
- The participants are not entitled to transfer, pledge or divest the share rights or exercise any shareholders' rights regarding the share rights during the vesting period.
- Allocation of Nobia shares under the share rights shall normally take place within two weeks after announcement of Nobia's interim report for the first quarter of 2022. To be entitled to receive shares, it is required, with certain exemptions, that the participant remains employed within the Nobia Group and that none of the Saving Shares acquired initially have been disposed of during the vesting period. In addition, allocation of shares requires that Nobia has fulfilled performance targets according to item 1.5 below.
- If Nobia pays dividends to the shareholders, the participants in the plan will be compensated by an increase in the number of shares that each share right qualifies for.

### 1.5 Performance targets

The share rights are divided into Series A and Series B according to the different performance targets included in Performance Share Plan 2019. Out of the allocation of share rights to each participant, half of the rights shall be of Series A and half of the rights shall be of Series B. The number of Nobia shares that will be awarded on the basis of the share rights depends on fulfilment of the performance targets for each series. The Board of Directors shall establish a minimum level and a maximum level for each performance target.

Series A Allocation requires that target levels established by the Board of Directors are achieved related to average operating profit during the financial years 2019-2021. The Board of Directors will adjust the outcome for items affecting comparability and for effects of any bought-back shares in Nobia. Furthermore, allocation requires that the total shareholder return<sup>1</sup> (TSR) of the Nobia share during a measure period (see below) is not negative.

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<sup>1</sup> Including reinvested dividends.

Series B Allocation requires that targets levels are achieved related to the average total shareholder return<sup>2</sup> (TSR) for the Nobia share during a measure period (see below). The maximum level, which entitles to full allocation, requires that the average total shareholder return (TSR) for the Nobia share per year amounts to 12.5 per cent during the measure period. The minimum level for allocation requires that the average total shareholder return (TSR) for the Nobia share per year amounts to 5 per cent during the measure period.

The total shareholder return (TSR) of the Nobia share is measured as follows. The start value is the average volume weighted price paid (index value) for the Nobia share on Nasdaq Stockholm during the five working days preceding the day of transfer of shares to the participant according to item B) below and the end value is the average volume weighted price paid for the Nobia share on Nasdaq Stockholm during the five working days after the announcement of Nobia's year-end report 2022. When calculating the total shareholder return, any dividends to the shareholders during the measure period shall also be considered.

If the established minimum levels for the performance targets are achieved, the share rights will entitle to 25 per cent allocation. If the minimum level in the range is not achieved, the share rights will not give entitlement to any allocation while each share right gives entitlement to one Nobia share if the maximum level in the range is achieved. Between the minimum level and the maximum level, allocation will be linear, based on the values in between.

The Board of Directors intends to present the fulfilment of the performance targets in the annual report for 2021.

#### **1.6 Formulation and administration**

The Board of Directors, or a specific committee appointed by the Board of Directors, shall be responsible for the formulation and administration of Performance Share Plan 2019 within the scope of the terms and directions set out herein. The Board of Directors shall be entitled to adjust the measure period for the end value of the total shareholder return (TSR), according to the performance target for Series B above, if the Board of Directors assesses it particularly reasonable and compatible with the purposes of the Performance Share Plan 2019. If the delivery of shares to persons outside of Sweden cannot be achieved at reasonable costs and with reasonable administrative efforts, the Board of Directors may decide that participants outside of Sweden may instead be offered cash based settlement. The Board of Directors shall also be entitled to divest shares on behalf of participants in connection with allocation, to cover the employee's tax duty. If significant changes occur in Nobia or in the conditions in which it operates, which would have the effect that the resolved terms and conditions for allocation and the possibility to use the share rights no longer are appropriate, the Board of Directors shall be entitled to make other adjustments. Before the number of shares that are to be allocated based on the share rights is finally determined, the Board of Directors shall assess if the outcome of Performance Share Plan 2019 is reasonable. This assessment is made in relation to Nobia's financial result and position, the stock market and other conditions in general. If the Board of Directors

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<sup>2</sup> Including reinvested dividends.

in its assessment considers that the outcome is not reasonable, the Board of Directors may reduce the number of shares to be allocated.

### **1.7 Scope**

The maximum number of shares in Nobia that can be allocated under Performance Share Plan 2019, including the shares that may be divested on Nasdaq Stockholm to cover costs related to Performance Share Plan 2019, shall be limited to 1,500,000, which represents approximately 1 per cent of the outstanding shares and votes. The number of shares included in Performance Share Plan 2019 shall, under conditions that the Board of Directors stipulates, be subject to recalculation where Nobia implements a bonus issue, a share split or a reverse share split, a rights issue or similar corporate actions, with regard to customary practice for similar incentive plans.

### **1.8 Hedging**

In order to secure the delivery of Nobia shares under Performance Share Plan 2019, the Board of Directors proposes that the Board of Directors be entitled to decide on alternative methods for transfer of Nobia shares under the plan. The Board of Directors therefore proposes that it be entitled to transfer bought-back Nobia shares to the participants or to enter into so-called equity swap agreements with third parties in order to fulfil its obligations under the plan (pursuant to item C) below). The Board of Directors regards the first alternative, i.e. the transfer of bought-back shares to the participants, to be the most cost efficient and flexible arrangement for the delivery of Nobia shares.

### **1.9 Estimated costs, the value and key ratios**

If the maximum level for both performance targets is achieved the estimated value increase over three years is approximately SEK 4 billion whereof approximately SEK 71 million, or 2 per cent, is expected to go to the participants of the plan. This estimate is based on generally accepted valuation models using the closing price for the Nobia share on 21 March 2019.

The share rights cannot be pledged or transferred to others, but an estimated value for each share right can be calculated. The Board of Directors has estimated that the average value of each share right is SEK 27.1. Based on the assumptions *inter alia* that all persons who have been offered participation in the plan participate, that the participants make maximum investments, a full achievement of the maximum levels of both performance targets, that approximately 80 per cent of the participants stay in the plan and with certain estimated social security costs, the aggregate estimated costs are approximately SEK 36 million.

The costs would be equivalent to approximately 0.3 per cent of the market capitalisation for Nobia in consideration of the estimated value increase over three years and full achievement of both performance targets, based on the closing price for the Nobia share on 21 March 2019. The plan has no limitation on maximum profits per share right for the participants and therefore no maximum social security costs can be calculated.

The costs are treated as staff costs in the profit and loss accounts during the vesting period, in accordance with IFRS 2 on share-based payments. In the profit and loss accounts, social security costs

will accrue in accordance with UFR 7 over the vesting period. The size of these costs will be calculated on the Nobia share price development during the vesting period and allocation of the share rights.

#### **1.10 The preparation of the proposal**

Performance Share Plan 2019 has been initiated by the Board of Directors and prepared together with external advisors based on an evaluation of previous incentive plans. The plan has been prepared by the Remuneration Committee and processed at Board meetings during the first months of 2019.

#### **1.11 Other incentive plans in Nobia**

Please refer to Nobia's website and annual report for 2018 for a description of all Nobia's other share based incentive plans. Nobia has no share based incentive plans other than those described therein.

#### **1.12 The proposal by the Board of Directors**

Referring to the description above, the Board of Directors proposes that the Annual General Meeting resolves to introduce Performance Share Plan 2019.

#### **1.13 Majority requirement**

A resolution to introduce Performance Share Plan 2019, in accordance with the Board of Directors' proposal, is valid where supported by shareholders holding more than half of the votes cast at the Annual General Meeting.

### **(B) TRANSFER OF SAVING SHARES TO PARTICIPANTS UNDER PERFORMANCE SHARE PLAN 2019**

#### **2.1 Background**

Nobia has 1,606,568 bought-back shares from before. Nobia assesses it appropriate and effective, both for Nobia and for participants, to give the participants the possibility to acquire Saving Shares directly from Nobia for Performance Share Plan 2019 as opposed to acquiring shares on the stock market.

#### **2.2 The Board of Directors' proposal on resolution of transfer of bought-back shares to the participants**

The Board of Directors therefore proposes that the Annual General Meeting resolves on the transfer of bought-back shares in accordance with the terms set out below:

- (i) Transfer can be made of a maximum of 300,000 Nobia shares to participants in Performance Share Plan 2019 to be used as Saving Shares in Performance Share Plan 2019.
- (ii) The transfer of shares shall be made at market value which shall be an amount equivalent to the average volume weighted price paid for the Nobia share on Nasdaq Stockholm during a period of five working days preceding the day transfer is made to the participant in question under Performance Share Plan 2019. Transfer of shares shall take place at a time during the period 15 May-31 October 2019.

The reason for the deviation from shareholders' preferential rights is that the transfer of the shares is part of executing Performance Share Plan 2019. Therefore, and in light of the above, the Board of Directors considers it to be to the benefit of Nobia to transfer shares in accordance with the proposal.

### **2.3 Majority requirement**

The Board of Directors' proposal under item 2.2 above is valid if supported by shareholders holding no less than nine-tenths of both the votes cast and the shares represented at the Annual General Meeting. The Board of Directors' proposal pursuant to this item B is conditional upon that the Board of Directors' proposal on Performance Share Plan 2019 is approved by the Annual General Meeting (item A) above). To the extent that the Board of Directors' proposal on transfer of bought-back shares to the participants according to item 2.2 above does not hold the required majority, the Board of Directors intends to let the participants acquire Saving Shares on the stock market.

## **(C) TRANSFER OF SHARES UPON ALLOCATION UNDER PERFORMANCE SHARE PLAN 2019**

### **3.1 Background**

In order to implement Performance Share Plan 2019 in a cost-efficient and flexible manner, the Board of Directors has considered different methods for ensuring the delivery of Nobia shares to participants upon allocation under Performance Share Plan 2019.

Based on these considerations, the Board of Directors intends to ensure delivery by transferring shares held by Nobia to the participants. A transfer of Nobia's bought-back shares in this way requires a particularly high majority to be met at the Annual General Meeting. In the event that the Board of Directors' proposal regarding the transfer of bought-back shares to the participants does not receive the required majority, the Board of Directors intends to enter into an equity swap agreement with a third party to secure that delivery of Nobia shares can be made to the participants.

### **3.2 The Board of Directors' proposal on resolution of transfer of bought-back shares to the participants**

The Board of Directors therefore proposes that the Annual General Meeting resolves on the transfer of bought-back shares in accordance with the terms set out below:

- (i) Transfer can be made of a maximum of 1,500,000 Nobia shares to participants in Performance Share Plan 2019 (or a higher number that may result from a recalculation due to Nobia implementing a bonus issue, a share split or a reverse share split, a new share issue or similar measures, in accordance with what is customary practice for corresponding incentive plans).
- (ii) The transfer of shares shall be made without payment and at the time according to the terms and conditions when the participants in Performance Share Plan 2019 are entitled to receiving allocation of shares.

The reason for the deviation from shareholders' preferential rights is that the transfer of the shares is part of executing Performance Share Plan 2019. Therefore, and in light of the above, the Board of Directors considers it to be to the benefit of Nobia to transfer shares in accordance with the proposal.

### **3.3 Majority requirement**

The Board of Directors' proposal under item 3.2 above is valid if supported by shareholders holding no less than nine-tenths of both the votes cast and the shares represented at the Annual General Meeting. The Board of Directors' proposal pursuant to this item C is conditional upon that the Board of Directors' proposal on Performance Share Plan 2019 is approved by the Annual General Meeting (item A) above).

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*Board of Directors in April 2019*