

Item 13 – Proposal for resolution to implement a warrant based incentive program for all employees

The board of directors of Ovzon AB (publ), reg. no. 559079-2650, (the “Company”), proposes that the annual general meeting in the Company on 1 April 2020, resolves to implement a warrant based incentive program for all employees in the companies within the group in which the Company is the parent company (the “Group” and “Warrant Program 2020/2023” respectively) through (A) a resolution on a directed issue of warrants of series 2020/2023 to the Company’s wholly owned subsidiary OverHorizon AB, reg. no. 556679-1181, (the “Subsidiary”), and (B) a resolution approving the transfer of warrants of series 2020/2023 from the Subsidiary to employees, as below. The Group has employees in Sweden and USA.

A. Proposal for resolution to issue warrants of series 2020/2023

The board of directors proposes that the general meeting resolves to issue a maximum of 700,000 warrants of series 2020/2023 on the following terms and conditions:

1. With deviation from the shareholders’ preferential rights, the warrants may only be subscribed for by the Subsidiary, with right and obligation for the Subsidiary to transfer the warrants to employees in accordance with what is stated under section B below. The Subsidiary shall not have the right to dispose of the warrants in any other way than as stated under section B below.
2. The reason for the deviation from the shareholders’ preferential rights is to that the warrants should be used within the framework of the Warrant Program 2020/2023.
3. The warrants shall be issued to the Subsidiary without consideration.
4. Subscription of warrants shall be made on a separate subscription list on 29 April 2020 at the latest. The board of directors shall have the right to prolong the subscription period.
5. Each warrant entitles the holder to subscribe for one new share in the Company against cash payment at a subscription price corresponding to 200 percent of the volume weighted average price for the Company’s share on Nasdaq First North Premier Growth Market during the period from 14 April 2020 up to and including 27 April 2020. The subscription price shall be rounded to the nearest entire öre, whereas 0.5 öre shall being rounded upwards.
6. The warrants may be exercised for subscription of shares during the period from 1 May 2023 up to and including 31 May 2023.
7. Shares issued upon exercise of the warrants confers right to dividends for the first time on the next record date for dividends which occurs after subscription is effected.
8. The full terms and conditions for the warrants of series 2020/2023 are set forth in Appendix A (the “Warrant Terms”). According to the Warrant Terms the subscription price and the number of shares which each warrant confers right to subscribe for may be recalculated in the event of a bonus issue, reverse share split or share split, new issue, issue of warrants or convertibles and under some other circumstances. Further, the period for exercising the warrants may changed to an earlier or later period/date under some circumstances.

9. If all warrants are subscribed for, all warrants are transferred to employees in accordance with the proposal under section B below and all warrants are exercised for subscription of shares, the Company's share capital will increase by SEK 82,000 (with reservation for eventual recalculations according to the Warrant Terms).
10. The board of directors, or anyone appointed by the board of directors, shall be authorized to make such minor formal adjustments in the issue resolution that may be necessary in connection with the registration of the resolution at the Swedish Companies Registration Office (*Sw. Bolagsverket*) or, as applicable, Euroclear Sweden AB.

B. Proposal for resolution on approval of transfer of warrants of series 2020/2023 to employees

The board of directors proposes that the general meeting resolves to approve that the Subsidiary, within the framework of the Warrant Program 2020/2023, transfers a maximum of 820,000 warrants of series 2020/2023 to employees in the Group on the following terms and conditions:

1. The right to acquire warrants from the Subsidiary shall be granted to all persons that on 1 April 2020 are employed in the Group as follows:
 - (a) The CEO of the Company (1 person) ("Category 1") shall be entitled to acquire 80,000 warrants.
 - (b) Other persons who are members of the Group management (maximum 6 persons) ("Category 2") shall be entitled to acquire 40,000 warrants each.
 - (c) Other employees (approximately 25 persons) ("Category 3") shall be entitled to acquire a maximum of 20 000 warrants each.

A person who has entered into an employment agreement with a company within the Group but has not yet taken up his/her employment as of the mentioned date, shall be regarded as employee.

An employee can give notice of acquisition of a lower, but not a higher, number of warrants than he/she is entitled to acquire.

Employees within Category 1 and Category 2 who gives notice of acquisition of warrants within the maximum limits set out in (a) and (b) above are guaranteed to acquire the number of warrants set out in the notice.

If the total number of warrants that employees within Category 3 want to acquire exceeds the number of warrants remaining after distribution to Category 1 and Category 2 as above, the remaining warrants shall in the first place be distributed equally among the employees in Category 3 who have given notice to acquire warrants (per person and not pro rata in relation to the number of warrants set out in their respective notice). However, no one shall be allotted more warrants than the number set out in his/her notice.

2. Transfer of warrants shall take place at market value at the time of the transfer. Calculation of the warrants market value shall be performed by an independent valuation institution, applying the Black & Scholes valuation model.

3. Notice of acquisition of warrants according to 1 above shall be received by the Company on 30 April 2020 at the latest. The board of directors shall have the right to prolong the notification period.
4. Payment for warrants to be acquired shall be made no later than 5 May 2020. The board of directors has the right to prolong the payment period.
5. A prerequisite for being entitled to acquire warrants from the Subsidiary is that the person is employed by a company within the Group at the time of the acquisition and that he/she at that time has neither given nor received any notice of termination of his/her employment. An additional prerequisite is that the acquisition of warrants can take place legally. A person who has entered into an employment agreement with a company within the Group but has not yet taken up his/her employment, shall be regarded as employee in this context.
6. Any warrants that are not acquired by/transferred to employees as above may be reserved in the Subsidiary for future recruitment and may, on instructions from the board of directors, on one or more occasions, but no later than 30 September 2020, be transferred to persons newly hired by companies within the Group, whereby the corresponding principles for allotment (number of warrants that may be acquired), prerequisites for the right to acquire warrants etc., as stated above, shall be applied. If such an offer is made, a new calculation of the market value of the warrants shall be made in order to determine at what value the transfer shall take place.
7. General meeting in the Subsidiary shall also approve subsequent transfers of warrants in accordance with the above.

Additional information

The motive for the proposal and the reason for the deviation from the shareholders' preferential rights

The motive for the proposal to implement Warrant Program 2020/2023 and the reason for the deviation from the shareholders' preferential rights, is to be able to offer employees in the companies within the Group an opportunity to take part in a growth in value in the Company's share, which can be expected to lead to increased commitment for the Company's operations and earnings, as well as increased motivation and sense of belonging with the Company. The board of directors considers that this may have a positive impact on the Company's continued development to the benefit of the Company and its shareholders.

Dilution and information regarding previous share related incentive programs

Per the day of this proposal there are 34,944,155 shares in the Company.

In case all warrants that can be issued and transferred within the framework of Warrant Program 2020/2023 are transferred to employees and all warrants are utilized for subscription of shares, the number of shares and votes in the Company will increase by

700,000 (with reservation for eventual recalculations according to the Warrant Terms), which corresponds to a dilution of approximately 1.96 percent.

There are two outstanding share related incentive programs in the Company – one warrant program for employees in Sweden (“Warrant Program 2018/2021”) and one employee stock option program for employees in USA (“Employee Stock Option Program 2018/2021”).

There are 145,000 outstanding warrants under the Warrants Program 2018/2021. After recalculations due to the new issue in January 2019, each such warrant entitles the holder to subscribe for 2.02 new shares in the Company at a subscription price of SEK 59.41 during the period from 15 May 2021 up to and including 15 June 2021.

There are 143,000 outstanding employee stock options under Employee Stock Option Program 2018/2021. After recalculations due to the new issue in January 2019, each such employee stock option entitles to acquisition of 2.02 shares in the Company at a price of SEK 59.41 per share. The employee stock options will be vested over a three-year period and they can be exercised no later than on 15 June 2021. Delivery of shares under the program has been hedged through warrants held by the Subsidiary.

If (i) all warrants that can be issued and transferred under the Warrants Program 2020/2023 are transferred to employees and all warrants are exercised for subscription of shares, (ii) all outstanding warrants under Warrants Program 2018/2021 are exercised for subscription of shares and (iii) all outstanding employee stock options under Employee Stock Option Program 2018/2021 are vested and exercised for acquisition of shares (new shares via the hedging solution), the number of shares and votes in the Company will increase by 1,281,760 in total (with reservation for eventual recalculations according to the warrant terms for each program), which corresponds to a dilution of approximately 3.54 percent in total.

The dilution effects have been calculated as the number of additional shares and votes in relation to the number of existing shares and votes plus the number of additional shares and votes.

Costs and effects on key figures

The market value of a warrants of series 2020/2023 is, according to a preliminary valuation based on a market value of the underlying share of SEK 65, SEK 3.47 per warrant, assuming a subscription price of SEK 130 per share, a volatility of 35 percent and a risk-free interest rate of -0.3 percent. The preliminary valuation is based on assumptions. When transferring warrants to employees, the market value will be determined based on updated assumptions and then known parameters.

Since the warrants in the Warrants Program 2020/2023 shall be transferred at market value at the time of the transfer, the Warrants Program 2020/2023 is not expected to incur any costs for the Company when it comes to employees residing in Sweden.

When it comes to employees residing in USA, the Warrants Program 2020/2023 will incur costs for the Company in the form of social security contributions and accounting costs, since they according to US law are equated with employee stock options. The total costs for social security contributions will depend partly on the number of warrants that employees residing in USA acquire and exercise for subscription of shares, and partly on the market

value of the Company's share at the time of exercise of the warrants in 2023. In case all employees residing in USA acquires all warrants that they will be offered to acquire and exercises all warrants for subscription of shares, the costs incurred by the Company are, at an assumed market value of SEK 200 on the Company's share at the time of exercise, estimated to amount to a maximum of SEK 2,400,000. Accounting costs in accordance with IFRS 2 are estimated to amount to approximately SEK 1,400,000, distributed over the term of the warrants.

Costs in the form of fees to external advisers and costs for administering the program are estimated to amount to approximately SEK 150,000.

The warrants are expected to have a marginal effect on the Company's key figures.

Preparation of the proposal

The proposal for a resolution to implement Warrant Program 2020/2023 and the proposals under sections A and B above have been prepared by the board of directors together with external advisers. It is noted that the CEO of the Company, who is also a member of the board of directors, has not participated in the board of directors' preparation of the proposal, as he, as an employee, is comprised by the proposal.

Majority requirements

The proposal for a resolution to implement Warrant Program 2020/2023 and the proposals under sections A and B above, constitutes one overall proposal, which shall be resolved upon as one resolution. For a valid resolution in accordance with the proposal, the resolution must be supported by shareholders with at least nine tenths of both the votes cast and the shares represented at the meeting.

Solna in March 2020

The board of directors of Ovzon AB (publ)