

## **The Board of Directors proposal regarding Long Term Incentive Program 2021 (LTIP 2021)**

The Board of Directors proposes that the General Meeting pass a resolution on the implementation of a long-term incentive program 2021 (LTIP 2021). This proposal is divided into four items:

- A. Terms of the LTIP 2021.
- B. Hedge for LTIP 2021 in the form of new class C shares.
- C. Hedging of LTIP 2021 via an equity swap agreement with a third party.
- D. Other matters related to LTIP 2021.

### **A. LTIP 2021**

#### **A.1 Introduction**

The Board of Directors want to implement a long-term incentive program for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. Therefore, the Board of Directors proposes that the General Meeting approves the implementation of LTIP 2021 for senior executives and key individuals within the company.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and call options issued by the company. The number of allotted Eltel Shares and call options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2021 is more than three years.

#### **A.2 Basic features of LTIP 2021**

The LTIP 2021 will be directed towards senior executives and other key individuals in the company. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2021 assumes that the participant acquires and locks Eltel Shares into LTIP 2021 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

For each acquired Savings Share, the participant shall be entitled to, after a certain qualification period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements for the financial years 2021-2023, receive allotment of Eltel Shares ("Performance Shares") and call options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortization ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The participant shall have the right to exercise the Performance Options commencing on the day of allotment and during two weeks thereafter ("Exercise Period"). If the participant and/or the company is prevented from exercising the Performance Options due to, for example, insider information, the participant and/or the company has the right to extend the Exercise Period so that it runs until a date that falls after the last day of the original Exercise Period. The exercise price when the participant exercises the Performance Option shall correspond to 120 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading

days that directly follows the Annual General Meeting 2021 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken.

### A.3 Participation in LTIP 2021

LTIP 2021 is directed towards not more than twelve senior executives and other key individuals, divided into three categories of participants:

Category	Maximum number of Savings Shares per person	Maximum number of Performance Shares per Savings share	Maximum number of Performance Options per Savings share
A) CEO, maximum 1 person	11 500	8.0x	8.0x
B) Group Management Team, maximum 7 persons	3 700	8.0x	8.0x
C) Other key individuals, maximum 4 persons	2 800	8.0x	8.0x

Any resolution on participation or implementation of LTIP 2021 shall be conditional on that it, in the Board of Directors' judgement, can be offered with reasonable administrative costs and financial effects.

To be eligible to participate in LTIP 2021, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary for the current year, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2021 according to the above.

### A.4 Allotment of Performance Shares and Performance Options

Allotment of Performance Shares and Performance Options within LTIP 2021 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2024, and (ii) the first record date for dividends decided by the Annual General Meeting 2024. The period up to this date is referred to as the qualification period (vesting period).

If the participant and/or the company is prevented from carrying out the allotment of Performance Shares and Performance Options due to, for example, insider information, the participant and/or the company has the right to extend the period for allotment so that it runs until a date when such obstacle has ceased and allotment can take place.

In order for the participant to be entitled to receive allotment of Performance Shares and Performance Options, it is assumed that the participant remains an employee of the Eltel Group during the full qualification period up until allotment, that the participant, during this period, has kept all Savings Shares, and that the CAGR of Revenue, Average EBITA Margin and TSR performance requirements are fulfilled.

The participant can receive allotment of a maximum of eight (8) Performance Shares and eight (8) Performance Options per Savings Share. Regarding the maximum number of Performance Shares and Performance Options that can be allotted per Savings Share, the following shall apply. Twenty (20) percent of the Performance Shares and twenty (20) percent of the Performance Options shall be linked

to the fulfilment of the performance requirement regarding CAGR of Revenue, thirty (30) percent of the Performance Shares and thirty (30) percent of the Performance Options shall be linked to the fulfilment of the performance requirement regarding Average EBITA Margin, and fifty (50) percent of the Performance Shares and fifty (50) percent of the Performance Options shall be linked to the fulfilment of the performance requirement regarding TSR. No allotment of Performance Shares or Performance Options linked to a certain performance requirement will take place below the minimum level for such performance requirement. Full allotment of Performance Shares and Performance Options linked to a certain performance requirement will take place at or above the maximum level of such a performance requirement. The number of Performance Shares and Performance Options that can be allotted increases linearly between the minimum and maximum level for each performance requirement.

No allotment of Performance Shares or Performance Options shall take place unless the outcome of the performance requirement regarding TSR exceeds zero (0) percent, calculated during the term of the program in accordance with section A.4.3 below.

#### **A.4.1 Compound Annual Growth Rate of Revenue (CAGR of Revenue) (weighting 20 percent)**

The performance requirement is based on the Eltel Group's (excluding the German and Polish businesses, PTI and Rail) Compound Annual Growth Rate of Revenue (CAGR of Revenue), calculated pro forma taking into account acquired and divested operations, from the financial year 2022 until the financial year 2023 (with the financial year 2021 as base).

#### **A.4.2 Average Earnings Margin Before Interest, Taxes and Amortization (Average EBITA Margin) (weighting 30 percent)**

The performance requirement is based on the Eltel Group's (excluding the German and Polish businesses, PTI and Rail) Compound average EBITA-margin from the financial year 2021 until the financial year 2023.

#### **A.4.3 Total Shareholder Return (TSR) (weighting 50 percent)**

The performance requirement is the average annual total shareholder return per Eltel Share based on the first ten trading days that directly follows the Annual General Meeting 2021 compared with the last ten trading days in March 2024, i.e. a calculation of the increase in percentages in the share price for the Eltel Share, whereby the closing price has been calculated to take into account any dividends paid during the above-mentioned time period according to the current methodology used when calculating total shareholder return.

#### **A.4.4 Limitation of allotment etc.**

The participant's maximum gross profit per Performance Share and Performance Option shall in this regard be limited to three times the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows after the Annual General Meeting 2021, whereby (i) the number of Performance Shares allotted to the participant may be reduced proportionally in order to achieve such limitation, and (ii) the Purchase Price per Eltel Share subscribed for based on the Performance Options may be increased öre by öre in order to achieve such limitation. The gross profit of the Performance Shares and the Performance Options, respectively, shall be based on the last ten trading days in March 2024 according to Nasdaq Stockholm's official price list for the Eltel Share.

Before allotment of Performance Shares and Performance Options, the Board of Directors shall assess whether the allotment is reasonable in relation to the company's financial results, position and development, as well as other factors. If significant changes take place within the company, or on the

market, which, by the assessment of the Board of Directors, would mean that the terms for allotment/transfer of Performance Shares and Performance Options according to LTIP 2021 is no longer reasonable, the Board of Directors shall have the right to amend LTIP 2021, including, among others, the right to reduce the number of allotted/transferred Performance Shares and Performance Options, or not to allot/transfer any Performance Shares or Performance Options at all.

#### **A.5 Implementation and administration etc.**

The Board of Directors shall, in accordance with the resolutions by the General Meeting set forth herein, be responsible for the detailed design and implementation of LTIP 2021. The Board of Directors may also decide on the implementation of an alternative cash based incentive for participants in countries where the acquisition of Savings Shares or allotment of Performance Shares and/or Performance Options is not possible, as well as if otherwise considered appropriate. Such alternative incentive shall to the extent practically possible be designed to correspond to the terms of LTIP 2021. The intention is that the Board of Directors shall launch LTIP in May 2021.

In the event that the general meeting does not resolve in accordance with item B with the required majority, the Company shall hedge itself against the financial exposure that LTIP 2021 is expected to entail, by the company entering into a share swap agreement with a third party in accordance with what is stated in item C below.

#### **B. Hedge for LTIP 2021 in the form of newly issued class C shares**

##### **B.1 Introduction**

The Board of Directors proposes that the implementation of LTIP 2021 shall be made in a cost-effective and flexible manner, and that the undertakings of the company for delivery of Performance Shares as well as Eltel Shares at exercise of the Performance Options and the company's cash-flow for the payment of social fees primarily shall be hedged by a directed issue of convertible and redeemable class C shares. These shares can be repurchased and converted into Eltel Shares and transferred in accordance with the following.

##### **B.2 Authorization for the Board of Directors to resolve on a directed issue of class C shares**

The Board of Directors shall be authorized to resolve on a directed issue of Class C Shares on the following terms and conditions:

- a) The maximum number of class C shares to be issued is 972 000.
- b) With derogation from the shareholders' preferential rights, the new class C Shares may only be subscribed for by one external party after arrangement in advance with the Board of Directors.
- c) The amount to be paid for each new class C share (the subscription price) shall correspond to the share's quota value at the time of subscription.
- d) The authorization may be exercised on one or several occasions until the Annual General Meeting 2022.
- e) The new class C shares shall be subject to Chapter 4, Section 6 of the Swedish Companies Act (conversion clause) and Chapter 20, Section 31 of the Swedish Companies Act (redemption clause).
- f) The purpose of the authorization is to hedge the undertakings of the company according to LTIP 2021 and, in terms of liquidity, to hedge payments of social security contributions related to Performance Shares and Performance Options.

### **B.3 Authorization for the Board of Directors to repurchase issued class C shares**

The Board of Directors shall be authorized to repurchase class C shares on the following terms and conditions:

- a) Repurchase can only take place by way of an acquisition offer directed to all holders of class C shares in the company.
- b) The maximum number of class C shares to be repurchased shall amount to 972,000.
- c) Repurchase shall be made at a cash price per share of minimum 100 and maximum 110 per cent of the quota value applicable to the repurchased class C shares at the time of repurchase.
- d) The Board of Directors shall have the right to resolve on other terms and conditions for the repurchase.
- e) Repurchase may also be made of a so-called interim shares regarding such class C shares, by Euroclear Sweden AB designated as a Paid Subscribed Share (Sw. Betald Tecknad Aktie, BTA).
- f) The authorization may be exercised on one or several occasions until the Annual General Meeting 2022.
- g) The purpose of the authorization is to hedge the undertakings of the Company according to LTIP 2021 and, in terms of liquidity, to hedge payments of social security contributions related to the Performance Shares and the Performance Call Options.

### **B.4 Authorization for the Board of Directors to transfer Eltel Shares**

The Board of Directors shall be authorized to decide on the transfer of Eltel Shares owned by the company on the following terms and conditions:

- a) A maximum number of 777,600 Eltel Shares may – with derogation from the shareholders' preferential rights - be transferred to participants in LTIP 2021, of which a maximum of 388,800 Eltel Shares may be transferred free of charge and a maximum of 388,800 Eltel Shares may be transferred to participants at exercise of the Performance Options at the pre-determined Purchase Price.
- b) A maximum number of 194 400 Eltel Shares may – with derogation from the shareholders' preferential rights – be disposed on the Nasdaq Stockholm (the exchange) at a price per Eltel Share that is within the price range registered at any given time in order to hedge the cash-flow related to the company's payments of social security contributions in relation to LTIP 2021.
- c) The terms for these transfers, the number of shares in each transaction and the timing for the transactions shall be as stipulated in the terms and conditions of LTIP 2021.
- d) The authorization may be exercised on one or more occasions until the Annual General Meeting 2022.
- e) Customary recalculation of the Purchase Price as well as of the numbers of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes through e.g. a bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken.
- f) The above resolution under item b) regarding disposal of Eltel Shares on the exchange will be proposed to be repeated as a new annual decision by each Annual General Meeting during the term of LTIP 2021.

### **B.5 Reasons for the deviation from the shareholders' preferential rights etc.**

The reason for deviation from the shareholders' preferential rights is to implement the proposed LTIP 2021 as set out herein. In order to minimize costs for LTIP 2021, the subscription price shall equal the class C share's quota value.

Since the Board of Directors considers that the most cost-effective method of transferring Eltel Shares under LTIP 2021 is to transfer Eltel Shares owned by the company, the Board of Directors proposes that the transfer is hedged in this way in accordance with this item B. Should the necessary majority not be obtained for the proposal in item B, the Board of Directors will enter into a share swap agreement, in accordance with item C below.

### **C. Equity swap agreement with a third party**

In the event that the necessary majority is not obtained for item B above, the company will hedge itself against the financial exposure that LTIP 2021 is expected to entail, by the company entering into a share swap agreement with a third party, whereby the third party in its own name shall acquire and transfer Eltel Shares in the company regarding LTIP 2021. The relevant number of Eltel Shares shall correspond to the number of shares proposed under item B above.

### **D. Other matters in relation to LTIP 2021**

#### **D.1 Majority requirements etc.**

A valid resolution under item A above requires a majority of more than half of the votes cast at the general meeting.

A valid resolution under item B above requires that shareholders representing not less than nine-tenths (90%) of the votes cast as well as the shares represented at the general meeting approve the resolution.

#### **D.2 Estimated costs, expenses and financial effects of LTIP 2021**

The costs for the LTIP 2021 which are charged in the profit and loss account, are calculated according to the accounting standard IFRS 2 and distributed over the Vesting Period. The calculation has been made based on the quoted closing price of shares in the Eltel share as of 25 March 2021, i.e. SEK 27.00 per share, and the following assumptions: (i) an annual dividend yield of approximately 6 percent, (ii) an estimated annual turnover of personnel of 10 percent, (iii) an average fulfilment of the performance conditions of approximately 50 percent, and (iv) a total maximum of 388,800 Performance Shares and 388,800 Performance Options eligible for allotment. In addition to what is set forth above, the costs for the LTIP 2021 have been based on that the program comprises a maximum of 12 Participants and that each Participant makes a maximum investment.

In total, the costs for the LTIP 2021 according to IFRS 2 are estimated to approximately SEK 3.0 million excluding social security costs (SEK 4.0 million if the average fulfilment of the performance condition is 100 per cent). The costs for social security charges are calculated to approximately SEK 1.2 million, based on the above assumptions, and also assuming an annual share price increase of 10 percent during the LTIP 2021 and a social security tax rate of 25 percent (SEK 2.8 million if the average fulfilment of the performance condition is 100 percent).

The expected annual costs of SEK 1.5 million, including social security charges, correspond to approximately 1.5 percent of the Eltel's total employee costs for the financial year 2020 (2.4 per cent if the average fulfilment of the performance condition is 100 per cent per cent if the average fulfilment of the performance condition is 100 per cent).

As proposed, the LTIP 2021 may comprise a maximum of 972,000 shares in Eltel, representing a dilution of approximately 0.62 percent percent of all shares and votes in Eltel, including 194,400 shares that may be transferred on Nasdaq Stockholm to cover certain costs associated with the LTIP 2021.

The expected cost for the hedging arrangement a directed issue of convertible and redeemable class C shares. And a repurchase and conversion of these shares to ordinary Eltel-aktier is approximately SEK 200,000 including registrations etc. The cost for a share swap arrangement with a third party is estimated to approximately 0.75% - 2.75% of the underlying share value per year depending upon the financing arrangement embedded in the share swap arrangement.

The effect on key ratios is only marginal.

### **D.3 The Board of Directors' explanatory statement**

The Board of Directors wishes to increase the ability of the company to retain senior executives and key individuals. Moreover, an individual long-term ownership commitment among the participants in LTIP 2021 is expected to stimulate greater interest and motivation in the company's business operations, results and strategy. The Board of Directors believes that the implementation of LTIP 2021 will benefit the company and its shareholders. LTIP 2021 will provide a competitive and motivation-improving incentive for senior executives and other key individuals within the company.

LTIP 2021 has been designed to reward the participants for increased shareholder value by allotting Eltel Shares and call options, based on the fulfilment of result based conditions. Allotments shall also require a private investment by each respective participant through the acquisition of Savings Shares at market price. When exercising the call options, the participant shall pay a Purchase Price per Eltel Share which is acquired through the exercise of the call options. By linking the employees' remuneration to an improvement in Eltel's results and value, the long-term value growth of Eltel is rewarded. Based on these circumstances, the Board of Directors considers that the implementation of LTIP 2021 will have a positive effect on the company's continued development, and will thus be beneficial to the shareholders and the company.

### **D.4 Preparation of the item**

The basis for LTIP 2020 has been prepared by the Board of Directors of the company. The work has been supported by external advisors and has been made in consultation with shareholders. The Board of Directors has thereafter decided to present this proposal for the general meeting. Except for the staff that have prepared the matter upon instruction from the Board of Directors, no employee that may be a participant of LTIP 2020 has participated in the preparations of the program's terms.

### **D.5 Other share-related incentive programs**

The company's other share-related incentive programs are described on page 78-80 in the company's annual report.

### **D.6 Adjustment Authorisation**

The Board of Directors, or a person appointed by the Board of Directors, shall be authorized to make minor adjustments to the above resolutions that may be necessary in connection with the registration with the Swedish Companies Registration Office and Euroclear Sweden AB, respectively.

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