

## Ependion AB

### Proposal of the Board of Directors for implementation of a long-term incentive program (LTI 2024/2027) and hedging activities in respect thereof

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The Board of Directors of Ependion AB ("**Ependion**") proposes that the Annual General Meeting resolves on implementation of a long-term share based incentive program ("**LTI 2024/2027**") comprising the executive management and a number of key employees within the Ependion Group (the "**Group**").

In order to hedge the undertakings and costs of Ependion related to LTI 2024/2027, the Board of Directors further proposes that the Board of Directors be authorised to resolve on issue and repurchase of series C shares and that the Annual General Meeting resolves on transfer of ordinary shares in Ependion to the participants in LTI 2024/2027.

#### **A Proposal for implementation of LTI 2024/2027**

##### **1. Background and reason**

LTI 2024/2027 is a long-term performance based incentive program with some element of personal financial investment.

The overall purpose of LTI 2024/2027 is to encourage increase in value while attracting and retaining executive managers and senior managers considered crucial to the long-term success of Ependion. The program aims to facilitate own shareholding in the company to achieve aligned interests between the participants of the program and the company's shareholders. The performance conditions used to assess the outcome of the program have also a clear connection to Ependion's business strategy and to the Group's long-term interest, including its sustainability.

LTI 2024/2027 measures the performance in 2024, but has a three year duration. It is the Board of Directors' intention that the structure of LTI 2024/2027 should be long-term, thus the Board intends, after evaluation of the program, to propose that the general meetings in the next years will resolve upon similar incentive programs.

The now proposed program, in all material respects corresponds to the incentive program from the previous years, except that a sustainability-related condition regarding the introduction of a so-called ICP (*internal carbon pricing*), a tool that is deemed to contribute to streamline the company's efforts to reduce carbon dioxide emissions, has been included as an additional performance condition.

##### **2. Terms and conditions for LTI 2024/2027**

It is proposed that LTI 2024/2027 shall comprise not more than 25 employees within the Ependion Group, including the CEO, the Group management (at present four persons excluding the CEO), business managements and other key employees.

The program shall comprise a maximum of 130,000 ordinary shares in Ependion ("**Performance Shares**").

In order to receive Performance Shares it is required that the performance conditions established by the Board of Directors regarding the financial year 2024 are achieved or exceeded. Performance Shares will be received free of charge, whereby the CEO may receive a maximum of 15,000 Performance Shares and another member of the Group management and other participants may receive up to a maximum of 7,500 Performance Shares, whereby the Board of Directors resolves on the individual allocation within this framework. In order to participate in the program, the participant must undertake to own shares in Ependion by 1 September 2024 at the latest ("**Investment shares**").

The participant must either hold shares in the company corresponding to the maximum number of Performance Shares that the participant is entitled to receive, or hold shares in the company corresponding to half of the maximum number of Performance Shares that the participant is entitled to receive, whereby the participant will receive half of the vested number of Performance Shares. The participant must retain the Investment shares at least until 1 May 2027. If the participant does not retain the shares during the specified period, the participant will not receive any Performance Shares.

If participants have inside information and are therefore prevented from acquiring Investment Shares by 1 September 2024, the Board of Directors shall be entitled to extend or postpone the period for the acquisition of Investment Shares in individual cases, however not later than 31 December 2024.

The performance conditions that have to be achieved or exceeded relate to the following (the "**Performance Conditions**"):

<b>Performance Conditions</b>	<b>Relative weighting, %</b>
Operating profit (EBIT)	30
Free cash flow <sup>1</sup>	30
New orders	30
Introduction of the ICP	10

The Performance Conditions are measured based on the outcome during the period 1 January 2024 - 31 December 2024 (the "**Performance Period**"). The Board of Directors resolves on the Performance Conditions before LTI 2024/2027 is offered to the participants. The Board of Directors intends to inform about the achievement of them in connection with the publication of the year-end report for 2024.

The vesting of Performance Shares is to be based on the minimum level and the maximum level for each Performance Conditions, respectively, during the Performance Period, as resolved by the Board. If the minimum level is not achieved, no Performance Shares are vested. If the maximum level is achieved or exceeded, full vesting shall take place. If the minimum level is achieved but the maximum level is not achieved, a linear allotment of Performance Shares shall take place. The final number of Performance Shares vested by each participant shall be rounded to the nearest whole number.

The participants receive vested Performance Shares after the Annual General Meeting 2027, before 1 July 2027 (the "**Allotment Day**"). Receiving of vested Performance Shares is conditional upon the participant, with certain specific exceptions, being employed within the Group until the expiration of the Performance Period and that the employment has not been terminated at the Allotment Day.

The number of Performance Shares shall be subject to recalculation due to any intervening bonus issue, split, rights issue, extraordinary dividend and/or other similar company actions.

Further, the Board of Directors shall be entitled to resolve on the detailed terms and conditions for LTI 2024/2027, as well as such reasonable adjustments of the program which are deemed appropriate or efficient due to legal or administrative conditions, local adoptions or due to significant changes on the market or the Group, comprising anyone, alone or together with related persons, acquires such large number of shares in the company, which, pursuant to applicable regulations, would result in an obligation to make a public offer to acquire the remaining shares in the company, or of the outcome otherwise is considered unreasonable. The Board of Directors may delegate the further administration of LTI 2024/2027 to its Remuneration Committee.

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<sup>1</sup> Free cash flow refers to cash flow from operating activities, cash flow from investing activities excluding acquisitions of subsidiaries, and amortization of lease liability.

### **3. Hedging**

In order to secure delivery of Performance Shares and to cover administrative costs, mainly costs for social security contributions, the Board of Directors proposes to resolve on a directed issue of convertible and redeemable C shares, followed by a repurchase and conversion into ordinary shares, and to resolve on transfer of own ordinary shares to senior executives in LTI 2024/2027 in accordance with section B below.

### **4. Scope and dilution**

The maximum number of Performance Shares that may be allotted to the participants under LTI 2024/2027 amounts to 130,000, which corresponds to approximately 0.4 per cent of the shares in the company after dilution.<sup>2</sup> Aggregated with the maximum number of additional shares that may be transferred, which mainly consists of cash flow related hedging of costs for social security contributions, LTI 2024/2027 will comprise not more than 171,000 shares and the maximum dilution of the program will amount to approximately 0.6 per cent of the shares of Ependion.

### **5. Estimated costs and effects on key ratios**

Based on the assumption of a stock market price of SEK 100, the total costs for LTI 2024/2027 are estimated to approximately MSEK 17.1 provided that the Performance Conditions are fully met. Of these costs, approximately MSEK 13 relates to accounting (not affecting cash) costs calculated in accordance with IFRS 2. Other costs mainly relates to calculated social security contributions, which are hedged in terms of cash flow through the issue of series C shares.

Given the full-year result of 2023, the costs for LTI 2024/2027 would have a negative effect of approximately 0.2 percentage units on Ependion's operating margin and a reduction of profit per share of approximately SEK 0.23, provided that the Performance Conditions in the cost estimate above are fully achieved. However, the Board of Directors believes that the expected positive effects of LTI 2024/2027 on Ependion's financial result will outweigh the costs for the program.

### **6. Preparation of the proposal**

LTI 2024/2027 has been initiated by the Board of Ependion and prepared in consultation with the major shareholders and external advisors.

### **7. Other incentive programs in Ependion**

At present, Ependion has three existing share based incentive program which were implemented by a resolution by the Annual General Meeting 2021 (LTI 2021/2024), the Annual General Meeting 2022 (LTI 2022/2025) and the Annual General Meeting 2023 (LTI 2023/2026). All previous incentive programs include so-called performance shares to the executive management and a number of key employees within the Group. Based on the achievement of the resolved performance conditions for LTI 2021/2024, the program comprises, including hedging activities for social contributions, approximately 110,500 shares in Ependion. Vested performance shares under LTI 2021/2024 shall be allocated to the participants after the upcoming Annual General Meeting, before 1 July 2024. Based on the achievement of the resolved performance conditions for LTI 2022/2025, the program comprise, including hedging activities for social contributions, approximately 189,600 shares in Ependion. Based on the achievement of the resolved performance conditions for LTI 2023/2026, the program comprise, including hedging activities for social contributions, approximately 103,000 shares in Ependion. The maximum dilution of all programs amounts to approximately 1.4 per cent of the shares in Ependion. The majority of the employees who are proposed to be comprised by LTI 2024/2027 participate in the previous incentive program.

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<sup>2</sup> The number of Performance Shares under LTI 2024/2027 shall, however, according to further conditions resolved by the Board of Directors, be subject to recalculation if Ependion makes a bonus issue, a consolidation or a split of shares, a new issue or similar actions, taking into account general practice for an equivalent incentive program.

## **B Proposal for hedging activities**

In order to implement LTI 2024/2027 in a cost-effective and flexible manner, the Board of Directors proposes that the undertakings of the company for delivery and costs referable to Performance Shares shall be hedged by a directed issue of convertible and redeemable C shares followed by repurchase and conversion to ordinary shares and a resolution on transfer of own ordinary shares to senior executives in accordance with the following.

### **1. Authorisation for the Board of Directors to resolve on a directed issue of series C shares**

Authorisation for the Board of Directors to resolve on a directed issue of redeemable and convertible series C shares in Ependion on the following terms and conditions.

1. The maximum number of series C shares to be issued shall amount to 171,000.
2. The authorisation may be exercised on one or several occasions until the Annual General Meeting 2025.
3. With deviation from the shareholders' preferential rights, the new shares may be subscribed for only by one external party after arrangement in advance.
4. The amount to be paid for each new share (the subscription price) shall equal the share's quota value at the time of subscription.
5. The new series C shares shall be subject to Chapter 4, Section 6 of the Swedish Companies Act (conversion restriction) and Chapter 20, Section 31 of the Swedish Companies Act (redemption restriction).

The purpose of the authorisation is to secure the undertakings of Ependion according to LTI 2024/2027 and, in terms of liquidity, to hedge payments of future social security contributions related to Performance Shares.

## **2. Authorisation for the Board of Directors to repurchase issued series C shares**

Authorisation for the Board of Directors to resolve on repurchase of all issued redeemable and convertible series C shares in Ependion on the following terms and conditions.

1. Repurchase may take place by way of an acquisition offer directed to all holders of series C shares in Ependion.
2. The authorisation may be exercised on one or several occasions until the Annual General Meeting 2025.
3. The maximum number of series C shares to be repurchased shall amount to 171,000.
4. Repurchase shall be made at a price per share of minimum 100% and maximum 115% of the quota value applicable at the time of subscription.
5. Payment of repurchased shares shall be made in cash.
6. The Board of Directors shall have the right to resolve on other terms and conditions for the repurchase.
7. Repurchase may also be made of a so-called interim share, by Euroclear Sweden AB designated as a Paid Subscribed Share (*Sw. Betald Tecknad Aktie (BTA)*), regarding a series C share.

The purpose of the authorisation is to secure the undertakings of Ependion according to LTI 2024/2027 and, in terms of liquidity, to hedge payments of future social security contributions related to Performance Shares.

## **3. Proposal for resolution on transfer of the company's own ordinary shares to participants in LTI 2024/2027**

Resolution on transfer of the company's own ordinary shares to participants in LTI 2024/2027 on the following terms and conditions.

1. A maximum number of 130,000 Ependion shares may be transferred free of charge to participants in LTI 2024/2027.
2. With deviation from the shareholders' preferential rights, the right to acquire Ependion shares free of charge shall comprise employees in the Group participating in LTI 2024/2027, with a right for each of the participants to acquire the maximum number of shares stipulated in the terms and conditions of LTI 2024/2027.
3. Transfer of Ependion shares shall be made free of charge at the time for, and according to the terms for, the allotment of Ependion shares to participants in LTI 2024/2027.
4. The number of Ependion shares that may be transferred under LTI 2024/2027 shall be recalculated due to any intervening bonus issue, split, preferential issue and/or similar corporate actions.

Since upon initiation LTI 2024/2027 is not expected to give rise to any costs for social security contributions of Ependion (and since a resolution on transfer is valid only until the next Annual General Meeting), the Board of Directors has decided not to propose that the Annual General Meeting 2024 resolves on transfer of the company's own ordinary shares on a regulated market for hedging of cash flow for social security payments. However, before any transfers of Ependion shares to participants in LTI 2024/2027 can be made, the Board of Directors intends to propose to a later General Meeting to resolve on transfers of the company's own ordinary shares on a regulated market in order to hedge such payments.

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

The reason for deviation from the shareholders' preferential rights is Ependion's wish to implement the proposed incentive program LTI 2024/2027. Therefore, and in light of the above stated, the Board of Directors considers it to be advantageous to Ependion and the shareholders that the participants in LTI 2024/2027 are invited to become shareholders of Ependion.

In order to minimize Ependion's costs for LTI 2024/2027, the subscription price shall equal the share's quota value.

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The resolution of the Annual General Meeting to implement LTI 2024/2027 in accordance with section A above is conditional upon the hedging activities in section B above.

In order for the resolution by the Annual General Meeting on implementation of LTI 2024/2027 to be valid, the Board of Directors' proposal under section A-B must be supported by shareholders representing at least nine-tenths of both the votes cast and shares represented at the Annual General Meeting.

The Board of Directors proposes that the CEO be authorised to make such minor amendments of the proposal as may be required in connection with the registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

The reasoned statement of the Board of Directors pursuant to Chapter 19, Section 22 of the Swedish Companies Act is attached as Appendix A.

Malmö in April 2024  
Ependion AB  
*The Board of Directors*

Appendix A**The Board of Directors' statement pursuant to Chapter 19, Section 22 the Swedish Companies Act**

The Board of Directors proposal to repurchase series C shares only affects the solvency and liquidity very marginally. The Board of Directors considers that the proposal to repurchase series C shares pursuant to presented proposal is justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the as well as the consolidation requirements, liquidity and position in general for the parent company and the group.