

# THE BOARD OF DIRECTORS' COMPLETE PROPOSAL FOR INCENTIVE PROGRAMME 2020 IN NET INSIGHT AB (PUBL) AND ISSUE OF WARRANTS

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The Board of Directors proposes that the annual general meeting resolves to implement a new long-term incentive program for employees within the Net Insight group ("LTI 2020") in accordance with items 15 (a) – 15 (c) below. The resolutions under items 15 (a) – 15 (c) below are proposed to be conditional upon each other and are therefore proposed to be passed as one resolution. LTI 2020 is proposed to include not more than 30 employees within the Net Insight group.

## **Proposal regarding the adoption of LTI 2020 (item 15 (a))**

### Background and motives

The purpose for the proposal is to enable an increase in retention and motivation among strategic key employees of the group, and to increase the group's ability to attract top talent to strategic positions. The Board of Directors considers that the adoption of the incentive programme as described below connects the shareholders', the group managements' and other key staffs' interests to ensure maximum long-term value creation.

### LTI 2020 in short

LTI 2020 comprises two series, Series 1 and Series 2, which both consists of warrants to be transferred to employees with a vesting period of three years after which the holder is entitled to exercise the warrants to subscribe for B shares during a period of three months.

The Board of Directors proposes the meeting to resolves to issue not more than 7,400,000 warrants and the subsequent transfer of not more than 3,700,000 warrants, of which not more than 3,700,000 may be issued in Series 1 and not more than 3,700,000 may be issued in Series 2.

The right to subscribe for warrants of Series 1 and Series 2 only accrues to the wholly-owned subsidiary Net Insight Consulting AB, which shall transfer the options of both Series 1 and Series 2 to employees of the group. Each warrant entitles the holder to subscribe for one B share. The warrants shall be issued free of charge to Net Insight Consulting AB.

Below is a description of the terms and conditions for each of the option series.

### Series 1

The company is proposed to transfer not more than 3,700,000 warrants in Series 1 at a price corresponding to the market value of the warrant (i.e. the warrant premium). Warrants of Series 1 may be transferred to employees not employed within the company's U.S. or UK operations. Warrants of Series 1 may be transferred to participants, current or new employees, at one or several occasions from and including 8 June 2020 until and including 19 June 2020.

Each warrant of Series 1 shall, during a period from 19 June 2023 until 19 September 2023, entitle the holder to subscribe for one new B share in Net Insight at an exercise price corresponding to 120 per cent of the volume-weighted average price of the company's B share as quoted on Nasdaq Stockholm during the period 25 May 2020 – 5 June 2020.

### Series 2

The company is proposed to transfer not more than 3,700,000 warrants in Series 2 at a price corresponding to the market value of the warrant (i.e. the warrant premium). Warrants of Series 2 may be transferred to employees not employed within the company's U.S. or UK operations. Warrants of Series 2 may be transferred to participants, current or new employees, at one or several occasions from and including 19 November 2020 until and including 2 December 2020.

Each warrant of Series 2 shall, during a period from 2 December 2023 until 2 March 2024, entitle the holder to subscribe for one new B share in Net Insight at an exercise price corresponding to 120 per cent of the volume-weighted average price of the company's B share as quoted on Nasdaq Stockholm during the period 5 November 2020 – 18 November 2020.

Transfer of warrants in accordance with the above may only be made to the extent that the total number of warrants of Series 1 and Series 2 in total does not exceed 3,700,000 warrants.

#### Subscription etc.

The issued warrants of Series 1 and Series 2 shall, with deviation from the shareholders' pre-emption rights, only be subscribed for by Net Insight Consulting AB – a wholly owned subsidiary to Net Insight - whereupon this company shall offer warrants of Series 1 and Series 2 to the participants in each program. The transfer of warrants of Series 1 and Series 2 shall be made at a price corresponding to the warrants' market value at the time for transfer (the warrant premium), calculated according to the Black & Scholes formula. The valuation of the warrants shall be made by an independent appraiser or auditor firm. The company shall, in connection with the transfer of warrants of Series 1 and Series 2 to the participants, reserve a pre-emption right regarding the warrants if the participant's employment or assignment within the group is terminated or if the participant wishes to transfer the warrants.

#### Recalculation due to split, consolidation, new share issue, etc.

The exercise price for Series 1 and Series 2, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of B shares that each employee stock option entitles to subscription for, shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market terms. Upon full exercise of the warrants in Series 1, the share capital will increase by SEK 148,000 and upon full exercise of the warrants in Series 2, the share capital will increase by SEK 148,000. However, the share capital may in total not increase with more than SEK 148,000 as a result of the exercise of warrants in LTI 2020 since an issue of warrants in one of series reduces the number of warrants in the other series, correspondingly.

#### Allocation of warrants

The right to acquire warrants of Series 1 and Series 2 shall accrue to employees not employed by the company's U.S. or UK operations, which have entered into a pre-emption agreement with Net Insight AB. The maximum allocation within the framework of LTI 2020 amounts to 3,700,000 warrants.

Regardless of which Series, warrants shall be offered in accordance with the following: (i) the CEO shall receive not more than 600,000 warrants; (ii) other members of the group management (approximately eight individuals) shall receive not more than 300,000 warrants per person; and (iii) other key employees (approximately 20 individuals) shall receive not more than 150,000 warrants per person. In case of over-subscription, the number of warrants shall be reduced pro rata, i.e. with the same percentage share for all participants.

In connection with the grant of warrants, the Board of Directors shall have the right to resolve on adjustments in order to fulfil organisational changes, specific rules or market conditions abroad.

Board members shall not be eligible to participate in LTI 2020.

#### Costs

The transfer of warrants in Series 1 and Series 2 shall be made at a price corresponding to the market value of the warrants and therefore no social security contributions are to be paid by the group in relation to the issue and transfer of the warrants. The market value of the warrants is, in accordance with a preliminary valuation made based on a market value on the underlying B share corresponding to SEK 1.80, SEK 0.35 per warrant, assuming an exercise price (rounded off) of SEK 2.20 per B

share. The Black & Scholes valuation model has been used for valuing the warrants, assuming a risk-free interest of -0.35 per cent and a volatility of 38 per cent.

To encourage participation in the LTI 2020, the intention is that employees who choose to participate in the program will receive a premium subsidy in the form of extra salary of an amount after tax, calculated by applying a tax rate of 50 percent, equivalent to 50 percent of the option premium paid. The premium subsidy is paid through two identical payments after the second and the third year under the duration of LTI 2020, provided that the participant is employed within the Net Insight Group at the time of payment. Net Insight's costs, including social security costs, of above extra salary payments amount to approximately SEK 1.9 million.

The total costs, excluding other expenses for LTI 2020 related to fees to external advisors and costs for administration of the programme, are estimated to amount to approximately SEK 1.9 million during the term of the programme, under the assumption of a share price of SEK 1.80 at implementation of the programme.

#### Implementation

The Board of Directors is entitled to resolve on the detailed conditions for the implementation of LTI 2020. The Board of Directors shall thereby be entitled to make minor adjustments in the annual general meeting's resolution if the board considers there are special reasons thereto.

#### Effect on important key ratios

The costs for LTI 2020 amount to approximately 0.4 per cent of Net Insight's revenues for the financial year 2019 and approximately 1.5 per cent of Net Insight's planned salary costs for the financial year 2020.

#### Dilution of existing shares and votes

Based on the number of outstanding shares and votes in the company, LTI 2020 implies, upon exercise of all 3,700,000 warrants in LTI 2020, a full dilution corresponding to approximately 0.94 per cent of the total number of shares and 0.92 per cent of the votes in the company. There are no outstanding incentive programmes that can lead to dilution of the number of shares or votes.

Information about Net Insight's current incentive programmes is available in the annual report for the financial year 2019, and on the company's website, [www.netinsight.net](http://www.netinsight.net).

#### Preparation of the proposal

The proposal has been prepared in consultation with external advisors and has been reviewed by the remuneration committee and the Board of Directors during February and March 2020.

#### Majority Requirement

A resolution to approve LTI 2020 is valid only if supported by shareholders holding not less than nine-tenths of both the votes and shares represented at the annual general meeting.

#### **Proposal regarding issue of warrants in Series 1 (item 15 (b))**

The Board of Directors proposes that the annual general meeting resolves to issue of not more than 3,700,000 warrants for subscription of B shares, whereby the company's share capital may be increased by not more than SEK 148,000 at full subscription, corresponding to approximately 0.94 per cent of the total share capital and 0.92 per cent of the total number of votes in Net Insight.

The right to subscribe for warrants for subscription only accrues to the subsidiary Net Insight Consulting AB, with the right and obligation to dispose of the warrants as described above. Each warrant entitles the holder to subscribe for one B share. The warrants shall be issued free of charge to Net Insight Consulting AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in [Appendix A](#).

**Proposal regarding issue of warrants in Series 2 (item 15 (c))**

The Board of Directors proposes that the annual general meeting resolves to issue of not more than 3,700,000 warrants for subscription of B shares, whereby the company's share capital may be increased by not more than SEK 148,000, at full subscription, corresponding to approximately 0.94 per cent of the total share capital and 0.92 per cent of the total number of votes in Net Insight.

The right to subscribe for warrants for subscription only accrues to the subsidiary Net Insight Consulting AB, with the right and obligation to dispose of the warrants as described above. Each warrant entitles the holder to subscribe for one B share. The warrants shall be issued free of charge to Net Insight Consulting AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix B.

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### LTI 2020 – issue of warrants in Series 1

The Board of Directors proposes that the shareholders' meeting resolves to issue not more than 3,700,000 warrants, which may result in a maximum increase in the company's share capital of SEK 148,000. The following terms shall apply.

1. With deviation from the shareholders' pre-emptive rights, Net Insight Consulting AB, a wholly owned subsidiary of Net Insight AB (publ) shall be entitled to subscribe for the warrants. The subsidiary shall then transfer the warrants to senior executives and key employees of the Net Insight group.
2. Each warrant of Series 1 shall, during the period commencing on 19 June 2023 up to and including 19 September 2023, entitle the holder to subscribe for one new B share in Net Insight at an exercise price corresponding to 120 per cent of the volume-weighted average price of the company's B share as quoted on Nasdaq Stockholm during the period 25 May 2020 – 5 June 2020. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice.
3. The subscription for warrants shall be made no later than 25 June 2020. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge to Net Insight Consulting AB.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in [Appendix A.1](#).

The exercise price upon exercise of warrants and the number of share to which each warrant provides an entitlement to subscribe may be adjusted in accordance with section 8 of the terms and conditions for warrants, see [Appendix A.1](#).

It is further proposed that the Board of Directors, or any person appointed by the Board of Directors, should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for the management and key employees in the company. The warrants are issued free of charge to a wholly owned subsidiary which in turn transfers the warrants to participants to a price corresponding to the warrants market price (calculated in accordance with the Black & Scholes formula).

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**LTI 2020 – issue of warrants in Series 2**

The Board of Directors proposes that the shareholders' meeting resolves to issue not more than 3,700,000 warrants, which may result in a maximum increase in the company's share capital of SEK 148,000. The following terms shall apply.

1. With deviation from the shareholders' pre-emptive rights, Net Insight Consulting AB, a wholly owned subsidiary of Net Insight AB (publ) shall be entitled to subscribe for the warrants. The subsidiary shall then transfer the warrants to senior executives and key employees of the Net Insight group.
2. Each warrant of Series 2 shall, during the period commencing on 2 December 2023 and up to and including 2 March 2024, entitle the holder to subscribe for one new B share in Net Insight at an exercise price corresponding to 120 per cent of the volume-weighted average price of the company's B share as quoted on Nasdaq Stockholm during the period 5 November 2020 – 18 November 2020. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice.
3. The subscription for warrants shall be made no later than 10 December 2020. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge to Net Insight Consulting AB.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix B.1.

The exercise price upon exercise of warrants and the number of share to which each warrant provides an entitlement to subscribe may be adjusted in accordance with section 8 of the terms and conditions for warrants, see Appendix B.1.

It is further proposed that the Board of Directors, or any person appointed by the Board of Directors, should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for the management and key employees in the company. The warrants are issued free of charge to a wholly owned subsidiary which in turn transfers the warrants to participants to a price corresponding to the warrants market price (calculated in accordance with the Black & Scholes formula).

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