

## **The Board of Directors' proposal to Vitrolife AB (publ)'s Annual General Meeting to be held on 27 April 2023 regarding Long Term Incentive Program 2023 (LTIP 2023), issue of warrants and transfer of shares and/or warrants (agenda item 19)**

The Board of Directors of Vitrolife AB (publ) (the "Company") proposes that the Annual General Meeting passes a resolution on the implementation of a Long-Term Incentive Program 2023 (LTIP 2023). This proposal is divided into five items:

- A. Terms of LTIP 2023
- B. Issue of warrants
- C. Transfer of shares and/or warrants
- D. If item C is not approved, the Board proposes that hedging of LTIP 2023 shall take place via an equity swap agreement with a third party
- E. Other matters related to LTIP 2023

### **A. Terms of LTIP 2023**

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

The Board wishes to establish a long-term incentive program for certain key employees in order to encourage personal long-term ownership in the Company as well as to increase and enhance its ability to recruit, retain and motivate employees. The Board therefore proposes that the Annual General Meeting resolves to implement a long-term performance share program 2023 ("LTIP 2023"). The intention is also to use LTIP 2023 to unite the interest of the employees with the interests of shareholders.

Participants may, after a qualifying period, receive allotments of Vitrolife ordinary shares without consideration.<sup>1</sup> Allotment of shares will depend on the fulfilment of a predetermined performance target. The term of LTIP 2023 is more than three years.

#### **A.2 Basic features of LTIP 2023**

The LTIP 2023 will be directed towards certain key employees in the Vitrolife Group. The participants are based in Sweden and other countries where the Vitrolife Group is active. Each participant may be entitled, after a certain qualification period (defined below), provided continued employment during the entire period (except from "Good Leavers"), and depending on the fulfilment of a predetermined performance target linked to Vitrolife's total share return (TSR), to receive allotment of Vitrolife shares ("Performance Shares"). The participants shall not pay any consideration for the allotted Performance Shares.

#### **A.3 Participation in LTIP 2023**

LTIP 2023 is directed towards a maximum of 25 employees, divided in two categories of participants as follows:

---

<sup>1</sup> Transfer of shares under LTIP 2023 will be made without consideration. However, in connection with the exercise of warrants for shares and transfer of shares and/or warrants in accordance with item C, the participants in LTIP 2023 will need to pay the quota value of the shares in order for the shares to be registered with the Swedish Companies Registration Office.

Categories	Maximum number of shares
1. CEO	50,000
2. Other members of the executive management team/key employees (maximum 24 persons)	25,000 (per person)
<i>Total number of shares</i>	<i>170,000</i>

Any resolution on participation or implementation of LTIP 2023 shall be conditional on that it, in the Board's judgement, can be offered with reasonable administrative costs and financial effects.

#### **A.4 Allotment of Performance Shares**

Allotment of Performance Shares within LTIP 2023 will be made during a limited period of time following the Annual General Meeting 2026. The period up to this date is referred to as the qualification period (vesting period). A condition for the participant to receive allotment of Performance Shares is that the participant remains an employee of the Vitrolife Group during the full qualification period up until allotment. Allotment of Performance Shares also requires that the TSR performance target is fulfilled. The Board shall establish a customary definition of Good Leavers and determine whether any allocation shall be made to participants who are considered Good Leavers.

The performance target is based on the Company's total share return ("TSR") during the term of LTIP 2023. TSR is to be calculated based on the volume-weighted average price of the Company's share on Nasdaq Stockholm during the ten (10) business days that follows immediately after the Annual General Meeting 2023, compared with the volume-weighted average price of the Company's share on Nasdaq Stockholm during the last ten (10) business days of the three-year period following the Annual General Meeting 2023. The performance target is fulfilled by an average annual TSR of at least 7.5 percent (the minimum level). 0 percent of the Performance Shares will vest at or below the minimum level. 100 percent of the Performance Shares will vest above the minimum level. The outcome will be communicated to the shareholders after the allotment of Performance Shares to the participants.

Prior to the allotment of Performance Shares, the Board shall assess whether the allotment is reasonable in relation to the Company's financial results, position and performance, as well as other factors.

If significant changes take place within the Vitrolife Group, or on the market, which, by the assessment of the Board, would mean that the terms for allocation/transfer of shares according to LTIP 2023 is no longer reasonable, the Board shall have the right to implement an adjustment to LTIP 2023, including, among others, the right to

reduce the number of Performance Shares allocated/transferred, or not to allocate/transfer Performance Shares at all.

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

The Board, with the assistance of the remuneration committee, shall in accordance with the resolutions by the Annual General Meeting set forth herein be responsible for the detailed design and implementation of LTIP 2023. The Board may also decide on the implementation of an alternative cash based incentive for participants in countries where the allotment of Performance Shares is not appropriate, as well as if otherwise considered appropriate. Such alternative incentive program shall to the extent practically possible be designed to correspond to the terms of LTIP 2023.

The intention is that the Board shall launch LTIP 2023 as soon as practically possible after the Annual General Meeting.

#### **B. Issue of warrants**

In order to enable delivery of shares under the LTIP 2023 as well as to hedge the financial exposure that the LTIP 2023 is expected to entail, the Board proposes that the Annual General Meeting resolves to issue a maximum number of 229,500 warrants of series 2023/2026, without consideration, to a wholly owned subsidiary of Vitrolife AB (publ) (the "Subsidiary").

Each warrant of series 2023/2026 entitles the holder to subscription for one (1) share in Vitrolife AB (publ) during the period from 4 May 2023, or the later date on which the warrants are registered, up to and including 16 June 2026. Subscription for new shares by way of exercising warrants of series 2023/2026 shall be made at a price per share of SEK 0.204, which corresponds to the quota value of the shares. The exercise price and the number of shares that each warrant of series 2023/2026 entitles may be subject to recalculation in the event of a bonus issue, share split, rights issue, etc., wherein the recalculation terms in the complete terms and conditions of the warrants shall be applied. The subscription of warrants of series 2023/2026 shall be made no later than on 9 May 2023. However, the Board shall be entitled to extend the subscription period. There can be no over-subscription. For complete terms, see Appendix 1 and Appendix A1.

If the warrants of series 2023/2026 are exercised in full, the share capital will increase by SEK 46,818.

#### **C. Approval of transfer of shares and/or warrants and hedging activities**

##### **C.1 Number of shares and/or warrants**

The Board proposes that the Annual General Meeting resolves to approve that the Subsidiary may transfer a maximum of 170,000 shares and/or warrants to the participants in the LTIP 2023 in connection with allotment of Performance Shares in accordance with the terms set out in section A, as well as dispose of an additional number of maximum 59,500 warrants through transfer of maximum 59,500 warrants to a third party, as a hedging activity in relation to the Company's costs for social security contributions.

## **C.2 Other conditions for transfer of shares and/or warrants to participants in LTIP 2023**

Share transfers to participants in LTIP 2023 shall be made without the participants paying consideration and shall be carried out at the time and subject to the other conditions under which participants in LTIP 2023 have the right to be allotted Performance Shares.

## **C.3 Recalculation**

The number of shares and/or warrants that might be transferred under LTIP 2023 in accordance with sections C.1 and C.2 above shall be subject to customary re-calculation principles and may, consequently, be subject to re-calculation due to a bonus issue, share split, preferential rights issue, dividends and/or other similar events. Resolutions resolved upon by the Annual General Meeting 2023 shall not be included in a re-calculation of the number of shares.

## **D. Hedge of LTIP 2023 via an equity swap agreement with a third party**

It is the Board's assessment that an issue of warrants to the Subsidiary and transfer of shares and/or warrants from the Subsidiary to the participants in the LTIP 2023 is the most cost-effective method of transferring shares in Vitrolife under the LTIP 2023. The board therefore proposes that the delivery of shares to the participants is secured by item C above. Should the necessary majority not be obtained for the proposal in item C, the Board proposes that a share swap agreement with a third party is entered into in accordance with this item D.

The Board proposes that the Annual General Meeting, should the necessary majority not be obtained for item C above, resolves to secure deliver of shares to the participants in the LTIP 2023, and to hedge the expected financial exposure of LTIP 2023, 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 shares in the Company under LTIP 2023. The relevant number of shares shall correspond to the number of shares proposed under item C above.

## **E. Other matters in relation to LTIP 2023**

### **E.1 Majority requirements etc.**

The resolution by the Annual General Meeting regarding the implementation of LTIP 2023 according to item A above is conditional on the Annual General Meeting resolving either in accordance with the Board's proposal under item B or C above or in accordance with the Board's proposal under item D above.

The resolution according to item A, B and D above shall require a majority of more than half of the votes cast at the Annual General Meeting. A valid resolution under item C above requires that shareholders representing not less than nine-tenths of the votes cast as well as the shares represented at the Annual General Meeting approve of the resolution.

### **E.2 The value, estimated costs, expenses and financial effects of LTIP 2023**

The participants' rights to receive Performance Shares under LTIP 2023 are not securities and cannot be pledged or transferred. Neither are any shareholders' rights transferred to participants in the program prior to the day when they receive their Performance Shares and become the owners of the shares. An estimated market value of the conditional rights to receive Performance Shares can however be calculated. Based on a preliminary valuation in accordance with the Black & Scholes valuation formula, the total value of the conditional rights to receive Performance Shares under LTIP 2023 has been calculated to approximately MSEK 21.99, under the following assumptions: a share price at the time of implementation of SEK 219.60, a market-based risk-free interest of 3.0 percent, a volatility of 45 percent and an annual employee turnover of 0 percent.

LTIP 2023 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the share awards should be expensed as personnel costs over the qualification period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company's cash flow. Social security contributions will be recognized as an expense in the income statement through regular provisions in accordance with generally accepted accounting principles. The amount of these regular provisions will be revalued in line with the trend in the value of the right to Performance Shares, and the social security contributions that may be payable on the allotment of Performance Shares.

Assuming a share price at the time of implementation of SEK 219.60, that the performance target is achieved so that the Performance Shares vest, a share price increase of 25 percent during the qualification period, average costs for social security contributions and pensions amounting to 35 percent of the benefit value and an annual employee turnover of 0 percent, the total cost for LTIP 2023, including social security costs, is estimated to approximately MSEK 38.32 before tax, corresponding to an estimated annual cost of approximately MSEK 12.77 before tax.

Assuming a share price at the time of implementation of SEK 219.60, that the performance target is achieved so that the Performance Shares vest, a share price increase of 50 percent during the qualification period, average costs for social security contributions and pensions amounting to 35 percent of the benefit value and an annual employee turnover of 0 percent, the total cost for LTIP 2023, including social security costs, is estimated to approximately MSEK 41.59 before tax, corresponding to an estimated annual cost of approximately MSEK 13.86 before tax.

The above calculations are based on a decision on hedging in accordance with item C. In the event that the Annual General Meeting decides on hedging measures regarding LTIP 2023 in accordance with the proposal under item D, costs of approximately MSEK 0.5 – MSEK 1 will be added regarding share swap agreements with third parties.

In the view of the Board, the positive effects expected to arise from LTIP 2023, outweigh the costs associated with LTIP 2023.

### **E.3 Dilution and effects on key performance ratios**

The Board's proposal to resolve on issuance of warrants in accordance with item C above entails a dilution effect corresponding to a maximum of approximately 0.169 per cent of the shares and votes in the Company if the proposed warrants are exercised in full. The dilution effect is calculated as the relation between the additional shares that the warrants will be exercised for and the sum of the current number of shares and the additional shares that the warrants will be exercised for.

The costs of the LTIP 2023 is expected to have only marginal effects on the company's key performance ratios.

### **E.4 The Board's explanatory statement**

An individual long-term ownership commitment among the participants in LTIP 2023 is expected to stimulate greater interest and motivation in the Company's business operations, results and strategy. Moreover, the Board wishes to increase the ability of the Company to retain important executives and other key employees. The Board believes that the implementation of LTIP 2023 will benefit the Company and its shareholders. LTIP 2023 will provide a competitive and motivation-improving incentive for executives and other key employees within the Vitrolife Group.

LTIP 2023 has been designed to reward the participants for increased shareholder value by allotting shares, based on the fulfilment of a performance condition. By linking the employees' remuneration to the development of the Company's results and value, the long-term value growth of the Company is rewarded. Based on these circumstances, the Board considers that the implementation of LTIP 2023 will have a positive effect on the Vitrolife Group's continued development, and will therefore be beneficial to the shareholders and the Company.

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

The Company has three outstanding share-related incentive programs in accordance with resolutions of previous Annual General Meetings: Long-Term Incentive Program 2020 ("LTIP 2020"), Long-Term Incentive Program 2021 ("LTIP 2021"), and Long-Term Incentive Program 2022 ("LTIP 2022") which were decided by the 2020, 2021 and 2022 Annual General Meetings, which are based on performance shares.

The Company's share-related incentive programs are described in the Company's annual report and also appears in the Board's remuneration report.

### **E.6 Adjustment Authorization**

The Board, or a person appointed by the Board, 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.

### **E.7 Preparation of the item**

The basis for LTIP 2023 has been prepared by the Board of the Company. The work has been supported by external advisors and has been made in consultation with

shareholders. The Board has thereafter decided to present this proposal for the Annual General Meeting. Except for the staff that have prepared the matter upon instruction from the Board, no employee that may be a participant of LTIP 2023 has participated in the preparations of the program's terms.

Gothenburg, March 2023

Vitrolife AB (publ)

*The Board of Directors*