

The Board's proposal to the 2016 Annual General Meeting of GHP Specialty Care AB (publ) for a resolution to issue convertible instruments and authorising an incentive programme, including authorisation of the transfer of shares in a subsidiary (agenda item 14)

The Board of GHP Specialty Care AB (publ) ("the Company") proposes that the Annual General Meeting resolves to issue convertible bonds as described below and also approves the measures described below to carry out an incentive programme for members of the senior management and key people ("the Participants") in the Company and its subsidiaries ("the Group").

1. Issue of convertible bonds

The Board proposes that the Annual General Meeting resolves to issue convertible bonds (Series 2016/2020) as follows.

1. The convertible loan shall amount to a total amount of no more than SEK 10,000,000.
2. The convertible bonds shall be issued at a subscription price corresponding to the nominal value of the convertible bonds, which shall correspond to the conversion rate.
3. The maximum number of convertible bonds that can be issued shall amount to 1,600,000. In the event that more convertible bonds have been subscribed for over and above this number, allotment shall be on a pro rata basis in relation to the number of convertible bonds subscribed for up to the maximum number.
4. A wholly-owned subsidiary of the Company, specially formed for the purpose ("InvestCo"), shall have the right to subscribe for the convertible bonds, deviating from the shareholders' pre-emptive rights.
5. The convertible bonds can be subscribed for from 13 May 2016 until 17 May 2016 and payment shall be made no later than 18 May 2016. The Board has the right to extend both the subscription period and the payment period. There cannot be any over-subscription.
6. The convertible bonds carry an annual interest rate, as described in more detail in Appendix A. The assumptions behind the calculations are presented in Appendix A. The interest shall amount to STIBOR 3 months, but no lower than 0 percent for each interest period, together with an interest margin of 3.00 percent, and is determined two (2) banking days before the beginning of each interest period, in accordance with the calculation laid out in Appendix A. Interest is paid quarterly. When paying interest, the calculation method actual/360 is applied. Interest falls due for payment on 31 March, 30 June, 30 September and 31 December each year, or the subsequent banking day if the due date should fall during a weekend or on a public holiday, and for the first time on 30 June 2016. The last interest payment will be made on the redemption date of the loan on 14 April 2020.
7. The loan runs from 23 May 2016 and falls due for redemption on 14 April 2020, to the extent that conversion has not already taken place.
8. It will be possible to convert the convertible bonds into new shares in the Company during the period from 24 February 2020 up until 23 March 2020.
9. The conversion rate shall correspond to a figure amounting to 120 percent of the listed average latest price paid for shares in the Company on Nasdaq Stockholm's official price list during the period from 25 April 2016 until 6 May 2016. If there is no listed price paid on any of these days, the bid price listed as the closing price shall instead be included in the calculation. A day without a listed bid price or price paid shall not be included in the calculation. Nordfirst Corporate Finance will carry out the calculations in accordance with current market standards. The conversion rate thus

calculated shall be rounded off to the nearest five öre. However, the conversion rate shall not be less than the quota value of the share.

10. A share that has been obtained through conversion shall, with the exception of what is stated in Appendix B, carry dividend rights for the first time on the record day for dividend or on the day when a shareholder is recorded in the share register and thus entitled to receive dividend, and which falls after conversion has been carried out.
11. The total amount by which the share capital can be increased through conversion amounts to a maximum of SEK 1,600,000 kronor.
12. Otherwise, the terms and conditions stated in Appendix B apply to the convertible bonds (Terms and Conditions for GHP Specialty Care AB (publ)'s Convertible bonds – Series 2016/2020).

It is proposed that the CEO, or the person designated by the Board for the purpose, shall have the right to make any minor adjustments to the resolution of the Annual General Meeting regarding the issue of convertible bonds that may prove necessary in conjunction with registration at the Swedish Companies Registration Office.

The reason for deviating from the shareholders' pre-emptive rights is that the Company wishes to introduce an incentive programme for the Participants whereby an offer can be made to them to share in the growth in value of the Company's share. This is expected to lead to a strengthening of interest in the Company's profitability and share price development and to continued company loyalty being stimulated during the coming years.

It has been decided that the subscription price for the convertible bonds will be the estimated market value, in accordance with what is further specified below in section 3.

2. Incentive programme

The incentive programme shall be carried out mainly in accordance with what is described below.

The participants shall be offered the opportunity of acquiring shares ("Shares") in InvestCo, a wholly-owned subsidiary of the Company specially formed for the purpose. The offer comprises a maximum of approximately 15 people in Sweden.

The allotment of Shares in InvestCo shall be determined by the Company Board of Directors in accordance with the following guidelines:

- a) The participants shall, providing that they are employees at the time of the offer of the Shares or have at this time signed a permanent employment contract with a company within the Group, with the exception of such people whose employment contract has been terminated before the above-mentioned point in time, be given an offer to subscribe for Shares in InvestCo.
- b) There will be no guaranteed allotment. No Participant may be allocated more than 12 percent of the Shares, with the exception of where it is justified and appropriate to achieve a sufficient degree of participation in the incentive programme.
- c) An offer will be made to the Participants to acquire the Shares in line with the following allotment:

Employee group (number of participants)	Maximum stake per person
Senior management (5)	SEK 120,000
Other key persons (max 10)	SEK 40,000

In the event of over-subscription, the shares available are allocated in accordance with the decision of the Board of Directors. Subscription in stages shall be the key to allocation at the same time as the Board shall strive to achieve a reasonable spread of ownership in InvestCo. No single investor shall thereby end up owning more than 12 percent of the Shares in InvestCo, with the exception of where it is justified and appropriate to achieve a sufficient degree of participation in the incentive programme.

It is estimated that Shares will be transferred no later than 20 May 2016.

The Shares shall be transferred at market value, which is expected to correspond to the net worth of the Shares. The valuation will be done in accordance with generally accepted valuation principles.

InvestCo intends to finance 90 percent of the subscription for the convertible bonds through a loan at market rates. The Company has requested an offer from one of Sweden's major banks and received indications that they are positive to taking on a major part of this financing. Major Company shareholders have undertaken to take on the remaining loan financing, which will be subordinate to the bank loan. Normal market rates will apply. During 2020 InvestCo intends to make a decision as to whether conversion will be requested. If the convertible bonds are converted, InvestCo intends to divest shares so as to firstly repay the loan financing and thereafter repay the remaining liabilities and pay any expenses for tax, administration and the winding up of InvestCo. After this InvestCo will distribute the remaining shares to the employees participating in the incentive programme. The total interest received from the convertible bonds will firstly cover the interest on the loan financing and thereafter administrative expenses. The Company will not participate in or have a controlling interest in InvestCo, either through shareholdings or through Board membership.

Implementation of the above incentive programme is on condition that at least nine Participants register interest in acquiring at least 70 percent of the Shares and that ownership of the Shares is spread so that four Participants or fewer do not own Shares corresponding to more than 50 percent of the votes in InvestCo. However, the Board may deviate from one or more of these conditions where it is justified and appropriate to achieve a sufficient degree of participation in the incentive programme

3. Other information

Preparation of the matter

This proposal has been drawn up and decided on by the Board, with the assistance of external advisors (Nordfirst Corporate Finance as financial advisor and the law firm Lindahl as legal advisor). The Board assesses that the incentive programme as a whole is reasonable, taking into account entitlement to subscribe, the terms and conditions, the size of the allotment, the existence of other share-related incentive programmes and other factors.

Outstanding incentive programmes

At present the Company does not have any incentive programmes outstanding.

Valuation of the convertible bonds

When drawing up the proposal for the terms and conditions, the Board let Nordfirst Corporate Finance carry out calculations with regard to the value of the loan part of the convertible bond, and with regard to the value of the conversion option in accordance with the so-called Black & Scholes model based on a volatility of 40 percent in the listed share of the Company. In the valuation a risk-free interest rate of 0.10 percent and a present value of dividends of SEK 0.65 have been applied. The subscription rate for the convertible bonds is assessed on the basis of the above-mentioned valuation to correspond to the market value at the time of issue. The calculations are shown in their entirety in Appendix A.

Example figures

The table below shows the conversion rate and the coupon interest given different average share prices during the measurement period, given today's prevailing STIBOR 3 months.

<i>Average share price during measurement period, SEK</i>	<i>Conversion rate, SEK</i>	<i>Coupon interest, %</i>
7.00	8.40	3.00 %
7.50	9.00	3.00 %
8.00	9.60	3.00 %
8.50	10.20	3.00 %
9.00	10.80	3.00 %

Dilution and effect on important key ratios

In the event of full subscription and conversion of all convertible bonds, based on a company share price of SEK 7.50 and a conversion rate, determined in accordance with the above, of SEK 9.75, the increase in the Company's share capital will be SEK 1,025,641 (maximum nominal loan amount of SEK 10,000,000 divided by conversion rate of SEK 9,75), which corresponds to a dilution of 1.54 percent of the share capital and the number of votes, but with a reservation for the adjustment that can arise due to a recalculation of the conversion rate in the event of a bonus share issue, new share issue and in certain other cases in accordance with Appendix B. The calculation of the dilution is based on the registered number of shares at 21 March 2016, amounting to 68,282,585 shares.

The incentive programme entails the earnings per share changing inversely proportionally to the change in the number of shares that full conversion (dilution) results in. As the dilution of capital, with reservation for the adjustment that can arise due to a recalculation of the conversion rate in accordance with Appendix B, cannot be greater than 1.54 percent, the earnings per share will thus never be able to decrease by more than 1.54 percent.

Expenses for the incentive programme

As the convertible bonds will be acquired by employees (through a company) at an estimated market value, it is not assessed that the convertible bond programme in itself will lead to any expenses apart from certain minor expenses in connection with the setting up and administration of the issue.

4. Voting majority

Adoption of the Board's proposal requires that at least nine tenths of both the votes cast and the votes represented at the Annual General Meeting are in favour of the proposal.

APPENDIX A

Valuation of convertible bonds

The value of the convertible bonds is calculated as the sum of the values of a bond and an option, where the option's value is calculated by means of Black & Scholes' formula:

$$W = \left[S' N(d) - X e^{-rt} N(d - \sigma\sqrt{t}) \right] \frac{P\delta}{P + (M\delta)}$$

$$d = \frac{\ln \frac{S'}{X} + \left(r + \frac{\sigma^2}{2} \right) t}{\sigma\sqrt{t}}$$

$$S' = \left(S + \frac{M}{P} W \right) - D$$

W = The value of the option part of the convertible bond which is to be calculated according to the formula shown above

X = 120 percent of S (The conversion rate, which equals the nominal value of the convertible bond)

S = Average last price paid on each trading day for the GHP Specialty Care AB share during the time from 25 April 2016 until 6 May 2016.

M = (the maximum number of new shares that can be issued when converting convertible bonds, calculated on the basis of the actual conversion rate)

P = 68,282,585 (number of registered shares including dilution)

δ = 1 (number of convertible bonds per newly issued share)

D = SEK 0.65 (the present value of estimated dividends on GHP's share during the duration of the convertible bonds)

N = standardised variable according to normal distribution curve

e = 2.71828 (mathematical constant)

σ = 40 percent (assessed underlying volatility of GHP's share)

r = the average interest on government bonds (average of SO1049 and SO1050) during the measurement period for the share

t = 3.84 (duration in years)

Access to financial freedom of action is very important for the value of all kinds of securities. This is true not least of all for options, as these can fluctuate a great deal in value from one time to another. The options holder thus places particular value on being able to sell options when it is assessed to be most advantageous. The worse the liquidity in an option is, the lower the value of the option. Current option valuation models do not take this factor into account, so anyone valuing subscription options must also take this important liquidity factor into account.

The value of the bond is calculated according to the formula below:

$$B_0 = X * k * \left[\frac{1}{(\theta + r_b)} - \frac{1}{(\theta + r_b) * (1 + \theta + r_b)^t} \right] + \frac{X}{(1 + \theta + r_b)^t}$$

B_0 = The value of the bond part of the convertible bond

k = is the convertible bond's coupon interest which will be extracted from the formulas shown above so that $X = B_0 + W$

X = (The conversion rate which is equal to the nominal value of the convertible bond, see also the calculation of the option's value above)

θ = 6 percent (GHP's assessed company-specific risk premium in the bond market)

r_b = (STIBOR 3M for the interest period two (2) banking days before the first day of the duration of the loan)

t = 3.84 (duration in years, see above)

The interest margin to STIBOR 3M for two (2) banking days before the first day of the duration of the loan is calculated as follows: Interest margin = $k - r_b$
