

Long Term Incentive Program 2019-2021 (LTIP 2019-2021)



Paris, France

Proposal of the Board of Directors.

Cavotec's Board of Directors proposes that the Annual General Meeting pass a resolution on the implementation of a Long Term Incentive Program 2019-2021 (LTIP 2019-2021). This proposal is divided into four items:

- Terms of LTIP 2019-2021.
- Method of delivery of shares.
- Other matters related to LTIP 2019-2021.

Terms of LTIP 2019-2021

The Board wishes to establish a Long Term Incentive Program ("LTIP") for certain key employees to increase and enhance its ability to recruit, retain and motivate employees, and to encourage personal long-term ownership of Cavotec shares among the participants. The intention is also to unite the interest of the employees with the interests of shareholders.

The decision on this kind of issue is, according to Swiss law, a matter reserved for the Board of Directors. Nevertheless, the Board wishes to consult the Annual General Meeting (the "AGM") in a non-binding, consultative vote on the principle of implementing a long-term performance share program 2019-2021 ("LTIP 2019-2021").

Under LTIP 2019-2021 participants may, after a Performance Period, be awarded ordinary shares without consideration. The number of shares awarded will depend on the fulfilment of certain performance criteria. In accordance with the Swedish Code of Corporate Governance, the term of LTIP 2019-2021 is more than three years.

Basic features of LTIP 2019-2021

The LTIP 2019-2021 will be directed towards certain senior executives of the Cavotec Group. The participants are based in Switzerland, Italy and other countries where the Cavotec Group is active.

LTIP 2019-2021 is a Performance Share Plan (PSP). Under a PSP, participants are granted a right to a specified number of shares ("Performance Shares") three years later (vesting date) without any payment. The grant is conditional on the company's performance over the three year vesting period and it has therefore no value at the date of grant. The proportion of shares which vests and are awarded will depend on the company's performance relative to targets set at the time of the grant. The Grant date is 17 May 2019.

Each LTIP 2019-2021 participant may be entitled, after the vesting period, provided continued employment during the entire performance period (except for "Good Leavers"), and depending on the fulfilment of certain performance targets linked to Earnings Per Share ("EPS") and Relative Total Shareholder Return ("TSR"), with a mutual division of 65 and 35 percent respectively between EPS and TSR, to be awarded Cavotec ordinary shares. The participant shall not pay any consideration for the awarded shares. If required pursuant to applicable law, the Performance Shares may be issued against payment by the participant, such as in relation to any taxes or charges which may be payable in conjunction with the holding or award of Performance Shares.

Long Term Incentive Program 2019-2021 (LTIP 2019-2021)

Proposal of the Board of Directors

Participation in LTIP 2019-2021

LTIP 2019-2021 is directed towards three categories of participants:

Category	Target Performance Shares (% of base salary*)
A) CEO	80%
B) Executive Management Team	20-40%
C) Other senior executives	10-20%

** Base salary refers to the participant's gross base salary at the grant date, excluding any bonus and additional compensation.*

Any resolution on participation or implementation of LTIP 2019-2021 shall be conditional on that it, in the Board's judgement, can be offered with reasonable administrative costs and financial effects.

Award of Performance Shares

Award of Performance Shares within LTIP 2019-2021 will be made during a limited period of time following presentation of the 2021 Annual Report. The Share Award date is set for 16 May 2022. A condition for the participant to be awarded Performance Shares is that the participant remains an employee of the Cavotec Group during the full Performance Period, i.e. 1 January 2019 to 31 December 2021, with exceptions for "Good Leavers". Award of Performance Shares also requires that the EPS (65 percent) and TSR (35 percent) performance targets are fulfilled and, as regards the executive management (currently: the CEO), shall in no event exceed the amount available according to the remuneration budget for the executive management for 2022 approved by the AGM in 2021, pursuant to Art.16 (1) (2) of the current Articles of Association, as well as according to Art. 18 (3) of the Swiss Federal Ordinance of 20 November 2013 against excessive compensation with respect to listed corporations (so-called "**Minder Ordinance**"). The Board shall establish a customary definition of Good Leavers and determine whether any award shall be made to participants who are considered Good Leavers.

The performance targets are Cavotec's EPS (65 percent) and TSR (35 percent) and the performance targets shall be established by the Board with the targets set to align with the best interests of the shareholders. Partial fulfilment of the performance targets will result in partial award of Performance Shares. Performance under a certain level will result in no award. Following good practice in the Swedish stock market, the EPS and TSR targets and the outcome will be communicated to the shareholders after the award of Performance Shares to participants.

Prior to the award of Performance Shares, the Board shall assess whether the award 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 Cavotec Group, or on the market, which, by the assessment of the Board, would mean that the terms for award/transfer of shares according to LTIP 2019-2021 is no longer reasonable, the Board shall have the right to implement an adjustment to LTIP 2019-2021, including, among others, the right to reduce the number of Performance Shares awarded, or not to award Performance Shares at all.

Implementation and administration

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 2019-2021. The Board may also decide on the implementation of an alternative cash based incentive for participants in countries where the award of Performance Shares is not appropriate, as well as if otherwise considered appropriate, in particular as regards the award and issuance method. Such alternative incentive shall to the extent practically possible be designed to correspond to the terms of LTIP 2019-2021.

The Board's intention is to decide on the LTIP 2019-2021 as soon as practically possible after the Annual General Meeting, taking into account the result of the consultative vote of the AGM.

Method of delivery of shares

Subject to legal, technical and tax considerations to be assessed at the time of award of the LTIP 2019-2021, the Board of Directors envisages to issue the Performance Shares to be delivered by using the contingent and/or authorized share capital at the time.

As an alternative, the Board of Directors envisages to use its available treasury shares or to purchase additional shares on the stock market.

Any payments of dividends (or similar distributions) to shareholders during the Performance Period will not lead to any adjustment of the number of Performance Shares.

Other matters related to LTIP 2019-2021

Estimated costs, expenses and financial effects of LTIP 2019-2021

LTIP 2019-2021 will be accounted for in accordance with "IFRS 2 – Sharebased 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 recognised 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 contributions payable on the award of Performance Shares.

Assuming a share price at grant date of EUR 1.22 (SEK 12.70), and that the performance targets are met at 100%, 50 percent of the maximum number of Performance Shares will vest. Considering a share price increase of 50 percent during the performance period, the total cost for LTIP 2019-2021, including social security costs, is estimated to approximately EUR 1.6 million before tax, corresponding to an estimated annual cost of approximately EUR 0.5 million before tax. Assuming a share price at the grant date of EUR 1.22 (SEK 12.70), and that both performance targets reach the stretch level, 100 percent of the maximum number of Performance Shares will vest. Considering a share price increase of 50 percent during the performance period, the total cost for LTIP 2019-2021, including social security costs, is estimated to approximately EUR 2.8 million before tax, corresponding to an estimated annual cost of approximately EUR 0.9 million before tax.

Assuming that no hedging activities will occur, LTIP 2019-2021 will comprise maximum 2,388,152 shares in total, award at stretch, which corresponds to approximately 2.5 percent of the total outstanding shares and votes in the Company. The above calculations are estimated costs in accordance with IFRS 2 and do

not consider potential hedging costs. However, additional shares may be required to cover the cash flow effects associated with social security contributions.

In the view of the Board, the positive effects expected to arise from LTIP 2019-2021, outweigh the costs associated with LTIP 2019-2021.

The Board's explanatory statement

The Board wishes to increase the ability of Cavotec to retain key managers. Moreover, an individual long-term ownership commitment among the participants in LTIP 2019-2021 is expected to stimulate greater interest and motivation in the Company's business operations, results and strategy. The Board believes that the implementation of LTIP 2019-2021 will benefit Cavotec and its shareholders. LTIP 2019-2021 will provide a competitive and motivation-improving incentive for key managers within the Group.

LTIP 2019-2021 has been designed to reward the participants for increased shareholder value by awarding shares, based on the fulfilment of conditions in respect of results and operations. By linking the employees' remuneration to an improvement in Cavotec's results and value, the long-term value growth of Cavotec is rewarded. Based on these circumstances, the Board considers that the implementation of LTIP 2019-2021 will have a positive effect on the Cavotec Group's continued development, and will thus be beneficial to the shareholders and Cavotec.

Other share-related incentive programs

The Company has previously operated a different type of long-term incentive plan with the aim of incentivizing selected senior executives of the Group to become shareholders of Cavotec SA. Under this type of plan participants have the possibility, but are not obligated, to purchase co-investment shares at fair value on the stock-market during the co-investment period of the respective plan. The amount of the matching incentive depends on the number of co-investment shares still held by the plan participant on the matching date, as well as, on the achievement of certain targets. These plans have not resulted in the expected participation and are, in the opinion of the Company, not competitive with plans offered by other employers.

The Company has at the time of the AGM two share-related incentive programs of the previous type, LTIP 2016-2018 and LTIP 2017-2019 as described in the Company's annual report.

Adjustment Authorisation

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

Preparations

The basis for LTIP 2019-2021 has been prepared by the Board of Directors of the Company. The work has been supported by external advisors and been made in consultation with shareholders. The Board 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, no employee that may be in scope of the programme has participated in the preparations of the programme's terms.

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