



G5 ENTERTAINMENT AB

Board Proposal to Issue Warrants

General Principles for the Warrant Program

G5 Entertainment AB (publ.) (the “Company”) and its subsidiaries lack a share related incentive program. The Company today has a more stable platform and in order to encourage the future development, the board of directors wants to be able to stimulate extraordinary achievements from executives and other key employees in the group. Therefore, the board of directors proposes this incentive program.

The reasons for the incentive program are to raise the motivation and create participation in respect of executives and key employees concerning possibilities and risks related to the Company’s development. Further, the aim is to motivate executives and key employees to continued employment in the group and, in particular situations, to be used for recruitment purposes. The need of a share related incentive program should be considered against the background that the group is active on a global market and that the executives and key employees in the group, relevant for participation in the program, are conducting business on markets where share related incentives are normal parts of their compensation.

The proposal has been prepared by the Company’s board of directors.

The board of directors proposes that the general meeting resolves to adopt a general incentive program (the “Program”) in accordance with the guidelines stated below. The purpose is that the following terms shall constitute the foundation for yearly allocations of warrants during the period 2012-2014. Each yearly allocation shall be submitted to the general meeting for approval.

General terms of the Program:

- Each warrant gives the holder a right to subscribe for one (1) share in the Company;
- Allocation and which persons who shall be entitled to participate in the Program shall, for each year, be determined by the board of directors in accordance with the following guidelines: (a) the program shall include key employees and executives which have direct possibilities to affect the profit and loss of the group and (b) the proportion between the number of warrants which the employee is offered to subscribe for shall vary depending on the employee’s responsibilities and position;
- The period for the warrants shall be 3 years 3 months and it shall be possible to exercise the warrants after three (3) years;

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- The strike price and the premium shall take into account the development of the share price during the year and a new market evaluation shall be made in connection with each issue;
- Except for the managing director, the members of the board of directors shall not have a right to acquire any warrants;
- Allocation of warrants to employees outside of Sweden is dependent on fiscal effects, subject to that no legal restrictions apply and that the board of directors assesses that such allocation can be carried through with reasonable administrative and economic resources;
- The allocation of warrants is subject to that the employee has signed a pre-emption agreement with the Company. An offer of first refusal, to be made to the market value, shall be made in the event of a take-over bid by a third party of all shares in the Company and prior to any transfer of warrants to a third party. In other situations, the warrants are freely transferable;
- The strike price shall be determined on the basis of the volume weighted average during ten (10) trading days subsequent to the relevant general meeting (however, not lower than the share's quote value) according to the listed settled prices on the Aktietorget's (or other exchange where the Company's share may be listed in the future) stock exchange list for shares in G5 Entertainment AB (publ.) with a percentage supplement which shall be determined yearly by the general meeting. Days at which no paid price is quoted shall be excluded from the calculation;
- The premium for the warrants shall be the market value of the warrants according to an evaluation with application of a recognized evaluation formula (the Black & Scholes-formula). The period of measurement for the calculation of the premium of the option with application of the Black & Scholes-formula shall proceed during ten (10) trading days subsequent to the relevant general meeting;
- The intention is that approximately one third of the warrants shall be issued at the extraordinary general meeting in the autumn of 2012, approximately one third at the annual general meeting 2013 and approximately one third at the annual general meeting 2014 corresponding to at most two percent per year of the outstanding shares as calculated at the time of the issue. Given that allocation is done every third year, loyal employees are rewarded and changes in the share price can be managed more efficiently with a better allocation of risks.

The board of directors shall yearly, together with the Company's remuneration committee, if and when such committee has been appointed, evaluate the suitability and appropriateness of the Program and, if it is deemed necessary or appropriate, propose adjustments or additions to the Program. The number of outstanding warrants issued according to the Program may not, at any time, represent more than six percent of the total number of issued shares as calculated at the time of the last issue. Shares which are held by the Company shall be included when calculating the total number of outstanding shares.

The Board of Directors' Proposal to Issue Warrants According to the Program (Allocation 2012)

In accordance with the general terms laid down in respect of the Program, as set forth above, the board of directors proposes that the extraordinary shareholders' meeting 2012 resolves to issue warrants according to the following general terms:

- The number of warrants – to be issued – shall be, at the most, 160 000.
- The right to acquire warrants shall, with deviation from the shareholder's preferential right, belong to executives and key employees in the group. Subscription for the warrants shall be made between November 15, 2012, and December 14, 2012. Subscription shall be made in a separate subscription list.
- The premium for the warrants shall be correspondent with the market value of the warrants according to an evaluation with application of a recognized evaluation formula (the Black & Scholes-formula). The period of measurement for the calculation of the premium of the option with application of the Black & Scholes-formula shall proceed between November 1, 2012, and November 14, 2012.
- The warrants may be exercised between December 15, 2015 and March 14, 2016.
- Each warrant gives the holder a right to subscribe for one (1) share in the Company to a strike price amounting to 250 percent of the volume weighted average of the listed settled prices - during the period between November 1, 2012, and November 14, 2012 - according to Aktietorget's stock exchange list for shares in G5 Entertainment AB (publ.) (however, not lower than the share's quote value, being 0.1 SEK). Days at which no paid price is quoted shall be excluded from the calculation.
- In case all warrants are exercised, at the most 160 000 shares may be issued (with reservation for possible recalculation), which corresponds to approximately two percent of the total number of outstanding shares and votes. At full exercise, the Company's share capital will increase with 16 000 SEK with a dilution of below two percent. The calculation is based on the number of shares and votes which, at the most, may be issued divided with the total number of shares and votes subsequent to such issue. Shares which are held by the Company shall be included when calculating the total number of outstanding shares.
- The Program shall include maximum 16 persons. The proportion between the number of warrants which the employee is offered to subscribe for shall vary depending on the employee's responsibilities and position. The managing director and the group chief executive shall be offered, at the most, 20 000 warrants and the other key employees shall be divided into categories where an individual person shall be offered, at the most, 15 000 warrants and, at the least, 5 000 warrants. The board of directors shall determine which persons who shall be included in the respective category and which persons who shall be entitled to

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be allocated warrants. Except for the managing director, the members of the board of directors shall not have a right to subscribe for warrants.

- Allocation of warrants to employees outside of Sweden is dependent on fiscal effects, that no legal restrictions apply and that the board of directors assesses that such allocation can be carried through with reasonable administrative and/or economic resources.
- The allocation of warrants is subject to that the employee has signed a pre-emption agreement with the Company. An offer of first refusal, to be made to the market value, shall be made in the event of a take-over bid by a third party of all shares in the Company and prior to any transfer of warrants to a third party. In other situations, the warrants are freely transferable.
- The costs related to the Program (allocation 2012) are calculated to amount to about 100 000 SEK. The Program (allocation 2012) is not assessed to materially affect the Company's profit per share.
- The additional terms for the warrants are enclosed hereto, Appendix A (*Terms for warrants (2012-2015) regarding subscription of shares in G5 Entertainment AB (publ.)*).

The reasons for the deviation from the shareholders' preferential rights are to raise the motivation and create participation in respect of executives and key employees concerning possibilities and risks related to the Company's development.

This proposal has been prepared by the board of directors of the Company. The managing director did not participate in the preparation of this proposal.

The resolution requires that shareholders representing at least 9/10 of the shares at the shareholder's meeting vote in favour of the proposal (Companies Act Chapter 16).

The board of directors of the Company, or someone appointed by the board, is hereby authorized to make minor changes of these terms, which may be required when registering the program with the Swedish Companies Registration Office (*Sw: "Bolagsverket"*).