



**SEMCON**

# **Proposed resolutions, etc. ahead of Annual General Meeting in Semcon AB (publ)**

**Wednesday 26 April 2017, 3.00 p.m.  
at Lindholmsallén 2, Göteborg**

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## **PROPOSED AGENDA**

1. Opening of the Annual General Meeting
2. Election of Chairman of the Annual General Meeting
3. Drafting and approval of the voting list
4. Approval of the agenda
5. Election of two people to approve the minutes together with the Chairman
6. Review as to whether the Annual General Meeting has been duly convened
7. Presentation of the Annual Report, auditors' report and consolidated accounts and consolidated auditors' report, along with a presentation of the work of the Board during the year, presentation by the CEO and questions from the shareholders to the Board and management team
8. Decision regarding adoption of the income statement and balance sheet and the consolidated income statement and the consolidated balance sheet
9. Decision regarding appropriation of the company's profits according to the adopted balance sheet and record date for dividend
10. Decision regarding discharge of liability for the Board members and the CEO
11. Presentation of the work and proposals of the Nominations Committee
12. Decision regarding the number of Board members and deputies
13. Decision regarding number of auditors and deputy auditors or registered public accounting firm
14. Determination of remuneration to the Board
15. Determination of remuneration to the auditors
16. Election of the Chairman of the Board, Board members and possible deputies
17. Election of auditors and any deputy auditors or registered public accounting firm
18. Decision regarding the Nominations Committee
19. Decision regarding guidelines for determining salaries and other remuneration to senior executives
20. A) Decision on introducing a long-term performance-based share savings scheme for senior executives and key employees,

- B) decision to authorise the Board to transfer own ordinary shares to participants in the programme, and
  - C) decision on a share swap agreement with a third party
21. Decision authorise the Board to decide on new issues of shares
  22. A) Decision to authorise the Board to decide on the acquisition and transfer of the company's own shares, and  
B) decision to authorise the Board to decide on the transfer of own shares
  23. Other matters
  24. Closing of the Annual General Meeting

## **NOMINATIONS COMMITTEE'S PROPOSALS**

The Nominations Committee of Semcon AB [publ], corporate identity number 556539-9549, was appointed in accordance with the procedure resolved on by the 2016 Annual General Meeting and comprises Ulf Gillberg [JCE Group Aktiebolag] Chairman of the Nominations Committee, Evert Carlsson [Swedbank Robur Fonder], Mats Andersson [Nordea Investment Funds] and the Chairman of the Board Tore Bertilsson [co-opted member], who together represented 37.9 per cent of the votes associated with all the shares in the company at the end of August. Swedbank Robur Fonder has sold all of its shares in the company following the completion of the Nominations Committee's work, whereby the Nominations Committee represented 34.0 per cent of the votes associated with all the shares in the company.

The Nominations Committee submits the following proposals to the Annual General Meeting on 26 April 2017:

### **Item 2 - Election of Chairman of the Annual General Meeting**

The Nominations Committee proposes Tore Bertilsson, as Chairman of the Annual General Meeting.

### **Item 12 - Decision regarding the number of Board members and deputies**

The Nominations Committee proposes that there be five Board members elected by the Annual General Meeting and no deputies.

### **Item 13 - Decision regarding the number of auditors and deputy auditors or registered public accounting firm**

The Nominations Committee proposes that a registered public accounting firm be appointed auditor of the company.

### **Item 14 - Determination of remuneration to the Board of Directors**

The Nominations Committee proposes a total remuneration of SEK 1,720,000 [an increase from SEK 1,610,000] be paid to Board members elected by the Annual General Meeting, of which SEK 600,000 [an increase from SEK 550,000] to the Chairman and SEK 280,000 [an increase from SEK 265,000] to each of the other members elected by the Annual General Meeting. Furthermore, the Nominations Committee proposes that no special fees be paid for work on Board committees.

#### **Item 15 - Determination of remuneration to the auditors**

The Nominations Committee proposes that the fee paid to auditors be made on open account, approved by the company.

#### **Item 16 - Election of Chairman of the Board, Board members and possible deputies**

The Nominations Committee proposes the re-election of Tore Bertilsson, Marianne Brismar, Jan Erik Karlsson, Jeanette Saveros and Karl Thedéen as Board members.

The Nominations Committee proposes the re-election of Tore Bertilsson as Chairman of the Board.

**Tore Bertilsson** [born 1951], elected to the Board in 2015 and Chairman of the Board since 2016.

Qualifications: Master of Business Administration.

Professional background: Former deputy CEO and CFO of AB SKF and bank director of SEB.

Nationality: Swedish.

Other board assignments: Chairman of Aktiebolaget Ludvig Svensson, Försäkringsbolaget PRI Pensionsgaranti and Perstorp Holding AB. Board member of Gunnebo AB, IKEA Group, Intrum Justitia AB and JCE Group Aktiebolag.

Shareholding in Semcon: 10,000.

**Marianne Brismar** [born 1961], elected to the Board in 2008.

Qualifications: Pharmacist and Master of Business Administration.

Professional background: Former CEO and owner of Atlet AB, among other positions.

Nationality: Swedish.

Other board assignments: Board member of Axel Johnson International Aktiebolag, Beijer Alma AB, Concentric AB, Creades AB, JOAB AB and Lindab International AB.

Shareholding in Semcon: 5,000.

**Jan Erik Karlsson** [born 1949], elected to the Board in 2016.

Qualifications: Bachelor of Philosophy.

Professional background: Former CEO of Capgemini Sverige AB and other leading positions at Capgemini Group.

Nationality: Swedish.

Other board assignments: Chairman of IC Quality AB and Board member of Itera AS.

Shareholding in Semcon: 0.

**Jeanette Saveros** [born 1974], elected to the Board in 2016.

Qualifications: Construction engineer.

Professional background: CEO of Arcona AB.

Nationality: Swedish.

Other board assignments: Board member of Svenska Teknik & Designföretagen, Sweden Green Building Council and Svenska Markservice AB.

Shareholding in Semcon: 0.

**Karl Thedéen** [born 1963], elected to the Board in 2016.

Qualifications: MSc in Engineering.

Professional background: Senior Vice President and Business Area Manager of Infinera, former CEO of Transmode AB [publ]. Before then, he held a number of senior positions at the Ericsson Group. Karl was a Board member of Latour Industries between 2012 and 2015 and HMS Networks AB [publ] between 2013 and 2015.

Nationality: Swedish.

Other board assignments: Board member of Edgeware AB [publ].

Shareholding in Semcon: 7,750.

In addition to the holdings stated above, none of the persons proposed, or their close associates, own shares or share-related instruments in the company.

The proposed Board members are considered independent in relation to the company, company management and major shareholders in the company, with the exception of Tore Bertilsson who is deemed to be dependent in relation to major shareholders in the company as he is a Board member of a company that is a large shareholder in Semcon and Jan Erik Karlsson who is considered to be dependent in relation to major shareholders in the company as he is an advisor to a major shareholder in Semcon.

The Nominations Committee's reasoned statement regarding proposals to the Board are available on the company's website, [www.semcon.com](http://www.semcon.com) and can also be found in [Supplement A](#). The report also contains a brief account of how the Nominations Committee's work was conducted.

#### **Item 17 - Election of auditors and any deputy auditors or registered public accounting firm**

The 2016 Annual General Meeting elected Deloitte AB as auditor of the company until the close of 2017 Annual General Meeting. The Nominations Committee proposes that the registered auditing firm Ernst & Young Aktiebolag be elected as auditor for the period of one year, in accordance with the recommendation received by the Nominations Committee from the Board. The Board recommendation was drafted following the completion of a bidding procedure that included Ernst & Young Aktiebolag.

#### **Item 18 - Decision regarding the Nominations Committee**

In line with the preceding year, the Nominations Committee proposes that the company shall have a Nominations Committee, that no remuneration be paid to the Nominations Committee, although the company shall pay the

costs of the Nominations Committee, and that there be a nominations process with the following content.

1. The Nominations Committee shall comprise three, or in some cases [see point 6 below], four members. In addition, the Chairman of the Board shall be a co-opted member in the Nominations Committee.
2. Based on shareholder statistics received from Euroclear Sweden AB each year on 31 August, the Chairman of the Board is to without undue delay contact the three largest shareholders [based on number of votes] and ask each of them to appoint, within a reasonable period, one member of the Nominations Committee. If any of the three largest shareholders declines to appoint a member to the Committee, the other major shareholders will be asked to appoint a member to the Committee. If such an offer is made, it will go in turn to the largest shareholders [i.e., first to the fourth largest shareholder, then the fifth largest shareholder, etc.]. The proceedings shall continue until the Nomination Committee consists of three members and the Chairman of the Board as a co-opted member. The Nominations Committee shall be constituted not later than 30 September.
3. The member proposed by the shareholder holding the most votes will serve as Chairman of the Nominations Committee.
4. Membership of the Nominations Committee applies until a new Committee is appointed.
5. The names of the members of the Nominations Committee shall be announced as soon as the Committee is appointed and six months before the next Annual General Meeting at the latest.
6. If there are changes in the shareholder structure after 31 August and earlier than two months prior to the Annual General Meeting, and if a shareholder consequently becomes one of the three largest shareholders and makes a request to the Nominations Committee's Chairman to be represented on the Nominations Committee, then this shareholder shall have the right to either appoint an additional committee member or, if the Nominations Committee so decides, to appoint a representative to replace the representative of the shareholder who has the least number of votes following the changes in ownership structure.
7. If a member of the Nominations Committee resigns during the mandate period or is unable to fulfil his or her obligations, then the Chairman of the Nominations Committee shall without delay ask the shareholder to appoint a new representative within a reasonable time. If the shareholder declines to replace a new representative, the Chairman shall - provided that the number of shareholder-appointed members of the Nomination Committee thus will be less than three - ask other large shareholders to appoint a member to the Nominations Committee. If such an offer is given, it shall be



offered to the largest shareholder in terms of voting rights [i.e. to the shareholder with the largest number of voting rights who has not already appointed or who has declined to appoint a member, then the next largest shareholder who has not already appointed or declined to appoint a member to the Nomination Committee, etc.]. The proceedings shall continue until the Nomination Committee consists of three members and the Chairman of the Board as a co-opted member.

8. The Nominations Committee is to perform the duties that from time to time are required under the Swedish Corporate Governance Code. The duties of the Nominations Committee include making proposals for [i] Chairman of the Annual General Meeting, [ii] Chairman of the Board and other Board members, [iii] fees and other remuneration for Board assignments for each Board member, [iv] fees for auditors [v] selection of auditors and [vi] fees for members of the Nominations Committee and proposals for the nomination process in general. The Nominations Committee will provide the company with the information required for the company to meet its disclosure requirements under the Swedish Corporate Governance Code.

## **Statement by the Nominations Committee concerning its proposals for the Board**

### **Composition of the Nomination Committee**

In accordance with the decision made by Semcon AB's [publ], corporate identity number 556539-9549, ["Semcon" or the "company"] 2016 Annual General Meeting, Tore Bertilsson, the Chairman of the Board, contacted in September 2016, in order of priority, the largest shareholders in Semcon in terms of voting rights in Semcon as of 31 August, to establish a Nominations Committee. The Nominations Committee's composition was made public in a press release on 15 September 2016, after which this information has been available on the company's website.

The Nominations Committee consisted of the following members:

Ulf Gillberg, JCE Group Aktiebolag  
Evert Carlsson, Swedbank Robur Fonder  
Mats Andersson, Nordea Investment Funds  
Tore Bertilsson, Chairman of the Board of Semcon [co-opted]

In accordance with the decision made by the 2016 Annual General Meeting, the member nominated by the largest shareholder in terms of voting rights will be the Chairman. JCE Group Aktiebolag is Semcon's largest shareholder, making Ulf Gillberg the Nominations Committee's Chairman. The shareholders that appointed members to the Nominations Committee represented at the time of its creation around 37.9 per cent of the votes associated with all the shares in the company. Swedbank Robur Fonder has sold all of its shares in the company following the completion of the Nominations Committee's work, whereby the Nominations Committee represented 34.0 per cent of votes associated with all the shares in the company.

### **Presentation of the work of the Nominations Committee**

The Nominations Committee held three minuted meetings and between meetings kept in contact by telephone and email. As a basis for its work concerning proposals regarding Board members, the Nominations Committee had access to the evaluation carried out by the Board and was privy to the Chairman of the Board's accounts for the Board's work and Semcon's business activities and objectives. In addition, the Nominations Committee has spoken with all the proposed members.

For assessing to what extent the proposed Board members meet the requirements that will be imposed on the Board over the coming mandate period, the company's situation and future alignment has been discussed. This has been carried out mainly emphasizing the Board members'

respective industry experience, international experience, business acumen and financial expertise and experience.

The Nominations Committee works in accordance with requirements set out in the Swedish Corporate Governance Code and considered all issues incumbent on the Committee to consider in accordance with the Code. The Nominations Committee has therefore discussed and considered whether the Board meets the stipulated requirements. The Nominations Committee has specifically considered its aim for an even gender distribution on the Board and that the Board's composition should be characterized by diversity and breadth in terms of expertise, experience and background. The Nominations Committee applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy when preparing proposals for the election of Board members, which corresponds to the diversity policy used by the company.

On Semcon's website, under the heading *Corporate Governance* is a specific *Nominations Committee* section, where Semcon's shareholders have been given the opportunity to communicate with the Nominations Committee. No proposals have been received by the Nominations Committee, but an open letter was received from the Swedish Shareholders' Association with regard to other assignments carried out by the proposed Board members.

#### **Statement by the Nominations Committee concerning its proposals for the Board**

Following an evaluation, the Nominations Committee has determined that the work of the Board has been effective. The expertise and experience considered important for Semcon are represented on the Board. The Nominations Committee believes the Board members have the expertise that is important for Semcon's business, stage of development and general conditions.

The Nominations Committee proposes the re-election of Tore Bertilsson, Marianne Brismar, Jan Erik Karlsson, Jeanette Saveros and Karl Thedéen as Board members. The Nominations Committee proposes the re-election of Tore Bertilsson as Chairman of the Board.

The Nominations Committee's proposal entails that the number of Board members will remain unchanged at five with no deputies.

The Nominations Committee has specifically considered the Board's structure in terms of the need for versatility, expertise and experience in accordance with the Swedish Corporate Governance Code.

The Nominations Committee has also considered that a gender balance should be sought where the proportion of women on the Board over the last four years has amounted to 40 per cent. This year's proposal also means that the proportion of women on the Board is 40 per cent.

The Nominations Committee applied Item 4.1 of the Swedish Corporate Governance Code as its diversity policy and with reference to this, the Nominations Committee deems that the Board members offer a diversity and breadth in terms of expertise, experience and background. The Nominations Committee sees the issue of diversity as important and considers it vital that future Nominations Committees continue to actively work to satisfy these perspectives on the Board.

There has been some discussion about the independence of the Board members and the Nominations Committee's assessment is that the proposal meets current requirements for members' independence, previous experience of Board positions in listed companies and accounting or auditing expertise.

The Nominations Committee has considered the open letter sent by the Swedish Shareholders' Association in December 2016. The Nominations Committee's assessment based on recommendations in the Swedish Corporate Governance Code that the proposed Board members who have a number of other Board assignments in addition to Semcon have substantial expertise and lengthy experience of Board assignments, which is expected to benefit the company and ensure that assignments can be carried out effectively. Accordingly, these Board members are considered to have the necessary time and diligence to safeguard the interests of the company and its owners. In light of this, these Board members continue to be considered highly suitable for Board work in Semcon.

Against this background, the Nominations Committee deems the Board, in accordance with the proposal, to be suitably structured, considering Semcon's business, future development and general conditions.

Further information about the proposed Board members is available in the Nominations Committee's proposals, available on Semcon's website, [www.semcon.com](http://www.semcon.com).

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Semcon AB's [publ] Nominations Committee, March 2017

## **BOARD'S PROPOSALS**

The Board of Semcon AB [publ], corporate identity number 556539-9549, proposes that the Annual General Meeting of 26 April 2017 make the following decisions:

### **Item 9 - Decision regarding appropriation of the company's profits according to the adopted balance sheet and record date for dividend**

The Board proposes that the remaining profits of SEK 260,282,060 at the disposal of the meeting be allocated as follows:

Dividend of SEK 2.25 per share to shareholders	SEK 40,753,201
<u>Carried forward to new account</u>	<u>SEK 219,528,859</u>
Total	SEK 260,282,060

The maximum amount of the dividend is SEK 40,753,201 if the company owns none of its shares on the record date for the dividend. On the date for notification for the Annual General Meeting, the company had 18,112,534 shares, of which 242,718 shares do not currently give entitlement to a dividend and are own shares. Accordingly, the total amount of the dividend, SEK 40,753,201, could be lower depending on the amount of own shares acquired on the record date for the dividend.

It is proposed that the record date for the dividend be 28 April 2017. If the Annual General Meeting decides in accordance with the proposal, payment is expected to be made via Euroclear Sweden AB on 4 May 2017.

In connection with the proposal, the Board has made assurances in accordance with Chapter 18, Section 4 of the Swedish Companies Act, see Supplement B.

### **Item 19 - Decision regarding guidelines for determining salaries and other remuneration to senior executives**

The Board proposes that the Annual General Meeting establish guidelines for determining salaries and other remuneration to senior executives up to the time of the 2018 Annual General Meeting.

1. In these guidelines, senior executives are the CEO and President and the other members of the Semcon Group's Group management team.
2. These guidelines shall apply for agreements reached after the 2017 Annual General Meeting and for previous agreements changed after the 2017 Annual General Meeting.
3. The company is to have remuneration levels and other terms of employment required to retain and recruit senior executives with the expertise and capacity to achieve established targets. Total

remuneration – made up of various components such as fixed salary, bonus, participation in share-based incentive schemes, pension benefits and other remuneration and benefits – is to be reasonable, competitive and market-based, and be decided with consideration for, among other factors, performance, position and importance for the Group.

4. Fixed salary will be paid for satisfactory work. Fixed salary will normally be reviewed once a year.
5. A bonus of a maximum of 6 months' salary may be offered to senior executives. This bonus will be primarily based on results and bonus targets, and be established once a year.
6. In addition to applicable collective agreements and similar agreements, senior executives shall be given the right to arrange individual pension solutions, whereupon salary and bonus relinquishment may be utilised to increase pension payments provided no increased cost is incurred for the company over time. All pension solutions agreed in future shall be premium-based.
7. Notice of resignation for senior executives is to be a minimum of six months and maximum of 12 months. Notice of dismissal by the company is to be a maximum of 12 months. Dismissal pay and severance pay combined must not exceed 12 months' salary.
8. In addition, other remuneration and benefits may be offered to senior executives to facilitate possibilities to complete work assignments.
9. The Board has the right to deviate from these guidelines in individual cases if there is special reason.

To ensure continuity, the Board's proposals are in line with previous years' remuneration principles and agreements.

The Board has exercised its right for one case to deviate from the guidelines for determining salaries and other remuneration to senior executives set at the 2016 Annual General Meeting. The difference relates to a one-off bonus agreement concluded with one senior executive that involves a possible bonus payment amounting to approximately seven monthly salaries. The Board determined that there were special circumstances for the deviation considering the person's contribution in one particular Group specific project.

In other matters, see the 2016 Annual Report for details of remuneration paid to senior executives in 2016.

**Item 20 - Decision on introducing a long-term performance-based share savings scheme for senior executives and key employees, including the authorisation of the Board to transfer own ordinary shares to participants in the programme, etc.**

**Background and reasons for the proposal**

The reason for the proposal, and the reason for deviating from preferential rights for existing shareholders, is that the Board wishes to create the conditions to retain and recruit senior executives and key employees to the Semcon Group by increasing share ownership among these individuals. Employees' share ownership in Semcon is expected to stimulate an increased interest in operations and the earnings trend, to raise motivation, increase the sense of loyalty to the company [and its subsidiaries] and to create a Group-wide focus. In light of this, a decision to introduce a long-term performance-based share savings scheme in accordance with the proposal ["Performance-based Share Savings Scheme 2017"] is expected to have a positive impact on the continued development of the Semcon Group and thus benefit both shareholders and employees in the Semcon Group who participate in the programme.

The 2015 Annual General Meeting agreed to introduce the Performance-based Share Savings Scheme 2015, which will end in 2019. The conditions for the Performance-based Share Savings Scheme 2017 correspond to the conditions for the Performance-based Share Savings Scheme 2015, with the exception that the average percentage increase in earnings per share after dilution will be 20 per cent or more [previously 15 per cent] for receiving the maximum allocation under the programme. In addition, about 40 [previously 110] senior executives and key employees will be invited to take part in the programme and to make an investment of at most 10 per cent [previously 5 per cent] of the participant's gross salary. The reason for the changes is to ensure that the programme has the desired effect for both shareholders and the employees who take part in the programme. The Board is otherwise of the opinion that the structure of the programme supports the aim. Consequently, and as the investment period for the Performance-based Share Savings Scheme 2015 has expired, the Board in Semcon AB proposes that a new share savings scheme be established in accordance with the conditions below.

The Performance-based Share Savings Scheme 2017 will include shares equivalent to a maximum of 200,000 of the number of issued shares and voting rights. In conclusion, about 40 senior executives and key

employees in the Semcon Group will be invited to participate in the programme, which will run for 12 months from the date on which the programme will be implemented. Participation requires own investment equivalent to at most 10 per cent of the participant's gross salary for the purchase of ordinary shares. On the condition that the shares purchased by the employee are retained for three years, then the employee will receive the same amount of ordinary shares ["matching shares"] free of charge and, as long as performance requirements have been met, then a further two to four ordinary shares ["performance shares"] will be issued for each purchased share.

The stipulated conditions, in addition to the requirement that the employee must retain the purchased shares for three years, for receiving performance shares is based on the following:

Semcon's average annual percentage increase in earnings per share between 2016 and 2019 is to be at least 5 per cent. The 2016 earnings per share for continuing operations will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more. Performance shares will not be issued if the average annual earnings per share increase is equal to or less than 5 per cent. Matching of performance shares with an annual increase of earnings per share of between 5 and 20 per cent will be on a linear basis.

In accordance with earlier authorisation granted by the Annual General Meeting to the Board, Semcon has acquired own ordinary shares on Nasdaq Stockholm to ensure the supply of shares to participants within the framework of the Performance-based Share Savings Scheme 2015. In view of the fact that the issue within the Performance-based Share Savings Scheme 2015 is expected to require fewer ordinary shares than the total number of shares repurchased to cover the transfer to participants, all of the repurchased shares will not be used to fulfil the obligations towards participants in the programme. The current holding of own ordinary shares held by Semcon is therefore considered to also cover the number of ordinary shares needed to fulfil obligations under the Performance-based Share Savings Scheme 2017 as now proposed.

### **Safeguarding measures and financing**

The Board has observed various safeguarding measures for the transfer of ordinary shares to employees as part of the Performance-based Share Savings Scheme 2017, such as the transfer of own ordinary shares and a share swap agreement with a third party.



The Board believes the transfer of own ordinary shares is the most cost-efficient and flexible method to transfer ordinary shares for the Performance-based Share Savings Scheme 2017.

The company's current holding of own ordinary shares amounts to 242,718 ordinary shares, which will be used for both the Performance-based Share Savings Scheme 2015 and the Performance-based Share Savings Scheme 2017. For more information, see the heading "Proposal for a decision" below.

As costs for a share swap agreement significantly exceed costs for the transfer of own ordinary shares, the main alternative proposed is that financial exposure and supply to participants under the Performance-based Share Savings Scheme 2017 be secured by the transfer of own shares.

### **Costs**

A preliminary cost estimate for the Performance-based Share Savings Scheme 2017 is based on the assumption of 100 per cent support for the programme, an expected employee turnover among participants of 5 per cent per year and that each participant makes an own investment equivalent to his or her highest permitted amount. The value of the matching shares and performance shares has been estimated based on a share price of SEK 57 [equivalent to the share price as of 20 March 2017] at the launch of the programme including a deduction for the current value of the estimated dividend for the 2017-2019 financial years. Estimated social security contributions are based on an assumed average share price at issue of SEK 76, which entails an annual rise in share price of 10 per cent.

The total effect on the income statement is expected to amount to about SEK 5 to 13 million, including social security contributions and administrative expenses, unevenly distributed during 2017-2021. The effect is dependent on the issue of performance shares where SEK 13 million relates to estimated costs for the full issue of performance shares and SEK 5 million relates to estimated costs with no issue of performance shares. Expenses should be viewed in relation to total salary costs in 2016 for companies currently included in the Semcon Group, which amounted to SEK 1,112 million including social security contributions.

Of the above-mentioned total costs, compensation expenses, equivalent to the value of ordinary shares transferred to employees, are estimated at about SEK 3 to 8 million. In addition, administrative expenses have been estimated at a maximum amount of SEK 1 million. The cost for social security contributions is estimated at between SEK 2 and 4 million.

To the extent that share swap agreements are signed to safeguard commitments in the programme, costs are expected to rise by about SEK 1 million.

### **Dilution and impact on key figures**

There are 18,112,534 issued shares in the company. As of 31 December 2016, the company held 242,718 own ordinary shares, which is sufficient to cover the company's obligations for both the Performance-based Share Savings Scheme 2015 and the Performance-based Share Savings Scheme 2017.

Of the total 200,000 ordinary shares required for the Performance-based Share Savings Scheme 2017, all ordinary shares can be transferred free of charge to employees, which may lead to a dilution of earnings per share of 1.10 per cent. The dilution effect of ordinary shares is independent of the share price on the matching date, since they are transferred free of charge to employees.

### **Preparation of the proposal**

This proposal has been drawn up by the Board supported by external advisers and certain large shareholders have been informed. With the exception of the officials who have drafted this issue for the Board, no employee who may participate in the Performance-based Share Savings Scheme 2017 has taken part in the preparation of the terms and conditions. The CEO has not taken part in drafting this issue.

## **PROPOSAL FOR A DECISION**

### **A. Decision on introducing a Performance-based Share Savings Scheme 2017**

The Board proposes that the Annual General Meeting resolves on the introduction of a Performance-based Share Savings Scheme 2017 including the issue of up to 200,000 ordinary shares, largely in accordance with the following guidelines:

1. About [40] key employees in the Semcon Group, with the exception of what is specified in Item 3] below, will be invited to take part in the Performance-based Share Savings Scheme 2017.
2. Employees who participate in the Performance-based Share Savings Scheme 2017 can save an amount equivalent to 10 per cent [category 2 below] or 5 per cent [category 1 below] respectively of their fixed gross salary to purchase ordinary shares on Nasdaq Stockholm over a

12-month period from the date the scheme is implemented. If the shares bought by the employee are retained for three years from the time of the investment and employment, or equivalent employment, within the Semcon Group throughout the entire three-year period, then the employee will receive the same amount of matching shares from the Semcon Group and – as long as performance requirements have been met in accordance with Item 4 – then a further two to four performance shares will be issued for each share acquired as follows.

Category 1                      Approximately 30 senior executives and other key employees, e.g. management teams for the Semcon Group’s business areas, may have the right to additional matching of up to two performance shares for each share acquired.

Category 2                      Approximately 7 senior executives in Semcon’s Group management may have the right to additional matching of up to four performance shares for each share acquired.

The Board, or the person(s) the Board appoints, will choose which managers and other key employees in the Semcon Group and which senior executives, including management teams for Semcon Group’s business areas, are to be invited to take part in the programme [Category 1]. The Board is to choose which senior executives in Semcon’s Group management are to be invited to take part in the programme [Category 2].

The Board is to have the right to allow early matching, meaning matching despite not fulfilling the three-year requirement for the holding period or employment, although only in “good-leaver situations”.

3. Participation in the Performance-based Share Savings Scheme 2017 requires in part that participation can legally take place, and in part that participation in the company’s assessment is possible with reasonable administrative expenses and economic effort. The Board has the right to introduce an alternative incentive solution for employees in countries where participation in the Performance-based Share Savings Scheme 2017 is not suitable. This type of alternative incentive solution shall, as far as practically possible, be designed with equivalent terms and conditions as the Performance-based Share Savings Scheme 2017.

4. The terms and conditions for receiving performance shares as part of the Performance-based Share Savings Scheme 2017 are based on the following:

Semcon's average annual percentage increase in earnings per share between 2016 and 2019 is to be at least 5 per cent. The 2016 earnings per share for continuing operations will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more. Performance shares will not be issued if the average annual earnings per share increase is equal to or less than 5 per cent. Matching of performance shares with an annual increase in earnings per share of between 5 and 20 per cent will be on a linear basis.

5. Before a final decision can be taken on the number of performance shares to issue, the Board will assess if any significant changes have taken place in the company, the Group or in the market. If the Board finds this to be the case, it can decide to reduce the number of performance shares issued to a lower number of shares that the Board finds suitable for all or some participants in the programme.
6. The number of matching and performance shares shall be recalculated in the event of an intervening bonus issue involving the issue of new shares, a share split or reverse share split or other similar measures.
7. The Board is responsible for the detailed structure and management of the Performance-based Share Savings Scheme 2017 within the framework of the stipulated guidelines.
8. A decision in accordance with this Item A shall be conditional on the approval by the Annual General Meeting in line with the Board proposal in Item B below or approval in accordance with the Board's proposal in line with Item C below.

**B. Decision regarding authorising the Board to decide on the transfer of own ordinary shares to participants in the Performance-based Share Savings Scheme 2017**

In order to issue matching shares and performance shares according to the terms and conditions for the Performance-based Share Savings Scheme 2017, the Board proposes that the Annual General Meeting authorises the Board to resolve on the transfer of up to 200,000 own ordinary shares with the following conditions.

- With deviation from shareholders' preferential rights, only participants in the Performance-based Share Savings Scheme 2017 and subsidiaries in the Semcon Group have the right to acquire shares, whereby such subsidiaries shall be required to immediately transfer ordinary shares free of charge to those of their employees taking part in the Performance-based Share Savings Scheme 2017. Acquisitions shall be free of charge.
- Participants in the Performance-based Share Savings Scheme 2017 and subsidiaries in the Semcon Group shall, on one or more occasion, exercise their rights to acquire shares during the period when participants in the Performance-based Share Savings Scheme 2017 have the right to receive ordinary shares in accordance with the terms and conditions for the Performance-based Share Savings Scheme 2017.
- The reason for deviating from preferential rights for existing shareholders is to create a cost-efficient solution in order to fulfil the company's commitments under the terms and conditions for the Performance-based Share Savings Scheme 2017.
- If a share split or reverse share split, a bonus issue involving the issue of new shares, and/or other similar measures is taken before the transfer of shares, the number of shares transferred can be increased or reduced so that, following the measure, these are equivalent to an unchanged share of the company's shares.

### **C) Share swap agreement with a third party**

If the required majority for a decision cannot be reached, in line with Item B above, the Board proposes that the Annual General Meeting resolves that the company can enter into a share swap agreement with a third party to ensure the supply of shares to participants in the Performance-based Share Savings Scheme 2017, whereby the third party in its own name is to acquire and transfer ordinary shares in the company to employees included in the Performance-based Share Savings Scheme 2017. The acquisition of shares by a third party will be on Nasdaq Stockholm.

### **Majority requirement**

A decision to introduce the Performance-based Share Savings Scheme 2017, in accordance with Item A above, requires the support of more than half of the voting rights represented at the meeting. The Annual General Meeting's decision to authorise the Board to decide on the transfer of

own shares in accordance with Item B above, requires a majority of at least nine-tenths of the voting rights represented at the meeting.

A decision on the share swap agreement, in accordance with Item C above, requires the support of more than half of the voting rights represented at the meeting.

### **Item 21 - Decision to authorise the Board to decide on new issues of ordinary shares**

#### **Background and reasons for the proposal, etc.**

The Board has in previous years been authorised to decide on new issues of ordinary shares. This proposal requests similar authorisation.

On full utilization of the authorisation to issue new shares, the total number of shares and votes in the company can increase by 1,811,253, representing dilution of around ten per cent of current shares and votes, and the same dilution effect on the key indicators reported by the company regarding the Semcon share. The dilution effect is calculated as follows: 1,811,253 new shares divided by 18,112,534 current shares.

The reason for the proposal, and the reason for deviating from preferential rights for existing shareholders, is that the Board wishes to create cost-efficient and flexible opportunities for making payments for acquisitions of companies or businesses or parts thereof. Against this background, a decision in accordance with the proposal is judged to be beneficial for the shareholders.

#### **Decision to authorise the Board to decide on new issues of ordinary shares**

Against the background of the statements above, the Board proposes that the Annual General Meeting authorise the Board up to the time of the next Annual General Meeting, on one or more occasions, to decide on new issues of ordinary shares in the company on the following conditions:

1. New shares may only be issued to enable use of ordinary shares as liquidity in the acquisition of companies or businesses or parts thereof.
2. New shares may be issued with deviation from existing shareholders' preferential rights.
3. The new share issue shall comprise a maximum of 1,811,253 ordinary shares.
4. The subscription price is to correspond to the ordinary share's assessed market value at the time of issue.

5. Payment for the subscribed ordinary shares in the company is to be in capital contributed in kind.

6. The Board has the right to set other conditions for new issues.

The Board, or someone appointed by the Board, is authorised to make minor formal adjustments to the decision that may be necessary for registration with the Swedish Companies Registration Office.

### **Majority requirement**

For decisions to be valid, the proposal must be supported by shareholders with a minimum of two-thirds of the voting rights and shares represented at the meeting.

### **Item 22 - Decision to authorise the Board to decide on the acquisition and transfer of the company's own shares**

#### **Background and reasons for the proposal, etc.**

The Board has in previous years been authorised to decide on the acquisition and transfer of ordinary shares in the company. This proposal requests new authorisation.

The reason for the proposal, and the reason for deviating from preferential rights for existing shareholders, is that the Board wishes to create cost-efficient and flexible opportunities to: [i] improve the company's capital structure and thereby increase share value and [ii] to make payments for acquisitions of companies or businesses or parts thereof. Against this background, a decision in accordance with the proposal is judged to be beneficial for the shareholders.

#### **Proposal for a decision**

##### **A. Decision to authorise the Board to decide on the acquisition of own shares**

Against the background of the statements above, the Board proposes that the Annual General Meeting authorise the Board up to the time of the next Annual General Meeting on one or more occasions to decide on the acquisition of ordinary shares in the company on the following conditions:

1. Purchases are only to be made to [i] improve the company's capital structure and [ii] to enable use of ordinary shares as liquidity in making payments for acquisition of companies or businesses or parts thereof.
2. Purchases may only be made on Nasdaq Stockholm or through purchase offers directed to all owners of ordinary shares in the company.

3. Purchases of ordinary shares in the company on each occasion are to represent a maximum of 10 per cent of all shares in the company following the purchase.
4. Purchases on Nasdaq Stockholm shall be at a price per share within the current share price range for ordinary shares, or in the event that the Board assigns a stock exchange member to accumulate a specific amount of the company's shares in their own account for a specific period, at a price per share within a specified price range for the period or equivalent volume-weighted average share price, and purchases linked with an acquisition offer are to be made at a maximum price per share equivalent to the market price of the ordinary share in the company at the date of the offer plus an additional amount of not more than 20 per cent.
5. Payment for ordinary shares shall be made in cash.
6. The appropriate terms in the listing agreement with Nasdaq Stockholm shall be observed for purchases.
7. The Board has the right to set other conditions for purchases.

In connection with the proposal, the Board has made a statement in accordance with Chapter 19 Section 22 of the Swedish Companies Act; see [Supplement C](#).

#### **B. Decision to authorise the Board to decide on the transfer of own shares**

Against the background of the statements above, the Board proposes that the Annual General Meeting authorises the Board up to the time of the next Annual General Meeting, on one or more occasions, with deviation from shareholders' preferential rights, to decide on the transfer of ordinary shares in the company on the following conditions:

1. Transfers may only be made to use ordinary shares as liquidity for acquisition of companies or businesses or parts thereof.
2. Transfers on each occasion may be for the total number of ordinary shares owned by the company.
3. Transfers are to be made at a price corresponding to the ordinary share's assessed market value in connection with transfer.
4. Payment for ordinary shares is to be in capital contributed in kind.
5. The Board has the right to set other conditions for transferring shares.



**Majority requirement**

For decisions to be valid, the respective proposal must be supported by shareholders with a minimum of two-thirds of the voting rights and shares represented at the meeting.

**Statement in accordance with Chapter 18 Section 4 of the Companies Act**

The Board of Semcon AB [publ], corporate identity number 556539-9549, makes the following statement in accordance with Chapter 18 Section 4 of the Companies Act in connection with the proposal to pay a profit dividend of SEK 2.25 per share, which would mean a maximum of SEK 40,753,201 [based on the ownership of zero own shares] shall be paid. The Board has submitted this proposal for a decision by the Annual General Meeting to be held on 26 April 2017; Item 9 on the proposed agenda.

**Justification**

In accordance with Semcon's financial targets, the dividend paid to shareholders over the long term shall amount to at least one-third of earnings after tax. The Board's view is that the size of future dividends should be based on Semcon's long-term growth and profit trend, as well as capital requirements for continued expansion with consideration for these financial targets. The proposed dividend constitutes 60 per cent of the company's profit after tax, for continuing operations, which is in line with Semcon's financial targets taking into account the long-term growth, profit trend and capital requirements for continued expansion.

The Board considers there to be full coverage for the company's restricted equity following the proposed dividend.

The Board also considers that the proposed dividend to shareholders is reasonable considering the parameters stated in Chapter 17 Section 3, second and third paragraphs of the Companies Act [type, scope and risks of the business, and consolidation requirement, liquidity and general position]. The Board wishes therefore to make the following statement.

**Type, scope and risks of the business**

The Board considers that the company's and Group's equity following the proposed dividend will be sufficiently large in relation to the business's type, scope and risks. In this context, the Board considers, among other things, the company's and Group's historic development, the economic situation, expected development and investment plans.

## **Consolidation requirement, liquidity and general position**

The Board has made a general assessment of the company's economic position and the company's opportunities in the long term to meet its commitments. The proposed dividend constitutes 13.4 per cent of the company's equity and 7.7 per cent of the Group's equity. Following payment of the dividend the company's equity/assets ratio will be 43.8 per cent and the Group's equity/assets ratio will be 41.1 per cent. The company's and Group's equity/assets ratio is good considering current conditions for the industry. With this background, the Board considers that the company and Group have adequate prerequisites for tackling future business risks and withstanding possible losses.

The company and Group have good liquidity and also good access to liquid reserves in the form of both short and long-term credit, which means that the company and Group are well equipped to meet any variations in liquidity or unforeseen circumstances. The Board therefore considers that the proposed dividend will not affect the company's and Group's ability to meet its payment commitments at the right time.

The Board has considered all other known conditions that may have significance for the company's and Group's economic position and which were not included in the previous statements. No circumstance has thereby arisen which would make the proposed dividend unjustifiable.

Göteborg, March 2017

The Board

## **Statement in accordance with Chapter 19 Section 22 of the Companies Act**

The Board of Semcon AB [publ], corporate identity number 556539-9549, makes the following statement in accordance with Chapter 19 Section 22 of the Companies Act in connection with the proposal for a decision authorising the Board to decide on the purchase of the company's ordinary shares submitted by the Board to the Annual General Meeting of 26 April 2017; Item 22 A of the proposed agenda.

### **Type, scope and risks of the business**

The type and scope of the business are described in the Articles of Association and the 2016 Annual Report.

The business performed by Semcon and other companies in the Semcon Group does not entail extra risks in addition to those generally associated with business of this type or what normally occurs, or may be expected to occur, in the industry.

With regard to significant events, reference is made to the directors' report in the 2016 Annual Report; in addition to these events, no events have occurred that affect the ability of the company to pay a dividend or acquire own shares.

### **Consolidation requirement, liquidity and general position**

The financial position of the company and the Semcon Group as of 31 December 2016 is presented in the 2016 Annual Report. The Annual Report also presents the principles used to assess the value of assets, allocations and liabilities.

The proposal for a decision regarding the authorisation of the Board to decide on the purchase of the company's own ordinary shares in Item 22 A, shows that acquisitions may be made in a number that corresponds to a maximum of 10 per cent of the total number of shares in the company, at present a maximum of 1,811,253 ordinary shares. Calculated at the current share price on 20 March 2017, a repurchase of a maximum of 10 per cent would amount to around SEK 103 million.

The company's non-restricted equity as of 31 December 2016 is presented in the 2016 Annual Report and amounts to around SEK 260 million. The Board will propose to the Annual General Meeting of 26 April 2017 that a dividend of SEK 2.25 per share be paid to shareholders, amounting to a maximum of SEK 40,753,201 [based on the ownership of zero own shares].

There is full coverage for the company's restricted equity after execution of the proposed authorisation.

The proposed authorisation does not jeopardize completion of the investments considered necessary. Neither does the proposed authorisation affect the company's or Group's ability to meet existing or expected payment commitments. The company's and Group's liquidity forecast, with consideration to the proposed authorisation, includes plans to meet variations in ongoing payment commitments.

The company's and Group's financial position does not motivate any other assessment than that the company and Group can continue their business and that the company and Group can be expected to meet their commitments in both the short and long term.

It is the Board's judgment that the size of shareholders' equity as reported in the 2016 Annual Report is in reasonable proportion to the scope of the company's and Group's business and the risks associated with running the business even after execution of the proposed authorisation.

### **Justification for the proposals**

Against the above background and other information considered by the Board, the Board considers the authorisation of the Board to decide on purchases of the company's own shares to be justifiable with consideration to the requirements that the type, scope and risks of the business impose on the size of the company's and Group's shareholders' equity and the consolidation requirements, liquidity and position in general.

Göteborg, March 2017

The Board