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## PROPOSAL FOR ESTABLISHMENT ON A LONG-TERM SHARE MATCHING PROGRAM AND FOR TRANSFER OF OWN SHARES UNDER THE PROGRAM, ETC.

The board of directors of Semcon AB (publ), reg. no. 556539-9549, proposes that the extraordinary shareholders' meeting on 7 February 2007 resolves (i) to establish a long-term share matching program in accordance with the guidelines specified in Clause A below (the "Share Matching Program 2008") and (ii) on transfer of own shares on the terms and conditions mentioned in Clause B below. In case the required majority for a valid resolution under Clause B below is not reached, the board of directors proposes that the shareholders' meeting instead resolves (iii) that the company may enter into a swap agreement with a third party as mentioned in Clause C below.

### General description of the program, reasons for the proposal, etc.

At present there are no outstanding share related incentive programs within the Semcon group. Simultaneously with this proposal, the board of directors proposes that the shareholders' meeting shall resolve to approve the implementation of a convertible based incentive program for key employees of the Semcon group.

In short, the Share Matching Program 2008 means that employees who participate in the program, provided that he or she during a 12-month period makes an investment in shares (so-called savings shares) in the company on his or her own, are offered to receive shares in the company from the company without having to pay any consideration. For each savings share, the employee may after a three years lock-up period, provided that he or she then is still employed with the Semcon group and still owns the savings share, receive one matching share without having to pay any consideration.

The number of savings shares that the respective employee at the highest may acquire depends on his or her salary. Each employee who participates in the program may acquire savings shares for an amount equal to not more than five percent of his or her gross salary.

The Share Saving Program 2008 shall comprise not more than 330,000 shares, whereof 250,000 are matching shares and 80,000 are shares that may be transferred by the company to cover certain costs related to the program, principally social security costs.

At present, the board of directors does not intend the share matching program to be repeated annually. First when the board of directors has been able to evaluate the accession to and initial effects of the program, the board of directors may decide whether or not new share matching programs shall be proposed.

The reasons for the proposal, and the reasons for the deviation from the shareholders' preferential rights, are that the board of directors want to create conditions facilitating the keeping and recruitment of competent employees within the Semcon group and also to spread and increase the shareholding among such employees, which can be expected to stimulate an increased interest for the business and the earnings trend, increase the motivation, increase the affinity with the company (with subsidiaries) and to create a overall intra-group focus. In the

light of the aforementioned, a resolution according to the proposal is deemed to have a positive impact on the future development of the Semcon group and thereby benefit both shareholders and the employees of the Semcon group.

## Hedge

The board of directors has considered different methods for hedging the transfers/allotment to employees under the Share Matching Program 2008; such as transfers of own shares and a share swap agreement with a third party.

It is the opinion of the board of directors that transfer of own shares is the most cost effective and flexible method for transferring/allotting shares under the Share Matching Program 2008.

Since the company's cost for entry into a share swap agreement significantly exceeds the costs arising in case of transfer of own shares, it is proposed, as the principal alternative, that the financial exposure be hedged through transfer of own shares.

The board of directors intends to propose to the shareholders' meetings in 2008, 2009, 2010 and 2011, to resolve to authorise the board of directors to resolve on (i) acquisition of own shares on the stock exchange (to be able to transfer/allot shares under the Share Matching Program 2008 according to the principal alternative) and (ii) the acquisition and transfer of own shares on the stock exchange to cover certain costs related to the Share Matching Program 2008, principally social security costs.

## Costs

The accumulated effect on the profit and loss statement is estimated to approx. SEK 24,000,000–30,000,000 unevenly apportioned over the years 2008–2011. The costs shall be seen in relation to the total payroll expenses in 2007 for those companies who form part of the Semcon group today, Zipper AB, Systems Solutions by Semcon AB, Zuite AB, Zingle by Semcon AB and Semcon Innovation AB excluded (which are in the course of being disposed of), which costs are estimated to SEK 2 billions social security costs included. The estimate is based on the assumptions that the accession to the program will be 40–50 percent equally spread over the salary groups/classes, that the average saving will be 4 percent of the gross salary and that the employee turnover will be 8 percent a year. It should be noted that the costs partially replace costs that earlier have been incurred within the Semcon group for different kind of incentive programs.

Compensation costs, equivalent to the value of the matching shares transferred/allotted to employees, are estimated to approx. SEK 16,000,000–21,000,000. The compensation costs are spread over the term of the Share Matching Program 2008, *i.e.* 2008–2012. Social security costs as a result of share transfers/allotment of shares to employees are estimated to approx. SEK 5,000,000–6,000,000. The administrative costs for the Share Matching Program 2008 are estimated to approx. SEK 3,000,000 during the term of the program.

## Dilution and effect on key figures

There are 17,782,534 outstanding shares in the company and the company does not hold any own shares. A total of 330,000 shares are required to establish the Share Matching Program 2008, corresponding to approx. 1.9 percent of the total number of outstanding shares. The above-mentioned convertible based incentive program comprises, with application of the lowest possible conversion rate, 666,666 shares, corresponding to approx. 3.7 percent of the total number of outstanding shares.

Out of the 330,000 shares required for the Share Matching Program 2008, 250,000 shares may be transferred/allotted to employees without them having to pay any consideration, which can cause a dilution on the profit per share of 1.4 percent. The dilutive effect of the matching shares is not dependent on the quoted share price at the matching occasion, when they are transferred/allotted to employees free of charge. The 80,000 shares, which may be disposed of over the OMX Nordic Exchange Stockholm in order to cover certain costs, principally social security charges, cause no dilution on the profit per share, since they will be disposed of in consideration of their current fair market value.

## Preparation of the proposal

This proposal has been prepared, on behalf of the board of directors, by the corporate legal counsel of the company Pierre Dicksson in consultation with external advisers, and by the board of directors, provided that the chairman of the board Kjell Nilsson and the board members/employee board representatives Christer Eriksson, Roland Kristiansson and Stefan Novakovic have not participated in the preparation of or the resolution on this proposal due to conflict of interests. Neither have the deputy board members participated in the preparation of or the resolution on this proposal, since also they are subject to conflicting interests.

## Resolution

### A. Establishment of Share Matching Program 2008

In view of the above, the board of directors proposes that the shareholders' meeting establishes the Share Matching Program 2008 principally based on the following terms and conditions:

- (a) The program shall be implemented as soon as the board of directors of the company deems practicable during 2008.
- (b) Those that are employed within the Semcon group, Zipper AB, Systems Solutions by Semcon AB, Zuite AB, Zingle by Semcon AB and Semcon Innovation AB excluded (which are in the course of being disposed of) as per the date of the offer to participate in program shall, with the limitation mentioned in (c) below, be offered to participate in the program. There are currently approx. 3,700 such employees. The board of directors may determine that thereafter employed persons within the Semcon group shall be offered to participate in the program. The new group CEO and managing director of the company Kjell Nilsson and the ordinary and deputy employee representatives on the

board of directors Christer Eriksson, Roland Kristiansson, Stefan Novakovic, Stefan Hedberg, Gert Ljungström and Susanna Loyd shall be offered and have the right to participate in the program in spite of being ordinary or deputy board members. For the avoidance of doubt; no other board members may be offered nor have the right to participate in the program. Accession to the program may be made as per the start date of the program or as per a later date, however not falling later than four months after the start date of the program. A person shall be deemed employed if being an indefinite term employee or fixed term employee, whether or not he or she is on the sick-list, on parental leave or a part-time employee, provided however that he or she has then not terminated his or her employment nor been terminated or dismissed. As regards persons on leave of absence, the board of directors shall determine to what extent they shall be offered to participate in the program.

- (c) The board of directors may determine that all (but not only some) employees in a certain country other than Sweden shall not, although otherwise fulfilling the requirements for participating in the program, have the right to participate in the program if the offering of such participation or such participation is illegal or requires registration measures or fulfilment of other obligations of the company or any of its subsidiaries and the costs (or the costs for investigating such costs) for the fulfilment thereof are not – in the opinion of the board of directors – reasonable in view of the importance and value of such employees' participation in the program, or if the offering of such participation or such participation cannot – in the opinion of the board of directors – be effected with reasonable administrative costs and administrative efforts. The preliminary opinion of the board of directors is that only employees in Sweden and Germany will be offered to participate in the program, in total approx. 3,500 employees.
- (d) At each salary payment occasion to occur during the 12-month period commencing on the start date of the program (the “savings period”), each participant may save an amount equal to, at the highest, five percent of his or her gross salary (the “savings amount”) for subsequent investments in shares in the company. The savings amount shall be paid into a non-interest-bearing account with a bank designated by the company (the “savings account”). For participants that are on the sick-list, on parental leave or on leave of absence, the highest permitted savings amount shall be calculated based on his or her gross salary as per the latest salary payment occasion to occur prior to the commencement of such absence.
- (e) At four occasions, the amount then credited to the respective participant's savings account will be used for acquisition of shares in the company on the OMX Nordic Exchange Stockholm for the respective participant's account (the “savings shares”) by a bank retained by the company. The acquisition occasions shall fall on the dates determined by the board of directors considering applicable insider trading legislation and the company's obligations due to its listing in the OMX Nordic Exchange Stockholm, provided that three of the

acquisition occasions shall fall during the savings period and the fourth occasion after the savings period, and, as far as possible, approximately the same period of time shall elapse between each acquisition occasions. If any savings amount is in another currency than Swedish kronor (SEK), the savings amount will in connection with the acquisition occasion be converted to Swedish kronor (SEK) pursuant to the exchange rate generally applied by the bank in charge of the acquisition at the conversion date.

- (f) With the exceptions mentioned in (g)–(l) below, each participant shall, provided that he or she is then still employed with the Semcon group (with the same meaning as employed have pursuant to (b) above), receive one share in the company (a “matching share”) from the company (or from another company within the Semcon group or ) without having to pay any consideration for each savings share that he or she owns three years after the acquisition occasion (the “lock-up period”). Thus, savings shares disposed of prior to the expiry of the lock-up period do not confer right to matching shares. Transfer/allotment of matching shares shall be effected on the dates determined by the board of directors considering applicable insider trading legislation and the company’s obligations due to its listing in the OMX Nordic Exchange Stockholm, provided that the transfer/allotment shall be made as close as possible to the expiry of the relevant lock-up period.
- (g) The program comprises 300,000 shares at the most. The total number of matching shares that may be transferred/allotted under the program is limited to 250,000 shares. The remaining 80,000 shares are shares which may be disposed of by the company, as determined by the by the shareholders’ meeting or, pursuant to authorisation granted by the shareholders’ meeting, the board of directors from time to time, in order to cover certain costs associated with the program, principally social security charges. The board of directors of the company may shorten the savings period and/or decrease the percentage applicable when calculated the highest permitted savings amount to the extent that may be required in order to avoid that the number of matching shares to be transferred/allotted exceeds the above-mentioned highest number.
- (h) In order to limit the value of the outcome of the program, the value of the matching shares received by one and the same participant at one and the same occasion may not exceed the purchase price for the corresponding savings shares with more than 300 percent. The value of each matching share shall be deemed to equal the average of the mean of the highest and lowest prices paid for the share in the company each trading day during the 25 trading days’ period ending the lock-up period at issue according to the exchange list on which the share is primarily quoted. In the absence of quoted price paid, the latest quoted bid price shall be included in the calculation instead. If neither paid price nor bid price is quoted on a given day, that day shall be excluded from the calculation.

- (i) In case of a consolidation or split-up of the savings shares, each new number of savings shares following such consolidation or split-up confers (subject to the restrictions otherwise provided for by the terms and conditions for the program) right to one matching share. In case of a bonus issue with issue of bonus shares, each bonus share receivable due to a savings share shall be deemed a savings share and acquired at the same time as the original savings share. Also each such bonus share confers (subject to the restrictions otherwise provided for by the terms and conditions for the program) right to one matching share.
- (j) In case of a new issue or other measure increasing or decreasing the company's share capital or equity, the number of matching shares that each savings share confers right to receive shall not be the subject of any recalculation.
- (k) The board of directors may stipulate divergent provisions relating to savings period and lock-up period to be applied generally in case of retirement or decrease of participants and when employment ceases owing to ownership changes, closure or similar.
- (l) The obligation to transfer/allot matching shares under the program is conditional on that shareholders' meetings in the company during the years 2008-2012 resolve on, and that the company may execute, such measures as are required for the company to acquire and/or issue shares to be transferred/allotted as matching shares. The board of directors has the right to wholly or partly cancel the program prematurely if future shareholders' meetings in the company do not adopt, or if the company may not execute, necessary resolutions for realisation and/or coverage of costs associated with the program.
- (m) The board of directors shall with application and guidance of the above-mentioned provisions adopt the detailed terms and conditions for the program.
- (n) The resolution of the shareholders' meeting to establish the program in accordance with this Clause A is conditional on the adoption of the shareholders' meeting of a resolution in accordance with the proposal of the board of directors under Clause B below or in accordance with the proposal of the board of directors under Clause C below.

B. Transfer of own shares to participants in the Share Matching Program 2008

In view of the above, the board of directors furthermore proposes that the shareholders' meeting resolves, for the realisation of the Share Matching Program 2008, that the company may transfer own shares on the following terms and conditions:

- (a) 250,000 shares at the highest may be transferred.
- (b) The transfers shall be made against no consideration, and shall be made at the respective points of time at which the participants in the Share Matching Pro-

gram 2008 are entitled to receive matching shares. The transfers shall, with deviation for the preferential rights of the shareholders, be made either directly to such participants or to another company within the Semcon group or to a third party, provided that such other company or third party is responsible for re-transferring the shares to such participants without the participant(s) having to pay any consideration.

- (c) In case of a consolidation or split-up of the company's shares (see (f) under Clause A above), the number of shares that maximum may be transferred as above-mentioned and that have at that time not yet been so transferred shall be decreased or increased so that these shares after implementation of the relevant measure represent an unchanged percentage of the company's all shares.
- (d) In case of a bonus issue with issue of bonus shares, the number of shares that maximum may be transferred as above-mentioned and that have at that time not yet been so transferred shall be increased with the number of bonus shares receivable due to these shares.

### C. Entry into share swap agreement

In view of the above, the board of directors finally proposes that the shareholders' meeting resolves, in case the required majority for a valid resolution on the proposal under Clause B above is not reached, that the company may enter into a share swap agreement with a third party in order to secure the delivery of matching shares to the participants in the Share Matching Program 2008, pursuant to which the third party shall acquire shares in the company in its own name on the OMX Nordic Exchange Stockholm and thereafter, on the respective points of time at which and on the other conditions pursuant to which the participants in the Share Matching Program 2008 have the right to receive matching shares, transfer these shares either to the participants without the participants having to pay any consideration or to a third party, provided that such third party is responsible for re-transferring the shares to such participants without the participant(s) having to pay any consideration.

### Majority requirements

For a valid resolution on the proposal under Clause A, the proposal must be supported by shareholders holding more than half of the votes cast. For a valid resolution on the proposal under Clause B, the proposal, which is subject to the provisions of Chap. 16 of the Swedish Companies Act, must be supported by shareholders holding at least nine-tenth of both the votes cast and the shares represented at the meeting. For a valid resolution on the proposal under Clause C, the proposal must be supported by shareholders holding more than half of the votes cast.

### Miscellaneous

A copy of the annual report for the financial year 2006 with the auditor's report and a note of the resolution of the shareholders' meeting regarding the company's profit, the report of the

board of directors on events of material significance and the auditor's statement in relation to the board's report are set out in Schedule A-C.

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