

## **Beijer Electronics Group AB (publ)**

### **Proposal of the Board of Directors for implementation of a long-term incentive program (LTI 2019/2022) and hedging activities in respect thereof**

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The Board of Directors of Beijer Electronics Group AB ("**Beijer Electronics Group**") proposes that the Annual General Meeting resolves on implementation of a long-term share based incentive program ("**LTI 2019/2022**") comprising the executive management and a number of key employees within the Beijer Electronics Group (the "**Group**").

In order to hedge the undertakings and costs of Beijer Electronics Group related to LTI 2019/2022, the Board of Directors further proposes that the Board of Directors be authorised to resolve on issue and repurchase of series C shares and that the Annual General Meeting resolves on transfer of ordinary shares in Beijer Electronics Group to the participants in LTI 2019/2022.

#### **A      *Proposal for implementation of LTI 2019/2022***

##### **1.      Background and reason**

LTI 2019/2022 is a long-term performance based incentive program with some element of personal financial investment.

The overall purpose of LTI 2019/2022 is to encourage increase in value while attracting and retaining executive managers and senior managers considered crucial for Beijer Electronics Group long-term success. The program aims to facilitate own shareholding in the company to achieve aligned interests between the participants of the program and the company's shareholders.

LTI 2019/2022 measures the performance 2019, but has a three year duration. It is the Board of Directors' intention that the structure of LTI 2019/2022 should be long-term, thus the Board intends to propose that the general meetings in the next years will resolve upon similar incentive programs, after LTI 2019/2022 has been evaluated.

##### **2.      Terms and conditions for LTI 2019/2022**

It is proposed that LTI 2019/2022 shall comprise not more than 20 employees within the Beijer Electronics Group, including the CEO, the Group management (at present five persons excluding the CEO), business managements and other key employees.

The program shall comprise a maximum of 250,000 ordinary shares in Beijer Electronics Group ("**Performance Shares**").

In order to receive Performance Shares it is required that the Performance Conditions established by the Board of Directors regarding the financial year 2019 are achieved or exceeded. Performance Shares will be received free of charge, whereby the CEO may receive

a maximum of 30,000 Performance Shares and another member of the Group management and other participants may receive up to a maximum of 15,000 Performance Shares, whereby the Board of Directors resolves on the individual allocation within this framework. In order to participate in the program, the participant must no later than 1 September 2019 have a personal holding in Beijer Electronics Group shares. The participant must either acquire shares in the company corresponding to the maximum number of Performance Shares that the participant is entitled to receive, or acquire shares in the company corresponding to half of the maximum number of Performance Shares that the participant is entitled to receive, whereby the participant will receive half of the vested number of Performance Shares. The participant must retain the shares at least until 31 August 2020. If the participant does not acquire own shares or not retain the acquired shares during the specified period, the participant will not receive any Performance Shares.

The performance conditions that have to be achieved or exceeded relate to (i) operating profit, (ii) earnings per share, (iii) free cash flow and (iv) new orders (the “**Performance Conditions**”). The Performance Conditions are measured based on the outcome during the period 1 January 2019– 31 December 2019 (the “**Performance Period**”). The Board of Directors resolves on the Performance Conditions before LTI 2019/2022 is offered to the participants. The Board of Directors intends to inform about the achievement of them in connection with the publication of the year-end report for 2019.

The vesting of Performance Shares is based on the minimum level and the maximum level for each Performance Conditions, respectively, during the Performance Period, as resolved by the Board. If the minimum level is not achieved, no Performance Shares are vested. If the maximum level is achieved or exceeded, full vesting shall take place. If the minimum level is achieved but the maximum level is not achieved, a linear allotment of Performance Shares shall take place. The final number of Performance Shares vested by each participant shall be rounded to the nearest whole number.

The participants receive vested Performance Shares after the Annual General Meeting 2022, before 1 July 2022 (the “**Allotment Day**”). Receiving of vested Performance Shares is conditional upon the participant, with certain specific exceptions, being employed within the Group until the expiration of the Performance Period and that the employment has not been terminated at the Allotment Day.

The number of Performance Shares shall be subject to recalculation due to any intervening bonus issue, split, rights issue, extraordinary dividend and/or other similar company actions.

Further, the Board of Directors shall be entitled to resolve on the detailed terms and conditions for LTI 2019/2022, as well as such reasonable adjustments of the program which are deemed appropriate or efficient due to legal or administrative conditions, local adoptions or due to significant changes on the market or the Group, comprising anyone, alone or together with related persons, acquires such large number of shares in the company, which, pursuant to applicable regulations, would result in an obligation to make a public offer to acquire the remaining shares in the company, or of the outcome otherwise is considered unreasonable. The Board of Directors may delegate the further administration of LTI 2019/2022 to its Remuneration Committee.

### **3. Hedging**

In order to secure delivery of Performance Shares and to cover administrative costs, mainly costs for social security contributions, the Board of Directors proposes to resolve on a directed issue of convertible and redeemable C shares, followed by a repurchase and conversion into ordinary shares, and to resolve on transfer of own ordinary shares to senior executives in LTI 2019/2022 in accordance with section B below.

### **4. Scope and dilution**

The maximum number of Performance Shares that may be allotted to the participants under LTI 2019/2022 amounts to 250,000, which corresponds to approximately 0.9 per cent of the share capital and votes in the company after dilution.<sup>1</sup> Aggregated with the maximum number of additional shares that may be transferred, which mainly consists of cash flow related hedging of costs for social security contributions, LTI 2019/2022 will comprise not more than 330,000 shares and the maximum dilution of the program will amount to approximately 1.1 per cent of the share capital and votes in Beijer Electronics Group after dilution.

### **5. Estimated costs and effects on key ratios**

Based on the assumption of a stock market price of SEK 50, the total costs for LTI 2019/2022 are estimated to approximately MSEK 16.4, provided that the Performance Conditions are fully met.<sup>2</sup> Of these costs, approximately MSEK 12.5 relates to accounting (not affecting cash) costs calculated in accordance with IFRS 2. Other costs mainly relates to calculated social security contributions, which are hedged through the issue of series C shares.

Given the full-year result of 2018, the costs for LTI 2019/2022 would have a negative effect of approximately 0.4 percentage units on Beijer Electronics Group's operating margin and a reduction of profit per share of approximately SEK 0.21, provided that the Performance Conditions in the cost estimate above are fully achieved. However, the Board of Directors believes that the expected positive effects of LTI 2019/2022 on Beijer Electronics Group's financial result will outweigh the costs for the program.

### **6. Preparation of the proposal**

LTI 2019/2022 has been initiated by the Board of Beijer Electronics Group and prepared in consultation with the major shareholders and external advisors.

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<sup>1</sup> The number of Performance Shares under LTI 2019/2022 shall, however, according to further conditions resolved by the Board of Directors, be subject to recalculation if Beijer Electronics Group makes a bonus issue, a consolidation or a split of shares, a new issue or similar actions, taking into account general practice for an equivalent incentive program.

## **7. Other incentive programs in Beijer Electronics Group**

At present, Beijer Electronics Group has two existing share based incentive programs which were implemented by a resolution by the Annual General Meeting 2017 (LTI 2017/2020) and the Annual General Meeting 2018 (LTI 2018/2021). Both incentive programs include so-called performance shares to the executive management and a number of key employees within the Group. Based on the achievement of the resolved performance conditions for LTI 2017/2020, the program comprise, including hedging activities for social contributions, approximately 35,000 shares in Beijer Electronics Group. Based on the achievement of the resolved performance conditions for LTI 2018/2021, the program comprise, including hedging activities for social contributions, approximately 150,000 shares in Beijer Electronics Group. The maximum dilution of the program amounts to approximately 0.65 per cent of the share capital and votes in Beijer Electronics Group. The majority of the employees who are proposed to be comprised by LTI 2019/2022 participate in the previous incentive program.

### ***B Proposal for hedging activities***

In order to implement LTI 2019/2022 in a cost-effective and flexible manner, the Board of Directors proposes that the undertakings of the company for delivery and costs referable to Performance Shares primarily shall be hedged by a directed issue of convertible and redeemable C shares followed by repurchase and conversion to ordinary shares and a resolution on transfer of own ordinary shares to senior executives in accordance with the following.

#### **1. Authorisation for the Board of Directors to resolve on a directed issue of series C shares**

Authorisation for the Board of Directors to resolve on a directed issue of redeemable and convertible series C shares in Beijer Electronics Group on the following terms and conditions.

1. The maximum number of series C shares to be issued shall amount to 330,000.
2. The authorisation may be exercised on one or several occasions until the Annual General Meeting 2020.
3. With deviation from the shareholders' preferential rights, the new shares may be subscribed for only by one external party after arrangement in advance.
4. The amount to be paid for each new share (the subscription price) shall equal the share's quota value at the time of subscription.
5. The new series C shares shall be subject to Chapter 4, Section 6 of the Swedish Companies Act (conversion restriction) and Chapter 20, Section 31 of the Swedish Companies Act (redemption restriction).

The purpose of the authorisation is to secure the undertakings of Beijer Electronics Group according to LTI 2019/2022 and, in terms of liquidity, to hedge payments of future social security contributions related to Performance Shares.

## **2. Authorisation for the Board of Directors to repurchase issued series C shares**

Authorisation for the Board of Directors to resolve on repurchase of all issued redeemable and convertible series C shares in Beijer Electronics Group on the following terms and conditions.

1. Repurchase may take place by way of an acquisition offer directed to all holders of series C shares in Beijer Electronics Group.
2. The authorisation may be exercised on one or several occasions until the Annual General Meeting 2020.
3. The maximum number of series C shares to be repurchased shall amount to 330,000.
4. Repurchase shall be made at a price per share of minimum 100% and maximum 115% of the quota value applicable at the time of subscription.
5. Payment of repurchased shares shall be made in cash.
6. The Board of Directors shall have the right to resolve on other terms and conditions for the repurchase.
7. Repurchase may also be made of a so-called interim share, by Euroclear Sweden AB designated as a Paid Subscribed Share (*Sw. Betald Tecknad Aktie (BTA)*), regarding a series C share.

The purpose of the authorisation is to secure the undertakings of Beijer Electronics Group according to LTI 2019/2022 and, in terms of liquidity, to hedge payments of future social security contributions related to Performance Shares.

## **3. Proposal for resolution on transfer of the company's own ordinary shares to participants in LTI 2019/2022**

Resolution on transfer of the company's own ordinary shares to participants in LTI 2019/2022 on the following terms and conditions.

1. A maximum number of 250,000 Beijer Electronics Group shares may be transferred free of charge to participants in LTI 2019/2022.
2. With deviation from the shareholders' preferential rights, the right to acquire Beijer Electronics Group shares free of charge shall comprise employees in the Group participating in LTI 2019/2022, with a right for each of the participants to acquire the maximum number of shares stipulated in the terms and conditions of LTI 2019/2022.
3. Transfer of Beijer Electronics Group shares shall be made free of charge at the time for, and according to the terms for, the allotment of Beijer Electronics Group shares to participants in LTI 2019/2022.

4. The number of Beijer Electronics Group shares that may be transferred under LTI 2019/2022 shall be recalculated due to any intervening bonus issue, split, preferential issue and/or similar corporate actions.

Since upon initiation LTI 2019/2022 is not expected to give rise to any costs for social security contributions of Beijer Electronics Group (and since a resolution on transfer is valid only until the next Annual General Meeting), the Board of Directors has decided not to propose that the Annual General Meeting 2019 resolves on transfer of the company's own ordinary shares on a regulated market for hedging of cash flow for social security payments. However, before any transfers of Beijer Electronics Group shares to participants in LTI 2019/2022 can be made, the Board of Directors intends to propose to a later General Meeting to resolve on transfers of the company's own ordinary shares on a regulated market in order to hedge such payments.

#### **4. Reasons for deviation from the shareholders' preferential rights etc.**

The reason for deviation from the shareholders' preferential rights is Beijer Electronics Group's wish to implement the proposed incentive program LTI 2019/2022. Therefore, and in light of the above stated, the Board of Directors considers it to be advantageous to Beijer Electronics Group and the shareholders that the participants in LTI 2019/2022 are invited to become shareholders of Beijer Electronics Group.

In order to minimize Beijer Electronics Group's costs for LTI 2019/2022, the subscription price shall equal the share's quota value.

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The resolution of the Annual General Meeting to implement LTI 2019/2022 in accordance with section A above is conditional upon the hedging activities in section B above.

In order for the resolution by the Annual General Meeting on implementation of LTI 2019/2022 to be valid, the Board of Directors' proposal under section A must be supported by shareholders representing at least nine-tenths of both the votes cast and shares represented at the Annual General Meeting.

The Board of Directors proposes that the CEO be authorised to make such minor amendments of the proposal as may be required in connection with the registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

The reasoned statement of the Board of Directors pursuant to Chapter 19, Section 22 of the Swedish Companies Act is attached as Appendix A.

Malmö in April 2019  
Beijer Electronics Group AB (publ)  
*The Board of Directors*

Appendix A**The Board of Directors' statement pursuant to Chapter 19, Section 22 the Swedish Companies Act**

The Board of Directors proposal to repurchase series C shares only affects the solvency and liquidity very marginally. The Board of Directors considers that the proposal to repurchase series C shares pursuant to presented proposal is justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the as well as the consolidation requirements, liquidity and position in general for the parent company and the group.