

Extract Notice of Annual General Meeting 2018 – LTI 2018

Long-term share savings program

Background

Since 2012 the Annual General Meetings have resolved on the implementation of long-term share saving programs for employees of the Company with essentially the same conditions. The share savings program (the “Program”) now proposed by the Board of Directors to the 2018 Annual General Meeting corresponds in its entirety to the program adopted by the 2017 Annual General Meeting. The Program entails that the employee after three years receives so-called matching shares and, if the performance conditions are fulfilled, so-called performance shares, provided that the employee has invested a portion of his or her base salary in Industrivärden shares and that the participant has not given notice or has not been served notice of termination at the time of the shares were granted.

The purpose of the Program is to encourage Industrivärden’s employees to increase their shareholdings and thereby further emphasize long-term shareholder value. The share savings program is deemed to increase Industrivärden’s prospects for retaining and recruiting competent employees as well as the employees’ interest and involvement in Industrivärden’s business and development. The performance condition, which is based on the total return for Industrivärden shares during the term of the Program, is assessed to further enhance the participants’ long-term commitment and the mutual interests between Industrivärden’s shareholders and employees. The Program is intended to be annually recurring and constitute the form of long-term variable salary.

The Board of Directors thus proposes that the 2018 Annual General Meeting resolve to implement a long-term share savings program for no more than 20 employees of Industrivärden.

The Board of Directors’ proposal for resolution

The Board of Directors proposes that the Annual General Meeting resolve to implement the Program based on the terms and conditions set out below.

- a. The Program is open to a maximum of 5 members of Industrivärden’s management (“Management”), to a maximum of 6 key persons employed at Industrivärden (“Key Persons”), and to other permanent employees of Industrivärden who are not Management or Key Persons (“Employees”), however in total a maximum of 20 permanent employees of Industrivärden.
- b. Under the terms of the Program, Management, Key Persons and Employees are offered the opportunity to, provided that they have made an investment of their own in Class C shares in Industrivärden (“Savings Shares”) during the Acquisition Period (defined in item d below), from a designated third party at the end of the Lock-in Period (defined in point e below) be granted 0.5 Class C shares in Industrivärden free of charge (“Matching Shares”) per Savings Share. The Program also entails that Management, Key Persons and Employees, free of charge and in addition to granted Matching Shares, may be granted additional Class C shares based on the total return of Class C shares during the Lock-in Period compared with the SIXRX total return index during the same period of time (“Performance Shares”), in accordance with the following: Provided that the average annual total return for the Class C shares during the Lock-in Period is equal to or exceeds SIXRX during the same period of time, Management may be granted 1.0 Performance Share, Key Persons may be granted 0.5 Performance Share, and Employees may be granted 0.5 Performance Share. Provided that the average annual total return of the Class C share during the Lock-in Period exceeds SIXRX by two (2) percentage points during the same period of time per year, Management may additionally be granted 1.0 Performance Share and

Key Persons may additionally be granted 0.5 Performance Share. In total, the Program thus entails that Management may be granted 2.5 shares per Savings Share, that Key Persons may be granted 1.5 shares per Savings Share, and that Employees may be granted 1.0 share per Savings Share.

- c. The maximum number of Savings Shares that each program participant may acquire is limited in such way that Savings Shares may be acquired for an amount corresponding to a maximum of ten (10) percent of the participant's gross annual base salary for 2018. Acquisition of Savings Shares shall take place during the period April 24 - October 19, 2018 (the "Acquisition Period").
- d. Grants of Matching Shares and Performance Shares are expected to take place shortly after the publication of Industrivärden's third quarter interim report for 2021. The time from October 20, 2018, to the date of publication of Industrivärden's third quarter interim report 2021, is defined as the "Lock-in Period".
- e. In order for a program participant to be granted Matching Shares and Performance Shares it is required that, with certain specific exemptions, the participant has not been given notice or has not been served notice of termination of employment in Industrivärden during the Lock-in Period and that the participant, throughout the Lock-in Period, has retained the Savings Shares. Saving Shares disposed of prior to the expiration of the Lock-in Period will therefore not entitle to any grants of Matching Shares or Performance Shares. Should a program participant retire during the Lock-up Period, the entitlement to receive allotment of Matching Shares and Performance Shares shall be reduced in proportion to the time remaining in the Lock-in Period.
- f. The Program shall comprise a maximum of 50,000 shares of Class C shares in Industrivärden. Should Savings Shares be acquired at a share price such that the total number of Matching Shares and Performance Shares exceeds 50,000, the number of Matching Shares and Performance Shares that may be transferred to the program participants will be proportionally reduced.
- g. The Board of Directors shall be authorized to establish the detailed terms and conditions for the Program.
- h. In the event significant changes occur in Industrivärden or the market, or in the event the costs for the Program significantly exceed the estimated costs, and this, in the opinion of the Board of Directors, results in a situation where the conditions for grants of Matching Shares and Performance Shares under the Program become unreasonable, the Board of Directors shall be entitled to make adjustments to the Program, including, among other things, a decision to reduce the grant of Matching Shares and Performance Shares or to not grant any Matching Shares or Performance Shares at all.
- i. The number of Matching Shares and Performance Shares shall be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar company events.

Drafting of the proposal

The proposal regarding the Program to the 2018 Annual General Meeting has been prepared and decided on by the Board of Directors following preparation by the Compensation Committee.

Hedging, etc.

To hedge the financial exposure that the Program is expected to have, the Board of Directors intends to enter into a share swap agreement with a third party on behalf of Industrivärden, at market terms, whereby the third party in its own name shall be entitled to acquire and transfer Class C shares in Industrivärden to the program participants.

As proposed the Program may comprise a maximum of 50,000 Class C shares in Industrivärden, representing approximately 0.01 percent of all outstanding shares in Industrivärden and approximately 0.03 percent of all outstanding Class C shares in Industrivärden.

In accordance with the scope of the Program as described above, the cost upon full grant is estimated to approximately SEK 8,5 million, under the assumption all employees participate in the Program and that all program participants acquire the maximum number of Savings Shares.

The Program is expected to have only marginal effect on Industrivärden's and the Industrivärden Group's key ratios.

Majority requirements

The Annual General Meeting's resolution in accordance with the above requires a majority of more than half of the votes cast.