

Proposal by the board of directors of Indutrade Aktiebolag (publ) for a resolution on a long-term incentive programme (LTI 2017) including directed issue and transfer of warrants to senior executives and key employees

Background

The 2014 Annual General Meeting of Indutrade Aktiebolag (publ) (“**Indutrade**”), resolved in April 2014 to implement an incentive programme to senior executives and other key employees within the Indutrade group (“**LTI 2014**”) comprising not more than a total of 460,000 warrants in two series. Within series I, offered to 135 employees, the participants acquired 257,500 warrants in total and within series II, offered to 13 employees, the participants acquired 27,500 warrants in total. After the bonus issue carried out in May 2016, each warrant entitles to subscription of three shares in Indutrade. The exercise price for series I is recalculated to SEK 118.80 per share and for series II to SEK 116.70 per share. Shares may be subscribed for during certain subscription periods up to and including Friday 18 May 2018. If all warrants are exercised, the total number of shares will increase by 855,000 shares corresponding to approximately 0.7 per cent of the total number of shares and votes. Currently, Indutrade has no outstanding share price-related incentive programmes other than LTI 2014.

Since LTI 2014 expires in the near term, the board proposes that the Annual General Meeting resolves on the implementation of a new long-term incentive programme (“**LTI 2017**”) for senior executives and other key employees within the Indutrade group, on terms and conditions principally similar to LTI 2014. Indutrade’s participation in LTI 2017, as in connection with LTI 2014, is proposed to include that Indutrade pays a cash subsidy to the participants in the programme.

Summary of the proposal

LTI 2017 is offered to 180 senior executives and other key employees within the Indutrade group, who are offered the opportunity to acquire up to a total of 704,000 warrants. Each warrant entitles to subscription of one share in Indutrade.

The warrants are proposed to be issued to Indutrade’s wholly-owned subsidiary C & M Plast AB with a subsequent transfer to the participants in LTI 2017 at market price. The warrants are proposed to be issued in two series (Series I and Series II) in a maximum of 704,000 warrants of Series I and a maximum of 200,000 warrants of Series II. However, the total number of warrants transferred to the participants may not exceed 704,000.

The participants of the programme are proposed to be divided into four employee categories where each participant is guaranteed a specific number of warrants and may acquire a minimum and a maximum number of warrants per participant for each category. Subject to certain conditions, each acquired warrant, up to the guaranteed number, entitles to a subsidy corresponding to 120 per cent of the price for the warrants.

The subsidy is paid by Indutrade to the participants on two occasions in equal parts (1/2), after 24 months and after 36 months.

In order to implement LTI 2017, the Annual General Meeting is proposed to resolve on a directed issue and a transfer of warrants to the participants of the programme.

The board's proposal

LTI 2017

Similar to LTI 2014, the purpose of LTI 2017 is to, in a simple way, reward and retain important employees as well as to promote and create a long-term commitment to the Indutrade group by the employees' own investments and subsequently attain an increased alignment of interests between the employees and Indutrade's shareholders. LTI 2017 has also been prepared to make it legally and financially suitable to offer senior executives and other key employees of the Indutrade group irrespective of which country they operate in, taking into account different tax rules and other applicable regulations.

The structure of the Indutrade group is highly decentralised and focuses to a great extent on growth and profitability. To offer a competitive remuneration structure for senior executives of the group and other key employees, whose efforts and skills have been and are of great importance to the continuous ambition of the group to achieve growth and profitability, it is proposed that Indutrade participates in LTI 2017 as set out below.

1. LTI 2017 entails that 180 persons in some twenty countries are offered to subscribe for a maximum of 704,000 warrants. The warrants are proposed to be issued in two series (Series I and Series II), of which a maximum of 704,000 warrants of Series I and a maximum of 200,000 warrants of Series II. The total number of warrants that are transferred to the participants may however not exceed 704,000. Each warrant entitles to subscription for one share in Indutrade.
2. Notification for acquisition of warrants must be made no later than 10 trading days from the day after the board resolves to offer to the participants in LTI 2017 to acquire warrants in the respective series. However, the respective notification period may be extended upon a resolution by the board.
3. The price for the warrants shall be determined as the calculated market value for the warrants at the time of allotment by applying the Black & Scholes valuation model calculated by an independent valuation institute (Nordea Bank AB).
4. The right to acquire warrants is granted the participants in four employee categories as follows:

Category	No of Participants	Minimum number of warrants	Guaranteed number of warrants	Maximum number of warrants
CEO	1	1,000	20,000	40,000
Members of the group management	8	1,000	12,000	24,000
Business unit presidents	25	1,000	6,000	12,000
Subsidiary CEOs and other key employees	146	1,000	3,000	6,000

The above apportionment of participants in different categories is preliminary and is based on the contemplated number of participants at the time of the proposal, i.e. excluding any additional participants. The apportionment of any additional participants within the respective participant categories will be determined by the board prior to the offer of warrants of Series II.

5. The right to acquire warrants of Series I shall be granted all participants at the time of the offer from the board. The right to acquire warrants of Series II shall solely be granted additional thereafter employed senior executives and other key employees in the Indutrade group comprised by the programme and such participants that were prevented to acquire warrants of Series I due to insider legislation or equivalent.
6. In the event that the respective offers to acquire warrants are not fully subscribed, the participants shall, within the scope of the maximum number of warrants offered in each category above, be entitled to apply for acquisition of additional warrants that have not been acquired, whereby allotment shall be made pro rata relative to the additional number of warrants that each participant submitted applications to acquire warrants for.

Directed issue of warrants

In order to carry out LTI 2017, the board proposes that the Annual General Meeting resolves on a directed issue of warrants of two series, with deviation from the shareholders' pre-emptive rights.

The board's proposal entails that the Annual General Meeting shall resolve on a directed issue of two series, of a maximum of 704,000 warrants of Series I and a maximum of a 200,000 warrants of Series II, with a right to subscribe for new shares in Indutrade on the following terms and conditions.

1. The warrants are issued free of charge.
2. Each warrant shall entitle a right to subscribe for one (1) new share in Indutrade. Consequently, the share capital will, provided that the warrants are

fully exercised, increase with a maximum of SEK 1,408,000 for Series I and a maximum of SEK 400,000 for Series II.

3. The right to subscribe for warrants shall, with deviation from the shareholders' pre-emptive rights, be granted Indutrade's wholly-owned subsidiary C & M Plast AB.
4. Subscription for warrants shall be made no later than 30 June 2017, with the board reserving the right to extend this time limit.
5. Subscription for new shares may take place as from the registration of the warrants with the Swedish Companies Registrations Office (*Sw. Bolagsverket*) up to and including Friday, 20 May 2022, however only during the following subscription periods; (i) the three-week period commencing immediately after the day of the announcement of the interim report for the first quarter of 2020, (ii) the three-week period commencing immediately after the day of the announcement of the interim report for the third quarter of 2020, (iii) the three-week period commencing immediately after the day of the announcement of the interim report for the first quarter of 2021, (iv) the three-week period commencing immediately after the day of the announcement of the interim report for the third quarter of 2021, (v) as from the day after the announcement of the interim report for the first quarter 2022 up to and including Friday, 20 May 2022, as well as, where applicable, (vi) thirty days after Indutrade has been notified that a third party has acquired shares in Indutrade entailing that the third party has the right to call for compulsory acquisition of the remaining minority shareholders' shares in Indutrade in accordance with applicable rules and regulations.
6. The warrants entitle to subscription for new shares in Indutrade with a subscription price corresponding to 120 per cent of the volume-weighted average purchase price for the Indutrade share listed on Nasdaq Stockholm during a period of 10 trading days calculated as from the day after the board directs the offer to acquire warrants of each series to the senior executives and other key employees within the Indutrade group that are comprised in LTI 2017.
7. The new shares issued shall entitle to dividend as from the first record date for dividend to occur after the registration of the new shares with the Swedish Companies Registration Office.
8. The terms and conditions for the warrants may be recalculated in accordance with customary recalculation principles due to e.g. a bonus issue, share split or consolidation, rights issue and/or any similar event.

The detailed terms and conditions for the warrants are set forth in Appendix 1 in terms of warrants of Series I, and in Appendix 2 in terms of warrants of Series II.

Resolution on transfer of warrants to certain senior executives and other key employees within the Indutrade group

In order to implement LTI 2017, the board further proposes that the Annual General Meeting resolves on a transfer of warrants from the wholly-owned subsidiary C & M Plast AB to 180 senior executives and other key employees within the Indutrade group that are comprised in the LTI 2017.

The board's proposal entails that transfer of warrants to participants in the LTI 2017 shall be made on the following terms and conditions.

1. Transfer may be made of a maximum total of 704,000 warrants.
2. The right to acquire warrants shall, with deviation from the shareholders' pre-emptive rights, be granted senior executives and other key employees within the Indutrade group that are comprised in the LTI 2017.
3. Transfer of warrants shall be made at a price corresponding to the market value for the warrants at the time of allotment, which shall be determined as the calculated market value for the warrants applying the Black & Scholes valuation model calculated by an independent valuation institute (Nordea Bank AB).
4. Transfer of warrants shall be made at the times, and on the other terms and conditions that apply to the participants' right to acquire warrants under LTI 2017.

Reason for the deviation from the shareholders' pre-emptive rights

The reason for deviating from the shareholders' pre-emptive rights is that Indutrade wishes to implement an incentive programme for senior executives and key employees within the group, by which they can be offered the opportunity to take part in the value increase in Indutrade's share.

Subsidy

A cash subsidy corresponding to 120 per cent of the price paid for the warrants by the participants in the programme, which shall correspond to a calculated market value for the warrants at the time of allotment of the warrants by applying the Black & Scholes valuation model calculated by an independent valuation institute (Nordea Bank AB), will be paid by Indutrade to the participants on two occasions in equal parts (1/2), after 24 months and after 36 months.

Purchase of warrants in excess of the number that is guaranteed in each employee category does not entitle to the subsidy. The participants of the programme pay tax on the subsidy to an amount depending on where the participant is liable of taxation and other circumstances relevant to each participant. Payment of the subsidy will normally be subject to the condition that the participant, at the time of payment, has not disposed of any warrants and that the participant is still employed by the Indutrade group and has not resigned or been dismissed. The reasons for the subsidy are both that it is expected to contribute to a high level of participation in LTI 2017 and that it encourages continued employment within the Indutrade group.

Costs and dilution

Indutrade's costs before tax for LTI 2017, including the directed issue, the transfer of warrants and the subsidy, comprise administrative costs and social security charges. The total costs for LTI 2017, assuming full participation and based on a share price of SEK 169.00, are estimated to amount to SEK 15.7 million over a period of three years.

If the warrants are fully exercised, the number of outstanding shares in Indutrade will increase by 704,000. These new shares issued represent approximately 0.58 per cent of the shares and votes after full dilution (including shares that may be issued under LTI 2014).

Effect on key figures

The programme is expected to have only a marginal impact on Indutrade's key figures.

Miscellaneous

Participation in the LTI 2017 presupposes that it is legally possible and adequate in the jurisdiction concerned and that such participation is considered possible with reasonable administrative and financial costs. The board shall be entitled to offer alternative incentive programmes, including cash settlement, to participants in jurisdictions where acquisition and/or exercise of warrants legally or adequately cannot be made.

Preparations of the proposal

The proposal has been prepared by the remuneration committee of Indutrade and has been adopted by the board in March 2017.

Authorisation for the board of directors

The board of directors proposes that the board, or anyone appointed by the board, shall be entitled to make the minor adjustments to the Annual General Meeting's resolution on the programme that may be required in connection with the registration of the resolution with the Swedish Companies Registration Office and Euroclear Sweden AB.

Majority requirements

The Annual General Meeting's resolution to implement LTI 2017, including the directed issue and the transfer of warrants to senior executives and other key employees, is valid only if it is supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the Annual General Meeting.

Stockholm, March 2017
Indutrade Aktiebolag (publ)
The Board of Directors