

# SECTRA

Documentation to be presented at the  
Annual General Meeting of

Sectra AB (publ)

Thursday, September 6, 2018

## Agenda

for the Annual General Meeting of shareholders in Sectra AB (publ) Thursday, September 6, 2018 at 3:30 p.m. (CET) at Collegium, Teknikringen 7, Linköping, Sweden.

### Proposed Agenda

1. Opening of the AGM.
2. Election of Chairman of the AGM.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of two persons to certify the minutes.
6. Determination of whether the AGM has been duly convened.
7. Presentation of the Annual Report and the Auditor's Report and the Consolidated Annual Report and Consolidated Auditor's Report.
8. Resolutions regarding
  - (a) Adoption of the Profit and Loss Statement and the Balance Sheet and the Consolidated Profit and Loss Statement and Consolidated Balance Sheet.
  - (b) Allocation of the Company's profit according to the adopted Balance Sheet.
  - (c) Discharge from liability towards the company for the members of the Board of Directors and the Managing Director.
9. Resolution regarding the number of members of the Board of Directors, auditors and deputies.
10. Resolution regarding the fees for the Board of Directors and the auditors.
11. Election of the members of the Board of Directors and the Chairman of the Board, and election of the auditor.
12. Resolution regarding Nomination Committee.
13. Resolution concerning the principles for remuneration and other terms of employment for senior executives of the company.
14. Share split and automatic redemption procedure, to include
  - (a) resolution to implement a share split,
  - (b) resolution to reduce share capital through an automatic redemption of shares, and
  - (c) resolution to increase share capital through a bonus issue.
15. Resolution regarding authorization for the Board of Directors to issue shares.
16. Resolution regarding authorization for the Board of Directors to acquire and dispose of the Company's own shares.
17. Resolution regarding the issue of convertibles to employees.
18. Resolution regarding the issue of convertibles to external members of the Board of Directors.
19. Other matters.
20. Closing of the AGM.

## **The Board of Directors' proposals to be presented at the Annual General Meeting in Sectra AB (publ) on Thursday, September 6, 2018**

The following proposals have the same numbering as set forth in the Board of Directors' proposed agenda.

### **Election of Chairman of the AGM (item 2)**

The Nomination Committee, consisting of the Chairman of the Board of Directors Carl-Erik Ridderstråle, Torbjörn Kronander, Jan-Olof Brüer, and Jan Särilvik representing Nordea Investment Funds, proposes that Per Nyberg, is elected Chairman of the AGM.

### **Dividend (item 8b)**

The Board of Directors and the Managing Director propose that no dividend is distributed for the financial year 2017/2018. The Board of Directors instead proposes an automatic redemption procedure as set out in item 14 below.

### **Board of Directors (items 9-11)**

The Nomination Committee proposes that the Board of Directors shall comprise of eight members without any deputy directors. Anders Persson, Christer Nilsson, Torbjörn Kronander, Ulrika Hagdahl, Tomas Puusepp and Jan Olof Brüer are proposed to be re-elected as members of the Board of Directors and Birgitta Hagenfeldt elected as new member of the Board of Directors. Carl-Erik Ridderstråle and Jakob Svärdström have declined re-election.

It is proposed that Jan-Olof Brüer is elected as the new Chairman of the Board of Directors.

Birgitta Hagenfeldt has an MBA and was born 1961. She is CFO and deputy CEO of Avanza Bank Holding. For further information about the proposed new member of the Board of Directors reference is made to the motivated statement of the Nomination Committee.

The Nomination Committee's motivated statement in respect of their proposal and other information regarding the proposed members of the Board of Directors is available at [www.sectra.com/agm](http://www.sectra.com/agm).

The Nomination Committee proposes that Grant Thornton Sweden AB is appointed as auditor until the close of the next AGM.

It is proposed that director fees (same as previous year) amount to SEK 225,000 for each of the external members of the Board and to SEK 450,000 for the Chairman of the Board. For the Audit Committee it is proposed that fees (same as previous year) amount to SEK 40,000 for each of the external members of the Board and SEK 80,000 to the Chairman of the Audit Committee. No separate fees are paid for Remuneration Committee work. Furthermore, the Nomination Committee proposes that the audit fee shall be paid pursuant to approved account.

The Nomination Committee's proposal is supported by shareholders representing more than 65% of the votes in the Company.

### **Resolution regarding Nomination Committee (item 12)**

The Nomination Committee proposes that the AGM decide on the composition of the Nomination Committee in accordance with the following principles. The Chairman of the Board shall, not later than November 30, 2018, contact the three largest shareholders in the company (based on the number of votes), each of which is then entitled to appoint a member to the Nomination Committee. Should any of the three largest shareholders waive the right to appoint a member to the Nomination Committee, the next shareholder in terms of the largest number of votes shall be

offered the opportunity to appoint a member to the Nomination Committee. In addition, the Chairman of the Board is a member of the Nomination Committee. The Chairman of the Board convenes the Nomination Committee to the first meeting.

The member who represents the shareholder with the largest number of votes shall be appointed Chairman of the Nomination Committee. The Nomination Committee's mandate period extends until a new Nomination Committee is appointed. Should a member resign from the Nomination Committee in advance, an alternate shall be appointed in accordance with the principles above. The composition of the Nomination Committee shall be announced not later than six months prior to the AGM.

The Nomination Committee is composed based on the known shareholding of the company as per October 31, 2018. If significant changes occur in ownership after the Nomination Committee is formed, the composition of the Nomination Committee can also be changed in accordance with the principles above. Changes in the Nomination Committee shall be disclosed immediately.

The Nomination Committee shall prepare and to the AGM propose:

- Election of the Chairman of the Board and other members to the company's Board,
- Board fees divided between the Chairman of the Board and other members as well as possible remuneration for committee work,
- Election of and fees to the auditors and deputy auditors (if applicable),
- Resolution regarding principles for composition of the Nomination Committee, and
- Chairman of the AGM.

No fees are paid to members of the Nomination Committee.

**Principles for remuneration and other terms of employment for senior executives of the company (item 13)**

The Board proposes that the principles for remuneration and other conditions of employment for senior executives of the company which was adopted at the AGM 2017 shall continue to apply.

Senior executives of the company include the Managing Director/CEO and other members of the senior management.

The remuneration to senior executives of the company shall be based on market terms and should support the interests of the company's owners. Remuneration shall mainly consist of a fixed salary element, a variable salary element, pension benefits and other benefits; for example, use of a company car. The pension benefits shall be in the form of premium.

The fixed salary shall be determined taking into account the executive's experience, responsibility and performance and shall be based on market conditions.

The variable remuneration shall be in proportion to the executive's responsibility and authority. In addition, it shall have a maximum limit and be based on fulfillment of goals that comply with the company's long-term interests. The variable portion shall, when applicable, be based on quantitative and qualitative goals, and may be comprised by share related instruments. The company's costs for the variable portion for the Managing Director and other persons in company management shall amount to not more than 50% of the fixed salary costs.

The period of notice shall be not more than 12 months on the employee's side. In the event that notice is issued by the company, the period of notice and the time during which severance pay is paid out shall not together exceed a total of 24 months.

The normal retirement age shall be 65. Pensions shall be on market terms and based on defined-contribution pension solutions. The pension premium shall be maximized at 30% of the fixed and variable salary.

Members of the Board of Directors with special competence shall receive remuneration on market terms for performed services outside his or her management assignment. Resolutions regarding such remuneration shall be dealt with by the Board of Directors, in which case the party concerned may not take part in the discussions or the related decision.

Issues related to remuneration to company management are handled by the Managing Director. Remuneration to the President is determined by the Board of Directors.

The Board of Directors shall be able to deviate from the guidelines for remuneration drawn up by the AGM, if there are special reasons for so doing in individual instances.

#### **Share split and automatic redemption of shares (item 14)**

The Board of Directors proposes that the AGM resolves on a procedure for the automatic redemption of shares, in accordance with items 14 a – 14 c below. All resolutions are proposed to be conditional upon each other and to be adopted as one single resolution. A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the AGM.

##### *Resolution to implement a share split (item 14 a)*

The Board of Directors proposes that the AGM resolves to implement a share split, whereby one share in Sectra is converted into two shares. One of these shares will be a so-called redemption share. The Board of Directors proposes that the record date for the share split shall be October 4, 2018.

##### *Resolution to reduce the share capital through an automatic redemption of shares (item 14 b)*

The Board of Directors proposes that the share capital is reduced by SEK 19,059,834.50 through the redemption of 2,620,692 Series A shares and 35,498,977 Series B shares for repayment to the shareholders.

The shares to be redeemed are those shares which are referred to as redemption shares after shares have been split as described above. The price to be paid for each redemption share shall be SEK 4.50. The maximum redemption amount will thus be SEK 171,538,510.50. The Board of Directors proposes that trading in redemption shares shall take place during the period October 5–16, 2018 and that the record date for the redemption of the redemption shares shall be October 18, 2018. Payment is expected to be made through Euroclear Sweden AB around October 23, 2018.

##### *Resolution to increase the share capital through a bonus issue (item 14 c)*

In order to achieve a timely and efficient redemption procedure, without having to obtain permission from the Swedish Companies Registration Office or a court of law, the Board of Directors proposes to restore the company's share capital to its original amount by increasing the company's share capital by SEK 19,059,834.50 through a bonus issue via a transfer from the company's unrestricted equity to the company's share capital. No new shares will be issued in connection with the bonus issue. Upon completion of the bonus issue, the company's share capital will be restored to its original amount.

The Board of Directors' explanatory statement and the auditor's opinions thereon in accordance with Chapter 20, Section 8 of the Swedish Companies Act (2005:551) (the "Act") are set out in **Appendix 1** and **Appendix 2** respectively. The Board of Directors' statement in accordance with

Chapter 20, Section 13 of the Act and the auditors' statement in accordance with Chapter 20, Section 14 of the Act are set out in **Appendix 3** and **Appendix 4** respectively.

**Resolution regarding authorization for the Board of Directors to issue new shares (item 15)**

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to issue, on one or several occasions during the period until the next AGM, not more than 3,700,000 Class B shares for payment in cash, payment by set-off of claims or payment in kind, and that for issues where payment is made by set-off of claims or in kind, the Board of Directors shall be able to disregard the shareholders' preferential rights. The subscription price of the new shares shall be determined on the basis of the prevailing market price of the Class B shares at the time of the issue. The purpose of the authorization is to facilitate the use of newly issued shares in connection with the implementation of or for the financing of acquisitions of companies or businesses or parts thereof and in connection with market investments.

A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the Annual General Meeting.

**Resolution regarding authorization for the Board of Directors to acquire and dispose of the company's own shares (item 16)**

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to, on one or several occasions during the period until the next AGM, resolve on the acquisition of shares of the company. Such shares may be acquired up to a maximum amount not at any time exceeding 10% of the total number of shares issued by the company. Acquisitions of shares shall be made either on Nasdaq Stockholm at a purchase price within the range of share prices registered at any given time for the Class B shares, meaning the spread between the maximum buying rate and the minimum selling rate, or by way of an offer to all shareholders, whereby the purchase shall be made at a price which at the time of the decision corresponds at a minimum to the prevailing market price for the Class B shares and at a maximum to 150% of the prevailing market price for the Class B shares. The same price shall apply for Class A shares and Class B shares.

The Board of Directors also proposes that the Board of Directors shall be authorized to resolve, on one or several occasions during the period until the next AGM, to dispose all shares held by the company in connection with the acquisition of companies or businesses or parts thereof, in connection with market investments, for hedging costs that may arise relating to the company's incentive programs and for a continuous adaptation of the company's capital structure and thereby contributing to increased shareholders' value. The shareholders shall have a preferential right to acquire the shares in accordance with the provisions in the articles of association regarding the preferential right to subscribe for new shares, provided that the board of directors shall be entitled to deviate from the preferential right if the shares are paid for by way of set-off or non-cash consideration or if the purpose with the disposal is to secure the costs that arise as a result of the company's incentive program. A disposal of shares via Nasdaq Stockholm may only be made at a price within the range of share prices registered at any given time.

A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the Annual General Meeting.

The Board of Directors' motivated statement in accordance with Chapter 19, § 22 of the Act is set forth in **Appendix 5**.

### **Proposal regarding the issue of convertibles to employees (item 17)**

The Board of Directors proposes that the AGM resolves to issue convertibles with a nominal value not exceeding SEK 35,000,000. The employees of the Group shall subscribe for the convertibles.

The following conditions shall apply to the resolution:

1. Each convertible shall have a nominal value of SEK 1, or multiples thereof.
2. The issue price for the convertibles shall correspond to the convertibles' nominal value.
3. With disapplication of the shareholders' preferential rights, the Group's employees shall be entitled to subscribe for the convertibles in accordance with **Appendix 6**.
4. Subscription shall be made on a subscription list during the period October 1–11, 2018.
5. Payment for the convertibles shall be made in cash not later than November 1, 2018.
6. The convertibles shall carry no interest and shall mature for payment on January 31, 2022.
7. The convertibles entitle the holder to convert to Class B shares. The conversion rate shall correspond to 145.3% of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm on each trading day during the period August 30–September 12, 2018, however not less than SEK 100. Holders are entitled to request conversion of their convertibles into shares, during the period January 10–14, 2022.
8. Assuming full conversion of the convertibles, the share capital may increase by not more than SEK 350,000.
9. No excess subscription shall take place.
10. The new shares shall yield a right to dividend from the first record day for dividend that occurs after the conversion has taken place.

In addition hereto, the terms and conditions according to **Appendix 7** shall apply.

Moreover, it is proposed to authorize the Board of Directors, or any person nominated by the Board of Directors, to undertake such minor adjustments as may be required for the registration of the issue by the Swedish Companies Registration Office and Euroclear Sweden AB.

The issue price of the convertibles shall correspond to market value according to established principles of valuation. The convertibles have been valued by Ernst & Young AB.

The convertibles may only be allocated so that the dilution effect assuming full conversion amounts to not more than one (1) per cent of the share capital at the date of the Annual General Meeting's resolution, at which the dilution due to the allocation of convertibles to external members of the Board of Directors according to the proposal by certain shareholders shall be included.

Full conversion will result in the key ratios equity per share and earnings per share for the fiscal year 2017/2018 being affected only insignificantly. These key ratios have therefore been excluded.

The proposal has been drawn up by the management in consultation with external advisers according to guidelines from the Board of Directors and has been discussed at meetings of the Board of Directors during the spring of 2018.

The purpose of the deviation of the shareholders' preferential rights is to further strengthen the motivation of the employees regarding the Group's long-term business and financial development and to increase the motivation and the feeling of belonging to the company. The Board of Directors therefore considers it to be advantageous for the company and for the company's shareholders

that the employees are enabled to become shareholders in Sectra AB (publ) through this convertible program.

The subscription price for the convertibles is equal to their market price according to an independent valuation. As a result thereof, no social fees will be payable for the group as a result of the issue of convertibles. Other costs for this plan as well as for the plan in respect of the issue of convertibles to external board members according to item 18 below, such as fees to external advisors and costs for the administration of the program, is estimated to be approximately SEK 500,000 for the duration of the convertibles.

The proposal set forth above implies that the company's employees subscribe for convertibles entitling the holder to acquire shares in the company. Certain allocation of convertibles may be made as part of certain employees' variable salary. According to Chapter 16 of the Act, which refers to certain private placements etc., a resolution in accordance with the proposal is valid only where supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Annual General Meeting.

Please refer to the company's Annual Report 2017/2018, note 2, for a compilation of the company's incentive programs.

**Proposal regarding the issue of convertibles to external members of the Board of Directors, (item 18)**

Further, shareholders representing more than 34% of the votes in the Company, propose that the AGM resolves to issue convertibles with a nominal value not exceeding SEK 3,500,000. With disapplication of the shareholders' preferential rights, external members of the Board of Directors in Sectra AB (publ) may subscribe for the convertibles.

The following conditions shall apply to the resolution:

1. Each convertible shall have a nominal value of SEK 1, or multiples thereof.
2. The issue price for the convertibles shall correspond to the convertibles' nominal value.
3. With disapplication of the shareholders' preferential rights, the company's external members of the Board of Directors shall be entitled to subscribe for the convertibles in accordance with **Appendix 8**.
4. Subscription shall be made on a subscription list during the period October 1–11, 2018.
5. Payment for the convertibles shall be made in cash not later than November 1, 2018.
6. The convertibles shall carry no interest and shall mature for payment on January 31, 2023.
7. The convertibles entitle the holder to convert to Class B shares. The conversion rate shall correspond to 140,4% of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm on each trading day during the period August 30 – September 12, 2018, however not less than SEK 100. Holders are entitled to request conversion of their convertibles into shares during the period January 9–13, 2023.
8. Assuming full conversion of the convertibles, the share capital may increase by no more than SEK 35,000.
9. No excess subscription shall take place.
10. The new shares shall yield a right to dividend from the first record day for dividend that occurs after the conversion has taken place.

In addition hereto, the terms and conditions according to **Appendix 9** shall apply.



Moreover, it is proposed to authorize the Board of Directors, or any person nominated by the Board of Directors, to undertake such minor adjustments as may be required for the registration of the issue by the Swedish Companies Registration Office and Euroclear Sweden AB.

The issue price of the convertibles shall correspond to market value according to established principles of valuation. The convertibles have been valued by Ernst & Young.

The convertibles may only be allocated so that the dilution effect assuming full conversion amounts to no more than one (1) per cent of the share capital at the date of the Annual General Meeting's resolution, at which the dilution due to the allocation of convertibles to employees according to the proposal by the Board of Directors shall be included.

Full conversion will result in the keys ratio equity per share and earnings per share for the fiscal year 2017/2018 being only insignificantly affected. These key ratios have therefore been excluded.

The purpose of the deviation of the shareholders' preferential rights is to further strengthen the motivation of the external members of the Board of Directors regarding the Group's long-term business development.

The subscription price for the convertibles is equal to their market price according to an independent valuation. As a result thereof, no social fees will be payable for the group as a result of the issue of convertibles. As explained in item 17 above, other costs for the plan in item 17 as well as for this plan in respect of the issue of convertibles to external board members, such as fees to external advisors and costs for the administration of the program, is estimated to be approximately SEK 500,000 for the duration of the convertibles.

The proposal set forth above implies that the company's external Board members subscribe for convertibles entitling the holder to acquire shares in the company. According to Chapter 16 of the Act, which refers to certain private placements etc., a resolution in accordance with the proposal is valid only where supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Annual General Meeting.

Please refer to the company's Annual Report 2017/2018, note 2, for a compilation of the company's incentive programs.