

## **Proposal of the Board of Directors of AAK AB (publ) for a resolution on the implementation of a long-term incentive program including resolutions on (A) issue of convertibles, (B) allotment of convertibles and (C) issue of subscription warrants series 2017/2022:1**

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The Board of Directors of AAK AB (publ) proposes that the Annual General Meeting resolves on a long-term incentive program including resolutions on (A) issue of convertible bonds for implementation of a convertible program for all employees within the AAK group (the “**Convertible Program 2017/2021**”), (B) allotment of convertibles and (C) issue of subscription warrants for implementation of a subscription warrants program for all employees, which is linked to the Convertible Program 2017/2021 (“**Warrants Program series 2017/2022:1**”). The Convertible Program 2017/2021 and the Warrants Program series 2017/2022:1 are jointly referred to as “**Incentive Program 2017/2022**”. The Incentive Program 2017/2022 is proposed to be carried out on the following terms and conditions.

### **A. Issue of convertible bonds**

The Board of Directors proposes that the general meeting resolve:

1. that the company shall procure a convertible loan with a maximum nominal value of SEK 25,000,000, or such lesser amount as follows from item A.13 below, through a new issue of convertible bonds;
2. that the subscription price for each convertible bond shall be equal to its nominal value;
3. that with deviation from the shareholders’ preferential right, the right to subscribe for the convertible bonds shall be granted to employees of the AAK group who on 30 June 2017 (i) have employment in, or have entered into an employment agreement with, a company within the AAK group and (ii) have not given or been given notice of termination of employment;
4. that subscription for the convertibles shall be made on a separate subscription list no later than on 31 August 2017, with a right for the Board of Directors to prolong this time limit;
5. that payment for the convertibles shall be made on 15 September 2017 at the latest, with a right for the Board of Directors to prolong this time limit;
6. that the convertible bonds shall carry annual interest from 15 September 2017 equivalent to STIBOR 3M plus an interest margin established by an independent valuation institute in accordance with established valuation methods so that the market value of the convertibles corresponds to their nominal amount;

7. that the accrued interest shall be due for payment on 15 September each year commencing on 15 September 2018 and on the maturity date for the convertible bonds. At conversion, the right to receive interest will cease for the period from the nearest preceding interest payment date;
8. that the loan is due for payment on 15 September 2021, in so far as conversion has not occurred before;
9. that the convertible bonds may be converted into new shares in AAK AB quarterly from and including 15 September 2020 up to and including 31 August 2021;
10. that the conversion price shall correspond to 133 per cent of the volume weighted average price according to Nasdaq Stockholm's official price list for the share in the company during the period from and including 18 May 2017 up to and including 1 June 2017, but not lower than the share's quota value; in the absence of a settled price for any of the days in question, the quoted bid price for that day shall be included in the calculation. A day with neither a settled price or a quoted bid price shall be excluded from the calculation. The calculated conversion price shall be rounded to the nearest whole cent (*Sw. öretal*), whereby half a cent shall be rounded down;
11. that the convertible bonds shall, in the event of bankruptcy or liquidation of the company, be ranked after the company's all other liabilities which are not expressly subordinated to or expressly ranking *pari passu* with the convertible bonds and *pari passu* with other convertible bonds issued on corresponding terms;
12. that a share obtained due to conversion shall entitle to dividend distribution for the first time on the record day for dividend distribution occurring next after the execution of the conversion;
13. that if the conversion price as determined above, is set at a value that would initially lead to a dilution after full conversion of more than 0.2 per cent of the share capital and the votes, the maximum amount of the loan shall be reduced to bring the maximum dilution to 0.2 per cent of the share capital and votes; and
14. that applicable terms for re-calculation and other terms for the convertibles in the Convertible Program 2017/2021 are set forth in the *"Terms and conditions for convertible bonds series 2017/2021 in AAK AB (publ)"*.

The Board of Directors, or anyone appointed by the Board of Directors, shall be authorised to make such minor changes to the resolution by the general meeting to issue convertible bonds as may be deemed necessary in connection with registration at the Swedish Companies Registration Office (*Sw. Bolagsverket*) and Euroclear Sweden AB.

The reason for the deviation from the shareholders' preferential right are that AAK AB wishes to introduce a global incentive program for all employees within the group, whereby they can be offered to take part of an increase in value of the AAK AB share. A personal long-term ownership among the employees is expected to promote the interest in the company's development and results, as well as in the company's share

price development, and to increase motivation and a continued company loyalty over the coming years.

## **B. Allotment of convertibles**

The Convertible Program 2017/2021 shall principally be carried out in accordance with what is stated below.

1. The convertible bonds shall be issued to employees within the AAK group, in accordance with the guidelines below.
2. The convertible bonds shall be issued to nominal value, which shall correspond to the market value of the convertible bonds.
3. The market value of the convertible bonds shall be established by Öhrlings PricewaterhouseCoopers AB as an independent valuation institute. Allotment shall be made by no more than such number of convertible bonds that, applying the determined conversion price, correspond to the subscribed amount in accordance with the guidelines below.

All participants of the convertible program are entitled to subscribe for a maximum amount of SEK 150,000. Participants may choose to subscribe for either SEK 150,000, SEK 75,000 or SEK 25,000.

The first allotment is expected to take place in summer 2017. There will be no guaranteed allotment.

If the total amount of convertible bonds subscribed for exceeds the maximum amount of 25,000,000 (or such lower amount as may be the result of a reduction in order to bring the maximum dilution of the share capital and votes to 0.2 per cent) reduction down to the maximum amount (or such lower amount as may be the result of a reduction in order to bring the maximum dilution of the share capital and votes to 0.2 per cent) will occur by reduction of the participants' subscription amount in proportion to the respective subscription amount.

Senior executives and key employees who participate in the Warrants Program series 2017/2022:2 may not participate in the Incentive Program 2017/2022, and are thus not entitled to be allotted convertible bonds in accordance with the guidelines above.

## **C. Issue of subscription warrants series 2017/2022:1**

The Board of Directors proposes that the general meeting resolve:

1. that the company shall issue a maximum of 145,000 subscription warrants entitling to subscription for new shares in AAK AB by which the share capital may be increased by a total of maximum SEK 1,450,000;
2. that the issue is made with deviation from the shareholders' preferential rights and the right to subscribe for the subscription warrants shall be granted to participants of the Convertible Program 2017/2021;
3. that all participants of the Convertible Program 2017/2021 shall be entitled to subscribe for four (4) subscription warrants for each convertible bond that the

participant has subscribed in the Convertible Program 2017/2021, whereby subscription may only be made if the participant subscribe for four (4) subscription warrants for each convertible bond subscribed for by the participant in the Convertible Program 2017/2021;

4. that the subscription warrants shall be issued at a subscription price corresponding to the market value to be determined by an independent valuation institute in accordance with the Black & Scholes valuation method in connection with allotment of the subscription warrants;
5. that subscription for the subscription warrants shall be made on a separate subscription list no later than on 31 August 2017, with a right for the Board of Directors to prolong this time limit;
6. that payment for the subscription warrants shall be made on 15 September 2017 at the latest, with a right for the Board of Directors to prolong this time limit;
7. that each subscription warrant shall entitle the holder to subscribe for one (1) new share in AAK AB with a quota value of SEK ten (10);
8. that subscription for shares in AAK AB by exercise of the subscription warrants may take place quarterly during the period from and including 1 September 2020 up to and including 31 August 2022;
9. that the subscription price per share shall correspond to 133 per cent of the volume weighted average price according to Nasdaq Stockholm's official price list for the share in the company during the period from and including 18 May 2017 up to and including 1 June 2017, but not lower than the share's quota value; in the absence of a settled price for any of the days in question, the quoted bid price for that day shall be included in the calculation. A day with neither a settled price or a quoted bid price shall be excluded from the calculation. The calculated conversion price shall be rounded to the nearest whole cent (*Sw. öreta*), whereby half a cent shall be rounded down;
10. that shares that have been issued by virtue of the subscription warrants, will entitle to dividend for the first time on the first record date for dividend occurring after subscription of shares through exercise of subscription warrants has been executed; and
11. that applicable terms for re-calculation and other terms for the subscription warrants in the Warrants Program series 2017/2022:1 are set forth in the *"Terms and conditions for subscription warrants series 2017/2022:1 regarding subscription of shares in AAK AB (publ)"*.

The Board of Directors, or anyone appointed by the Board of Directors, shall be authorised to make such minor changes to the resolution by the general meeting to issue subscription warrants as may be deemed necessary in connection with registration at the Swedish Companies Registration Office (*Sw. Bolagsverket*) and Euroclear Sweden AB.

The reason for the deviation from the shareholders' preferential right are that AAK AB wishes to introduce a global incentive program for all employees within the group,

whereby they can be offered to take part of an increase in value of the AAK AB share. A personal long-term ownership among the employees is expected to promote the interest in the company's development and results, as well as in the company's share price development, and to increase motivation and a continued company loyalty over the coming years.

*Participants in other jurisdictions*

For participants in jurisdictions other than Sweden, it is implied that allotment and further transfer, respectively, of the convertible bonds and the subscription warrants is legally possible and that it, in the Board's opinion, can be carried out with reasonable administrative and financial efforts at their established market value. The Board shall have the right to adjust the terms of the Incentive Program 2017/2022 to the extent required in order for issuance of convertible bonds and allotment of subscription warrants to participants in other jurisdictions, to the extent practically possible, to be carried out under the same conditions as imposed by the Incentive Program 2017/2022.

*Dilution, effect on key ratios and costs*

The increase of AAK AB's share capital will at full subscription and conversion of the convertible bonds, respectively, based on a conversion price of SEK 785 (corresponding to 133 per cent of SEK 590), amount to approximately SEK 320,000 based on a quota value of SEK ten (10) per share, which, at full conversion of the convertible bonds, corresponds to a dilution of approximately 0.08 per cent of the share capital and the total number of votes.

In case the conversion rate at the time of issue should, with the application of the above mentioned calculation principles and applicable stock exchange rates, be set at a value that would bring a dilution after full conversion of more than 0.2 per cent of the share capital and the votes, the maximum amount of the loan shall be reduced to bring the maximum dilution to 0.2 per cent (provided however that the maximum dilution may be larger than 0.2 per cent due to a later recalculation of the conversion price as per the terms for the convertible bonds). The proposed convertibles will cause the earnings per share to change in direct opposite proportion to the change in the number of shares conversion results in (the dilution). Since the dilution of the share capital under the terms and conditions can never exceed 0.2 per cent, the earnings per share can never decrease by more than 0.2 per cent at full conversion.

At full subscription of the proposed issue of subscription warrants, and full exercise of the subscription warrants, the share capital may be increased by a total of maximum SEK 1,450,000, which is equivalent to approximately 0.3 per cent of the company's present share capital. This corresponds to a total dilution of maximum approximately 0.3 per cent in relation to the share capital on a fully diluted basis, calculated as the number of new shares in proportion to the number of existing and new shares.

In the event of full dilution as a result of the Incentive Program 2017/2022, other important key ratios will be affected as follows (based on the corresponding key ratios in the year-end report for 2016 and a preliminary valuation of the future capital contribution):

- earnings per share: reduction by SEK 0.09 from SEK 23.71 to SEK 23.62;

- equity per share: increase by SEK 2.67 from SEK 177.87 to SEK 180.54; it being assumed that payment has been made for the new shares by the end of the first quarter 2017.

The above is subject to re-calculations of the subscription warrants in accordance with the customary terms of re-calculation in the complete terms and conditions.

In addition to financial costs related to the convertibles, which at full subscription are estimated to amount to approximately SEK 0.5 million per year, the company may be charged minor costs for social security contributions for certain participants in other jurisdictions. Other than that, the Incentive Program 2017/2022 is not expected to entail any significant costs for the company. No measures to hedge the program have been taken.

*Preparation of the proposal*

The Incentive Program has been prepared by the Remuneration Committee and the Board with advise from external experts. The proposal has been resolved upon by the Board. The CEO has not participated in the preparation of the proposal.

*Majority requirements*

The Board of Directors proposes that the proposed resolutions under items A-C above are passed together as one resolution. A valid resolution requires a resolution by the general meeting supported by shareholders representing at least nine-tenths of both the number of votes cast and the shares represented at the general meeting in order to be valid.

Malmö in April 2017  
**AAK AB (publ)**  
*The Board of Directors*