



## **PROPOSAL BY THE BOARD OF DIRECTORS REGARDING IMPLEMENTATION OF A LONG-TERM SHARE SAVINGS PROGRAM (SSP 2018)**

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The Board of Directors in AhlSell AB (publ) ("AhlSell") proposes that the Annual General Meeting resolves to introduce a long-term share savings program as follows:

### **A. Terms and conditions for the long-term share savings program**

#### **A.1 Background**

Prior to the listing of AhlSell's shares on Nasdaq Stockholm in 2016, it was resolved to introduce a long-term share based incentive program. The Board of Directors now proposes to introduce a new long-term share savings program 2018 ("SSP 2018") with similar structure as the previous incentive program for AhlSell's senior executives and a number of key employees.

The primary reasons for SSP 2018 are to encourage a widespread ownership among AhlSell's key employees, recruit and retain qualified and talented employees, strengthen the link between the objectives of key employees and those of AhlSell, and increase motivation. In accordance with the previous incentive program, SSP 2018 will create a group-wide focus among the participants on increased growth, operating margin and total return on the AhlSell-share.

SSP 2018 comprises approximately 120 employees in AhlSell. Participation in SSP 2018 requires the participants to acquire or hold a minimum number of shares in AhlSell ("Savings Shares"). Participants that retain Savings Shares in SSP 2018 until the end of the program in June 2021 and continue to be employed by AhlSell during this time may receive up to three (3) shares for each Savings Share free of charge ("Performance Shares"). The number of Performance Shares that may be received will be determined based on the fulfilment of a number of defined performance targets during the vesting period July 2018 – June 2021.

The maximum number of shares in AhlSell that may be allocated under SSP 2018 shall be limited to 1,461,000, which represents approximately 0.33 per cent of the total number of shares in the company.

#### **A.2 Basic terms for SSP 2018**

SSP 2018 is intended for AhlSell's executive management and a number of other key employees who the Board of Directors considers to have a direct or indirect

impact on the company's result and development. Participation in SSP 2018 requires the members of Ahlsell's executive management and other key employees to acquire or hold a minimum number of Savings Shares in Ahlsell and that such Savings Shares are allocated to SSP 2018. The Savings Shares may be acquired specifically for the purposes of SSP 2018, or be shares already held by the participant, provided that these have not been allocated to a previous incentive program. Purchase of Savings Shares may not be made during such period when trading in the shares of Ahlsell is prohibited pursuant to the company's policies or Regulation (EU) No 596/2014 of the European Parliament and of the Council dated 16 April 2014 on market abuse (Market Abuse Regulation), or other corresponding legislation prevailing at any time, but may in such event be made at a later time when such circumstances no longer exist.

Participants that retain their Savings Shares until and including allocation and remain employed by Ahlsell during the same period, will be allocated up to three (3) Performance Shares for each Savings Share. The number of Performance Shares that may be allocated will be determined based on the fulfilment of a number of defined performance targets during the vesting period July 2018 – June 2021. Allocation of Performance Shares to the participants are granted free of charge.

The right to Performance Shares will be granted to the participants following the Annual General Meeting 2018 in connection with, or shortly thereafter, an agreement is made between the participant and the company regarding participation in SSP 2018. The Board of Directors shall be entitled to offer participation in SSP 2018 to new key employees until and including November 2018. Allocation of Performance Shares, if any, will, except for in exceptional circumstances, occur after the announcement of the company's interim report for the second quarter 2021.

The participants are not entitled to transfer, pledge or dispose of the right to Performance Shares or to perform any shareholders' rights regarding the right to Performance Shares during the vesting period. The company will not compensate the participants in SSP 2018 for dividends made in respect of the shares that the respective right to Performance Shares entitles to.

### A.3 Participation in SSP 2018

The Board of Directors shall decide on the terms and conditions for participation in SSP 2018 including the investment level for each key employee. The investment for the approximately 120 participants corresponds in average to approximately 15-20 per cent of the fixed annual salary before tax for each participant.

The two categories of participants for SSP 2018 are:

<b>Category (maximum number of participants)</b>	<b>Savings Shares, approximate portion of the total number of shares in SSP 2018 per category (%)</b>	<b>Performance Shares, maximum number per Savings Share after the three-year vesting period</b>
A.1 CEO and other members of Ahlsell's executive management (8)	25	3x
A.2 Other key employees (112)	75	3x

The Board of Directors shall decide on the maximum number of Savings Shares for each category and participant within the limits of the maximum number of shares in SSP 2018. Participating members of Ahlsell's executive management and other key employees are given the opportunity to invest at different levels depending on salary and position and consequently their ability to influence the company's earnings.

A decision to allow participation in SSP 2018 requires that it can be made with reasonable administrative and financial efforts according to the Board of Directors' assessment.

#### A.4 Allocation of Performance Shares

Allocation of Performance Shares under SSP 2018 will occur after the announcement of the company's interim report for the second quarter 2021. Allocation may be postponed, either for all participants or some participants, or with respect to certain Performance Shares for some participants. As a main rule, a condition for a participant to have the right to be allocated Performance Shares, is that the participant continues to be an employee within the Ahlsell Group (and has not resigned or been dismissed) during the vesting period until allocation and that the participant has kept all of his/her Savings Shares during this period.

There are three performance targets that each can entitle to up to one third of one Performance Share for the period July – June during the years 2018/2019, 2019/2020 and 2020/2021. The performance targets take into account Ahlsell's financial targets and relates to (i) sales growth, (ii) EBITA margin, and (iii) shareholder return.

The Board of Directors has set what it considers to be adequate, relevant and challenging performance target levels as follows below. Of the maximum three (3) Performance Shares that the participant may receive for each Savings Share, one (1) Performance Share relates to the performance target regarding sales growth, one (1) relates to the EBITA margin and one (1) relates to shareholder return.

<b>Performance Share</b>	<b>Measurement</b>	<b>Performance targets</b>
Sales growth	Annual growth during the period July – June less GDP growth  (GDP growth measured as GDP growth in Sweden, Finland and Norway weighted according to the relative proportion of Ahlsell's sales in each respective country)	<2%: no vesting 2-3%: 25% vested >3-4%: 50% vested >4-5%: 75% vested >5%: full vesting
EBITA margin	Rolling three-year average adjusted EBITA margin  (Measured on the three twelve months periods immediately preceding the time of measurement)	<8.5%: no vesting 8.5-9.0%: 25% vested >9.0-9.5%: 50% vested >9.5-10.0%: 75% vested >10.0%: full vesting
Shareholder return	Total shareholder return during the period July – June (change of the share price plus dividend yield) less the return on Nasdaq Stockholm SIX Return Index.  (Measured on the twelve months period immediately preceding the time of measurement)	<1%: no vesting 1-2%: 1/3 vested >2-3%: 2/3 vested >3%: full vesting

Before allocation of Performance Shares, the Board of Directors shall evaluate if the allocation is reasonable in relation to the company's financial efforts, position and development, as well as other factors. The Board of Directors shall under certain circumstances have the right to reduce the final allocation of Performance Shares or, in whole or in part, terminate the program prematurely without compensation to the participants if significant changes occur in the company or in the environment it operates.

The Board of Directors shall have the right to establish divergent terms for the program regarding, inter alia, the vesting period and allocation of Performance

Shares, e.g. in the event of termination of employment during the vesting period. The applicable principle is that the participant forfeits the rights under SSP 2018 if he/she ceases to be employed in Ahlsell before allocation, unless the participant qualifies as a so-called good leaver or the board considers that there are specific reasons in the individual case.

The number of shares that may be allocated to the participants are limited such that the total value of the Performance Shares may not exceed nine (9) times the amount that the participant invested in Savings Shares at the start of the program. The number of shares that may be allocated under SSP 2018 shall, under the conditions that the Board of Directors determines, be subject to adjustment where the company implements a bonus issue, a reverse share split, a share split, a rights issue or similar measures, taking into account customary practice for corresponding incentive programs.

#### A.5 Introduction and administration, etc.

The Board of Directors or a specific committee appointed by the Board of Directors shall, in accordance with the decision by the general meeting, be responsible for the detailed formulation and administration of SSP 2018, within the scope of the terms and directions set out herein, prepare the necessary documentation for the participants and to administer SSP 2018 and/or engage an external administrator for the management of SSP 2018.

The Board of Directors may also decide to introduce an alternative cash based incentive program for participants in such countries in which purchase of Savings Shares or allocation of Performance Shares is not appropriate and in other cases when it is deemed appropriate. In connection with delivery of shares to participants in SSP 2018, the Board of Directors shall also have the right to offer cash settlement in order to cover the participant's taxation costs upon vesting. Any alternate incentive program shall, as far as practically possible, be designed to comply with the terms and conditions of SSP 2018.

#### A.6 Hedging through share swap agreement

Ahlsell will enter into a share swap agreement with a third party (bank), whereby the third party shall be able to, in its own name, acquire and transfer shares to the participants in order to fulfil the company's obligations to deliver shares under SSP 2018. Such a share swap agreement with a third party may also be used for the purpose to cover social security costs that accrue under SSP 2018.

## **B. Other questions and grounds for the proposal, etc.**

### **B.1 Estimated costs, expenses and financial effects of SSP 2018**

SSP 2018 will be reported in accordance with "IFRS 2 – Share-based Payment". According to IFRS 2, the allocation of shares shall be treated as staff costs during the qualification period and shall be recorded directly in equity. According to IFRS 2, staff costs will not impact the company's cash flow. During the qualification period, social security costs will be expensed in the profit and loss account in accordance with "UFR 7 IFRS 2 – Social security contributions for listed enterprises".

The estimated maximum total cost for Ahlsell (including social security costs but excluding the interest cost for the share swap agreement (see below)) for SSP 2018 over its duration from June 2018 until and including July 2021, based on the assumption that all participating key employees make maximum investments, a share price of SEK 52 less the proposed dividend of SEK 1.65 per share in accordance with the Board of Directors' proposal to the 2018 Annual General Meeting, an annual increase in the share price for the Ahlsell-share by 10 per cent, 5 per cent employee turnover and 50 per cent vesting on the performance levels concerning sales growth and EBITA margin as well as 100 per cent vesting on the performance level concerning shareholder return, is approximately SEK 39 million, based on IFRS accounting principles. In the event that vesting and/or level of investment is different, the total cost might be different from an accounting perspective.

The interest cost of the share swap agreement is estimated to approximately SEK 1.6 million on an annual basis based on market conditions as of 5 March 2018 and a three-year maturity. In addition, the share swap agreement may lead to both positive and negative cash flows, which, while not affecting the profit and loss account, will be booked directly against equity and may be recorded as a liability in the balance sheet.

SSP 2018 comprises 1,461,000 Performance Shares, which represents approximately 0.33 per cent of the total number of outstanding shares and votes in the company.

The Board of Directors considers the expected positive effects following SSP 2018 to outweigh the costs related to SSP 2018.

### **B.2 Effects on key ratios**

The total cost of the incentive program, which theoretically can amount to a maximum of approximately SEK 103 million, excluding the interest cost for the share swap agreement, will decrease the company's EBITA with the same amount during a period of just over three years from June 2018 until and including July 2021. This

maximum cost is based on conservative assumptions such as the share price increasing three-fold, that all performance targets are fulfilled, that all participants in SSP 2018 remain employed and hold their Savings Shares throughout the vesting period, as well as an assumption of social security costs of 23 per cent.

### B.3 Preparation of the proposal

The principles of SSP 2018 have been prepared by Ahlsell's Board of Directors. The proposal has been prepared together with external advisors and after consultation with shareholders. The Board of Directors has thereafter decided to present this proposal to the Annual General Meeting. Besides the officials who have participated in the preparation of the proposal as instructed by the Board of Directors, no employee that may participate in the program has participated in the formulation of these terms and conditions.

### B.4 Other share based incentive programs

Please refer to Ahlsell's Annual Report for 2017, note 3 or the company's website [www.ahlsell.com](http://www.ahlsell.com) for a description of other share based incentive programs. In addition, the Board of Directors has proposed the Annual General Meeting 2018 to resolve on implementation of a long-term call option program.

### B.5 The proposal by the Board of Directors and reasons for the proposal

Referring to the description above, the Board of Directors proposes the Annual General Meeting to resolve on the implementation of SSP 2018.

The Board of Directors wishes to increase the possibility to recruit, retain and motivate employees as well as to encourage long-term ownership in Ahlsell. In addition, SSP 2018 is expected to contribute to an increased interest and motivation for Ahlsell's operations, result and strategic goals. SSP 2018 has been designed to reward the participants for an increased shareholder value. Allocation in SSP 2018 requires the participants to hold shares in Ahlsell or invest in Ahlsell shares at market price. By linking the employees' compensation to Ahlsell's result and value growth, the long-term value growth of the company will increase. Therefore, the Board of Directors is of the opinion that the implementation of SSP 2018 will have a positive impact on the Ahlsell Group's continued development and thus will benefit the employees as well as the company and the shareholders.

B.6 Majority requirements

A resolution in accordance with Item A above is valid when supported by shareholders holding more than half of the votes cast at the Annual General Meeting.

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Stockholm, March 2018

Ahlsell AB (publ)  
*the Board of Directors*