

## Point 19

### **The Board's proposal for 2009 incentive programs in the form of combined share matching and performance-based share programs and on transfer of the Company's own shares**

The Board proposes that the Meeting approve an incentive program for 2009 for the Company's President and other senior executives as well as an incentive program for 2009 for other employees. The two programs shall consist of a combined share matching and performance-based share program.

#### **Background and motive**

In its proposed guidelines for remuneration to senior executives (see point 18 of the proposed agenda) the Board stated that a remuneration system linked to the Company's earnings trend is essential if the Company is to attract and retain skilled employees, as well as otherwise for the Company's development. Linking employees' pay with the Company's earnings and value development will encourage long-term value growth and give employees and shareholders the same goals. At the same time, the Company considers it a significant advantage for shareholders if senior executives have a shared interest in the positive development of the share price. The Board also considers that the incentive program for the President and other senior executives should be weighted more towards performance within the investment process and corporate governance in the portfolio companies. The Board therefore proposes that a long-term share-related incentive program be introduced for the President and other senior executives of Hakon Invest, comprising two parts: a share-matching part and a performance-based part.

In addition, the Board proposes that a share-related incentive program be introduced for other employees of Hakon Invest, again comprising a share-matching part and a performance-based part. The aim is to broaden and increase share ownership among other employees, which is expected to stimulate increased interest in the business and the earnings trend, improve motivation and increase the feeling of belonging. In a small organization with a number of specialties it is deemed important that all employees are invited to participate in the program.

The Board considers the existence of share-related incentive programs for the Company's President, senior executives and other employees to be of great importance for the Company and its development. Taking into consideration the proposed terms, the size of the allotment, the existence of other outstanding incentive programs and other circumstances, the proposed share-matching and performance-based share programs are deemed reasonable and beneficial for the Company and its shareholders.

Information on Hakon Invest's other incentive programs is provided in Annex 1.

#### **Main terms of the 2009 incentive program for the Company's President and other senior executives**

The new programs involve participants buying common shares in Hakon Invest

during May 2009 at market price on the Nasdaq OMX Stockholm exchange and holding these for a minimum period of two years (“Saving Shares”). Shares already held cannot be designated as Saving Shares. For each Saving Share that the participant acquires, the participant will be allotted a right (“A Right”) to acquire a common share in Hakon Invest at a later date for a redemption price of SEK 10 per share (“Matching Share”) as well as further rights (“B, C, D and E Rights”) to acquire a further common share in Hakon Invest at a later date, subject to specific performance requirements being met, for each such Right at a redemption price of SEK 10 per share (“Performance-based Shares”).

The President may acquire a maximum of 2,000 Saving Shares at market price and the other three senior executives a maximum of 1,500 Saving Shares each, providing entitlement to a maximum of 2,000 and a maximum of 1,500 A, B, C, D and E Rights respectively.

The performance requirement for the exercise of allotted B Rights is that the average annual total return including reinvested dividends for the 2009 and 2010 fiscal years must be equal to or greater than the average annual development of the SIX Return Index (“SIXRX”) during the corresponding period.

The performance requirement for the exercise of all allotted C Rights is that the average annual growth in earnings per share after tax during the 2009 and 2010 fiscal years must be equal to or greater than the average development of the Consumer Price Index (“CPI”) issued by Statistics Sweden plus 6 percentage points. If the minimum level – CPI plus 2 percentage points – is not achieved, all C Rights shall lapse. If the minimum level is achieved, it is proposed that 20 percent of allotted C Rights may be exercised to obtain Performance-based Shares. Between these levels the allotment shall be determined proportionately by linear interpolation.

The performance requirement for the exercise of all allotted D Rights is that the average annual internal rate of return (“IRR”) for investments in the portfolio companies during the 2009 and 2010 fiscal years must be equal to or greater than 20 percent. If the minimum level – an IRR of 10 percent – is not achieved, all D Rights shall lapse. If the minimum level is achieved, it is proposed that 20 percent of allotted D Rights may be exercised to obtain Performance-based Shares. Between these levels the allotment shall be determined proportionately by linear interpolation.

The performance requirement for the exercise of all allotted E Rights is that the average EBIT margin for ICA AB must be equal to or greater than 4 percent in the 2009 and 2010 fiscal years. If the minimum level – an EBIT margin of 2.5 percent – is not achieved, all E Rights shall lapse. If the minimum level is achieved, it is proposed that 20 percent of allotted E Rights may be exercised to obtain Performance-based Shares. Between these levels the allotment shall be determined proportionately by linear interpolation.

The 2009 incentive program for the President and other senior executives shall encompass a maximum of 6,500 Saving Shares, 6,500 A Rights for 6,500 Matching Shares and 26,000 B-E Rights for 26,000 Performance-based Shares; that is, a total

of 32,500 Matching and Performance-based Shares. Whether the performance requirements are met shall be decided by the Remuneration Committee following publication of the financial results for the 2010 fiscal year.

#### **Main terms of the 2009 incentive program for other employees**

As in the case of the President and senior executives, the 2009 incentive program for other employees (maximum 11 people) involves the participants buying common shares (“Saving Shares”) during May 2009 at market price on the Nasdaq OMX Stockholm exchange and holding these for a two-year period. Shares already held cannot be designated as Saving Shares. For each Saving Share that the participant acquires, the participant will be allotted a right (“A Right”) to acquire a common share in Hakon Invest at a later date for a redemption price of SEK 10 per share (“Matching Share”) as well as further rights (“B Rights”) to acquire further common shares in Hakon Invest at a later date, subject to specific performance requirements being met, at a redemption price of SEK 10 per share (“Performance-based Shares”).

Other employees may acquire a maximum of 500 Saving Shares at market price, providing entitlement to a maximum of 500 A Rights and a maximum of 500 B Rights.

The performance requirement for the exercise of allotted B Rights is that the average annual total return including reinvested dividends for the 2009 and 2010 fiscal years must be equal to or greater than the average annual development of the SIX Return Index (“SIXRX”) during the corresponding period.

The 2009 incentive program for other employees shall encompass a maximum of 5,500 Saving Shares, 5,500 A Rights and 5,500 B Rights; that is, a total of 11,000 Matching and Performance-based Shares. Whether the performance requirements are met shall be decided by the Remuneration Committee following publication of the financial results for the 2010 fiscal year.

#### **More detailed terms of the two incentive programs**

The A-E Rights will be allotted without payment during June 2009. They cannot be transferred, pledged or sold.

The right to exercise A-E Rights shall be conditional upon the participant – with certain exceptions – continuing to be employed within the Hakon Invest Group during an initial two-year qualification period running up to and including the date of publication of Hakon Invest’s interim report for the period January – March 2011, and upon the participant having held for the duration of this period all the Saving Shares designated as such under the incentive program. It is proposed that the term of the A-E Rights be up to and including May 31, 2012; that is, around three years including the initial two-year qualification period.

The Board of Directors is authorized to decide the detailed terms of the 2009 incentive programs. The Board shall also be entitled to make other adjustments in the event of significant changes taking place within Hakon Invest, its subsidiaries or associate companies or in the outside world that would render the approved terms for

allotment and the opportunity to exercise the Rights under the incentive programs no longer appropriate.

**Limits**

The participants' maximum gain is limited to SEK 256.50 per Right (three times the average closing price of Hakon Invest shares during January 2009). If the value on exercise exceeds SEK 256.60 the redemption price of the Right will be increased by the corresponding amount.

**Costs of 2009 incentive programs**

The A-E Rights cannot be pledged or transferred to others. However, an estimated value can be calculated for each A-E Right. The Board has estimated the average value of each A-E Right at SEK 46.30. The estimate is based on generally recognized valuation models using the closing price of Hakon Invest shares on March 11, 2009, statistics on the price trend for Hakon Invest shares and the expected dividend. The total estimated value of all 43,500 A-E Rights, based on an average meeting of the performance requirements for the B-E Rights of 61 percent and estimates of staff turnover, is around SEK 1.3 M. The value equals around 0.01 percent of Hakon Invest's market capitalization as at March 11, 2009.

In accordance with IFRS 2 *Share-based payment*, the costs will be expensed as personnel expenses in the income statement during the first 24 months; that is, during the qualification period. Social security payments will be expensed in the income statement in accordance with good accounting practice. The level of these costs will be calculated as the difference between the redemption price and the share price on exercise. Based on a theoretical assumption of an annual 10 percent increase in the share price and a behavioral assumption of two and a half years duration for A-E Rights, the cost of the 2009 incentive programs including social security payments is estimated at around SEK 2.1 M, which on an annual basis corresponds to around 0.3 percent of Hakon Invest's total personnel expenses in the 2008 fiscal year. The maximum estimated cost of the 2009 incentive programs based on the above assumptions is calculated as around SEK 5.5 M, including SEK 3.5 M in social security payments.

**Decision on transfer of shares**

In order to be able to deliver Matching and Performance-based Shares in accordance with the incentive programs described above it is proposed that the Meeting resolve that the Company transfer its own common shares to the participants in accordance with the terms of the programs stated above.

**Effects on key ratios and dilution effects**

The costs and the dilution are expected to have a marginal effect on Hakon Invest's key ratios.

**Preparation of the proposal**

The proposal was drawn up by the Remuneration Committee of the Company's Board and the Board of Directors as a whole during fall 2008, and was further approved by the Board on March 12, 2009. The management of the Company and

external consultants assisted the Remuneration Committee with its work.

**Requirement for the validity of the decision**

The decision by the Meeting in accordance with this point is valid only if it is supported by shareholders holding at least nine tenths of both the votes cast and the shares represented at the Meeting. It is further proposed that the decision be made conditional upon the Meeting also approving the repurchase of the Company's own shares in accordance with point 20 below.

It is intended that the Company's commitments under the incentive programs will be secured through the repurchase of own shares (refer to point 20).

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## Annex 1

### **Current incentive programs**

The annual financial statements for 2008 are worse than in the previous year, which means that no bonus is payable to the President or other senior executives for 2008. The 2008 option program offered the President and other senior executives an opportunity to acquire call options at market price. The price of the options was intended to be a market price and was set at SEK 6.00 per option. The redemption price for the options was set at SEK 85.60. No call options were acquired under the 2008 option program.

The annual financial statements for 2007 showed that the Company's earnings per share increased by 26 percent, which meant maximum payout of the year's bonus and option program. Under the 2007 program, in March 2008 the President acquired 34,000 call options at market price and other senior executives acquired a total of 58,000 call options at market price. In total 97,100 call options were acquired by qualifying employees. The price of the options was intended to represent a market price and was set at SEK 13.20 per option by an independent bank based on a recognized valuation model (Black and Scholes). The redemption price of the options was set at SEK 129.00, which corresponds to 110 percent of the average price of Hakon Invest shares during the period February 21-27, 2008. The options are freely transferable and are not linked to employment after acquisition. The options may be exercised during the period September 2010 to March 2011.

The annual financial statements for 2006 showed that the Company's earnings per share increased by 23 percent, which meant maximum payout of the year's bonus and option program. Under the 2006 program, on March 9, 2007 the President acquired 60,000 call options at market price and other senior executives acquired a total of 50,700 call options at market price. In total 128,200 call options were acquired by qualifying employees. The price of the options was intended to represent a market price and was set at SEK 17.30 per option by an independent bank based on a recognized valuation model (Black and Scholes). The redemption price of the options was set at SEK 164, which corresponds to 110 percent of the average price of Hakon Invest shares during the period February 22-28, 2007. The options are freely transferable and are not linked to employment after acquisition. The options may be exercised during the period September 2009 to March 2010.

In conjunction with the listing of common shares in the Company, in December 2005 all employees of the Company were offered the chance to acquire call options in the Company from its principal shareholder ICA-handlarnas Förbund. Employees were offered 10,000 – 50,000 call options, depending on their position. In total, employees of the Company acquired 338,500 call options, each entitling the holder to acquire one common share in the Company in the second half of 2008 at a redemption price of SEK 97.50. When the options expired on December 31, 2008 the program was renewed on unchanged redemption terms for exercise between September 2010 and March 2011. In total 70,000 call options have been subscribed for, with the President having subscribed for 5,000 options and other senior executives for 20,000 options in

total. The call options do not give rise to any expense or payout on the part of the Company.