

Point 19

The Board's proposal for a 2012 incentive program in the form of a combined share matching and performance based share program, and transfer of the company's own shares

The Board proposes that the Meeting approve an incentive program for 2012 for the company's President, other senior executives and other employees. The program shall consist of a combined share matching and performance based share program.

Other senior executives refers to the people who, together with the President, make up the Executive Management.

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 and the results of the associate companies. The Board is therefore proposing a share-related incentive program for the President, other senior executives and other employees of Hakon Invest, comprising two parts: a share matching part and a performance based part.

The aim of an incentive program that also includes other employees within Hakon Invest is to broaden and increase share ownership among the 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.

In the case of the President and other senior executives, the 2012 share-related incentive program is similar to the 2011 program, except that the performance requirements have been changed, the number of rights per Saving Share has reduced from five to four and the number of potential Saving Shares has increased. It is proposed that other employees receive the same number of rights per Saving Share and are encompassed by the same performance requirements as the President and other senior executives, but the number of Saving Shares has been reduced.



The Board considers the existence of share-related incentive programs for the company's President, other 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 program is deemed reasonable and beneficial for the company and its shareholders.

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

Main terms of the 2012 incentive program for the company's President, other senior executives and other employees

The program involves participants buying common shares in Hakon Invest during May 2012 at market price on the Nasdaq OMX Stockholm exchange and holding these for a minimum period of three years ("Saving Shares"). Shares already held cannot be allocated as Saving Shares. For each Saving Share that the participant acquires, the participant will be allotted a right ("A right") that entitles the participant to acquire without payment one common share in Hakon Invest ("Matching Share") three years after allotment, as well as further rights ("B, C and D rights") that entitle the participant – subject to specific performance requirements being met – to acquire without payment one further common share in Hakon Invest for each such right ("Performance Based Shares"), again three years after allotment.

- The President may acquire at most 2,700 Saving Shares, entitling him to at most 2,700 A, B, C and D rights.
- The other three senior executives may acquire at most 2,000 Saving Shares each, entitling them to at most 2,000 A, B, C and D rights each.
- Other employees (maximum 11 people) may acquire at most 400 Saving Shares each, entitling them to at most 400 A, B, C and D rights each.

The performance requirement for receiving Performance Based Shares from all the B rights awarded is that average earnings per share¹ for the years 2012-2014 shall be SEK 6.00 or greater. There is a threshold level, which is average earnings per share for the years 2012-2014 of SEK 4.00 or greater; if this is not achieved, then all B rights expire. If the threshold level is attained, it is proposed that 20 percent of the awarded B rights be entitled to Performance Based Shares. A proportional linear allocation will occur between these two levels.

¹ Earnings per share are calculated based on operations discontinued during the year as well as continuing operations.

The performance requirement for receiving Performance Based Shares from all the C rights awarded is that the average EBITA margin for ICA AB reaches or exceeds 4.00 percent during fiscal years 2012-2014. There is a threshold level, which is an EBITA margin for ICA AB of 2.50 percent for years 2012-2014; if this is not achieved, then all C rights expire. If the threshold level is attained, it is proposed that 20 percent of the awarded C rights be entitled to Performance Based Shares. A proportional linear allocation will occur between these two levels.

The performance requirement for receiving Performance Based Shares from all the D rights awarded is that the accumulated EBIT margin for all the portfolio companies for the years 2012-2014 together reaches or exceeds 7.50 percent. There is a threshold level, which is an accumulated EBIT margin for all the portfolio companies of 2.50 percent or greater for the years 2012-2014 together; if this is not achieved, then all D rights expire. If the threshold level is attained, it is proposed that 20 percent of the awarded D rights be entitled to Performance Based Shares. A proportional linear allocation will occur between these two levels.

The accumulated EBIT margin is weighted based on the portfolio companies' revenue; that is, total EBIT in SEK for the years 2012-2014 divided by total revenue in 2012-2014. Companies must be owned for the entire fiscal year in order to be included in the calculation.

When calculating the result in respect of performance requirements for rights B-D the Board has the right to adjust the above terms in the event that there are items of a nonrecurring nature that are to be regarded as external to the company's operations.

The 2012 incentive program shall encompass a maximum of 13,100 Saving Shares along with 13,100 A rights for 13,100 Matching Shares and 39,300 B-D rights for 39,300 Performance Based Shares; that is, a total of 52,400 Matching Shares and Performance Based Shares. Whether the performance requirements are met shall be decided by the Remuneration Committee no earlier than following publication of the financial results for the 2014 fiscal year.

More detailed terms of the incentive program

A-D rights will be allotted in June 2012. They cannot be transferred, pledged or sold.

The right to receive Matching Shares and Performance Based Shares shall be conditional upon the participant – with certain exceptions – continuing to be employed within the Hakon Invest Group during a three-year qualification period running up to and including the date of publication of Hakon Invest's interim report for the period January-March 2015, and upon the participant having held for the duration of this period all the Saving Shares designated as



such under the incentive program. Shares based on the rights will be allotted no earlier than the day after the public release of the interim report for January-March 2015 and not later than 45 days thereafter, as the Board determines.

The Board of Directors is authorized to decide the detailed terms of the 2012 incentive program. 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 of the rights and of Matching Shares and Performance Based Shares under the incentive program no longer appropriate.

Limits

The participants' maximum gain is limited to SEK 213.00 per Matching Share or Performance Based Share (twice the average closing price of Hakon Invest shares during February 2012). If the value on allotment of Matching Shares and Performance Based Shares exceeds SEK 213.00 then the number of shares to which the employee is entitled will be reduced accordingly.

Costs of 2012 incentive program

The A-D rights cannot be pledged or transferred to others. However, an estimated value can be calculated for each A-D right. The Board has estimated the average value of each A-D right at SEK 93.10.

The estimate is based on generally recognized valuation models using the closing price of Hakon Invest shares on March 2, 2012, statistics on the price trend for Hakon Invest shares and the expected dividend. The total estimated value of all 52,400 A-D rights, based on an average meeting of the performance requirements for the B-D rights of 50 percent and estimates of staff turnover, is around SEK 2.5 M. The value equals around 0.01 percent of Hakon Invest's market capitalization as at March 2, 2012.

In accordance with IFRS 2 *Share-based payment*, the costs will be expensed as personnel expenses in the income statement over 36 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 based on the share price on exercise. Based on a theoretical assumption of an annual 10 percent increase in the share price, the cost of the 2012 incentive program including social security payments is estimated at around SEK 3.8 M, which on an annual basis corresponds to around 3.4 percent of Hakon Invest's total personnel expenses in the 2011 fiscal year. The maximum estimated cost of the 2012 incentive program (i.e. the performance requirements are 100 percent met and the share price is at least SEK 213.00) is calculated as around SEK 8.4 M, including SEK 3.5 M in social security payments.



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. It was finally approved by the Board on March 13, 2012. The management of the company and external consultants assisted the Remuneration Committee with its work.

Decision on incentive program and on transfer of the company's own shares

The Board proposes that the Meeting approve an incentive program for 2012 for the company's President, other senior executives and other employees on the terms described above. The program shall consist of a combined share matching and performance based share program.

In order to be able to deliver Matching Shares and Performance Based Shares in accordance with the incentive program described above, it is proposed that the Meeting resolve that the company transfer its own common shares, maximum 52 400, to the participants in accordance with the terms of the program stated above.

Decision requirements

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.

The company's commitments under the incentive program will be secured through previously repurchased treasury shares.

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Annex 1

Existing incentive programs

The 2011 Annual General Meeting decided on a combined share matching and performance based share program, subject to own investment, with a three-year earnings period. The program requires that the participants actively purchase new shares (“Saving Shares”) at the market price and that these Saving Shares be locked in over a three-year period. Assuming that the participant is still employed and still holds the Saving Shares, the participant will be entitled to receive Matching Shares at no cost. If certain clearly defined performance requirements are met, the participants will be entitled to receive so-called Performance Based Shares at no cost. A maximum of 32,500 Matching Shares and Performance Based Shares will be allotted to the President and other senior executives. The share-related incentive program also encompasses other employees, for whom the total number of Matching Shares and Performance Based Shares is maximized at 11,000.

The 2010 Annual General Meeting decided on a combined share matching and performance based share program, subject to own investment, with a three-year earnings period. For the further terms of the program, refer to the details of the 2011 program above.

The 2009 Annual General Meeting also decided on a combined share matching and performance based share program, subject to own investment, with a two-year earnings period and a one-year redemption period. The program requires that the participants actively purchase new shares (“Saving Shares”) at market price and that these Saving Shares be locked in for a period of two years. Assuming that the participants remain employed and still hold their Saving Shares, a number of rights can be exercised to redeem what are known as Matching Shares for an exercise price of SEK 10 per share. If certain clearly defined performance requirements are met, further rights can be exercised to redeem what are known as Performance Based Shares for an exercise price of SEK 10 per share. The total number of Matching Shares and Performance Based Shares is maximized at 32,500 for the President and other senior executives. The share-related incentive program also encompasses other employees, for whom the total number of Matching Shares and Performance Based Shares is maximized at 11,000. The Remuneration Committee states that 6,500 Saving Shares were subscribed from the 2009 program, and that 6,500 Matching Shares and 2,990 Performance Based Shares were acquired by the President and other senior executives. This corresponds to 29.2 percent of the total number of Matching Shares and Performance Based Shares that they could have received at maximum outcome.

See Note 7 in the company’s Annual Report 2011.