

## **Point 19 according to the proposal for the agenda of the Annual General Meeting of April 26, 2007**

### **Decision on the Board's proposal for the 2007 options program and on transfer of the Company's own shares**

The Board proposes that the Meeting approves a call option program for 2007 for the Company's President and other members of the management group as well as certain key employees and decides on the requisite transfers of the Company's shares for the fulfillment of the options program. The proposal is identical to the program approved in 2006.

#### **Background and reasons**

In its proposal on principles underlying remuneration and other employment conditions for senior executives (refer to Point 18 in the proposal for the agenda), Hakon Invest's Board has concluded that a remuneration system linked to the Company's earnings trend is significant in attracting and retaining qualified employees and in other respects as regards the Company's development. Linking employee pay to the Company's earnings and value trend gives priority to long-term growth and the particular employees and shareholders gain the same goal. Consequently, the Board proposes to introduce a long-term bonus program that is conditional on and linked to the Company's earnings trend per share. Meanwhile, the Company believes it is a significant benefit for the Company that senior executives share a joint interest with shareholders in ensuring a positive trend in the share price. Consequently, half of the result-based bonus will be used to acquire call options for the proposed options program. In addition, senior executives may buy additional call options at the market price within the framework of the options program.

The President, other members of the management group and certain employees shall, by means of 50 percent of the bonus scope in accordance with the principles underlying remuneration and other employment terms and conditions for senior executives (refer to Point 18 according to the proposal for the agenda) may purchase options at the market price within the framework of the options program. The scope of the bonus depends on the trend in the Company's earnings per share. The scope in the options program that remains after any payout under the bonus program may be used by senior executives as they wish for the purchase of additional options at the market price.

In conjunction with the listing of the Company's common stock in December 2005, all employees were offered by ICA-handlarnas Förbund to acquire call options relating to shares in the Company. The offer covered 10,000 – 50,000 call options, depending on position. Overall, Company employees purchased 338,500 call options, each of which grants entitlement to acquire one common share in the Company during the second half of 2008 at an exercise price of SEK 97.50. ICA-handlarnas Förbund subsidized the call options in two ways. 5,000 call options were 100% subsidized. For outstanding call options, employees receive an extra subsidy (cash) over a two-year period if employment continues. Neither the call options nor the extra conditional remuneration give rise to any expenses or payment for the Company. According to IFRS 2, the Company does, however, report the amounts as an expense in the income statement and as an increase in shareholders equity.

The financial statements for 2006 show that the Company's earnings per share increased 23

percent, which entails a maximum outcome for the bonus and options programs. The President received variable remuneration for 2006 that corresponded to 9 months salary, amounting to SEK 1,935,000, excluding social security contributions. Other senior executives received 6 months' salaries, each amounting to SEK 2,256,000, excluding social security contributions. Of the variable remuneration, at least 50 percent of the amount after deductions for tax shall be used to purchase options in Hakon Invest on commercial terms. On March 9, 2006, the President acquired 60,000 call options at market price and other members of the management group acquired a total of 50,700 call options at market price. Overall, 128,200 call options were acquired among all entitled employees. The price of the options is designed to represent a market price and was set SEK 17.30 per option by an independent bank in line with a generally accepted valuation model (Black and Scholes). The exercise price of the options has been set at SEK 164, corresponding to 110 percent of the average price of the Hakon Invest share during the period February 22-28, 2007. The options are freely transferable and following acquisition are not linked with employment. The options may be exercised during the period September 2009 to March 2010.

In view of the above, the Board believes that the existence of a share-related incentive program for the Company's senior executives and certain other employees is of significance for the Company and its progress. The proposed options program is identical with that approved at the 2006 Meeting and – in view of the proposed conditions, the size of the allotments, the existence of other incentive programs and other circumstances – is deemed to be reasonable and advantageous for the Company and its shareholders.

#### **Call options program for 2007**

The call options program for 2007 shall encompass a maximum of 350,000 options, each of which shall entitle the holder to acquire one common share in the Company. The allotment of options is conditional on continuing employment as of January 1, 2008. Preliminarily, the right to buy options is granted to six persons and covers 230,000 options. The President is entitled to buy a maximum of 60,000 options, other group management 40,000 options and other investment managers 20,000 and 30 000 options, respectively. Recruitment during 2007 may result in the program being extended slightly within the given framework. Allotment is determined by the Remuneration Committee following the publication of the 2007 annual report.

#### **Primary option conditions and conditions for transfer of the Company's shares**

The options may be exercised during the period September 1, 2010 – 31 March 31, 2011.

The Board proposes that the Company, in connection with the request for the exercise of options, with waiver of the preferential rights of shareholders, may transfer a maximum 350,000 shares in the Company at the exercise price.

The exercise price shall be 110 % of the volume-weighted average of the quoted paid prices for the Company's common share on the OMX Nordic Exchange during a period of five days immediately after the publication of the Company's annual report for 2007, rounded to the nearest full krona, with fifty öre being rounded down. Payment for the shares acquired by means of the call options shall be made within ten banking days following the request for purchase.

The options shall be available for purchase at an assessed market price (option price or option premium) calculated in accordance with a generally accepted valuation model (Black and

Scholes) during the same period noted in the preceding paragraph. The calculation is to be done by Nordea Bank. The option premium is to be rounded to the nearest full ten öre.

The options shall be freely transferable and following acquisition are not linked to employment.

#### **Complete options conditions**

The complete option conditions are presented in Appendix 1. According to the option conditions, the number of shares and exercise price may be recalculated in certain cases.

#### **Cost of the call options program and dilution effects**

Since the option premium is deemed to be on commercial terms and the option conditions are such that the call options are deemed, for tax purposes, to represent securities for the holders, the Company's expenses for the call option program consists merely of implementation, valuation and administration of the program. These are estimated to total some SEK 1 million.

The Company's undertaking according to the options program are planned to be secured through the repurchase of the Company's shares. (Refer Point 20).

A transfer of 350,000 common shares would, given the currently number of shares, mean a dilution of the current shareholders' holdings by about 0.22 % (with the preliminary allotment of 230,000 common shares, the effect would be some 0.14%.) As a result of the repurchase of the same number of shares, the number of common shares outstanding would decrease by a similar amount of shares. However, the options program will not lead to any dilution of the registered share capital. The figures above do not take into account the repurchase of 128,200 shares to cover the 2006 incentive program.

#### **Preparation of the proposal**

The proposal was prepared by the Company's Remuneration Committee, which consists of two Board members, and approved by the Board on March 16, 2007. The Company's management and external consultants assisted the Remuneration Committee in its work.

#### **Requirements for the validity of the decision**

The decision of the Annual General Meeting is valid only if it is supported by shareholders with at least nine tenths of the votes cast and those represented at the Meeting.

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