

The Board's proposal for a share-related incentive program

Background and motives

Industrivärden currently lacks a long-term variable compensation program for its employees. Industrivärden has no share-related incentive programs. The Board is of the opinion that such a program should be introduced. A share-related incentive program would enable the employees' compensation to be linked to the Company's future net asset value development. A premium would thereby be attached to long-term growth in the value of Industrivärden's stock. It is believed that an incentive program would help the Company recruit and retain key employees.

After comparing with several other programs, the Board has found that the most suitable program for Industrivärden is an offer to acquire stock options.

Proposal in brief

Industrivärden shall make an offer to all employees to buy stock options. Each option will entitle its holder to buy one share of Industrivärden Class C stock. The program covers a maximum of one million options. The employees will pay a market price for the options. Under the condition that the employee continues to work for Industrivärden three years after buying the options, the Company will provide a subsidy for the option purchase. Most of the Company's costs for the subsidy will be paid for by revenue earned from the sale of the options, i.e., net there will be no cost for the Company in this respect. It shall be possible to use the options to buy shares during the period July 1, 2008 – May 31, 2013. Upon exercise of the options, shares will be purchased from a financial institution that Industrivärden has an agreement with for this purpose. The program therefore does not entail any new issue of shares. There will thus be no dilution. As a result of the agreement with the institution, Industrivärden will receive revenue if the share price rises and incur an expense if the share price falls.

Terms of the option program

1. Each option entitles its holder to buy one share of Class C stock in Industrivärden.
2. The CEO (category 1) shall be able to buy a maximum of 125,000 options. Executive Vice Presidents and the President of Nordinvest (category 2) shall be able to buy a maximum of 85,000 options each. Other executives in leadership positions and key persons in the investment operation, totaling eight persons (category 3), shall be able to buy a maximum of 65,000 options each. Other employees (category 4) shall be able to buy a maximum of 25,000 options each. In the event of oversubscription, the options shall be allocated proportionally in relation to the number subscribed by employees in categories 3 and 4, and in other respects according to the number subscribed; however, no one shall be granted more options than the maximum number specified for each respective category. In the event of undersubscription, no additional grants shall be made.
3. A market price shall be set for the options (a premium), which shall be based on the volume-weighted average of the quoted price paid for Industrivärden Class C shares listed on the OMX Nordic Exchange Stockholm according to its official price list during the period May 7-14, 2008. Calculation of the premium shall be conducted by Svenska Handelsbanken using a generally accepted valuation model (Black & Scholes). The amount calculated in this manner, rounded off to the nearest full ten öre (SEK 0.10), shall be considered to constitute a going rate premium.
4. The Company shall pay cash compensation to the option buyers corresponding to 75% of the option premium paid (gross before tax). Such compensation will be paid after three years from the time the options were purchased, provided that the employee concerned is still employed within the Industrivärden Group and still holds all options acquired from Industrivärden or shares acquired through the exercise of such options.

5. Application to purchase options shall be made during the period May 7–15, 2008.
6. It shall be possible to exercise the options to buy Class C shares of Industrivärden stock during the period July 1, 2008 – May 31, 2013.
7. The price per share (the exercise price) shall correspond to 110% of the volume-weighted average of the quoted price paid for Industrivärden Class C shares listed on the OMX Nordic Exchange Stockholm according to its official price list during the period May 7-14, 2008, rounded off to the nearest full krona, whereby fifty öre (SEK 0.50) shall be rounded downwards.
8. The number of shares that the options carry entitlement to purchase, and the exercise price, may be recalculated due to, among other things, bonus issues, stock splits or reverse splits, new issues or reductions in the share capital or similar measures. The date for transfer of the shares may be set at an earlier date as a result of a merger or similar measure.

Complete terms and conditions for the options can be found in appendix 1.

Option value

Svenska Handelsbanken has calculated the value per option to SEK 10.90 based on a share price of SEK 97 per Industrivärden Class C share, and other market conditions prevailing as at March 31, 2008. The calculated value for all options hence amounts to SEK 10.9 million.

The program's financial structure; Hedging measures

1. The calculations in this paragraph are based on the above mentioned estimated value per option. Provided all options in the program are purchased, the company's income can be calculated to be SEK 10.9 million. If the offered subsidy is fully utilized, the company's costs can be calculated to be SEK 10.8 million of which SEK 2.6 million represents social security charges.
2. The Board intends to hedge the Company's undertaking with respect to the stock options by entering into a swap agreement with a financial institution. The institution will sell shares to the employees who want to exercise their options.
3. The Company will pay compensation interest to the institution. The Company will receive from the institution an amount corresponding to the dividend from the shares covered by the swap agreement.
Example: Upon entering the swap agreement, the institution will buy one million shares at SEK 100 per share, i.e., an expense of SEK 100 million. The annual interest under the swap agreement is 5%. After five years, all options are exercised and the swap agreement is closed, i.e., it ends. The Company will then have paid SEK 25 million in compensation interest to the institution. With the current dividend level of SEK 5 per share, the institution would then have paid SEK 25 million to the Company.
4. In the event of a rising share price, the Company will earn net revenue. It can amount at most to the difference between the share price upon conception of the swap agreement and the exercise price, multiplied by the number of shares covered by the share swap. In the event of a falling share price, an expense will be incurred by the Company. This can amount at most to the difference between the share price upon conception of the share swap and the share price at the close of the share swap, multiplied by the number of shares covered by the share swap.

No dilution

When the options are exercised, this will be done through the purchase of previously issued shares. The program does not entail any new share issue. There is thus no dilution. The option program entails the right to purchase a combined total of one million Class C shares, corresponding to approximately 0.3% of the total number of shares in the Company and approximately 0.04% of the total number of votes.

Drafting of the proposal

The proposal was drafted by the Board's compensation committee.

Authorization

The Board proposes that the Annual General Meeting authorize the Board to decide on the minor changes in the terms for the options that may be necessary for registration of the options on the register with VPC AB.

Majority requirement

The Annual General Meeting's decision in favor of the Board's proposal is valid if it has the support of shareholders representing more than half of the represented votes.