



## **Proposal re: resolution concerning the Performance-Related Share Programme 2011 (item 16 on the agenda)**

### **Background and reasons for the proposal**

The Board of Directors believes that it is important and in the interests of all shareholders that key personnel in the Group have a long-term interest in the positive development of the value of the company's shares. For this reason, the Board proposes that the Annual General Meeting approve the long-term incentive programme for key personnel that are described below.

The purpose of this long-term incentive programme is to encourage continued loyalty among employees and sustained levels of good performance. It is also the Board's conviction that the incentive programme will increase the appeal of the ÅF Group as an employer. To participate in the programme, employees must invest their own money.

In order to implement the Performance-Related Share Programme 2011, the Board of Directors proposes that a maximum total of 155,000 class B shares may be acquired and transferred to employees in the ÅF Group, and that some of the shares may also be transferred on the Nasdaq OMX Stockholm in order to cover social security contributions and other costs related to the programme.

### **Proposal**

#### **Performance-Related Share Programme 2011**

The Board of Directors proposes that the Annual General Meeting resolve on the implementation of a long-term Performance-Related Share Programme 2011, extending to 155,000 class B shares in accordance with the principal guidelines that follow:

- (a) Approximately 100 key employees including the President/CEO shall – with due regard to the statements made under item c) below – be offered the opportunity to participate in the Performance-Related Share Programme 2011.
  
- (b) Employees who participate in the Performance-Related Share Programme 2011 may, during the 12-month period from the implementation of the programme, save an amount equivalent to a maximum of 5 percent of their gross salary for the purchase of the company's class B shares on the Nasdaq OMX Stockholm. If the employee retains the shares purchased for three years from the date of the investment and if the employee has been continuously employed by the ÅF Group during the entire three-year period, the employee will be entitled to the corresponding number of class B shares, free of consideration. In addition to this direct matching as described above, the abovementioned key employees

including the President/CEO will be offered performance-matching of their shares under the following conditions:

- Approximately 90 business area managers, section managers and certain specialists may be given the right to performance-matching of up to four shares for every share purchased.
- Approximately 10 employees in the senior management group may be given the right to performance-matching of up to five shares for every share purchased.
- The President/CEO may be given the right to performance-matching of up to six shares for every share purchased.

(c) Participation in the Performance-Related Share Programme 2011 is contingent upon the fact that such participation is admissible in law and that, in the opinion of the company, it can be undertaken at reasonable administrative cost and with reasonable financial investment. The Board of Directors does, however, reserve the right to implement an alternative incentive solution for employees in countries where participation in the Performance-Related Share Programme 2011 is inappropriate. Any such alternative incentive solution shall, as far as is practically possible, be designed to correspond to the terms of the Performance-Related Share Programme 2011.

(d) The terms and conditions for performance-matching for key employees are based on the following: ÅF's mean annual increase in earnings per share for the ÅF share during the period 1 July 2011 up to and including 30 June 2014 shall be at least 5 percent. The base value for the calculation of the increase in EPS is constituted from the EPS values for the third and fourth quarter of 2010 and the first and second quarter of 2011. The maximum number of performance-matched shares (i.e. four, five or six shares respectively) will be vested if the mean annual increase in EPS is equal to or in excess of 15 percent. No vesting of performance-matched shares will be made if the mean annual increase in EPS is less than 5 percent. Matching of shares in the event of a mean annual increase in EPS between 5 and 15 percent will be made on a straight-line basis. The performance target may be adjusted in the event of extraordinary incidents or circumstances that affect the business of the ÅF Group or the number of outstanding shares in the company, or for any other reason that is considered relevant by the Board. No adjustment will be made for extraordinary costs.

(e) Before the number of performance shares for matching is finally determined, the Board of Directors shall consider whether performance-matching is reasonable with regard to the company's financial performance and position, and the situation both on the stock market and in general. Should the Board of Directors conclude that full matching is not appropriate, it may reduce the number of performance shares to a number the Board of Directors deems appropriate.

## **Costs**

The total effect on the income statement is estimated to amount to approximately SEK 29 million unevenly distributed over the years 2011 – 2015. The costs should be seen in relation to ÅF's total salary costs, which in 2010 amounted to SEK 2,529 including social insurance contributions.

These estimates are based on the assumption that all of the available shares in the Performance-related Share Programme will be used.

### Costs affecting the income statement but not cash flow

Compensation costs, corresponding to the value of matching shares transferred to employees, are estimated at approximately SEK 22 million. The compensation costs will be distributed across the duration of the plan, from 2011 to 2015. Social insurance contributions as a result of share transfers to employees based on an assumed average share price with matching at SEK 140 are estimated to amount to SEK 6.8 million. The costs of social insurance are expected to arise mainly during the years 2014 to 2015.

### Costs affecting the income statement as well as cash flow

Administrative costs have been estimated as a maximum of SEK 1 million

The acquisition cost for buying back own shares is estimated to amount to a maximum of SEK 29 million at an assumed share price of SEK 140.

## **Dilutions and effects on the key ratio**

The company has approximately 34 million shares issued. As of 31 December, 2010 the company had 284,000 own shares to cover future matching costs. In order to establish the Performance-related Share Programme 2011, a total of 204,000 series B shares are required, corresponding to approximately 0.6% of the total number of shares issued, and approximately 0.4% of the number of shares in the company.

Of the 204,000 shares of series B required for the Performance-related Share Programme 2011, approximately 155,000 shares can be transferred free of charge to the employees, which corresponds to a dilution of EPS of approximately 0.5%. The approximately 49,000 shares, which can be transferred on the OMX Nordic Exchange Stockholm to cover social insurance payments, entail no dilution of EPS however, as these are transferred at the prevailing market price.

**Preparation of the Performance-related Share Programme**

The Performance-related Share Programme 2011 has been prepared by the Remuneration Committee in consultation with the Board of Directors. The proposal has been approved by the Board. The President/CEO did not participate in the Board's preparation and resolutions on the proposal.

Stockholm, March 2011

ÅF AB (publ)

Board of Directors