

## **The Board of Directors' proposal for a performance based share program 2008 (item 17)**

The Board of Directors proposes that the Annual General Meeting approves a new performance based share program 2008 (the "Program").

The proposed Program is based on performance shares. Up to 240,000 performance shares will be allotted to senior management and key employees.

Each performance share entitles the holder to acquire one TradeDoubler share at a future date at a price of SEK 10, subject to fulfilment of performance criteria decided by the Board.

The term of the Program will be five years from the time of initial allotment in June 2008.

### **Background and motives for the proposal**

During 2007, the Board and its Remuneration Committee has implemented a complete new remuneration policy for the entire TradeDoubler Group. The new policy includes all employees on all markets and all levels. Total remuneration is based upon four main components; base salary, short-term incentive compensation, long-term incentive compensation and pension benefits.

The aim of the suggested Program is to stimulate the participants, whose efforts are deemed to have a direct impact on the company's result, profitability and value growth, to further increased efforts, by aligning their interests and perspectives with those of the shareholders. The intention with the Program is to create a long-term commitment to TradeDoubler, to strengthen the overall perspective on TradeDoubler and to offer the participants an opportunity to take part in TradeDoubler's long-term success and value creation.

This Program enables TradeDoubler to attract, motivate and retain key employees as there is a three-year qualification period for the Program during which the participants are required to remain within the TradeDoubler Group. The Board considers that long-term incentive programs shall be share-based and performance-based.

This proposal has been prepared by the Board and the Remuneration Committee, with assistance from independent external advisors. It has been addressed at several meetings of the Remuneration Committee and at meetings of the Board in January and March 2008.

Consultations have been made with TradeDoubler's largest Swedish shareholders, The Swedish Shareholders' Association, and the Institutional Shareholder Services (ISS).

### **Current incentive program**

There is currently one long term incentive scheme outstanding – the 2006/2010 Employee Option Program. Following decisions at the Annual General Meetings 2006 and 2007, the Board has been authorised to issue up to 1,400,000 warrants under the program. There are currently approximately 1,170,000 granted employee stock options and corresponding warrants

outstanding. Two series of options have been issued with a strike price of SEK 175:50 and SEK 188:10, respectively.

## Details of the Program

The Board's view is that the proposed Program strikes an appropriate balance between motivating and rewarding the President & CEO, other senior managers and key employees while at the same time responding to shareholders' and other stakeholders' interest for competitive and well-balanced compensation.

The Program is based on performance shares. A performance share under the Program is a right to acquire one share in the company at a future date. The outcome of the Program, i.e. the number of allocated performance shares that can be utilised, is dependent on how certain pre-determined performance criteria are fulfilled.

The aim with performance shares is that the eligible employees should act as, and over time become, shareholders. The Program is:

- Based on performance
- Focused on shares
- Transparent

The Program is proposed to have a duration of five years and to comprise a maximum of 240,000 performance shares allocated free of charge. The performance criterion will be measured during an initial three-year performance period, which will expire on 31 December 2010. The performance shares will be available to utilise for purchase of shares during two years.

The TradeDoubler shares will be delivered by TradeDoubler AB (publ) or an entity/individual designated by the company. The performance shares are not securities and can not be sold nor pledged or transferred to others.

### Performance criteria

Future utilisation of performance shares is conditional upon

- Continued employment within the TradeDoubler Group and
- Fulfilment of the Board's growth target for earnings per share (EPS).

An employee who resigns before 31 May 2011 will not be entitled to utilise any performance shares. The Program will include details on right to utilisation in other situations, for example redundancies.

The number of performance shares that will be available to utilise will depend on average growth of EPS during the performance period (the financial years 2008, 2009 and 2010).

Average annual EPS growth < 10 %	→ 0 % may be utilised
Average annual EPS growth = 10 %	→ 20 % may be utilised
Average annual EPS growth = 18 %	→ 50 % may be utilised
Average annual EPS growth = 29 %	→ 100 % may be utilised

Right of utilization is linear between 10 and 18 percent and between 18 and 29 percent.

After the Annual General Meeting 2011, the Board will assess performance compared to the target and decide to what extent utilisation will be allowed according to the terms and conditions of the program.

The Board estimates the expected outcome to approximately 50 per cent, i.e. that 50 percent of the performance shares will actually be utilised after the performance period.

The performance criterion encourages profit growth and is closely tied to TradeDoubler's continuous efforts to improve profitability. It is a transparent measure and easy to follow in TradeDoubler's interim reports.

### Price

Under the Program, one performance share carries the right to acquire one share in TradeDoubler AB (publ) at a future date at a price of SEK 10. A price significantly below the current share price motivates the participant to perform even if the share price falls below the current level, thereby further aligning the participants' interests with the shareholders'.

### Allocation

The program includes 240,000 performance shares to be distributed to a maximum of 80 key employees within the TradeDoubler Group, which corresponds to approximately 14 percent of the total number of employees.

The maximum allotment to the President & CEO is 23,000 performance shares and to the remainder of the Group Management Board 120,000 performance shares.

The program will be aimed towards employees who have a direct impact on TradeDoubler's strategic success (especially with customers), who create wealth/value for the company, and who have major revenue enhancing, cost reducing or quality impact on the TradeDoubler Group.

Allotment of Performance Shares will take place before the Annual General Meeting 2009. The Board intends to allot the majority of performance shares in June 2008. Subsequent allotment may occur due to new recruitments. Performance shares that may become available later on if receiving employees resign may also be allotted to replacing recruitments.

Local adjustments of the Program may be made in order to comply with specific local legislation or take into consideration the market conditions in different countries. Such adjusted offers will, to the extent possible, have terms and conditions corresponding to the Program.

### Dilution

If and when the performance shares are exercised, the company will deliver already issued shares, i.e. no new shares will be issued in conjunction with the Program. Thus, there is no formal dilution.

### Adjustment for dividend

To motivate participants to keep their performance shares after the first day when they can be utilised, the holders are proposed to be compensated for dividends to the shareholders during the whole duration of the Program. Thus, the number of shares to which each performance share carries the right will be recalculated, after the Annual General Meeting each year during the

exercise period, taking the dividend into account. Adjustment for dividend will only be made until the outstanding performance shares entitle the holders to a total of 260,000 shares.

### Costs of the Program

The estimated fair value of one (1) performance share is SEK 58.35. The estimate has been provided by independent external advisors and is based on the expected outcome of the performance criterion, the price to acquire one share and the fact that holders will be compensated for dividend. The estimate is based on a share price of SEK 125.

Based on the assumptions above, the estimated total costs of the Program is MSEK 14. If the performance criterion in earnings per share deviates from the expected outcome during the performance period, the costs will change accordingly.

Additional costs for social security contributions for the performance shares will occur. Such costs will be expensed according to IFRS over the term of the incentive program based on the actual of the performance share value. The performance shares will be expensed as a personnel cost during the performance period and will be reported directly against equity in accordance with IFRS 2.

### Hedging

The Program leads to certain financial exposure for the company, due to market price changes in the TradeDoubler share. The aim is to hedge this exposure by acquisition of own shares. Since the actual outcome of the Program is not known, the Program will initially be hedged to slightly more than the expected outcome of 50 percent.

### **Proposed decision**

The Board proposes that the Annual General Meeting resolves to adopt a performance based share program for 2008, including a maximum of 240,000 performance shares to be distributed to a maximum of 80 senior managers and other key employees, principally on the following terms.

- The duration of the program shall be five years, with a three-year performance period followed by a two-year period to utilize the performance shares.
- Allotment of performance shares shall take place before the Annual General Meeting 2009.
- Each performance share gives the holder the right to acquire one (1) TradeDoubler share at a price of SEK 10. The holders of performance shares shall be compensated for dividends to the shareholders during the performance period as well as the utilization period. Thus, the number of shares to which each performance share carries the right will be recalculated after the Annual General Meeting each year during the whole duration of the Program to compensate for dividends. Such adjustment will only be made until the outstanding performance shares entitle the holders to a maximum of 260,000 shares.
- The number of performance shares that can be utilised is dependent on fulfilment of the growth target of earnings per share, as decided by the Board prior to allotment.
- Before the number of performance shares that are possible to utilise for acquisition of

shares is finally determined, the Board shall examine whether the outcome of the performance measure earnings per share is reasonable considering TradeDoubler's financial results and position, the conditions on the OMX Nordic Exchange Stockholm and other circumstances such as changes in accounting principles, and, if not, as determined by the Board, adjust the number of performance shares that can be utilised, to the number deemed appropriate by the Board. In exercising this examination, the Board shall act fairly and reasonably so that any change is set with the intention that it is no more and no less difficult to satisfy the performance criteria than originally intended.

Any such change shall be communicated in connection with TradeDoubler's first financial report following the decision.

- The Board is authorised to decide on the details of the terms and conditions of the program.

A resolution according to this item 17 is valid where supported by shareholders representing more than half (1/2) of the votes cast.

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Stockholm in April 2008

The Board of Directors