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## **THE COMPLETE PROPOSAL OF THE BOARD FOR A RESOLUTION TO ISSUE EMPLOYEE OPTIONS ON THE BASIS OF THE ELEKTA AB 2007 SHARE UNIT PLAN**

Calculations of dilution have been based on the number of shares outstanding at the time this proposal was drafted with adjustment for the number of shares which has been proposed to be cancelled in accordance with point 17.

### **Background**

The Annual General Meeting 2007 resolved to adopt the Elekta AB 2007 Share Unit Plan (the "Plan"). In the decision it was stated that the terms and conditions evident from the Plan shall constitute the basis for yearly grants of employee options to key employees within the Elekta group during the period 2007 - 2009.

Employee options granted under the Plan 2007 give the possibility to acquire 1,811,000 of shares. Outstanding employee options can therefore result in a dilution of app. 1.93% of the total number of shares and of app. 1.44% of the total number of votes of the Company. The expiration date of outstanding employee options is 31 July 2012 and they become exercisable with one-fourth yearly as from 1 August 2008. The exercise price to acquire a share is SEK 124. Otherwise the outstanding employee options have terms that in principle correspond to what is below proposed to apply for allotment 2008.

As was stated before the Annual General Meeting 2007 the Board deems it is important and in all shareholders interest that key employees have a long-term interest of a good share development. In view of this and in accordance with the Annual General Meeting's earlier decision from 2007 the Board proposes allotment of employee options in accordance to what is evident below.

The purpose of the incentive program is to create involvement by key personnel regarding possibilities and risk in the Company's development and to ensure that they share the objective to generate profitable growth. It is also intended to motivate key personnel to continued employment in the group. The need for an equity based incentive program should be viewed with the perspective that the group is active in a global market and that a majority of the eligible employees are active in markets where equity based incentives are a normal component in the total compensation package.

### **Previous incentive programs in Elekta**

The Annual General Meeting 2004 resolved to adopt the Elekta AB 2004 Share Unit Plan, which have been the basis for yearly grants of employee options to key employees within the Elekta group during the period 2004-2006.

The employee options were granted free of charge but the grant was conditional on the option recipient personally procuring a certain stipulated number of shares in Elekta on the market and retaining these shares during the lifetime of the option. Also, the employee options were conditional on the fulfillment of financial targets during the respective financial year. If the option holder's employment in the group ceases, the option expires immediately to the extent that the option cannot yet be used, otherwise the option normally expires after three months from the cessation of employment. The employee options are not transferable. The delivery of shares according to the employee option program was assured through the Company issuing warrants to a subsidiary.

Employee options granted 2005 does not give right to any shares since set performance goals were not fulfilled.

Employee granted 2006 have been exercised to acquisition of 0 class B shares and at present there are employee options outstanding which totally entitle to acquisition of 927,536 shares. Outstanding employee options can consequently result in a dilution of app. 1.00% of the total number of shares and of app. 0.74% of the total number of votes of the Company. The expiration date of outstanding employee options is 31 July 2010 and they become exercisable with one-third yearly as from 1 August 2007. The exercise price to acquire a share is SEK 152.

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

The following proposal has been prepared by the Executive Compensation Committee in consultation with the Board. The resolution to propose the grant 2008 to the shareholders' meeting has been taken by the Board.

#### **Brief account for the Elekta AB 2007 Share Unit Plan**

The intention of the Company is that the outstanding warrants issued subject to the Plan shall not at any time involve a possible dilution of the number of outstanding shares (including both class A and B) with more than 5%.

The principal terms and conditions of the Plan are as follows.

##### *a) Share unit*

A share unit means that an eligible employee will be granted an employee option that gives the possibility to acquire Elekta shares of class B.

For employees resident in Sweden, the grant is conditional on that the employee invests in a certain number of Elekta shares on the market and retains such shares until the employee option is exercised or expires. The ratio between the employee's share investment and the number of shares which can maximum be acquired at exercise of the employee option shall be determined by the Board for each employee within the range of 1:20 to 1:100 where the ratio shall increase in proportion to the fewer shares that can be acquired upon exercise of the granted employee option. If the employee does not make the required share investment before 31 December in the year of grant (this period can be prolonged if the share investment is not possible due to legal reasons), the employee option will terminate.

##### *b) Term of Option*

The term of each employee option shall be no more than 5 years from the date of grant.

##### *c) Failure to hold mandatory acquired shares*

If the holder of a employee option where the grant was conditioned by acquisition of shares, at any time during the option term disposes of shares which have been mandatory acquired in order to be granted the employee option, the number of shares subject to the employee option shall correspondingly be reduced in relation to the number of mandatory shares disposed of. When the number of shares subject to the employee option is reduced due to that the employee option has been exercised, the holder of a employee option may dispose of mandatory acquired shares corresponding

to such exercise without any further reduction of the remaining shares subject to the employee option.

*d) Performance requirements – earning of the right to acquire shares*

The right to acquire the granted number of shares subject to the employee option shall be conditioned by collective performance requirements. These performance requirements shall be proposed by the Board and subject to approval by the general meeting of shareholders. The performance requirements shall be measured before the first date when the employee option can be exercised.

The right to acquire the number of shares which will be earned by achievement of the performance requirements (“earned shares”) will additionally be subject to vesting conditions (see section regarding vesting below). To the extent the granted number of shares subject to the employee option is not earned, the right to acquire such shares will terminate.

*e) Vesting*

To the extent the employee options have been earned in relation to the performance requirements and provided the employee maintained continuous status as an employee within the Elekta group (exceptions exist in case of termination of employment due to retirement, disability or death), the employee option shall become exercisable (vest) as to one-fourth of the number of earned shares subject to the employee option on the 1<sup>st</sup> August annually as from the year following the year of grant.

*f) Exercise price and cap of the employee option benefit*

The price per share to be paid by the employee to receive shares upon exercise of a employee option shall be determined by the Board and be no less than 110% of the fair market value of an Elekta share class B at the date when the offer of the employee option grant is made to the employees. The fair market value of the Elekta share class B shall be calculated as the average closing price per share during ten trading days immediately preceding the date of the offer.

Notwithstanding what is stated above regarding the exercise price, in case the fair market value per class B share at any time during the term of a employee option exceeds 500% of the fair market value per class B share at the date of the offer, the exercise price shall increase correspondingly so that the fair market value per class B share at the date of exercise never exceeds 500% of the exercise price.

*g) Non-transferability*

The employee options shall not be possible to transfer, pledge or in any other way disposed of other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the employee, only by the employee.

*h) Termination of the employment within the Elekta group*

If the holder of an employee option terminates his/her employment with the Elekta group, the employee option will be forfeited to the extent it has not vested. Vested employee option will normally lapse after three months following termination of the employment. Other time limits exist in case the termination depends on retirement, disability or death. However, not in any case will the employee options be exercisable after the original expiry date.

## **1. The Board's proposal for a resolution to grant employee options on the basis of the Elekta AB 2007 Share Unit Plan**

The Board proposes that the general meeting of shareholders resolves to grant employee options which give the possibility to acquire class B shares of the Company. The employee options shall be granted on the basis of the terms and conditions of the Elekta AB 2007 Share Unit Plan and to the terms set out below in this section 1.

The employee options shall be offered to key employees within the Elekta group. Employee options may also be offered to foreign subsidiaries within the Elekta group in order to be further transferred to employees abroad. In this year's grant, the employee options shall in case of target performance and fulfillment of other vesting conditions in total entitle to 1,600,000 class B shares of the Company. To secure the commitment to deliver shares upon exercise of employee options and to constitute a hedge for any cash flow impact of social security fees, an issuance of warrants is proposed (see further section 2 below).

### *1.1 Grant levels*

Employee options will be offered to totally app. 75 employees in accordance with the following at target performance: category 1 – top executives (1-3 persons) - a possibility to acquire maximum 60,000 shares each; category 2 – other senior executives (app. 6-10 persons) – a possibility to acquire maximum 40,000 shares each; category 3 – senior directors (app. 20-40 persons) - a possibility to acquire maximum 20,000 shares each; category 4 – middle managers and other key individuals (app. 20-50 persons) - a possibility to acquire maximum 10,000 shares each.

The Executive Compensation Committee shall decide who will be included in the categories above.

Members of the Board of the Company do not have any right to receive employee options.

### *1.2 Employees outside Sweden*

Grant of employee options to employees outside Sweden is conditional on that such grant can lawfully be made and that the Board determines that it can be made with reasonable administrative and/or economical resources.

If there are impediments to grant employee options to employees in a certain country other than Sweden, the Board may instead, if more appropriate, grant synthetic stock options to such employees. The synthetic stock options shall have the similar term and conditions as the employee options granted. However, the synthetic stock options shall only entitle the employee to receive a cash payment upon exercise.

### *1.3 Vesting requirements*

Subject to the requirements stated in the Plan (see sections c – d above) and the performance requirement specified below, the employee options shall become exercisable (vest) with deviance from the Plan according to the following schedule: 1 August 2009 – as to one-third of the total number of Shares earned under the employee option; 1 August 2010 - as to two-thirds of the total number of Shares earned under the employee option; 1 August 2011 - all Shares earned under the employee option. The reason to the deviation from the Plan is that the Board proposes that employee options

that are allotted 2008 shall have a term of 4 years as opposed to employee options allotted 2007 that have a term of 5 years.

- a) The employee options shall be earned in relation to collective performance during the Company's financial year 2008/2009 (ending 30 April 2009). The performance shall be measured against two separate parameters: operating result (EBIT) with a target of 762 MSEK and global revenue growth measured in local currency of 15%, in accordance with the following:
- (1) If target performance for operating results is met or exceeded, 50% of all shares originally subject the stock option will be earned ("target performance shares").
  - (2) If operating result is within the range of 685.8 MSEK to 762 MSEK earning shall occur proportionally for 45% up to 50% of the target performance shares.
  - (3) If operating result is less than 685.8 MSEK no shares under the stock option on the basis of operating result will be earned.
  - (4) If target performance for revenue growth is met or exceeded, 50% of the target performance shares will be earned.
  - (5) If revenue growth is within the range of 13.5% to 15%, earning shall occur proportionally for 45% up to 50% of the target performance shares.
  - (6) If revenue growth is less than 13.5% no shares under the stock option on the basis of revenue growth will be earned.

Immediately following measurement of the performance, any part of a employee option which will not be earned due to that target performance not having been met or only partly met shall terminate and be cancelled without payment therefore.

The calculation of operating result for the purpose above should not include the IFRS 2 effect from the 2008 grant of stock options under the Elekta AB 2007 Share Unit Plan.

#### *1.4 Exercise price*

The exercise price per share, i.e. the price to be paid by an employee to receive a share shall be determined by the Board in accordance with the principles set out in the Plan (see section f under the account for the Plan).

#### *1.5 Term of stock option*

The employee options expire on 31 July 2012.

#### *1.6 Theoretical value*

The employee options do not have any fair market value since they are not transferable. A theoretical value of a employee option has been calculated based on the Black & Scholes option valuation model. The calculation has been based on an assumed share price of SEK 129 – and an expected volatility of 28%. With respect of the risk of forfeiture of the employee option before the original expiry date due to employment and performance requirements and non-transferability, the calculated value in accordance with the Black & Scholes model has been reduced with 30%. The theoretical value has been calculated to app. SEK 19 per share subject to an employee option.

#### *1.7 Delivery of shares and costs*

To secure that the Company may fulfill its commitment to the employees at exercise of employee options (or synthetic stock options if applicable) and to constitute a hedge for any cash flow impact of social security fees, the Board also proposes that the general

meeting of shareholders resolves to issue warrants to Elekta Instruments AB (see section 2 below).

The resolution to grant employee options (synthetic stock options if applicable) in accordance with this section 1 shall be conditioned by the adoption by the general meeting of shareholders of the resolution proposed under section 2 below. Consequently, the delivery of shares (cash if applicable) and social security fees should not result in any impact on the Company's cash flow.

However, exercise of the employee options is expected to in some countries raise liability to pay employer social security charges. Based on the residency of the eligible employees, the average employer social security rate has been estimated to 16% which will normally be charged on the difference between the share price at the time of exercise and the exercise price. The following example illustrates the possible social security liability if all employee options were vested and exercised. The example is only indicative since it is based on several assumptions such as the share price at the time of grant (SEK 129 which would result in an exercise price of at least SEK 142), the future share price at exercise, social security rates etc.

*Example of social security liability*

Performance earned shares	Assumed share value at exercise				
	SEK 142	SEK 160	SEK 180	SEK 200	SEK 220
0 (0%)	0	0	0	0	0
800,000 (50%)	0	2,304	4,864	7,424	9,984
1,200,000 (75%)	0	3,456	7,296	11,136	14,976
1,600,000 (100%)	0	4,608	9,728	14,848	19,968

**estimated social security costs in TSEK**

Further, the accounting standard IFRS 2 (Share-based payment) is applicable on the employee options meaning that a cost will have to be recognized in the consolidated income statement as from the financial year 2008/2009 until the employee options have been fully vested based on the theoretical value of the employee options granted. Based on the assumption that the performance target value will be fully met so that all granted shares are earned and that approx. 10% of the employee options offered will be forfeited before vesting due to non-performance in relation to continuous employment and holding of shares, it is estimated that app. 1,440,000 class B shares will vest under the employee options. The cost according to IFRS 2 that is accounted for on group level is consequently estimated to amount to TSEK 11,700 during the year 2008/2009, TSEK 13,900 during the year 2009/2010, TSEK 6,000 during the year 2010/2011, and TSEK 1,100 during the year 2011/2012, totally TSEK 32,700). These amounts will be remeasured based on actual vesting during the vesting periods. It should be noted that this cost will only be recognized in the accounts and has no impact on cash-flow. The cost will be matched with a corresponding increase in equity. According to IAS 12 a deferred tax asset shall also be recognized if the Company expects to receive a tax deduction when the employee options are exercised. Such deduction is expected to be allowed in some countries concerned but can not be calculated since it depends on the future share price performance.

## **2. The Board's proposal for a resolution to issue warrants and permission to transfer warrants**

The Board proposes that the general meeting of shareholders resolves to issue maximum 1,856,000 warrants each entitling to subscription of one new class B shares of the Company, whereby the share capital of the Company may increase by a maximum of SEK 3,712,000.

For subscription of the warrants the following conditions shall apply.

### *2.1. Right to subscription*

With deviation of the shareholders' preferential rights, the Company's subsidiary Elekta Instrument AB, shall be entitled to subscribe, with a right and obligation for the subsidiary after subscription and when exercise is called for by employees of employee options (or synthetic stock options if applicable) which have been granted in accordance with section 1 above, fulfill the Company's commitment in accordance with the employee options (synthetic stock options). Elekta Instrument AB also is entitled to dispose of warrants in order to cover social security fees for the employee option program.

### *2.2 Issue price, period for subscription*

The warrants shall be issued without any payment.

The price at which subscription for class B shares can be made shall be equal to 105% of the average closing price per share during ten trading days immediately following the general meeting of shareholders, but can not be below the quota value of the share.

Subscription for class B shares on the basis of the warrants – whereby one (1) warrant entitles to subscription for one (1) class B share – can be made during the period from 1 November 2008 until 31 July 2012.

### *2.3 Period for subscription of warrants*

The warrants shall be subscribed for no later than 31 October 2008.

### *2.4 Dividend*

The new class B shares shall entitle to dividend from the point that follows from § 7 in appendix 1.

### *2.5 Terms in other respects for warrants*

Terms in other respects for warrants are evident from appendix 1 (Terms and conditions for Elekta AB warrants 2008/2012).

### *2.6 Background and motive*

The reason for deviation from the shareholders' preferential right is that the Board has proposed that the general meeting of shareholders shall resolve a grant of employee options to employees in accordance with section 1 above. The warrants shall be used to secure the company's commitment to deliver shares upon exercise of granted employee options and to cover social security fees for the employee option program. A condition for a resolution in accordance with the proposal under section 1 is that the proposed issue of warrants is made to Elekta Instrument AB.

### 2.7 Dilution etc.

At total exercise of issued warrants the share capital can be increased with a maximum of SEK 3,712,000 by issuance of maximum 1,856,000 class B shares corresponding to, at total exercise, app. 1.97% of the total number of shares and app. 1.47% of the total number of votes in the Company. The dilution amounts to, with respect to outstanding stock options granted 2006 and 2007, app. 4.75% of the total number of shares and app. 3.57% of the total number of votes in the Company. This dilution has been calculated as the number of shares and votes which at maximum may be issued divided with the total number of shares and votes in the Company after such issuance.

The example below has been made to illustrate the shareholders theoretical financial dilution in benefit of the employee option holders at different future share values. As a basis for the example it has been assumed that the price to be paid by the employee to receive a share of the company is SEK 142 (equal to approx. 110% of SEK 129 which in this example is assumed to be the share price of the class B share at the time of grant) and that all shares subject to employee options which have been earned due to performance will be issued (i.e. it is assumed that additional vesting requirements of continuous employment as well as retained share investment has been met). The rates stated in the example show the financial dilution of the shareholders based on the current number of shares in the company.

Performance earned shares	Assumed share value at exercise				
	SEK 142	SEK 160	SEK 180	SEK 200	SEK 220
0 (0%)	0	0	0	0	0
800,000 (50%)	0	0,09%	0,16%	0,22%	0,27%
1,200,000 (75%)	0	0,14%	0,27%	0,37%	0,45%
1,600,000 (100%)	0	0,19%	0,36%	0,49%	0,60%

#### Financial dilution

Earnings per share will be affected in accordance with guidelines provided in IAS 33.

### 2.8 Majority vote requirement etc.

A resolution by the general meeting of the shareholders in accordance with the proposal in this section 2 requires support of at least nine tenths of the given votes as well as of the shares represented at the general meeting of shareholders.

The CEO or anyone authorized by the CEO shall have the right to make such minor changes in the resolution of the general meeting of shareholders that might be necessary in connection with registering the issue and (if applicable) connecting the warrants to VPC.

### 3. Cancellation of issued warrants

The Board proposes that the general meeting of shareholders resolves that any warrants which have been issued in accordance with section 2 above and which the Board deem unnecessary to secure the company's commitment for social security fees and to deliver shares upon exercise of granted employee options due to e.g. that employee options have forfeited and/or shares subject to the employee options have not vested shall be cancelled at earliest possible convenience.

The Board proposes further that the general meeting of shareholders resolves to commission the Board to execute cancellation in accordance with the preceding paragraph.