

This document is a translation into English of the original Swedish language version of the proposal. In the event of any difference, the Swedish version shall govern.

## **POINT 20**

### **THE COMPLETE PROPOSAL OF THE BOARD FOR A RESOLUTION TO ADOPT THE ELEKTA AB 2004 SHARE UNIT PLAN**

By way of introduction shall be noted that the number of shares stated in different contexts below in this point 20 in all cases concerns the number of shares post a split resolution in accordance with point 17 above. As regards examples below which include assumptions of the share price a price of SEK 330 per share pre-split has been assumed. Further, 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 18.

#### **Background**

The general meeting of shareholders of 2004 resolved to adopt the Elekta AB 2004 Share Unit Plan ("the Plan"). The resolution meant that the conditions and the guidelines stated in the Plan shall be the framework for yearly grants of stock options to key employees within the Elekta group during the period 2004/05 – 2006/07.

Stock options granted 2004 have been exercised to acquisition of 70,500 class B shares and at present there are stock options outstanding which totally entitle to acquisition of 1,605,027 shares (post determined performance). Outstanding stock options can consequently result in a dilution of app. 1.73% of the total number of shares and of app. 1.29% of the total number of votes of the Company. The expiration date of outstanding stock options is 31 July 2008 and they become exercisable with one-third yearly as from 1 August 2005. The exercise price to acquire a share is expected to be SEK 65.20 post split. Other terms and conditions applicable for outstanding stock options in principle are in line with to what is proposed below to be applied for the grant 2005.

As was said prior to the grant in 2004, the board of the Company finds it important and in all shareholders interest that key employees within the group have an interest in the appreciation of the Company share value. Based on this and in accordance with the resolution of the general meeting of shareholders 2004, the Board proposes the grant of stock options in accordance with the following.

The purpose of the incentive program is to retain key managers and high performers while also create participation for key employees in opportunity and risk in company performance as well as to provide the common performance goal of providing profitable growth. The necessity of an equity based incentive program should be viewed with the perspective that Elekta operates on a global market and that the presence on the US market has significantly increased during the past year through the acquisition of Impac. Hence, a majority of the eligible employees work in an environment where equity incentives are a normal part of the total compensation package.

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The following proposal has been prepared by the Executive Compensation Committee in consultation with the Board. The resolution to propose the grant 2005 to the shareholders' meeting has been taken by the Board.

### **A. Summary of Elekta AB 2004 Share Unit Plan**

The general meeting of shareholders 2004 specified that outstanding stock options granted subject to the Plan may 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.1 Share unit***

A share unit means that an eligible employee will be granted a stock option that gives the possibility to acquire Elekta shares of class B provided that the employee invests in a certain number of Elekta shares on the market and retains such shares until the stock 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 stock 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 stock 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 stock option will terminate.

#### ***A.2 Term of Option***

The term of each stock option shall be no more than 4 years from the date of grant.

#### ***A.3 Failure to hold mandatory acquired shares***

If the holder of a stock option at any time during the option term disposes of shares which have been mandatorily acquired in order to be granted the stock option, the number of shares subject to the stock option shall correspondingly be reduced in relation to the number of mandatory shares disposed of. When the number of shares subject to the stock option is reduced due to that the stock option has been exercised, the holder of a stock option may dispose of mandatory shares corresponding to such exercise without any further reduction of the remaining shares subject to the stock option.

#### ***A.4 Performance requirements – earning of the right to acquire shares***

The right to acquire the granted number of shares subject to the stock 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 stock 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

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conditions (see section A.5 below). To the extent the granted number of shares subject to the stock option is not earned, the right to acquire such shares will terminate.

### ***A.5 Vesting***

To the extent the stock 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 stock option shall become exercisable (vest) as to one-third of the number of earned shares subject to the stock option on the 1<sup>st</sup> August annually as from the year following the year of grant.

### ***A.6 Exercise price and cap of the stock option benefit***

The price per share to be paid by the employee to receive shares upon exercise of a stock 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 stock 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 stock 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.

### ***A.7 Non-transferability***

The stock 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.

### ***A.8 Termination of the employment within the Elekta group***

If the holder of a stock option terminates his/her employment with the Elekta group, the stock option will be forfeited to the extent it has not vested. Vested stock option will normally forfeit 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 stock options be exercisable after the original expiry date.

## **B. The Board's proposal for a resolution to grant stock options in accordance with the Elekta AB 2004 Share Unit Plan**

The Board proposes that the general meeting of shareholders resolves to grant stock options which give the possibility to acquire class B shares of the Company. The stock options shall be granted in accordance to the terms and conditions of the Elekta AB 2004 Share Unit Plan and to the terms set out below in this section B.

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The stock options shall be offered to key employees within the Elekta group. Stock 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 stock options shall in case of target performance and fulfillment of other vesting conditions in total entitle to 1,900,000 class B shares of the Company. However, should the financial performance targets be succeeded (over-performance), the stock options may additionally entitle to maximum totally 285,000 shares. Hence, in case of over-performance the grant may in total entitle to maximum 2,185,000 shares. The commitment to deliver shares upon exercise of stock options is proposed to be secured by the issuance of a subordinated debenture with detachable warrants for subscription of new class B shares of the Company (see further section C below).

### ***B.1 Grant levels***

Stock options will be offered to totally app. 100 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. 7-11 persons) – a possibility to acquire maximum 45,000 shares each; category 3 – senior directors (app. 13-18 persons) - a possibility to acquire maximum 30,000 shares each; category 4 – selected senior and middle managers (app. 25-50 persons) - a possibility to acquire maximum 15,000 shares each; category 5 – other key specialists (app.25-50 persons) – a possibility to acquire maximum 7,500 shares each.

In case of over-performance the employees in each category may additionally be granted the right to acquire a certain number of shares subject to the stock option up to maximum 15% of the number of shares originally subject to the stock option upon target performance (see further section B.3).

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 stock options.

### ***B.2 Employees outside Sweden***

Grant of stock 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 stock 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 stock options granted. However, the synthetic stock options shall only entitle the employee to receive a cash payment upon exercise.

### ***B.3 Vesting requirements***

Subject to the requirements stated in the Plan (see sections A.3 – A.5 above) and the performance requirement specified below, the stock options shall become exercisable

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(vest) according to the following schedule: 1 August 2006 – as to one-third of the total number of Shares earned under the stock option; 1 August 2007 - as to two-thirds of the total number of Shares earned under the stock option; 1 August 2008 - all Shares earned under the stock option.

- a) The stock options shall be earned in relation to collective performance during the Company's financial year 2005/2006 (ending 30 April 2006). The performance shall be measured against operating margin (EBIT) with a target of 12% in accordance with the following:
  - (1) If target performance is met, i.e. operating margin of 12%, all shares originally subject the stock option will be earned ("target performance shares").
  - (2) If operating margin is within the range of 11% to 12%, earning shall occur proportionally for 50% up to 100% of the target performance shares.
  - (3) If operating margin is less than 11%, no shares under the stock option will be earned.

Should the performance target be exceeded (over-performance), i.e. operating margin exceeds 12%, the following shall apply:

- (1) If operating margin is at least 14% additionally 15% of the target performance shares will be earned.
- (2) If operating margin is within the range of 12% to 14%, earning shall occur proportionally for additional shares up to 15% of the target performance shares,

Accordingly, over-performance can maximum generate a right to acquire totally 115% of the number of target performance shares.

Immediately following measurement of the performance, any part of a stock 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 margin for the purpose above should not include the IFRS 2 effect from the 2005 grant of stock options under the Elekta AB 2004 Share Unit Plan.

### ***B.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 A.6 above). If a split is resolved in accordance with point 16, the listed share price included in the calculation shall be adjusted.

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### ***B.5 Term of stock option***

The stock options expire on 31 July 2009.

### ***B.6 Theoretical value***

The stock options do not have any fair market value since they are not transferable. A theoretical value of a stock option has been calculated based on the Black & Scholes option valuation model. The calculation has been based on an assumed share price of SEK 110 – and an expected volatility of 30%. With respect of the risk of forfeit of the stock option before the original expiry date due to employment and performance requirements, the calculated value in accordance with the Black & Scholes model has been reduced with 30%. The theoretical value has been calculated to app. SEK 16.60 per share subject to a stock option.

### ***B.7 Delivery of shares and costs***

To secure that the Company may fulfill its commitment to the employees at exercise of stock options (or synthetic stock options if applicable), the Board also proposes that the general meeting of shareholders resolves to issue a debenture with detachable warrants for subscription of shares to Elekta Instruments AB (see section C below).

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

However, exercise of the stock 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 12.5% 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 stock 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 110 which would result in an exercise price of at least SEK 121), the future share price at exercise, social security rates etc.

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### *Example of social security liability*

Performance	Earned shares <sup>2</sup>	Assumed share value at exercise				
		SEK 132	SEK 150	SEK 180	SEK 210	SEK 240
OM <sup>1</sup> < 11%	0%	0	0	0	0	0
OM <sup>1</sup> = 11%	50%	0	2,256	5,225	8,194	11,756
OM <sup>1</sup> = 11.5%	75%	0	3,384	7,838	12,291	17,634
OM <sup>1</sup> = 12%	100%	0	4,513	10,450	16,388	23,513
OM <sup>1</sup> = 13%	107.5%	0	4,851	11,234	17,617	25,276
OM <sup>1</sup> = 14%	115%	0	5,189	12,018	18,846	27,039

<sup>1</sup>OM = operating margin

<sup>2</sup> of target performance shares

**estimated social security costs in TSEK**

Further, the accounting standard IFRS 2 (Share-based payment) is applicable on the stock options meaning that a cost will have to be recognized in the consolidated income statement as from the financial year 2005/2006 until the stock options have been fully vested based on the theoretical value of the stock 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 stock options offered will forfeit before vesting due to non-performance in relation to continuous employment and holding of shares, it is estimated that app. 1,710,000 class B shares will vest under the stock options. The recognized cost for the 2005 grant is consequently estimated to amount to TSEK 10.384 during the year 2005/2006, TSEK 11.875 during the year 2006/2007, TSEK 5.449 during the year 2007/2008 and TSEK 1.035 during the year 2008/2009 (totally TSEK 28.743). 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 stock 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.

### **C. The Board's proposal for a resolution to raise a subordinated loan by issuing a debenture with detachable warrants for subscription of class B shares and permission to transfer warrants**

The Board proposes that the general meeting of shareholders resolves to raise a subordinated loan of nominal value at maximum SEK 100 by issuing a debenture with maximum 2,185,000 warrants for subscription of new class B shares of the Company, whereby the share capital of the Company may increase by a maximum of SEK 4,370,000.

For subscription of the debenture with detachable warrants the following conditions shall apply.

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### ***C.1. Right to subscription***

The issue of debenture with detachable warrants shall, with deviation from the shareholders' pre-emption right, be made to the Company's subsidiary Elekta Instrument AB, with a right and obligation for the subsidiary to detach the warrants and, when exercise is called for by employees of stock options (or synthetic stock options if applicable) which have been granted in accordance with section B above, fulfill the Company's commitment in accordance with the stock options (synthetic stock options).

### ***C.2 Issue price, period for subscription***

Debenture at nominal amount of SEK 100 together with maximum 2,185,000 warrants for subscription of maximum 2,185,000 class B shares shall be issued at a price equal to the nominal amount of the debenture.

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 nominal value of the share. If a split is resolved in accordance with point 16, the listed share price included in the calculation shall be adjusted.

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 2005 until 31 July 2009.

### ***C.3 Period for subscription of debenture and payment***

The debenture with detachable warrants shall be subscribed and paid for no later than 31 October 2005.

### ***C.4 Interest and term***

The loan runs without any interest and is due for repayment on 30 April 2006.

### ***C.5 Subordinated loan***

The debenture shall in case of the Company's liquidation or bankruptcy involve right to payment from the Company's assets after the Company's non-subordinated obligations and alongside (pari passu) other subordinated obligations that are not expressly subordinated this loan.

### ***C.6 Terms in other respects for debenture and warrants***

Terms in other respects for debenture and warrants are evident from appendix 1a (Villkor för Elekta AB förlagslån 2005/2006 på högst 100 kr) and appendix 1b (Villkor för Elekta AB optionsrätter till nyteckning av aktier 2005/2009).

### ***C.7 Background and motive***

The reason for deviation from the shareholders' pre-emption right is that the Board has proposed that the general meeting of shareholders shall resolve a grant of stock options to employees in accordance with section B above. The warrants shall be used to secure the company's commitment to deliver shares upon exercise of granted stock options. A



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condition for a resolution in accordance with the proposal under section B is that the proposed issue of debenture with detachable warrants is made to Elekta Instrument AB.

### *C.8 Dilution etc.*

At total exercise of issued warrants the share capital can be increased with a maximum of SEK 4,370,000 by issuance of maximum 2,185,000 class B shares corresponding to, at total exercise, app. 2.3% of the total number of shares and app. 1.7% of the total number of votes in the Company. The dilution amounts to, with respect to outstanding stock options granted 2004, app. 4.1% of the total number of shares and app. 3% 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 stock 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 121 (equal to 110% of SEK 110 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 stock 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 <sup>2</sup>	Assumed share value at exercise				
		SEK 187	SEK 215	SEK 230	SEK 245	SEK 260
OM <sup>1</sup> < 11%	0%	0%	0%	0%	0%	0%
OM <sup>1</sup> = 11%	50%	0%	0.14%	0.27%	0.37%	0.46%
OM <sup>1</sup> = 11.5%	75%	0%	0.21%	0.41%	0.56%	0.69%
OM <sup>1</sup> = 12%	100%	0%	0.28%	0.54%	0.74%	0.91%
OM <sup>1</sup> = 13%	107.5%	0%	0.30%	0.58%	0.79%	0.98%
OM <sup>1</sup> = 14%	115%	0%	0.32%	0.62%	0.85%	1.05%

<sup>1</sup> OM = operating margin

<sup>2</sup> of target performance shares

**Financial dilution**

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

### *C.9 Majority vote requirement etc.*

A resolution by the general meeting of the shareholders in accordance with the proposal in this section C 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

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in connection with registering the issue and (if applicable) connecting the warrants to VPC.

### **D. Cancellation of issued warrants**

#### ***D.1 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 C above and which the Board deem unnecessary to secure the company's commitment to deliver shares upon exercise of granted stock options due to e.g. that stock options have forfeited and/or shares subject to the stock 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.