

**The board of directors' proposal regarding performance based, long-term share program for 2009 comprising proposal regarding a directed issue of series C shares and proposal regarding authorization for the board of directors to repurchase issued series C shares (item 20).**

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Appendix A	The board of directors' proposal regarding performance based, long-term share program for 2008
Appendix B shares	The board of directors' proposal regarding a directed issue of series C
Appendix C	The board of directors' proposal regarding authorization for the board of directors to repurchase issued series C shares

## **The board of directors' proposal regarding performance based, long-term share program for 2009**

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The aim of Biovitrum's performance based, long-term share program for 2009 ("Share Program 2009") is to stimulate the participants, whose efforts are deemed to have a direct impact on the company's results, profitability and value growth, to further increase efforts, by aligning their interests and perspectives with those of the shareholders. The board of directors considers that the proposal for the Share Program 2009 is well balanced and will constitute a suitable element in the compensation package provided by the company to the employees. The board of directors is convinced that the share program will be beneficial to both the employees participating in the program and the company's shareholders, and that it will contribute to increasing the possibilities to recruit and retain competent employees. A performance based share program enabling employees to participate in the company's long-term growth, maintains the confidence for the company and will increase share value. The board of directors of Biovitrum has carried out an evaluation of the implementation phase of the performance based, long term share program 2008 that was resolved by the annual general meeting 2008. This evaluation included a survey among the participants. The board has concluded that the implementation was successful.

The board of directors intends to carry out an evaluation of Share Program 2009 which will take into account the above aims and which will systematically analyze the achieved results. The aim of the evaluation will be to determine whether the program fulfils its purposes, and this will also include the review of the outcome and the costs for the program.

The board of directors proposes, in view of the above and in accordance with the terms and conditions for the performance based, long-term share program for 2008 which were resolved on the annual general meeting 2008, that the annual general meeting resolves to implement a performance based, long-term share program for 2009, in accordance with the following principal terms and conditions.

- i. The program is proposed to include up to 50 managers and key employees, which receive the possibility to be allocated common shares in Biovitrum free of charge. An offer to participate in the program shall be provided no later than 31 December 2009.
- ii. The participants of the program are divided into three categories: members of the management team and two additional categories for other managers and key employees. For each category, the board of directors will determine a maximum value for the Share Program 2009 related to the participant's salary. The maximum value is based on;
  - a. for members of the management team, 60% of the annual salary,
  - b. for other managers and key employees in category 2, 40% of the annual salary,
  - c. for other managers and key employees in category 3, 20% of the annual salary.

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The respective maximum value is, thereafter, converted to a maximum number of common shares to be allocated. With an assumed share price of SEK 52 for the Biovitrum common share the maximum number of common shares to be allocated amounts to 350,000.

- iii. The board of directors resolves on the number of common shares that shall be possible to receive free of charge, after nomination from the Compensation & Benefits committee. The program participants are nominated based on competence and performance as well as taking into consideration the strategic importance of retaining key employees within the business. For each participant, the board of directors establishes, following a proposal from the Compensation & Benefits committee, an individual maximum value denominated in SEK.
- iv. Each maximum value shall be converted into a maximum number of shares that may be allocated, based on the volume weighted average closing share price of the Biovitrum common share during a period of ten trading days before the day the participants are offered to participate in the program.
- v. The outcome of the Share Program 2009 is dependent on the fulfillment of targets for value creation, determined by the board of directors, connected to the total shareholder return of the Biovitrum common share (the share price development adjusted with respect to dividends), during a three year period as from the date of the offer to participate in the program (the "Performance Period"). These targets are designated Performance Condition 1 and Performance Condition 2, respectively.
  - a. Performance Condition 1: For any allocation of common shares to be possible under the Share Program 2009, the total shareholder return for the Biovitrum common share must amount to at least 15% during the Performance Period.
  - b. Performance Condition 2: Upon fulfillment of Performance Condition 1, an evaluation is carried out of the total shareholder return for the Biovitrum common share in relation to a group of comparable companies, established by the board of directors. As a condition for allocation of common shares, it has been established that a minimum level for the total shareholder return of the Biovitrum common share shall correspond to the median performance for the comparable group. It has been established that full allocation shall be carried out if the total shareholder return for the Biovitrum common share corresponds to the upper quartile for the comparable group (the maximum level) or exceeds this level. If the minimum level is reached, an allocation of 35% of the maximum number of common shares, in accordance with what has been described previously, will be carried out. If the total shareholder return for the Biovitrum common share exceeds the minimum level but falls below the maximum level, a pro rata allocation will be carried out.
- vi. Allocation of common shares requires that the persons participating in the program are employed in the Biovitrum-group during the entire Performance Period and have not, at the time of allocation of the gratuitous common shares, terminated the employment. If all conditions in the Share Program 2009 are met, allocation of common shares will take place free of charge after expiration of the Performance Period and following approval of the results by the board of directors at the board

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meeting that follows immediately after the expiration of the Performance Period.

- vii. The possibility to participate in the Share Program 2009 is conditional upon, in the opinion of the board of directors, such participation taking place on the basis of reasonable (i) administrative costs, (ii) tax effects for Biovitrum or for the persons participating in the program, and (iii) financial efforts.
- viii. Certain deviations in or adjustments of the terms and conditions for the Share Program 2009 may be made for participants outside Sweden based on local rules and regulations as well as applicable market practice.
- ix. The board of directors and the Compensation & Benefits committee shall be responsible for the preparation and management of the Share Program 2009, within the framework of the aforementioned terms and conditions.

### ***Costs for the Share Program 2009***

The costs for the Share Program 2009, which are charged in the profit and loss account, are based on the accounting standard IFRS 2 and distributed on a straight line basis over the Performance Period. The board of directors has allowed for a preliminary calculation of the theoretical value of the right to receive allocation of common shares in Biovitrum free of charge. Assuming a market price of SEK 52 and based on probability assessments as regards the achievement of the conditions as set out above, the value amounts to SEK 20.70 (39.8% of SEK 52), which can lead to a maximum cost for Share Program 2009 of approximately MSEK 7.3. The expected total cost of the Share Program 2009 reported in the profit and loss account based on historical employee turnover for the group has been calculated at approximately MSEK 6.5.

The incentive program is expected to result in expenses for Biovitrum such as social security charges. Based on the theoretical assumption of an annual 10% increase in the share price of SEK 52 and on the assumption that the program participants receive maximum number of shares, the social security charges for Share Program 2009 are estimated to amount to approximately MSEK 8.0. For each SEK of increase in the market price of the share, total social security charges increase by approximately SEK 120,000.

### ***Dilution***

Upon full allocation according to Share Program 2009, the number of shares in Biovitrum will be increased with approximately 462,000 corresponding to a dilution effect of approximately 0.9% of the share capital and the votes.

Together with outstanding warrant and employee stock option plans, the Share Program 2009 entails, upon full allocation, a dilution effect of approximately 3.3% of the share capital and the votes.

### ***Hedging***

To secure that the company can fulfill its commitment according to Share Program 2009, it is proposed to the annual general meeting to resolve to issue not more than 462,000 series C shares to an external party. Furthermore, the board of directors proposes that the annual general meeting resolves to authorize the board of directors to repurchase all issued series C shares. The series C shares will thereafter be converted to common shares in the number that is required to secure delivery of the gratuitous common shares that may be allocated after the Performance Period and to secure for future cash flow

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effects due to payments of social security costs connected with the Share Program 2009. As delivery according to Share Program 2009 will not take place until 2012, the board of directors has determined, at present, not to propose that the annual general meeting authorizes the board of directors to sell own shares.

### ***Preparations***

The Compensation & Benefits committee has prepared guidelines for the proposed performance based, long-term share program for 2009. These guidelines have been presented for and adopted by the board of directors.

### ***Previous incentive programs in Biovitrum***

For a description of the company's other long-term incentive programs, reference is made to the company's annual report for 2009, note 13, and the company's website, [www.biovitrum.com](http://www.biovitrum.com). In addition to the programs described there, no other long-term incentive programs have been implemented in Biovitrum.

### ***Majority requirements***

For a resolution in accordance with the proposal to be valid, entailing a resolution on the performance based, long-term share program for 2009, directed issue of series C shares and authorization for the board of directors to repurchase issued series C shares, shareholders representing at least two thirds of votes cast as well as shares represented at the meeting must vote in favor of the proposal.

### ***Miscellaneous***

The board of directors' proposed Share Program 2009 is conditional upon the adoption of resolutions by the annual general meeting regarding directed issue of series C shares pursuant to Appendix B and authorization for the board of directors to repurchase the issued series C shares pursuant to Appendix C.

## **The board of directors' proposal regarding a directed issue of series C shares**

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The board of directors' proposes that the annual general meeting resolves that the company shall issue not more than 462,000 shares of series C, each with a quota value of approximately SEK 0.548696 whereby the share capital may be increased with not more than SEK 253,497.552. The following terms and conditions shall apply to the issue.

1. Right to subscribe for the series C shares, with deviation from the shareholders pre-emptive rights, shall only fall upon an external party.
2. There shall be no over-subscription.
3. The subscription price for the issued series C shares shall be the quota value of the shares.
4. The new series C shares shall entitle to dividends from and including for the financial year 2009.
5. The subscription for shares shall be made on the subscription list from and including the day when the articles of association in its proposed wording have been registered by the Swedish Companies Registration Office, however not later than 15 September 2009. The board of directors shall be entitled to extend the subscription period.
6. Payment shall be made in cash not later than 15 September 2009. The board of directors shall be entitled to extend the period for payment.
7. The chairman of the board of directors is authorized to make such minor adjustments to this resolution that may be necessary in connection with the registration.

The reason for deviation from the shareholders' pre-emption rights is that the issue of the series C shares constitutes a step in the implementation of the performance based, long-term share program for 2009 and the purpose is to create share delivery capacity for the company and to secure for future cash flow effects due to payments of social security costs connected with the Share Program 2009.

The basis for the subscription price is the share's quota value. It is proposed that the subscription price be equivalent to the quota value in order to limit the company's costs in conjunction with any future repurchase of the issued shares.

It is noted that the new shares are subject to restrictions pursuant to Chapter 4 Section 6 (conversion clause) and Chapter 20 Section 31 (redemption clause) of the Swedish Companies Act.

The board of directors' proposal regarding a directed issue of series C shares is conditional upon the adoption of resolutions by the annual general meeting regarding

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Share Program 2009 pursuant to Appendix A and authorization for the board of directors to repurchase the issued series C shares pursuant to Appendix C.

## **The board of directors' proposal regarding authorization for the board of directors to repurchase issued series C shares**

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The board of directors' proposes that the annual general meeting authorizes the board of directors to decide on the repurchase of the company's own shares in accordance with the following terms and conditions:

1. The board of directors shall have the right to repurchase all issued series C shares through an offer directed to all holders of series C shares.
2. The repurchase may be exercised on one or several occasions until the next annual general meeting.
3. The number of repurchased shares may not exceed 10% of all issued shares in the company at any given time.
4. The repurchase shall be made at a price corresponding to the share's quota value.

The reason for the proposed possibility to repurchase own shares is that the company shall be able to fulfill its obligations pursuant to the performance based, long-term share program for 2009.

The board of directors' proposal regarding authorization for the board of directors to repurchase issued series C shares is conditional upon the adoption of resolutions by the annual general meeting regarding Share Program 2009 pursuant to Appendix A and a directed issue of series C shares pursuant Appendix B.