

## **The board of directors' proposal regarding a performance based, long-term share program for the CEO (the "CEO Share Program 2011")**

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Swedish Orphan Biovitrum's annual general meeting 2011 approved a performance based, long-term share program for 2011 (the "Share Program 2011"), in which a group of up to 80 managers and key employees will be offered to participate.

In June 2011, the company recruited a new CEO. In addition to the CEO's participation in the Share Program 2011 (and similar future share programs, if any), the new CEO is willing to make a more significant one-time investment in the Swedish Orphan Biovitrum share, as part of a performance based, long-term share program. The board of directors is of the opinion that such investment indicates a firm commitment by the CEO as regards his efforts to improve the company's results, profitability and value growth. The board of directors further believes that it is in the best interest of the company's shareholders that the CEO's interests and perspectives are aligned with those of the shareholders to an even larger extent than foreseen by the existing Share Program 2011.

The board of directors considers that the proposal for the CEO Share Program 2011 is well balanced and will constitute a suitable element in the compensation package provided by the company to the CEO.

In brief, the proposal for the CEO Share Program 2011 is based on an own investment in shares in the market, to be held during a three-year period, and the allotment of performance shares free of charge upon the fulfillment of certain pre-defined targets at the end of a performance period ending on 15 August 2014.

The main differences between the terms and conditions of the existing Share Program 2011 and the proposed CEO Share Program 2011 are that:

- the performance requirements are stricter in the proposed CEO Share Program 2011, to the effect that the threshold for allotment of the maximum number of performance shares is higher;
- the grant of performance shares in the proposed CEO Share Program 2011 is based on an increase in share price (as opposed to total shareholder return);
- the grant of performance shares under the proposed CEO Share Program 2011 is based on an increase in the company's share price (as opposed to also taking into consideration the performance of a group of comparable companies); and that
- no matching shares will be granted in the proposed CEO Share Program 2011.

The board of directors intends to carry out an evaluation of the CEO Share Program 2011, 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, that the extraordinary general meeting resolves to approve the CEO Share Program 2011, in accordance with the following principal

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terms and conditions.

- i. The program is proposed to include one participant; the CEO of the Swedish Orphan Biovitrum-group.
- ii. A maximum number of 500,000 common shares (the "Performance Shares") are proposed to be allotted to the participant free of charge upon fulfillment of the below performance targets.
- iii. To be allowed to participate in the CEO Share Program 2011, the participant must, prior to 15 August 2011, purchase common shares in Swedish Orphan Biovitrum in the market, at a value of approximately 4 MSEK.
- iv. The outcome of the CEO Share Program 2011 is dependent on the fulfillment of targets for value creation, based on the share price development, during a period as from the date of the offer to participate in the program, i.e. as from 22 June 2011, up to and including 15 August 2014 (the "Performance Period"). The calculation of the share price development shall be based on a comparison of the volume weighted average price for the Swedish Orphan Biovitrum common share during a period of nine trading days prior to and including the day the participant was offered to participate in the program (i.e. during the period 10–22 June 2011) and the volume weighted average price for the Swedish Orphan Biovitrum common share during the last ten trading days of the Performance Period.

The 500,000 Performance Shares shall be allotted as follows:

*Pro-rata allotment of 400,000 Performance Shares*

- a. For any allotment of Performance Shares to be possible under the CEO Share Program 2011, the share price of the Swedish Orphan Biovitrum common share must be increased by more than 15% during the Performance Period (i.e. the volume weighted average price during the last ten trading days of the Performance Period shall amount to more than SEK 25.77).
- b. For the maximum allotment of 400,000 Performance Shares, the volume weighted average share price during the last ten trading days of the Performance Period shall amount to at least SEK 45.00.
- c. If the volume weighted average share price during the ten last trading days of the Performance Period is between the thresholds set out in item a and item b above, the portion of the 400,000 Performance Shares to be allotted shall be calculated on a pro rata basis (i.e. the calculation shall be linear).

*Threshold allotment 1 of 30,000 Performance Shares*

- d. In addition to the *Pro-rata allotment* under items a-c above, the participant shall be allotted 30,000 Performance Shares if the volume weighted average price during the last ten trading days of the Performance Period amounts to at least SEK 30.00.

*Threshold allotment 2 of 70,000 Performance Shares*

- e. In addition to the *Pro-rata allotment* and the *Threshold allotment 1* under items a-d above, the participant shall be allotted 70,000 Performance Shares if the volume weighted average price during the last ten trading days of the

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Performance Period amounts to at least SEK 35.00. For the avoidance of doubt, none of the 70,000 Performance Shares to be allotted pursuant to this item e shall be allotted at a volume weighted average share price below SEK 35.00, i.e. there shall be no pro rata allotment of the 70,000 Performance Shares where the volume weighted average share price is between the thresholds set out in item d above and in this item e.

- v. Allotment pursuant to the CEO Share Program 2011 requires that the participant remains employed as CEO of the Swedish Orphan Biovitrum-group during the three-year period as from 15 August 2011 up to and including 15 August 2014, subject to certain exemptions to be determined by the Board of Directors, and that the employment has not, at the time of allotment, been terminated following a termination from Swedish Orphan Biovitrum, or that the participant at such time has notified Swedish Orphan Biovitrum of his termination of the employment. Allotment also requires that the participant has kept his personal investment during the entire aforementioned period, i.e. from 15 August 2011 up to and including 15 August 2014. If all conditions for allotment in the CEO Share Program 2011 are met, allotment 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 meeting that follows immediately after the expiration of the Performance Period.
- vi. The board of directors and the Compensation & Benefits committee shall be responsible for the preparation and management of the CEO Share Program 2011, within the framework of the aforementioned terms and conditions. The board of directors shall determine the detailed terms and conditions of the program (among other things provisions on recalculation in the event of an intervening bonus issue, split, rights issue and/or other similar events).

#### ***Costs for the CEO Share Program 2011***

The costs for the CEO Share Program 2011, 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 vesting period. The board of directors has allowed for a preliminary calculation of the theoretical value of the possibility to receive allotment of common shares in Swedish Orphan Biovitrum free of charge based on the fulfillment of the performance targets. The calculation has been made based on the following assumptions: (i) a share price of SEK 22.41 and (ii) an assessment of future share price volatility. Based on these assumptions, the value has been calculated to SEK 8.50 per Performance Share for the Pro-rata allotment, SEK 3.50 per Performance Share for the Threshold allotment 1, and SEK 2.50 per Performance Share for the Threshold allotment 2.

In total, this can lead to maximum costs for the CEO Share Program 2011 of approximately SEK 3.7 million, excluding social security charges. The costs for social security charges are calculated to approximately SEK 7.1 million assuming a share price upon final allotment of SEK 45.00 and an allotment of shares based on the fulfillment of the performance targets of 100% of maximum allotment.

#### ***Dilution***

Upon full allotment according to the CEO Share Program 2011, i.e. a maximum allotment of Performance Shares, the number of shares under the CEO Share Program 2011 amounts to 500,000 corresponding to a dilution effect of approximately 0.2% of the share capital and the

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votes.

If the 158,000 shares to secure for future cash flow effects due to payments of social security costs connected with the CEO Share Program 2011, see further below, are included, as a result of which the calculation is based on in total 658,000 shares for the CEO Share Program 2011, the maximum dilution effect of the CEO Share Program 2011 amounts to 0.2%. If outstanding warrant and employee stock option plans, as well as the share programs for 2008 – 2011, are included in the calculation, including their respective hedging arrangements, the corresponding maximum level of dilution amounts to 1.7%.

### ***Hedging***

To secure that the company can fulfill its commitment according to the CEO Share Program 2011, it is proposed to the extraordinary general meeting to resolve to authorize the board of directors to resolve on a directed issue of series C shares. It is also proposed that the company shall be able to use series C shares, which have been previously issued under the Share Programs 2008-2011 and that will not be used for hedging under such programs due to, *inter alia*, that certain employees have terminated their employments with Swedish Orphan Biovitrum. Furthermore, the board of directors proposes that the general meeting resolves to authorize the board of directors to repurchase all issued series C shares.

The series C shares will be converted into common shares and transferred in the number that is required to secure delivery of the gratuitous common shares that may be allotted to the CEO after the Performance Period. In addition, up to 158,000 series C shares may be converted to common shares to secure for future cash flow effects due to payments of social security costs connected with the CEO Share Program 2011. Should the extraordinary general meeting not approve of the proposed transfer of own shares, the board of directors may enter into a hedging arrangement with an external party to hedge the obligations of the company under the program.

### ***Preparations***

The Compensation & Benefits committee has participated in the preparation of the CEO Share Program 2011. The proposal has been adopted by the board of directors.

### ***Previous incentive programs in Swedish Orphan Biovitrum***

For a description of the company's other long-term incentive programs, including the share programs 2008-2010, reference is made to the company's annual report for 2010, note 14, and the company's website, [www.sobi.com](http://www.sobi.com). For a description of the Share Program 2011, reference is made to the resolution by the annual general meeting 2011, which is available on the company's website. In addition to the aforementioned programs, no other long-term incentive programs have been implemented in Swedish Orphan Biovitrum.

### ***Majority requirements***

For a resolution in accordance with the proposal for the CEO Share Program 2011 to be valid, more than 50 per cent of the votes cast at the extraordinary general meeting must be in favor of the proposal.

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Stockholm on 29 June 2011  
**Swedish Orphan Biovitrum AB (publ)**  
*the Board of Directors*