

Item 16 - Board of Directors' Proposal for the principles for compensation to the Company's key management

The Board of Directors proposes the following principles of compensation and other employment terms for the Company's key management (CEO and 7 members of the Executive Committee) to the Annual General Meeting of the Shareholders in April 2013:

Decision on the guidelines for compensation of key management.

Total remuneration shall be competitive and in line with international market practice as defined by a peer group of international companies, both in terms of the level and the structure of the individual components of remuneration. The individual components of total remuneration may consist of fixed annual base remuneration, variable remuneration (annual and multi-year), pension contributions and other benefits.

The fixed annual base remuneration is an appropriate portion of total remuneration and is reviewed and may be adjusted annually in line with the responsibilities, performance and level of remuneration of each executive.

Variable remuneration plans will consist of annual and multi-year plans and are based on the principle of pay for performance. Annual variable remuneration plans will be cash based and represent a potential to earn a percentage of the fixed annual base remuneration, subject to meeting ambitious, but achievable predefined financial, operational and personal performance objectives. Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to 75% of base annual salary for Executive Committee members and up to 150% for the CEO.

Multi-year variable remuneration plans may be share based, normally covering a three-year period. Their design is intended to enhance company performance and align key management and shareholder interests over the longer term. Participants include the CEO, Executive Committee members and a limited number of other key executives. The material terms of share based variable remuneration plans shall be resolved by a General Meeting of Shareholders.

All future pension commitments will be in the form of defined contributions, calculated on a percentage of the fixed annual base remuneration and will not be calculated on any variable elements of remuneration.

Other benefits may consist of company car, housing, paid schooling for under age children and travel allowances.

Termination notice periods will normally not exceed 12 months or 3 months per five years of employment. Combined contractual notice periods and severance payments, in the event of termination by the company, will not exceed 24 months. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed 24 months remuneration.

The Compensation Committee submits proposals to the Board of Directors regarding compensation etc. of the CEO. The Compensation Committee approves, on proposal from the

CEO, compensation levels etc. for the other members of the Executive Committee. Furthermore, the Compensation Committee prepares principles for compensation of the Company's key management for decision by the Board of Directors and proposal to the Annual General Meeting.

The Board of Directors proposes, subject to the approval of the Annual General Meeting, to implement a share based variable remuneration plan for the three year period 2013-2015, according to the details set out in item 17 of the agenda for the Annual General Meeting. For a description of the outstanding share based variable remuneration plans in the Company, reference is made to note 33 in the 2012 annual report.

The Board of Directors shall be authorized to deviate from these guidelines if specific reasons for doing so exist in any individual case.

Stockholm, 15th March 2013
THE BOARD OF DIRECTORS