

Evaluation by the Board of Directors of the application of the guidelines for remuneration of senior executives adopted by the Annual General Meeting 2012

According to the Swedish Code for Corporate Governance (the “Code”), the Board of Directors of a company that applies the Code must observe and evaluate the application of the guidelines for remuneration to senior executives which the Annual General Meeting according to law must adopt, as well as the current compensation structures and compensation levels in the company.

During 2012, the guidelines for remuneration have been as follows.

Salary, etc.

The Managing Director receives a fixed salary and a variable remuneration. The variable remuneration amounts to 2.0 percent of the Group’s earnings before tax, though not more than six months’ salary. In addition, the Managing Director may have other benefits of a common nature, such as a company car.

The Managing Director’s salary is reviewed annually. This takes place through negotiations between the Managing Director and the Chairman of the Board, after which the Chairman presents a proposal to the other Board members. The Managing Director is not present when the Board discusses and resolves on this issue.

The other senior executives are the CFO, Marketing Director, Research Director, Development Director, CTO and General Counsel. These persons receive a fixed salary but no variable remuneration.

The salaries of the other senior executives are also reviewed annually. This takes place in negotiations between the Managing Director and each individual.

Incentive programs

There are no incentive programs intended specifically for senior executives and none is proposed. However, senior executives, except the Managing Director, may participate together with the other employees in such option programs and profit-sharing programs as the company may apply.

Pensions

All pension undertakings are defined-contribution plans. The retirement age for the Managing Director and other senior executives is 65 years and the pension premiums correspond to the Swedish ITP plan.

Period of notice

If the Managing Director terminates his employment, his period of notice is six months, and if the employer terminates the Managing Director’s employment, the period of notice is twelve months. In both cases, the Managing Director is entitled to salary during the period of notice. In respect of the other senior executives there is a mutual period of notice of three months during which salary will be paid.

Severance pay

Neither the Managing Director nor the other senior executives are entitled to any severance pay, in a formal sense, should their employment cease. However, as described above, the Managing Director and the other senior management are entitled to salary during the period of notice.

Deviation

The Board is entitled to deviate from the above guidelines if there are special reasons for such deviations.

The Board notes that there has been a material deviation in one instance, and that is that one of the other senior executives has been entitled to variable remuneration during 2012. During 2012, this individual, in addition to his fixed salary, has been entitled to variable remuneration, and for 2012 it has amounted to 87,865 SEK.

In the opinion of the Board, remuneration to senior executives should be designed so as not to encourage excessive and short-term risk-taking, and so as not to lead to remuneration at levels that could be regarded as offensive by the shareholders or the general public. Given the fact that five out of seven senior executives do not have variable remuneration, and that the two who have both fixed and variable remuneration are entitled to variable remuneration at a reasonable level, it is the opinion of the Board that the remuneration of the senior executives is well balanced.

The Board has also evaluated the levels of remuneration and the structures of remuneration in the company and concludes that they are at market level and reasonable having in mind the need to recruit and keep personnel with cutting edge expertise.