

Tax Issues in Sweden

The following is a summary of certain Swedish tax consequences that may arise for shareholders as a result of participating in the Redemption Scheme through the conversion of shares followed by redemption. The summary is based on current legislation and is intended solely as general information for shareholders. The summary is not intended to exhaustively address all tax issues that may arise in this context. For example, the specific rules applicable to shares acquired through a closely held company are not addressed. Nor are the rules applicable to shares held by partnerships, shares held as inventory items in a legal entity, or shares held via an investment savings account or an endowment insurance policy addressed. Further, the rules regarding tax-exempt capital gains on so-called business-related shares within the corporate sector are not described in detail.

Special tax consequences may, in addition to what is described below, also arise for other categories of shareholders, such as investment companies, investment funds, banks, financial intermediaries and others who hold shares for trading, as well as foundations and non-profit associations. Each shareholder is recommended to consult a tax advisor regarding the tax consequences that may arise in connection with participation in the Redemption Scheme, including the applicability and effects of foreign tax legislation, provisions in tax treaties, and other rules that may be applicable.

CONVERSION OF SHARES

A conversion of shares under the current conditions generally constitutes a sale from tax perspective, which may trigger capital gains taxation. The capital gain or capital loss on the taxable sale of the ordinary shares is calculated as the difference between the sales proceeds, after deduction of any expenses, and the acquisition cost. When a shareholder exchanges shares, as in this case, the sales proceeds correspond to the value of the shares received in the exchange, in this case the market value of the received class C shares.

The acquisition cost normally consists of the purchase price for the divested shares, in this case the ordinary shares, increased by improvement expenses, and is calculated for shares according to the so-called average method (Sw. *genomsnittsmetoden*). This means that the acquisition cost for all shares of the same type and class as the divested share are added together and calculated collectively, taking into account changes in the holding. For listed shares, the acquisition cost may alternatively be determined according to the so-called standard rule (Sw. *schablonmetoden*) at 20 percent of the sales proceeds after deduction of any expenses.

Individuals

Individuals are normally taxed in the income category capital for any capital gain arising from the taxable sale of shares. For the calculation of capital gain or capital loss, see the introductory section. A capital gain on listed shares is taxed at 30 percent. As a main rule, 70 percent of a capital loss on listed shares is deductible against all taxable income in the capital income category. However, capital losses on listed shares are fully deductible against taxable capital gains on such assets as well as on non-listed equity in Swedish limited liability companies and foreign legal entities. For capital losses on non-listed shares, the right to offset is limited to five sixths.

If capital losses relate to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. A capital loss that cannot be offset in this way may be deducted up to 70 percent against other income in the income category capital. If a deficit arises within the capital income category, the tax on income from employment and business operations as well as real estate tax and the municipal real estate fee is reduced. Such a tax reduction amounts to 30 percent of the deficit not exceeding SEK 100,000 and 21 percent of the remaining deficit. Such a deficit cannot be carried forward to subsequent tax years.

Legal Entities

For limited liability companies and other legal entities, capital gains on the taxable sale are usually taxed as income from business activities at a tax rate of 20.6 percent. For limited liability companies and certain other legal entities, capital gains on business-related shares (Sw. *näringsbetingade andelar*) are normally tax-exempt and capital losses on such shares are normally non-deductible. Listed shares held as capital assets are considered business-related if the holding corresponds to 10 percent or more of the voting rights for all shares in the company, or if the shares are held for business purposes. Moreover, a holding period requirement applies in respect of listed shares. Non-listed shares held as capital assets are also considered business-related.

For the calculation of capital gain or capital loss, see the introductory section. A deductible capital loss on shares may only be offset against taxable capital gains on shares and other equity. Such capital losses may however, under certain circumstances, also be offset against capital gains on the same type of securities within a group, provided that the requirements for group contributions (tax consolidation) are met and that both companies claim it for the taxation years that have the same final day for submitting the tax return. Capital losses on shares that have not been offset against capital gains during the tax year may be carried forward and offset against taxable capital gains in subsequent tax years without time limitation.

Non-tax resident shareholders

Shareholders who are not tax residents in Sweden (subject to limited tax liability) and who do not conduct business from a permanent establishment in Sweden are usually not subject to Swedish taxation on the taxable sale of shares. However, such shareholders may be subject to taxation in the country where they are tax resident.

Non-tax resident individuals may, however, be taxed in Sweden for a capital gain on the taxable sale of certain shares if the person has been resident or permanently stayed in Sweden at any time during the calendar year in which the sale takes place or any of the preceding ten calendar years. This taxation may, however, be limited by tax treaties that Sweden has entered with other countries.

Swedish withholding tax is normally not levied on the current conversion of shares in the form of granting of shares in exchange for other shares in the same company.

REDEMPTION OF SHARES

Shareholders who carry out a redemption are normally subject to capital gains taxation. The capital gain or capital loss is calculated as the difference between the redemption proceeds, after deduction of any expenses, and the acquisition cost.

The acquisition cost normally consists of the purchase price for the redeemed shares, in this case the earlier received class C shares, increased by improvement expenses, and is calculated for shares according to the average method. The acquisition cost for the redeemed class C shares is determined based on the market value at the time of conversion. Valuation is based on the value on the day when both parties are bound by the conversion. The acquisition cost will, following an application from Flerie, be determined by the Swedish Tax Agency through a so-called general guideline, which are thereafter expected to be available on the Swedish Tax Agency's website, www.skatteverket.se, and on Flerie's website, www.flerie.com.

If the redeemed shares of class C were also acquired in ways other than through the conversion, the acquisition cost for all shares of class C is calculated according to the average method, where the actual acquisition cost is used as the basis for calculation for the shares not received through conversion. Shares of class C and remaining ordinary shares are not considered to be of the same type and class for the application of the average method.

For listed shares, the acquisition cost may alternatively be determined according to the standard rule.

Individuals

Individuals are normally taxed in the income category capital for any capital gain arising from the redemption of shares. For the calculation of capital gain or capital loss, see the introductory section. For the description of tax consequences for individuals regarding capital gains or losses in connection with the taxable sale, see the section on Conversion of Shares above.

Legal Entities

For limited liability companies and other legal entities, capital gains on the taxable sale are usually taxed as income from business activities at a tax rate of 20.6 percent. For the calculation of capital gain or capital loss, see the introductory section. For limited liability companies and certain other legal entities, capital gains on business-related shares are normally tax-exempt and capital losses on such shares are normally non-deductible. For the description of tax consequences for legal entities regarding capital gains or losses in connection with the taxable sale of non-business-related shares, see the section on Conversion of Shares above.

Non-tax resident shareholders

For shareholders who are not tax residents in Sweden (subject to limited tax liability) and who do not conduct business from a permanent establishment in Sweden, repayment in connection with a reduction of share capital by way of redemption is treated as a dividend, which normally means that Swedish withholding tax is levied on the redemption proceeds. The withholding tax is 30 percent and is levied on the entire amount received upon redemption, but the tax rate is often reduced under tax treaties that Sweden has entered with other countries. The withholding tax is normally withheld by Euroclear or, in the case of nominee-registered shares, by the nominee. Under the current circumstances, the withholding tax liability normally arises when the redemption proceeds are paid out.

In connection with redemption, shareholders have the right to obtain a refund from the Swedish Tax Agency of the withholding tax attributable to an amount corresponding to the acquisition cost of the redeemed share. The acquisition cost should be calculated according to the principles outlined in the introductory section above. The application for a refund must be made in writing to the Swedish Tax Agency no later than by the end of the fifth calendar year after the distribution date. In case of any questions regarding the possibility of a so-called direct reduction of withholding tax, for example based on correct information on acquisition cost or due to a tax treaty, the shareholders are advised to contact their custodian bank or, where applicable, their account-holding VP institution for further information regarding the handling of withholding tax.

For shareholders being legal entities resident within the EU, Swedish withholding tax is normally not levied if the shareholder holds 10 percent or more of the share capital in the company whose shares are redeemed, and certain additional conditions are met. Shareholders equivalent to a Swedish limited liability company and meeting certain additional conditions may also be exempt from withholding tax if the redeemed shares, under certain circumstances, constitute business-related shares.

Shareholders with limited tax liability may also be subject to taxation in the country where they are tax residents. Any double taxation may, however, be limited by tax treaties that Sweden has entered with other countries.