

Corporate Governance Report | 2012

Chairman's comments



“The number of investment prospects increased during the year. The inflow of more mature companies was particularly gratifying as this is in line with the company's balanced portfolio strategy.”

From the Board of Directors' perspective, 2012 was quite an eventful year.

It began with the board's decision to conduct a thorough review of the company's internal control and risk management. Since the entire Board is also the audit committee, the review was divided up into sections assigned to each of the board members. These sections were governance and control systems, internal control structures, IT and computer security, project management and compliance. The review continued throughout the spring and included an evaluation by the Board of two of the portfolio companies. The review had positive results with only a few areas identified for improvement. The results were compiled and a report was submitted to the company's auditor.

Subcontractors need to collaborate

During the autumn the Board and the CEO started a process of comparing the competitiveness of the Swedish contractors with their foreign counterparts.

To this end the Board commissioned a study by consulting firm Roland Berger and went on field trips to Volkswagen, BMW and MAN in Germany. The visits involved factory tours as well as presentations and meetings with the managements of the respective companies. Not surprisingly the conclusion was that most Swedish subcontractors will eventually need to merge or collaborate in order to meet the need for a greater focus on exports and higher profitability.

With respect to the investment activity in 2012, the number of investment proposals under consideration grew, as did the number of requests for fast decisions, particularly in the Trollhättan area and for SAAB-related proposals.

The increased inflow of more mature companies was particularly gratifying as this is in line with the company's strategy of building a balanced portfolio.

Fouriertransform's investment activity got underway in mid-2010 and has been ongoing for 2.5 years. The company is now in a situation where the workload, complexity and problems are starting to increase significantly.

Fouriertransform is entering the period – years 3 to 6 – which for a classic venture capital company is particularly challenging.

Apart from evaluating and preparing new investment projects, time needs to be spent on acute issues affecting the portfolio companies, such as delays, increased costs and the resulting liquidity problems, management team disagreements, failed strategies and changing market conditions.

At the same time some companies may enjoy exceptional success, which in itself is positive but often requires complex analysis of whether to continue with existing strategies or create new ones, as well as discussions with unknown prospective investors who suddenly enter the picture.

Hard work in the years ahead

Soon the company will enter a period when losses and bankruptcies occur without any profits being made (“First come the lemons – then the prunes” is a common saying in the industry). This is natural, but psychologically it creates a sense among board members and management of being in a constant uphill battle. While the new investment process is progressing at full speed, there is increasing pressure for long-term measures in several of the now fast-growing and successful companies. Changes need to be made to boards and management

teams – often in consultation with coowners, foreign subsidiaries need to be established, new share issues planned, IPOs considered etc. In addition to the above, careful preparations need to be made for systematic exits from parts of the portfolio – an often difficult and time-consuming task.

Our business activities in 2012 give us an idea of the increased pressure the Board, the CEO and the employees will experience in the years ahead. We have however also made great progress in terms of board procedures, working methods and decision management through the combined efforts of the Board and CEO over the past few years. Our organization is therefore well adapted to take on the challenges in the years ahead.

Board composition crucial for the portfolio companies

Our Board of Directors is also unanimous in the conviction that the portfolio companies need to stand on their own feet and have talented and appropriate board members and management teams. Fouriertransform is therefore meticulous in selecting and appointing board members for the portfolio companies.

The circle of external board members willing to accept these appointments is constantly widening. It is worth noting that Fouriertransform's management has succeeded in attracting senior executives from the German (MAN and Volkswagen) and French (Renault) automotive industries as board members for some of the portfolio companies. Fouriertransform's Board of Directors meets all of these board members in informal meetings at least once a year, most recently in December 2012.

These meetings are a valuable way to motivate all involved to ensure that our portfolio-companies become as successful as possible.

Lars-Olof Gustavsson
Chairman of the Board

Corporate governance in 2012

Fouriertransform AB (corporate ID number 556771-5700) is a Swedish limited liability company that is wholly owned by the Swedish state. The company's registered office is in Stockholm. The ownership role is exercised by the Government with a mandate from the Swedish parliament to actively manage state assets in such a way as to optimize long-term value creation.

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Corporate governance within Fouriertransform

Corporate governance within Fouriertransform is based on the Swedish Corporate Governance Code (the Code, www.bolagsstyrning.se), which forms part of the Government's framework for management by enterprise owners. The company's governance is also regulated by Swedish legislation, the Government's guidelines, policy documents established by the Board, and by internal regulations and documents.

Wholly-owned state enterprises apply their own principles, in place of the Code when preparing for decisions concerning the nomination of board members and auditors (www.regeringen.se).

The most important regulations and policy documents are shown in the tables below.

Annual General Meeting 2012

The Annual General Meeting (AGM) was held in Stockholm on April 19, 2012. Resolutions:

• Dividend

The AGM decided that no dividend be paid out and that the accumulated loss of SEK 63,938,471 be carried forward.

• Discharge from liability

The AGM discharged the board members and the Chief Executive Officer from liability for the 2011 financial year.

• Remuneration and employment terms

The AGM resolved, based on the Board's proposal, to clarify the guidelines in place for senior management employment terms and remuneration. The principles are described below under the heading "Remuneration to management".

• Board members

The Board is to consist of seven members with no alternates. All board members were re-elected. Lars-Olof Gustavsson (also re-elected as Chairman), Cecilia Schelin Seidegård, Hasse Johansson, Karin Kronstam, Lars Erik Fredriksson, Lars-Göran Moberg and Ulla-Britt Fräjdin-Hellqvist.

• Auditor

The registered accounting firm Deloitte AB was elected as the auditor for a period of one year until the end of the 2013 Annual General Meeting. The accounting firm has appointed authorized public accountant Hans Andersson as lead auditor.

• Fees

The AGM resolved to set the annual fee for the Chairman of the Board at SEK 300,000 and an annual fee of SEK 150,000 for each of the board members not employed by the Government Offices.

EXTERNAL REGULATORY FRAMEWORKS

- Swedish Companies Act
- The Government's ownership policy
- The Government's guidelines for external reporting for state-owned companies
- Guidelines for employment terms for senior executives in state-owned companies
- Swedish Corporate Governance Code
- The Rule Book for Issuers, NASDAQ OMX Stockholm
- Accounting legislation (incl. Annual Accounts Act, Swedish Accounting Act – BFL)

INTERNAL REGULATORY FRAMEWORKS

- Articles of Association
- Rules of Procedure for the Board and instructions for the CEO
- Order of authority
- Investment processes
- Financial handbook
- Employee handbook
- Crisis preparedness manual

POLICY DOCUMENTS ESTABL. BY THE BOARD OF DIRECTORS

- Ownership policy
- Financial policy
- Code of Conduct including sustainability policy
- Equity and diversity policy
- Communication policy
- IT policy

Nomination process

The nomination process is conducted and coordinated by the division for state-owned enterprises within the Ministry of Finance. A working group analyzes the competence requirements based on the company's activities, and recruitment is conducted on the basis of this analysis. Board members are selected from a broad recruitment base to achieve a balance of expertise, background, age and gender.

The Board of Directors

According to the Articles of Association, Fouriertransform's Board of Directors is to consist of at least three and no more than eight members with no alternates. In 2012 the Board consisted of seven AGM- elected members. The Government considers it important to separate the roles of the board members and the CEO, and the CEO is therefore not a member of the board of a state-owned company.

Independence

According to section 4.5 of the Code, at least two board members must be independent of the company's major shareholders. The main reason for the independence rule is to protect minority shareholders. Where a company is wholly owned by the state, there is no reason for it to account for its independence in relation to the state. In view of this, Fouriertransform does not report such information.

Board members

Directors	Present at the Board of Directors' ten meetings in 2012
Lars-Olof Gustavsson, Chairman	9 (10)
Cecilia Schelin Seidegård	10 (10)
Hasse Johansson	9 (10)
Karin Kronstam	10 (10)
Lars-Göran Moberg	9 (10)
Ulla-Britt Fräjdin-Hellqvist	10 (10)
Lars Erik Fredriksson	10 (10)

Work of the Board of Directors

The Board of Directors has established written instructions and rules of procedure for the Board and the Chief Executive Officer. The purpose is to document the work procedures of the company's Board, the distribution of responsibilities among the board members and between

the Board and the CEO, and the required financial reporting to the Board. The document is subject to an annual review by the Board of Directors.

The Board is to hold at least six meetings a year, one of which should preferably be held in the offices of one of Fouriertransform's portfolio companies. One meeting a year is to be devoted to strategy issues and the company's risk exposure. One meeting is to address HR issues and include a review to ensure that the employment terms for senior management and comparable positions follow established guidelines. An account of these issues is to be provided in a special report from the company's auditor.

The Rules of Procedure also stipulate that board members must be provided with adequate information materials well in advance of meetings for all matters to be put before the Board for informative purposes or decisions.

The Chairman of the Board and the CEO are jointly responsible for convening meetings, meeting agendas and the necessary documentation relating to all items to be addressed.

During the 2012 financial year the Board held nine regular meetings and one statutory meeting. See the table above for member attendance.

With respect to decisions on investments in companies where a board member is considered to have a possible conflict of interest, that member has not participated in the procedure or the decision on the investment in question, and a note to this effect is included in the minutes of the board meeting.

In 2012 the Board paid particular attention to conducting in-depth analysis of the external business environment, including the competitiveness of the Swedish sub-contractors compared to their foreign counterparts. In this regard, consulting firm Roland Berger conducted a study of this area and the Board made a trip to Germany to visit leading German automotive manufacturers.

One of the Board's duties has been to constantly evaluate proposals regarding investments in new portfolio companies and follow-on investments in existing portfolio companies. The efforts to achieve a more balanced portfolio with more investments in companies in mature phases have continued. This is essential in order to achieve an acceptable level of profitability. In consultation with Fouriertransform's executive management, the Board has also worked on the strategy and business focus of the portfolio companies to help create value in the companies. A crucial element is appointing the right people to the boards and management of the portfolio

companies. Fouriertransform's Board has paid particular attention to this. At least once a year Fouriertransform's board members meet external representatives for the portfolio companies, most recently in December 2012.

In August Fouriertransform had its first portfolio company conference in Gothenburg. The participants were the CEOs and chairmen of Fouriertransform's portfolio companies as well as Fouriertransform employees and Chairman. The purpose of the conference was, among other things, to allow the portfolio companies to present their strategic focus and operations to each other and to provide a forum for discussion on joint business opportunities and possible cooperation.

Committees

The Board of Fouriertransform has decided not to set up any separate committees. Instead, the entire Board forms a committee to handle issues that would otherwise be delegated to separate committees.

The entire Board of Directors constitutes the audit committee and at the beginning of the year, following a board decision, a review was conducted of Fouriertransform's internal control and risk management. The areas reviewed were governance and control systems, internal control structures, IT and computer security, project management and compliance. The tasks were distributed among the board members and included a board evaluation of two portfolio companies. The review showed positive results with only a few areas identified for improvement.

Evaluation of the work of the Board

The Chairman of the Board, Lars-Olof Gustavsson, is responsible for ensuring that the work of the Board is evaluated. The Chairman has decided that an annual evaluation shall take place of the Board's work where the members are given the opportunity to express their views on work procedures and board materials, their efforts and those of other members, and the scope of their mandate.

The relevant parts of this evaluation are to be reported to the nominating committee. During the first quarter of 2013 one such board evaluation took place with assistance from an external consultant.

Auditor

The task of the auditor is to conduct, on behalf of the owner, independent audits and reviews of the Board's

and the CEO's management of the company as well as the annual accounts and accounting records. Responsibility for the election of an auditor always rests with the owner and is decided on at the Annual General Meeting. At the 2012 Annual General Meeting the firm of Deloitte AB was appointed as auditor. The lead auditor from Deloitte AB is Authorized Public Accountant Hans Andersson.

Senior management

The Chief Executive Officer is appointed by the Board and is responsible for the day-to-day management of the company within the framework established by the Board. Due to the company's small number of employees, the Board has decided that the CEO is to be regarded as the sole senior executive for the company. The Board is to evaluate the work of the CEO on an ongoing basis. At least once a year the Board is to pay particular attention to this.

Remuneration to senior executives

Fouriertransform's Annual General Meeting on April 19, 2012 decided on principles for employment terms and remuneration for the CEO and senior management. This means that Fouriertransform shall apply the guidelines established by the Government on April 20, 2009 regarding employment terms for individuals holding senior positions in state-owned companies, with the following clarification:

The principles in the Government's guidelines should also guide decisions on total remuneration to other employees. To ensure that the levels set by the Board for the company's costs for remuneration of the company's senior management are not exceeded, and that they are in line with the guidelines established by the AGM, the following applies. Based on the information on which the Board's original remuneration decisions were based, and on the basis of the Board's Corporate Governance Report, the company's auditor is to ensure that the remuneration levels and other employment terms decided upon are not exceeded. The auditor is also to prepare a special report annually to describe his observations on the employment terms of senior management and other employees at the Board's meeting that coincides with the year-end report and that they are consistent with the Board's decisions and the guidelines established by the AGM. If the auditor is of the opinion that the guidelines have not been followed, the reasons for this are to be

included in the report. Before decisions on individual remuneration packages are made, there is to be written documentation showing the company's total cost. These guidelines are also to apply to all subsidiaries and be approved by the AGM of the respective subsidiary.

For further information on remuneration to the Chief Executive Officer and the Board members, see Fouriertransform's Annual Report 2012.

Fouriertransform's internal work

Two times a month the CEO assembles the Investment Directors and the CFO for a meeting. Items that are always on the agenda at these meetings are reviewing investment proposals, market development and the company's financial development.

The Investment Directors are responsible for reviewing and analyzing investment proposals according to an established evaluation model and Fouriertransform's investment criteria. When companies and projects are identified that are considered particularly interesting and meet the investment criteria, meetings are held with the management of the companies and external specialists before an investment proposal is presented to the Board.

Financial reporting

Fouriertransform's financial reporting follows the Guidelines for external reporting by state-owned companies and the Annual Accounts Act, and is based on the NASDAQ OMX Stockholm's Rule Book for Issuers. Fouriertransform's information and communication paths are aimed at promoting completeness and accuracy in the company's financial reporting.

The finance department is manned and organized based on the requirement to ensure that the company maintains a high standard of accounting and complies with the relevant regulations and guidelines. The finance department consists of a CFO and an accounting manager with several years of experience of financial reporting, financial control and accounting issues.

Internal control

According to the Swedish Companies Act the Board must ensure that the company is organized in such a way that its accounting records, management of funds and financial circumstances are subject to satisfactory internal control. The CEO is responsible for ensuring that the

Board's guidelines are adhered to and complied with within the company. The Board meets the company's auditor at least once a year without the presence of the CEO or any other person from senior management.

Fouriertransform's Board has decided not to establish a separate audit committee. Issues regarding financial reporting and internal control are instead addressed by the Board in its entirety. The CEO is not a member of the Board.

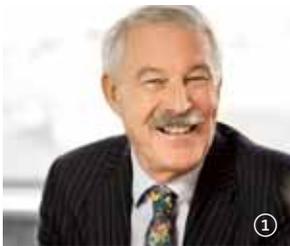
The company's internal control has been adapted in line with the company's operations and the structure of the organization. Authority and responsibilities are regulated in internal control documents such as:

- Rules of Procedure for the Board and Instructions for the CEO
- Order of authority
- Investment process
- Financial handbook
- Financial policy

In spring 2012 the Board in its capacity as audit committee conducted a review of the company's internal control and risk management, see the section under the heading Committees.

This Corporate Governance Report is part of the Directors' Report in Fouriertransform's 2012 Annual Report and has therefore been signed by the Board of Directors and reviewed by the company's auditor

Board of Directors



1 Lars-Olof Gustavsson | Chairman | 1943

Chairman of the Board: Four Seasons Venture Capital AB and Boule Diagnostics AB.

Board member: SJ AB, Stiftelsen Industrifonden, Siem Capital AB, TA Associates AB and Mikroponent Intressenter AB.

2 Lars Erik Fredriksson | Board member | 1964

Chairman of the Board: Sundsvalls Mätcenter AB.

Board member: Green Cargo AB and SOS Alarm i Sverige AB.

Responsible for ownership issues: Apoteksgruppen Holding AB.

First Secretary at the Ministry of Enterprise, Energy and Communications.

3 Ulla-Britt Fräjdin-Hellqvist | Board member | 1954

Chairman of the Board: Kongsberg Automotive Holding ASA, SinterCast AB.

Board member: Castellum AB, e-man AB, Data Respons ASA, Stockholm Environment Institute, Micronic Mydata AB, Vindora Holding AB and Tällberg Foundation.

4 Hasse Johansson | Board member | 1949

Formerly Head of R&D at Scania AB.

Chairman of the Board: Lindholmen Science Park Aktiebolag, Vinnova AB, Dynamate Industrial Services AB and Alelion Batteries AB.

Board Member: AB Electrolux, Skyllbergs Bruk AB, C-Garden AB, Calix Group AB, LeanNova AB and Klippan Group AB.

5 Karin Kronstam | Board member | 1950

Board member: Praktikertjänst AB, Rabbalshede Kraft AB and MPT Intressenter AB.

Associate Board Member: Volvresultat Försäkringsförening.

6 Lars-Göran Moberg | Board member | 1943

Formerly President of Volvo Powertrain.

Chairman of the Board: Deutz AG.

7 Cecilia Schelin Seidegård | Board member | 1954

County Governor of Gotland.

Chairman of the Board: Systembolaget AB, CliniTrials Skåne AB and Vårdalstiftelsen.

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