

Corporate Governance Report | 2013

Chairman's comments



Year 2013, similar to the previous year, was very eventful. Work on reviewing the company's internal control and risk management continued at the beginning of the year and a concluding report was produced. During the spring the usual evaluation of the Board and the CEO was carried out with the help of an external firm. The report gave the Board and the CEO excellent marks.

At the Annual General meeting two board members were replaced and Christina Åkerman (Director General of the Swedish Medical Products Agency) and Hanna Lagercrantz (Deputy Director at the Ministry of Finance) were elected as new members. The new members went through a thorough introduction process to learn about the company as quickly as possible.

In 2013 the number of investment proposals continued to increase and the Board approved investments worth a total of SEK 400 million.

At an extraordinary shareholders' meeting on 20 August Fouriertransform's investment mandate (govt. bill 2012/13:99) was expanded to include "other sectors of manufacturing industry and associated services." Accordingly in 2013, for the first time since the start, one of the investments was outside the automotive industry.

The expanded mandate was discussed during the year by the Board and management. This resulted in a tentative investment strategy and a decision for now to adopt an open approach to companies of interest.

There are numerous good theories about how to build a balanced portfolio, but in reality there are many factors – both positive and negative – that are hard to predict and can affect and upset the most sophisticated plans. The Board is therefore taking a pragmatic and gradual approach to future investment initiatives. The general goal is, of course, to achieve a good return on investment over a few business cycles, while keeping risk under control.

Hard work in the years ahead

Fouriertransform's investment activity got underway in mid-2010 and has been ongoing for 3.5 years. With respect to Fouriertransform, I wrote the following last year: *"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."*

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 other owners – foreign companies need to be formed, 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."

“The expanded mandate was discussed during the year by the Board and management. This resulted in a tentative investment strategy and a decision for now to adopt an open approach to companies of interest.”

My conclusion was that our business activities in 2012 gave us an idea of the increased pressure the Board, the CEO and the employees will experience in the years ahead.

Some of the circumstances surrounding our investment activities that are not always easy for an outsider to understand are that all the activities over a ten-year period taken together look something like a bell curve; in other words, with a large and high volume in the middle. Unfortunately a venture capital company cannot fully dimension its human resources just for the years when the workload is high. That would be unreasonably costly and greatly reduce profitability. The organization must therefore find new ways of performing well during these periods.

Years 3–6 can thus be challenging for the employees, the CEO and the Board and require a great capacity for flexibility, creativity and multitasking.

Another interesting circumstance is the length of time it takes to create successful companies and thereby generate benefits for society. In his memoir, bank director Lars-Erik Thunholm writes, for example, that the many industry crises in the 1970s were likely the result of underinvestment in industry in the 1950s due to a shortage of capital caused by politically-driven allocation of funding, primarily for new homes and infrastructure. The real estate crisis of the 1990s also led to an economic slowdown, and the effects of underinvestment at that time were felt for a long time afterwards. This was also the case with the IT crash and the Lehman Brothers bankruptcy.

Analogously, we must realize that Fouriertransform’s current investments will not be able to help solve today’s industrial or unemployment problems. Rather, most of the investments being made – and particularly those in early stage companies – will have their full effect in perhaps 10 or 15 years’ time, or even in 20 years.

The boards are critical for the portfolio companies

Fouriertransform is continuing to focus more and more on the role of the boards, and above all the chairmen, in the portfolio companies. It may be worth highlighting the importance of this by citing a few historical examples where the chairman has essentially played a crucial role in a company’s successful progress: Sten Wikander from H&M, Göran Grosskopf from Tetra Laval or Marcus Storch from Inter Innovation.

Important recruitments of chairmen for the portfolio companies during the year included former head of SJ, Jan Forsberg for Alelion Batteries, former CEO of Haldex, Ulf Ahlén for EELCEE and Newlight Consulting’s chairman Hans Wirifelt for Pelagicore.

Fouriertransform’s Board of Directors meets all of these board members in informal meetings at least once a year, most recently on December 18, 2013. This is a unique opportunity to talk and exchange experiences, which is so important for the development of the individual companies.

Lars-Olof Gustavsson

Chairman of the Board

Corporate governance in 2013

Fouriertransform AB, corporate ID number 556771-5700, is a Swedish limited liability company that is wholly owned by the Swedish Government. 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.

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 ownership and administration. 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 box below.

Annual General Meeting 2013

The Annual General Meeting (AGM) was held in Stockholm on April 10, 2013. Resolutions:

Dividend

The AGM decided that no dividend be paid out and that the accumulated loss of SEK -20,894,538 be carried forward.

Discharge from liability

The AGM discharged the board members and the Chief Executive Officer from liability for the 2012 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; Lars-Olof Gustavsson (re-elected as chairman), Hasse Johansson (re-elected), Karin Kronstam (re-elected),

Lars-Göran Moberg (re-elected), Ulla-Britt Fräjdin-Hellqvist (re-elected), Christina Åkerman (newly elected) and Hanna Lagercrantz (newly elected).

Auditor

The registered accounting firm Deloitte AB was elected as the auditor for a period of one year until the end of the 2014 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.

Extraordinary shareholders' meeting 2013

An extraordinary shareholders' meeting was held in Stockholm on August 20. Resolution at the extraordinary meeting:

The Articles of Association, § 3 Object, are amended as follows:

The object of the company's operations shall be, within the automotive industry and in other sectors of manufacturing industry and associated services, to invest or finance companies that conduct research, development and investment activities that shall result in commercial viability, as well as to pursue other compatible business.

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 2013 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.

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 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 ESTABLISHED BY THE BOARD OF DIRECTORS

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

Independence

According to section 4.5 of the Code, at least two board members must be independent of the company's major shareholders. The 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

Board member	Present at the Board of Directors' ten meetings in 2013
Lars-Olof Gustavsson, Chairman	9 (10)
Christina Åkerman	7 (7)
Hasse Johansson	10 (10)
Karin Kronstam	10 (10)
Lars-Göran Moberg	10 (10)
Ulla-Britt Fräjdin-Hellqvist	10 (10)
Hanna Lagercrantz	7 (7)

Board members Hanna Lagercrantz and Christina Åkerman were elected at the AGM on April 10, 2013 and therefore attended seven out of seven possible board meetings.

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 2013 financial year the Board held nine regular meetings and one statutory meeting. See the table above for member attendance. The company's auditor attended the March meeting and at the February meeting an agenda item was addressed in the absence of the CEO.

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.

During the year the Board conducted ongoing evaluations of incoming investment proposals and reviewed proposals for follow-on investments in existing portfolio companies. The board members have sharpened their focus on the critical composition of the boards of the companies of interest for a potential investment. Special emphasis was placed on the role of the chairman, but also the actual board composition to include essential expertise and experience among the other members.

Fouriertransform's board has also worked during the year in close cooperation with the CEO and the other senior executives on analysis and proposals for measures involving the portfolio companies' strategies and business focus. This is becoming increasingly important as several of the companies are in an expansion or a "molting phase," which requires making various changes in areas such as staffing, organizational structure and market action etc.

The Board continued to pay attention to business environment analysis, for example on opportunities for expansion into China, in reports such as the "Opportunity Assessment for Foreign Auto Component Makers in China" and the energy situation globally. This was highlighted by Tomas Kåberger (former Director General for the Swedish Energy Agency) in a speech he gave as a special component in one of board meetings in 2013.

Committees

The Board of Fouriertransform has decided not to set up any separate committees. Instead, the entire Board handles issues that would otherwise be delegated to separate committees. The entire Board therefore constitutes the audit committee and the task of evaluating Fouriertransform's internal control, which started in 2011/2012, continued. Final reports were produced; one on evaluating proj-

ect management, and the other evaluating the work of the boards of two portfolio companies.

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 should 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. An evaluation of Fouriertransform's Board was conducted in the spring by an external consultant and the report was submitted in connection with the Annual General Meeting. Report results were positive.

Auditors

The task of the auditors 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 2013 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 limited number of employees, the Board has decided that the CEO is to be regarded as Fouriertransform's sole senior executive. 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 management

Fouriertransform's Annual General Meeting on April 10, 2013 decided on principles for employment terms and remuneration for the CEO and management. Accordingly, Fouriertransform will 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 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 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 for the Board annually to describe his observations at the Board meeting that coincides with the year-end report on the employment terms for senior management and other employees and that they are consistent with the Board's decisions and the guidelines. 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 2013 Annual Report.

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 Fouriertransform's Board.

Financial reporting

As of the fourth quarter of 2013 Fouriertransform is applying the International Financial Reporting Standards (IFRS) as approved for application within the EU and the Annual

Accounts Act in the preparation of the financial statements for the Group. The financial statements of the parent company, Fouriertransform AB, are prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

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 high accounting standards and complies with the relevant regulations and guidelines.

Internal control

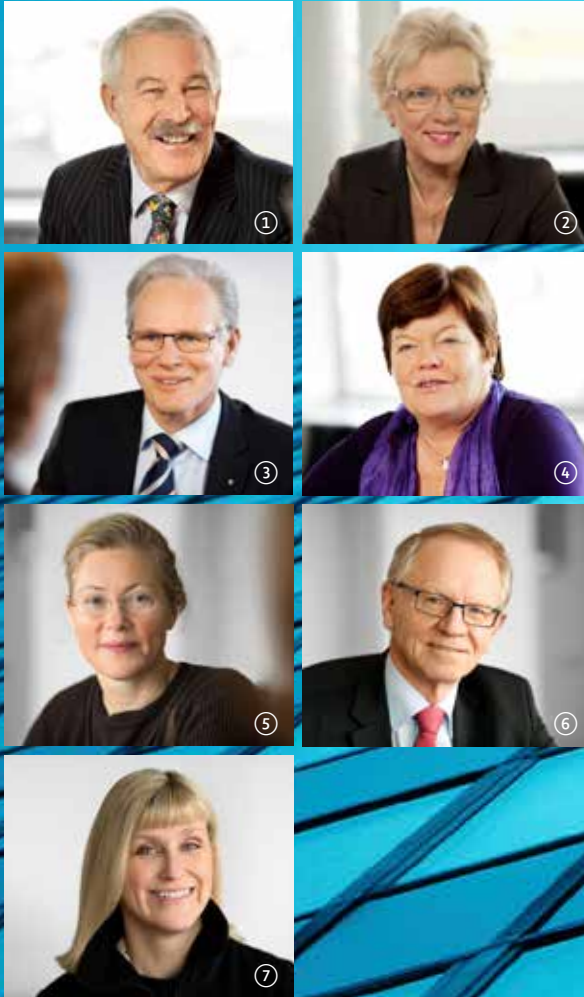
According to the Swedish Companies Act the Board must ensure that the company is organized in such a way that its accounting records, management of funds and financial circumstances are subject to satisfactory internal control. The CEO is responsible for ensuring that the Board's guidelines are adhered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

In spring 2013 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 2013 Annual Report and has therefore been signed by the Board of Directors and reviewed by the company's auditors.

Board of Directors



1 Lars-Olof Gustavsson | Chairman | 1943

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

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

2 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, Micronic Mydata AB, Vindora Holding AB and Tällberg Foundation.

3 Hasse Johansson | Board member | 1949

Formerly head of R&D at Scania AB.

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

Board member: AB Electrolux, Skyllbergs Bruk AB, Calix Group AB, LeanNova AB, Klippan Group AB and Alelion Batteries AB.

4 Karin Kronstam | Board member | 1950

Board member: Praktikertjänst AB and Rabbalshede Kraft AB.

Co-opted board member: Volvoresultat Försäkringsförening and Posifon AB.

5 Hanna Lagercrantz | Board member | 1970

Board member: LKAB and Svenska rymdaktiebolaget.

6 Lars-Göran Moberg | Board member | 1943

Formerly President of Volvo Powertrain.

Chairman of the Board: Deutz AG.

7 Christina Åkerman | Board member | 1961

Director General Swedish Medical Products Agency.



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