

CORPORATE GOVERNANCE 2007

nominal value of outstanding convertible bonds at year-end was SKr 35 (192) million.

At the end of the year, the Parent Company entered into a new financial agreement with a duration of 2.5 years.

CORPORATE GOVERNANCE

IFS Stock

The Parent Company is listed on the OMX Nordic Exchange, Stockholm Mid-Cap list. The number of stockholders on December 31, 2007 was 10,439. The number of outstanding shares on December 31, 2007 was 263,466,657, of which 13,916,638 were Series A shares, carrying the right to 1.0 votes per share, and 249,550,019 Series B shares, which carry the right to 0.1 votes per share. The company has an outstanding convertible bond program which on full conversion will entail an increase in the number of shares of 6,627,003 Series B shares. The conversion price is SKr 5.25.

There is no limit to the number of votes a stockholder may cast at the AGM. The company is not aware of any agreements between stockholders that limit the right to transfer shares.

Three stockholders in the company, through direct or indirect holdings in the company, represent at least one tenth of the voting rights of the total number of shares. They are Gustaf Douglas and family, and associated companies, Bengt Nilsson, and associated companies, and Anders Böös, and associated companies.

The company's pension trust does not exercise direct ownership of company stock.

The company is party to agreements that may be affected if a change in the control of the company occurs.

Annual General Meeting of Stockholders

The annual general meeting of stockholders (AGM) shall elect the members of the board. Changes in the articles of association can be adopted by the AGM or an extraordinary meeting of stockholders.

The Annual General Meeting of Stockholders (AGM) held on March 28, 2007 resolved to re-elect all members of the board.

The AGM for 2008 will be held on April 3, in Solna. The nominations committee was announced in a press release on October 30, 2007, and comprises Gustaf Douglas, representing the Douglas family and associated companies, Caroline av Ugglas, representing Skandia, Ulf Strömsten, representing Catella Fonder, Bengt Nilsson, representing the founders, and Anders Böös in his capacity as chairman of the board.

The nominations committee's proposals for the AGM for 2008 will be announced in connection with the official notice convening the AGM.

Board and Management

Since the AGM of 2007, the board of directors of IFS has consisted of Anders Böös, Gregory Gorman, Ulrika Hagdahl, Bengt Nilsson, Jacob Palmstierna, Alastair Sorbie, and

Christina Stercken. Anders Böös is chairman of the board; Bengt Nilsson is deputy chairman.

Since March 10, 2006, Alastair Sorbie has been president and chief executive officer. Alastair Sorbie was previously responsible for the EMEA region and has been employed by IFS since 1997.

The Board of Directors' Work

IFS is not formally part of the group of companies included in the initial introduction of the Swedish Code of Corporate Governance. However, its ambition is to fulfill applicable parts of the code and its guidelines.

The work of the board of directors is conducted in accordance with the requirements of the Swedish Companies Act, the listing agreement of the Stockholm Stock Exchange, other rules and regulations relevant to the company, and operating procedures adopted by the board. A specific instruction regulates the division of tasks between the board and the president, the forms of financial reporting, and the president's assignments and right to make decisions. Furthermore, the board establishes a finance policy that regulates risk related to financing, interest, liquidity, credit, and currency. It also determines an information policy that regulates the way in which IFS disseminates information. The operating procedures of the board, related instructions and the information policy are reviewed annually. Other instructions and principles are reviewed as required.

In accordance with the current operating procedures, the board shall meet at least six times per year (in addition to the constitutory meeting held after the AGM). Each ordinary meeting treats issues related to business and market development, adherence to the business plan and earnings, cash flow and financing, the current outlook, and acquisitions, divestment and pledged guarantees. One board meeting is dedicated mainly to strategic issues, and one is dedicated to the business plan and budget. Auditors participate in two board meetings per year. Furthermore, the board is regularly informed by the president concerning developments in IFS.

In 2007, the board met 10 times (2 of which were by correspondence) in addition to the constitutory meeting after the AGM. The work of the board in 2007 focused on managing IFS' profitability issues, organizational structure, strategic position, and outlook. During the year, regional managers and other senior executives, according to a rolling schedule, have presented and discussed their areas of responsibility with the board.

The work of the board in 2007 was evaluated at a plenary session on the basis of an agenda established in advance. No external evaluation of the board was conducted during the year.

Committee Work

The board has decided not to appoint separate compensation and audit committees.

Remuneration of the president is determined by the board as are the principles and earnings targets for variable

remuneration of the president and senior executives reporting to the president. Other remuneration of senior executives reporting to the president is determined in consultation with the chairman of the board, and information is subsequently provided to the other members of the board.

Audit issues are treated by the entire board. Normally, the board and IFS' external auditors meet two times a year, in connection with the board meeting in September and at the year-end closing meeting in January. The meeting in September deals with specific items that are to be scrutinized, and the January meeting follows up the completed audit.

Förvaltnings AB Wasatornet, the principal owners of IFS, convenes the nominations committee, which, in addition to the chairman of the board, shall consist of a representative of the principal owners, a representative of each of the two largest institutional owners, and a representative of the other stockholders, who is elected from among the founders. Prior to an AGM that shall elect a board member and/or the chairman of the board and/or an auditor and/or resolve pertaining to remuneration of a board member and/or an auditor, the nominations committee shall prepare a resolution for the AGM in respect of such decisions. The nominations committee shall also propose a chairperson for the AGM.

In accordance with the present financial policy, IFS shall have a finance committee that ensures compliance with regulations and guidelines for handling financial risks in line with the finance policy adopted by the board. During the year, changes continued to be made and work was carried out to successively implement the finance policy. For this reason, no finance committee was appointed.

External Audit

The auditors elected at the AGM in 2007 for a period of four years are Öhrlings Pricewaterhouse Coopers, represented by Lars Wennberg, as principal auditor and Nicklas Kullberg as co-responsible auditor.

Fees paid to Öhrlings Pricewaterhouse Coopers and other auditors for 2007 amounted to SKr 8 (11) million, of which SKr 1 (3) million pertains to other assignments. In addition to the external audit, the auditors have been engaged for certain advisory and analysis assignments.

Guidelines for Remuneration of Members of the Board, the President, and Senior Executives

The chairman and members of the board are remunerated in accordance with the resolution adopted by the AGM. For 2007/2008, members of the board were paid SKr 2 million, of which the chairman received SKr 750,000, and the president, SKr 0.

Remuneration of the president and other senior executives consists of a basic salary, variable remuneration, other benefits, and pension contributions.

In 2007 the president had an annual basic salary of £210,000 and a premium-based pension with a premium corresponding to 15% of the basic salary. Variable remuneration shall not exceed 50% of the basic salary. The variable remuneration for 2007 was linked to the Group's EBIT margin. As the targets

for 2007 were not met, no variable remuneration will be paid. For further information, please see Note 14.

Resolution Concerning Guidelines for Remuneration of Senior Executives

The proposal of the board of directors, for adoption at the 2008 AGM, in respect of guidelines for remuneration of senior executives is the following.

The board of directors proposes that guidelines for remuneration of senior executives applied in previous years continue to apply, with the amendments and additions given below.

The board of directors proposes that variable remuneration of senior executives, including the president, be amended to enable it to comprise a maximum of 75% of basic salary. Variable remuneration for senior executives is not expected to exceed SKr 5,564 thousand for fiscal 2008.

At the 2008 AGM, the board of directors also intends to submit a proposal in respect of a subscription warrant plan that will enable senior executives in the Group to acquire subscription warrants. The acquisition of a subscription warrant at market price entitles to holder to obtain one subscription warrant without any consideration being paid. For employees outside Sweden, adjustments might be required to ensure compliance with particular regulations or market conditions. Compared with the current guidelines for remuneration of senior executives, it is proposed that the proposal concerning the guidelines, for adoption at the 2008 AGM, be amended to enable the above subscription warrant plan to be implemented. The total cost to the company (including social security fees) for warrants that are not acquired at market price is expected to amount to approximately SKr 1 million.

Stock Market Information, etc.

IFS issues information in accordance with the information policy established by the board.

The annual and quarterly reports are published in Swedish and English. Press conferences for analysts, brokers, and journalists were held in connection with the quarterly reports. In addition, information sessions and meetings are held regularly during the year with the media and the finance market.

Corporate governance information, the annual and quarterly reports, and press releases are available at www.ifsworld.com, where information can be ordered or subscribed for. The annual report for 2007 will not be distributed in printed form.

The board, management, and certain other senior executives who are registered as insiders may trade in shares according to current market praxis. No additional internal regulations exist.

Financial Risk Management

In the course of its business, the Group is exposed to risk related to currency, financing and interest rates. Such risks and their management are described in Note 49 and in the section covering Risks and Uncertainties below.