

Corporate governance report

As of July 1, 2008 all companies listed on the Nordic Exchange are required to comply with the Swedish Code of Corporate Governance. Know IT, which is listed on the exchange and does not have a market capitalization over SEK 3 billion, is not required to comply with the code before that date, but has still chosen to allow the code to influence its steering documents: the rules of procedure for the Board of Directors and instructions for the President.

Shareholders

As of December 31, 2007 Know IT AB had 5,051 shareholders.

Legislation and Articles of Association

Corporate governance at Know IT is based on Swedish legislation such as the Companies Act, the Accounting Act and the Annual Accounts Act, the listing agreement with the Stockholm Stock Exchange, and the regulations and recommendations issued by relevant organizations such as the Swedish Industry and Commerce Stock Exchange Committee. The Swedish Code of Corporate Governance is also a key regulation, where applicable, for Know IT's corporate governance.

Annual General Meeting

The highest decision-making body is the Annual General Meeting (AGM), which decides on the composition of the Board of Directors, the dividend and the election of the auditors. Notice of the AGM is issued no earlier than six and no later than four weeks before the meeting. The notice contains information on registration, participation and voting at the AGM, a numbered agenda with the issues to be addressed, information on the recommended dividend and the main content of other recommendations. Shareholders or their proxies may vote for the full number of shares they own or represent.

The AGM 2007 was conducted in Swedish and the material presented was in Swedish. During the meeting shareholders were provided the opportunity to ask questions, which were answered during the AGM. It was not possible to follow or participate from other locations with the help of communication technology. No change is planned in this respect for AGM 2008. A total of 17 shareholders who were entitled to vote and represented approximately 12 percent of the capital and votes, corresponding to 1,398,382 shares, participated at Know IT's AGM 2007.

The AGM decided on the principles of remuneration for senior executives.

The AGM authorized the Board, on one or more occasions prior to the next AGM, to decide to increase the share capital by not more than SEK 1,000,000 through one or more issues of not more than 1,000,000 new shares. The authorization was not utilized in 2007.

The AGM approved a private placement totaling a maximum of 200,000 shares as payment of the additional consideration to the sellers of Create Group Sweden AB, Real M

Holding AB and Innograte AB. Know IT issued 164,501 new shares with a quota value of SEK 1 deviating from current shareholders' preferential rights to the sellers of Create Group Sweden AB, Real M Holding AB and Innograte AB. The issue increased the Company's share capital from SEK 11,705,674 to SEK 11,870,175.

The AGM resolved to authorize the Board, on one or more occasions prior to the next AGM, to decide to repurchase the Company's shares to an extent that its holding at any given time does not exceed ten percent of all shares in the Company. In 2007 Know IT repurchased 172,200 shares.

Furthermore, the AGM resolved to authorize the Board, on one or more occasions prior to the next AGM, to decide to sell the Company's treasury shares. When it acquired YAHM, Know IT used 123,466 of its shares as partial payment. At year-end 2007 Know IT held 48,734 treasury shares.

The AGM resolved to pay shareholders a dividend for fiscal year 2006 of SEK 2.35 per share with a record day of April 30, 2007.

On July 13, 2007 Know IT announced that the AGM 2008 would take place on April 17, 2008 and on February 4, 2008 it announced that it would be held at 4 p.m. (CET) in the Company's office at Klarabergsgatan 60, Stockholm.

Nomination Committee

The AGM on April 25, 2007 resolved to have a Nomination Committee consisting of the Chairman of the Board and one representative from each of the three largest shareholders in terms of votes as of September 30, 2007.

The Nomination Committee for the AGM 2008 consists of Chairman of the Board Mats Olsson, who convened the committee; Javiera Ragnartz, Handelsbanken Nordiska; and Pekka Seitola, Rebalk S.a.r.l. JP Morgan chose to participate passively.

The task of the Nomination Committee is to propose, prior to the AGM 2008, the Chairman of the AGM, the Board members to be elected by the AGM, the Chairman of the Board, Directors' fees, auditors' fees and the Nomination Committee's procedures.

The Nomination Committee's proposal was presented in the notice of the AGM and on the Company's website. The Nomination Committee proposes that the AGM 2008 reelect the Board in its entirety. The proposed Directors' fee of SEK 795,000 includes SEK 265,000 for the Chairman of the Board.

Board of Directors

According to Know IT's Articles of Association, the Board of Directors shall consist of at least three and at most eight members, with a maximum of two deputies, elected each year at the AGM to serve until the end of the next AGM. There is no rule on the maximum time a Director may serve on the Board.

The AGM 2007 reelected the sitting Board consisting of five Directors elected by the AGM: Carl-Olof By, Ulrika Simons,

Mats Olsson, Pekka Seitola and Kerstin Stenberg. The AGM elected Mats Olsson as Chairman of the Board.

All Directors are independent in relation to the Company and management, in accordance with the Stockholm Stock Exchange's ongoing listing requirements and the code, at year-end 2007.

In addition to the Directors elected by the AGM, the employees choose one Director. The employee representative is elected for a term of two years. In 2007 Erika Stadling-Holm was reelected by the employees.

Board work

During the fiscal year the Board convened sixteen meetings at which the minutes were recorded. At its scheduled meetings, the Board discussed the fixed items on the agenda in compliance with its rules of procedure, such as business conditions, orders, forecasts, financial outcomes, annual accounts and interim reports. In addition, Group-wide issues were discussed related to strategic orientation, structure and organizational changes, as well as acquisitions.

Four of the Board meetings were held prior to the release of interim reports. One meeting addressed the Company's strategic focus and operational planning. One Board meeting was devoted to the Group's forecast and focus of operations for 2008. At the first Board meeting of the year the Group's auditor reports his observations from the examination of the Group's internal control and financial statements. A Board meeting held after the AGM reached decisions on signatories, the Board's rules of procedure, the instructions for the President and a plan for scheduled Board meetings during the year. Other Board meetings decided mainly on acquisition issues.

Chairman Mats Olsson and Director Pekka Seitola were present at all Board meetings during 2007. Director Kerstin Stenberg was unable to attend one meeting, Directors Carl-Olof By and Erika Stadling Holm were unable to attend two meetings and Director Ulrika Simons was unable to attend three meetings.

The President and CEO of Know IT presents reports at the meetings. Other officials are also present at the meetings. Either the Senior VP Corporate Communications or the CFO served as secretary for the Board during 2007; both were adjunct members of the Board. The VP for Strategy and Business Development was also as adjunct member.

The Board decides on written rules of procedure for its work. The rules of procedure determine the work that is required over and above the Companies Act and Articles of Association.

Corporate management's working methods

During 2007 the corporate management team consisted of the Group's CEO, CFO, Senior VP Corporate Communications and VP for Strategy and Business Development.

The team works very closely, with contact on a daily basis. During the year it handled issues of both an operational and strategic nature. When needed, larger meetings have been held in which senior executives from Know IT's Group com-

panies also took part. These meetings have been of an advisory nature and are an important element in the corporate management team's decision-making process.

Remuneration

The Chairman of the Board negotiates the remuneration and terms of employment for Know IT AB's President, which are approved by the Board. The President negotiates the remuneration and terms of employment for the employees on the corporate management team. Fees are paid to the auditors as invoiced.

Know IT AB has not established a separate compensation committee; instead, the entire Board is responsible for remuneration issues.

Audit

The AGM 2007 elected the accounting firm of Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2011. Öhrlings PricewaterhouseCoopers AB has conducted the audit of Know IT AB and the majority of its subsidiaries, with the exception of the companies acquired in 2007.

The review of the 2007 accounts and internal controls began during the period October-December. The reconciliation, review and audit of the financial statements and annual report will be carried out in January-February 2008.

The Board receives a report whether the Company's organization is structured to ensure that the bookkeeping, administration of funds and financial position in other respects are controlled in a satisfactory manner. In 2007 the auditors reported to the Board on one occasion.

Know IT AB has not established a separate audit committee; instead, the entire Board is responsible for audit-related issues.

Internal control

The financial reporting complies with the laws and regulations for firms listed on the Nordic Exchange in Stockholm. Know IT also has internal instructions, procedures, systems and a delegation of roles and responsibilities for the purpose of maintaining good internal control. The Group's results and development are monitored internally on a monthly basis with analyses and comments.

Know IT does not have a separate audit function (internal control), since the Board has determined that there are no special circumstances in the business or other conditions that warrant the establishment of such a unit.

Information

Know IT provides information to shareholders and other stakeholders through published press releases, interim and year-end reports, the annual report and the Company's website (www.knowit.se). The press releases, financial reports and presentation materials for the past few years are all published on the website, along with information on corporate governance. The Company's information releases follow the information policy for the Know IT Group established by the Board.