

Corporate Governance report 2011/12

The Board of Directors of Lagercrantz Group AB (publ), organisation number 556282-4556, hereby submit their Corporate Governance Report for the 2011/12 operating year. The report is included in the 2010/12 Annual Report. References in this report refer to the 2011/12 Annual Report. The report has been subject to review by the Company's auditors.

Starting with the 2009/10 financial year, Lagercrantz Group prepares a statutory corporate governance report in accordance with the Swedish Annual Accounts Act (1995:1554), chapter 6, sections 6–9, which is subject to review by the Company's auditor. In addition hereto Lagercrantz Group applies the Swedish Code for Corporate Governance in accordance with the revised code that came into force 1 February 2010. Since the legislation and the code partially overlap, Lagercrantz Group in the following provides a report that takes the Swedish Annual Accounts Act as well as the Swedish Code for Corporate Governance into account. The Company adheres to the code in all essential aspects. In four respects (two of which are found in the section on Election Committee, one in the section on Audit Committee, and one in the section on incentive programmes) an explanation is offered for the deviations. The report also contains an account of the work of the Election Committee leading up to the 2012 Annual General Meeting.

Corporate governance structure

Lagercrantz Group is a Swedish public limited liability company with its registered office in Stockholm. The Company, through its subsidiaries, deals in technology and is publicly traded on Nasdaq OMX Nordic since 2001. Governance and control of the Company is exercised through a combination of written rules and practice. In the first instance the regulatory framework consists of the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Swedish Code for Corporate Governance and the rules that apply to the regulated market where the Company's shares are listed for trading.

The Swedish Companies Act contains basic rules for the Company's organisation. The Swedish Companies Act stipulates that there should be three decision-making organs: the General Meeting of Shareholders, the Board of Directors and the President & Chief Executive Officer, in a hierarchal relationship with each other. There should also be one control organ, the auditor, who is appointed by the Annual General Meeting of Shareholders

As of 31 March 2012 the number of shareholders was 3,655, compared to 3,777 at the beginning of the financial year. Private

individuals owned 35 percent (40) of the number of shares outstanding and 53 percent (57) of the votes in the Company. The remaining shares were owned by legal entities, primarily mutual funds, insurance companies and pension funds. Foreign shareholders owned 24 percent (17) of the shares outstanding and 17 percent (12) of the votes. The holding of the ten largest shareholders was 55 percent (57) of the shares outstanding and 65 percent (66) of the votes.

The above calculations are based on the number of shares outstanding, not including repurchased shares held in treasury by Lagercrantz Group.

Annual meeting and articles of association

The general meeting of shareholders is the highest decision-making body in Lagercrantz Group. Here, shareholders exercise their influence through discussions and decisions. The General Meeting decides on all issues that do not expressly fall under the jurisdiction of another corporate organ. Every shareholder has the right to participate in the proceedings of and to vote their shares at the General Meeting in accordance with the provisions of the Articles of Association.

Lagercrantz Group's regularly scheduled Annual General Meeting shall be held in Stockholm within six months of the end of the financial year. The Annual General Meeting appoints the Board of Directors and the auditors and sets their fees. The Annual General Meeting also adopts the financial statements and decides on the allocation of earnings and on discharge from liability for the Board of Directors and the President and decides on other matters that according to the Articles of Association or legislation should be brought before the General Meeting.

The Articles of Association have been adopted by the General Meeting. This document stipulates that the Company's shares have been issued in two classes, where class A shares give their holder 10 votes and class B shares one vote per share. The Company's share capital shall be a minimum of SEK twenty five million (25,000,000) and a maximum of SEK one hundred million (100,000,000). The minimum number of shares outstanding shall be 12,500,000 and the maximum number of shares outstanding shall be 50,000,000. Both classes of shares

confer the same rights on its holders with respect to the Company's assets and profit. The Articles of Association allows for conversion of class A shares into class B shares. The Articles of Association also stipulate that the Company's Board of Directors shall consist of not less than three and not more than nine directors, and regulates the forms of notice for General Meeting.

Notice for Annual General Meeting, and notice for Extraordinary General Meeting, where an amendment of the Articles of Association will be on the agenda, shall be issued not less than six weeks and not more than four weeks before such Meeting. Notice for other Extraordinary General Meeting shall be issued not more than six weeks and not less than two weeks before such Meeting. The notice to attend shall be published in Dagens Industri and Post och Inrikes Tidningar, and shall be available at the Company's website.

Shareholders who wish to participate in the proceedings of the General Meeting shall (i) be entered in a transcript or other version of the entire share register showing the state of affairs five weekdays before the General Meeting and (ii) give notice to the Company for him- or herself and up to two assistants not later than at 3:00 p.m. on the date set forth in the notice for the General Meeting.

Since 2005 the Annual General Meeting has also determined the form for how an election committee is to be appointed.

Annual Meeting 2011

The 2011 Annual General Meeting was held 30 August in Stockholm. Notice for the Annual General Meeting was published 26 July 2010 in Dagens Industri and Post och Inrikes Tidningar, and was announced the same day in a press release. At the Meeting shareholders representing 9.0 million shares and 17.9 million votes, respectively, were present. This is equivalent to 40 percent of the number of shares outstanding and 56 percent of the votes in the Company.

Resolutions passed at the Annual Meeting included the following:

- A dividend of SEK 2.25 per share was declared in accordance with the proposal of the Board of Directors.
- Discharge from liability was granted to the Board of Directors and the President for their administration during 2010/11.
- All directors and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee.
- Fees for the Board of Directors and the auditors were determined.
- Routines were established for appointment of an election committee in preparation for the next Annual Meeting.
- Principles for remuneration and other terms of employment for senior management were resolved.
- In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that the Company – in a departure from the pre-emptive rights if shareholders – to offer managers and members of senior management to acquire up to 180,000 call options on repurchased class B shares.
- The Board of Directors was authorised to acquire and sell shares in the Company, representing up to 10 percent of the shares outstanding – on one or more occasions – during a period ending immediately before the next following Annual General Meeting.

Board of Directors

It is the duty of the Board of Directors to manage the affairs of the Company in the best possible way and in so doing look after the interests of the shareholders. Lagercrantz Group AB's Board of Directors consisted during 2011/12 of five regular members who together represent broad commercial, technical and public experience:

- Pirkko Alitalo
- Anders Börjesson, Chairman of the Board of Directors
- Tom Hedelius, Vice Chairman of the Board of Directors
- Lennart Sjölund
- Roger Bergqvist, as of 30 August 2012
- Jörgen Wigh, President & CEO

A detailed presentation of the members of the Board of Directors, including information about other assignments, will be found on page 52. Other members of management of the Group participate in Board of Directors meetings as reporters or Secretary.

Chairman of the Board of Directors

The Chairman of the Board of Directors leads the work of the Board of Directors and has a special responsibility to follow the Company's development between the Board of Directors meetings, and to ensure that the members of the Board of Directors are provided with the information necessary to perform satisfactorily. The Chairman maintains on going contact with corporate management and holds meetings with them as needed. The Chairman is also responsible for evaluation of the work of the Board of Directors and for the Election Committee being informed of the result of such evaluation.

Work of the Board of Directors

The Board of Directors held ten meetings during the 2011/12 operating year during which minutes were taken, one of which was a statutory Board of Directors meeting in conjunction with Annual General Meeting. The work of the Board of Directors follows rules of procedure that are confirmed on an annual basis at the statutory Board of Directors meeting. These rules of procedure lay down the division of labour between the Board of Directors and the President, the Chairman's and the President's responsibility and the forms for the financial reporting.

The President is a member of the Board of Directors and presents reports at Board of Directors meetings. The Board has appointed the Group's Executive Vice President to serve as secretary. The Board of Directors has a quorum when at least four directors are present and, where possible, decisions are made after discussion that leads to consensus. The Board of Directors was complete at all meetings during the year.

During regularly scheduled Board of Directors Meetings the Company's economic and financial position are dealt with; one item on the agenda deals with acquisitions. The Board of Directors is kept informed by way of information in writing about the Company's business and other relevant information. During 2011/12 the Board of Directors devoted special attention to acquisition issues, market development and business model. One extra Board of Directors meeting was held during one meeting solely aimed at discussing the Group's position and strategy.

The work of the Board of Directors is evaluated annually following an established procedure, which includes discussions around:

- Agenda and material for the Board of Directors
- Number of meetings
- Strategic plan and orientation
- Audit analysis
- Overarching responsibility
- Competence
- Work of the Chairman

The Board of Directors dealt with the most recent evaluation during a meeting in the month of February 2012. In accordance with the Code, the Board of Directors evaluated the work of the President & CEO at a meeting without the presence of corporate management.

The total fee to the Board of Directors of Lagercrantz Group for 2011/12 amounted to SEK 1,217 thousand (1,100). In accordance with an Annual Meeting resolution, the Chairman of the Board of Directors received SEK 400 thousand (400), the Vice Chairman SEK 300 thousand (300) and the other directors

who are not employees of the Company received SEK 200 thousand (200) each. See Note 6.

Compensation committee

The Board of Directors has appointed a compensation committee within itself with the task of preparing the proposal of the Board of Directors for the Annual Meeting's guidelines for compensation to the President and CEO, and other members of senior management. The Committee also has the task of following up on and implementing the resolutions of the Annual Meeting with respect to principles for compensation to members of senior management. During 2011/12 the Compensation Committee consisted of Anders Börjesson, Chairman of the Board of Directors, and Tom Hedelius, Vice Chairman of the Board of Directors. The President & CEO presents reports but does not participate in matters concerning him. The Compensation Committee held one meeting during the year. All members were present at this meeting.

Audit Committee

The Board of Directors has appointed an audit committee the duty of which is to analyse and discuss the Company's risk management, governance and internal control. During 2011/12 the Committee consisted of all directors with the exception of the President & CEO. In the opinion of the Board of Directors, this is most appropriate in view of Lagercrantz Group's size and business. The Audit Committee maintains contact with the Company's auditors to discuss the orientation and scope of the audit work. In connection with the adoption of the annual financial statements, the Company's auditors report on their observations during the course of their audit and their assessment of the internal control. At its disposal the Audit Committee also has an internal control group.

The Committee held one meeting during the year. All members were present at this meeting.

Because of the structure with an internal control group that supervises and reports discrepancies to the Committee, and the extensive work that a traditional examination by the Company's auditors would entail, the Board of Directors has chosen to deviate from the recommendation of the Swedish Code of Corporate Governance calling for a review of the semi-annual report or the 9 month interim report.

Auditors

At the 2009 Annual General Meeting, registered audit company KPMG AB was elected to serve as auditor. The audit firm has appointed Joakim Thilstedt, Authorised Public Accountant, to serve as auditor in charge.

In order to ensure oversight and control by the Board of Directors, it is annually given an opportunity to voice its opinion on the auditors' planning of the audit's scope and focus. After completing its review of internal control and accounting records, the auditors report on their findings at the Board of Directors meeting in May. In addition hereto the auditors are offered to attend Board of Directors meetings when the Board of Directors or the auditors feel that there is a need.

The independence of the auditors is ensured by the audit firm's internal guidelines. Their independence has been confirmed to the Audit Committee.

Management

The Chief Executive Officer and Group management draw up and implement Lagercrantz Group's over-arching strategies and deal with issues such as acquisitions, disposals and major capital outlays. Such issues are prepared by Group management for decision by the Parent Company's Board of Directors. The President & CEO is responsible for day-to-day management of the Company in accordance with decisions and guidelines of the Board of Directors.

Lagercrantz Group's Group management consists of the President, Executive Vice President and the Group's Chief Financial Officer. The management team consists of Group management and division heads/-business area managers, in total eight persons who constitute senior management. The management team meets on a monthly basis to discuss the Group's and the subsidiaries' results and financial position, as well as issues pertaining to strategy, result follow-up, forecasts and the general development of the business. At these meetings also the Group Controller and one person in business development are present. Among the tasks are also issues concerning acquisitions, joint projects, consolidated financial reporting, communication with the stock market, internal and external communication, and co-ordination and follow-up of security, environment and quality.

Compensation to members of senior management

Lagercrantz Group's principles for compensation to members of senior management entail that compensation to the President & CEO and other persons in the management team may consist of basic salary, variable compensation, pension, other benefits and financial instruments.

Guidelines adopted for compensation of members of senior management as resolved by the 2011 Annual General Meeting and information about existing incentive programmes are set forth in Note 6 of this Annual Report and are summarized below.

The aggregate compensation must be in line with market conditions as well as competitive, and should be commensurate with responsibility and authority. The annual variable portion of the compensation should be maximised to about 40 percent of the fixed salary. The variable portion should also be based on actual performance relative to set goals, and on individual performance.

The retirement age shall be 60–65 years and in addition to the ITP plan, there should in the normal instance only be defined contribution pension plans. In case of termination, there may be severance pay equivalent to a maximum of one year's salary. There shall be no other share-price-based incentive programmes than the present and to the Annual Meeting proposed incentive programme.

In individual cases and if special reasons exist, the Board of Directors may diverge from the above guidelines.

The proposal of the Board of Directors to the 2012 Annual General Meeting for guidelines for compensation to members of senior management is that the principles for compensation to the President & CEO and other senior managers should be unchanged.

Operative governance

The Group's operative activities are handled in subsidiaries of the Lagercrantz Group. There is active board-of-directors work in all subsidiaries under the management of division heads. Subsidiary boards of directors follow day-to-day operations and set business plans. Operations are conducted in accordance with the rules, guidelines and policies adopted by Group management, and by guidelines instituted by each respective subsidiary Board of Directors. Subsidiary chief executives are charged with profit centre and profitability responsibility for their respective companies, as well as responsibility to secure growth and development in their respective companies. Allocation of investment capital in the Group is determined following a decision by parent company Lagercrantz Group's Board of Directors in accordance with an annually updated capital expenditure policy.

Operative governance in the Lagercrantz Group is distinguished by clearly defined demands by Group management and considerable liberty for each respective subsidiary to make decisions and act to fulfil set goals.

Internal control

The purpose of internal control is to ensure that the Company's strategies and goals are followed up and that the investment of the shareholders is protected. A secondary purpose is to ensure Group-wide accurate and relevant information to the stock

market in compliance with generally accepted accounting principles in Sweden, laws, regulations and other requirements on listed companies. The Board of Directors of Lagercrantz Group has delegated the practical responsibility to the President & CEO, who in turn has allocated the responsibility to the other members of senior management and to subsidiary chief executives.

Control activities take place in the entire organisation at all levels. Follow-up is included as an integrated element of management's day-to-day work.

For the financial reporting there are policies and guidelines, and also automatic control in systems as well as reasonability assessment of flows and amounts.

Management makes regular assessments of any new financial risks that may arise and the risk for errors in the existing financial reporting. To its aid in this regard, management has an internal control group consisting of persons from the finance department. The group is charged with responsibility to review the Group's internal control routines and compliance therewith, and report its observations and recommendations to the Audit Committee.

Controls are made taking transaction flows, staffing and control mechanisms into account. There is focus on possible errors in the financial reporting with respect to significant earnings and balance sheet items and areas where there is a risk that the consequences of any errors would be considerable.

The Board of Directors is of the opinion that a trading operation of Lagercrantz Group's scope, in a decentralised organisation, in a well-defined market, does not require a more extensive review function. The Board of Directors makes a renewed assessment of this issue on an annual basis.

So as to ensure good capital market communication, the Board of Directors has adopted a communications policy. This policy dictates what should be communicated, by whom and how. The basic premise is that regular financial information is provided in the form of:

- Press releases about significant events or stock price-sensitive information.
- Interim reports, year-end report and press release in conjunction with the Annual General Meeting
- Annual Report

Through openness and transparency, the Board of Directors and management of Lagercrantz Group work to provide the Company's owners and the stock market with relevant and accurate information.

Election Committee

The principal task of the Election Committee is to suggest directors, Chairman of the Board of Directors and auditors and to suggest the fees for directors, the Chairman and the auditors in such a way that the Annual General Meeting can make well-founded decisions. The 2011 Annual General Meeting decided to give the Chairman of the Board of Directors the assignment of contacting the largest shareholders by vote before 31 December 2011, requesting them to appoint candidates, thereby forming an election committee together with the Chairman of the Board of Directors. In accordance herewith, an election committee was formed consisting of:

- Anders Börjesson, Chairman
- Tom Hedelius, Vice Chairman
- Bengt Belfrage, Nordea fonder
- Erik Sjöström, Skandia Liv
- Tomas Ramsälv, Odin Fonder

The Election Committee has access to the evaluation made by the Board of Directors of its work, and information about the Company's business and strategic orientation. The suggestions of the Election Committee, as well as its motives, will be published in connection with the notice for the Annual General Meeting and will also be made available at the Company's website. The mandate period of the Election Committee lasts until a new Election Committee has been appointed. No fees are payable for Election Committee work.

In a deviation from the Swedish Code of Corporate Governance, the Chairman of the Board of Directors, Anders Börjesson, has also held the post of Chairman of the Election Committee. Tom Hedelius, Vice Chairman of the Board, has also been a member of the Election Committee. The explanation for this deviation is that Anders Börjesson and Tom Hedelius also are the Company's largest owners in terms of votes. Lagercrantz Group's strategic orientation, as well as its business and governance model, is based on aspects such as strong engagement and know-how on the part of the Company's principal owners. This approach permeates Lagercrantz Group's corporate culture and has proved to be vital for the Group's successful development.

The Board of Directors and the Election Committee are of the opinion that a majority of the members of the Board of Directors is independent relative to the Company and corporate management, and that at least two of these directors also are independent relative to the Company's major shareholders.

Incentive programme

A long-term incentive programme has been in place since 2006 for managers and members of senior management in the Group in accordance with an annual general meeting resolution. The purpose of the programme is to raise motivation and create participation for managers and members of senior management regarding the opportunities for the company's development. The object of the programme is also to motivate managers and members of senior management to continued employment in the Group. The programme is a revolving programme based on call options on repurchased Class B shares held in treasury. Options

have been issued in 2006, 2007, 2008, 2009, 2010 and 2011 based on the decision by the annual general meeting each year. The 2009, 2010 and 2011 programmes are currently outstanding. Outstanding programmes mean that shares can be acquired on three different occasions, two of which fall within three years from issuance and thus constitute a deviation from the Swedish Code of Corporate Governance. The purpose of this is to allow redemption on several occasions. A complete description of outstanding option programmes will be found in Note 6.

Stockholm, 26 June 2012

Anders Börjesson
Chairman

Tom Hedelius
Vice Chairman

Pirkko Alitalo
Director

Roger Bergqvist
Director

Lennart Sjölund
Director

Jörgen Wigh
*President and
Chief Executive Director*

Our audit report was submitted 26 June 2012
KPMG AB

Joakim Thilstedt
Authorised Public Accountant

This report is a translation of the Swedish language report.
In the event of any discrepancies between this document and the Swedish original, the latter shall govern.