

Corporate Governance

Lagercrantz Group is a Swedish public limited liability company with its registered office in Stockholm. The Company deals in technology and is publicly traded in Stockholm since 2001. Governance and control of the Company is allocated in accordance with the Swedish Companies Act and the Articles of Association among shareholders at general meetings for shareholders, the Board of Directors and the Chief Executive Officer.

Lagercrantz Group AB (publ) applies the Swedish Code of Corporate Governance and hereby submits its corporate governance report for the 2008/09 operating year. The Company adheres to the Code in all essential respects. An explanation is provided for non-adherence with respect to three items. This report has not been examined by the Company's auditor.

The owners' governance of the Company and the Group is based on the Swedish Companies Act and a number of other Swedish and foreign laws and regulations. Control is also exercised by a listing agreement between the Company and OMX Nordic Exchange Stockholm, where the Company's shares are listed.

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the highest decision-making body in Lagercrantz Group AB. In addition thereto, shareholders exercise their influence through discussions and decisions.

All shareholders of record five days before the general meeting of shareholders may participate, personally or via proxy. Notice must be given in accordance with the terms of the notice to attend.

Lagercrantz Group's regularly scheduled Annual General Meeting shall be held in Stockholm within six months of the end of the financial year. The notice to attend is published in *Dagens Industri* and *Post och Inrikes Tidningar*, and is published on the Company's website – www.lagercrantz.com.

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. The Annual General Meeting also decides on the form for appointment of an election committee.

Annual Meeting 2008

The 2008 Annual Meeting was held 1 September in Stockholm. Notice for the meeting was published 25 July 2008 in *Dagens Industri* and *Post och Inrikes Tidningar*, and was announced the same day in a press release. Shareholders representing 7.4 million shares and 16.4 million votes

participated in the proceedings of the Annual Meeting. This is equivalent to 33 percent of the number of shares outstanding and 51 percent of the votes in the Company.

Resolutions passed at the Annual Meeting included the following:

- Anders Börjesson was elected Chairman of the meeting in accordance with the proposal of the Election Committee.
- A dividend of SEK 1.50 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 2007/08.
- All directors and the Chairman 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 management were resolved.
- The Annual Meeting resolved to reduce the Company's share capital by SEK 2,481,846 through cancellation without repayment of 1,240,923 class B shares, which the Company based on resolutions of prior annual meetings has repurchased.
- The Annual Meeting also resolved to eliminate the language about class C shares in the Articles of Association.
- In accordance with the proposal of the Board of Directors, the Annual Meeting resolved that the Company – in a departure from the pre-emptive rights if shareholders – to offer members of senior management to acquire up to 180,500 call options on repurchased class B shares.
- The Board of Directors was authorised to acquire and sell shares in the Company – on one or more occasions – during a period ending immediately before the next following Annual Meeting.

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 Meeting can make well-founded

decisions. The 2008 Annual Meeting decided to give the Chairman of the Board of Directors the assignment of contacting the largest shareholders by vote before 31 December 2008, 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 of the Board of Directors
- Tom Hedelius
- Pär Stenberg
- Kerstin Stenberg, SwedbankRobur fonder
- Erik Sjöström, Skandia Liv

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 will be published in connection with the notice for the Annual Meeting and will also be made available at the Company's website followed by a brief report of the Committee's work. 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 as well as Tom Hedelius also are the Company's largest owners in terms of votes and the fact that Lagercrantz Group's strategic orientation, as well as its business and governance model, are 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 important for the Group's successful development.

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 consists of five regular members who together represent broad commercial, technical and public experience. The 2008 Annual Meeting elected the following Board of Directors:

- Pirko Alitalo
- Anders Börjesson, Chairman
- Tom Hedelius
- Lennart Sjölund
- Jörgen Wigh, President & CEO

The Board of Directors and the Election Committee are of the opinion that a majority of the directors are independent vis à vis the Company and its management and at least two of these directors also are independent of the Company's major shareholders.

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 contact with the President and the Executive Vice President 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 six meetings during the 2007/08 operating year during which minutes were taken, one of which was a statutory Board of Directors meeting in conjunction with Annual General Meeting.

The Board of Directors has rules of procedure that are confirmed on an annual basis at the statutory Board of Directors meeting. The 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 2008/09 the Board of Directors devoted special attention to issues surrounding acquisitions, structure and market situation. The work of the Board of Directors was subsequently marked by structural issues and action programmes to meet the economic downturn. The Board of Directors also held 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. Among items discussed are:

- Agenda and material for the Board of Directors
- Number of meetings
- Strategic plan and orientation
- Audit review
- Overall responsibility
- Competence
- Work of the Chairman
- Meeting technique and group dynamics

The Board of Directors dealt with the most recent evaluation during a meeting in the month of February.

Fees to the Board of Directors

The total fee to the Board of Directors of Lagercrantz Group AB for 2008/09 amounted to SEK 1,100 thousand (950). In accordance with an Annual Meeting resolution the Chairman of the Board of Directors received SEK 400 thousand (350), the Vice Chairman SEK 300 thousand (250) and the other regular directors who are not employees of the Company received SEK 200 thousand (175) each.

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. The Compensation Committee consists 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 himself. The Compensation Committee held one meeting during the year.

AUDIT AND AUDIT COMMITTEE

The Board of Directors has appointed an audit committee consisting 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. At its disposal the Audit Committee has an internal control group consisting of persons who are independent of management. This group has the task of reviewing the Group's internal control routines and compliance thereto, and to report their observations and recommendations to the Board of Directors. The meetings of the Audit Committee have been held in conjunction with the regularly scheduled Board of Directors meetings.

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.

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.

AUDITORS

At the 2005 Annual Meeting registered Audit Company KPMG Bohlins AB was elected to serve as auditor for the period ending with the 2009 Annual Meeting. During 2008 the audit firm has appointed Joakim Thilstedt, Authorised Public Accountant, to serve as auditor in charge.

CEO AND MANAGEMENT TEAM

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 a president and two executive vice presidents. The management team consists of Group management and three division heads. 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. 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.

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 sets 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 marked by clear demands from Group management and considerable liberty for each respective subsidiary to make decisions and act to fulfil set goals.

COMPENSATION TO SENIOR MANAGEMENT

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

The aggregate compensation should be adjusted to market conditions and competitive, and also attuned to responsibility and authority. The variable portion of the compensation shall be maximised at approximately 40 percent of the fixed salary. The variable compensation shall also be based on actual performance relative to set goals, and by individual performance.

The retirement age shall be 60–65 years and in addition to ITP plan there should typically only be defined contribution pension plans. Upon termination, there may be a severance payment equivalent to a maximum of one year's salary, in addition the regular salary. There shall be no share-based or share-price-based programs beyond the incentive programme proposed to the Annual Meeting.

In individual cases and if there are compelling reasons, the Board of Directors may deviate from the above guidelines.

INCENTIVE PROGRAMME

A long-term incentive programme was introduced in 2006 for chief executives and members of senior management in the Group in accordance with an Annual Meeting resolution. The programme is aimed at raising motivation and creating participation for chief executives and members of senior management regarding the opportunities for the Company's development. The purpose of the programme is also to motivate chief executives and members of senior management to continued employment in the Group. The programme is a revolving three-year programme based on call options on repurchased class B shares held in treasury. The total number of call options issued under the programme may at no time exceed approximately three percent of the total number of shares outstanding (of class A shares as well as class B shares).

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. Guidelines and follow up actions are managed by the Audit Committee.

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 two persons from the finance department. Assessments are made taking transaction flows, manning and control mechanisms into account. There is focus on errors in the financial reporting with respect to significant earnings and balance sheet items in high amounts 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 need 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 set 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 price-sensitive information.
- Interim reports, year-end report and press release in conjunction with the Annual Meeting
- Annual Report

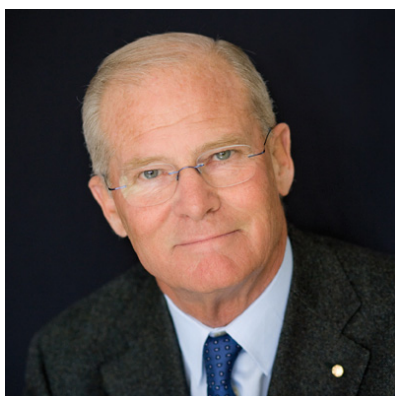
Through openness and transparency, the Board of Directors and management of Lagercrantz Group works provide the Company's owners and the stock market with relevant and accurate information.

Board of Directors and Auditors



Anders Börjesson

Chairman. Born 1948. Bachelor of Science (Econ.). Chairman of Addtech AB, Boomerang AB and Cibenon AB. Vice Chairman of B&B Tools AB. Director of Inomec AB, Bostad Direkt AB and Futuraskolan AB.
Holding (family): 377,982 class A shares and 402,500 class B shares.
Director since 2001.



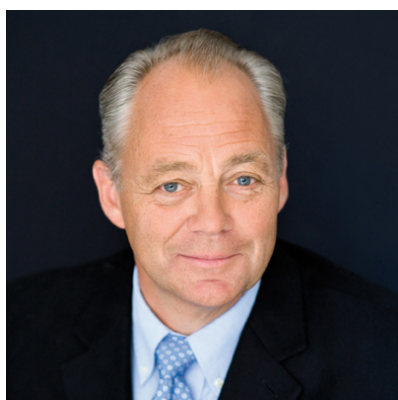
Tom Hedelius

Vice Chairman. Born 1939. Doctor h. c. Economics, Bachelor of Science (Econ.) Honorary Chairman of Svenska Handelsbanken AB. Chairman of Anders Sandrews stiftelse, B&B Tools AB, Industrivärden AB and Jan Wallanders and Tom Hedelius stiftelse. Vice Chairman of Addtech AB. Director of SCA AB and LE Lundbergföretagen AB.
Holding (family): 362,982 class A shares and 5,400 class B shares.
Director since 2001.



Pirkko Alitalo

Director. Born 1949. Bachelor of Science (Econ.)
Holding: 5,000 class B shares.
Director since 2001.



Lennart Sjölund

Director. Born 1949. Bachelor of Science (Econ.)
Chairman of Quickcool AB, ErySave AB and Parkallen Invest AB. Director of Godiva AB.
Holding (family): 110,000 class B shares.
Director since 2001.



Jörgen Wigh

President & Chief Executive Officer. Born 1965.
Bachelor of Science (Econ.)
Holding: 6,720 class A shares , 28,000 class B shares and 110,500 call options on class B shares.
Director since 2006.

Auditors

Auditors appointed by the 2005 Annual Meeting are the registered auditing company KPMG Bohlins AB. Auditor in charge is Joakim Thilstedt, Authorised Public Accountant.