

Corporate governance report 2009/10

The Board of Directors and the President of Lagercrantz Group AB (publ), organisation number 556282 4556, hereby submit their Corporate Governance Report for the 2009/10 operating year. The report is included in the 2009/10 Annual Report. References in this report refers to the 2009/10 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. Lagercrantz deviates from the Code in three respects; explanations are provided in each case (of which two are included in the section about the Election Committee and one in the section on Audit Committee). The report also contains an account of the work of the Election Committee leading up to the 2010 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 in Stockholm 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.

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.

Shareholders

On 31 March 2010 the number of shareholders was 3,365 compared to 3,497 at the beginning of the financial year.

Private individuals owned approximately 41 percent of the number of shares outstanding and 57 percent of the votes in the Company. The remaining stake was owned by legal entities, primarily mutual funds, insurance companies, and pension funds. Foreign shareholders owned approximately 24 percent of the shares outstanding and 17 percent of the votes. The ten largest shareholders held a total of approximately 58 percent of the shares outstanding and 67 percent of the votes.

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

General 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.

2009 Annual General Meeting

The 2009 Annual General Meeting was held 31 August 2009 in Stockholm. Notice for the Annual General Meeting was published in Dagens Industri and Post och Inrikes Tidningar, and was announced the same day in a press release. At the Meeting shareholders representing 7.6 million shares and 16.6 million votes, respectively, were present. This is equivalent to 35 percent of the number of shares outstanding and 52 percent of the votes in the Company. Resolutions passed at the Annual Meeting included the following:

- 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 2008/09.

- 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 255,000 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 – 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 2009/10 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
- Lennart Sjölund
- Jörgen Wigh, President & CEO

A detailed presentation of the members of the Board of Directors, including information about other assignments will be found in the Board of Directors section. 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 contact with the 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 eleven meetings during the 2009/10 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 2009/10 the Board of Directors devoted special attention to structural issues and action programs to meet the recession. The work of the Board of Directors was also marked by issues surrounding market development, business model and acquisitions. A few extra Board of Directors meetings were held during the year to deal solely with acquisitions. 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 which includes individual interviews and group discussions. Among items discussed are:

- Agenda and material for the Board of Directors
- Number of meetings
- Strategic plan and orientation
- 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.

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 2009/10 amounted to SEK 1,100 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 regular directors who are not employees of the Company received SEK 200 thousand (200) 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. During 2009/10 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 himself. The Compensation Committee held one meeting during the year.

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 2009/10 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 stays in 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 in 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.

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 Company.

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 a president and two executive vice presidents. The management team consists of Group management and division heads/-business area managers, in total seven persons that constitutes 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 are present also the Group Controller and one person in business development. 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 2009 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 should 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 2010 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 marked by clear demands from 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, manning 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 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 works 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 2009 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 2009, 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, Vice Chairman of the Board of Directors
- Kerstin Stenberg, Swedbank Robur 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 as well as 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, 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.

The Board of Directors and the Election Committee is 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.

Stockholm, 24 June 2010

Anders Börjesson
Chairman

Pirkko Alitalo
Director

Tom Hedelius
Vice chairman

Lennart Sjölund
Director

Jörgen Wigh
President & CEO

Audit report

To the annual meeting of the shareholders of Lagercrantz Group AB (publ)
Corporate identity number 556282-4556

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Lagercrantz Group AB (publ) for the financial year 2009–04–01–2010–03–31. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 28-70. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The corporate governance statement has been prepared in accordance with the Annual Accounts Act. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the income statement and the statement of financial position of the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 24 June 2010

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Board of Directors and Auditors



Anders Börjesson

Chairman. Born 1948. Bachelor of Science (Econ.). Chairman of Addtech AB, Cibenon AB and Stockholms Byggplåt AB. Vice Chairman of B&B Tools AB. Director of Boomerang AB, Bostad DirektAB, Futuraskolan AB and Inomec AB.
Holding (family): 492,558 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 and Jan Wallanders and Tom Hedelius stiftelse. Vice Chairman of Addtech AB.
In addition, Tom Hedelius was during the financial year 2009/10 also Chairman of AB Industrivärden, Director of LE Lundberg-företagen AB and SCA AB, among others.
Holding (family): 477,558 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 ErySave AB. Director of Godiva AB, Quickcool AB and Zarismo AB.
Holding (family): 110,000 class B shares.
Director since 2001.



Jörgen Wigh

President & Chief Executive Officer. Born 1965. Bachelor of Science (Econ.)
Holding: 12,096 class A shares, 33,000 class B shares and 116,900 call options on class B shares.
Director since 2006.

Auditors

Auditors appointed by the 2009 Annual Meeting are the registered auditing company KPMG AB. Auditor in charge is Joakim Thilstedt, Authorised Public Accountant.