Lagercrantz Group

Annual Report 2010/11

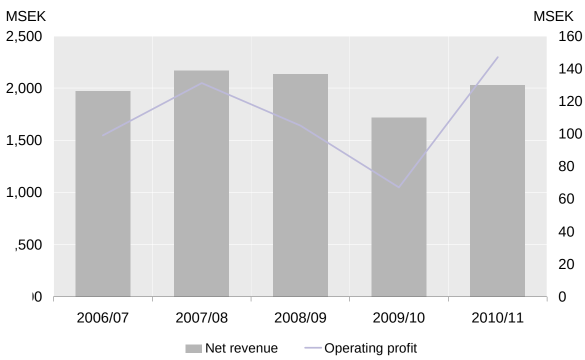
Content

The Year in Brief

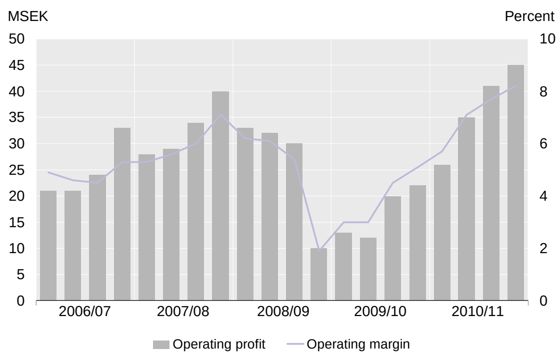
1 April 2010–31 March 2011

- Net revenue for 2010/11 increased by 18 percent to MSEK 2,029 (1,720).
- Operating profit amounted to MSEK 147 (67), equivalent to an increase by 119 percent. The operating margin increased to 7.2 percent (3.9).
- The increase in earnings is explained by increased sales in continuing operations, combined with keeping costs under control, plus contributions from acquired companies.
- Profit after finance items grew by 136 percent to MSEK 137 (58). Profit after taxes grew to MSEK 102 (42).
- Earnings per share on a fully diluted basis grew by 141 percent to SEK 4.61 (1.91).
- Cash flow from operating activities amounted to MSEK 118 (87), equivalent to SEK 5.33 (3.96) per share.
- The return on equity was 20 percent (8) and the equity ratio stood at 42 percent (56). The change in equity ratio can be traced to the increased rate of acquisitions during the year.
- Six acquisitions made during 2010/11 which have contributed with MSEK 205 in net revenue and MSEK 23 in result before tax and after acquisition costs.
- The Board of Directors proposes an increased dividend of SEK 2.25 (1.50) per share.

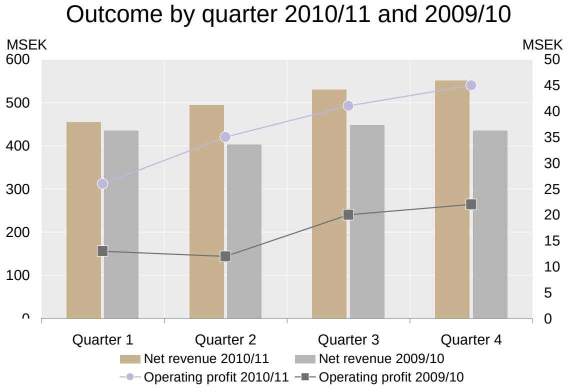
Net revenue and operating profit



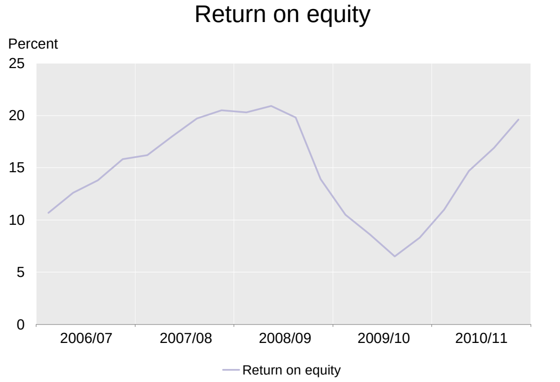
Earnings performance by quarter



Outcome by quarter 2010/11 and 2009/10



Return on equity



Key financial indicators

	2010/11	2009/10
Net revenue, MSEK	2,029	1,720
Operating result, MSEK	147	67
Operating margin, %	7.2	3.9
Result after financial items, MSEK	137	58
Result after taxes, MSEK	102	42
Cash flow from operating activities, MSEK	118	87
Equity ratio, %	42	56
Earnings per share, SEK[1]	4.61	1.91
Number of employees at end of period	731	608
Return on equity, %	20	8
Dividend, SEK[2]	2.25	1.50

[1] Calculated based on average number of shares outstanding.

[2] As proposed by the Board of Directors for 2010/11.

Lagercrantz Group in Brief

Lagercrantz is a technology group within electronics, electricity, communication and adjacent areas. The group conducts value-creating sales close to its customers and holds market-leading positions in several expansive niches. The business is organised in three divisions:

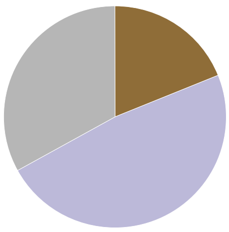
- Electronics offers special products within industrial wireless communication and embedded electronics.
- Mechatronics offers electric connection systems, electric wiring equipment, electric and electro-mechanical components, customised cable harnesses and niche steel products.
- Communications offers products, systems and services in digital image transmission/technical security, access and software.

Lagercrantz works according to a decentralised model where business decisions are made by the subsidiaries, close to customers and suppliers. This results in great commitment and the employees' good businessmanship represents an important competitive advantage.

Lagercrantz creates value by offering proprietary products as well as products from world-leading manufacturers combined with advanced business and technical knowledge. The customers mainly consist of manufacturing industrial companies. Exports to countries outside the Nordic region account for an increasing share of sales.

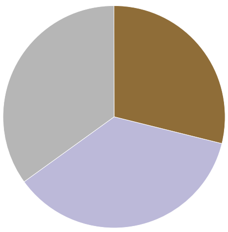
Lagercrantz operates in eight countries in Northern Europe as well as in China. The group's annual sales amount to just over SEK 2 billion and the company has about 700 employees. The company's share has been listed on NASDAQ OMX Stockholm since 2001.

Operating result by division



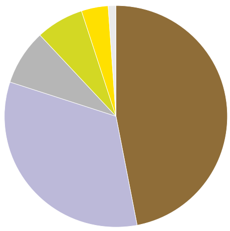
- Electronics, 19% (21)
- Mechatronics, 48% (37)
- Communications, 33% (42)

Net revenue by division



- Electronics, 29% (32)
- Mechatronics, 36% (30)
- Communications, 35% (38)

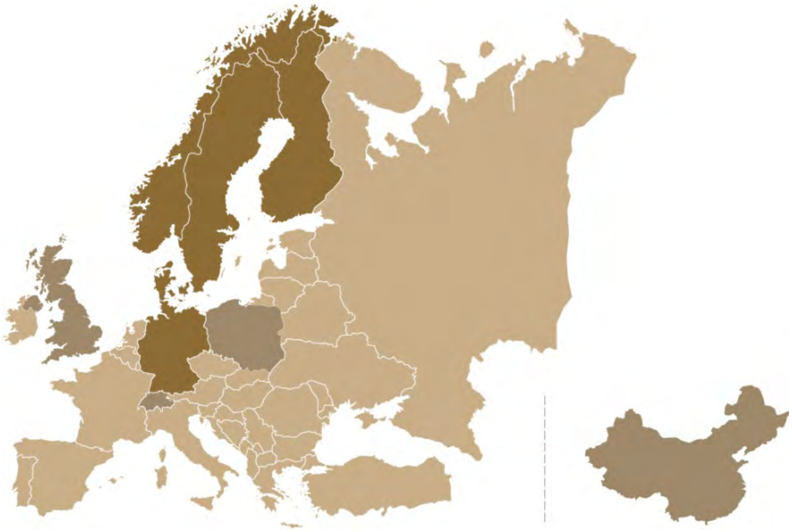
Net revenue by product category



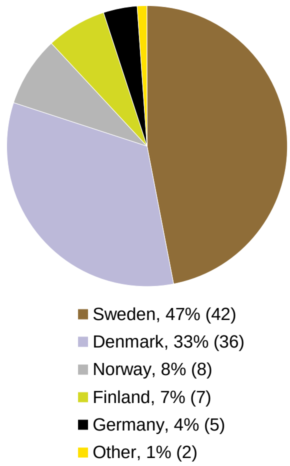
- Trading, 54% (55)
- Proprietary products, 25% (20)
- Niche production, 12% (12)
- Systems integration, 6% (8)
- Services, 3% (4)
- Other, 0% (1)

Numbers in brackets refer to the preceding year.

Sale by geographic market 2010/11



Other = mainly China, Poland, Switzerland and UK.



President's Statement

2010/11 OPERATING YEAR – THE BEST SINCE GOING PUBLIC

It is gratifying to be able to report that the 2010/11 financial year was the Group's best to date. Profit after net finance items amounted to MSEK 137, which is a record, and an increase by 136 percent compared to the year before. The operating marginal reached 7.2 percent, the best figure ever, and our internal metric for return on working capital reached 45 percent, which is also the best level since the Company went public. The response from the equity market was very positive, with a gain in the price of the share from SEK 31.50 to SEK 61.75 during the financial year. Together with the dividend, this makes for a total return to the shareholders of just over 100 percent during 2010/11.

Behind these successes are both the improved market situation and our consistently applied long-term strategy. With respect to this strategy, we are seeing that our organisational model with decentralisation and management by objective is becoming increasingly established, we are broadening ourselves into new technology areas with good results, value added rises consistently and we are raising the rate of acquisitions.

Operationally, the year was marked by effective recovery efforts following the recession. Most of the Group's units raised their sales volumes, increased their value added and strengthened their gross margins. In most cases while retaining cost effectiveness and a high rate of capital turnover. Here I wish to extend my heart-felt thanks to all dedicated associates for a job fantastically well done, with endless good efforts during the year.

During the year we have also made more acquisitions than before. Twenty-one profit centres at the beginning of the year have become twenty-six during the year and we are quite content with the new additions. These acquisitions mean that the Group's portfolio of niched technology companies with strong market positions and good profitability is further strengthened. Three of the five acquisitions are product companies and two are value-adding distributors. We are thus raising the value-added component further and the proportion of proprietary products is closing in on 30 percent. This share was almost non-existent only a few years ago.

FUTURE

When we look ahead we see great potential in continuing to develop Lagercrantz Group along the chosen path. We will continue with our decentralised model, where each unit works with clearly set goals with respect to earnings growth and profitability. Our focus will remain on value added and we will continue to broaden our operations through acquisitions. Medium and high voltage, technical security and electro-mechanics have been examples over the past few years, but we will be open to other areas as well.

June 2011

Jörgen Wigh
President & CEO

Business Concept, Vision, Goals and Strategy

Lagercrantz is a technology group that creates customer value based on proprietary products and products from world-leading manufacturers combined with advanced technical and industrial knowledge.

Lagercrantz Group's business concept is to offer value-creating technical solutions in electronics, electricity, communication and adjacent areas within well-defined niches and in partnership with customers and suppliers. Lagercrantz offers special products, services, software and systems within defined technology areas where the customer is offered a high degree of competence, availability and service. Lagercrantz Group's suppliers gain a committed partner with active marketing, extensive knowledge of the local market and good customer relationships.

VISION

Lagercrantz Group's vision is to be a leader in value-creating technology based on market-leading positions in several expansive niches.

Leading implies good growth and profitability as well as creating a favourable development for the customers based on new technology or new concepts, driving the development of the sector and refining our own business operations.

Value-creating means delivering added-value in the goods and services offered by harnessing our collective experience as well as our technical and industrial knowledge. The customers are offered unique solutions featuring new combinations, new technology, design and customisation, service, support and training.

A market-leading position means being number one or two within a defined partial market – i.e. a niche.

GOALS

Lagercrantz Group's financial goals are:

- Earnings growth of 15 percent per year.
- Return on equity of not less than 25 percent.

Growth is measured over a business cycle based on profit after net financial items. The profitability should correspond internally to a return on working capital of at least 45 percent. The goals are continually followed up during the year in order to allow for a quick response as needed. For a number of years, the group has worked on the basis of clear internal benchmarking so that each subsidiary can measure its own results in relation to the other companies in the group.

STRATEGIES

Lagercrantz shall strengthen its position as a profitable and growing company by developing its existing operations and by acquiring more companies with strong positions in well-defined niches.

Lagercrantz uses six group-wide strategies to achieve the sets goals relating to earnings growth and profitability.

- Decentralisation and management by objectives
- Strong corporate culture
- Businessmanship
- Strong market positions in niches
- Increased value added
- Acquisitions

DECENTRALISATION AND MANAGEMENT BY OBJECTIVES

The management of each subsidiary has considerable freedom to develop the operations under its own responsibility. The most important business decisions are taken close to customers and the market, where the knowledge is greatest.

Business plans are drawn up on an annual basis by every subsidiary with quarterly targets for earnings and for how much capital is tied up in the business. Plans are followed up on a regular basis and action is taken by the subsidiary as needed.

STRONG CORPORATE CULTURE

Lagercrantz cultivates a strong corporate culture. The common value base in Lagercrantz Group's corporate culture rests on four concepts:

- Businessmanship – the ability to see opportunities, create good relationships, perceive customer benefit and focus on results for customers and suppliers.
- Responsibility and freedom – the ability to take control and realise own ideas that deliver results.
- Simplicity and efficiency – the ability to work in a concentrated manner and to find simple solutions, prioritise the right things and implement them in the right way.
- Willingness to change – the ability to embrace innovation and to adapt to the market.

BUSINESSMANSHIP

Businessmanship includes contributing knowledge and acting in such a way that added value is created for the customer. This means having a holistic perspective and the ability to recognise new business opportunities and future needs. It also involves cultivating good relationships, a creative ability and personal sales.

STRONG MARKET POSITIONS IN NICHES

All subsidiaries at Lagercrantz strive to achieve a strong market position in their niche. A niche consists of a well-defined technology area, customer segment or geographical area with a total market value that normally amounts to MSEK 200–1,000.

INCREASED VALUE ADDED

With knowledge of a local market and specialised technical know-how, Lagercrantz Group contributes added value by customising, developing and combining different products in the solutions presented to the customers. The degree of refinement is continually enhanced by offering proprietary products to a greater extent and by phasing out standard components.

ACQUISITIONS

The growth targets shall be reached through organic growth and acquisitions. Acquired companies strengthen the market position in existing areas or pave the way for entry to new areas. It is crucial that acquired companies have a well-tried business model, good earnings capacity, strong competencies and good growth potential.

The Lagercrantz share

Over a five-year period, between 1 April 2006 and 31 March 2011, the market price of the Lagercrantz share has risen by 104 percent. The broad OMX Stockholm Price Index rose by 7 percent during the same period, and the Carnegie Small Cap Index benchmark index, which depicts the aggregate trend for smaller companies, rose by 15 percent. During this five-year period the highest market price was SEK 67.50, during January 2011. The lowest quotation during the five-year period was SEK 17.00 in December 2008. On 31 March 2011 the share price was SEK 61.75 (31.50). The movement in market price during the 2010/11 financial year (April-March) signified a rise by 96 percent (34). During the same period the OMX Stockholm Price Index rose by 12 percent (57) and the Carnegie Small Cap Index rose by 16 percent (79).

Lagercrantz had a market capitalisation of MSEK 1,370 (690) as of 31 March 2011, calculated based on the number of shares outstanding after repurchases and is a part of the Small Cap segment for companies with a market capitalisation below MEUR 150 on NASDAQ OMX Stockholm's main list.

PROPOSAL TO THE 2011 ANNUAL GENERAL MEETING

The proposal of the Board of Directors for dividend for the 2010/11 financial year signifies an increase to SEK 2.25 (1.50) per share. The total dividend payment will be in the order of MSEK 50 (33).

TURNOVER OF THE SHARE ON THE STOCK EXCHANGE

The trading volume during the financial year was about 6.6 million shares (3.4) with a value of MSEK 306 (95). The turnover rate for the outstanding number of shares was 30 percent (21). During 2010 the companies in the Small Cap segment had an average turnover rate of 52 percent (55). An average of 52 deals (13) were recorded in the Lagercrantz share during the year each trading day. There were transactions in the Lagercrantz share on every trading day during the year.

INCENTIVE PROGRAMMES

Since 2006 there are incentive programmes for managers and members of senior management in the Group, in accordance with Annual General Meeting resolutions. The purpose of the programmes is to raise the motivation and create participation for managers and members of senior management with respect to the opportunities for the Company's performance. Programmes were issued in 2006, 2007, 2008, 2009 and 2010, whereof the last three remain outstanding.

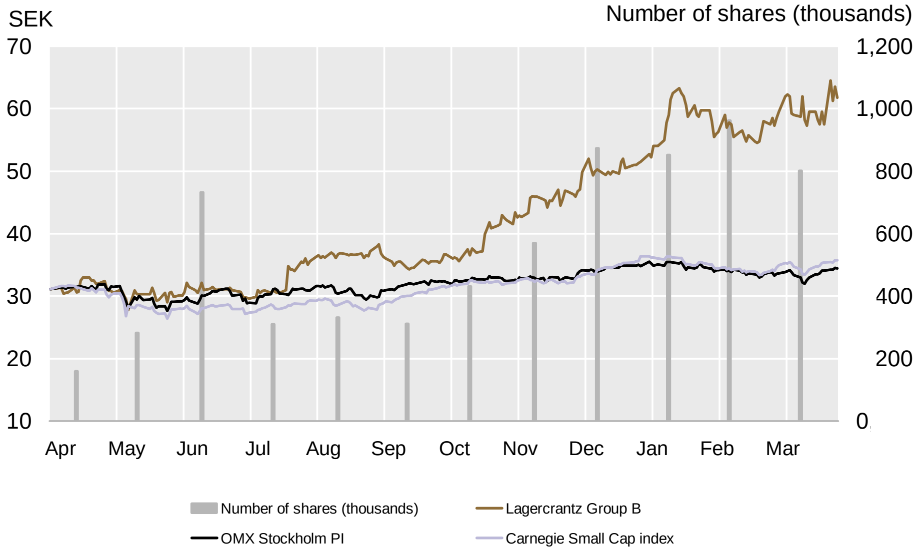
The 2008 Annual General Meeting resolved to award 180,500 call options. The 2009 Annual General Meeting resolved to award 255 000 call options. The 2010 Annual General Meeting resolved to award 260 000 call options. All programmes were fully subscribed. The total number of options outstanding was 685,000 after repurchase of 10,500 options from associates who have left the Group.

Each option gives its holder the right to purchase one share at the redemption price of SEK 36.80 (2008 programme), SEK 31.10 (2009 programme) and SEK 42.00 (2010 programme). The options can be exercised between 27 September and 27 December 2011 (2008 programme) and not later than 30 September 2012 (2009 programme) and 4 October 2013 (2010 programme). In all, and fully subscribed, the programmes correspond to just short of 3 percent of the number of shares outstanding and about 2 percent of the votes in the Company.

INFORMATION

Lagercrantz Group informs about significant events in the Company by publishing press releases. The Company provides periodic financial information in the form of quarterly reports. Press releases and quarterly reports are available at the Company's website, where also financial overviews and current corporate governance information is published.

Market price performance and trading volume 1 year



Share facts

Short name	LAGR B
ID	SSE14335
ISIN code	SE0000808396
Segment	Small Cap
Sector	45203030 Technology Distributors
Listed since	3 September 2001

Ownership structure in Lagercrantz Group 31 March 2011

Number of shares	Number of owners	Stake	Votes
1–500	2,310	2.1%	1.4%
501–1,000	629	2.4%	1.7%
1,001–10,000	712	10.0%	8.1%
10,001–50,000	77	6.9%	5.8%
50,001–100,000	22	7.1%	6.3%
100,001–	27	71.5%	76.7%
Total	**3,777**	**100.0%**	**100.0%**

Institutional ownership	404	60.5%	43.4%
Private individuals	3,373	39.5%	56.6%
Total	**3,777**	**100.0%**	**100.0%**
of which Sweden based	3,622	83.3%	88.4%

Largest owners in Lagercrantz Group 31 March 2011

Owners	A shares	B shares	Stake	Votes
Anders Börjesson w family	492,558	402,500	4.0%	16.6%
Tom Hedelius w family	477,558	5,400	2.2%	14.9%
Skandia Liv		2,407,543	10.8%	7.5%
Nordea Investment Funds		1,834,681	8.3%	5.7%
Odin Funds		1,796,060	8.1%	5.6%
Swedbank Robur Funds		1,635,418	7.4%	5.1%
Didner & Gerge Funds		1,001,341	4.5%	3.1%
Pär Stenberg (estate)		919,122	4.1%	2.9%
Handelsbanken Funds		846,016	3.8%	2.6%
Marianne Rapp		716,000	3.2%	2.2%
Fondita Nordic Micro Cap		650,000	2.9%	2.0%
Carl T. Säve w family (estate)	10,000	433,289	2.0%	1.7%
Christina Mörner	10,000	346,411	1.6%	1.4%
Margareta von Matérn	10,000	341,661	1.6%	1.4%
Avanza Pension		426,278	1.9%	1.3%
The Knowledge Foundation		395,000	1.8%	1.2%
CBNY Int Small Cap		233,635	1.1%	0.7%
Foundation Crown princess Margareta's Fund	17,476	50,000	0.3%	0.7%
Matern family		200,806	0.9%	0.6%
Björn Nordenwall		200,000	0.9%	0.6%
20 largest shareholders	**1,017,592**	**14,841,161**	**71.4%**	**78.1%**
Other owners	**77,062**	**6,260,494**	**28.6%**	**21.9%**
TOTAL excl shares held in treasury	**1,094,654**	**21,101,655**	**100.0%**	**100.0%**
Lagercrantz Group (treasury)		977,000		
TOTAL	**1,094,654**	**22,078,655**		

Several-year Overview

Income Statement

Amounts in MSEK	2010/11	2009/10	2008/09	2007/08	2006/07
Net revenue	2,029	1,720	2,138	2,172	1,974
Operating result before depreciation and amortisation	**176**	**92**	**130**	**154**	**120**
Depreciation and amortisation	–29	–25	–25	–23	–21
Operating result	**147**	**67**	**105**	**131**	**99**
Finance income and expense	–10	–9	–11	–10	–9
Result after finance items	**137**	**58**	**94**	**121**	**90**
Taxes & non-controlling interest	–35	–16	–26	–30	–25
Net result for the year	**102**	**42**	**68**	**91**	**65**

Statement of Financial Position

Amounts in MSEK	2011-03-31	2010-03-31	2009-03-31	2008-03-31	2007-03-31
Assets					
Intangible non-current assets	505	283	306	238	225
Tangible non-current assets	91	51	56	51	83
Financial non-current assets	11	17	23	30	39
Other current assets	621	503	604	657	678
Liquid funds and short-term investments	56	29	60	79	94
Total assets	**1,284**	**883**	**1,049**	**1,055**	**1,119**
Shareholders' equity and liabilities					
Shareholders' equity and non-controlling interest	545	494	518	459	432
Interest-bearing provisions and liabilities	299	67	138	172	255
Non-interest-bearing provisions and liabilities	440	322	393	424	432
Total shareholders' equity and liabilities	**1,284**	**883**	**1,049**	**1,055**	**1,119**
Capital employed	844	561	656	631	687
Pledged assets and contingent liabilities	32	31	63	61	61

Cash Flow Statement

Amounts in MSEK	2010/11	2009/10	2008/09	2007/08	2006/07
Result after finance items	137	58	94	121	90
Adjustment for paid taxes and items not included in cash flow	11	-2	1	–19	3
Cash flow before changes in working capital	**148**	**56**	**95**	**102**	**93**
Cash flow from changes in working capital	–30	31	42	18	–17
Cash flow from operating activities	**118**	**87**	**137**	**120**	**76**
Cash flow from investment activities	–297	–18	–77	17	–170
Cash flow from operating activities and investment activities	**–179**	**69**	**60**	**137**	**–94**
Cash flow from financing activities	206	–99	–77	–151	134
Cash flow for the year	**27**	**–30**	**–17**	**–14**	**40**

Key Financial Indicators

Amounts in MSEK unless otherwise stated	2010/11	2009/10	2008/09	2007/08	2006/07
Change in revenue, %	18.0	–19,6	–1.6	10.0	22.8
Operating margin,%	7.2	3.9	4.9	6.0	5.0
Profit margin, %	6.8	3.4	4.4	5.6	4.6
Return on capital employed, %	21	11	17	21	18
Return on equity, %	20	8	14	21	16
Equity ratio, %	42	56	49	44	39
Debt equity ratio, times	0.5	0.1	0.3	0.4	0.6
Net debt equity ratio, times	0.4	0.1	0.2	0.2	0.4
Times interest earned	12	6	7	9	9
Net interest-bearing liabilities (+) / receivables (–)	243	38	78	93	161
Number of employees at year-end	731	608	742	763	751
Average number of employees	692	661	782	769	741
Payroll expenses including social benefits	405	374	442	409	381
Revenue outside Sweden	1,355	1,155	1,486	1,496	1,352

Per-share Data

	2010/11	2009/10	2008/09	2007/08	2006/07
Number of shares outstanding at year-end after repurchases and fully diluted ('000)	22,196	21,978	21,978	22,478	23,678
Weighted number of shares outstanding after repurchases and fully diluted ('000)	22,133	21,978	22,287	23,212	23,678
Operating result per share, fully diluted SEK	6.64	3.05	4.71	5.64	4.18
Earnings per share, fully diluted SEK	4.61	1.91	3.05	3.92	2.75
Earnings per share, SEK	4.63	1.91	3.05	3.92	2.75
Cash flow per share, fully diluted SEK	5.33	3.96	–0.76	–0.60	1.69
Cash flow from operating activities per share, fully diluted SEK	1.22	–1.37	6.15	5.17	3,21
Dividend per share, SEK (year's dividend as proposed)	2.25	1.50	1.50	1.50	1.25
Shareholders' equity per share, SEK	24.60	22.50	23.60	20.40	18.20
Last market price per share, SEK	61.75	31.50	23.50	28.80	33.50

Definitions

Average number of employees
Average number of employees during the year.

Cash flow per share, fully diluted
Cash flow in relation to weighted number of shares outstanding after repurchases and dilution.

Cash flow from operating activities per share, fully diluted
Cash flow from operating activities in relation to weighted number of shares outstanding after repurchases and dilution

Capital employed
Balance sheet total reduced by interest-bearing provisions and liabilities.

Change in net revenue
Change in net revenue in percent of preceding year's net revenue.

Debt equity ratio
Interest-bearing liabilities in relation to share-holders' equity, plus non-controlling interest.

Earnings per share
Net result attributable to the Parent Company's shareholders in relation to weighted number of shares outstanding after repurchases.

Earnings per share, fully diluted
Net result attributable to the Parent Company's shareholders in relation to weighted number of shares outstanding after repurchases and dilution.

Equity ratio
Shareholders' equity, plus non-controlling interest, in percent of balance sheet total.

Net debt equity ratio
Interest-bearing provisions and liabilities, less liquid funds and short-term investments in relation to shareholders' equity, plus non-controlling interest.

Net interest-bearing liabilities/receivables
Interest-bearing provisions and liabilities, less liquid funds and short-term investments.

Operating margin
Operating result in percent of net revenue.

Profit margin
Result after finance items, less share in affiliated company in percent of net revenue.

Return on capital employed
Result after finance items, plus finance costs in percent of average capital employed.

Return on equity
Net result for the year in percent of average shareholder's equity.

Shareholders' equity per share
Shareholders' equity in relation to number of shares outstanding at year-end after repurchases.

Shareholders' equity per share, fully diluted
Shareholders' equity in relation to number of shares outstanding at year-end after repurchases and dilution.

Times interest earned
Result after finance items, plus financial expense divided by financial expense.

Board of Directors' Report 2010/11

The Board of Directors and the President of Lagercrantz Group AB (publ), organisation number 556282-4556, hereby submit their Annual Accounts and consolidated financial statements for the 2010/11 operating year. The Corporate Governance Report is also included in the Board of Directors Report.

The legal Annual Accounts consist of the Board of Directors Report, including the Corporate Governance Report, with proposed allocation of earnings, and the Financial Statements.

BUSINESS

Lagercrantz Group AB (publ) and its subsidiaries are a technology group in electronics, electrics, communication and adjacent areas. The Group's products and services are distinguished by high technology content, customer adaptation and value creation.

The Group is active in a number of product segments on several geographic markets. The Group operates with a distinct niche focus and is characterised by decentralised business responsibility where each subsidiary is a separate profit centre with responsibility for its chosen strategy. The Lagercrantz Group consists of the Parent Company, Lagercrantz Group AB, and some 26 operating subsidiaries. The subsidiaries are organised in three divisions: Electronics, Mechatronics and Communications.

NET REVENUE AND RESULT

Lagercrantz Group's net revenue for the 2010/11 (1 April 2010–31 March 2011) financial year amounted to MSEK 2,029 (1,720), equivalent to an increase of 18 percent. Businesses acquired during the year contributed with MSEK 205 to the financial year's revenue. Organic growth was 6 percent, and measured in local currency 13 percent.

The business climate was good during the year and most of the Group's businesses recorded stronger demand than during the previous year.

Operating profit for the year increased to MSEK 147 (67) and the operating margin was 7.2 percent (3.9). During the fourth quarter operating profit increased to MSEK 45 (22), which means that the operating margin rose to 8.2 percent (5.1), which is an all-time high for the Group during a quarter.

High revenue combined with cost focus and other measures strengthening margins in existing businesses and contributions from acquired businesses created earnings improvements during the year.

The effect of currencies on operating profit amounted to MSEK –3 (–4).

Profit after net finance items for the year amounted to MSEK 137 (58). The net of finance items was impacted by currency effects in an amount of MSEK 0 (–1) during the year.

Profit after taxes for the year amounted to MSEK 102 (42), equivalent to earnings per share of SEK 4.61 (1.91) fully diluted. This result is the highest since the Company went public in 2001.

PROFITABILITY AND FINANCIAL POSITION

The return on capital employed for the financial year was 21 percent compared to 11 percent for the preceding year. The corresponding figures for return on equity were 20 percent and 8 percent, respectively.

Equity per share amounted to SEK 24.60, as against SEK 22.50 at the beginning of the financial year.

The equity ratio was 42 percent compared to 56 percent at the beginning of the financial year. At year-end the financial net liability was MSEK 243, including a pension liability of MSEK 50, as compared to MSEK 38, including a pension liability of MSEK 49 at the beginning of the period. The change in equity ratio and net liability is primarily due to acquisitions made. The consolidated net debt equity ratio was 0.4.

CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from operating activities amounted to MSEK 118 (87) during the financial year. Capital expenditures in non-current assets amounted to a gross amount of MSEK 19 (17). Acquisition of businesses affected cash flow by –278 (–2) during the year. No shares were repurchased during the year.

NET REVENUE AND RESULT BY DIVISION

Electronics

Net revenue for the year increased to MSEK 586 (552).

Gradually stronger demand during the year meant that revenue increased during all quarters of the year. Acquisitions also contributed to the increase in revenue during the second half of the year.

Transformation work continued in the Group during the year. Concentration to the major customer markets was completed, which means that the businesses in Poland, Asia and the United Kingdom have been restructured. Phasing out of standard products with lower margins was also in progress. The loss of volume because of this phasing out has been compensated by the division advancing its position in systems and solution sales, as example by broadening the offer in Sweden to include embedded systems in display solutions.

Operating profit amounted to MSEK 30 (17), which is equivalent to an operating margin of 5.1 percent (3.1). The improvement is a consequence of increased revenue in combination with cost containment action in existing businesses, reduced exposure to markets and segments with lower margins, and contributions from acquisitions.

Mechatronics

Net revenue for the year increased to MSEK 740 (511). Revenue by quarter during the year was relatively stable and at higher levels than last year. The increase in revenue is explained by improved demand from export-related industrial customers of the division's existing companies, and by the acquisitions made during the year.

The incidence of proprietary products increased sharply during the year, especially thanks to acquisitions made. From having constituted a minor share of the division's revenue just a few years ago, these sales accounted for almost half of revenue during 2010/11, where niche production and dealing primarily in electro-mechanics constituted the other parts with about 30 and 20 percent, respectively, of revenue.

Operating profit amounted to MSEK 77 (30), equivalent to a margin of 10.4 percent (5.9). The improvement is the consequence of increased revenue, restraint with respect to costs, internal streamlining, and increased value added as well as contributions from acquisitions.

Communications

Net revenue amounted to MSEK 703 (657). Sales successes were achieved particularly in the division's businesses in access and software, where grew gradually stronger during the year. In the access area acquisitions also contributed to the increase. Increased demand was also seen in the division's third area, digital image processing, towards the end of the year.

Efforts during the year were aimed at strengthening the positions in the division's market niches, especially through increased selling activity and strengthening of the offer. The latter in part by increasing the incidence of proprietary products and by offering services to a greater extent in the form of service and counselling

Operating profit amounted to MSEK 53 (34), equivalent to an operating margin of 7.5 (5.2) percent. The improvement is a consequence of higher revenue in combination with holding costs in check in existing businesses, and contributions from acquisitions.

PARENT COMPANY AND OTHER CONSOLIDATION ITEMS

The Parent Company's internal net revenue for the full year amounted to MSEK 25 (22) and the result after net finance items was MSEK 8 (60). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK –3 (–3). Dividends from subsidiaries amounted to MSEK 32 (86). Investments in non-current assets were made in a net amount of MSEK 0 (0). Of the Parent Company's approved committed credit facility in the amount in the amount of MSEK 400, MSEK 175 (22) was utilized at the end of the period. The change is explained by acquisitions.

In addition, the Company held liquid funds of MSEK 0 (0). The Parent Company's equity ratio was 54 (76) percent.

EMPLOYEES

At the end of the period the number of employees in the Group was 731, as compared with 608 at the beginning of the financial year. The increase is a consequence of acquisitions.

SHARES, REPURCHASES AND MAJOR SHAREHOLDERS

The share capital amounted to MSEK 48.9 at the end of the period. The distribution on classes of shares is 1,094,654 class A shares and 22,078,655 class B shares, a total of 23,173,309 shares. The class A share is not listed. Each share has a quotient value of SEK 2.11. The Articles of Association allow for conversion of class A shares to class B shares. No class A shares were converted during the year.

Lagercrantz owns 977,000 class B shares, which is equivalent to 4.2 percent of the number of shares outstanding and 3.0 percent of the number of votes in Lagercrantz. The average purchase price of the shares held in treasury is SEK 25.57 per share. Among other things, the repurchased shares secure the Company's obligations under outstanding option programmes.

The 2010 Annual Meeting resolved to authorise the Board of Directors to repurchase shares up to 10 percent of the total number of shares outstanding until the next Annual Meeting. Repurchases shall be made via the stock exchange. Among other things, the mandate included the option of covering the Company's obligations under incentive programmes, under which purchase options on repurchased shares have been acquired by managers and members of senior management in the Group. No shares were acquired during the year.

The Company's obligation under outstanding incentive programmes, corresponding with a total of 685,000 options, have been acquired by managers and members of senior management (awards 2008, 2009 and 2010) where the redemption price is SEK 36.80, SEK 31.10, and SEK 42.00, per call option, respectively (see note 6 for additional information).

Two shareholders have more than 10 percent of the votes: Anders Börjesson with family, 16.6 percent and Tom Hedelius with family, 14.9. Skandia Liv, with 10.8 percent of the capital is the largest single shareholder in terms of holding. The above ownership stakes are calculated based on the number of shares and votes outstanding, not including shares held in treasury by Lagercrantz.

CERTAIN AGREEMENTS

There are no significant agreements to which the Company is a party that are activated or changed as a result of a change of control due to a public take-over offer.

CORPORATE ACQUISITIONS

Norwesco AB was acquired during May 2010. Effective as of May, the company is part of division Mechatronics.

SwedWire AB was acquired during June 2010. Effective as of June, the company is part of division Mechatronics.

Leteng AS was acquired during July 2010. Effective as of July, Leteng is part of division Communications.

Danish company Vanpée & Westerberg A/S was acquired during October 2010. Effective as of October, the company is part of division Electronics.

During February 2011 a smaller acquisition was made (Capax) as a complement to subsidiary Acte Solutions in division Electronics.

Svensk Stålinredning AB was acquired during March 2011 and is part of division Mechatronics from that month.

The estimated total purchase money for the acquired entities amounts to MSEK 301. This amount includes supplemental purchase money set aside in an amount of MSEK 21 for Leteng AS, Vanpée & Westerberg A/S, Svensk Stålinredning AB and Capax, calculated based on probability-weighted values. The amount constitutes about 90 percent of maximum outcome. There is no supplemental purchase money for the other companies. Transaction costs for the acquisitions consummated during the year amounted to MSEK 3, which is included in Administrative expense in the income statement. Goodwill has increased in the Group as a result of the acquisitions by about MSEK 150; other intangible non-fixed assets increased by MSEK 89, mostly in the form of trademarks. The deferred tax liability amounts to MSEK 25.

The effect of the acquisitions on the financial year's consolidated revenue is MSEK 205, and on profit before taxes MSEK 23 after acquisition costs. Had the acquired businesses been consolidated as of 1 April 2010, the effect on revenue and profit would have been MSEK 302 and MSEK 33, respectively, after acquisition costs.

Specification of the acquisitions can be found in note 38.

TRANSACTIONS WITH CLOSELY RELATED PARTIES

Transactions between Lagercrantz and closely related parties with a significant impact on the Company's financial position and results have not occurred.

SOCIAL RESPONSIBILITY

Lagercrantz builds its long-term development on responsible enterprise with respect to moral values and businessmanship. The Group's business is based on long-term and strong relationships with customers and suppliers, as well as good ethics and great respect for all individuals in the company as well as with external contacts.

Much like in other parts of the Group's business, the concrete work with social responsibility is highly decentralised within the framework of the guidelines Lagercrantz has adopted and which is based on the ethics policy adopted by IT & telecom companies in Almega 15 October 2008. This policy can be seen at Lagercrantz Group's website and includes important basic principles with respect to: Discrimination, Work Environment, Environment, Intangible Rights, Child Labour, Bribery and Corruption.

ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participating in a sustainable development is an important prerequisite for the Group's business. The principal activity consists of trading and distribution and only a small number of companies in the Group have their own manufacturing operations. The Group's impact on the environment is therefore limited and is mainly associated with transportation of finished goods, business travel and waste management. The Group's companies are continually working on reducing the environmental impact of their operations. Environmental work is conducted locally, based on the specific conditions for each individual company. The Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for renewed use and recycling of material and energy and also prevent and limit environmental pollution. The ambition is to be sensitive to customers' and suppliers' wishes, thereby meeting the market's demands for proactive environmental work. Several of the companies in the Group work with quantitative goals in their environmental efforts. In one subsidiary the Group conducts business that requires a permit under the Swedish Environmental Act. There are no known threats from an environmental viewpoint that could jeopardise the operations.

RESEARCH AND DEVELOPMENT

In the interest of strengthening and developing Lagercrantz Group's position in electronics, electrics and communication, the Group assigns resources primarily to development of different solutions for customers and co-operation partners, products, and certain establishment of proprietary trademarks. Activities during 2010/11 included product development in particular. Development is performed in close co-operation with the customer and always based on an identified customer need. Lagercrantz Group conducts no research of its own.

Expenditure for research and development increased marginally but still constitutes less than one percent of revenue. During the financial year outlays for development of a new product generation of alarm telephones and for PC solutions for embedding in complex environments were capitalised.

RISKS AND FACTORS OF UNCERTAINTY

Lagercrantz Group's result, financial position and the future development are affected by internal factors over which the Company exerts control, as well as by external factors where opportunities to affect the course of events are limited. The focus is instead on managing the consequences thereof. The most important risk factors are the state of the economy, structural changes on the Group's markets, supplier and customer dependence, the competitive situation and financial risks, as described below.

Unrest in the world financial markets and the global weakening of the economy during 2008-2009 affected demand in a negative direction for most of the Group's companies. A number of measures were therefore taken during the 2008/09–2009/10 financial years to meet the lower demand, among other things with respect to costs, working capital and capital spending. As 2010/11 began most of these measures had been implemented and a positive effect was beginning to be discerned. Then when demand grew stronger in the beginning of 2010 the Group had a favourable position with reduced costs and a strong financial position, which meant that the increase in sales translated into improved earnings, at the same time as a number of acquisitions during the year contributed to the positive trend during the year in terms of earnings and margins.

The economic situation

Lagercrantz is affected by the overall economic development, typically measured in terms of GDP growth. Since Lagercrantz almost exclusively sells its products and services to companies and government agencies, it is primarily these entities' purchasing plans that affect Lagercrantz. Lagercrantz tries to meet the risks that result from cyclical changes in the economy by sector diversification, niche focus and its decentralised structure. Sector diversification means that, seen across the entire Group, its customers will find themselves in different phases on an economic cycle. As a consequence of the Group's niche focus, the Group is less dependent on one or a few end markets for its growth and profitability. This means that cyclical changes in one sector or one country may have an impact on an individual company niched towards parts of this sector or geographic area, but will have less effect on the Group's overall development. Lagercrantz Group endeavours to have a growing part of its sales in the form of aftermarket sales and service revenue, which is deemed to be less sensitive to economic cycles than investment-type goods. The decentralised structure means that it is the responsibility of the individual profit centres to keep on top of their respective markets and take action quickly when fluctuations in the market situation are seen. This makes rapid and effective changes possible and local measures can be taken with a clear link to each profit centre's environment.

Structural changes

Lagercrantz works actively on increasing the value element in its offer, irrespective of customer group. This has clearly been a contributing reason for the Group's improved profitability, and the fact that the Group continues to be a prioritised supplier to many customers. An important part of this work has been to be more selective in choosing customers and market segments where the Group has an opportunity of creating a strong market position, which makes it more difficult to replace us with another supplier.

Another structural change that affects our business is the ever more rapid technological development and overall shorter product life cycles. This places ever more rigorous demands on the companies to stay close to the customers in order to catch new trends and to know when it is commercially warranted to adopt a new technology area, or to phase out an existing one.

Supplier and customer dependence

Dependency on individual suppliers is one of the most important operational risks for an individual subsidiary to handle. Many of the companies in the Group have developed their business based on one or a few strong supplier relationships. If one of these were to disappear, it would hurt the company, especially in the short term before alternatives have been located. In order to minimise this risk the subsidiaries work closely with their suppliers so as to create strong relationships at multiple levels. The Group also increasingly works on analysing supplier and customer relationships based on contract structure, product liability issues and insurable risks to minimise the consequences of the loss of a supplier or customer. In recent years the Group has also worked successfully to reduce the risks associated with late payments from or non-payment by customers. Measures have included credit assessment and follow-up of new and existing customers, as well as active management of late payments.

Overall in the Group, there is a large number of suppliers and distribution agreements and of these some 20 are of such major economic importance that special action would be required if one or more of these were lost. No individual supplier represents more than ten percent of the Group's aggregate sales. A number of supplier agreements expire and are added each year in the normal course of business, however.

Lagercrantz has a broad customer structure, split over a number of industry segments and geographic markets. No customer represents more than about five percent of the Group's aggregate sales.

Competitive situation

In general, it can be said that the market segments where Lagercrantz is active are marked by change and increased consolidation, even if there are major variations. In the electronic industry in particular, the consolidation that swept the market in the beginning of the 2000s, created pricing pressures in the area of standard components to major customers. There are nevertheless still many niches that offer good profitability, especially because the customer structure there is different, with more small and local customers. This is the type of niche where Lagercrantz wants to be. In other areas where Lagercrantz is active, moves among customers led to a situation where the remaining players compete for the same customers and organic growth is weak. This is the case in the wiring harness business. Here Lagercrantz attempts to assume a unique position through flexible production, high quality and strong customer relationships. In several other markets where Lagercrantz Group's businesses are active, market growth is so good and the degree of consolidation so low that the competitive situation allows for growth as well as improved profitability.

Seasonal variations

Lagercrantz Group's business is only to a limited degree marked by seasonal variations. Operations normally follow the seasonal pattern for the manufacturing industry, which means lower sales during holiday periods. Based on a historical pattern, just short of half of the result is generated during the first two quarters, and just over half during the last two quarters of the financial year, October to March in other words. In lockstep with the change in the Group's structure prompted by a growing share of export-related business, the seasonal pattern has been evened out to a large extent. Deviations from this may also appear when rapid economic changes occur.

Financial risks and sensitivity analysis

For an account of the Group's and the Parent Company's financial risks and a sensitivity analysis, reference is made to note 41.

CORPORATE GOVERNANCE REPORT

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 four respects; explanations are provided in each case (of which two are included in the section about the Election Committee, one in the section on Audit Committee and one in the section Incentive programme). The report also contains an account of the work of the Election Committee leading up to the 2011 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 2011 the number of shareholders was 3,777 compared to 3,365 at the beginning of the financial year.

Private individuals owned approximately 40 percent (41) of the number of shares outstanding and 57 percent (57) 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 17 percent (18) of the shares outstanding and 12 percent (12) of the votes. The ten largest shareholders held a total of approximately 57 percent of the shares (58) outstanding and 66 percent (67) of the votes. Two shareholders have more than 10 percent of the votes: Anders Börjesson with family, 16.6 percent and Tom Hedelius with family, 14.9. Skandia Liv, with 10.8 percent of the capital is the largest single shareholder in terms of holding.

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.

2010 Annual General Meeting

The 2010 Annual General Meeting was held 31 August in Stockholm. Notice for the Annual General Meeting was published 23 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 8.4 million shares and 17.4 million votes, respectively, were present. This is equivalent to 38 percent of the number of shares outstanding and 55 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 2009/10.
- 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 260,000 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 2010/11 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
- 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, page 56. 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 nine meetings during the 2010/11 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. 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 2010/11 the Board of Directors devoted special attention to acquisition issues. The work of the Board of Directors was also marked by issues surrounding market development, business model. One extra Board of Directors meeting 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 discussions around:

- 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 2010/11 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 2010/11 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 at which the Committee was complete.

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 2010/11 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 at which the Committee was complete.

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 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 auditor's 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 a president and two executive vice presidents. The management team consists of Group management and division heads/-business area managers, in total seven 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 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 2010 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 2011 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, such as internal audit. 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 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 2010 Annual General Meeting decided to give the Chairman of the Board of Directors the assignment of contacting the largest shareholders by vote on 31 December 2010, 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
- 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 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.

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 programme is aimed at raising motivation and creating participation for managers and members of senior management regarding the opportunities for the company's development. The purpose 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, and 2010 based on the decision by the annual general meeting each year. The 2008, 2009, and 2010 programmes are currently outstanding. Programmes 2009 and 2010 stipulate that shares may be acquired at three separate occasions of which two are within three years from the time of issue, thereby deviating from the Swedish Code of Corporate Governance. The purpose is to increase the number of exercise periods. A complete description of outstanding option programmes will be found in note 6.

EVENTS AFTER THE DATE OF THE REPORT OF FINANCIALPOSITION

No events of significance for the Company have occurred after the date of the Report of Financial Position 31 March 2011.

FUTURE DEVELOPMENT

The Group's two most important future tasks are to continue developing existing businesses and to continue focusing on growth, both organically and through acquisitions.

The improved business climate during the financial year meant good opportunities for the Group's companies to increase their sales. In combination with lower costs and increased added value this has created improved profitability. In addition, there are the added sales and profit that follows from successful acquisitions. The Group's ambition is to increase the element of proprietary products and system integration, primarily through acquisitions.

DIVIDEND

The Board of Directors proposes a dividend of SEK 2.25 (1.50) per share. The dividend is equivalent to a total of MSEK 50 (33) and constitutes 49 percent (79) of the year's earnings. The size of the dividend is based on consideration to the Group's capital structure and future possibilities for expansion. The Board of Directors is of the opinion that the proposed dividend leaves room for the Group to fulfil its obligations and to make the necessary capital expenditures.

PROPOSED ALLOCATION OF EARNINGS

The Board of Directors proposes that that the funds available for distribution, SEK 430,686 thousand, are allocated as follows:

Dividend to the shareholders of SEK 2.25 × 22,196,309 shares	49,942
To be carried forward	380,744
Total	**430,686**

BOARD ASSURANCE

The consolidated and the Parent Company income statements and the consolidated statement of financial position and the Parent Company's balance sheet will be subject to approval at the Annual General Meeting to be held 30 August 2011. We regard the consolidated financial statements as prepared in accordance with the international financial reporting standards referred to in regulation (EG) No. 1606/2002 of 19 July 2002 of the European Parliament and the Council on the application of international financial reporting standards and as providing a true and fair view of the financial position and performance of the Group. The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the financial position and results of the Parent Company. The Board of Directors Report for the Group and the Parent Company provides a true and fair overview of the business activities, financial position and results of the Group and the Parent Company and describes the significant risks and uncertainty factors facing the Group and the Parent Company.

Stockholm, 28 June 2011

Anders Börjesson
Chairman

Pirkko Alitalo
Director

Tom Hedelius
Vice Chairman

Lennart Sjölund
Director

Jörgen Wigh
President & CEO

Our audit report was presented 28 June 2011

KPMG AB

Joakim Thilstedt
Authorised public accountant

Consolidated Income Statement

Amounts in MSEK	Note	2010/11	2009/10
Net revenue	3, 4	2 029	1 720
Cost of goods sold		-1 461	-1 265
Gross profit		**568**	**455**
Other operating expenses	7	15	10
Selling costs		-280	-257
Administrative expenses		-129	-120
Research and development expenses		-17	-13
Other operating expense	8	-10	-8
Operating profit	3, 5, 6, 9, 10, 13	**147**	**67**
Result from finance items			
Finance income	11	2	3
Finance expense	12	-12	-12
Profit before taxes	13	**137**	**58**
Taxes	14	-35	-16
Net income for the year		**102**	**42**
Earnings per share after dilution, SEK	40	4,61	1,91
Earnings per share, SEK	40	4,63	1,91
Number of shares outstanding after the year's repurchases ('000)		22 196	21 978
Weighted number of shares outstanding after the year's repurchases and dilution ('000)		22 133	21 978
Weighted number of shares outstanding after the year's repurchases ('000)		22 046	21 978
Proposed dividend per share, SEK		2,25	1,50

Consolidated statement of comprehensive income

Amounts in MSEK	Note	2010/11	2009/10
Net income for the year		102	42
Other comprehensive income			
Change in hedging reserve		1	1
Change in translation reserve		-29	-34
Comprehensive income for the year		**74**	**9**

Consolidated Statement of Financial Position

Amounts in MSEK	Note	2011-03-31	2010-03-31
ASSETS	3		
Non-current assets			
Intangible non-current assets			
Goodwill	15	320	179
Trademark	16	108	39
Other intangible assets	17	77	65
		505	**283**
Tangible non-current assets			
Buildings, land & land improvements	18	31	2
Leasehold improvements	19	2	4
Plant and machinery	20	40	29
Equipment, tools, fixtures and fittings	21	18	16
		91	**51**
Financial non-current assets			
Deferred tax asset	31	9	15
Other long-term receivables	24, 33	2	2
		11	**17**
Total non-current assets		**607**	**351**
Current assets			
Inventories, etc	25		
Raw materials and consumables		62	51
Work in progress		17	9
Finished products and goods for resale		144	117
		223	**177**
Short-term receivables	33		
Trade receivables	26	323	254
Earned but not invoiced revenue	27	14	15
Tax assets		8	13
Other receivables		31	14
Prepaid expenses and accrued income		22	30
		398	**326**
Short-term investments		0	0
Cash and cash equivalents	33	56	29
Total current assets		**677**	**532**
TOTAL ASSETS		**1 284**	**883**

Consolidated Statement of Financial Position

Amounts in MSEK	Note	2011-03-31	2010-03-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	29		
Share capital		49	49
Other capital contributed		345	345
Reserves		-20	8
Retained earnings		171	92
Total shareholders' equity attributable to the Parent Company's shareholders		**545**	**494**
Long-term liabilities	3,33,34		
Long-term interest-bearing liabilities			
Provisions for pensions	30	50	49
Liabilities to credit institutions	34	75	0
Other long-term interest-bearing liabilities		–	0
		125	**49**
Long-term non-interest-bearing liabilities			
Long-term non-interest-bearing liabilities		0	0
Deferred tax liability	31	60	30
Other provisions	32	1	2
		61	**32**
Total long-term liabilities		**186**	**81**
Current liabilities	3,33,34		
Short-term interest-bearing liabilities			
Committed credit facility	34	174	16
Liabilities to credit institutions	34	0	2
		174	**18**
Short-term non-interest-bearing liabilities			
Advance payments from customers		3	1
Trade payables		188	158
Tax liabilities		17	7
Other liabilities		86	60
Accrued expenses and prepaid income		84	58
Provisions	32	1	6
		379	**290**
Total current liabilities		**553**	**308**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1 284**	**883**

Pledged assets and contingent liabilities

Amounts in MSEK	Note	2011-03-31	2010-03-31
Pledged assets	34		
For own liabilities and provisions			
Corporate mortgages		29	28
		29	**28**
Contingent liabilities	39		
Guaranty undertakings, FPG/ PRI		0	0
Other guarantees		3	3
		3	**3**

Consolidated Statement of Changes in Equity

Amounts in MSEK

2011-03-31	Share-capital	Other contributed capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total equity
Opening balance	49	345	-2	10	92	494
Profit for the year					102	102
Other comprehensive income			1	-29	–	-28
Comprehensive income for the year			**1**	**-29**	**102**	**74**
Dividend					-33	-33
Exercising options on repurchased shares					10	10
Option programme payments		–				–
Closing balance	**49**	**345**	**-1**	**-19**	**171**	**545**

2010-03-31	Share-capital	Other contributed capital	Reserves: Hedging reserve	Reserves: Translation reserve	Retained earnings	Total equity
Opening balance	49	345	-3	44	83	518
Profit for the year					42	42
Other comprehensive income			1	-34	–	-33
Comprehensive income for the year			**1**	**-34**	**42**	**9**
Dividend					-33	-33
Option programme payment		–				–
Closing balance	**49**	**345**	**-2**	**10**	**92**	**494**

Note 29 contain additional information about shareholder's equity.

Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2010/11	2009/10
Operating activities			
Profit after finance items	36	137	58
Adjustments for items not included in cash flow etc	37	23	14
		160	**72**
Current taxes		-12	-16
Cash flow from operating activities before changes in working capital		**148**	**56**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in inventories		-8	54
Increase (–)/Decrease (+) in operating receivables		-48	16
Increase (+)/Decrease (–) in operating liabilities		26	-39
Cash flow from operating activities		**118**	**87**
Investing activities			
Investment in businesses	38	-278	-2
Acquisition of intangible non-current assets		-10	-6
Acquisition of tangible non-current asset		-9	-11
Disposal of tangible non-current asset		0	1
Cash flow from investment activities		**-297**	**-18**
Financing activities			
Repurchase of own shares		10	–
Dividend paid		-33	-33
Change in loan liabilities		229	-66
Cash flow from financing activities		**206**	**-99**
Cash flow for the year		**27**	**-30**
Liquid funds at beginning of year		29	59
Exchange rate difference in liquid funds		0	-1
Liquid funds at year-end		**56**	**28**

Change in net financial liability/claim	2010/11	2009/10
Net financial liability (+)/claim (–) at beginning of year	38	78
Change in interest-bearing liabilities	228	-68
Interest-bearing liabilities in acquired businesses	3	–
Change in interest-bearing provisions for pensions	1	-3
Liquid funds in acquired businesses	-3	–
Change in liquid funds other	-24	31
Net financial liability (+)/claim (–) at end of year	**243**	**38**

Parent Company Income Statement

Amounts in MSEK	Note	2010/11	2009/10
Net revenue	3,4	25	22
Cost of goods sold		–	–
Gross profit		**25**	**22**
Adminitrative expenses		-35	-34
Operating profit	3,6,9,10,13	**-10**	**-12**
Result from financial items			
Finance income	11	35	88
Finance expense	12	-17	-16
Profit before appropriations and taxes	13	**8**	**60**
Appropriations			
Change in untaxed reserves		1	-2
Profit before taxes		**9**	**58**
Taxes	14	4	5
Net income for the year		**13**	**63**

Parent Company statement of comprehensive income

Amounts in MSEK	Note	2010/11	2009/10
Net income for the year		13	63
Other comprehensive income		–	–
Comprehensive income for the year		**13**	**63**

Parent Company Balance Sheet

Amounts in MSEK	Note	2011-03-31	2010-03-31
Non-current assets			
Non-current assets			
Tangible non-current assets			
Equipment, tools, fixtures and fittings	21	0	0
		0	**0**
Financial non-current assets			
Shares in Group companies	22	774	539
Due from Group companies	23	96	47
Deferred tax asset	31	0	0
		870	**586**
Total non-current assets		**870**	**586**
Current assets			
Short-term receivables	*33*		
Trade receivables		29	46
Tax assets		1	1
Other receivables		3	2
Prepaid expenses and accrued income	28	2	2
		35	**51**
Cash and cash equivalents	33	0	0
Total current assets		**35**	**51**
TOTAL ASSETS		**905**	**637**

Parent Company Balance Sheet

Amounts in MSEK	Note	2011-03-31	2010-03-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	29		
Share capital		49	49
Legal reserve		13	13
Restricted funds		**62**	**62**
Retained earnings		418	360
Profit for the year		13	63
Unrestricted funds		**431**	**423**
Total shareholders' equity		**493**	**485**
Untaxed reserves		2	3
Long-term liabilities	33, 34		
Long-term interest-bearing liabilities			
Provisions for pensions	30	21	22
Liabilities to Group companies		1	17
Liabilities to credit institutions	34	75	–
Total long-term liabilities		**97**	**39**
Current liabilities	33, 34		
Short-term interest-bearing liabilities			
Committed credit facility	34	175	22
Liabilities to credit institutions	34	–	–
		175	**22**
Short-term non-interest-bearing liabilities			
Trade payables		1	2
Due to Group companies		107	72
Tax liabilities		3	2
Other liabilities		19	7
Accrued expenses and prepaid income	35	8	5
Provisions	32	–	–
		138	**88**
Total current liabilities		**313**	**110**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**905**	**637**

Pledged assets and contingent liabilities

Amounts in MSEK	Note	2011-03-31	2010-03-31
Pledged assets		**–**	–
Contingent liabilities			
Guaranty undertakings, FPG/ PRI		24	23
Other guarantees		4	7
		28	**30**

Parent Company Statement of Changes in Equity

Amounts in MSEK

2011-03-31	**Share-capital**	**Legal reserve**	**Unrestricted equity**	**Total equity**
Closing balance according to preceeding year's balance sheet	49	13	423	485
Profit for the year			13	
Other comprehensive income			–	-29
Comprehensive income for the year			**13**	**13**
Dividend			-33	-33
Exercising options on repurchased shares			10	10
Option programme payment			–	–
Group contribution			25	25
Tax effect on group contribution			-7	-7
Closing balance	**49**	**13**	**431**	**493**

2010-03-31	**Share-capital**	**Legal reserve**	**Unrestricted equity**	**Total equity**
Closing balance according to preceeding year's balance sheet	49	13	373	435
Profit for the year			63	63
Other comprehensive income			–	–
Comprehensive income for the year			**63**	**63**
Dividend			-33	-33
Exercising options on repurchased shares			–	–
Option programme payment			–	–
Group contribution			27	27
Tax effect on group contribution			-7	-7
Closing balance	**49**	**13**	**423**	**485**

Note 29 contain additional information about shareholder's equity.

Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2010/11	2009/10
Operating activities			
Profit after finance items	36	8	60
Adjustments for items not included in cash flow etc	37	6	8
		14	**68**
Current taxes		-1	0
Cash flow from operating activities before changes in working capital		**13**	**68**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in operating receivables		7	-5
Increase (+)/Decrease (–) in operating liabilities		44	-5
Cash flow from operating activities		**64**	**58**
Investing Activities			
Investment in businesses		-225	-2
Sale of subsidiaries		–	3
Acquisition of tangible non-current assets		0	0
Sale of/decrease in financial assets		-51	10
Cash flow from investment activities		**-276**	**11**
Financing activities			
Dividend paid		-33	-33
Change in loan liabilities		219	-95
Group contribution received/rendered		26	29
Cash flow from financing activities		**212**	**-99**
Cash flow for the year		**0**	**-30**
Liquid funds at beginning of year		0	7
Merger of subsidiaries		–	23
Liquid funds at year-end		**0**	**0**

Notes to the financial statements

Note 1 Accounting policies

(a) Compliance with standards and law

The consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS) issued by the IFRS Interpretations Committee as approved by the EU Commission for application within EU. Recommendation RFR 1 Supplementary rules for consolidated accounting of the Swedish Financial Reporting Board has also been applied.

The Parent Company applies the same accounting policies as the Group, except in the cases stated below under the section Parent Company accounting policies. Discrepancies that do exist between the Parent Company's and the Group's policies are prompted by limitations in applying IFRS to the Parent Company as a result of the Swedish Annual Accounts Act (ÅRL) and the Swedish Act on securing pension obligations, and in certain cases for tax reasons.

(b) Assumptions for compiling the Parent Company's and the Group's financial reports

The Parent Company's functional currency is SEK, which also constitutes the reporting currency for the Parent Company and the Group. This means that the financial reports are presented in Swedish kronor. All amounts, unless otherwise specifically stated, are rounded to the nearest million. Assets and liabilities are reported at historical acquisition values, except for certain financial assets and liabilities which are valued at fair value. Financial assets and liabilities reported at fair value consist of derivative instruments, financial assets classified as financial assets valued at fair value through the income statement.

Non-current assets and available-for-sale groups of disposals are reported at the lower of previously reported value and fair value, after deduction of selling expenses.

Set-off of receivables and liabilities and of revenue and costs occurs only where required or expressly permitted in an accounting recommendation.

The financial reports encompass the Administration Report with proposed allocation of earnings and the financial statements with notes. The consolidated financial statements and the Parent Company's annual accounts have been approved for publication by the Board of Directors 28 June 2011. The consolidated income statement and statement of financial position and the Parent Company's income statements and balance sheets are subject to approval by the Annual General Meeting to be held 30 August 2011.

Preparing the financial reports in accordance with IFRS requires management to make judgments and estimates and make assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and a number of other factors that under prevailing circumstances are deemed reasonable. The result of these judgments and assumptions is then used to judge the reported value of assets and liabilities that would not be clearly evident from other sources. The actual outcome may differ from these estimates and judgments.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period when the change is made, where the change affects that period only, or in the period when the change is made and in future periods where the change affects the current period as well as future periods.

Judgments made by management with application of IFRS with significant impact on the financial reports and estimates made that may lead to significant adjustments in the financial reports of subsequent years are described in greater detail in Note 2 and elsewhere.

By events after the end of the period under review are meant favourable as well as unfavourable events that occur between the end of the period under review and the date in the next following financial year when the financial reports are signed by the members of the Board of Directors. Information is provided in the annual report about significant events after the end of the period under review that are not accounted for when the income statement and the statement of financial position are adopted. Only events that confirm circumstances prevailing before the end of the reporting period are taken into account at the time of adoption of the financial statements.

The stated accounting policies for the Group have been consistently applied for all periods presented in the Group's financial reports, unless otherwise specifically stated. The Group's accounting policies have been consistently applied in reporting and consolidating the Parent Company and subsidiaries.

Changed accounting policies

Described below are the changed accounting policies applied by the Group starting 1 April 2010. Other revisions of IFRS applied starting 1 April 2010 have not had any significant effect on the Group's accounting.

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements

These give rise to, inter alia, the following changes: The definition of business is changed; transaction costs in connection with acquisitions are expensed; supplementary purchase money is recorded at fair value at the time of acquisition and the effects of revaluation of liabilities related to supplementary purchase money are recognized as revenue or expense in the year's result. Other news include that there are two alternative ways of reporting holdings without controlling interest (previously defined as minority) and goodwill, either at fair value, which means that goodwill is included in holdings without controlling interest, or alternatively that holdings without controlling interest consist of a portion of net assets. Choosing between these two methods will be on an individual basis for each acquisition. Additional acquisitions made after obtaining a controlling interest are also reported directly in equity, which constitutes a change of Lagercrantz Group's current principle, which is to report any excess amount as goodwill. The revised and amended standards are applied from 1 April 2010. The changes only entail changes going forward for Lagercrantz Group.

Early adoption of newly issued or revised IFRS and interpretations during the 2010/2011 financial year

No newly issued IFRS or interpretations were subject to early adoption.

New or revised IFRS that will be adopted in the coming periods

New standards, addenda to standards and new interpretation statements published since the publication of these annual accounts are not believed to have a significant effect on the Group's accounting.

(c) Operating segment reporting

An operating segment is a part of the Group that conducts business from which it can generate income and incur costs and for which independent financial information is available. An operating segment's earnings are also followed up by the Group's highest executive decision-maker to evaluate the result and to be able to allocate resources to the operating segment in question. Refer to Note 3 for additional description of the breakdown and presentation of operating segments.

(d) Classification, etc.

Non-current assets and long-term liabilities in the Parent Company and the Group essentially consist only of amounts that are expected to be recovered or paid more than twelve months from the end of the reporting period. Current assets and short-term liabilities in the Parent Company and the Group essentially consist only of amounts that are expected to be recovered or paid within twelve months of the reporting period.

(e) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which Lagercrantz Group AB has a controlling influence. Controlling influence means a direct or indirect right to govern an entity's financial and operative strategies for the purpose of obtaining economic advantages. When judging whether controlling influence exists, the existence and effect of potential voting rights that are exercisable, or can be converted without delay, are taken into consideration.

Subsidiaries are reported in accordance with the purchase method of accounting. This method means that the acquisition of a subsidiary is viewed as a transaction where the Group indirectly acquires the assets of the subsidiary and assumes its debt and contingent liabilities. The acquisition cost to the Group is determined by an acquisition analysis in conjunction with the acquisition. In this acquisition analysis the fair values of acquired identifiable assets, and assumed liabilities and contingent liabilities, as well as any holdings without controlling influence are determined. Transaction expenses incurred are carried directly to the year's income statement. The difference between the acquisition cost of the shares in the subsidiary and the fair value of acquired assets, assumed liabilities and contingent liabilities is recorded as goodwill in the Group. When the difference is negative it is recorded directly in the income statement.

Conditional purchase money is reported at fair value at the time of acquisition and is re-assessed at each reporting date and any change in valuation is carried to the year's income statement.

An acquisition that does not refer to 100 percent of the subsidiary gives rise to a holding without controlling influence. There are two alternative ways of reporting holdings without controlling influence. These two alternatives are to report holdings without controlling interest as a proportion of net assets, or to report holdings without controlling interest at fair value, which means that holdings without controlling interest includes a proportion of goodwill. The choice of which of the two alternative methods to apply is made individually for each acquisition.

The financial statements of subsidiaries are consolidated from the time of acquisition until the date when such controlling influence ceases to exist.

(ii) Transactions eliminated in consolidation

Intra-Group receivables and liabilities, revenue or costs and unrealised gains or losses arising in intra-Group transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

(f) Foreign currency

(i) Transactions in foreign currency

Transactions in foreign currency are restated to the functional currency using the rate of exchange prevailing on the day of the transaction. Monetary assets and liabilities in foreign currency are converted to the functional currency at the rate of exchange prevailing at the end of the reporting period. Foreign exchange rate differences that arise in conversion are accounted for in the income statement. Non-monetary assets and liabilities reported at historical acquisition values are converted at the rate of exchange prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair value are converted to the functional currency at the rate of exchange prevailing at the time of fair value valuation. The exchange rate change is then reported in the same way as other changes in value.

(ii) Financial statements of foreign entities

Assets and liabilities in foreign entities, including goodwill and other surplus values, and other surpluses and deficits in the Group are converted to Swedish kronor at the rate of exchange prevailing at the end of the reporting period. Revenue and costs in a foreign entity are converted to Swedish kronor at an average rate. Translation differences that arise in connection with conversion of a foreign net investment, and the resultant effects of hedging of net investments, are reported directly in other comprehensive income and are accumulated as a separate component of equity, the translation reserve. When foreign entities are sold, the accumulated translation differences attributable to the entity are realised after deduction of any foreign exchange hedging and reclassified from the translation reserve in equity to profit/loss for the year.

Lagercrantz Group has elected to zero out the accumulated translation differences in foreign entities attributable to the time before 1 April 2004, i.e. the time for adopting IFRS.

(g) Revenue recognition

(i) Sale of goods

Revenue from the sale of goods is reported in the income statement when significant risks and rewards associated with ownership of the goods have been transferred to the buyer, i.e. typically in connection with delivery. If the product requires installation at the buyer, and the installation constitutes a significant part of the delivery, revenue is recognised when the installation is completed. Revenue is not recognised if it is probable that the economic rewards will not inure to the benefit of the Group.

(ii) Revenue from the sale of real property

Revenue from the sale of real property is normally recorded on the closing date, unless risks and rewards have been transferred to the buyer at an earlier occasion.

(iii) Service assignments

Revenue from service assignments is normally reported when the service is performed. Revenue from service assignments of the service and maintenance agreements type is reported in accordance with the principles for so-called gradual revenue recognition. The degree of completion is normally determined based on the relationship between sunken expenditure at the end of the reporting period and the estimated total expenditure. In certain companies recorded time is used as a basis for degree of completion. A probable loss is accounted for immediately in the consolidated income statement.

(iv) Rental income

Rental income from real properties is reported on a straight-line basis in the income statement based on the terms of the lease. The aggregate cost of benefits provided is reported as a reduction of rental income on a straight-line basis over the term of the lease.

v) Government grants

Government grants are reported in the statement of financial position as prepaid income when there is reasonable assurance that the grant will be received and that the Group will be able to fulfil the conditions associated with the grant. Grants are systematically assigned to the right periods in the same way and over the same periods as the costs the grants are intended to compensate for. Government grants related to assets are reported as a reduction of the reported value of the asset.

(h) Operating expenses and finance income and expense

(i) Payments related to operating leases

Payments related to operating leases are reported on a straight-line basis in the income statement. Benefits received in connection with signing a contract are reported as a part of the total leasing cost in the income statement.

(ii) Payments related to financial leases

The minimum leasing fees are allocated to interest expense and repayment of the outstanding liability. The interest expense is distributed over the leasing period in such a way that each accounting period is charged with an amount equivalent to a fixed rate of interest for the liability reported during the respective period. Variable fees are expensed in the periods when they arise.

(iii) Financial income and expense

Financial income and expense consists of interest income on bank funds, receivables and interest-bearing securities, interest expense on loans, dividend income, exchange rate differences, changes in value of financial assets valued at fair value through the income statement, impairment of financial assets and gains and losses on hedging instruments reported in the income statement.

Interest income on receivables and interest expense on liabilities are calculated using the effective rate method. The effective rate is the rate that is the present value of all estimated future payments during the expected period of fixed interest that equals the reported value of the receivable or the liability. The interest component of financial lease payments is reported in the income statement using the effective rate method. Interest income includes accruals and deferrals of transaction costs and any rebates, discounts, premiums and other differences between the original value of the receivable and the amount received at maturity.

Interest expense includes accrued and deferred amounts of issuing costs and similar direct transaction costs in connection with raising loans.

Borrowing costs are reported in the income statement using the effective rate method, except to the extent they are directly attributable to the purchase, design or production of assets that take significant time to complete for their intended use or for sale, in which case they are part of the acquisition cost of the assets in question.

Dividend income is reported when the right to receive payment has been determined.

(i) Financial instruments

Financial instruments are valued and reported in the Group in accordance with the rules in IAS 39. Financial instruments reported among assets in the statement of financial position include on the asset side liquid funds, trade receivables, advance payments to suppliers and derivatives. Liabilities include trade payables, loan liabilities, advance payments from customers and derivatives.

Reporting in and removal from the statement of financial position

A financial asset or a financial liability is recorded in the statement of financial position when the company becomes party to the contractual terms of the instrument in question. Trade receivables are recorded in the statement of financial position when an invoice has been sent out. A liability is recorded when the counterparty has performed and a contractual obligation exists to pay, even if an invoice has not been received. Trade payables are recorded when an invoice has been received. A financial asset is removed from the statement of financial position when the rights in the contract are realised, fall due or the company loses control over it. The same holds true for a part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the contract is fulfilled, or when the liability is extinguished in some other way. Acquisition and disposal of financial assets are reported on the transaction date.

Valuation

Financial instruments which are not derivatives are initially valued at acquisition cost, equivalent to the fair value of the instrument. A financial instrument's classification determines how it is valued after the first recording occasion. IAS 39 classifies financial instruments in categories. The classification depends on the purpose behind acquiring the financial instrument. The relevant categories for the Group are as follows: Financial assets at fair value through the income statement, Loans receivable and trade receivables, Financial liabilities valued at fair value through the income statement, Other financial liabilities and Derivatives used for hedge accounting.

Financial assets valued at fair value through the income statement

This category consists of two sub-groups: financial assets held for trading and other financial assets that the company initially has chosen to place in this category (in accordance with the so-called Fair Value Option). Financial instruments in this category are valued on a current basis at fair value with changes in value reported through the income statement. The first sub-group includes derivatives with positive fair value, except for derivatives which are identified and effective hedging instruments (see below).

Loan receivables and trade receivables

Loan receivables and trade receivables are non-derivative assets with fixed payments or with payments that can be determined, and which not are listed on an active market. Receivables arise when companies provide funds, goods or services directly to a customer without intention of trading in the receivable that arises. They are included in current assets, with the exception of items that mature later than 12 months after the end of the reporting period, which are classified as non-current assets. Loan receivables and trade receivables include items Trade receivables and Other receivables in the statement of financial position. Assets in this category are valued at accrued acquisition value.

Trade receivables are reported in the amount expected to be collected, i.e. after deduction for doubtful credits. Impairment charges are reported as operating expenses.

Financial liabilities valued at fair value through the income statement

This category consists of financial liabilities held for trading ,derivatives not used for hedge accounting and supplemental earn-out purchase money. Liabilities in this category are valued on an ongoing basis at fair value with the change in value in the income statement.

Other financial liabilities

Financial liabilities not held for trading are valued at accrued acquisition value. The Group's loan liabilities, financial lease liabilities, trade payables and advance payments from customers belong to this category.

Derivatives used for hedge accounting

All derivatives are accounted for at fair value in the statement of financial position. Changes in value are accounted for in the income statement in the case of actual hedge accounting. Hedge accounting is described in greater detail below, under Derivatives and hedge accounting.

Liquid funds

Liquid funds consist of cash and immediately available balances with banks and equivalent institutions, and short-term liquid investments with a term to maturity of less than three months, exposed to minimal risk for fluctuation in value.

Financial investments

Financial investments are classified either as non-current assets or short-term investments depending on the purpose of the holding. If the term or the expected holding period is more than one year, they are classified as non-current assets and if they are shorter than one year as short-term investments.

(j) Derivatives and hedge accounting

The Group's derivative instruments are acquired to hedge interest and foreign exchange rate risks to which the Group is exposed. An embedded derivative is reported separately unless it is closely related to the host contract. Derivatives are valued initially at fair value, with the effect that transaction costs are charged to the period's earnings. After the initial reporting derivative instruments are valued at fair value and changes in value are reported as described below.

In order to meet the requirements for hedge accounting in accordance with IAS 39, there must be an unambiguous link to the secured item. It is also required that the hedge protects the secured item in an effective manner, that hedging documentation has been drafted and that such efficiency can be measured. Gains and losses are reported in the income statement for items that have been hedged.

Hedging of prognosticated sales in foreign currency – cash flow hedging

Forward contracts used for hedging of highly likely prognosticated sales in foreign currency are reported in the report of financial position at fair value. Changes in value for the period are reported in other comprehensive income and the accumulated changes in value are reported as a separate component of equity (hedging reserve) until the hedged flow affects he year's result, at which time the accumulated changes in value of the hedging instrument are reclassified to the year's result in connection with the hedged item (sales revenue) affects the year's result.

Hedging of period of fixed interest – cash flow hedging

Interest rate swaps are used to hedge against the uncertainty of future interest flows relating to loans with variable interest. Interest rate swaps are valued at fair value in the statement of financial position. In the income statement the interest coupon portion is reported on a current basis as interest income or interest expense. Other changes in the value of interest rate swaps are reported in other comprehensive income and are included as a part of the hedging reserve in equity until the hedged item affects the income statement and as long as the criteria for hedge accounting and effectiveness are fulfilled.

Receivables and liabilities in foreign currency

Forward contracts can be used for hedging an asset or a liability against foreign exchange rate risk. For such hedging no hedge accounting is required since the hedged item as well as the hedging instrument is reported at fair value through the income statement with respect to foreign exchange rate differences. Changes in value of operations-related receivables and liabilities are recognised in the operating result, while changes in value of financial receivables and liabilities are reported in net financial items.

Net investments

Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged by raising loans in the corresponding currency. Such loans are translated at the end-of-period exchange rate. The period's translation differences relating to financial instruments used as hedging instruments in hedging a net investment in a Group company is reported, to the extent the hedge is effective, in other comprehensive income and the accumulated changes are reported as a special component of equity (the translation reserve). This procedure is used to neutralise the translation differences that affect other comprehensive income when the Group's companies are consolidated.

(k) Tangible non-current assets

(i) Owned assets

Tangible non-current assets are reported as assets in the statement of financial position if it is probable that future economic advantages will inure to the company's benefit and the acquisition value of the asset can be calculated in a reliable manner.

Tangible non-current assets are reported in the Group at acquisition value, less accumulated depreciation and any charges for impairment. The acquisition value includes the purchase price and costs directly attributable to the asset to bring it to location and make it usable for the purpose intended with its procurement. Examples of directly attributable costs included in the acquisition value are costs for shipping and handling, installation, legal ratification, consulting services and legal services. Borrowing costs directly attributable to the purchase, design or production of assets that take significant time to complete for their intended use or for sale are included in the acquisition value.

Tangible non-current assets that consist of parts with different periods of utilisation are treated as separate components of tangible non-current assets.

The reported value of a tangible non-current asset is removed from the statement of financial position upon disposal or sale, or when no future economic benefits are expected to be derived from use or disposal/sale of the asset. Gains or losses that arise upon sale or disposal of an asset are defined as the difference between the selling price and the reported value of the asset, less direct selling expenses. Gains and losses are recognised as other operating income/expense.

(ii) Leased assets

IAS 17 is applied to leased assets. Leases are classified in the consolidated financial statements either as financial or operating leases. Leases where substantially all of the economic risks and rewards associated with ownership have been transferred to the lessee are classified as financial leases. Where that is not the case, the lease is an operating lease.

Assets rented under financial leases are reported as assets in the statement of financial position. The obligation to pay future leasing fees is reported as long- and short-term liabilities. The leased assets are depreciated according to plan, whereas lease payments are reported as interest and repayment of debt.

In the case of operating leases the lease payment is expensed over the term of the lease based on usage, which may vary from what has actually been paid as leasing fees during the year.

(iii) Additional expenditure

Additional expenditure is added to the acquisition value only to the extent it is probable that the future economic benefits associated with the asset will inure to the benefit of the company and the acquisition value can be calculated in a reliable manner. All other additional expenditure is recognised as an expense in the period when it arises.

(iv) Depreciation principles

Assets are depreciated on a straight-line basis over their estimated period of use. Land is not depreciated. The Group applies component depreciation, which means that depreciation is based on the estimated period of use of individual components.

Estimated periods of use:

Buildings, property used in operations	15−50 years
Plant and machinery	3−10 years
Equipment, tools, fixtures and fittings	3−5 years

Property used in operations consists of a number of components with varying periods of use. The main classification is buildings and land. The land component is not depreciated since its period of use is considered to be unlimited. Buildings, however, consist of a number of components the period of use of which varies. The periods of use have been deemed to vary between 15 and 50 years for these components. Assessment of the residual value and period of use of assets is made on an annual basis.

(l) Intangible assets

(i) Goodwill

Goodwill represents the difference between the acquisition value for an acquisition and the fair value of the acquired assets, assumed debt and contingent liabilities.

In adopting IFRS, the Group has applied IFRS retroactively to goodwill in acquisitions after 1 August 2002 and before 1 April 2004. The classification and accounting procedures of acquisitions before 1 August 2002 have not been re-assessed in accordance with IFRS 3 when preparing the consolidated opening balance in accordance with IFRS as 1 April 2004.

Goodwill is valued at acquisition cost, less any accumulated impairment charges. Goodwill is distributed to cash-generating units and tests are performed on an annual basis to determine if assets have suffered any impairment. (Refer to Accounting policies (n).

For acquisitions where the acquisition cost is less than the net value of acquired assets, assumed debt and contingent liabilities, the difference is carried directly to the income statement.

(ii) Research and development

Expenditure for research and development aimed at obtaining new scientific or technological knowledge is reported as costs as incurred. Expenditure for development, where the research result or other knowledge is applied to achieve new or improved products or processes, is reported as an asset in the statement of financial position, if the product or the process is technically or commercially usable and the company has sufficient resources to complete the development and then utilise or sell the intangible asset. The reported value includes expenditure for material, direct expenditure for salaries and indirect expenditure attributable to the asset in a reasonable and consistent manner. Other expenditure for development is reported as costs directly in the income statement as incurred. Development costs reported in the balance sheet are carried at acquisition value, less accumulated amortisation and any impairment losses.

(iii) Other intangible assets

Other intangible assets acquired by the Group are reported at acquisition value, less accumulated amortisation and impairment. Also included here are capitalised IT expenditure for development and purchase of software. Sunk costs for internally generated goodwill and internally generated trademarks are reported in the income statement when the cost is incurred.

(iv) Additional expenditure

Additional expenditure for capitalised intangible assets is recorded as an asset in the statement of financial position only to the extent it increases the future economic benefits for the specific asset to which it is attributable. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation is recorded in the income statement on a straight-line basis over the estimated period of use of intangible assets, unless such periods of use are indefinable. Goodwill, trademarks and intangible assets with an indefinable period of use are tested on an annual basis for any impairment suffered, or as soon as there are indications that the asset in question has suffered a loss of value. Intangible assets subject to amortisation are amortised from the date when they are available for use. The estimated periods of use are:

Patents, innovations and customer relationships	5−20 years
Capitalised development expenditure and software	3−7 years

(m) Inventories

Inventories are valued at the lower of acquisition value and net realisable value. Net realisable value is the estimated selling price in current operations, after deduction of estimated costs for completion and for accomplishing a sale.

The acquisition value of inventories is calculated by applying the first-in first out method (FIFO), or weighted average acquisition cost and includes expenditure arising at the acquisition of the inventory assets and transportation thereof to their current location and state. For manufactured goods and work in progress, the acquisition value includes a reasonable portion of indirect costs based on normal capacity utilisation.

(n) Impairment of assets

The reported value of the Group’s assets is tested on each balance sheet date with a view to determining if any impairment has been suffered. IAS 36 is applied for testing for any need for impairment charges for assets other than financial assets, which are tested in accordance with IAS 39, assets held for sale and groups of assets reported in accordance with IFRS 5, inventories, assets under management used for financing compensation to employees and deferred tax assets.

The value of exempted assets as above the valuation is tested in accordance with each respective standard.

If there is any indication that impairment has been suffered, the recoverable value of the asset is calculated. The recoverable value of goodwill, other intangible assets with indefinable period of use and intangible assets not yet ready for use is calculated annually.

Where it is not possible to allocate essentially independent cash flows to an individual asset, assets are grouped to the lowest level where essentially independent cash flows can be determined (a so-called cash-generating unit) for purposes of testing whether impairment has been suffered. An impairment loss is recorded when an asset’s or a cash-generating unit’s value exceeds the recovery value. An impairment loss is charged to the income statement.

Impairment losses of assets attributable to a cash-generating unit are in the first instance allocated to goodwill. Proportional impairment charges are then made against other assets in the unit.

The recovery value of other assets is the higher of fair value less selling expenses and the value in use. Future cash flows are discounted using a discount factor that reflects risk-free interest and the risk associated with the specific asset for the purpose of calculating the value in use.

(i) Impairment of financial assets

The recoverable value of assets belonging to the categories held-to maturity investments, loans and trade receivables are reported at accrued acquisition value is calculated as the present value of future cash flows discounted using the effective rate of interest prevailing when the asset was first accounted for. Assets with short remaining term are not discounted. An impairment loss is reported as a cost in the income statement.

(ii) Reversal of impairment losses

Impairment losses on held-to-maturity investments, or loans and accounts receivable reported at accrued acquisition value, are reversed if a later increase of the recovery value can objectively be attributed to an event that occurred after the impairment loss was incurred.

Impairment losses on other assets are reversed where there has been a change in the assumptions on which the calculation of the recoverable value was made.

An impairment loss is reversed only to the extent the reported value of the asset after the reversal does not exceed the value the asset would have had if no impairment loss had been incurred, taking into account the amortisation that would then have been made. Impairment losses on goodwill are not reversed.

(o) Shareholders’ equity

The Group’s equity can be divided into share capital, other contributed capital, reserves, retained earnings and minority holdings without controlling influence.

(i) Repurchase of own shares

Holdings of own shares in treasury and other equity instruments are reported as a reduction of equity. The acquisition of such instruments is reported as a deduction item against equity. Proceeds from the sale of equity instruments are reported as an increase in equity. Any transaction costs are carried directly to equity.

(ii) Dividends

Dividends are reported as a liability after the General Meeting has approved the dividend.

(iii) Earnings per share

Calculating earnings per share is based on consolidated net income attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution the average number of shares outstanding is adjusted to account for the effects of diluting potential shares of common stock, which during reported periods are attributable to options issued to employees. Dilution from options affects the number of shares outstanding and occurs only when the strike price is lower than the market price.

(p) Employee benefits

(i) Defined contribution plans

Obligations relating to fees for defined contribution plans are reported as an expense in the income statement when it occurs.

(ii) Defined benefit plans

The Group's net obligations relating to defined benefit plans are calculated separately for each plan through an estimate of the future compensation that the employee has earned as a result of his/her employment in both the current and prior periods.

Calculations are performed by a qualified actuary using the so-called projected unit credit method. Commitments are then valued at the present value of expected future payments with due consideration to future pay increases. The discount rate used is the interest at the end of the reporting period on an investment grade corporate bond, including housing bonds, with a term equivalent to the Group's pension commitments. When there is no active market for such corporate or housing bonds, the market rate for government bonds with an equivalent term is used. In the cases of funded plans, the fair value of managed assets reduces the calculated value.

When the calculation leads to an asset for the Group, the reported value of the asset is limited to the net of unreported actuarial losses and unreported costs for service during prior periods and the present value of repayments from the plan, or reduced future payments into the plan.

When the benefits under a plan are improved, the proportion of the increase in benefits pertaining to the employee's service during prior periods is reported as a cost in the income statement, distributed on a straight-line basis over the average period until the benefits are fully vested. Where the benefits are fully vested, the cost is reported in the income statement directly.

All actuarial gains and losses as of 1 April 2004, the date for adoption of IFRS, have been reported. The so-called corridor rule is applied for actuarial gains and losses arising when the Group's obligations for different plans are calculated after 1 April 2004. Under the corridor rule, the portion of the accumulated actuarial gains and losses that exceed 10 percent of the greater of the obligations' present value and the fair value of managed assets is reported in the result over the expected average remaining employee service period of the employees covered by the plan. No other actuarial gains and losses are taken into account.

Obligations for retirement pension to salaried employees in Sweden in accordance with the ITP plan are handled mainly within the so-called FPG/PRI system. Obligations for family pensions are secured by insurance in Alecta, however. These obligations are also of the defined benefit type, although the Company has not had access to the information necessary to report these obligations as a defined benefit plan. These pensions secured by insurance in Alecta are therefore reported as defined contribution plans. At the end of 2010, Alecta's surplus in the form of collective solvency margin was 146 percent (2009: 141 percent). The collective solvency margin is defined as the market value of Alecta's assets in percent of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19. Alecta's surplus can be distributed to the policy holders and/or the insured.

When there is a difference between how the pension cost is determined in a legal entity and a group, a provision or a receivable is reported relating to special payroll tax based on this difference. Such provision or receivable is not subject to present value calculation. The net of interest on pension liabilities and the anticipated return on the relevant managed assets is reported in the net of finance items. Other components are reported in operating income.

(iii) Benefits in the event of termination

In connection with termination of personnel, a provision is set aside only where the company is demonstrably obligated, without a realistic opportunity to reverse the decision, by a formal detailed plan to terminate an employment before the normal point in time. When benefits are given as an offer to encourage voluntary termination, a cost is reported where it is probable that the offer will be accepted and that the number of employees who will accept the offer can be estimated with reliability.

(iv) Option Programme

The call option programme for the group enables members of senior management to acquire shares in the company. The employees have paid a market valuated premium for this opportunity. The programme contains a subsidy which states that the employee receives the equivalent as the premium paid in the form of cash compensation. Payment of the subsidy is paid two years after the issue resolution provided that the option holder is still in the employment of the Group at this point of time and still owns the options. This subsidy including social cost is distributed as a personnel expense over the two-year vesting period.

(q) Provisions

A provision is reported in the statement of financial position where the Company has a formal or informal undertaking or obligation as a consequence of a transpired event and where it is probable that an outflow of economic resources will be required to settle the undertaking or obligation, and an accurate assessment of the amount can be made. Where the effect of the timing of the payment is significant, provisions are calculated based on discounting the expected future cash flow at an interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the obligation.

(i) Warranties

A provision for warranties is reported when the underlying products or services are sold. The provision is based on historical data on warranties and compilation of possible outcomes in relation to the probabilities associated therewith.

(ii) Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either begun, or been publicly announced. No provisions are set aside for future operating costs.

(iii) Loss contracts

A provision for loss contracts is reported when the anticipated benefits that the Group expects to receive from a contract are lower than the inevitable costs to fulfil the obligation or contract.

(r) Taxes

Income taxes consist of current taxes and deferred taxes. Income taxes are reported in the income statement, except when the underlying transaction is reported in other comprehensive income, or directly against equity, in which case the associated tax effect is also reported in other comprehensive income or in equity.

Current taxes are taxes to be paid or refunded relating to the current year, with application of the tax rates resolved, or in practice resolved, as of the end of the reporting period. Also included are adjustments of current taxes attributable to prior periods.

Deferred taxes are calculated in accordance with the balance sheet method based on temporary differences between reported values and values for tax purposes of assets and liabilities. The following temporary differences are not taken into account: Temporary difference arising upon first recording of goodwill, first recording of assets and liabilities that are not acquisition of a business, and at the time of the transaction do not affect either the reported result or the result for tax purposes. Also not accounted for are temporary differences attributable to shares in subsidiaries and associated companies not expected to be reversed within the foreseeable future. The valuation of deferred taxes is based on how the reported values of assets or liabilities are expected to be realised or settled. Deferred taxes are calculated using the tax rates and tax rules resolved, or in practice resolved, as of end of the reporting period.

Deferred tax claims relating to deductible temporary differences are reported only to the extent that it is probable that it will be possible to utilise them. The value of deferred tax claims is reduced when it no longer is deemed probable that it will be possible to utilise them.

(s) Contingent liabilities

A contingent liability is reported when there is a possible undertaking emanating from events that have occurred and the existence of which are confirmed only by the occurrence of one or more future uncertain events, or when there is an undertaking not reported as a liability or provision because it is unlikely that an outflow of resources will be required.

(t) Cash flow statement

Payments have been divided into categories: Operating activities, investing activities and financing activities. The indirect method is used for flows from operating activates.

The year's changes of operating assets and operating liabilities have been adjusted for effects of exchange rate differences. Acquisitions and disposals are reported in investment operations. The assets and liabilities held by the entities acquired and sold at the time of change are not included in the statement of changes in working capital, nor are changes of balance sheet items reported in investment and financing operations.

Liquid funds include cash and bank flows and also short-term investments, the conversion to bank funds of which can occur at a beforehand essentially known amount. Liquid funds include short-term investments with a term of less than three months.

(u) Parent Company accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for legal entities of the Swedish Financial Reporting Board. Statements issued by the Swedish Financial Reporting Board for listed companies are also applied. RFR 2 means that the Parent Company in the annual accounts for the legal entity should apply all IFRS and statements approved by EU to the greatest extent possible within the framework of the Swedish Annual Accounts Act and with due regard to the relationship between accounting and taxation.

The recommendation sets out which exceptions and additions are to be made from IFRS.

In all, this results in differences between the Group's and the Parent Company's accounting in the areas indicated below.

Classification and presentation

The Parent Company's income statement and balance sheet are presented in accordance with the format used in the Swedish Annual Accounts Act. Differences compared to IAS 1 Presentation of Financial Statements applied in preparing the consolidated financial statements are primarily in the area of reporting of finance income and expense, non-current assets and equity.

Subsidiaries

Shares in subsidiaries are reported in the Parent Company in accordance with the purchase method of accounting. Dividends received are reported as revenue only to the extent they originate from profit earned after the acquisition. Dividends that exceed such earned profit are regarded as a repayment of the investment and reduces the reported value of the share.

Revenue

Financial instruments and hedge accounting

Due to the relationship between accounting and taxation, the rules regarding financial instruments and hedge accounting in IAS 39 are not applied to the Parent Company as a legal entity.

Anticipated dividends

Anticipated dividends from subsidiaries are reported in those cases when the Parent Company alone has the right to decide on the size of the dividend and the Parent Company has decided on the size of the dividend before publication of its financial reports.

Tangible non-current assets

Owned assets

Tangible non-current assets in the Parent Company are reported at acquisition value after deduction of accumulated depreciation and any impairment losses in the same way as the Group, but with the addition of any write-ups.

Borrowing costs

In the Parent Company borrowing costs are charged to income during the period to which they apply. No borrowing costs are capitalised among assets.

Leased assets

In the Parent Company all lease contracts are reported in accordance with the rules for operating leases.

Taxes

In the Parent Company untaxed reserves are reported including deferred tax liability. In the consolidated financial statements, on the other hand, untaxed reserves are divided into deferred tax liability and equity.

(v) Group contributions and shareholder contributions for legal entities

The Company reports group contributions and shareholder contributions in accordance with the statement of the Swedish Financial Reporting Board. Shareholder contributions are carried directly to the recipient's equity and are capitalised in the form of shares with the donor, to the extent an impairment charge is not necessary. Group contributions are reported according to economic purport. This means that group contributions rendered for the purpose of minimising the Group's total taxes are carried directly to retained earnings after deduction of their current tax effect.

Group contributions in lieu of dividends are reported as dividends. This means that a group contribution received and its current tax effect are reported through the income statement. Group contributions rendered and their current tax effect are carried directly to retained earnings.

Group contributions in lieu of shareholder contributions are reported by the recipient directly against retained earnings, taking the current tax effect into account. The donor reports the group contribution and its current tax effect as an investment in shares in group companies, to the extent an impairment charge is not necessary.

(x) Mergers

Mergers are accounted for in accordance with BFNAR 1999:1.

(y) Financial guarantees

Lagercrantz group has chosen not to use the recommendations in IAS 39 regarding financial guarantees for subsidiaries in accordance with RFR2.

Note 2 Critical estimates and judgements

The Board of Directors and management have discussed the development, the choice of and disclosures relating to the Group's important accounting policies and estimates, and the application of these policies and estimates. Certain critical accounting estimates performed in conjunction with application of the Group's accounting policies are described below.

Test for impairment of goodwill

Each year the Group investigates if any impairment of goodwill has occurred. The recoverable value of the cash-generating units is determined through a calculation of the value in use. This calculation is based on the strategic plan of the business in question and expected future cash flows for the operation. The discount factor used for present value calculations of expected future cash flows is the weighted average cost of capital (WACC). The year's review has demonstrated that there is no need for an impairment charge.

Deferred taxes

The value of tax loss carryforwards and other deferred tax claims/liabilities is taken into consideration to the extent that it is deemed probable that it will be possible to utilise them in the future.

Exposure to foreign currencies

An analysis of the exposure to foreign currencies and the risks associated with changes in foreign exchange rates is provided in Note 41.

Pension assumptions

Pension assumptions are an important element of the actuarial methods used to measure pension obligations and they can have an effect on the reported pension liability and the annual cost of pensions. Two critical assumptions − the discount rate and expected return on managed assets − are important for measuring the year's pension cost as well as the present value of the defined benefit pension obligations. These assumptions are reviewed at least once per year for each plan in each country. Other assumptions may relate to demographic factors, such as retirement age, mortality and personnel turnover and are not reviewed as often. The current outcome often differs from the actuarial assumptions for economic and other reasons. The discount rate makes it possible to measure future cash flows at present value at the time of measurement. This interest rate should correspond to the return on investment grade corporate bonds (incl. housing bonds) or government bonds if a functioning market for corporate bonds does not exist. A lowered discount rate increases the present value of the pension liability and the annual cost.

Note 3 Segment reporting

Segment reporting is drawn up for the Group's operating segments and is based on management's follow-up of business operations. The Group's internal reporting system is thus built based on follow-up of the earnings, cash flows and return generated by the Group's goods and services. This follow-up generates management's decisions about the best possible allocation of resources to what the Group produces and sells in the segments. Directly attributable items have been included in segment earnings and non-current assets, as well as items that can be allocated in a reasonable and reliable manner. Segment investments in non-current assets include all capital expenditures, both in intangible and tangible assets. Assets added as a result of acquisitions are not included, but amortisation of group surplus values is.

Operating segments

The Group consists of the following operating segments:

- Division Electronics: Sells special components and solutions for electronics.
- Division Mechatronics: Active in niche production of cable harnesses, steelproducts, electrical connection systems and similar products.
- Division Communications: Active in IT-related areas such as Digital image/digital security, Access and Software.

Sales and profit by operating segment

	Electronics		Mechatronics		Communications	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Revenue						
External sales	586	552	740	511	703	657
Internal sales	25	12	8	1	1	–
Total revenue	**611**	**564**	**748**	**512**	**704**	**657**
Profit						
Operating result	**30**	**17**	**77**	**30**	**53**	**34**

	Parent Company and eliminations		Total	
	2010/11	2009/10	2010/11	2009/10
Revenue				
External sales	–	–	2,029	1,720
Internal sales	–34	–13	–	–
Total revenue	**–34**	**–13**	**2,029**	**1,720**
Result				
Operating result	**–13**	**–14**	**147**	**67**
Finance income			2	3
Finance expense			–12	–12
Result before taxes			**137**	**58**
Taxes and minority interest			–35	–16
Net result			**102**	**42**

Transfer pricing between operating segments is on market terms.

Other information by operating segment

	Electronics		Mechatronics		Communications	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Assets	278	216	595	302	375	332
Undistributed assets	–	–	–	–	–	–
Total assets	**278**	**216**	**595**	**302**	**375**	**332**
Liabilities	79	68	133	90	137	132
Undistributed liabilities	–	–	–	–	–	–
Total liabilities	**79**	**68**	**133**	**90**	**137**	**132**
Capital expenditures	6	4	5	7	8	6
Depreciation and amortisation	6	6	14	10	9	9
Costs, in addition to depreciation and amortisation that do not result in disbursements	–	–		–	–	–

	Parent Company		Total	
	2010/11	2009/10	2010/11	2009/10
Assets	5	9	1,253	859
Undistributed assets	–	–	31	24
Total assets	**5**	**9**	**1,284**	**883**
Liabilities	48	38	397	328
Undistributed liabilities	–	–	342	61
Total liabilities	**48**	**38**	**739**	**389**
Capital expenditures	0	0	19	17
Depreciation and amortisation	0	0	29	25
Costs, in addition to depreciation and amortisation that do not result in disbursements	–	–	–	–

External sales by geographic market

	2010/11	2009/10
Sweden	674	565
Denmark	399	362
Norway	323	262
Finland	145	137
United Kingdom	57	47
German	116	106
Poland	41	37
Other Europe	119	100
Rest of world	155	104
	2,029	**1,720**

Investment in non-current assets by geographic market

	Capital expenditures		Non-current assets	
	2010/11	2009/10	2010/11	2009/10
Sweden	12	10	407	191
Denmark	7	4	86	71
Norway	0	1	42	4
Finland	0	1	44	50
Germany	0	1	18	19
Poland	0	0	–	1
Other Europe	0	0	0	0
Rest of world	0	0	0	0
Undistributed assets	–	–	10	15
	19	**17**	**607**	**351**

Internal net revenue by operating segment

Parent Company	2010/11	2009/10
Electronics	7	7
Mechatronics	9	7
Communications	9	8
	25	**22**

Internal net revenue by geographic market

Parent Company	2010/11	2009/10
Sweden	13	10
Denmark	7	7
Norway	2	2
Finland	2	2
Germany	1	1
Other countries	0	0
	25	**22**

Note 4 Distribution of net revenue

Net revenue by product category	2010/11	2009/10
Group		
Trading	1,066	938
Niche production	247	222
Proprietary production	513	345
System integration	128	131
Service and other	75	84
	2,029	**1,720**

In the case of other types of revenue, dividend and interest income are reported in net finance items. See note 11.

Note 5 Operating expenses by type of cost

Group	2010/11	2009/10
Compensation-related personnel costs	405	366
Depreciation and amortisation	29	25

Note 6 Employees, personnel costs, and fees to Board of Directors and auditors

Average number of employees

	2010/11	Of whom men	2009/10	Of whom men
Parent Company				
Sweden	10	%	9	78%
Other Group companies				
Sweden	386	74%	352	76%
Denmark	150	51%	162	54%
Norway	38	76%	25	68%
Finland	69	48%	72	46%
Germany	23	65%	20	65%
Poland	15	80%	17	82%
Other countries	1	100%	4	75%
Total in Group companies	**682**	**66%**	**652**	**66%**
Group total	**692**	**66%**	**661**	**66%**

Salaries, other compensation and social benefits

	2010/11		2009/10	
	Salaries and compensation	Social benefits	Salaries and compensation	Social benefits
Parent company	15	9	11	7
(of which pension cost)		*(3)*		*(3)*[1]
Other Group companies	294	87	272	76
(of which pension cost)		*(23)*		*(19)*
Group total	**309**	**96**	**283**	**83**
(of which pension cost)		***(26)***		***(22)***[2]

[1] MSEK 1 (1) of the Parent Company's pension costs refers to the group Board of Directors and President. This group also includes executive vice presidents and presidents of subsidiaries. There are no outstanding pension obligations.

[2] MSEK 5 (3) of the Group's pension costs refers to the group Board of Directors, President, executive vice presidents and subsidiary presidents. The Group's pension obligations to this group amount to MSEK 0 (0).

Salaries and other compensation by country and among directors, etc. and other employees

	2010/11		2009/10	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Parent Company				
Sweden	8	7	6	5
(of which bonus, etc.)	*(2)*	*(1)*	*(–)*	*(0)*
Other Group companies in Sweden	11	131	7	116
(of which bonus, etc.)	*(0)*	*(3)*	*(1)*	*(2)*
Total Sweden	**19**	**138**	**13**	**121**
	(2)	*(4)*	*(1)*	*(2)*
Outside Sweden				
Denmark	9	76	9	80
(of which bonus, etc.)	*(1)*	*(2)*	*(1)*	*(2)*
Norway	4	23	2	15
(of which bonus, etc.)	*(0)*	*(1)*	*(0)*	*(0)*
Finland	3	20	4	21
(of which bonus, etc.)	*(0)*	*(1)*	*(0)*	*(1)*
United Kingdom	–	–	1	0
(of which bonus, etc.)	*(–)*	*(–)*	*(–)*	*(0)*
Germany	1	11	1	10
(of which bonus, etc.)	*(–)*	*(0)*	*(–)*	*(0)*
Poland	1	3	1	3
(of which bonus, etc.)	*(–)*	*(–)*	*(–)*	*(–)*
Other countries	–	1	–	2
(of which bonus, etc.)	*(–)*	*(–)*	*(–)*	*(–)*
Group companies outside Sweden, total	**18**	**134**	**18**	**131**
(of which bonus, etc.)	*(1)*	*(4)*	*(1)*	*(3)*
Group total	**37**	**272**	**31**	**252**
(of which bonus, etc.)	*(3)*	*(8)*	*(2)*	*(5)*

The group Board of Directors and Presidents includes directors, presidents and executive vice presidents.

Gender distribution in management

	3/31/2011 Proportion of women	3/31/2010 Proportion of women
Parent Company		
Board of Directors	20%	20%
Other members of senior management	0%	0%
Group total		
Board of Directors in parent company and subsidiaries	7%	7%
Other members of management	3%	3%

Principles for compensation to the Board of Directors and other members of senior management

Fees paid to the Chairman of the Board of Directors and to members of the Board of Directors were set by the Annual Meeting. No separate fees are paid for committee work. In accordance with Annual Meeting resolution, compensation to the President & CEO and other members of senior management consists of basic salary, variable compensation, pension and financial instruments. The total compensation shall be adjusted to conditions on the market and competitive and should be commensurate with responsibility and authority. The variable annual portion of the compensation shall be maximised at and never exceed the fixed salary. The variable portion of the compensation should also be based on outcome relative to set goals and on individual performance. The retirement age shall be 60–65 years and in addition to an ITP plan, only defined contribution pension plans may be offered. In the case of termination, a severance payment in a maximum amount of one year's salary may be offered in addition to salary during the period of notice. In addition to the incentive programme proposed to the Annual General Meeting, no other share-based or share-price-related programmes will be offered.

As far as compensation to the President and other members of senior management is concerned, the Board of Directors has appointed a compensation committee consisting of the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors, with the Chairman as reporter. The task of the committee is to evaluate and suggest principles of compensation for members of senior management to the Board of Directors. The Board of Directors submits proposals to the Annual Meeting for resolution. The proposal to the 2011 Annual General Meeting is set forth in the Board of Directors Report.

Compensation and other benefits, Board of Directors and members of senior management 2010/11

SEK thousand	Basic salary, directors fee	Variable compensation	Other compensation	Other benefits	Pension cost	Total
Chairman of the Board of Directors						
Anders Börjesson	400					400
Directors						
Tom Hedelius	300					300
Pirkko Alitalo	200					200
Lennart Sjölund	200					200
President & CEO						
Jörgen Wigh	2,269	666	51	99	690	3,775
Executive Vice Presidents						
Niklas Enmark	1325	389	38	89	269	2,110
Magnus Söderlind	1,444	425	38	123	361	2,391
Other members of senior management						
4 persons	4,261	927	82	270	1,114	6,654
Total	**10,399**	**2,407**	**209**	**581**	**2,434**	**16,030**

Compensation and other benefits, Board of Directors and members of senior management 2009/10

SEK thousand	Basic salary, directors fee	Variable compensation	Other compensation	Other benefits	Pension cost	Total
Chairman of the Board of Directors						
Anders Börjesson	400					400
Directors						
Tom Hedelius	300					300
Pirkko Alitalo	200					200
Lennart Sjölund	200					200
President & CEO						
Jörgen Wigh	2,146			94	650	2,890
Executive Vice Presidents						
Niklas Enmark	1,226			88	255	1,569
Magnus Söderlind	1,371			120	349	1,840
Other members of senior management						
3.5 persons	3,615	60	13	271	1,061	5,020
Total	**9,458**	**60**	**13**	**573**	**2,315**	**12,419**

In addition to the President & CEO, other members of senior management refers to the management group consisting of: executive vice (2 persons), presidents (2 persons), and division and business area executives (4 persons). Compensation to this group, a total of 7 (6.5) persons in 2010/11, was covered by the resolution of the 2010 Annual General Meeting dealing with principles of compensation for members of senior management. The Compensation Committee has verified compliance with the Resolution of the Annual General Meeting and conformity of the compensation with market conditions has been confirmed by comparing with compensation in other similar, listed companies.

Pensions

The retirement age for the President & CEO is 60 years. The retirement age of other members of senior management is 60–65 years. Pension is paid equivalent to the ITP plan, which is a defined contribution plan.

Severance payment

The period of notice for the President is 12 months when termination is at the initiative of the Company and 6 months when termination is at the initiative of the President. In the case of termination at the initiative of the President, the President is entitled to a severance payment of the equivalent of one year's salary in addition to salary during period of notice. No severance payment is payable in the case of termination at the initiative of the President. The severance payment is not prorated against other income.

The period of notice for the other members of Group management is 6–12 months when termination is at the initiative of the Company and up to 6 months when termination is at the initiative of the employee. In the case of termination at the initiative of the Company, members of Group management are entitled to a severance payment of the equivalent of up to one year's salary, in addition to salary during the period of notice. No severance payment is payable in the case of termination at the initiative of the employee. The severance payment is not prorated against other income.

Option programmes

The 2010 Annual General Meeting resolved an incentive programme for members of senior management in the Lagercrantz Group. This call option programme consists of call options for Lagercrantz Group repurchased shares, where each call option gives the holder a right to acquire one class B repurchased share. Redemption can take place during three time periods: (i) during two weeks from the date when the Company publishes its Interim Report for the period 1 April 2012–30 September 2012, (ii) during two weeks from the when the Company publishes its Interim Report for the period 1 April 2012–31 March 2013, and (iii) during the period 23 September–4 October 2013.

A similar call option programme for members of senior management was resolved by the 2009 Annual General Meeting. A prior three-year call option programme for members of senior management was resolved by the 2008 Annual General Meeting. This option programme consists of call options on repurchased shares held by Lagercrantz Group, where each call option gives the holder the right to acquire one repurchased class B share after 3.25 years, with redemption possible after three years.

In all cases the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the Annual General Meeting in accordance with listed paid prices. The programmes shall cover members of senior management with a direct possibility of affecting the Group's income. The members the Board of Directors do not have the right to acquire call options, with the exception of the Company's President & CEO. One prerequisite for being awarded call options is that the employee has concluded a special pre-emption agreement with the Company. Pre-emption shall occur at the market value at the time of termination of employment, a tender offer for all outstanding and in cases when the call options are to be transferred to a third party. In all other respects the call options are freely transferable. The premium for the call options shall be equivalent to the market value of the call options in accordance with external valuation applying the generally accepted valuation method (the Black & Scholes model).

For the purpose of encouraging participation in the programme, a subsidy will be payable up to the equivalent to the premium paid. The employee will be responsible for paying income tax on the amount of the subsidy, which thereby will only be equivalent to a part of the premium paid. Payment of the subsidy was made two years after the issue resolution provided the option holder was still in the employment of the Group at this point in time and still owns call options.

The award resolved by the 2008 Annual General Meeting comprised 27 persons and a total of 180,500 call options. Awards varied between 3,500 and 29,600 options per person. The President & CEO acquired 29,600 and other members of senior management 102,000. The measuring period to determine the average share price, which was SEK 29.41, was 4 September–17 September 2008. The redemption price for the shares resolved was 125 percent of the average price, was set as SEK 36.80. The market value of the call options was set at SEK 2.10 per option by an independent valuation institution. The cost for programme 2008 amounted to about MSEK 0.6, for the most part attributable to the subsidy, but with only a minimal effect on earnings per share. About MSEK 0.3 of the cost for the current option programme was charged to 2008/09 earnings. The effect on equity amounted to MSEK 0.2.

The award resolved by the 2009 Annual General Meeting comprised 23 persons and a total of 255,000 call options. Awards varied between 3,000 and 44,000 options per person. The President & CEO acquired 44,000 and other members of senior management 108,000. The measuring period to determine the average share price, which was SEK 25.92, was 7 September–18 September 2009. The redemption price for the shares resolved was 120 percent of the average price, was set as SEK 31.10. The market value of the call options was set at SEK 2.00 per option by an independent valuation institution. The cost for programme 2009 amounted to about MSEK 1.0, for the most part attributable to the subsidy, but with only a minimal effect on earnings per share. About MSEK 0.4 of the cost for the current option programme was charged to 2009/10 earnings. The effect on equity amounted to MSEK 0.1.

The award resolved by the 2010 Annual General Meeting comprised 26 persons and a total of 260,000 call options. Awards varied between 5,000 and 40,500 options per person. The President & CEO acquired 40,500 and other members of senior management 105,000. The measuring period to determine the average share price, which was SEK 35.00, was 6 September–17 September 2010. The redemption price for the shares resolved was 120 percent of the average price, was set as SEK 35 00. The market value of the call options was set at SEK 2.40 per option by an independent valuation institution. The cost for programme 2010 amounted to about MSEK 0.8, for the most part attributable to the subsidy, but with only a minimal effect on earnings per share. About MSEK 0.4 of the cost for the current option programme was charged to 2010/11 earnings. The effect on equity amounted to MSEK 0.4.

In addition hereto, redemption of options relating to the 2007 programme meant an increase in equity of MSEK 9.7 when the parent company sold repurchased B-shares to the holders of the options.

Fees and reimbursement to auditors

	Group		Parent Company	
	2010/11	2009/10	2010/11	2009/10
KPMG				
Audit assignments	2	3	0.6	0.6
Tax advisory assignment	0	0		
Other assignments	0	0	0.1	0.2
Other auditors				
Audit assignments	0	0	–	–
Tax advisory assignment	0	0	–	–
Other assignments	0	0	–	–

By audit assignment is meant examination of the annual accounts and the administration by the Board of Directors and the President, other tasks the Company's auditors are obligated to perform, and advice or other assistance prompted by such examination or the performance of such tasks.

Note 7 Other operating income

	2010/11	2009/10
Group		
Capital gains	1	0
Rental income	0	0
Other compensation	2	2
FX gains on receivables/liabilities of an operating character	9	3
Other	3	5
	15	**10**

Note 8 Other operating expenses

	2010/11	2009/10
Group		
FX losses on receivables/liabilities of an operating character	–9	–7
Other expenses	–1	–1
	–10	**–8**

Note 9 Depreciation and amortisation of tangible and intangible assets

	2010/11	2009/10
Group		
Depreciation and amortisation according to plan by type of asset		
Intangible assets	-12	–11
Buildings and land	-1	0
Leasehold improvements	-1	–1
Plant and machinery	-10	–5
Equipment, tools, fixtures and fittings	-5	–8
	-29	**–25**
Depreciation and amortisation according to plan by function		
Cost of goods sold	-9	–9
Research and development	-6	–3
Selling costs	-10	–9
Administrative expenses	-4	–4
	-29	**–25**
Parent Company		
Depreciation and amortisation according to plan by type of asset		
Equipment, tools, fixtures and fittings	0	0
	0	**0**
Amortisation according to plan by function		
Administrative expenses	0	0
	0	**0**

Note 10 Leasing fees relating to operating leases and rental contracts

	2010/11	2009/10
Group		
Leasing fees and rents paid during the financial year	34	29
Amounts of future annual payments:		
1 year after current financial year	29	23
2 years after current financial year	21	16
3 years after current financial year	14	11
4 years after current financial year	7	3
5 years after current financial year	5	2
	76	**55**
Parent Company		
Leasing fees and rents paid during the financial year	2	2
Amounts of future annual payments:		
1 year after current financial year	2	1
2 years after current financial year	2	1
More than 3 years after the current financial year	1	0
	5	**2**

Leasing fees and rent for premises account for the largest part of leasing costs.

Note 11 Finance income

	2010/11	2009/10
Group		
Interest income	1	1
FX gains	1	2
	2	**3**
Parent Company		
Result from shares in Group companies		
Interest income from Group companies	2	1
Dividend income	32	86
	34	**87**
Other interest income and similar items		
FX gains	1	0
Other interest income	–	1
	1	**1**
	35	**88**

Note 12 Finance costs

Group	2010/11	2009/10
Interest costs, pensions	–2	–2
Other interest cost	–7	–5
Effect interest hedging	–2	–2
FX losses	–1	–3
Other	0	0
	–12	**–12**
Parent Company		
Result from shares in Group companies		
Interest costs to Group companies	–1	0
FX losses	–3	–3
Impairment charges	–4	–7
	–8	**–10**
Other interest costs and similar items		
Other interest costs	–7	–4
Effect lowering of interest rates	–2	–2
Other	0	0
	–9	**–6**
Total finance costs in the Parent Company	**–17**	**–16**

Note 13 Exchange rate differences affecting the result

	2010/11	2009/10
Group		
Exchange rate differences affecting operating profit	–3	–4
Financial exchange rate differences	0	–1
	–3	**–5**
Parent Company		
Financial exchange rate differences	–2	–3
	–2	**–3**

Note 14 Taxes on the year's profit

	2010/11	2009/10
Group		
Current tax expense (–)/tax income (+)		
Tax expense for the period	–28	–13
Adjustment of taxes attributable to prior years	1	–1
	–27	**–14**
Deferred tax expense (–)/tax income (+)		
Deferred taxes on temporary differences	–4	–2
Deferred taxes on change of capitalised tax value of tax loss carryforwards	–4	0
	–8	**–2**
Total reported tax expense/tax income in the Group	**–35**	**–16**

The value of tax loss carryforwards is taken into account when it is believed that they will result in lower tax payments in the future.

Reconciliation of effective tax	2010/11	2009/10
Group		
Result before taxes	137	58
Tax according to Parent Company's tax rate, 26,3%	–36	–15
Effect of other tax rates for foreign subsidiaries	1	0
Non-deductible expenses	–1	0
Other taxable income	0	0
Tax attributable to prior years	1	–1
Reported effective tax	**-35**	**–16**

Current tax expense (–)/tax income (+)	2010/11	2009/10
Parent Company		
Period's tax expense	4	5
	4	**5**
Deferred tax expense (–)/tax income (+)		
Deferred taxes on temporary differences	0	0
Deferred taxes on change of capitalised tax value of tax loss carryforwards	0	–
	0	**0**
Total reported tax expense/tax income in the Parent Company	**4**	**5**

Reconciliation of effective tax	2010/11	2009/10
Parent Company		
Profit before taxes	9	58
Tax according to current tax rate, 26.3%	–2	–15
Effect of impairment charges	-2	–2
Dividends fro Group companies	8	22
Non-deductible expenses	0	0
Reported effective tax	**4**	**5**

Tax items carried directly to equity	2010/11	2009/10
Parent Company		
Current taxes on group contributions received	–7	–7
	–7	**–7**

Note 15 Goodwill

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
Opening balance	179	192
Additions	150	–
Adjustment additional purchase price	–3	-3
Exchange rate difference	–6	–10
Closing balance	**320**	**179**
Goodwill allocated to Group companies		
Acte Solutions AB	2	-
CAD-Kompagniet A/S	25	26
COBS AB	8	11
Direktronik AB	9	9
Elpress AB	40	40
ISG Systems AB	12	12
ISIC A/S	5	5
K&K Active OY	30	33
Leteng AS	22	-
Nordic Alarm AB	20	20
Norwesco AB	31	-
STV Sv Tele & Video Konsult AB	5	5
Swedwire AB	61	-
Svensk Stålinredning AB	21	-
Unitronic AG	16	18
Vanpée & Westerberg A/S	13	-
Total Goodwill	**320**	**179**

Test for impairment of goodwill

The Group's reported goodwill amounts to MSEK 320 (179). Goodwill is not amortised after the transition to IFRS. Instead the value of goodwill is tested annually in accordance with the rules set forth in IAS 36. A test was performed during March 2011. Goodwill is allocated to cash-generating units, which typically coincide with the entity acquired. In cases where the acquired business is integrated into other Lagercrantz businesses to such an extent that it is not possible to keep separate the assets and cash flows attributable to the entity acquired, a test of goodwill values is performed at a higher level. The recovery value is calculated based on the value in use and a current assessment of the cash flows for the next five-year period. Assumptions are made for sales growth, gross margin, level of overhead, working capital requirement and the need for capital expenditures. In the normal case these parameters are set to correspond to the prognosticated levels for the next financial year, mainly based on the relevant entity's business plan. For the year's thereafter a rate of growth based on estimated sustained GDP growth has been used, with minor adjustments. In cases where more major changes are expected, an adjustment has been made to better reflect these expectations. Cash flows have been discounted using a weighted capital cost equivalent to 12–13.5 percent before taxes (same as last year). These calculations demonstrate that value in use exceeds the reported value. The test for impairment of goodwill thus did not result in a need for an impairment charge. The sensitivity in these calculations means that the goodwill value continues to be defended even if some parameters were to change. Other test for impairment: No events or changed circumstances have been identified that would warrant a test for impairment of other intangible non-current assets.

Note 16 Trade marks

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
At the beginning of the year	39	40
Additions	70	–
Exchange rate difference	–1	–1
Closing balance	**108**	**39**
Trademarks are allocated to Group companies as follows		
Acte Solutions AB	3	–
COBS AB	3	3
Direktronik AB	2	2
Elpress AB	15	15
ISIC A/S	8	9
Leteng AS	17	–
Nordic Alarm AB	7	7
Norwesco AB	15	–
STV Sv Tele & Video Konsult AB	3	3
Swedwire AB	25	–
Vanpée & Westerberg A/S	10	–
Total trademarks	**108**	**39**

Each year an assessment is made to determine if any impairment of trademarks has occurred in accordance with the same principles as for goodwill.

Note 17 Other intangible assets

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
Opening balance	109	108
Additions	27	6
Exchange rate difference	-5	–5
	131	**109**
Accumulated amortisation according to plan		
Opening balance	–44	–34
Year's amortisation according to plan	-12	–11
Exchange rate difference	2	–1
	–54	**–44**
Closing balance	**77**	**65**

Other intangible assets primarily consist of patents, customer relationships, capitalised development costs and software. Of the total reported value MSEK 27 (24) refers to internally generated intangible assets. A total of MSEK 11 (10) expensed as research and development during the year.

Note 18 Buildings, land and land improvements

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
Opening balance	3	3
Acquisitions via new companies	30	–
[1]	**33**	**3**
Accumulated amortisation according to plan		
Opening balance	–1	–1
Acquisitions via new companies	0	–
Year's depreciation according to plan	–1	0
	–2	**–1**
Closing balance	**31**	**2**

[1] Acquisition values do not include capitalised interest.

Note 19 Leasehold improvements

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
At beginning of year	7	8
Additions	0	0
Exchange rate difference	-1	–1
	6	**7**
Accumulated amortisation according to plan		
At beginning of year	-3	–3
Year's amortisation according to plan	-1	–1
Exchange rate difference	0	1
	-4	**–3**
Closing balance	**2**	**4**

Note 20 Plant and machinery

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
At beginning of year	77	75
Additions	4	5
Acquisitions via new companies	46	-
Reclassification	0	0
Sales and disposals	-2	0
Exchange rate difference	–2	–3
	123	**77**
Accumulated amortisation according to plan		
Opening balance	–48	–45
Acquisitions via new companies	–30	–
Sales and disposals	2	0
Year's depreciation according to plan	–10	–5
Exchange rate difference	3	2
	–83	**–48**
Closing balance	**40**	**29**

Note 21 Equipment, tools, fixtures and fittings

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
At beginning of year	110	124
Additions	8	6
Additions via new companies	7	–
Sales and disposals	–5	–15
Reclassification	0	0
Exchange rate difference	–4	–5
	116	**110**
Accumulated amortisation according to plan		
At beginning of year	–94	–105
Additions via new companies	–8	–
Sales and disposals	5	15
Reclassification	0	0
Year's amortisation according to plan	–5	–8
Exchange rate difference	4	4
	–98	**–94**
Reported value at end of period	**18**	**16**

	3/31/2011	3/31/2010
Parent Company		
Accumulated acquisition values		
At beginning of year	1	1
Additions	0	0
	1	**1**
Accumulated amortisation according to plan		
At beginning of year	–1	–1
Year's amortisation according to plan	0	0
	–1	**–1**
Closing balance	**0**	**0**

Note 22 Shares in Group companies

	3/31/2011	3/31/2010
Parent Company		
Accumulated acquisition values		
At beginning of year	645	665
External acquisitions	239	–
Sales to Group companies	–	–10
Adjustment of additional purchase money	–2	–3
Mergers	–	–7
	882	**645**
Accumulated impairment charges		
At beginning of year	–106	–112
Mergers	–	6
Year's impairment charges	–2	–
	–108	**–106**
Closing balance	**774**	**539**

Subsidiary Heath Comm AS was merged into a sister company during the year.

Specification of the Parent Company's and the Group's holdings of shares in Group companies

Group company²/ Organisation number / Registered office	Number of shares	Stake in %¹	Book value 3/31/2011	Book value 3/31/2010
Acte Solutions AB, 556600-8032, Norrköping	500	100.0	13	13
Acte Systems AS, 927 714 574, Bergen, Norway	600	100.0	1	1
Acte Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	2
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	33
Acte Supply AB, 556213-2406, Norrköping	50,000	100.0	20	20
Acte Oy, 239 992, Helsinki, Finland	300	100.0	3	3
COBS AB, 556524-3788, Göteborg	3,000	100.0	21	23
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	99
Elpress A/S, CVR 26162629, Silkeborg, Denmark	100	100.0	–	–
Elpress GmbH, HBR 3252, Viersen, Germany	100	100.0	–	–
Elpress (Beijing) Electrical Components Co. Ltd, Beijing, China	100	100.0	–	–
Kablema AB, 556746-2196, Kramfors	100	100.0	–	–
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	13	13
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18
K& K Active OY, 0980670-5, Helsinki, Finland	100	100.0	51	51
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20
Lagercrantz Communication AB, 556260-2127, Solna	1,000	100.0	3	3
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	51	–
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	–
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16
Svensk Stålinredning AB, 556842-6000, Värnamo	100,000	100.0	32	–
Swedwire AB, 556297-0060, Varberg	100,000	100.0	95	–
Unitronic AG, HRB 40042 , Düsseldorf, Germany	153,600	100.0	28	28
Secos GmbH , Baar, Switzerland	20,000	100.0	–	–
Lagercrantz A/S, 81 74 67 10 , Copenhagen, Denmark	6	100.0	131	131
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	–	–
Lagercrantz Asia Ltd, Hong Kong	20,000	100.0	–	–
Acte Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100.0	–	–
IWSFE Sp Z o o., 296 322, Warsaw, Poland	4,000	100.0	–	–
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100.0	–	–
ISIC A/S, 16 70 45 39, Århus , Denmark	33,400	100.0	–	–
Vanpée & Westerberg A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	–	
Betech Data A/S, 10 51 07 32, Copenhagen, Denmark	1	100.0	–	–
CAD-Kompagniet A/S, 21 69 77 88, Copenhagen, Denmark	8	100.0	–	–
Companies sold and merged during the year.			–	11
			774	**539**

¹ Refers to ownership stake of capital, which also coincides with the proportion of votes for the total number of shares outstanding.

² Group companies are reported at book value; other companies are owned indirectly via Group companies.

Note 23 Due from Group companies

	3/31/2011	3/31/2010
Parent Company		
Accumulated acquisition values		
Opening balance	47	58
Incremental receivables	78	50
Receivables paid	–26	–58
Translation difference	–3	–3
Closing balance	**96**	**47**

Note 24 Other long-term receivables

	3/31/2011	3/31/2010
Group		
Accumulated acquisition values		
Opening balance	2	2
Incremental receivables	0	0
Receivables paid	0	0
Closing balance	**2**	**2**

Note 25 Inventories

One-time impairment charges were made against inventories in the amount of MSEK 6 (7).

Note 26 Trade receivables

Aging of unimpaired trade receivables due	3/31/2011	3/31/2010
Group		
Trade receivables not due	300	235
Trade receivables due in 0–30 days	20	15
Trade receivables due in > 30–90 days	2	1
Trade receivables due in > 90–180 days	1	1
Trade receivables due in > 180 days	0	2
Total	**323**	**254**

Provision account

Provision account for bad debt losses	3/31/2011	3/31/2010
Group		
Opening balance	4	5
Reversal of previously sustained impairment charges	–1	–2
Year's impairment losses	0	1
Translation difference	0	0
Closing balance	**3**	**4**

Bad debt losses realised during the year have been charged to the income statement in the amount of MSEK 1 (3).

Note 27 Earned but not yet invoiced revenue

	3/31/2011	3/31/2010
Group		
Work in progress		
Accumulated recognised contract income	102	113
Invoiced revenue	–88	98
Total claim on clients	**14**	**15**
Accumulated contract expenditure and recognised profit (after deduction of reported loss) at the end of the period	102	113
Advance payments received	–	–
Amount held back by client	–	–

Contract income from fixed price contracts are reported using gradual profit recognition. Calculations are made based on completed time relative to estimated time to complete the entire contract.

Note 28 Prepaid expenses and accrued income

	3/31/2011	3/31/2010
Parent Company		
Prepaid rent	0	0
Prepaid insurance premiums	0	0
Other items	2	2
	0	**2**

Note 29 Equity

Parent Company

According to Swedish law, shareholder's equity shall be divided between funds that may not be paid as dividends (restricted funds) and funds that may be paid as dividends (unrestricted funds).

Restricted reserves

Restricted funds consist of share capital and the following reserves:

- Revaluation reserve
  When a tangible or financial non-current asset is revalued, the amount by which it is revalued is allocated to a revaluation reserve.
- Legal reserve
  The purpose of the legal reserve is to set aside the portion of net earnings not required to cover a loss brought forward.

Unrestricted equity

Unrestricted funds consist of retained earnings and premium reserve:

- Retained earnings
  Consist of the preceding year's unrestricted equity after any allocation to legal reserve and after any dividends paid. Constitute the total unrestricted equity together with this year's income and the premium reserve, i.e. the amount available for payment as dividends to the shareholders.
- Premium reserve
  When shares are issued at a premium, i.e. when payment for shares is made in excess of their nominal value, an amount equivalent to the amount received in excess of the quotient value of the shares must be credited to the premium reserve.

Share capital

Distribution and change of class of shares

Classes of shares	Shares outstanding	Number of votes
Class A shares, 10 votes per share	1,094,654	10,946,540
Class B shares, 1 vote per share	22,078,655	22,078,655
Class B shares held in treasury	–977,000	-977,000
Total	**22,196,309**	**32,048,195**

	Class A shares	Class B shares
Number of shares outstanding at beginning and end of period	1,094,654	22,078,655
Total	**1,094,654**	**22,078,655**

Repurchased shares	Class A shares	Class B shares
Number of shares repurchased at beginning and end of period	–	1,195,500
Shares used in connection with redemption of options		–218,500
Total	**–**	**977,000**

The share capital amounted to MSEK 48.9 at the end of the period. The class B share is listed on OMX Nordic Exchange Stockholm. According to the Articles of Association the share capital shall be not less than MSEK 25 and not more than MSEK 100. The quotient value of the share is SEK 2.11. The proposed dividend for the year is SEK 2.25 (1.50) per share. The options programmes described in Note 6 are secured by shares repurchased at an average price of

SEK 25.75. When the call options are exercised at a redemption price of SEK 36.80, SEK 31.10, and SEK 42.00 per share, the number of shares outstanding will increase by the number of call options exercised, a total of 685,000. The number of shares held in treasury will then decrease accordingly.

Group

The Group's equity consists of share capital and the following items:

Other contributed capital

Refers to equity capital contributed by the owners.

Reserves

Reserves refer to restatement reserve and hedging reserve.

The restatement reserve includes all FX rate translation differences that arise when translating the financial statements of foreign operations. These entities prepare their financial statements in other currencies than the Group and the Parent Company, which report in Swedish kronor (SEK). The restatement reserve additionally consists of exchange rate differences that arise upon revaluation of net investments in foreign operations. The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet transpired.

Retained earnings

Retained earnings include earned profit in the Parent Company and its subsidiaries. Profit for the year is reported separately in the report of financial position. Prior provisions to the legal reserve, not including transferred premium reserves, are included in this equity item.

Capital management

The Group’s goal, as expressed in its finance policy, is to have a good capital structure and financial stability in the interest of retaining the confidence of investors, credit institutions and the market in general. In addition, this constitutes a foundation for continued development of the business operations. Capital is defined as total shareholders’ equity, not including minority interests.

The ambition of the Board of Directors is to retain a balance between a high return and the security of a large capital base. The Group’s goal is to achieve a return on equity of at least 25 percent per year. For the 2010/11 financial year the return was 20 percent (8). This improvement was achieved thanks to an increase in profit to MSEK 102 (42) and as a result of equity amounting to MSEK 520 during the year (506), which means that there was a greater increase in profit than in equity. Reasons for this include a dividend paid in the amount of about MSEK 33 and negative translation differences.

The Group’s dividend policy is to pay a dividend amounting to 30–50 percent of the year’s profit and taking into consideration future cash flow and investments. Before the 2011 Annual Meeting the Board of Directors has proposed a dividend of SEK 2.25 (1.50) per share. The proposed dividend translates to a dividend share of 49 percent (79). The dividend is also equivalent to 9 percent (7) of consolidated equity as of 31 March 2011.

The Group’s Board of Directors has a mandate from the 2010 Annual Meeting to repurchase shares. The Group has made repurchases of shares in prior years. In part, the timing of these repurchases has been determined by the market price of the share. A portion of the repurchased shares are intended cover the Group’s commitment under outstanding option programmes, where members of senior management and certain key persons have the opportunity to acquire class B shares by exercising acquired options. There is no formal repurchase plan. Decisions to buy and sell shares in the Group are instead made by the Board of Directors within the framework of the mandate given by the Annual General Meeting. The Board of Directors is again proposing to the 2011 Annual General Meeting to pass a resolution to repurchase own shares. There was no change in the Group’s capital

Note 30 Provision for pensions and similar obligations

Defined benefit obligations and the value of managed assets

Lagercrantz Group has defined benefit pension plans in just a few countries. The plans in Sweden cover certain Group companies. The plans provide benefits based on the compensation and the years of service the employees have at or close to retirement. The pension plan according to ITP, secured by insurance with Alecta, is reported as a defined contribution plan since the Company has not had access to information detail making it possible to report this plan as a defined benefit plan.

	3/31/2011	3/31/2010
Group		
Present value of unfunded defined benefit obligations	49	57
Net obligations before adjustments	**49**	**57**
Adjustments:		
Actuarial gains and losses on pension obligations	1	–8
Subtotal of accumulated unreported actuarial gains (+) and losses (-)	*1*	*–8*
Net amount in report of financial position, obligation (+), asset (-)	**50**	**49**
The net amount is recorded in the following items in the consolidated statement of financial position:		
Provision for pensions and similar obligations	50	49
Net amount in the consolidated statement of financial position	**50**	**49**

Distribution of amount on plans in the following countries:	3/31/2011	3/31/2010
Sweden	49	48
Norway	0	0
Germany	1	1
Amount in the consolidated statement of financial position	**50**	**49**

Actuarial gains and losses may arise when the present value of the obligation and the fair value of managed assets are determined. They arise either when the actual outcome differs from the previously made assumption, or when assumptions are changed. The portion of the accumulated actuarial gains and losses at the end of the preceding year that exceeds 10 percent of the higher of present value of the obligations and the fair value of managed assets is expensed and distributed evenly over the average remaining time of employment of the employees.

Pension cost	2010/11	2009/10
Group		
Defined benefit plans		
Cost of pensions earned during the year	0	–1
Interest expense	–2	–2
Actuarial gains (–) and losses (+) reported during the year	0	0
Cost defined benefit plans	**–2**	**–3**
Cost of defined contribution plans	–24	–19
Total cost of compensation after termination of employment	**–26**	**–22**

The pension cost relating to the most important defined benefit pension plans in the amount of MSEK 2 (4) is reported in the income statement on the lines Selling costs, Administrative expenses and Interest expense. The interest component of the pension cost reported as a financial expense amounted to MSEK 2 (2). The pension cost of defined contribution pension plans was MSEK 24 (18). The total cost of defined benefit and defined contribution pension plans amounted to MSEK 26 (22).

Reconciliation of net amount of pensions in the consolidated statement of financial position

The following table explains how the net amount in the report of financial position has changed during the period.

	2010/11	2009/10
Opening balance of present value of obligations	49	63
Cost of defined benefit plans	2	3
Disbursement of compensation	–1	–1
Payment of fees from the Company	0	0
Change in actuarial gains/losses	0	0
Redemption of transferred obligations	–	–16
Exchange rate differences	0	0
Closing balance of present value of obligations	**50**	**49**
Net amount in the report of financial position, closing balance	**50**	**49**

Actuarial assumptions

The following significant actuarial assumptions have been applied when calculating the obligations: (weighted average values).

	3/31/2011	3/31/2010
Discount interest rate	4.9%	3.9%
Expected inflation	2.2%	2.0%
Future salary increases	3.2%	3.0%
Personnel turnover	5.0%	5.0%
Change in income amount	3.2%	3.0%

The basis for discount interest rate 2010/11 has been changed from government bonds to housing bonds. The Group estimates that MSEK 2 will be paid during 2010/11 to funded and unfunded defined benefit plans.

Parent Company	3/31/2011	3/31/2010
Provision for pensions	21	22
	21	**22**

Pledged assets for pension obligations

The Parent Company has guaranteed the PRI liabilities of Group companies.

Note 31 Deferred taxes

3/31/2011	Deferred tax asset	Deferred tax liability	Net
Group			
Other non-current assets	5	–48	–43
Other provisions	0	–	0
Untaxed reserves	–	–12	–12
Other	1	0	1
Tax loss carryforwards	3	–	3
	9	**–60**	**–51**

3/31/2010	Deferred tax asset	Deferred tax liability	Net
Group			
Other non-current assets	5	–25	–20
Other provisions	1	–	1
Untaxed reserves	–	–5	–5
Other	2	0	2
Tax loss carryforwards	7	–	7
	15	**–30**	**–15**

Unreported deferred tax assets

Deferred tax claims relating to tax loss carryforwards of MSEK 1 (1) have not been recognised. The value of tax loss carryforwards is taken into account to the extent it is deemed possible that they will result in lower tax payments in the future.

Change in deferred taxes in temporary differences and tax loss carryforwards

Group

	Opening balance	Reported via the income statement	Closing balance
Other non-current assets	–20	0	–43
Other provisions	1	–1	0
Untaxed reserves	–5	–4	–12
Other	2	1	1
Tax loss carry forwards	7	–4	3
	–15	**–8**	**–51**

The difference on the change by type of tax not carried via the income statement is explained by deferred taxes in connection with acquisitions and by translation differences.

The Company reports no deferred taxes on temporary differences attributable to investments in Group companies. Any effects in the future will be recognised when the Company can no longer control the reversal of such differences, or when it for other reasons is no longer probable that reversal will take place within the foreseeable future.

The Parent Company has a deferred tax asset of MSEK 0 (0).

Note 32 Other provisions

	3/31/2011	3/31/2010
Group		
Other provisions as long-term liabilities		
Costs for restructuring measures	0	0
Guarantee provisions	0	1
Other	1	1
	1	**2**
Other provisions as current liabilities		
Costs for restructuring measures	1	6
Other	0	0
	1	**6**
Opening balance	8	15
Provisions set aside during the period	1	6
Amounts utilised during the period	–7	–13
Closing balance	**2**	**8**

Restructuring

Restructuring costs for which provisions have been set aside primarily refer to measures attributable to personnel changes.

Note 33 Financial assets and liabilities

Financial instruments by category

The fair value of financial assets and liabilities essentially agrees with reported values.

Group

3/31/2011	Loan and trade receivables	Derivative for hedge accounting	Total
Assets in the report of financial position			
Long-term receivables	2		2
Trade receivables	323		323
Cash and cash equivalents	56		56
Total	**381**	**–**	**381**

The consolidated report of financial position shows other receivables in the amount of MSEK 31 as financial instruments. All other items are non-financial.

3/31/2011	Financial liabilities	Derivative for hedge accounting	Total
Assets in the consolidated statement of financial position			
Long-term liabilities to credit institutions	75		75
Current liabilities to credit institutions	174		174
Trade payables	188		188
Other current liabilities	21	1	22
Total	**458**	**1**	**459**

The consolidated report of financial position shows other receivables in the amount of MSEK 86 as financial instruments. Derivatives in the amount of MSEK 1 and supplemental earn-out money of MSEK 21 are reported as financial instruments. All other items are non-financial.

3/31/2010	Loan and trade receivables	Derivative for hedge accounting	Total
Assets in the consolidated statement of financial position			
Long-term receivables	2		2
Trade receivables	254		254
Other short-term receivables	–	1	1
Cash and cash equivalents	29		29
Total	**285**	**1**	**286**

The consolidated report of financial position shows other receivables in the amount of MSEK 14 as financial instruments. Derivatives in the amount of MSEK 1 are reported as financial instruments. All other items are non-financial.

3/31/2010	Financial liabilities	Derivative for hedge accounting	Total
Liabilities in the consolidated statement of financial position			
Long-term liabilities to credit institutions	0		0
Current liabilities to credit institutions	18		18
Trade liabilities	158		158
Other current liabilities	–	3	3
Total	**176**	**3**	**179**

The consolidated statement of financial position shows other receivables in the amount of MSEK 60 and financial instruments reported as derivatives in the amount of MSEK 3. Other items are non-financial.

Parent company

3/31/2011	Loan and trade receivables	Derivative for hedge accounting	Total
Assets in the balance sheet			
Due from Group companies, long-term	96		96
Other short-term receivables	29		29
Cash and cash equivalents	0		0
Total	**125**	**–**	**125**

3/31/2011	Financial liabilities	Derivative for hedge accounting	Total
Liabilities in the balance sheet			
Due to Group companies, long-term	1		1
Long-term liabilities to credit institutions	75		75
Current liabilities to credit institutions	175		175
Trade payables	1		1
Other current liabilities	107		107
Total	**358**	**–**	**358**

Supplemental earn-out money of MSEK 13 is reported as other current liabilities valued at fair value.

1/31/2010	Loan and trade receivables	Derivative instruments for hedge accounting	Total
Assets in the balance sheet			
Due from subsidiaries, long-term	47		47
Other short-term receivables	46		46
Cash and cash equivalents	0		0
Total	**93**	**–**	**93**

3/31/2010	Financial liabilities	Derivative instruments for hedge accounting	Total
Liabilities in the balance sheet			
Long-term liabilities to credit institutions	17		17
Current liabilities to credit institutions	22		22
Trade payables	2		2
Other current liabilities	72		72
Total	**113**	**–**	**113**

Note 34 Interest-bearing liabilities and provisions

The Group's interest-bearing liabilities are allocated in the balance sheet as follows: Provision for pensions MSEK 50 (49), Long-term liabilities MSEK 75 (0), Current liabilities to credit institutions MSEK 174 (18) and Other current liabilities MSEK 0 (0). Total MSEK 299 (67). Provision for pensions is defined as an interest-bearing provision since the defined benefit pension obligations according to IAS 19 are computed to present value using a discount interest rate. For details, refer to Note 30.

Credit terms on trade payables in the Group follow normal industry practice. The interest rate swap acquired by the Parent Company in the amount of MSEK 100 matures on 30 March 2012. The nominal value of interest-bearing liabilities and provisions essentially agree with book values.

Liabilities to credit institutions

Group	3/31/2011	3/31/2010
Current portion	0	2
Maturity, 2–5 years from the date of the statement of financial position	75	0
Maturity, more than five years from the date of the statement of financial position	–	–
	75	**2**

Parent Company	3/31/2011	3/31/2010
Current portion	–	–
Maturity, 2–5 years from the balance sheet date	75	–
Maturity, more than five years from the balance sheet date	–	–
	75	**–**

Refers to acquisition loans without specific assets pledged. The loan is repaid over three years and carries interest at a variable rate.

Committed credit facility

Group	3/31/2011	3/31/2010
Approved credit limit	455	309
Utilised portion	–281	–293
Credit facility utilisation	**174**	**16**

Credit limits on committed credit facilities are renewed on an annual basis.

Parent Company	3/31/2011	3/31/2010
Approved credit limit	400	250
Utilised portion	–225	–228
Credit facility utilisation	**175**	**22**

The credit limit on committed credit facility is renewed on an annual basis.

Pledged assets for committed credit facility

Group	3/31/2011	3/31/2010
Corporate mortgages	29	28
	29	**28**

Note 35 Accrued expenses and prepaid income

Parent Company	2010/11	2009/10
Personnel expenses	5	2
Other items	3	3
	8	**5**

Note 36 Interest paid

	2010/11	2009/10
Group		
Interest income	1	1
Interest expense	–9	–7
Parent Company		
Interest income	2	1
Interest expense	–9	–6

Note 37 Adjustment for items not included in cash flow

Group	2010/11	2009/10
Depreciation and amortisation	29	25
Other provisions	–4	–11
Impairment losses and disposals	0	0
Capital loss on sale of non-current assets	–1	0
Change in interest accrual	1	2
Other items	–2	–2
	23	**14**

Parent Company	2010/11	2009/10
Depreciation and amortisation	0	0
Impairment charges	4	7
Restructuring reserve	0	0
Other items	2	1
	6	**8**

Note 38 Investment in businesses

The following companies were acquired during the year (100 percent unless otherwise specifically stated): Norwesco AB, included in division Mechatronics from May, SwedWire AB included division Mechatronics from June, Leteng AS (95 percent), included in division Communications from July, Vanpée & Westerberg A/S, included in division Electronics from October, Svensk Stålinredning AB, included in division Mechatronics from March. A small business (Capax) was also acquired as a complement for subsidiary Acte Solutions. All acquisitions were paid for in cash.

Specification of the acquisitions

Norwesco AB was acquired during May 2010. Norwesco develops, manufactures and markets a niche line of electromechanical products for the electronics and construction industries. Norweso had 2009 sales of about MSEK 50 with good profitability. The company's head office is in Täby and production is in Öregrund. SwedWire AB was acquired during June 2010. SwedWire develops, manufactures and markets niched steel products, such as guy wires and road barrier ropes, wires for reinforced submerged cables and and ACSR conductors. SwedWire had 2009 sales of about MSEK 80 and good profitability. The company is located in Varberg.

During July 2010 95 percent of the shares in Norwegian company Leteng AS were acquired. Leteng is a value-creating distributor of hardware in the field audiovisual aids, data and network communication. The oustanding 5% is to be acquired due to a binding option agreement. The company offers niched products in combination with high technical competence and service. Leteng had 2009 sales of about MNOK 56 with good profitability. The company has offices in Oslo and Tynset.

During October 2010 Danish company Vanpée & Westerberg A/S was acquired. Vanpée is a value creating distributor of electro-technical products in the fields of lighting automation and over-voltage protection. The company offers niched products in combination high technical competence. Vanpée had 2009 sales of about MDKK 30 with good profitability. The company is located in Copenhagen.

Svensk Stålinredning AB was acquired during March 2011. Svensk Stålinredning is niched maker of custom designed storage solutions for professional environments. Svensk Stålinredning had 2010 sales of about MSEK 50 with good profitability. The company is located in Bredaryd.

Since information on the acquisitions on an individual basis is immaterial, data is provided only in aggregated form. Lagercrantz typically utilizes supplementary purchase money as a complement to the basic purchase money. The amount for estimated purchase money includes supplementary purchase money set aside in the amount of MSEK 21 for Leteng AS, Vanpée & Westerberg A/S and Svensk Stålinredning AB. The calculation is based a probability-weighted waiting value. The amount constitutes just short of 90 percent of the maximum outcome. Non-payment of supplementary purchase money is the lowest possible outcome, which, however, is highly unlikely. There is no supplementary purchase money for the other acquired companies.

Surplus values of tangible non-current assets refer to properties valued at market value. The value of trademarks is based on the strong market and customer position the companies have and is an estimated value based on the marketing needed to build up an equivalent position. Other surplus values refer primarily to strong product lines and innovations that warrant a good price and position in the market. Goodwill represents the value of the companies' technical expertise and position in the market. Acquired goodwill includes a tax-deductible portion in the amount of MSEK 2 derived in the supplementary acquisition of Acte Solutions.

Net assets of the acquired companies at the time of acquisition, MSEK	Carrying value in the companies	Fair-value adjustment	Fair value in the group
Intangible non-current assets	–	89	89
Other non-current assets	39	9	48
Inventories	45	–	45
Other current assets	49	–	49
Cash and cash equivalents	3	–	3
Interest-bearing liabilities	–28	–	–28
Other liabilities	–30	–25	–55
Net identifiable assets/liabilities	**78**	**73**	**151**
Goodwill			150
Estimated purchase money			**301**

Effect on cash flow

Group	2010/11	2009/10
Intangible non-current assets	–239	
Tangible non-current assets	–48	
Inventories	–46	
Other current assets	–54	
Deferred tax liability	28	
Current liabilities	58	
Total purchase money	**–301**	
Cash and cash equivalents in the acquired businesses	3	
Effect of the year's acquisitions on the Group's cash and cash equivalents	*–298*	–
Adjustment of estimated supplementary purchase money, prior acquisitions	2	
Repayment of/increase in liabilities relating to acquired businesses	18	
Cash flow attributable to capital investments in businesses	**–278**	**–**

No temporary tax differences arose in connection with the year's acquisitions.

Distribution of intangible assets in connection with acquisitions	2010/11	2009/10
Group goodwill	150	
Trademarks	70	
Other intangible assets	19	
Total intangible assets via acquisitions	**239**	**–**

Contribution of the acquired entities to the Group's revenue and profit	2010/11	2009/10
Revenue	205	
Contribution to profit before acquisition costs	34	
Transaction overhead	–3	–
Amortisation of surplus values	–1	–
Contribution to profit after acquisition costs	**30**	**–**
Finance costs	–7	
Contribution to profit after finance costs	**23**	**–**

Contribution of the acquired entities to the Group's revenue and profit had they been included for the entire year	2010/11	2009/10
Revenue	302	
Contribution to profit before acquisition costs	48	
Transaction overhead	-3	–
Amortisation of surplus values	-2	–
Contribution to profit after acquisition costs	**43**	**–**
Finance costs	-10	
Contribution to profit after finance costs	**33**	**–**

Transaction overhead for the year's acquisitions in the amount of MSEK 3 is reported as administrative expenses.

Note 39 Contingent liabilities

Group	3/31/2011	3/31/2010
Guarantee undertakings FPG/PRI	0	0
Bank guarantees	3	3
	3	**3**

Note 40 Earnings per share

	2010/11	2009/10
Earnings per share, SEK	4.63	1.91
Earnings per share after dilution, SEK	4.61	1.91

The calculation of earnings per share for 2010/11 was based on profit for the year attributable to the Parent Company's equity holders amounting to MSEK 102 (42) and on the weighted average number of shares outstanding during 2010/11 amounting to 20,046,145 (21,977,809). The weighted number of shares outstanding dilution included is 22,133,388 (21,977,809).

Instruments that may give rise to future dilutive effect

During 2010/11 the Company had three outstanding option programmes where the average market price of the shares (SEK 42.00 per share) exceeded the redemption prices (SEK 36,80, SEK 31.10 and SEK 42.00 per share) in the programmes. These options give rise to a dilutive effect and have been included in the calculation of earnings per share after dilution. Refer to Note 6 for a description of the option programme. Shares held in treasury are used as a hedge for this programme.

Note 41 Risk management

Financial risks

Efficient and systematic risk evaluation of financial risks as well as business risks is essential to Lagercrantz. Lagercrantz Group's model for risk management does not involve avoidance of risk, but is rather aimed at identifying, managing and pricing these risks.

The Board of Directors of Lagercrantz is responsible for adopting the finance policy that sets guidelines, goals and limits for financial management and management of financial risks within the Group. The finance policy governs the distribution of responsibility between the Board of Directors of Lagercrantz, Group management and the Group's companies. Group management has the operative responsibility to secure the Group's financing and to manage cash liquidity, financial assets and liabilities in an efficient manner.

Foreign exchange risk

Despite the fact that Lagercrantz has an international presence, its operations are local in nature as far as foreign exchange risk is concerned. Foreign exchange risk is the greatest financial risk to which Lagercrantz Group is exposed. It is defined as the risk for negative effect on profit caused by foreign exchange rate fluctuations. Foreign exchange rate fluctuations affect the Company's profit, equity and competitive situation in different ways:

- The result is affected when sales and purchases are in different currencies (transaction exposure).
- The result is affected when assets and liabilities are in different currencies (translation exposure).
- The result is affected when profit of subsidiaries in different currencies is translated into Swedish kronor (translation exposure).
- Equity is affected when the subsidiaries' net assets in different currencies are translated into Swedish kronor (translation exposure.

Transaction exposure

In an internationally active trading company such as Lagercrantz Group it is important to offer customers and suppliers opportunities to pay in their own currency. This means that the Group continually assumes currency risks, both in terms of trade receivable and trade payables in foreign currency. Since the largest part of sales is in the Nordic Region, Lagercrantz Group has a surplus of foreign currency flows in that region. These flows are exposed to transaction risks. The Group's purchases and sales in important foreign currencies amounted to MSEK 1,192 and MSEK 1,354, respectively.

Purchases/sales in important currencies

Amounts in MSEK	Purchases	Sales
USD	258	117
EUR	734	714
GBP	13	26
DKK	133	411
NOK	7	33
JPY	47	32
PLN	0	21
Group total	**1,192**	**1,354**

Cash and cash equivalents by currency

Amounts in MSEK	3/31/2011	3/31/2010
SEK	3	1
USD	7	3
EUR	10	8
DKK	12	3
NOK	16	4
Other currencies	8	10
Group total	**56**	**29**

According to the guidelines of Lagercrantz Group, its foreign exchange exposure should be reduced to a certain extent. Currency exposure that arises is eliminated to the greatest extent possible by currency clauses and invoicing in the same currency as that in which purchases are made. Forward cover of day-to-day exposure to foreign currency is used sparingly. The value of forward contracts was MSEK 1 per 31 March 2011. The long-term benefit of forward foreign exchange cover is deemed to be small in combination with the growing complexity of reporting financial derivative instruments.

Translation exposure in the consolidated statement of financial position

An individual subsidiary should normally have no translation risk in its own balance sheet. This means that a subsidiary's receivables and liabilities in foreign currency should be balanced. Subsidiaries also normally do their borrowing in their own currency. In practice, this only comes into play when loans are raised in conjunction with the acquisition and in the case of loans between subsidiary and parent company. Equity in foreign Group companies is normally not hedged since investments in subsidiaries are considered to be of a long-term character. There may be exceptions, however. The translation exposure in consolidated equity can, during certain periods with sharp foreign currency rate fluctuations, be substantial. The largest exposures are in DKK, EUR and NOK. The effect of translation differences on equity is set forth in the summary of changes in shareholders' equity.

Exchange rate sensitivity

As a rule of thumb it can be said that a change of the euro exchange rate (including the Danish krona, with an exchange rate linked to the EUR) relative the Swedish krona by plus or minus 5 percent is estimated to change Lagercrantz Group's gross profit by plus or minus MSEK 10, respectively, on an annual basis given the conditions prevailing during the financial year. A change of the US dollar exchange rate by plus or minus 5 percent would give rise to a corresponding effect of minus or plus, respectively, MSEK 5. denominated in foreign currency, especially DKK and EUR; measures are continually being taken to minimise the negative effects of foreign exchange rate fluctuations. This makes the ultimate effects on profit difficult to predict and analyze. The rule of thumb should therefore be used with caution.

Interest risk

The Group's financial policy states the borrowing and the period of fixed interest thereon should not be longer than the period during which a borrowing need is deemed to exist. The overarching policy is that up to 50 percent of the borrowing should be for a term of one to five years. Interest risk arises in two ways:

- The company may have invested in interest-bearing assets the value of which changes when there is an interest rate change.
- The cost of the company's borrowing may change when the interest rate level changes.

Lagercrantz Group has no long-term surplus liquidity and does not normally invest funds in anything but short-term bank deposits/short-term money market instruments with a term of less than 90 days. As a consequence, there is no appreciable interest rate risk in the Group's short-term investments. Changes in the interest rate level therefore primarily affect the Company's borrowing cost. A change in the weighted average interest rate by 1 percent for the Group is expected to affect the interest expense before taxes by approximately MSEK 2 on an annual basis, given the conditions that prevailed during the financial year. An interest rate hedge has been acquired in an amount of MSEK 100. Interest on this amount will not exceed 4.55 percent over the coming year. The Group's goal is to have a well-balanced liquidity reserve available in the form of cash and cash equivalents and committed credit facilities.

Weighted average effective interest rates on loans, %

	Group		Parent Company	
Percent	2010/11	2009/10	2010/11	2009/10
Long-term liabilities to credit institutions	3.49%	4.66%	3.49%	4.67%
Short-term liabilities to credit institutions	1.89%	1.51%	1.69%	1.11%

Credit risk

Lagercrantz Group's credit risk with respect to trade receivables is highly diversified through a large number of projects and other business agreements of varying size and type, with a large number of customer categories in a multitude of geographic markets. The Company therefore has no significant concentration of credit risks. Financial credit and counterparty risk is identified, managed and reported in accordance with the framework defined in the Group's finance policy, risk policy and rules of attestation. In connection with financing of projects and other business agreements Lagercrantz may in certain cases assume responsibility for bank guarantees, in the form Parent of Company guarantees towards a third party, for the purpose of securing financing during a limited period of time. According to the finance policy, as few credit counterparties as possible shall be strived for and they should always be highly creditworthy. No material losses of a financial character were sustained during the year.

Liquidity risk

Established relationships with the capital markets is a prerequisite for Lagercrantz Group's prospects for securing a supply of capital on a long-term basis on terms and conditions in tune with conditions on the market. Given the credit facilities in place, there is good preparedness for temporary fluctuations in the Group's liquidity needs. For maturity dates, refer to Note 34.

Lagercrantz Group's confirmed bank credit facilities consist of:

- Committed credit facility in the amount of MSEK 400 in the Parent Company.
- Committed credit facilities in the amount of MSEK 55 in subsidiaries.
- An acquisition facility in the amount of MSEK 75 in the Parent Company.

Capital risk

The Group's goal with respect to its capital structure is in line with the purpose of securing the ability to continue operations, allowing it to continue generating a return to its shareholders and benefits for other stakeholders, and to maintain a capital structure that gives a low overall capital cost. The risk inherent in the Group's level of capital is judged in terms such as equity ratio and interest coverage ratio. The present levels of these metrics adequately fulfil the requirements imposed by providers of capital.

Note 42 Related party disclosures

Related party relationships

The Parent Company has a related-party relationship with its Group companies. The Company's directors and their family members control approximately 31 percent of the votes in the Company.

Related party transactions

The Parent Company invoices subsidiaries for intra-Group services. Sales among Group companies have occurred in small amounts. Transactions are on terms and conditions in line with market conditions. No related party transactions have occurred within the Group. No other purchases and sales have occurred between the Parent Company and the Group companies.

Note 43 Events after the date of the report of financial position

No for the Company significant events have occurred after the date of the report of financial position 31 March 2011.

Note 44 Information about Lagercrantz Group AB

Lagercrantz Group AB (publ), with its registered office in Stockholm. Box 3508, Torsgatan 2, SE-103 69 Stockholm, Sweden, Organisation number: 556282-4556.

The Company's primary object is to deal in and manufacture products in the fields of data and electronics – either itself or through wholly or partially owned Group companies – and to engage in other business compatible therewith. The average number of employees during the year was 10. The Parent Company's shares are registered on the Nasdaq OMX.

The annual and consolidated accounts have been issued by the board and the managing director on 28 June 2011.

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 2010–04–01–2011–03–31. The annual accounts and the consolidated accounts of the company are on pages 12–54. 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. A corporate governance statement has been prepared. 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, 28 June 2011

KPMG AB

Joakim Thilstedt
Authorised Public Accountant

Board of Directors and Auditors

Anders Börjesson, born 1948.

Chairman. Bachelor of Science (Econ.). Chairman of Addtech AB and Cibenon AB. Vice Chairman of B&B Tools AB. Director of Boomerang AB, Bostad Direkt AB, Futuraskolan AB, Inomec AB and Ventilationsgrossisten Stockholms Byggplåt AB.
Professional experience: CEO of Bergman & Beving.
Holding (family)[1]: 492,558 class A shares and 402,500 class B shares.
Director since 2001.

Tom Hedelius, born 1939.

Vice Chairman. 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.
Professional experience: Board chairman, President and managerial positions at Svenska Handelsbanken.
Holding (family)[1]: 477,558 class A shares and 5,400 class B shares.
Director since 2001.

Pirkko Alitalo, born 1949.

Director. Bachelor of Science (Econ.) Professional experience: Vice President and managerial positions at Pohjola Group. President at Midland Montague Aktiebank.
Holding[1]: 5,000 class B shares.
Director since 2001.

Lennart Sjölund, born 1949.

Director. Bachelor of Science (Econ.) Chairman of ErySave AB. Director of Godiva AB, Quickcool AB and Zarismo AB.
Professional experience: Managerial positions at companies present in building materials, packaging, brewery and medtech industries.
Holding (family)[1]: 110,000 class B shares.
Director since 2001.

Jörgen Wigh, born 1965.

President & Chief Executive Officer.Bachelor of Science (Econ.)
Professional experience: Vice President of Bergman & Beving, founder of PriceGain, management consultant at McKinsey & Co and investment manager Spira Invest.
Holding[1]: 14,784 class A shares, 38,000 class B shares and 114,100 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.

[1] Holding refers to status per 28 June 2011.

Management

Jörgen Wigh, born 1965.
President & Chief Executive Officer.
Bachelor of Science in economics.
Holding[1]: 14,784 class A shares, 38,000 class B shares and 114,100 call options on class B shares.

Niklas Enmark, born 1972.
Executive Vice President and Chief Financial Officer.
Bachelor of Science in economics.
Holding[1]: 16,500 class B shares and 60,250 call options on class B shares.

Magnus Söderlind, born 1966.
Executive Vice President.
Responsible for business development.
Bachelor of Science in economics and engineering.
Holding[1]: 10,875 class B share and 65,250 call options on class B shares.

Gunnar Almeling, born 1956.
Vice President, Mechatronics.
Holding[1]: 1,800 class B shares and 43,000 call options on class B shares.

Kjell Eriksson, born 1954.
Vice President, Communications.
Business area Digital Image Transmission/Technical Security.
Holding[1]: 1,500 class B shares and 43,000 call options on class B shares.

Ulf Gladh, born 1961.
Vice President, Electronics.
Holding[1]: 12,600 class B shares and 43,000 call options on class B shares.

Per Ikov, born 1961.
Vice President, Business Development.
Bachelor of Science in economics.
Holding[1]: 9,600 class B shares and 34,500 call options on class B shares.

Olli-Pekka Kulmala, born 1957.
Vice President, Communications.
Business area Access.
Bachelor of Science in engineering.
Holding[1]: 35,200 call options on class B shares.

Anders Larsson, born 1961.
Group Controller.
Bachelor of Science in economics.
Holding[1]: 4,000 class B share and 18,000 call options on class B shares.

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[1] Holding refers to status per 28 June 2011.

Annual Meeting

The 2011 Annual Meeting of Lagercrantz Group AB will be held at 16.00 CET, 30 August 2011 at IVA conference centre at Grev Turegatan 16 in Stockholm.

NOTICE OF PARTICIPATION

Shareholders who wish to participate in the proceedings of the Annual Meeting must:

- be entered in the share register under their own name (not in the name of a nominee) in the share register maintained by Euroclear Sweden (former VPC) no later than Wednesday 24 August 2011, and;
- file notice of their desire to attend to the Company's head office under address Lagercrantz Group AB, Box 3508, SE 103 69 Stockholm, by telephone +46 (0)8 700 66 70, fax +46 (0)8 28 18 05, or by e-mail to info@lagercrantz.com not later than at 15.00 CET, Friday 26 August 2011.

Such notice must contain the following information: shareholder's name, personal registration number (organization number), address, telephone and number of shares represented and the number of any assisting counsel.

Shareholders whose shares are registered in the name of a nominee must, in order to exercise their rights at the Annual Meeting, temporarily register their shares in their own name. Such re-registration must be completed no later than 24 August 2011. Request for such re-registration must be made to the custodian in ample time before 24 August 2011 for the registration to take place in time.

Calendar

21 JULY 2011

Interim report for the period 1 April–30 June 2011.

30 AUGUST 2011

Annual Meeting 2011.

8 NOVEMBER 2011

Interim report for the period 1 April–30 September 2011.

8 FEBRUARY 2012

Interim report for the period 1 April–31 December 2011.

3 MAY 2012

Year-end report for the financial year 2011/12.

Published information is available at www.lagercrantz.com

About the Annual Report

COMMUNICATION TEAM
Content: Henrik Ekelund and Lagercrantz Group
Production: Hallvarsson & Halvarsson
Art and design: Tintin Timén and Hallvarsson & Halvarsson
Photo: Magnus Fond
Translation: Ole Böök and David Murphy

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

Addresses

LAGERCRANTZ GROUP AB
Torsgatan 2
P.O. Box 3508
SE-103 69 Stockholm
SWEDEN
Tel: + 46 8 700 66 70
Fax: + 46 8 28 18 05
www.lagercrantz.com

ELECTRONICS

ACTE A/S
Vallensbaeksvej 41
DK-2605 Brøndby
DENMARK
Tel: + 45 46 900 400
Fax: + 45 46 900 500
www.acte.dk

ACTE AS
P.O. Box 190
Vestvollveien 10
NO-2021 Skedsmokorset
NORWAY
Tel: + 47 63 898 900
Fax: + 47 63 879 000
www.acte.no

ISIC A/S
Edwin Rahrs Vej 54
DK-8220 Brabrand
DENMARK
Tel: + 45 70 207 077
Fax: + 45 70 207 976
www.isic.dk

ACTE SOLUTIONS AB
P.O. Box 4115
Karlsbodavägen 20A, Bromma
SE-171 04 Solna
SWEDEN
Tel: + 46 8 445 28 00
Fax: + 46 98 26 19
www.actesolutions.se

UNITRONIC AG
Mündelheimer Weg 9
DE-40472 Düsseldorf
GERMANY
Tel: + 49 211 951 10
Fax: + 49 211 951 11 11
www.unitronic.de

ACTE SP. Z O.O.
ul Krancowa 49
PL-02-493 Warsawa
POLAND
Tel: + 48 22 336 02 00
Fax: + 48 22 336 02 01
www.acte.pl

VANPÉE & WESTERBERG A/S
Transformervej 29
DK-2730 Herlev
DENMARK
Tel: + 45 44 85 90 00
Fax: + 45 44 85 90 87
www.vanpee.dk

MECHATRONICS

ELFAC A/S
Priorsvej 23
DK-8600 Silkeborg
DENMARK
Tel: + 45 86 801 555
Fax: + 45 86 824 050
www.elfac.dk

EFC FINLAND OY
Järvvägen 6
FI-655 20 Helsingby
FINLAND
Tel: + 358 6 322 62 22
Fax: + 358 6 322 62 00
www.efc.fi

ACTE OY
P.O. Box 36
Larin Kyöstin tie 4
FI-00641 Helsinki
FINLAND
Tel: + 358 9 752 761
Fax: + 358 9 752 766 59
www.acte.fi

KABLAGEPRODUKTION I VÄSTERÅS AB
Omformargatan 12
SE-721 37 Västerås
SWEDEN
Tel: + 46 21 81 51 51
Fax: + 46 21 81 51 61
www.kablageproduktion.com

ACTE SUPPLY AB
P.O. Box 4115
Karlsbodavägen 20A, Bromma
SE-171 04 Solna
SWEDEN
Tel: + 46 8 445 28 00
Fax: + 46 8 98 26 19
www.acte.se

ELPRESS AB
P.O. Box 186
Industrivägen 15
SE-872 24 Kramfors
SWEDEN
Tel: + 46 612 71 71 00
Fax: + 46 612 130 20
www.elpress.se

NORWESCO AB
P.O. Box 603
Enhagsslingan 19
SE-187 26 Täby
SWEDEN
Tel: + 46 8 792 27 00
Fax: + 46 8 792 27 09
www.norwesco.se

SWEDWIRE AB
P.O. Box 170
Birger Svenssons väg 16
SE-432 24 Varberg
SWEDEN
Tel: +46 340 64 54 30
Fax: +46 340 64 54 34
www.swedwire.se

SVENSK STÅLINREDNING AB
Industrivägen 31
SE-330 10 Bredaryd
SWEDEN
Tel: +46 370 37 41 00
Fax: + 46 370 37 41 25
www.swedwire.se

COMMUNICATIONS

ISG SYSTEMS AB
Sporthallsvägen 10
SE-263 34 Höganäs
SWEDEN
Tel: + 46 42 36 21 40
Fax: + 46 42 36 21 49
www.isg.se

STV VIDEO DATA AB
Anderstorpsvägen 12, 2 tr
SE-171 54 Solna
SWEDEN
Tel: + 46 8 568 441 00
Fax: + 46 8 568 441 01
www.stv.se

NORDIC ALARM AB
Englundavägen 11
SE-171 41 Solna
SWEDEN
Tel: + 46 8 27 27 27
Fax: + 46 8 735 52 58
www.nordicalarm.se

COBS AB
Norra Långebergsgatan 4
SE- 421 32 VÄSTRA FRÖLUNDA
SWEDEN
Tel: + 46 31 333 38 40
Fax: + 46 31 14 80 90
www.cobs.se

LAGERCRANTZ COMMUNICATION AB
P.O. Box 6004
Korta Gatan 9
SE-171 54 Solna
SWEDEN
Tel: + 46 8 626 41 00
Fax: + 46 8 754 77 59
www.lagercrantz.se

K & K ACTIVE OY
Itälahdenkatu 22 B
FI-00210 Helsinki
FINLAND
Tel: + 358 9 6855 0550
Fax: + 358 9 6855 0551
www.kandk.fi

DIREKTRONIK AB
P.O. Box 234
Konsul Johnsons väg 15
SE-149 23 Nynäshamn
SWEDEN
Tel: + 46 8 52 400 700
Fax: + 46 8 520 181 21
www.direktronik.se

LETENG AS
Enebakkveien 117
NO-0680 Oslo
NORWAY
Tel: + 47 62 48 24 50
Fax: + 47 62 48 15 17
www.leteng.no

BETECH DATA A/S
Herstedvang 7C, 2. Sal
DK-2620 Albertslund
DENMARK
Tel: + 45 43 487 470
Fax: + 45 43 487 488
www.betechdata.dk

CAD KOMPAGNIET A/S
Dampfærgevej 8
DK-2100 Köpenhamn
DENMARK
Tel: + 45 70 22 22 17
Fax: + 45 70 22 22 84
www.cad-komp.dk

Lagercrantz Group AB (publ)
P.O. Box 3508
SE-103 69 Stockholm, Sweden

Tel +46 8 700 66 70
Fax +46 8 28 18 05

www.lagercrantz.com

Corporate identity number 556282-4556
Registered office Stockholm