

# Annual Report 2016/17

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*This Annual Report is a translation from the Swedish version. Should there be any discrepancies, the Swedish version shall prevail.*

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## Report of the Board of Directors

The Board of Directors and the President of Lagercrantz Group AB (publ), corporate identity number 556282-4556, hereby submit the annual accounts and consolidated financial statements for the 2016/17 financial year. The Report of the Board of Directors also includes the Corporate Governance Report.

The legal annual accounts consist of the Report of the Board of Directors, including the Corporate Governance Report, with proposed appropriation of profits, and the financial statements.

### OPERATIONS

Lagercrantz Group AB (publ) and its subsidiaries is a technology group that offers value-adding technology, either with proprietary products or with products from leading suppliers. The Group is active in a number of product segments in several geographical markets. The Group consists of about 45 companies, each with a focus on a specific sub-market – a niche. Each subsidiary is a separate profit centre with responsibility for its chosen strategy. High value-creation is common to all the companies, including a high degree of customisation, support, service and other services.

The subsidiaries during 2016/17 were organised in the four divisions Electronics, Mechatronics, Communications and Niche Products.

### NET REVENUE AND PROFIT

The market climate during the 2016/17 financial year continued to be generally stable. Consolidated net revenue for the financial year amounted to MSEK 3,096 (3,057). The comparison between years was impacted positively by MSEK 245 from acquired businesses and negatively by a divested business, which contributed MSEK 166 to net revenue last year. The currency effect on net revenue was MSEK 20.

The market climate in the Group's main markets was stable during the financial year, even though the Group's operations in Denmark reported a slight slowdown. The operations in Germany also performed well and the market development in Finland was more positive than before. In the Norwegian market, construction-related activity developed strongly, while the market remained weak in general.

Operating profit before amortisation of intangible assets (EBITA) for the financial year increased by 15 percent to MSEK 409 (355), equivalent to an operating margin of 13.2 percent (11.6).

The improvement in profit was primarily explained by acquired businesses and a strong performance in a number of units. However, some of the Danish units were unable to match last year's strong results but margins were generally strengthened by the phase-out of low margin volumes and by the fact that the proportion of proprietary products is constantly increasing as a share of Group sales.

Profit after net financial items increased by 14 percent to MSEK 351 (307). The profit improvement in comparable units amounted to 6 percent, measured in local currency. Total currency effects on profit after net financial items amounted to MSEK 1 (5).

Profit after tax for the financial year increased to MSEK 274 (241). Earnings per share after dilution for the 2016/17 financial year increased by 14 percent and amounted to SEK 4.02, compared to SEK 3.54 for the 2015/16 financial year.

### PROFITABILITY AND FINANCIAL POSITION

Consolidated profit before financial items (EBIT) for the financial year increased by 15 percent to MSEK 361 (315), equivalent to an EBIT margin of 11.7 percent (10.3).

The return on equity for the latest 12-month period amounted to 25 percent (25) and the return on capital employed was 20 percent (21). The Group's metric for return on working capital (P/WC) was 58 percent (58).

The equity/assets ratio amounted to 41 percent, compared to 40 percent at the beginning of the financial year.

Equity per share totalled SEK 17.61 at the end of the period compared to SEK 15.22 at the beginning of the financial year. Aside from profit, this metric was also affected by dividends paid, currency-related translation effects and redemption of options. During the financial year, 584,875 options for B shares were issued with a redemption price of SEK 100.10 in accordance with the resolution of the 2016 AGM. These were acquired by about 50 managers and senior executives in the Group for a total of MSEK 5.

At the end of the period, operational net indebtedness amounted to MSEK 565, excluding pension liability, compared to MSEK 551 at the beginning of the year. The increase was primarily attributable to acquisition of businesses and dividend. The operational net debt/equity ratio, excluding pension provisions, amounted to 0.5 (0.5). The pension liability amounted to MSEK 63 (55) at the end of the financial year and was mainly affected by changes in actuarial assumptions.

### CASH FLOW AND CAPITAL EXPENDITURE

Cash flow from operating activities during the financial year amounted to MSEK 375 (257).

Gross investments in non-current assets amounted to MSEK 44 (73) during the financial year. Larger items included new production equipment in the Mechatronics and Niche Products divisions.

A total of 141,200 repurchased own Class B shares were sold for a total of MSEK 6 during the financial year in connection with redemption of options. In addition, 587,700 outstanding options were repurchased for a total of MSEK 17 and MSEK 5 (3) was received in connection with subscription for new call options.

During the financial year, MSEK 52 (7) was paid in contingent consideration for previous acquisitions.

### NET REVENUE AND PROFIT BY DIVISION

#### Electronics

Net revenue amounted to MSEK 834 (838). The business situation in the division was largely unchanged from the previous year. The division's companies in lighting control and LED lighting continued to perform well as did the division's German electronics distribution unit. The division's Danish units in electronic distribution reported an improvement towards the end of the period, and the Danish unit in marine electronics saw an improved market situation towards the end of the year.

Operating profit for the financial year amounted to MSEK 66 (71), equivalent to an operating margin of 7.9 percent (8.5). The operations in Denmark and Germany displayed a strong earnings trend, while the Norwegian businesses performed less favourably due to weaker domestic demand.

During the fourth quarter, the acquisition was completed in the division of E-Tech Components Ltd, which is described in the Acquisitions section below.

### **Mechatronics**

Net revenue amounted to MSEK 1,003 (1,007).

Operating profit for the financial year amounted to MSEK 163 (150), equivalent to an operating margin of 16.3 percent (14.9). The units in electrical connection systems and electrical components continued to perform well, driven by a strong development in the construction sector, among other areas. The division's Danish unit in customised cabling reported slightly weaker order intake, while the corresponding Finnish and Swedish units reported better demand towards the end of the period.

The recently acquired Finnish unit in emergency lighting systems, Exilight, which is described below in the Acquisitions section, got off to a good start in the Group.

### **Communications**

Net revenue amounted to MSEK 630 (719). The sale of the Group's software distribution business in February 2016 impacted revenue negatively by about MSEK 166 in the period, compared to the previous financial year. However, there was a positive impact on operating margin, since the software distribution's lower margins were replaced by higher margin product companies.

Operating profit for the financial year amounted to MSEK 61 (47), equivalent to an operating margin of 9.7 percent (6.5). The improvement was due to acquisitions and a good performance by several units in control technology / network access, especially in measurement equipment for casting shops and in control equipment for maintenance vehicles. However, some of the digital imaging / technical security units found it difficult to match last year's strong results.

During the financial year, the operations in GasiQ AB and Skomø A/S were acquired, see Acquisitions below.

### **Niche Products**

Net revenue amounted to MSEK 629 (493). In particular, revenue and earnings were positively impacted by the division's acquisition of Kondator AB in office and workplace accessories at the start of the year, see Acquisitions below, and by strong sales of dispenser solutions for the food processing industry. However, volume fell in storage systems compared to the previous year.

Operating profit amounted to MSEK 104 (74), equivalent to an operating margin of 16.5 percent (15.0). The stronger profit was primarily due to the increased sales as mentioned above and the acquired businesses.

During the fourth quarter, the acquisition of Apparatenfabriek Bereila B.V was completed in the division, which is described in the Acquisitions section below.

### **PARENT COMPANY**

The Parent Company's internal net revenue for the financial year amounted to MSEK 37 (39) and profit after net financial items was MSEK 278 (261). The result includes exchange rate adjustments on intra-Group lending of MSEK 2 (2) and dividends from subsidiaries of MSEK 272 (249). Net investments in non-current assets amounted to MSEK 0 (0). Non-current interest-bearing liabilities amounted to MSEK 421 (320) and current interest-bearing liabilities amounted to MSEK 264 (300). The Parent Company's equity/assets ratio was 53 percent (50).

### **EMPLOYEES**

At the end of the period, the number of employees in the Group was 1,247, compared to 1,230 at the beginning of the financial year. During the financial year, 87 employees were added via acquisitions.

### **SHARES, REPURCHASES AND MAJOR SHAREHOLDERS**

The share capital amounted to MSEK 48.9 at the end of the period. As of 31 March 2017 the distribution according to classes of shares was 3,263,802 Class A shares and 66,256,125 Class B shares, for a total of 69,519,927 shares outstanding. Lagercrantz Group's Class B shares are quoted on Nasdaq Stockholm's Mid Cap list. The quota value per share amounted to SEK 0.70. The Articles of Association allow for conversion of Class A shares to Class B shares. During the financial year, 0 (0) shares were converted.

The 2016 Annual General Meeting authorised the Board of Directors to repurchase shares up to 10 percent of the total number of shares in the company. Repurchases shall be made via the stock exchange. Among other things, the mandate includes the possibility of covering the company's obligations under incentive programmes, where call options on repurchased shares have been acquired by managers and key persons in the Group.

During the financial year, no own Class B shares were repurchased. A total of 141,200 repurchased own Class B shares were sold for a total of MSEK 6 during the financial year in connection with redemption of options. In addition, 587,700 outstanding options were repurchased for a total of MSEK 17.

At 31 March 2017, Lagercrantz Group held 1,534,700 own Class B shares, equivalent to 2.2 percent of the total number of shares and 1.6 percent of the votes in the Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 18.92 per share. Repurchased shares cover, inter alia, the company's obligation under outstanding call option programmes for repurchased shares, where a total of 1,478,475 options have been acquired by senior executives. This refers to allocations in 2014, 2015 and 2016 of options still outstanding on 31 March 2017. The redemption price for each respective programme is SEK 53.90, SEK 78.80, and SEK 100.10 per share.

During the financial year, 584,875 options for B shares with a redemption price of SEK 100.10 were issued in accordance with the resolution of the 2016 AGM. These were acquired by about 50 managers and senior executives in the Group for a total of MSEK 5.

Two shareholders held more than ten percent of the votes as of 31 March 2017 Anders Börjesson and family with 16.4 percent and Tom Hedelius and with 14.7 percent. Lannebo Funds, with 12.1 percent of the capital, was the largest owner in terms of number of shares held.

The above holdings are calculated based on the number of shares and votes, not including the shares held by the Lagercrantz Group.

### **AGREEMENTS**

There are no significant agreements to which the company is a party that enter into effect or are amended or terminated if control of the company changes due to a public takeover bid.

### **ACQUISITIONS**

A total of six acquisitions of businesses were completed during the financial year.

During the first quarter, the operations in Kondator AB and GasiQ AB were acquired. Kondator develops and markets accessories for offices and workplaces. Customers mainly consist of office furniture manufacturers, distributors and resellers of office furniture in the ergonomics field. The company generates annual sales of about MSEK 60. Kondator has been part of the Lagercrantz Niche Products division since April 2016. GasiQ AB develops and markets products, which are used in gas welding

and soldering for gas companies, wholesalers and distributors. The business generates annual sales of about MSEK 45 and has formed part of the Communications division since July 2016.

During the second quarter, the operations of Skomø A/S were acquired that develops, manufactures and markets graphic custom-designed imaging materials. Customers consist of car dealers, real estate agents and retail businesses. The company generates annual sales of about MDKK 45 and has been part of the Lagercrantz Communications division since September 2016. During the third quarter, Exilight Oy was acquired that develops, manufactures and markets emergency lighting systems, primarily for the building sector. Customers consist primarily of installation companies and wholesalers. The company generates annual sales of about MEUR 2.7. Exilight has formed part of the Lagercrantz Mechatronics division since December 2016.

During the fourth quarter, the operations in E-Tech Components Ltd and Apparatenfabriek Bereila B.V were acquired. E-Tech is a distributor, which is mainly focused on the British market for cable accessories and products, electrical installation and related areas. The company is currently a distributor for Lagercrantz subsidiary Elpress AB's products in the UK. E-Tech generates annual sales of about MGBP 2. Bereila is a specialised manufacturer of dispensers for liquid foods. e.g. for fast-food restaurants and food manufacturers. Apart from proprietary products, the company also develops customised dispenser solutions. Bereila generates annual sales of about MEUR 1.5.

Estimated consideration for the businesses acquired during the financial year amounted to MSEK 246. This amount includes estimated contingent consideration of MSEK 51, which is 64 per cent of the maximum outcome. The outcome depends on the profit achieved by the companies, during the next two to three years.

Transactions costs for the six acquisitions completed during the financial year amounted to MSEK 2, and are included in Administrative expenses in the income statement.

As a result of the acquisitions during the financial year, goodwill in the Group increased by MSEK 99 on the balance sheet date. Other intangible assets increased by MSEK 94, mostly related to proprietary products and customer relationships. Other non-current assets increased by MSEK 23. The deferred tax liability related to the acquisitions amounted to MSEK 18.

The effect of the completed acquisitions on consolidated revenue during the financial year was MSEK 153 and the effect on profit before tax was MSEK 19 after acquisition costs. If the operations acquired during the financial year had been consolidated as of 1 April 2016, the effect on revenue and net profit after taxes would have been MSEK 233 and MSEK 20, respectively, after acquisition costs.

During the financial year, the difference between reserved /paid and remeasured contingent consideration of MSEK 5 was recognised as other income. The annual impairment test did not result in any write downs of goodwill.

The acquisition analysis for the acquired businesses is presented in Note 38.

### TRANSACTIONS WITH RELATED PARTIES

Transactions between Lagercrantz and related parties with a significant impact on the company's financial position and results have not occurred, aside from the issuance of options described under Share capital above. In addition, a smaller industrial property was sold at book value, which was equivalent to the market value. The buyer is an employee and former owner of one of the Group's subsidiaries.

### SOCIAL RESPONSIBILITY

Lagercrantz Group's operations are based on long-term relationships with customers and suppliers, as well as strong ethics and great respect for all individuals in the company and during

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 adopted by Lagercrantz Group. The Group has adopted guidelines for business ethics (Code of Conduct) for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner.

Lagercrantz Group supports the philosophy of the UN Global Compact ([www.globalcompact.org](http://www.globalcompact.org)), the ILO's core conventions ([www.ilo.org](http://www.ilo.org)), and the OECD's guidelines for multinational companies ([www.oecd.org](http://www.oecd.org)), and the Code of Conduct is inspired by these principles. The Group's long-term goal is that all customers and suppliers to the Group's companies should comply with the Code of Conduct.

Lagercrantz Group complies with the Swedish Business Code issued by the Swedish Anti-Corruption Institute (IMM), which aims to guide companies on issues on how gifts, remuneration and other benefits may be used in the business sector to promote the company's operations. All selling and marketing of products and services must also be in accordance with relevant laws and regulations in each country.

Lagercrantz Group's work relating to social issues (Corporate Social Responsibility – CSR) is coordinated by the Group's CFO. Examples of activities include information about and training in the Group's Code of Conduct for all employees. The material is published in all of the home languages of the Group's subsidiaries. In the annual internal follow-up of internal control and governance that occurs in each company, these activities are followed up to ensure that the information reaches local personnel.

In line with the Group's Code of Conduct, Lagercrantz has created models for evaluation of suppliers that each subsidiary can use in its procurement of goods for resale and input goods. Lagercrantz works to ensure that suppliers share and meet the current requirements in the Group's Code of Conduct. To ensure compliance, visits are made to the more important suppliers.

### ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participating in a sustainable development is a key point of departure for the Group's business. The business operations consist of trading and distribution and own manufacturing operations in some companies. The Group's impact on the environment is limited and is mainly connected to transportation of input goods, finished products, business trips and waste management. In addition, some of the Group's companies are large consumers of electric power in their production operations. The Group's companies are continually working to reduce the environmental impact of their operations. Environmental work is conducted locally, based on the specific conditions of each individual company. In certain instances, e.g. in procurement of transport services and electric power, some coordination among companies occurs.

All the Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for reuse and recycling of materials 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. The Group conducts business in four of its subsidiaries that require a permit under the Swedish Environmental Code, relating to waste water treatment.

There are no known threats from an environmental viewpoint that could jeopardise these operations.

### RESEARCH AND DEVELOPMENT

With the aim of strengthening and developing Lagercrantz Group's position in its areas of operation, the Group allocates

resources primarily to the creation of different solutions for customers and partners, products, and development of proprietary trademarks. Activities carried out during 2016/17 included product development in particular. Development occurs in close cooperation with the customer and always based on identified customer needs. Pure research operations are not conducted.

Development expenditure consists of ongoing costs for product development under own management and in collaboration with customers and suppliers as well as amortisation of investments in new products and acquired intangible assets.

## RISKS AND UNCERTAINTIES

Lagercrantz Group's profit, financial position and future development are affected by internal factors which are controlled by the Group, as well as by external factors, where opportunities to affect the course of events are limited. The most important risk factors for the Group are the economic situation, structural changes in the Group's markets, supplier and customer dependence, the competitive situation, seasonal variations and financial risks, which are described below.

Financial and political uncertainties are the most obvious uncertainty factors for Lagercrantz Group. After the severe and general economic downturn during 2008 – 2009, a number of measures were taken in the Group in relation to costs, working capital and investments, among other things. When demand grew stronger in early 2010/11, the Group had a favourable position, with a reduced cost base and a strong financial position, all of which had a positive effect on the Group during the following years.

Business volume in the market was stable overall during the 2016/17 financial year despite a turbulent external environment. Continued low interest rates and expansive geopolitical signals, are stimulating the economies in which the Group operates, even though many uncertainty factors exist on a global level. The Group's largest markets in Sweden and Denmark generally displayed a positive performance during the year. Even the Norwegian market showed positive signals, however, mainly related to the construction sector, which the Group's companies are focused on. The Finnish market displayed signs of recovery, however, from a low level, and the operations in Germany performed well. With a rising proportion of international expanding product companies in the portfolio, the risks for larger shifts in demand and growth can be offset.

### *Economic situation*

Lagercrantz is affected by the overall economic trend, which is usually measured in terms of GDP growth. Since Lagercrantz Group almost exclusively sells its products and services to companies and public authorities, it is primarily these entities' buying decisions that affect the Group's operations. Lagercrantz Group tries to meet the risks that result from changes in market conditions by sector diversification, niche focus and its decentralised structure. Sector diversification means that, seen across the entire Group, customers are in different phases of an economic cycle. As a consequence of its niche focus, the Group is less dependent on one or a few end markets for its growth and profitability. This means that a change in market conditions in one sector or country may have an impact on an individual company niched towards parts of this sector or geographical area, but will have less effect on the Group's overall performance. The decentralised structure means that it is the responsibility of the individual profit centres to keep on top of their respective markets and take swift action when they start to detect changes in market conditions.

### *Structural changes*

Lagercrantz Group works actively on increasing the value of its offer, irrespective of customer group. This has clearly contributed

to 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 increasingly fast pace of technological development, and the generally shorter product life cycles. This imposes more stringent demands on our companies to stay close to the customers in order to identify new trends, and to know when it is commercially warranted to enter a new technology area, or to phase out an existing one. Overall, the product areas in Lagercrantz Group have relatively long product life cycles.

To further offset the risks in any structural changes, the Group's product companies work with a diversified structure as regards manufacturing, where certain products are produced by subcontractors, while certain other products are manufactured in own facilities.

### *Supplier and customer dependence*

Dependency on individual suppliers is one of the most significant operational risks for an individual subsidiary to manage. Some 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 affect the company, especially in the short term, before alternatives have been found. In order to minimise this risk, the subsidiaries work closely with their suppliers in order to create strong relationships on several levels. All subsidiaries also work on identifying alternative suppliers before they are actually needed. 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 payment, 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 only a few are of such major economic importance that special action would be required if one of them were lost. However, a number of supplier agreements expire and are added each year in the normal course of business.

On 31 March 2017, no supplier represented more than five percent of the Group's overall revenue.

Lagercrantz Group has a broad customer structure, spread over a number of industrial segments and geographical markets. No single customer represents more than five percent of the Group's overall sales.

### *Competitive situation*

Lagercrantz operates in a competitive global environment. New technological solutions and efficiency improvements result in constant price pressure and requirements to innovate. To compete successfully, Lagercrantz Group operates in niches with a focus on developing and maintaining a strong market position. A niche is defined internally as a well-defined technology area or customer segment with a total market value of approximately MSEK 200 – 1,000. In each niche, Lagercrantz Group attempts to capture a unique position through a high level of value creation for customers and suppliers. With strong customer relationships, a well-adapted product offering, high quality, service, support and other additional services we become a sought-after supplier. This limits the competition from global players and Lagercrantz Group's businesses can continue their positive development in the short and long term.

### Seasonal variations

Lagercrantz Group's business is only affected to a limited extent by seasonal variations. Operations normally follow the seasonal pattern of manufacturing industry, which means lower sales during holiday periods. Based on a historical pattern, just under half of the Group's profit is generated during the first two quarters, i.e. the period April to September, and just over half during the last two quarters of the financial year, in other words, the period October to March. However, in line with the change in the Group's structure prompted by a growing share of export-related business, the seasonal pattern has been evened out.

### Financial risks and sensitivity analysis

For an account of the Group's and the Parent Company's financial risks and sensitivity analysis, refer to Note 41.

## CORPORATE GOVERNANCE REPORT

Since the 2009/10 financial year, the Board of Directors of Lagercrantz Group has prepared a statutory corporate governance report in accordance with Chapter 6, sections 6 – 9 of the Swedish Annual Accounts Act (1995:1554), which is subject to review by the company's auditor. In addition to this, Lagercrantz Group applies the Swedish Corporate Governance Code in accordance with the revised code that entered into force on 1 December 2016. Since the legislation and the code partially overlap, Lagercrantz Group submits the following Corporate Governance Report which takes account of the Swedish Annual Accounts Act as well as the Swedish Corporate Governance Code. The company complies with the Code in all essential aspects. In three respects (one of which is found in the section on the Election Committee, one in the section on the Audit Committee, and one in the section on incentive programmes) an explanation is provided for the deviations. The report also contains an account of the work of the Election Committee ahead of the 2017 Annual General Meeting (AGM).

### Corporate governance structure

Lagercrantz Group is a Swedish public limited liability company with its registered office in Stockholm. The company, through its subsidiaries, conducts technology trading and has been listed on the Nasdaq Stockholm exchange since 2001, and on its Mid Cap list since January 2014. Governance and control of the company is exercised through a combination of written rules and established practice. In the first instance, the regulatory framework consists of the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Swedish Corporate Governance Code and the rules that apply to the regulated market where the company's shares are listed for trading.

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

### Shareholders

As of 31 March 2017, the number of shareholders was 4,820, compared to 3,801 at the beginning of the financial year. Private individuals owned 29 percent (30) of the shares outstanding and 49 percent (50) of the votes in the company. The remaining shares were owned by legal entities, primarily mutual funds, insurance companies and pension funds. Foreign shareholders owned 19 percent (18) of the shares outstanding and 13 percent (13) of the votes. The combined shareholding of the ten largest shareholders was 60 percent (58) of the shares outstanding and 70 percent (68) of the votes. The above calculations are based on the number of shares outstanding, not including repurchased shares held by Lagercrantz Group.

## General Meeting of Shareholders 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 resolutions. The General Meeting decides on all issues that do not expressly fall under the jurisdiction of another corporate body. Every shareholder has the right to participate in and to vote for their shares at the General Meeting in accordance with the provisions of the Articles of Association.

Lagercrantz Group's Annual General Meeting (AGM) shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the Board of Directors and the auditors and determines their fees. The AGM also adopts the financial statements, decides on the appropriation of profits 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 considered by the General Meeting.

The Articles of Association have been adopted by the General Meeting. This document prescribes that the company's shares are issued in two classes, where Class A shares carry 10 votes and Class B shares carry one vote per share.

The company's share capital shall be a minimum of SEK 25,000,000 and a maximum of SEK 100,000,000. The minimum number of shares outstanding shall be 37,500,000 and the maximum number of shares outstanding shall be 150,000,000. Both classes of shares carry the same rights to share in the company's assets and profit. The Articles of Association allow 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 members, and regulate the forms of notice for General Meetings. The Articles of Association do not contain any limitations in respect of how many votes each shareholder may cast at a General Meeting. For the entire Articles of Association, which in their current form were adopted on 25 August 2015, see the company's website, the section Corporate governance / Articles of Association.

Notice for Annual General Meetings, and notice for Extraordinary General Meetings (EGMs), where an amendment of the Articles of Association will be on the agenda, shall be issued not more than six weeks and not less than four weeks before the Meeting. Notice for other EGMs shall be issued not more than six weeks and not less than two weeks before the Meeting. Notice convening a General Meeting shall be in the form of an announcement in the Swedish Official Gazette and on the company's website. It shall also be concurrently announced in Dagens Industri that notice has been given.

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 himself/herself and up to two assistants not later than 3:00 p.m. on the date specified in the notice for the General Meeting.

Since 2005, the AGM has also determined the form for how an Election Committee should be appointed.

### Annual General Meeting 2016

The 2016 AGM was held on 30 August in Stockholm. Notice for the Meeting was announced in the form of a press release on 22 July 2016, and was published on the company's website on the same day. On the same date, it was also announced in Dagens Industri that notice had been given. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 40.5 million shares and 68.1 million votes, respectively, were present – this refers to the number of shares before the split). This is equivalent to 60 (67) percent of the number of shares outstanding and 70 (75) percent of the votes in the company.

Resolutions passed by the General Meeting included the following:

- A dividend of SEK 1.75 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 2015/16.
- All Board members that stood for re-election and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee. In addition, Anna Almlöf, Fredrik Börjesson and Peter Hedelius were elected to the Board as new members.
- Fees for the Board of Directors and the auditors were approved.
- Routines were established for appointment of an Election Committee ahead of the next AGM.
- Principles for remuneration and other terms of employment for senior executives were approved.
- In accordance with the proposal of the Board of Directors, the AGM resolved that the company – in a departure from the pre-emptive rights of shareholders – invite managers and senior executives to acquire up to 675,000 call options on repurchased Class B shares.
- The Board of Directors was authorised during the period until the next AGM to acquire and sell shares, on one or more occasions, representing up to 10 percent of the shares in the company.

#### 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 to safeguard the interests of the shareholders. Lagercrantz Group AB's Board of Directors consisted during 2016/17 of seven to eight ordinary members who together possess broad commercial, technical and public experience:

- Anders Börjesson, Chairman of the Board
- Tom Hedelius, Vice Chairman of the Board, until Aug 2016
- Pirkko Alitalo, until Aug 2016
- Marika Rindborg Holmgren
- Lennart Sjölund
- Roger Bergqvist
- Jörgen Wigh, President and CEO
- Anna Almlöf, from Aug 2016
- Fredrik Börjesson, from Aug 2016
- Peter Hedelius, from Aug 2016

A detailed presentation of the members of the Board of Directors, including information about other assignments may be found under Board of Directors and Auditors on page 44. Other officers in the Group can participate in Board meetings as a reporting member or secretary.

#### Chairman of the Board of Directors

The Chairman of the Board of Directors leads the work of the Board and has a special responsibility to follow the company's development between Board meetings, and to ensure that the members of the Board are continually provided with the information necessary to perform satisfactory work. The Chairman maintains regular contact with members of the management team and holds meetings with them as required. The Chairman is also responsible for evaluating the work of the Board and for ensuring that the Election Committee is informed of the result of the evaluation.

#### The Board's work

The Board of Directors held eight recorded meetings during the 2016/17 financial year, one of which was the statutory meeting in conjunction with the AGM. The work of the Board follows

rules of procedure that are adopted on an annual basis. These rules of procedure establish the division of labour between the Board of Directors and the executive management, and 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 CFO to serve as secretary. The Board of Directors forms a quorum when at least four members are present and, where possible, decisions are made after discussion that leads to consensus. The Board was in full attendance at all meetings during the year, apart from one.

During regularly scheduled Board meetings, the company's economic and financial position are dealt with as well as risks facing the company and internal control. One item on the agenda relates to acquisitions. The Board is kept continually informed by way of information in writing about the company's business and other relevant information.

During 2016/17, the work of the Board was dominated by questions relating to acquisitions, market development and the business model. One Board meeting was devoted solely to discussing the Group's position and strategy.

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

- Number of meetings, agenda and material for the Board of Directors
- Strategic plan and direction
- Auditing review
- Overall responsibility
- Competence
- Work of the Chairman

The Board of Directors dealt with the most recent evaluation during a meeting in January 2017. The Board's views on the Board work are documented and presented for the Election Committee. In accordance with the Code, the Board of Directors evaluated the work of the President & CEO at a meeting without the presence of the President or other senior executives.

Total fees to the Board of Directors of Lagercrantz Group for 2016/17 amounted to SEK 2,000,000 (1,650,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 500,000 (440,000), and the other ordinary members who are not employees of the company received SEK 250,000 (220,000) each. See also Note 6.

#### Remuneration Committee

The Board has appointed a Remuneration Committee from among its members with the task of preparing the Board's proposal to the AGM on guidelines for remuneration to the President and CEO, and other senior executives. The Committee also has the task of following up and implementing the AGM's resolutions with respect to principles of remuneration for senior executives. During 2016/17, the Remuneration Committee consisted of Anders Börjesson, Chairman of the Board and Roger Bergqvist. The President & CEO presents reports but does not participate in matters concerning him. The Committee held one meeting during the year. All members of the Committee were present at this meeting.

#### Audit Committee

The Board has appointed an Audit Committee, which has the task of analysing and discussing the company's risk management, governance and internal control. During 2016/17, the Committee consisted of all Board members with the exception of the President & CEO. In the opinion of the Board of Directors, this is most appropriate in view of Lagercrantz Group's size and business. The Audit Committee maintains contact with the company's auditors to discuss the direction and scope of

the audit work. In connection with the adoption of the annual accounts, the company's auditors report on their observations from their audit and their assessment of the internal control. The Committee also has the result of the annual review of the internal control at its disposal. The Committee held one meeting during the year. All members of the Committee were present at this meeting.

Because of the structure with an annual self-assessment of the internal control, which is performed by each company during the third quarter and which in turn is reviewed by the company's auditors, 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 Corporate Governance Code calling for a review of the half-yearly report or the interim report for the third quarter.

### Auditors

The registered auditing firm KPMG AB was elected to serve as auditor at the 2016 AGM. The audit firm appointed George Pettersson, Authorised Public Accountant, to serve as auditor in charge. After the decease of George Pettersson in January 2017, Håkan Olsson Reising was appointed as auditor in charge.

In order to ensure oversight and control by the Board of Directors, it is given an opportunity each year to provide its opinion on the auditors' planning of the audit's scope and focus. After completing its review of internal control and accounting records, the auditors report on their findings at the Board meeting in May. In addition to this, the auditors are invited to attend Board 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 overall strategies and deal with issues such as acquisitions, disposals and major capital investments. 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 the decisions and guidelines of the Board of Directors.

Lagercrantz Group's Group Management consists of the President & CEO, Executive Vice President, the Group's Chief Financial Officer and the Head of Business Development, four persons in total. The management team consists of Group Management and division heads / business area managers – in total nine persons (from May 2017, 10 persons) who constitute the Group's senior executives. A detailed presentation of the management team can be found under Management on page 45.

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, budget follow-up, forecasts and the performance of the business. Other issues discussed include acquisitions, joint projects, consolidated financial reporting, communication with the stock market, internal and external communication, and coordination and follow-up of security, environment and quality.

### Remuneration to senior executives

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

Guidelines for remuneration of senior executives as resolved by the 2016 AGM and information about existing incentive programmes are described in Note 6 of this

Annual Report and are summarised below.

The overall remuneration must be market-related and competitive, and should be commensurate with responsibility and authority. The annual variable salary component should be maximised to about 40 percent of the fixed salary. The variable salary component should also be based on outcome relative to set goals and individual performance.

The retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one year's salary may be offered, in addition to salary during the period of notice.

Apart from existing incentive programmes and the programme proposed to the AGM, no other share-based or share-price-related programmes will be offered.

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

The proposal of the Board of Directors to the 2017 AGM for guidelines for remuneration to senior executives is that the principles for remuneration of the President & CEO and other senior executives should be unchanged compared to the principles described above.

### Operational control

The Group's operating activities are carried on in subsidiaries of the Lagercrantz Group. Active Board work is conducted in all subsidiaries under the management of division heads. The subsidiaries' Boards follow the day-to-day operations and establish business plans. Operations are conducted in accordance with the rules, guidelines and policies adopted by the Group Management, and according to guidelines established by each subsidiary's Board of Directors. Subsidiary presidents have profit responsibility for their respective companies, as well as responsibility to ensure growth and development in their companies. Allocation of investment capital in the Group is determined following a decision by the Parent Company Lagercrantz Group's Board of Directors in accordance with an annually updated capital expenditure policy.

Operational control in the Lagercrantz Group is defined by clear demands from the Group Management and freedom of action for each subsidiary to make decisions and to reach established goals.

### Internal control

The purpose of the internal control is to ensure that the company's strategies and goals are followed up and that shareholder investments are protected. A secondary purpose is to ensure accurate and relevant information to the stock market in accordance with generally accepted accounting principles in Sweden and that laws, regulations and other requirements on listed companies are complied with across the entire Group. 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 the management team and to subsidiary presidents.

Control activities take place in the entire organisation at all levels. Follow-up is included as an integrated part 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. At each Board meeting, the management reports its assessment of existing risks and other any issues concerning internal control. The Board can then call for further measures if considered necessary. The Group's financial department under the management of the Group's CFO conducts an annual evaluation of the internal control in the companies.

This is performed by each company as a self-assessment based on pre-defined questions, which are drawn up by the financial department in consultation with the Group's auditors. This evaluation aims to examine the Group's internal control routines and compliance with them. The result is reviewed by the Group's auditors, who in turn report their observations and recommendations to the Audit Committee and to the entire Board. The Board evaluates if this procedure is still fit-for-purpose on an annual basis and calls for possible changes in the internal control work in consultation with the company's auditors.

Controls are made taking transaction flows, staffing and control mechanisms into account. The focus is on significant income statement and balance sheet items and areas where there is a risk that the consequences of any errors would be significant.

The Board of Directors is of the opinion that a business of Lagercrantz Group's scope, in a decentralised organisation, in a well-defined geographical market, does not require a more extensive audit function in the form of an internal audit department. The Board of Directors reviews this issue on an annual basis.

To ensure good communication with the capital market, the Board of Directors has adopted a communications policy. This policy determines 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 share price-sensitive events
- Interim reports, year-end report and a 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 propose Board members, the Chairman of the Board of Directors and auditors and to propose fees for Board members, the Chairman and auditors, so that the AGM can make well-founded decisions. At the AGM 2012, the principles for the Election Committee's mandate were determined, and how the Committee shall be appointed. This shall be valid until the AGM decides to change these principles. This means that the Chairman of the Board was tasked with contacting the largest shareholders in terms of votes as of 31 December 2016, and requesting them to appoint members, to form an Election Committee together with the Chairman of the Board. In accordance with this, an Election Committee was formed consisting of:

- Anders Börjesson, Chairman of the Board
- Tom Hedelius
- Martin Wallin (representing Lannebo Funds)
- Johan Strandberg (representing SEB Funds)
- Marianne Nilsson (representing Swedbank Robur Funds)

The Election Committee has access to the evaluation performed by the Board of Directors of its work, and information about the Company's business and strategic direction. The proposals of the Election Committee as well as its motives will be published in connection with the notice convening the AGM and will also be made available on the company's website. The Election Committee's term of office extends until a new Election Committee has been appointed. No fees are payable for Election Committee work. In a deviation from the Swedish Corporate Governance Code, the Chairman of the Board of Directors,

Anders Börjesson, has also held the post of Chairman of the Election Committee.

The explanation for this deviation is that Anders Börjesson is the company's largest owner in terms of votes. Lagercrantz Group's strategic direction, as well as its business and governance model, is based on aspects such as strong commitment from the company's principal owners. This approach pervades Lagercrantz Group's corporate culture and has proved to be vital for the Group's successful development.

The Board of Directors and the Election Committee are of the opinion that a majority of the Board members are independent in relation to the company and corporate management, and that at least three of these members are also independent in relation to the company's major shareholders.

#### **Incentive programme**

A long-term incentive programme has been in place since 2006 for managers and senior executives in the Group in accordance with an AGM resolution. The purpose of the programme is to raise motivation and create participation for managers and senior executives in relation to the opportunities for the company's development. The programme also aims to motivate managers and senior executives to remain employed in the Group. The programme is a recurring programme based on call options on repurchased Class B shares. Options have been issued every year from 2006 – 2016, according to the resolution of the AGM each year. The 2014, 2015 and 2016 programmes are currently outstanding. Outstanding programmes mean that shares can be acquired on three different occasions, two of which fall within three years from issuance and thus constitute a deviation from the Swedish Corporate Governance Code. The purpose of this is to allow redemption on several occasions. A complete description of outstanding option programmes is provided in Note 6.

#### **POST-BALANCE SHEET EVENTS**

During June, after the balance sheet date on 31 March 2017, Lagercrantz acquired two new Swedish companies, Profsafe AB and R-Contracting AB. For more detailed information see Note 43.

#### **FUTURE DEVELOPMENT**

The Group's two most important tasks for the future are to continue developing existing businesses, also focusing on growth, both organically and through acquisitions. Financial and political challenges exist in many parts of the world. It is unclear what the result of these challenges will be, which makes it difficult to identify the trends in these areas. However, Lagercrantz Group has its main exposure to Nordic industry, where the situation is estimated to be stable, although there are variations in particular segments. Although Lagercrantz Group always adopts a cautious attitude and follows changes in the surrounding world diligently, the Group is investing for growth.

Since the Group has been working on lowering its costs and increasing its added value, improved profitability has been created and the Group is now well-prepared for the future. In addition, the company is gaining additional revenue and profits from successful acquisitions. The Group's ambition is to continue increasing its share of proprietary products, primarily through acquisitions.

#### **DIVIDEND**

The Board of Directors proposes a dividend of SEK 2.00 (1.75) per share. The dividend is equivalent to a total of MSEK 136 (119) and constitutes 50 percent (50) of the profit for the year. The size of the dividend is based on a balance between the Group's capital structure and future opportunities for expansion. The Board of Directors is of the opinion that the proposed dividend allows scope for the Group to fulfil its obligations and to make necessary investments.

**PROPOSED APPROPRIATION OF PROFITS**

The Board of Directors proposes that the following profits, SEK 1,137,842 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2 × 67,985,227 shares *	135,970
To be carried forward	1,001,872
<b>Total</b>	<b>1,137,842</b>

\*Based on the total number of shares outstanding as of 31 March 2017. The total dividend amount is subject to change until the record day, depending on share repurchases and transfer of shares to participants in long-term incentive programmes.

In making the proposal for dividend, the company's dividend policy, equity/assets ratio and financial position in other respects were taken into account, and due consideration was given to the company's ability to fulfil present and anticipated payment obligations in a timely manner and to carry out necessary investments.

**BOARD ASSURANCE**

The consolidated and Parent Company income statements and the consolidated statement of financial position and the Parent Company balance sheet will be subject to approval at the Annual General Meeting on 29 August 2017. We consider that the consolidated financial statements have been 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 provide a true and fair view of the financial position and results of operations of the Group. The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the financial position and results of operations of the Parent Company. The Report of the Board of Directors for the Group and the Parent Company provides a true and fair overview of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainty factors facing the Group and the Parent Company.

*Stockholm, 27 June 2017*

Anders Börjesson  
Chairman of the Board

Roger Bergqvist  
Board member

Marika Rindborg Holmgren  
Board member

Anna Almlöf  
Board member

Peter Hedelius  
Board member

Lennart Sjölund  
Board member

Fredrik Börjesson  
Board member

Jörgen Wigh  
President and Board member

*Our audit report was submitted on 27 June 2017*

KPMG AB

Håkan Olsson Reising  
Auditor in charge

Johanna Hagström Jerkeryd  
Authorised Public Accountant

## Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	2016/17	2015/16
Net revenue	3, 4	3,096	3,057
Cost of goods sold		-1,959	-1,993
<b>Gross profit</b>		<b>1,137</b>	<b>1,064</b>
Other operating income	7	32	35
Selling expenses		-555	-519
Administrative expenses		-230	-245
Other operating expenses	8	-23	-20
<b>Operating profit</b>	3, 5, 6, 9, 10, 13	<b>361</b>	<b>315</b>
<i>Profit from financial items</i>			
Financial income	11	7	7
Financial expenses	12	-17	-15
<b>Profit before tax</b>	13	<b>351</b>	<b>307</b>
Tax	14	-77	-66
<b>Net profit for the year attributable to the Parent Company's shareholders</b>		<b>274</b>	<b>241</b>
Earnings per share after dilution, SEK	40	4.02	3.54
Earnings per share, SEK	40	4.03	3.55
Number of shares after repurchases during the period ('000)		67,985	67,844
Weighted number of shares after repurchases during the period, adjusted after dilution ('000)		68,097	68,121
Weighted number of shares after repurchases during the period ('000)		67,941	67,889
Proposed dividend per share, SEK		2.00	1.75

## Other Consolidated Comprehensive Income

Amounts in MSEK	Note	2016/17	2015/16
Net profit for the year		274	241
<b>Other comprehensive income</b>			
<i>Items transferred or that may be transferred to net profit</i>			
Translation differences for the year		20	-18
<i>Items that will not be transferred to net profit</i>			
Actuarial gains and losses		-6	12
Tax attributable to actuarial gains and losses		2	-3
<b>Comprehensive income for the year</b>		<b>290</b>	<b>232</b>

## Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2017	31 Mar 2016
<b>ASSETS</b>	3		
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	15	912	802
Trademarks	16	183	164
Other intangible assets	17	384	341
		<b>1,479</b>	<b>1,307</b>
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	18	76	68
Costs incurred in leasehold property	19	3	3
Plant and machinery	20	102	90
Equipment, tools, fixtures and fittings	21	43	45
		<b>224</b>	<b>206</b>
<i>Financial assets</i>			
Other non-current receivables	24, 33	2	3
		<b>2</b>	<b>3</b>
<i>Deferred tax assets</i>			
Deferred tax assets	31	8	7
		<b>8</b>	<b>7</b>
<b>Total non-current assets</b>		<b>1,713</b>	<b>1,523</b>
<b>Current assets</b>			
<i>Inventories etc.</i>	25		
Raw materials and consumables		142	130
Work in progress		34	55
Finished goods and goods for resale		225	194
		<b>401</b>	<b>379</b>
<i>Current receivables</i>	33		
Trade receivables	26	506	468
Earned but not yet invoiced income	27	11	5
Tax receivables		36	33
Other receivables		64	74
Prepaid expenses and accrued income	28	38	33
		<b>655</b>	<b>613</b>
Cash and cash equivalents	33	122	67
<b>Total current assets</b>		<b>1,178</b>	<b>1,059</b>
<b>TOTAL ASSETS</b>		<b>2,891</b>	<b>2,582</b>

# Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2017	31 Mar 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Other paid-up capital		345	345
Reserves		-13	-33
Retained earnings		816	671
<b>Total equity attributable to the Parent Company's shareholders</b>		<b>1,197</b>	<b>1,032</b>
<b>Non-current liabilities</b>	3, 33, 34		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	30	62	55
Liabilities to credit institutions	34	415	311
		<b>477</b>	<b>366</b>
<i>Non-interest-bearing liabilities, non-current</i>			
Deferred tax liabilities	31	172	158
Other provisions	32	8	6
		<b>180</b>	<b>164</b>
<b>Total non-current liabilities</b>		<b>657</b>	<b>530</b>
<b>Current liabilities</b>	3, 33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	265	301
Liabilities to credit institutions	34	8	6
		<b>273</b>	<b>307</b>
<i>Non-interest-bearing liabilities, current</i>			
Advanced payments from customers		2	2
Trade payables		261	245
Tax liabilities		46	26
Other liabilities		272	260
Accrued expenses and deferred income	35	178	171
Provisions	32	5	9
		<b>764</b>	<b>713</b>
<b>Total current liabilities</b>		<b>1,037</b>	<b>1,020</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,891</b>	<b>2,582</b>

See Note 34 for further information about reclassification of current liabilities to non-current liabilities. Comparative figures have been restated and the effect amounted to MSEK 300 as of 31 March 2017.

## Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings	Total equity
<b>31 Mar 2017</b>					
Opening balance	49	345	-33	671	1,032
<b>COMPREHENSIVE INCOME</b>					
Net profit for the year				274	274
Actuarial gains and losses				-6	-6
Tax attributable to actuarial gains and losses				2	2
Translation effect for the year			20	-	20
<b>Comprehensive income for the year</b>			<b>20</b>	<b>270</b>	<b>290</b>
Dividend				-119	-119
Repurchased options				-17	-17
Issued options				5	5
Redemption of options				6	6
<b>Closing balance</b>	<b>49</b>	<b>345</b>	<b>-13</b>	<b>816</b>	<b>1,197</b>

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings	Total equity
<b>31 Mar 2016</b>					
Opening balance	49	345	-15	538	917
<b>COMPREHENSIVE INCOME</b>					
Net profit for the year				241	241
Actuarial gains and losses				12	12
Tax attributable to actuarial gains and losses				-3	-3
Translation effect for the year			-18	-	-18
<b>Comprehensive income for the year</b>			<b>-18</b>	<b>250</b>	<b>232</b>
Dividend				-102	-102
Repurchase of own shares				-10	-10
Sale of own shares				-	-
Repurchased options				-13	-13
Issued options		0		3	3
Redemption of options				5	5
<b>Closing balance</b>	<b>49</b>	<b>345</b>	<b>-33</b>	<b>671</b>	<b>1,032</b>

Note 29 contains further information regarding equity.

## Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2016/17	2015/16
<b>Operating activities</b>			
Profit after financial items	36	351	307
Adjustment for items not included in cash flow etc.	37	89	67
		<b>440</b>	<b>374</b>
Tax paid		-71	-85
<b>Cash flow from operating activities before changes in working capital</b>		<b>369</b>	<b>289</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in inventories		15	-32
Increase (-) / Decrease (+) in operating receivables		7	-23
Increase (+) / Decrease (-) in operating liabilities		-16	23
<b>Cash flow from operating activities</b>		<b>375</b>	<b>257</b>
<b>Investing activities</b>			
Investment in businesses	38	-208	-322
Sold subsidiaries	38	-	34
Investments in intangible assets		-12	-20
Purchase of property, plant and equipment		-43	-53
Divestment of property, plant and equipment		8	3
<b>Cash flow from investing activities</b>		<b>-255</b>	<b>-358</b>
<b>Financing activities</b>			
Repurchase of own shares		-	-10
Sale of own shares		-	-
Repurchased options		-17	-13
Issued options		5	3
Redemption of options		6	5
Dividends paid		-119	-102
Borrowings		100	200
Change in committed credit facilities		-40	5
<b>Cash flow from financing activities</b>		<b>-65</b>	<b>88</b>
<b>Cash flow for the year</b>		<b>55</b>	<b>-13</b>
Cash and cash equivalents at the beginning of the year		67	80
Exchange difference in cash and cash equivalents		0	0
<b>Cash and cash equivalents at the end of the year</b>		<b>122</b>	<b>67</b>

### CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2016/17	2015/16
Net loan liabilities (+) / receivables (-) at the start of the year		580	370
Change in interest-bearing liabilities		63	236
Interest-bearing liabilities in acquired operations		6	-
Changes in interest-bearing pension provisions		6	-13
Cash and cash equivalents in acquired operations		-28	-68
Change in cash and cash equivalents, other		83	55
<b>Net loan liabilities (+) / receivables (-) at end of year</b>		<b>710</b>	<b>580</b>

## Parent Company Income Statement

Amounts in MSEK	Note	2016/17	2015/16
Net revenue	3, 4	37	39
<b>Gross profit</b>		<b>37</b>	<b>39</b>
Administrative expenses		-63	-57
Other operating income and operating expenses		-	-
<b>Operating profit</b>	3, 6, 9, 10, 13	<b>-26</b>	<b>-18</b>
<i>Profit from financial items</i>			
Profit from participations in Group companies	11	310	282
Interest income and similar profit/loss items	11	12	5
Interest expenses and similar profit/loss items	12	-22	-8
<b>Profit after financial items</b>	13	<b>274</b>	<b>261</b>
<i>Appropriations</i>			
Change in untaxed reserves		4	2
<b>Profit before tax</b>		<b>278</b>	<b>263</b>
Tax	14	-2	-3
<b>Net profit for the year</b>		<b>276</b>	<b>260</b>

## Other Comprehensive Income, Parent Company

Amounts in MSEK	Note	2016/17	2015/16
Net profit for the year		276	260
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b>276</b>	<b>260</b>

## Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2017	31 Mar 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, tools, fixtures and fittings	21	1	1
		<b>1</b>	<b>1</b>
<i>Financial assets</i>			
Participations in Group companies	22	1,891	1,734
Receivables from Group companies	23	11	74
Deferred tax assets	31	1	1
		<b>1,903</b>	<b>1,809</b>
<b>Total non-current assets</b>		<b>1,904</b>	<b>1,810</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies	33	335	243
Tax receivables		7	6
Other receivables		20	29
Prepaid expenses and accrued income	28	3	3
		<b>365</b>	<b>281</b>
Cash and bank balances	33	–	–
<b>Total current assets</b>		<b>365</b>	<b>281</b>
<b>TOTAL ASSETS</b>		<b>2,269</b>	<b>2,091</b>

# Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2017	31 Mar 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Legal reserve		13	13
<b>Restricted equity</b>		<b>62</b>	<b>62</b>
Retained earnings		862	724
Net profit for the year		276	260
<b>Non-restricted equity</b>		<b>1,138</b>	<b>984</b>
<b>Total equity</b>		<b>1,200</b>	<b>1,046</b>
Untaxed reserves		–	4
<b>Non-current liabilities</b>	33, 34		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	30	20	20
Liabilities to credit institutions	34	400	300
Liabilities to Group companies		1	–
<b>Total non-current liabilities</b>		<b>421</b>	<b>320</b>
<b>Current liabilities</b>	33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	264	300
		<b>264</b>	<b>300</b>
<i>Non-interest-bearing liabilities, current</i>			
Trade payables		2	1
Liabilities to Group companies		214	241
Tax liabilities		3	3
Other liabilities		152	165
Accrued expenses and deferred income	35	13	11
		<b>384</b>	<b>421</b>
<b>Total current liabilities</b>		<b>648</b>	<b>721</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,269</b>	<b>2,091</b>

See Note 34 for further information about reclassification of current liabilities to non-current liabilities.

## Statement of Changes in Parent Company's Equity

Amounts in MSEK	Share capital	Legal reserve	Non-restricted equity	Total equity
<b>31 Mar 2017</b>				
Opening balance	49	13	984	1,046
<b>COMPREHENSIVE INCOME</b>				
Net profit for the year			276	276
Other comprehensive income			–	–
<b>Comprehensive income for the year</b>			<b>276</b>	<b>276</b>
Dividend			-119	-119
Repurchased options			-17	-17
Issued options			5	5
Redemption of options			6	6
Other			3	3
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>1,138</b>	<b>1,200</b>

Amounts in MSEK	Share capital	Legal reserve	Non-restricted equity	Total equity
<b>31 Mar 2016</b>				
Opening balance	49	13	843	905
<b>COMPREHENSIVE INCOME</b>				
Net profit for the year			260	260
Other comprehensive income			–	–
<b>Comprehensive income for the year</b>			<b>260</b>	<b>260</b>
Dividend			-102	-102
Sale of own shares			-10	-10
Repurchased shares			-13	-13
Repurchased options			3	3
Issued options			5	5
Other			-2	-2
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>984</b>	<b>1,046</b>

Note 29 contains further information regarding equity.

## Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2016/17	2015/16
<b>Operating activities</b>			
Profit after financial items	36	274	261
Adjustment for items not included in cash flow etc.	37	-34	-36
		<b>240</b>	<b>225</b>
Tax paid		-3	-3
<b>Cash flow from operating activities before changes in working capital</b>		<b>237</b>	<b>222</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in operating receivables		-45	-133
Increase (+) / Decrease (-) in operating liabilities		-16	50
<b>Cash flow from operating activities</b>		<b>176</b>	<b>139</b>
<b>Investing activities</b>			
Investment in businesses		-177	-265
Purchase of property, plant and equipment		-	-
Disposal of / decrease in financial assets		62	16
<b>Cash flow from investing activities</b>		<b>-115</b>	<b>-249</b>
<b>Financing activities</b>			
Repurchase of own shares		-	-10
Repurchased options		-17	-13
Issued options		5	3
Redemption of options		6	5
Dividends paid		-119	-102
Change in committed credit facilities		64	227
<b>Cash flow from financing activities</b>		<b>-61</b>	<b>110</b>
<b>Cash flow for the year</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the year		0	0
Exchange rate differences in cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>0</b>	<b>0</b>

# Notes

## Note 1 Accounting policies

### (a) Compliance with standards and laws

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company accounting policies". Discrepancies that exist between the Parent Company's and the Group's policies are due to limitations in applying IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Pension Obligation Vesting Act and in certain cases for tax reasons.

### (b) Basis of preparation of financial statements for the Parent Company and the Group

The Parent Company's functional currency is SEK, which also constitutes the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise specifically stated, are rounded off to the nearest million. Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities, which are measured at fair value. Financial assets and liabilities recognised at fair value consist of derivative instruments, financial assets classified as financial assets measured at fair value through profit or loss.

Non-current assets and available-for-sale disposal groups are recognised at the lower of the previous carrying amount 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 include the financial statements with notes. The consolidated financial statements and the Parent Company's annual accounts were approved for publication by the Board of Directors on 27 June 2017. The consolidated income statement and statement of financial position and the Parent Company's income statements and balance sheets are subject to adoption by the Annual General Meeting on 29 August 2017.

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 recognised amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and on a number of other factors that, under prevailing circumstances, are considered reasonable. The result of these judgments and assumptions is then used to judge the carrying amounts of assets and liabilities that would not be 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 recognised in the period in which the change is made, where the change affects that period only, or in the period in which the change is made, and in future periods where the change affects the current period as well as future periods.

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

Events after the end of the reporting period include favourable as well as unfavourable events that occur between the end of the reporting period and the date at the start of the next 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 reporting period that are not accounted for when the income statement and the statement of financial position are adopted. Only such events that confirm circumstances that prevailed before the end of the reporting period are taken into account at the time of adopting the financial statements.

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

### Amended accounting policies

No IFRS amendments that are applicable from 2016 have had any material effect on the Group's accounting.

### New and revised IFRS, which have been issued, but not yet effective

IFRS 9 *Financial Instruments*, which has been adopted by the EU and becomes effective on 1 January 2018, will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The IASB through IFRS 9 has prepared an entire package of changes relating to classification of financial instruments. The package includes a new basis for classification and measurement of financial instruments, a forward-looking expected loss impairment model and simplified requirements for hedge accounting. Analysis of the effects of IFRS 9 on the Group has been carried out and the assessment is that IFRS 9 will not have any material effects on the consolidated financial statements and financial reporting.

IFRS 15 *Revenue from Contracts with Customers* is a new revenue recognition standard adopted by the EU and becomes effective on 1 January 2018. The objective of the new revenue standard is to provide a single principle-based model for all sectors that will replace existing standards and statements concerning revenue. IFRS 15 permits three alternative approaches for handling the transition. Analysis of the effects of IFRS 15 on the Group is in progress and because the effects of the new standard have still not been finally analysed, a decision has not been taken about what transitional rules shall be applied. However, no material effects have emerged to date apart from the question of expanded disclosure requirements relating to revenue.

IFRS 16 *Leases* is a new standard for recognition of leases. For lessees, the classification under IAS 17 of leases as operating and finance leases will disappear and will be replaced by a model requiring lessees to recognise assets and liabilities in the balance sheet for all leases. There is an exemption from recognition in the balance sheet for leases where the lease term is 12 months or less or the underlying asset has a low value. Depreciation should be recognised separately in the income statement from interest expenses attributable to the leasing liability. No major changes are expected for lessors as the rules for lessor accounting in IAS 17 are essentially retained with the exception of expanded disclosure requirements. IFRS 16 will be applied for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided that IFRS 15 is also applied from the same date. The preliminary assessment is that IFRS 16 will not have any material effects on the consolidated financial statements.

### (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. Operating segments are recognised in a manner that corresponds with the Group's internal reporting, which is followed up by the Group's chief operating decision-maker. The Group's chief operating decision-maker is the function responsible for allocating resources and evaluating the operating segments' results. Refer to Note 3 for additional description of the breakdown and presentation of operating segments.

### (d) Classification, etc.

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

Reclassification of current liabilities has been made to non-current liabilities. Comparative figures have been restated and the effect amounted to MSEK 300 for the Group and MSEK 300 for the Parent Company as of 31 March 2017.

### (e) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which Lagercrantz Group AB exercises a controlling influence, i.e. where Lagercrantz Group AB controls the entity. In order for control to arise, the possibility and ability to manage the entity are required and to be exposed to variable returns from it.

Subsidiaries are recognised in accordance with the acquisition method. This method means that the acquisition of a subsidiary is treated as a transaction where the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The cost of acquisition for the Group is determined by an acquisition analysis in conjunction with the acquisition. The analysis determines the cost of the shares or entity, the fair values of acquired identifiable assets, and assumed liabilities and contingent liabilities, as well as any non-controlling interests. Transaction expenses incurred are recognised directly in profit or loss. The difference between the cost of acquisition of the shares in a subsidiary and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognised as goodwill in the Group. When the difference is negative, it is recognised directly in the income statement.

Contingent consideration is recognised at fair value at the date of acquisition and is remeasured at each reporting date and any change in value is recognised in profit or loss.

An acquisition that does not relate to 100 percent of the subsidiary gives rise to a non-controlling interest. There are two alternatives for recognising non-controlling interests. These two alternatives are to recognise non-controlling interests' proportionate share of net assets or alternatively to recognise non-controlling interests at fair value, which means that non-controlling interests have a share in goodwill. The choice of which of the two alternative methods to apply is made individually for each acquisition.

In the subsidiaries where Lagercrantz does not hold 100 percent of the shares, Lagercrantz always has a mutual call / put option, which gives the company the right to acquire the remaining shares at a predetermined price from the holder of the shares (i.e. the seller of the rest of the shares in the company in question), and the holder has a put option to sell the shares to Lagercrantz at a predetermined price. In other words, Lagercrantz has a controlling influence over these shares as they can be acquired and incorporated into the Group's total bulk of assets when so desired.

The financial statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

*(ii) Transactions eliminated on 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 translated to the functional currency using the rate of exchange that prevailed on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the rate of exchange that prevailed at the end of the reporting period. Exchange rate differences that arise during translation are recognised in the income statement. Non-monetary assets and liabilities that are recognised at historical cost are translated at the rate of exchange rate that prevailed on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the rate of exchange that prevailed at the time of fair value measurement.

*(ii) Financial statements of foreign operations*

Assets and liabilities in foreign operations, including goodwill and other surpluses and deficits in the Group are translated to Swedish kronor at the rate of exchange that prevailed at the end of the reporting period. Revenue and costs in a foreign operation are converted to Swedish kronor at an average rate. Translation differences that arise in connection with currency translation of a foreign operation and the related effects of hedging of net investments are recognised directly in other comprehensive income and are accumulated as a separate component in equity, the translation reserve. When foreign operations are sold, the accumulated translation differences attributable are realised after deduction of any hedging and reclassified from the translation reserve in equity to profit or loss.

**(g) Revenue***(i) Sale of goods*

Revenue from the sale of goods is recognised 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 benefits will not accrue to the Group.

*Revenue from the sale of property*

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

*(ii) Service assignments*

Revenue from service assignments is normally recognised when the service is performed. Revenue from service assignments of the service and maintenance agreement type is recognised in accordance with the principles of the so-called percentage of completion method. The stage of completion is normally determined based on the proportion of expenditure incurred at the end of the reporting period compared to the estimated total expenditure. In certain companies, recorded time is used as a basis for the stage of completion. An expected loss is immediately recognised in the consolidated income statement.

*(iii) Rental income*

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

*(iv) Government grants*

Government grants are recognised 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 allocated to the correct periods in profit or loss in the same way and in the same periods as the costs that the grants are intended to compensate for. Government grants related to assets are recognised as a reduction in the carrying amount of the asset.

**(h) Operating expenses and financial income and expenses***(i) Payments relating to operating leases*

Payments related to operating leases are recognised on a straight-line basis in the income statement over the term of lease. Benefits received in connection with signing a lease are recognised as a part of the total leasing cost in profit or loss. Variable fees are expensed in the period in which they arise.

*(ii) Payments relating to finance leases*

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

*(iii) Financial income and expenses*

Finance income and expenses consists of interest income on bank balances, receivables and interest-bearing securities, interest expense on loans, dividend income, exchange differences, changes in value of financial assets measured at fair value through profit or loss, impairment losses on financial assets and gains and losses on hedging instruments recognised in profit or loss.

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective rate is the rate that means that the present value of all estimated future incoming and outgoing payments during the expected fixed interest term equals the carrying amount of the receivable or the liability. Interest income includes allocated amounts 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 allocated amounts of issue expenses and similar direct transaction costs in connection with raising loans.

Borrowing costs are recognised 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 recognised when the right to receive payment has been determined. Exchange gains and exchange losses are recognised net.

**(i) Financial instruments**

Financial instruments are measured and recognised in the Group in accordance with the rules in IAS 39. Financial instruments recognised on the asset side in the statement of financial position include cash and cash equivalents, trade receivables, advance payments to suppliers and derivatives.

Liabilities include trade payables, borrowings, advance payments from customers and derivatives.

*Recognition and derecognition in the statement of financial position*

A financial asset or a financial liability is carried in the statement of financial position when the company becomes party to the contractual terms of the instrument.

A receivable is recognised when the company has performed and a contractual obligation exists for the counterparty to pay, even if no invoice has yet been sent.

Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is carried when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not been received.

Trade payables are recognised when an invoice has been received. A financial asset is derecognised 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 derecognised when the contractual liability is discharged or otherwise expires. The same applies to a part of a financial liability. Acquisition and disposal of financial assets are recognised on the transaction date.

*Measurement*

Financial instruments, which are not derivatives, are initially measured at cost, equivalent to the fair value of the instrument plus transaction costs. A financial instrument's classification determines how it is measured after initial recognition. IAS 39 classifies financial instruments in categories. The classification depends on the purpose for which the financial instrument was acquired. The relevant categories for the Group are as follows:

Financial assets measured at fair value through profit or loss, Loan receivables and trade receivables, Financial liabilities measured at fair value through the profit or loss, Other financial liabilities and Derivatives used for hedge accounting.

*Financial assets measured at fair value through profit or loss*

This category consists of two sub-groups: financial assets held for trading and other financial assets that the company has initially elected to place in this category (in accordance with the so-called Fair Value Option). Financial instruments in this category are measured on a continual basis at fair value with changes in value recognised through profit or loss. 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 financial assets that are not derivative instruments, which have fixed or determinable payments and which are not quoted on an active market. They are included in current assets, with the exception of items that mature after more than 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category are measured at amortised cost. Amortised cost is determined on the basis of the effective interest rate that was calculated on the date of acquisition.

Trade receivables are recognised at the amount that is expected to be received, i.e. less doubtful receivables. Impairment losses are recognised in operating expenses.

*Financial liabilities measured at fair value through profit or loss*

This category consists of financial liabilities held for trading and other financial assets that the company initially elected to place in this category (under the so-called Fair Value Option) and contingent consideration. Liabilities in this category are measured 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 measured at amortised cost. The Group's

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borrowings, financial lease liabilities, trade payables and advance payments from customers belong to this category.

#### *Derivatives used for hedge accounting*

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

#### *Cash and cash equivalents*

Cash and cash equivalents 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, which are exposed to a minimal risk of fluctuations in value.

#### *Financial investments*

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

### **(j) Derivatives and hedge accounting**

The Group's derivative instruments are acquired to hedge the interest rate and currency risks to which the Group is exposed. An embedded derivative is reported separately unless it is closely related to the host contract. Derivatives are initially measured at fair value, with the effect that transaction costs are charged to the period's results. After initial recognition, derivative instruments are measured at fair value and changes in value are recognised 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 hedged item. It is further required that the hedge protects the hedged item in an effective manner, that hedging documentation has been drawn up and that such efficiency can be measured. Gains and losses are recognised in the income statement at the same time as gains and losses are recognised for the hedged items.

#### *Hedging of forecast sales in foreign currency – cash flow hedges*

Currency futures contracts used for hedging of highly likely forecast sales in foreign currency are recognised in the statement of financial position at fair value. Changes in value for the period are recognised in other comprehensive income and the accumulated changes in value are recognised as a separate component of equity (hedging reserve) until the hedged flow affects profit or loss, at which time the accumulated changes in value of the hedging instrument are reclassified to net profit for the year when the hedged item (sales revenue) affects the year's result.

#### *Hedging of fixed interest term – cash flow hedges*

Interest rate swaps are used to hedge against the uncertainty of future interest flows relating to loans with variable interest. Interest rate swaps are measured at fair value in the statement of financial position. In the income statement, the interest coupon portion is continually recognised as an adjustment to interest expense. Other changes in the value of interest rate swaps are recognised 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*

Currency futures contracts can be used for hedging an asset or a liability against currency risk. For such hedging, no hedge accounting is required since the hedged item as well as the hedging instrument are measured at fair value through the income statement in respect of exchange 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 recognised 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 closing day rate. The period's translation differences relating to financial instruments used as hedging instruments in hedging a net investment in a Group company are recognised, to the extent the hedge is effective, in other comprehensive income and the accumulated changes are recognised 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) Property, plant and equipment**

#### *(i) Owned assets*

Property, plant and equipment is recognised as an asset in the statement of financial position if it is probable that future economic benefits will accrue to the company and the cost of the asset can be reliably measured.

Items of property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment losses. The purchase price is included in the cost as well as expenses directly attributable to the asset in order to bring it to the location and in the condition to be used in accordance with the aim of the acquisition. Examples of directly attributable costs included in the cost of acquisition are costs for delivery and handling, installation, registration of title, consulting services and legal services. Borrowing costs directly attributable to the purchase,

design or production of assets that take a significant time to complete for their intended use or for sale are included in the cost of acquisition.

Property, plant and equipment consisting of units with different useful lives are treated as separate items of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on retirement or disposal or when no future economic benefits can be expected from use or retirement/disposal of the asset. Gains or losses arising from disposal or retirement of an asset consist of the difference between the selling price and the asset's carrying amount less directly related selling expenses. Gains and losses are recognised as other operating income/expenses.

#### *(ii) Leased assets*

IAS 17 applies to leased assets. Leases are classified in the consolidated financial statements either as finance 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 finance leases. Where that is not the case, the lease is an operating lease. Assets rented under finance leases are recognised as assets in the consolidated statement of financial position. The obligation to pay future leasing fees is recognised as non-current and current liabilities. The leased assets are depreciated according to plan, whereas lease payments are recognised as interest and repayment of the liabilities.

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

#### *(iii) Additional expenditure*

Additional expenditure is added to the cost only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured in a reliable way. All other additional expenditure is recognised as an expense in the period in which it arises.

#### *(iv) Depreciation methods*

Assets are depreciated on a straight-line basis over their estimated useful life. Land is not depreciated. The Group applies component depreciation, which means that the components' estimated useful life forms the basis for depreciation.

Estimated useful lives:

■ Buildings, commercial premises	15–50 years
■ Plant and machinery	3–10 years
■ Equipment, tools, fixtures and fittings	3–5 years

Commercial premises consist of a number of components with varying useful lives. The main classification is buildings and land. The land component is not depreciated since its useful life is considered to be unlimited. Buildings, however, consist of a number of components where the useful lives vary. The useful lives have been deemed to vary between 15 and 50 years for these components. Assessment of the residual value and useful lives of assets is made on an annual basis.

### **(l) Intangible assets**

#### *(i) Goodwill*

Goodwill represents the difference between the cost of a business combination and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is distributed to cash-generating units and tests are performed on an annual basis or as soon as there are indications the asset in question has suffered an impairment loss. (Refer to Accounting policies n).

In business combinations where the cost of acquisition is less than the net value of acquired assets, and liabilities and contingent liabilities assumed, the difference is recognised directly in the income statement.

#### *(ii) Research and development*

Research expenditure aimed at obtaining new scientific or technological knowledge is recognised as a cost when it is incurred.

Development expenditure, where research results or other knowledge is applied in order to produce new or improved products or processes, is carried as an asset in the statement of financial position, if the product or process is technologically and commercially useful and the company has sufficient resources to complete development and subsequently use or sell the intangible asset. The carrying amount 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 recognised as a cost directly in the income statement when it is incurred. Recognised development expenditure in the statement of financial position is carried at cost less accumulated amortisation and any impairment losses.

#### *(iii) Other intangible assets*

Other intangible assets, not including trademarks, acquired by the Group are recognised at cost, less accumulated amortisation and impairment losses. This also includes capitalised IT expenditure for development and purchase of software. Acquired trademarks are recognised at cost, less any impairment losses. The useful life of trademarks is indefinite. Their value is therefore tested annually for impairment. Costs incurred for internally generated goodwill and internally generated trademarks are recognised in the income statement when the cost is incurred.

#### *(iv) Amortisation*

Amortisation is recognised in the income statement on a straight-line basis over

the estimated useful lives of the intangible assets, provided such useful lives are determinable. Goodwill, trademarks and intangible assets with an indeterminable useful life are tested for impairment on an annual basis and as soon as there are indications suggesting that the asset in question has decreased in value. Intangible assets that may be amortised are amortised from the date on which they are available for use.

The estimated useful lives are:

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

#### (m) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and for bringing about a sale.

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

#### (n) Impairment losses

The carrying amounts of the Group's assets are tested on each balance sheet date to determine if any impairment has occurred. IAS 36 is applied for testing of any write-down requirement for assets other than financial assets, which are tested in accordance with IAS 39, assets held for sale and disposal groups recognised in accordance with IFRS 5, inventories, plan assets used for financing of payments to employees and deferred tax assets. For exempted assets, as above, the carrying amount is tested in accordance with each standard. For goodwill, other assets with indeterminable useful lives and intangible assets that are still not ready for use, the recoverable amount is also calculated annually.

If there is an indication that an asset may be impaired, the asset's recoverable amount is calculated. For goodwill, other intangible assets with indeterminable useful lives and intangible assets that are still not ready for use, the recoverable amount is calculated annually.

If it is impossible to determine significant independent cash flows to an individual asset, the assets should be grouped, in conjunction with impairment testing, at the lowest level at which it is possible to identify significant independent cash flows – a so-called cash-generating unit. An impairment loss is recognised when the carrying amount of the asset or cash generating unit exceeds its recoverable amount. An impairment loss is recognised in the income statement.

Impairment losses on assets attributable to a cash-generating unit are in the first instance allocated to goodwill. A proportional impairment loss on other assets that are part of the unit is subsequently recognised.

The recoverable amount 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 amount of assets in the category loan receivables and trade receivables, which are recognised at amortised cost, is measured as the present value of future cash flows discounted by the effective rate that applied upon initial recognition of the asset. On each reporting date, the company assesses whether there is objective evidence that a financial asset or group of assets is impaired. Assets with short maturities are not discounted. An impairment loss is recognised as a cost in the income statement.

##### (ii) Reversal of impairment losses

Impairment losses on loan receivables and trade receivables recognised at amortised cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was made.

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

An impairment loss is reversed only to the extent the recognised 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) Equity

The Group's equity can be divided into share capital, other paid-up capital, reserves, retained earnings and non-controlling interests.

##### (i) Repurchase of own shares

Holdings of own shares and other equity instruments are recognised as a decrease in equity. The acquisition of such instruments is recognised as a deduction from equity. Proceeds from the sale of equity instruments are recognised as an increase in equity. Any transaction costs are recognised directly against equity.

##### (ii) Dividends

Dividends are recognised as a liability after the general meeting has approved the dividend.

##### (iii) Earnings per share

The calculation of earnings per share is based on the Group's net profit for the year attributable to the Parent Company's shareholders and on the weighted average

number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares is adjusted to take account of the effects of dilutive potential ordinary shares, which during reported periods were attributable to options issued to employees. Dilution from options affects the number of shares and occurs only when the redemption price is lower than the market price.

#### (p) Employee benefits

##### (i) Defined contribution plans

Obligations in respect of charges for defined contribution plans are recognised as an expense in the income statement as they arise.

##### (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 remuneration that the employee has earned as a result of his/her employment. A provision for special payroll tax is included in IAS 19. The measurement is based on the difference between the pension obligation determined in the legal entity and Group. Interest on pension provisions is recognised in net financial items.

Actuarial gains and losses are recognised directly in equity under other comprehensive income in the period in which they arise. Other cost and income items are recognised over operating profit. The obligations are measured at the present value of expected future payments.

The discount rate used in the present value computation is based on housing bonds with an equivalent term to the pension obligation.

The company's obligations for defined benefit retirement pension are handled within the so-called FPG/PRI system in accordance with the ITP plan. Family pensions and new vesting of retirement pensions are secured by insurance in Alecta. Alecta does not provide the information necessary to recognise these obligations as a defined benefit plan. These pensions secured by insurance in Alecta are therefore recognised as defined contribution plans (under UFR10). At the end of 2015, Alecta's surplus in the form of the collective consolidation level amounted to 153 percent (2014 143 percent). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial calculation assumptions. Alecta's surplus can be distributed to the policyholders and/or the insured.

##### (iii) Remuneration upon termination of employment

In connection with termination of personnel, a provision is only made when the company is demonstrably obligated, without a realistic opportunity to reverse the decision, by a formal detailed plan to terminate employment before the normal point in time. When remuneration is offered to encourage voluntary redundancy, it is recognised as a cost if it is likely that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

##### (iv) Employee share option plan

The Group's option plan enables senior executives to acquire shares in the company. The employees have paid a market-related premium for this opportunity. Premiums received are carried in equity as a transaction with the owners.

#### (q) Provisions

A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of past events, and it is probable that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. In cases where the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money, and if applicable, the risks specific to the obligation.

##### (i) Warranties

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

##### (ii) Restructuring

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

##### (iii) Onerous contracts

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

#### (r) Taxes

Income taxes consist of current taxes and deferred taxes. Income tax is recognised in profit or loss except when underlying transactions are recognised in other comprehensive income or directly against equity, whereupon the associated tax effect is recognised in other comprehensive income or in equity.

Current tax is tax that shall be paid or refunded in respect of the current year, using the tax rates, which are enacted or which in practice are enacted at the end of the reporting period.

Also included are adjustments of current taxes attributable to prior periods.

Deferred taxes are estimated in accordance with the liability method, based on temporary differences between the tax bases of assets and liabilities and their

carrying amounts. Temporary differences not taken into consideration are; temporary differences arising on the initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and which on the transaction date did not affect the recognised or taxable result. Furthermore, temporary differences are not taken into consideration that are attributable to participations in subsidiaries and associated companies and which are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is measured using the tax rates and tax regulations which were enacted or were in practice enacted on the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

#### (s) Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events whose existence will only be confirmed by one or more uncertain future events or when an obligation exists that is not recognised as a liability or provision, since it is not probable 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 activities.

The year's changes in operating assets and operating liabilities have been adjusted for effects of exchange rate fluctuations. Acquisitions and disposals are recognised in investing activities. 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 recognised in investing and financing activities. Apart from cash and bank flows, cash and cash equivalents also include investments in securities, which may be converted to bank funds at an amount that is essentially known in advance. Cash and cash equivalents include investments in securities with a term of less than three months.

#### (u) Parent Company accounting policies

The Parent Company has prepared its annual accounts according to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities*. 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.

Overall, 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 recognition of financial income and expenses, non-current assets and equity.

#### Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method, which means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the subsidiaries where Lagercrantz does not hold 100 percent of the shares, there is always a mutual call / put option, i.e. Lagercrantz / the seller of the shares has the right to acquire / sell the remaining shares at a predetermined price. Lagercrantz has a controlling influence over these shares as they can be acquired and incorporated into the Group's total bulk of assets. Dividends received from subsidiaries' retaining earnings are recognised as revenue. Larger dividends can result in impairment losses and thereby reduce the carrying amount of the participation.

#### Revenue

##### *Anticipated dividends*

Anticipated dividends from subsidiaries are recognised if the Parent Company has the exclusive right to determine the size of the dividend and the Parent Company has decided on the size of the dividend before publishing its financial statements.

#### Property, plant and equipment

##### *Owned assets*

Items of property, plant and equipment in the Parent Company are recognised at cost less accumulated depreciation and any impairment losses in the same way as in 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*

All lease agreements in the Parent Company are recognised in accordance with the rules for operating leases.

#### Taxes

In the Parent Company, untaxed reserves are recognised 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 shareholders' contributions for legal entities

Group contributions received are recognised as dividends and group contributions paid are recognised as investments in shares in subsidiaries, or where nothing of value is added, as an impairment loss on the shares via profit and loss. Shareholders' contributions are carried directly in equity in the case of the receiver and capitalised in shares and participations by the grantor, to the extent that impairment is not required.

#### (x) Financial guarantees

Lagercrantz Group has chosen not to apply the rules in IAS 39 regarding financial guarantee agreements in favour of subsidiaries in accordance with RFR 2.

## Note 2 Critical estimates and judgments

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

#### Impairment testing of goodwill

Each year, the Group tests if any impairment of goodwill has occurred. The recoverable amount 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). For more information, refer to Note 15.

#### 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 recognised pension liability and the annual pension expense. One of the most critical assumptions is the discount rate, which is important for measuring the year's pension expense as well as the present value of the defined benefit pension obligations. The assumed discount rate is 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 employee 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, or government bonds (including housing bonds) or, if no functioning market for such bonds exists, government bonds. A reduced discount rate increases the present value of the pension liability and the annual cost.

### Note 3 Segment reporting

Segment reporting is prepared for the Group's operating segments and is based on the chief operating decision-maker, i.e. the management team's follow-up of business operations. The Group's internal reporting system is thus built based on follow-up of earnings, cash flows and the return generated by the Group's goods and services. This follow-up generates the chief operating decision-maker's decisions about the best possible allocation of resources in relation to what the Group produces and sells in the segments. The segments' results and non-current assets have included directly attributable items, which can be allocated to the segments in a reasonable and reliable way. Segment investments in non-current assets include all capital expenditures, both in intangible assets and plant, property and equipment. Assets added as a result of acquisitions are not included, but amortisation of Group surplus values is included.

#### Operating segment

The Group consists of the following operating segments:

- **Electronics division:** Sells special components and solutions for electronics.
- **Mechatronics division:** Active in niche production of cabling, electrical connection systems and similar products.
- **Communications division:** Active in IT-related areas, such as digital imaging / technical security and network access.
- **Niche Products division:** Primarily produces and sells proprietary products with a strong position in their market niche.

#### Sales and profit by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<b>Revenue</b>								
External sales	834	838	1,003	1,007	631	719	628	493
Internal sales	3	1	8	6	–	1	2	2
<b>Total revenue</b>	<b>837</b>	<b>839</b>	<b>1,011</b>	<b>1,013</b>	<b>631</b>	<b>720</b>	<b>630</b>	<b>495</b>
<b>Profit</b>								
<b>Operating profit</b>	<b>65</b>	<b>71</b>	<b>163</b>	<b>150</b>	<b>61</b>	<b>47</b>	<b>105</b>	<b>74</b>
					Parent company and eliminations		Total	
					2016/17	2015/16	2016/17	2015/16
<b>Revenue</b>								
External sales					–	–	3,096	3,057
Internal sales					-13	-10	–	–
<b>Total revenue</b>					<b>-13</b>	<b>-10</b>	<b>3,096</b>	<b>3,057</b>
<b>Profit</b>								
<b>Operating profit</b>					<b>-33</b>	<b>-27</b>	<b>361</b>	<b>315</b>
Financial income							7	7
Financial expenses							-17	-15
<b>Profit before tax</b>							<b>351</b>	<b>307</b>
Tax							-77	-66
<b>Net profit</b>							<b>274</b>	<b>241</b>

Transaction pricing between operating segments occurs on market-related terms.

#### Other information by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Assets	528	496	911	837	631	474	798	747
Undistributed assets	–	–	–	–	–	–	–	–
<b>Total assets</b>	<b>528</b>	<b>496</b>	<b>911</b>	<b>837</b>	<b>631</b>	<b>474</b>	<b>798</b>	<b>747</b>
Liabilities	117	108	181	173	132	110	98	99
Undistributed liabilities	–	–	–	–	–	–	–	–
<b>Total liabilities</b>	<b>117</b>	<b>108</b>	<b>181</b>	<b>173</b>	<b>132</b>	<b>110</b>	<b>98</b>	<b>99</b>
Investments	12	19	22	19	9	19	13	19
Depreciation and amortisation	14	13	28	28	21	15	28	20
					Parent Company		Total	
					2016/17	2015/16	2016/17	2015/16
Assets					25	34	2,893	2,588
Undistributed assets					–	–	-2	-6
<b>Total assets</b>					<b>25</b>	<b>34</b>	<b>2,891</b>	<b>2,582</b>
Liabilities					568	177	1,096	667
Undistributed liabilities					–	–	598	883
<b>Total liabilities</b>					<b>568</b>	<b>177</b>	<b>1,694</b>	<b>1,550</b>
Investments					0	0	56	76
Depreciation and amortisation					0	1	91	77

#### External sales by geographical market

The basis for sales by geographical market is the country where invoicing occurs.

	2016/17	2015/16
Sweden	1,157	1,066
Denmark	505	406
Norway	325	418
Finland	177	157
UK	58	146
Germany	198	156
Poland	100	89
Rest of Europe	219	197
Rest of World	358	422
	<b>3,097</b>	<b>3,057</b>

#### Capital expenditure and non-current assets by geographical market

	Investments		Non-current assets	
	2016/17	2015/16	31 Mar 2017	31 Mar 2016
Sweden	40	52	1,174	1,096
Denmark	10	19	261	188
Norway	2	2	136	129
Finland	0	1	88	64
Germany	1	1	30	30
Poland	3	1	16	14
Rest of Europe	–	0	8	1
Rest of World	–	–	–	–
Undistributed assets	–	–	–	–
	<b>56</b>	<b>76</b>	<b>1,713</b>	<b>1,523</b>

Note 3 continued

Parent Company	2016/17	2015/16
<b>Internal net revenue by operating segment</b>		
Electronics	9	9
Mechatronics	10	9
Communications	10	10
Niche Products	8	6
	<b>37</b>	<b>34</b>
<b>Internal net revenue by geographical market</b>		
Sweden	23	20
Denmark	7	7
Norway	3	3
Finland	2	2
Germany	1	1
Other countries	1	1
	<b>37</b>	<b>34</b>

#### Note 4 Distribution of net revenue

Net revenue by product category	2016/17	2015/16
<b>Group</b>		
Trading	1,001	1,074
Niche production	359	338
Proprietary products	1,504	1,376
Systems integration	145	164
Service and other	87	105
	<b>3,096</b>	<b>3,057</b>

In the case of other types of revenue, dividends and interest income are recognised in net financial items. See Note 11.

#### Note 5 Operating costs allocated by type of cost

Group	2016/17	2015/16
Cost of goods sold	1,585	1,740
Compensation-related personnel costs	793	755
Depreciation and amortisation	91	73
Other operating expenses	292	229
<b>Total operating expenses</b>	<b>2,761</b>	<b>2,797</b>

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

Average number of employees	2016/17		2015/16	
		of whom men		of whom men
<b>Parent Company</b>				
Sweden	14	64%	11	73%
<b>Other Group companies</b>				
Sweden	722	76%	711	76%
Denmark	280	46%	263	49%
Norway	56	86%	59	81%
Finland	95	53%	88	53%
Germany	30	73%	31	68%
Poland	67	84%	64	84%
Other countries	17	76%	10	60%
<b>Total in Group companies</b>	<b>1,267</b>	<b>67%</b>	<b>1,226</b>	<b>69%</b>
<b>Group total</b>	<b>1,281</b>	<b>66%</b>	<b>1,237</b>	<b>69%</b>

#### Salaries, other remuneration and social security expenses

	2016/17		2015/16	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	26	15	24	13
(of which pension expense)		(6) <sup>1)</sup>		(6) <sup>1)</sup>
Other Group companies	560	193	544	173
(of which pension expense)		(48)		(42)
<b>Group total</b>	<b>586</b>	<b>208</b>	<b>568</b>	<b>186</b>
(of which pension expense)		(54) <sup>2)</sup>		(48) <sup>2)</sup>

<sup>1)</sup> MSEK 3 (2) of the Parent Company's pension expense refers to the group Board of Directors and President. This group also includes executive vice presidents. There are no outstanding pension obligations.

<sup>2)</sup> MSEK 11 (6) of the Group's pension expense 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 remuneration distributed by country and among Board members etc. and other employees

	2016/17		2015/16	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
<b>Sweden</b>				
Parent Company	11	15	10	14
(of which, bonus etc.)	(2)	(2)	(1)	(2)
Other Group companies in Sweden	28	266	28	277
(of which, bonus etc.)	(2)	(6)	(2)	(7)
<b>Sweden total</b>	<b>39</b>	<b>282</b>	<b>38</b>	<b>291</b>
	(4)	(7)	(4)	(9)
<b>Outside Sweden</b>				
Denmark	15	143	12	122
(of which, bonus etc.)	(0)	(2)	(0)	(2)
Norway	5	36	5	36
(of which, bonus etc.)	(0)	(0)	(0)	(0)
Finland	4	30	4	30
(of which, bonus etc.)	(0)	(1)	(0)	(0)
Germany	1	16	1	14
(of which, bonus etc.)	(-)	(-)	(-)	(-)
Poland	2	10	2	9
(of which, bonus etc.)	(0)	(0)	(0)	(1)
Other countries	0	3	0	4
(of which, bonus etc.)	(0)	(1)	(0)	(1)
<b>Group companies outside Sweden total</b>	<b>27</b>	<b>238</b>	<b>23</b>	<b>216</b>
(of which, bonus etc.)	(1)	(4)	(0)	(4)
<b>Group total</b>	<b>66</b>	<b>519</b>	<b>61</b>	<b>507</b>
(of which, bonus etc.)	(5)	(11)	(4)	(13)

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

#### Gender distribution in company managements

	31 Mar 2017	31 Mar 2016
	Proportion of women	Proportion of women
<b>Parent Company</b>		
The Board	29%	29%
Other senior executives	0%	0%
<b>Group total</b>		
Board of Directors	3%	3%
Other senior executives	0%	2%

#### Principles of remuneration for the Board of Directors and senior executives

Fees paid to the Chairman of the Board and to other Board members were set by the Annual General Meeting (AGM). No separate fees are paid for committee work. Board members may be given the opportunity to invoice their fees through their own wholly-owned Swedish company or private business. Five of the members elected by the AGM invoiced their directors' fee during 2016/17.

In accordance with the resolution of the AGM regarding guidelines for remuneration of senior executives, remuneration to the President & CEO and other senior executives consists of basic salary, variable remuneration, pension and financial instruments. The total remuneration shall be market-related and competitive, and should be commensurate with responsibility and authority. The variable annual portion of the compensation shall be maximised to approximately 40 percent of 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 will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one annual salary may be offered, in addition to salary during the period of notice. In addition to the incentive programme proposed to the AGM, no other share-based or share-price-related programmes will be offered.

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

As regards remuneration to the President and CEO and other senior executives, the Board of Directors has appointed a remuneration committee consisting of the Chairman of the Board and the Vice Chairman of the Board, with the President and CEO as a reporting member. The task of the committee is to evaluate and propose principles of remuneration to the Board of Directors (refer to the Corporate Governance Report). The Board of Directors submits proposals to the AGM for resolution. The proposal to the 2017 AGM is set out in the Report of the Board of Directors.

#### Remuneration Board members

SEK '000	2016/17	2015/16
Chairman of the Board	500	440
Vice Chairman of the Board	–	330
Other Board members	1,500	880
<b>Total</b>	<b>2,000</b>	<b>1,650</b>

## Remuneration and other benefits to senior executives 2016/2017

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
<b>Chief Executive Officer</b>						
Jörgen Wigh	4,906	1,152	435	111	1,488	8,092
<b>Executive Vice President</b>						
Magnus Söderlind	2,815	662	289	80	828	4,674
<b>Other senior executives</b>						
8 persons	12,582	2,332	635	629	2,803	18,982
<b>Total</b>	<b>20,303</b>	<b>4,146</b>	<b>1,359</b>	<b>820</b>	<b>5,119</b>	<b>31,748</b>

## Remuneration and other benefits to senior executives 2015/2016

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
<b>Chief Executive Officer</b>						
Jörgen Wigh	3,679	918	409	93	1,115	6,214
<b>Executive Vice President</b>						
Magnus Söderlind	2,326	581	255	91	594	3,847
<b>Other senior executives</b>						
7 persons	10,959	2,321	893	612	2,464	17,248
<b>Total</b>	<b>16,964</b>	<b>3,820</b>	<b>1,557</b>	<b>796</b>	<b>4,173</b>	<b>27,309</b>

In addition to the President & CEO, senior executives refers to the management team consisting of: Executive vice presidents 1 person (1), other senior executives, including business area heads 8 (7) persons. Remuneration to this group, a total of 10 (9) persons in 2016/17, was covered by the resolution at the 2016 AGM regarding principles of remuneration for senior executives. The Remuneration Committee has verified compliance with the AGM's resolution. Among other things, the Remuneration Committee has verified conformity with market conditions by making a comparison with the remuneration in other similar listed companies.

**Pensions**

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

**Termination benefits**

The period of notice for the President is 12 months when termination is initiated by the company and 6 months when termination is initiated by the President. In the case of termination initiated by the company, the President is entitled to termination benefits equivalent to one year's salary in addition to salary during period of notice. No termination benefits are payable in the case of termination initiated by the President.

The period of notice for the other members of the Group Management is 6 – 12 months when termination is initiated by the company and up to 6 months when termination is initiated by the employee. In the case of termination initiated by the company, members of Group Management are entitled to termination benefits equivalent to up to one year's salary, in addition to salary during the period of notice. No termination benefits are payable in the event of termination at the member's own request. The termination benefits are not usually set off against other income.

**Employee share option plan**

The 2016 AGM resolved on an incentive programme for managers and senior executives in the Lagercrantz Group. This programme consists of call options for Lagercrantz Group repurchased shares, where each call option gives the holder a right to acquire one repurchased share of Class B. Redemption can take place during three time periods: (i) during a two week period from when the company publishes its Interim Report for the period 1 April 2018 – 30 September 2018, (ii) during the period 20 May – 31 May 2019, and (iii) during the period 26 September – 6 October 2019.

Similar call option programmes for managers and senior executives were approved by the 2015 and 2014 AGMs.

In all programmes, the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the AGM in accordance with the quoted prices paid. The programmes cover senior executives and managers with a direct possibility of affecting the Group's results. Board members have not been entitled to acquire call options, with the exception of the company's President & CEO. In order to be allocated call options, the employee must have concluded a special pre-emption agreement with the company. Pre-emption shall occur at the market value at the time of termination of employment, an offer from a third party for all shares in the company 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).

The allocation resolved by the 2013 AGM comprised 32 persons and a total of 225,000 call options. Allocations varied between 500 – 25,000 options per person. The President & CEO acquired 25,000 and other members of management team acquired 98,500. The measurement period to determine the average share price, which was SEK 104.48, was 2 September – 13 September 2013. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 125.40. The market value of the call options was set at SEK 8.30 per option by an independent valuation institution.

The allocation resolved by the 2014 AGM for 2014 comprised 35 persons and a total of 225,000 call options. Allocations varied between 2,000 – 28,600 options per person. The President & CEO acquired 28,600 and other members of management team acquired 86,650. The measurement period to determine the average share price, which was SEK 134.85, was 1 September – 12 September 2014. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 161.80. The market value of the call options was set at SEK 8.80 per option by an independent valuation institution.

The allocation resolved by the 2015 AGM comprised 35 persons and a total of 225,000 call options. Allocations varied between 750 – 25,000 options per person. The President & CEO acquired 20,000 and other members of the management team acquired 84,250.

The allocation resolved by the 2016 AGM comprised 52 persons and a total of 584,875 call options. Allocations varied between 500 – 60,000 options per person. The President & CEO acquired 60,000 and other members of the management team acquired 210,000.

The measurement period to determine the average share price, which was SEK 83.38, was 5 September – 16 September 2016. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 100.10. The market value of the call options was set at SEK 8.00 per option by an independent valuation institution.

In addition to this, redemption of options relating to the 2013 and 2014 programmes meant an increase in equity of MSEK 6, in connection with the Parent Company's sale of repurchased Class B shares to the option holders.

**Audit fees and reimbursements**

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>KPMG</b>				
Audit assignments	3	3	0.4	0.4
Tax advisory assignments	–	–	–	0.1
Other assignments	–	–	0.2	–
<b>Other auditors</b>				
Audit assignment	1	1	–	–
Tax advisory assignments	–	–	–	–
Other assignments	–	–	–	–

Audit assignment refers to the review of the annual accounts and the administration by the Board of Directors and the President, other tasks the company's auditors are obliged to perform, and advice or other assistance prompted by observations in the course of such review.

**Note 7 Other operating income**

	2016/17	2015/16
<b>Group</b>		
Disposal of subsidiary	–	11
Rental income	–	1
Other remuneration and contributions	1	2
Exchange gains on receivables/liabilities of an character	10	5
Reversal of contingent consideration previous acquisitions	18	6
Other	3	10
	<b>32</b>	<b>35</b>

**Note 8 Other operating expenses**

	2016/17	2015/16
<b>Group</b>		
Exchange losses on receivables/liabilities of an operating character	-8	-9
Impairment losses and remeasurement of goodwill	–	-9
Reversal of contingent consideration previous acquisitions	-13	–
Other expenses	-2	-2
	<b>-23</b>	<b>-20</b>

**Note 9 Depreciation and amortisation of property, plant and equipment and intangible assets**

	2016/17	2015/16
<b>Group</b>		
<i>Depreciation and amortisation according to plan allocated per asset</i>		
Intangible assets	-58	-48
Lands and buildings	-3	-3
Costs incurred in leasehold property	–	–
Plant and machinery	-18	-16
Equipment, tools, fixtures and fittings	-12	-10
	<b>-91</b>	<b>-77</b>
<i>Depreciation and amortisation according to plan allocated by function</i>		
Cost of goods sold	-27	-23
Selling expenses	-63	-50
Administrative expenses	-1	-4
	<b>-91</b>	<b>-77</b>
<b>Parent Company</b>		
<i>Depreciation and amortisation according to plan allocated by asset</i>		
Equipment, tools, fixtures and fittings	0	0
	<b>0</b>	<b>0</b>
<i>Depreciation and amortisation according to plan allocated by function</i>		
Administrative expenses	0	0
	<b>0</b>	<b>0</b>

**Note 10 Leasing fees relating to operating leases and rental charges**

	2016/17	2015/16
<b>Group</b>		
Expensed operating leasing fees and rents during the financial year	64	56
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	75	50
2 years after the current financial year	56	31
3 years after the current financial year	49	18
4 years after the current financial year	17	13
5 years after the current financial year	13	12
	<b>210</b>	<b>124</b>
<b>Parent Company</b>		
Expensed operating leasing fees and rents during the financial year	3	3
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	4	3
2 years after the current financial year	1	3
More than 3 years after the current financial year	–	1
	<b>5</b>	<b>7</b>

Leasing fees and rents mainly relate to rent for premises.

**Note 11 Financial income**

	2016/17	2015/16
<b>Group</b>		
Interest income	–	–
Exchange gains	7	7
	<b>7</b>	<b>7</b>
<b>Parent Company</b>		
<i>Result from participations in Group companies</i>		
Interest income from Group companies	5	4
Group contributions received	34	34
Dividends	277	249
	<b>316</b>	<b>287</b>
<i>Other interest income and similar profit/loss items</i>		
Exchange gains	–	–
Other interest income	6	–
	<b>6</b>	<b>–</b>
<b>Total financial income</b>	<b>322</b>	<b>287</b>

**Note 12 Financial expenses**

	2016/17	2015/16
<b>Group</b>		
Interest expenses pensions	-2	-1
Other interest expenses	-10	-9
Effect of interest hedge	–	–
Exchange losses	-5	-5
Other	–	0
	<b>-17</b>	<b>-15</b>
<b>Parent Company</b>		
<i>Result from participations in Group companies</i>		
Interest expenses to Group companies	–	–
Exchange losses	–	–
Impairment losses	–	–
	<b>–</b>	<b>–</b>
<i>Other interest expenses and similar profit/loss items</i>		
Other interest expenses	-9	-8
Effect of interest hedge	–	–
Other	-13	0
	<b>-22</b>	<b>-8</b>
<b>Total financial expenses in the Parent Company</b>	<b>-22</b>	<b>-8</b>

**Note 13 Exchange differences that affected profit**

	2016/17	2015/16
<b>Group</b>		
Exchange differences affecting operating profit	2	-4
Financial exchange differences	1	–
	<b>3</b>	<b>-4</b>
<b>Parent Company</b>		
Financial exchange differences	1	-1
	<b>1</b>	<b>-1</b>

**Note 14 Tax on net profit for the year**

	2016/17	2015/16
<b>Group</b>		
<i>Current tax expense (-) / tax revenue (+)</i>		
Tax for the period	-91	-77
Adjustment of tax pertaining to prior years	2	2
	<b>-89</b>	<b>-75</b>
<i>Deferred tax expense (-) / tax revenue (+)</i>		
Deferred tax related to temporary differences	12	9
Change in deferred tax related to change in capitalised tax value of loss carryforwards	-	-
	<b>12</b>	<b>9</b>
<b>Total recognised tax expense / tax revenue in the Group</b>	<b>-77</b>	<b>-66</b>

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

<b>Reconciliation of effective tax</b>	2016/17	2015/16
<b>Group</b>		
Profit before tax	351	307
Tax according to tax rate for the Parent Company, 22%	-76	-67
Effect of other tax rates in Group companies outside Sweden	-1	-3
Effect of changed tax rates	-	2
Non-deductible expenses	-5	-6
Other non-taxable income	3	6
Tax pertaining to prior years	2	2
<b>Recognised effective tax</b>	<b>-77</b>	<b>-66</b>

	2016/17	2015/16
<b>Parent Company</b>		
<i>Current tax expense (-) / tax revenue (+)</i>		
Tax expense for the period	-1	-3
	<b>-1</b>	<b>-3</b>
<i>Deferred tax expense (-) / tax revenue (+)</i>		
Deferred tax related to temporary differences	0	0
	<b>0</b>	<b>0</b>
<b>Total recognised tax expense / tax revenue in the Parent Company</b>	<b>-1</b>	<b>-3</b>

<b>Reconciliation of effective tax</b>	2016/17	2015/16
<b>Parent Company</b>		
Profit before tax	274	261
Tax according to current tax rate, 22%	-60	-58
Effect of impairment losses	-	-
Dividends from Group companies	61	55
Non-deductible expenses	-3	0
<b>Recognised effective tax</b>	<b>-2</b>	<b>-3</b>

**Note 15 Goodwill**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	802	628
New purchases incl. remeasurements	99	203
Disposals	-	-20
Impairment losses	-	-9
Exchange difference	11	0
<b>Carrying amount at end of the period</b>	<b>912</b>	<b>802</b>
<i>Goodwill allocated by division and cluster</i>		
<b>Electronics</b>		
Distribution	83	78
Proprietary products	39	37
<b>Total Electronics</b>	<b>122</b>	<b>115</b>
<b>Mechatronics</b>		
Distribution	32	-
Proprietary products	248	236
<b>Total Mechatronics</b>	<b>280</b>	<b>236</b>
<b>Communications</b>		
Distribution	62	90
Proprietary products	145	89
<b>Total Communications</b>	<b>207</b>	<b>179</b>
<b>Niche Products</b>		
Distribution	-	-
Proprietary products	303	272
<b>Total Niche Products</b>	<b>303</b>	<b>272</b>
<b>Total goodwill</b>	<b>912</b>	<b>802</b>

**Impairment testing of goodwill**

The Group's recognised goodwill amounts to MSEK 912 (802). Goodwill is not amortised under IFRS. Instead the value of goodwill is tested annually in accordance with IAS 36. The most recent test was performed during March 2017. Goodwill is allocated to cash-generating units, that from accounting year 2014/15 consist of clusters of companies in the categories Distribution and Proprietary Products for each division. These clusters have been established by grouping companies that have similar operations and business models and that have common market conditions.

The recoverable amount is calculated based on the value in use and a current assessment of the cash flows for the next three-year period. The most important variables for estimating the value include the sales trend, gross margin, overhead levels, working capital requirement and the need for capital expenditures. Assumptions are made based on previous experience and statistical analysis. These parameters are normally set to correspond to the forecast levels for the next financial year, mainly based on the relevant entity's business plan equivalent to growth rates of 0 – 10 (0 – 10) percent annually. For subsequent years, growth has been based on an estimated sustainable GDP growth rate of about 2 (2) percent. Cash flows have been discounted using a weighted cost of capital equivalent to about 8.5 percent before tax and 6.5 percent after tax (about 8 and 6 percent last year).

The calculation showed that the value in use exceeded the carrying amount. Thus the impairment testing did not result in any further write-down requirement. The sensitivity of the calculations demonstrate that the goodwill value can be defended going forward, even if the sustainable growth rate was 0 percent instead of 2 percent, or if the recoverable amount of each company were to decline by 10 percent.

**Note 16 Trademarks**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	164	169
New purchases	17	-
Exchange difference	2	-5
<b>Carrying amount at end of the period</b>	<b>183</b>	<b>164</b>
<i>Trademarks allocated by division and cluster</i>		
<b>Electronics</b>		
Distribution	18	18
Proprietary products	32	31
<b>Total Electronics</b>	<b>50</b>	<b>49</b>
<b>Mechatronics</b>		
Distribution	-	-
Proprietary products	40	40
<b>Total Mechatronics</b>	<b>40</b>	<b>40</b>
<b>Communications</b>		
Distribution	28	27
Proprietary products	16	3
<b>Total Communications</b>	<b>44</b>	<b>30</b>
<b>Niche Products</b>		
Distribution	-	-
Proprietary products	49	45
<b>Total Niche Products</b>	<b>49</b>	<b>45</b>
<b>Total trademarks</b>	<b>183</b>	<b>164</b>

Every year, impairment testing of trademarks is carried out according to the same principles used in the testing of goodwill.

**Note 17 Other intangible assets**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	520	321
New purchases	16	24
Purchases via new companies	75	181
Disposals	-	-7
Reclassifications	-2	4
Exchange difference	7	-3
	<b>616</b>	<b>520</b>
<i>Accumulated amortisation according to plan</i>		
Opening balance	-179	-135
Amortisation for the year according to plan	-57	-48
Reclassifications	-	-
Exchange difference	4	4
	<b>-232</b>	<b>-179</b>
<b>Carrying amount at end of the period</b>	<b>384</b>	<b>341</b>

Other intangible assets mainly consist of patents, client relations, capitalised development costs and software. Of the total carrying amount, MSEK 44 (36) refers to internally developed intangible assets.

**Note 18 Buildings, land and land improvements**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	88	73
New purchases	-	2
Disposals	-	-3
Purchases via new companies	11	16
	<sup>1)</sup> <b>99</b>	<b>88</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-20	-17
Depreciation for the year according to plan	-3	-3
	<b>-23</b>	<b>-20</b>
<b>Carrying amount at end of the period</b>	<b>76</b>	<b>68</b>

<sup>1)</sup> No capitalised interest is included in the cost.

**Note 19 Costs incurred in leasehold property**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	10	8
New purchases	-	2
Exchange difference	-1	-
	<b>9</b>	<b>10</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-7	-6
Depreciation for the year according to plan	-1	-1
Exchange difference	2	0
	<b>-6</b>	<b>-7</b>
<b>Carrying amount at end of the period</b>	<b>3</b>	<b>3</b>

**Note 20 Plant and machinery**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	263	240
New purchases	19	20
Purchases via new companies	9	3
Transferred from construction in progress	3	5
Reclassifications	4	3
Disposals and retirements	-2	-7
Exchange difference	2	-1
	<b>298</b>	<b>263</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-173	-167
Reclassifications	-11	2
Disposals and retirements	5	7
Depreciation for the year according to plan	-18	-16
Exchange difference	1	1
	<b>-196</b>	<b>-173</b>
<b>Carrying amount at end of the period</b>	<b>102</b>	<b>90</b>

**Note 21 Equipment, tools, fixtures and fittings**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance (including construction in progress)	158	148
New purchases	11	20
Purchases via new companies	2	6
Disposals and retirements	-6	-13
Reclassifications from construction in progress	-	-
Other reclassifications	-	-
Exchange difference	-3	-3
	<b>162</b>	<b>158</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-115	-112
Disposals and retirements	4	12
Reclassifications	2	-7
Depreciation for the year according to plan	-12	-10
Exchange difference	-2	2
	<b>-123</b>	<b>-115</b>
<b>Carrying amount at end of the period</b>	<b>39</b>	<b>43</b>

**Parent Company**

<i>Accumulated cost</i>		
Opening balance	2	2
New purchases	0	0
	<b>2</b>	<b>2</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-1	-1
Depreciation for the year according to plan	0	0
	<b>-1</b>	<b>-1</b>
<b>Carrying amount at end of the period</b>	<b>1</b>	<b>1</b>

**Note 22 Participations in Group companies**

	31 Mar 2017	31 Mar 2016
<b>Parent Company</b>		
<i>Accumulated cost</i>		
Opening balance	1,870	1,542
External acquisitions	157	327
Adjustment of contingent consideration	-	1
	<b>2,027</b>	<b>1,870</b>
<i>Accumulated impairment losses</i>		
Opening balance	-136	-136
Impairment losses for the year	-	-
	<b>-136</b>	<b>-136</b>
<b>Carrying amount at end of the period</b>	<b>1,891</b>	<b>1,734</b>

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

Group company <sup>1)</sup> / Corp. ID. no. / Registered office	Number of participations	Participation as % <sup>2)</sup>	Carrying amount	
			31 Mar 2017	31 Mar 2016
Acte Solutions AB, 556600-8032, Stockholm	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	0
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44
Ampol Serwis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16
Thermod Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	–	–
Asept International AB, 556057-9962, Lund	25,000	100.0	80	80
Apparatenfabriek Bereilia B.V, Bedum, Netherlands	40	100.0	–	–
COBS AB, 556524-3788, Gothenburg	3,000	100.0	21	21
Cue Dee AB, 556244-8000, Sikeå	2,000	100.0	262	–
Cue Dee Trading Co. Ltd, Suzhou, China	100	100.0	–	–
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24
Dooman Teknik AB, 556153-3794, Västra Frölunda	500	100.0	24	24
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	13	13
EFC Estonia OÜ, Estonia	1	100.0	–	–
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	82	82
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	–	–
Elprodukter AS, 995 768 100, Ulsteinvik, Norway	100	100.0	68	68
Enkom Active Oy, 239 992, Helsinki, Finland	300	100.0	54	54
Excidor AB, 556429-7850, Bollnäs	1,000	100.0	48	48
Exilight Oy, 1865741-4, Tampere, Finland	8,000	100.0	34	–
GasIQ AB, 556650-3461, Stenkullen	10,000	100.0	52	–
GasIQ Fastighetsförvaltning AB, 556867-3023, Stenkullen	500	100.0	–	–
HPG Nordic AB, 556854-0271, Stenkullen	500	100.0	–	–
Idesco OY, 2024497-7, Uleåborg, Finland	403,391	90.2	30	30
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20
Kondator AB, 556500-1947, Tyresö	2,000	100.0	71	–
Lager CC AB, 556260-2127, Solna	1,000	100.0	3	3
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	51	51
Load Indicator AB, 556081-3569, Hisings Backa	1,000	100.0	35	35
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46
Precimeter Control AB, 556511-8980, Höne	10,000	100.0	36	36
Precimeter GmbH, 212/5752/0032, Wiehl, Germany	1	100.0	–	–
Precimeter Inc, 20-0110568, Phoenix, USA	100	100.0	–	–
Radonova Laboratories AB, 556690-0717, Uppsala	1,000	100.0	66	–
Radonova, Inc, 70206544, Illinois, USA	100	100.0	–	–
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16
Steele AB, 556842-6000, Värnamo	100,000	100.0	32	32
Svenska Industriborstar i Västerås AB, 556109-2221, Västerås	5,000	100.0	45	45
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95
Thermod AB, 556683-7125, Klässbol	1,000	100.0	47	47
Unitronic GmbH, HRB 40042, Düsseldorf, Germany	153,600	100.0	28	28
Vanpee AB, 556213-2406, Stockholm	50,000	100.0	20	20
Vanpee Norge AS, 976 286 324, Oslo, Norway	100	100.0	44	44
Vendig AB, 556626-7976, Skara	5,000	100.0	29	29
VP Ledbelysning AB, 556084-5975, Nyköping	4,000	100.0	2	2
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, China	20,000	100.0	–	–
Acte Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100.0	–	–
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100.0	–	–
E-Tech Components UK Ltd, Liverpool, UK	5,000	100.0	–	–
ISIC A/S, 16 70 45 39, Århus, Denmark	33,400	100.0	–	–
Vanpée A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	–	–
Nikodan Conveyor Systems A/S, Snede, Denmark	555,334	80.0	–	–
CAD-Kompagniet A/S, 21 69 77 88, Copenhagen, Denmark	8	100.0	–	–
Projectspine A/S, 36 55 76 80, Brøndby, Denmark	500,000	100.0	–	–
Skomø A/S, 11801978, Ebeltoft, Denmark	500,000	100.0	–	–
			<b>1,891</b>	<b>1,734</b>

<sup>1)</sup> Group companies recognised at carrying amount. Other companies are owned indirectly via Group companies.

<sup>2)</sup> The participating interest in the capital is referred to, which also corresponds to the share of the votes of the total number of shares.

**Note 23 Receivables from Group companies**

	31 Mar 2017	31 Mar 2016
<b>Parent Company</b>		
<i>Accumulated cost</i>		
Opening balance	74	92
Additional receivables	14	31
Settled receivables	-80	-48
Exchange difference	3	-1
<b>Carrying amount at end of the period</b>	<b>11</b>	<b>74</b>

**Note 24 Other non-current receivables**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Accumulated cost</i>		
Opening balance	3	2
Additional receivables	-	1
Settled receivables	-1	-
<b>Carrying amount at the end of the year</b>	<b>2</b>	<b>3</b>

**Note 25 Inventories**

During the year, impairments losses of MSEK 3 on the inventory value (3) were recognised.

**Note 26 Trade receivables**

<b>Age analysis, not impaired trade receivables due</b>	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Trade receivables not due	468	434
Trade receivables due 0 – 30 days	26	27
Trade receivables due > 30 – 90 days	7	4
Trade receivables due > 90 – 180 days	3	2
Trade receivables due > 180 days	2	0
<b>Total</b>	<b>506</b>	<b>468</b>

Increase of trade receivables mainly referred to export related sales.

<b>Provision account for bad debt losses</b>	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Opening balance	-1	-2
Reversal of previously recognised impairment losses	-	-
Impairment losses for the year	1	1
Exchange difference	-	-
<b>Closing balance</b>	<b>0</b>	<b>-1</b>

Confirmed bad debt losses during the year of MSEK 0 (0.5) were charged to earnings.

**Note 27 Earned but not yet invoiced revenue**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Work in progress</i>		
Accumulated recognised contract income	104	190
Invoicing	-93	-185
<b>Total claim on clients</b>	<b>11</b>	<b>5</b>
Accumulated contract expenditure and recognised income (after deduction of recognised loss) at the end of the period	104	190
Advanced payments received	-	-
Amounts held back by clients	-	-

Contract income from ongoing fixed price contracts is recognised using the percentage of completion method. Calculations are made based on time spent in relation to the time estimated to complete the entire contract.

**Note 28 Prepaid expenses and accrued income**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Prepaid rent	7	7
Prepaid insurance premiums	3	3
Other items	28	23
	<b>38</b>	<b>33</b>
<b>Parent Company</b>		
Prepaid rent	1	1
Prepaid insurance premiums	-	-
Other items	2	2
	<b>3</b>	<b>3</b>

**Note 29 Equity****Parent Company**

Under Swedish law, equity shall be allocated between non-distributable (restricted) and distributable (non-restricted) funds.

**Restricted reserves**

Restricted funds consist of share capital and the following reserves:

*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.

**Non-restricted equity**

Non-restricted funds consist of retained earnings:

*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, i.e. the amount available for payment as dividends to the shareholders.

**Share capital***Distribution and change of Class of share*

<b>Class of shares</b>	<b>Number of shares</b>	<b>Number of votes</b>
A shares, 10 votes per share	3,263,802	32,638,020
B shares, 1 vote per share	66,256,125	66,256,125
The company's repurchased B shares	-1,534,700	-1,534,700
<b>Total</b>	<b>67,985,227</b>	<b>97,359,445</b>
	<b>A shares</b>	<b>B shares</b>
Number of outstanding shares at start of period	3,263,802	66,256,125
Redemption of shares	-	-
<b>Number of shares at end of the period</b>	<b>3,263,802</b>	<b>66,256,125</b>
<b>Number of repurchased shares</b>		
At start of period	-	1,675,900
Shares used during redemption of options	-	141,200
Repurchased shares during the period	-	-
<b>At the end of the period</b>	<b>-</b>	<b>-1,534,700</b>

The share capital amounted to MSEK 48.9 at the end of the period. The B share is listed on Nasdaq Stockholm. According to the Articles of Association, the share capital shall be not less than MSEK 25 and not more than MSEK 100. The share's quota value is SEK 0.70.

The proposed dividend for the year is SEK 2 (1.75) per share.

The options programmes described in Note 6 are secured by shares repurchased at an average cost of SEK 18.92.

When the call options are exercised at a redemption price of SEK 53.90, SEK 78.80 and SEK 100.10, respectively, per share, the number of outstanding shares may increase by the number of call options redeemed, or a total 1,478,475 shares. The number of repurchased shares will then decline by an equivalent amount.

**Group**

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

**Other paid-up capital**

Refers to equity capital contributed by the owners.

**Reserves**

Reserves refer to translation reserve and hedging reserve.

The translation reserve includes all exchange differences that arise when translating the financial statements of foreign operations. These entities prepare their financial statements in a different currency than the Group and the Parent Company, which report in Swedish kronor (SEK). The translation reserve also consists of exchange rate differences that arise upon remeasurement of net investments in a foreign operation.

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 occurred.

**Retained earnings**

Retained earnings include earned profit in the Parent Company and its subsidiaries. Net profit for the year is reported separately in the statement of financial position. Prior provisions to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

**Capital management**

The Group's goal according to its finance policy, is to maintain 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 holdings without controlling influence.

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. During the 2016/17 financial year, the return was 25 percent (25). Profit amounted to MSEK 274 (241) and average equity during the year amounted to MSEK 1,115 (975). Profit increased more than the equity, among other reasons due to this year's dividend paid of about MSEK 119.

The Group's policy is to pay a dividend of 30 – 50 percent of the net profit for year with cash flow and capital expenditure needs taken into account. Ahead of the 2017 AGM, the Board of Directors has proposed a dividend of MSEK 2 (1.75) per share. The proposed dividend is equivalent to a dividend payout ratio of 50 percent (49). The dividend is also equivalent to 11 percent (10) of consolidated equity on the balance sheet date.

The Group's Board of Directors has a mandate from the 2016 Annual Meeting to repurchase shares. No shares were repurchased during the year. The timing of repurchases is determined by the share price. The repurchased shares are, in part, intended to cover the Group's commitment under outstanding option programmes, where senior executives 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 AGM. The Board of Directors is again proposing that the 2017 AGM authorise the Board of Directors to repurchase the company's shares.

There was no change in the Group's capital management during the year.

**Note 30 Provisions for pensions and similar obligations****Defined benefit obligations**

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 remuneration and length of service the employees have at or close to retirement. The pension plan according to ITP, secured by insurance with Alecta, is recognised as a defined contribution plan since the company has not had access to such information to make it possible to recognise this plan as a defined benefit plan.

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
The present value of unfunded defined benefit obligations	62	55
<b>Net obligations including adjustments</b>	<b>62</b>	<b>55</b>
<b>Distribution of amount on plans in the following countries</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>
Sweden	62	55
<b>Amount in statement of financial position</b>	<b>62</b>	<b>55</b>

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.

	2016/17	2015/16
<b>Pension expense</b>		
<b>Group</b>		
<i>Defined benefit plans</i>		
Cost of pensions earned during the year	–	–
Change of liability for payroll tax	-2	-3
Interest expenses	-2	-1
<b>Cost of defined benefit plans</b>	<b>-4</b>	<b>-4</b>
Cost of defined contribution plans	-50	-44
<b>Total cost of payments, post-employment</b>	<b>-54</b>	<b>-48</b>

The pension cost relating to the most important defined benefit pension plans is reported in the income statement on the lines Selling expenses, Administrative expenses and Interest expense. Since virtually no new salaries are earned in this category, the change in the liability for payroll tax and the interest portion of the pension expense represent the main part of this. The change in the liability for payroll tax is recognised as an administrative expense of MSEK 2 (3) and the interest expense as a financial expense of MSEK 1 (1). The pension expense for defined contribution plans amounted to MSEK 50 (44). The total pension expense for defined benefit and defined contribution pension plans amounted to MSEK 54 (48).

The forecast for the period 2017/18 is that the pension expense will be in line with 2016/17, of which the financial expense for defined benefit plans is estimated at MSEK 2.

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

The following table shows how the net amount in the statement of financial position has changed during the period:

	2016/17	2015/16
<b>Opening balance: Present value of obligation</b>	<b>55</b>	<b>68</b>
Cost of defined benefit plans	2	1
Payments disbursed	-2	-2
Change in actuarial gains/losses	6	13
Exchange differences	1	1
<b>Closing balance: Present value of obligation</b>	<b>62</b>	<b>55</b>
<b>Net amount in statement of financial position, closing balance</b>	<b>62</b>	<b>55</b>

**Actuarial assumptions**

The following significant actuarial assumptions have been applied when calculating the obligations:

(weighted average values)	31 Mar 2017	31 Mar 2016
Discount rate	2.9%	3.0%
Expected inflation	2.0%	1.5%

As in prior years, the basis for the discount interest rate in Sweden is the interest rate on housing bonds. The Group estimates that MSEK 2 will be paid during 2016/17 to funded and unfunded defined benefit plans.

Assumptions regarding life expectancy are the same as proposed by the Swedish Financial Supervisory Authority, effective from 31 December 2007 (FFF5 2007:31).

**Sensitivity analysis****Change of the unfunded defined benefit obligation, MSEK:**

Discount rate, decrease of 0.5%	5.5	
Discount rate, increase of 0.5%	-4.9	
Inflation, decrease of 0.5%	-4.9	
Inflation, increase of 0.5%	-4.6	
Life expectancy, increase of 1 year	2.8	
Life expectancy, decrease of 1 year	-2.8	
	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>

**Parent Company**

Provision for pensions	20	20
	<b>20</b>	<b>20</b>

**Pledged assets for pension obligations**

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

**Note 31 Deferred tax**

31 Mar 2017	Deferred tax assets	Deferred tax liabilities	Net
<b>Group</b>			
Other non-current assets	3	-125	-122
Other provisions	1	–	1
Untaxed reserves	–	-46	-46
Other	4	-1	3
Loss carryforwards	–	–	–
	<b>8</b>	<b>-172</b>	<b>-164</b>
<b>31 Mar 2016</b>			
<b>Group</b>			
Other non-current assets	1	-114	-113
Other provisions	1	–	1
Untaxed reserves	–	-42	-42
Other	4	-2	2
Loss carryforwards	1	–	1
	<b>7</b>	<b>-158</b>	<b>-151</b>

**Non-recognised deferred tax assets**

Deferred tax assets relating to tax deficits of MSEK 0 (0) 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 of deferred tax in temporary differences and loss carryforwards**

	Opening balance	Recognised via profit or loss	Closing balance
<b>Group</b>			
Other non-current assets	-113	12	-122
Other provisions	1	–	1
Untaxed reserves	-42	–	-46
Other	2	–	3
Loss carryforwards	1	–	–
	<b>-151</b>	<b>12</b>	<b>-164</b>

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

The company recognises 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 1 (1).

**Note 32 Other provisions**

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Other provisions such as non-current liabilities</i>		
Costs for restructuring measures	–	–
Guarantee reserve	6	3
Other	2	3
	<b>8</b>	<b>6</b>
<i>Other provisions such as current liabilities</i>		
Costs for restructuring measures	5	8
Other	–	1
	<b>5</b>	<b>9</b>
<b>Carrying amount at start of the period</b>	<b>15</b>	<b>8</b>
Provisions in acquired subsidiaries	–	–
Provisions made during the period	11	11
Amounts claimed during the period	-12	-3
Unutilised amount reversed during the period	–	-1
<b>Carrying amount at end of the period</b>	<b>14</b>	<b>15</b>

**Restructuring**

Reserved restructuring costs mainly consist of measures related to structural and personnel changes.

**Note 33 Financial assets and liabilities****Financial instruments by category**

Fair values of financial assets and liabilities essentially correspond to the carrying amounts. Fair value of contingent consideration is measured using the fair value option contained in IAS 39, category 3. Derivatives are measured at fair value based on observable market inputs. As of 31 March 2017 and 2016, there were outstanding derivatives.

Group	Loans and trade receivables	Derivatives for hedge accounting	Total
<b>31 Mar 2017</b>			
<i>Assets in the statement of financial position</i>			
Non-current receivables	2		2
Trade receivables	506		506
Other receivables		0	
Cash and cash equivalents	122		122
<b>Total</b>	<b>630</b>	<b>0</b>	<b>630</b>

All financial assets of MSEK 630 (538) are measured at amortised cost. There were derivatives of MSEK 0.1 as of the balance sheet date. The consolidated statement of financial position shows other receivables of MSEK 64. Other items are non-financial.

31 Mar 2017	Other liabilities	Financial liabilities measured at fair value via profit or loss	Derivatives for hedge accounting	Total
<i>Liabilities in the statement of financial position</i>				
Current liabilities to credit institutions	265			265
Non-current liabilities to credit institutions	415			415
Trade payables	259			259
Other current liabilities	–	165	0	165
<b>Total</b>	<b>939</b>	<b>165</b>	<b>0</b>	<b>1,104</b>

The consolidated statement of financial position shows other liabilities of MSEK 272. There were derivatives of MSEK 0.4 as of the balance sheet date. Contingent consideration payments are recognised of MSEK 165 measured at fair value via profit or loss based on likely scenarios for future EBITDA. Other financial liabilities of MSEK 939 (852) are measured at amortised cost. Financial liabilities are mostly payable within 12 months. Other items are non-financial.

31 Mar 2016	Loans and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in the statement of financial position</i>			
Non-current receivables	3		3
Trade receivables	468		468
Other receivables		1	1
Cash and cash equivalents	67		67
<b>Total</b>	<b>538</b>	<b>1</b>	<b>539</b>

The consolidated statement of financial position shows other receivables of MSEK 539, of which MSEK 1 are derivatives. Other items are non-financial.

31 Mar 2016	Other liabilities	Financial liabilities measured at fair value via profit or loss	Derivatives for hedge accounting	Total
<i>Liabilities in the statement of financial position</i>				
Current liabilities to credit institutions	607			607
Trade payables	245			245
Other current liabilities	–	184	2	186
<b>Total</b>	<b>852</b>	<b>184</b>	<b>2</b>	<b>1,038</b>

The consolidated statement of financial position shows other liabilities of MSEK 260. There were derivatives of MSEK 2 as of the balance sheet date. Contingent consideration payments are recognised of MSEK 184 measured at fair value via profit or loss based on likely scenarios for future EBITDA. Financial liabilities are mostly payable within 12 months. Other items are non-financial.

**Change in contingent consideration (category 3)**

	2016/17	2015/16
Opening balance	184	95
Additional liabilities during the year	51	106
Settled liabilities	-64	-12
Remeasured liabilities	-5	-6
Exchange difference	-1	1
<b>Carrying amount at end of the period</b>	<b>165</b>	<b>184</b>

## Parent Company

31 Mar 2017	Loans and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	11		11
Other current receivables	335		335
Cash and cash equivalents	0		0
<b>Total</b>	<b>346</b>	<b>–</b>	<b>346</b>

31 Mar 2017	Other liabilities	Financial liabilities measured at fair value via profit or loss	Derivatives for hedge accounting	Total
<i>Liabilities in the balance sheet</i>				
Non-current liabilities to				
Group companies	–			–
Current liabilities to credit institutions	264			264
Non-current liabilities to				
credit institutions	400			400
Trade payables	2			2
Other current liabilities	214	141		355
<b>Total</b>	<b>880</b>	<b>141</b>	<b>–</b>	<b>1,021</b>

Contingent consideration payments are recognised of MSEK 141 measured at fair value via profit or loss based on likely scenarios for future EBITDA.

31 Mar 2016	Loans and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	74		74
Other current receivables	243		243
Cash and cash equivalents	0		0
<b>Total</b>	<b>317</b>	<b>–</b>	<b>317</b>

31 Mar 2016	Other liabilities	Financial liabilities measured at fair value via profit or loss	Derivatives for hedge accounting	Total
<i>Liabilities in the balance sheet</i>				
Non-current liabilities to				
Group companies	–			–
Current liabilities to credit institutions	300			300
Trade payables	1			1
Other current liabilities	241	153		394
<b>Total</b>	<b>542</b>	<b>153</b>	<b>–</b>	<b>695</b>

Contingent consideration payments are recognised of MSEK 153 measured at fair value via profit or loss based on likely scenarios for future EBITDA.

### Note 34 Interest-bearing liabilities and provisions

The Group's interest-bearing liabilities are allocated in the statement of financial position as follows: Provision for pensions MSEK 62 (55), Long-term liabilities MSEK 415 (311), Current liabilities to credit institutions MSEK 273 (307) and Other current liabilities MSEK 0 (0), Total MSEK 750 (673). The provision for pensions is defined as an interest-bearing provision since the present value of defined benefit pension obligations is calculated using a discount rate in accordance with IAS 19. For details, see Note 30.

A reclassification of current liabilities to credit institutions has been made to non-current, in addition to credit facilities in the Group and Parent Company, MSEK 400 consists of credits that form part of the so-called "Facility Agreements", agreed with the Parent Company's lenders. These agreed facilities apply for three years, from Aug 2015 until Aug 2018, and give the Group and the Parent Company the right to utilise credits within the agreement limits, as long as certain conditions are met, so-called covenants.

Credit terms on trade payables in the Group follow normal industry practice. Nominal value of interest-bearing liabilities and provisions essentially correspond with book values.

## Liabilities to credit institutions

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Short-term portion	8	6
Maturity date, 1–2 years from the balance sheet date	404	305
Maturity date, 3–5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	11	6
	<b>423</b>	<b>317</b>

	31 Mar 2017	31 Mar 2016
<b>Parent Company</b>		
Short-term portion	–	–
Maturity date, 1–2 years from the balance sheet date	400	300
Maturity date, 3–5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	<b>400</b>	<b>300</b>

	31 Mar 2017	31 Mar 2016
<b>Overdraft facilities</b>		

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Approved credit limit	503	503
Unutilised portion	-238	-202

	31 Mar 2017	31 Mar 2016
<b>Utilised credit amount</b>		
	<b>265</b>	<b>301</b>

Credit limits on overdraft facilities are extended annually.

	31 Mar 2017	31 Mar 2016
<b>Parent Company</b>		
Approved credit limit	500	500
Unutilised portion	-236	-200
	<b>264</b>	<b>300</b>

The credit limit on overdraft facilities is extended annually.

	31 Mar 2017	31 Mar 2016
<b>Pledged assets for overdraft facilities</b>		

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Chattel mortgages	9	5
	<b>9</b>	<b>5</b>

### Note 35 Accrued expenses and deferred income

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Employee benefit expenses	120	104
Other items	58	67
	<b>178</b>	<b>171</b>
<b>Parent Company</b>		
Personnel costs	11	8
Other items	2	3
	<b>13</b>	<b>11</b>

### Note 36 Interest paid and received

	2016/17	2015/16
<b>Group</b>		
Interest received	–	–
Interest paid	-10	-9
<b>Parent Company</b>		
Interest received	5	4
Interest paid	-9	-9

### Note 37 Adjustment for non-cash items

	2016/17	2015/16
<b>Group</b>		
Depreciation and amortisation	91	77
Other provisions	5	-14
Impairment losses and retirements	–	9
Capital gain/loss on disposal of non-current assets	–	–
Change in interest accrual	–	–
Reversal contingent consideration	-5	-6
Other items	-3	1
	<b>88</b>	<b>67</b>
<b>Parent Company</b>		
Depreciation and amortisation	0	0
Impairment losses	0	0
Group contributions not yet received	-35	-34
Other items	-0	-0
	<b>-35</b>	<b>-34</b>

## Note 38 Investments in businesses

A total of six acquisitions of businesses were completed during the financial year. The acquired companies were Kondator AB, GasiQ AB, Skomø A/S, Exilight Oy, E-Tech Components Ltd and Apparatenfabrick Bereila B.V. All acquisitions were paid for in cash.

### Specification of acquisitions

During the first quarter, the operations were acquired in Kondator AB and GasiQ AB. Kondator develops and markets accessories for offices and workplaces. Customers mainly consist of office furniture manufacturers, distributors and resellers of office furniture in the ergonomics field. The company generates annual sales of about MSEK 60. Kondator has been part of the Lagercrantz Niche Products division since April 2016.

GasiQ AB develops and sells products, which are used in gas welding and soldering for gas companies, wholesalers and distributors. The business generates annual sales of about MSEK 45 and has been part of the Communications division since July 2016.

During the second quarter, the operations of Skomø A/S were acquired that develops, manufactures and markets graphic custom-designed imaging materials. Customers consist of car dealers, real estate agents and retail businesses. The company generates annual sales of about MDKK 45 and has been part of the Lagercrantz Communications division since September 2016.

During the third quarter, Exilight Oy was acquired, which develops, manufactures and markets emergency lighting systems, primarily for the building sector. Customers consist of installation companies and wholesalers. The company generates annual sales of about MEUR 2.7. Exilight has formed part of the Lagercrantz Mechatronics division since December 2016.

During the fourth quarter, the operations in E-Tech Components Ltd and Apparatenfabrick Bereila B.V were acquired.

E-Tech is a distributor, which is mainly focused on the British market for cable accessories and products, electrical installation and related areas. The company is currently a distributor for Lagercrantz subsidiary Elpress AB's products in the UK. E-Tech generates annual sales of about MGBP 2.

Bereila is a specialised manufacturer of dispensers for liquid foods. e.g. for fast-food restaurants and food manufacturers. Apart from proprietary products, the company also develops customised dispenser solutions. Bereila generates annual sales of about MEUR 1.5.

Estimated consideration for the businesses acquired during the financial year amounted to MSEK 246. This amount includes estimated contingent consideration of MSEK 51, which represents 64 percent of the maximum outcome. The outcome depends on the profit achieved by the companies, during the next two to three years.

Transaction costs for the six acquisitions carried out during the financial year amounted to about MSEK 2, and are included in Administrative expenses in the income statement, to the extent they arose during the period.

As a result of the acquisitions during the financial year, goodwill in the Group increased by MSEK 99 on the balance sheet date and other intangible assets, mostly related to proprietary products and customer relationships, increased by MSEK 94. Other non-current assets increased by MSEK 23. The deferred tax liability related to the acquisitions amounted to MSEK 18.

The effect of the completed acquisitions on consolidated revenue during the financial year was MSEK 153 and the effect on profit before tax was MSEK 19 after acquisition costs. If the operations acquired during the financial year had been consolidated as of 1 April 2016, the effect on revenue and net profit after taxes would have been MSEK 233 and MSEK 20, respectively, after acquisition costs.

During the financial year, the difference between reserved/paid and remeasured contingent consideration of MSEK 5 was expensed as other operating income. The annual impairment test did not result in any write-downs of goodwill. During the financial year, MSEK 52 (7) was paid in contingent consideration for previous acquisitions.

Since information about the companies on an individual basis is not essential, it is provided here in aggregated form. Lagercrantz Group normally uses contingent consideration as a complement to the basic purchase price. The estimated total purchase price includes reserved contingent consideration of MSEK 51 for the recently acquired companies. The calculation is based on probability-weighted expected values. The absence of contingent consideration is the minimum outcome that can occur. This is not probable, however. Estimated contingent consideration of MSEK 165 has not yet been disbursed. The outcome depends on the profit achieved by the companies. Intangible surplus values refer primarily to strong product ranges and innovations that justify a good price and a good position in the market. Goodwill represents the difference between the cost of a business combination and the fair value of the assets acquired and liabilities and contingent liabilities assumed and is equivalent the value of the technological expertise the companies have, good profitability and future profits. The acquisition calculations are still preliminary in respect of allocation of surplus values and are subject to change, although not materially, however.

### Net assets of acquired companies at the time of acquisition

	2016/17	2015/16
Net identifiable assets/liabilities	147	250
Goodwill	99	203
<b>Estimated consideration</b>	<b>246</b>	<b>453</b>

### Cash flow effect

	2016/17	2015/16
<b>Group</b>		
Intangible assets	-192	-392
Property, plant and equipment	-21	-20
Inventories	-33	-30
Other current assets	-65	-143
Provisions	22	48
Non-current liabilities	7	5
Current liabilities	36	79
<b>Total consideration</b>	<b>-246</b>	<b>-453</b>
Cash and cash equivalents in the acquired operations	28	68
<b>Impact on the Group's cash and cash equivalents from acquisitions during the year</b>	<b>-218</b>	<b>-385</b>
Adjustment of estimated contingent consideration in older acquisitions	17	58
Amortisation of/increase in liabilities relating to acquired businesses	-7	5
<b>Cash flow related to investments in businesses</b>	<b>-208</b>	<b>-322</b>

### Distribution of intangible assets in connection with acquisitions

	2016/17	2015/16
Goodwill	99	203
Trademarks	17	-
Other intangible assets	76	189
<b>Total intangible assets via acquisitions</b>	<b>192</b>	<b>392</b>

### Contribution of the acquired entities to Group revenue and earnings

	2016/17	2015/16
Revenue	153	269
Profit contribution before acquisition costs	31	72
Transaction costs	-2	-2
Amortisation of surplus value	-6	-16
<b>Profit contribution before acquisition costs</b>	<b>23</b>	<b>54</b>
Financing costs	-4	-12
<b>Profit contribution after financing costs</b>	<b>19</b>	<b>42</b>

### Contribution of the acquired entities to Group revenue and earnings if they been included for the entire year

	2016/17	2015/16
Revenue	233	377
Profit contribution before acquisition costs	39	97
Transaction costs	-2	-2
Amortisation of surplus value	-8	-21
<b>Profit contribution after acquisition costs</b>	<b>29</b>	<b>74</b>
Financing costs	-6	-16
<b>Profit contribution after financing costs</b>	<b>23</b>	<b>58</b>

Transaction costs relating to acquisitions during the year of MSEK 2 (2) are recognised as administrative expenses.

## Note 39 Contingent liabilities

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
Guarantee commitments FPG/PRI	1	1
Other guarantees	14	13
	<b>15</b>	<b>14</b>

## Note 40 Earnings per share

	2016/17	2015/16
Earnings per share, SEK	4.03	3.55
Earnings per share after dilution, SEK	4.02	3.54

The calculation of earnings per share for 2016/17 is based on profit for the year attributable to the Parent Company's shareholders amounting to MSEK 274 (241) and a weighted average number of shares outstanding during 2016/17 of 67,940,515 (67,889,371). The weighted number of shares outstanding including dilution is 68,096,773 (68,120,656).

### Instruments that may generate future dilution effects

During the 2016/17 financial year, the company had three call option programmes outstanding, where the redemption prices (SEK 53.90, SEK 78.80 and SEK 100.10 per share) in one case fell below the average market price of the share (SEK 81.28 per share). These options give rise to a dilutive effect and have been included in the

estimated earnings per share after dilution. For a description of the options programme refer to Note 6. Repurchased shares are used as a hedge for this programme.

## Note 41 Risk management

### Financial risks

It is essential to Lagercrantz Group to have an efficient and systematic risk assessment of financial as well as business risks. Lagercrantz Group's risk management model does not mean that risks are avoided but is aimed at identifying, managing and pricing these risks.

Lagercrantz Group's Board of Directors is responsible for adopting a financial policy that provides guidelines, goals and limits for financial management and handling of financial risks in the Group. The financial policy governs the allocation of responsibilities between Lagercrantz Group's Board of Directors, Group Management and the Group's companies. In the Group, Group Management has the operative responsibility to secure the Group's financing and to manage the liquidity, financial assets and liabilities efficiently.

### Currency risk

Despite the fact that Lagercrantz Group has an international presence, its operations are local in nature as far as currency risk is concerned. Receipts and disbursements in the various local currencies are thus well balanced. Currency risk is the greatest financial risk to which Lagercrantz Group is exposed. It is defined as the risk for a negative effect on profit caused by foreign exchange rate fluctuations. 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 subsidiaries' results in different currencies are translated to Swedish kronor (translation exposure).
- Equity is affected when the subsidiaries' net assets in different currencies are translated to 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 the form of trade receivables 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 exposed to transaction risks in that region. The Group's purchases and sales in important foreign currencies amounted to MSEK 1,168 and MSEK 1,830, respectively.

### Purchasing/sales in important currencies

Amounts in MSEK	Purchases	Sales
USD	341	305
EUR	528	745
GBP	13	20
DKK	177	502
NOK	22	159
JPY	26	19
PLN	61	80
<b>Group total</b>	<b>1,168</b>	<b>1,830</b>

### Cash and cash equivalents per currency

Amounts in MSEK	31 Mar 2017	31 Mar 2016
SEK	1	2
USD	45	14
EUR	15	14
DKK	10	9
NOK	10	7
Other currencies	41	21
<b>Group total</b>	<b>122</b>	<b>67</b>

According to Lagercrantz Group's guidelines, the foreign currency exposure should be limited in nature. Foreign currency exposure that arises is eliminated to the greatest extent possible through foreign currency clauses and invoicing in the same currency as the purchase currency. Hedging of current exposure is used sparingly. The long-term benefit of hedging is deemed to be limited, combined with increased complexity in the reporting of financial derivatives.

### Translation exposure in the 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 be substantial during certain periods with sharp currency fluctuations. The largest exposures are in DKK, USD, EUR and NOK. The effect of translation differences on equity is set forth in the summary of changes in equity.

### Exchange rate sensitivity

As a rule of thumb it can be said that a change in the euro exchange rate (including the Danish krone, the exchange rate of which is linked to EUR) relative to the Swedish krona of plus or minus 5 percent is estimated to change Lagercrantz Group's operating profit by plus or minus MSEK 16, respectively, on an annual basis given the conditions that prevailed during the financial year. The equivalent change in the Norwegian exchange rate gives an effect of plus and minus MSEK 3, respectively. A change in the US dollar exchange rate of plus or minus 5 percent, would give an effect of minus or plus MSEK 2, respectively.

The effects of exchange rate changes can also have other effects on results since measures are continually taken to minimise the negative effects of exchange rate changes. This makes the ultimate effects on the result difficult to predict and analyse. The rule of thumb should therefore be used with caution.

### Interest rate risk

The financial policy states that maximum borrowing and fixed interest periods should relate to the period where a borrowing need is expected to exist. The general rule is that a maximum of 50 percent of borrowing can be fixed for one to five-year terms. Interest rate risk arises in two ways:

- The company may have invested in interest-bearing assets, the value of which changes when interest rates are changed.
- The cost of the company's borrowing changes when the interest rate scenario changes.

Lagercrantz Group has no long-term surplus liquidity and does not normally invest funds in anything but short-term bank deposits/money market instruments with maturities of less than 90 days. The interest rate risk in the Group's investments in securities is therefore minimal. Changes in interest rates therefore primarily affect the Company's borrowing costs. A change in the weighted average interest rate of 1 percentage point is estimated to affect the Group's interest expense before taxes by MSEK 6 on an annual basis, given the conditions that prevailed during the financial year.

The Group's goal is to have an appropriate liquidity reserve available in the form of cash liquidity and committed credit facilities.

### Weighted average effective interest rates on loans

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Non-current liabilities to credit institutions	1.33%	1.75%	1.27%	1.78%
Current liabilities to credit institutions	1.27%	1.01%	1.30%	1.01%

### 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 geographical 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 attestation rules. In connection with financing of projects and other business agreements, Lagercrantz may in certain cases assume responsibility for bank 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 significant losses of a financial character occurred during the year.

### Liquidity risk

Well established relationships with the capital markets are essential for Lagercrantz Group to be able to ensure the supply of capital on market terms on a long-term basis. Thanks to negotiated credit facilities there is adequate preparedness for temporary fluctuations in the Group's liquidity requirements. For a maturity schedule see Note 34. Lagercrantz Group's committed bank credit facilities consist of:

- A committed credit facility of MSEK 500 in the Parent Company.
- A revolving credit facility of MSEK 500, to be renewed in August 2018.

### 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 of the equity/assets ratio and interest coverage ratio. The present levels of these metrics adequately meet the requirements, so-called covenants, imposed by providers of funds.

**Note 42 Related parties****Related parties**

The Parent Company has a related-party relationship with its Group companies and with the members of the Management team. The company's directors and their close family members control approximately 33 percent of the votes in the company.

**Transactions with related parties**

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

**Note 43 Post-balance sheet events**

In June 2017, Lagercrantz Group AB acquired two Swedish companies, Profsafe AB and R-Contracting AB.

Profsafe develops and markets safes and security products within e.g. fire protection, burglary prevention, cash handling and weapon storage cabinets. Most sales take place in Sweden but the company also has some sales in the other Nordic markets. The company operations are based in Anderstorp and it generates annual sales of about MSEK 85 with good profitability. Profsafe will form part of the Lagercrantz Niche Products division as from June 2017.

R-Contracting develops and markets pumping systems for sprinkler installations. The company also has some engagements in infrastructure-related pump or hydro-power projects. Most sales take place in Sweden but the company also has some sales in Norway and Denmark. The company operations are based in Norrköping and it generates annual sales of about MSEK 110 with good profitability. R-Contracting will form part of the Lagercrantz Communications division as from June 2017.

**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.  
Corporate Identity Number 556282-4556.

The company's primary object is to manufacture and deliver proprietary products and as well as products and solutions made by others in the fields of electronic and electromechanical components, equipment for communication and information technology and other niche technology areas – in a valueadding manner – through nicheoriented subsidiaries to corporate customers, and to conduct other business compatible with this. The average number of employees for the year was 11. The Parent Company's shares are registered on Nasdaq Stockholm. The annual accounts and the consolidated financial statements were approved for publication by the Board of Directors and the President on 27 June 2017.

**Note 45 Pledged assets and contingent liabilities**

31 Mar 2017 31 Mar 2016

	31 Mar 2017	31 Mar 2016
<b>Group</b>		
<i>Pledged assets</i>		
For own liabilities and provisions		
Chattel mortgages	9	5
	<b>9</b>	<b>5</b>
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	1	1
Other guarantees	14	13
	<b>15</b>	<b>14</b>
<b>Parent Company</b>		
<i>Pledged assets</i>		
None	None	None
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	28	27
Other guarantees	–	–
	<b>28</b>	<b>27</b>

**Note 46 Appropriation of profits**

The Board of Directors proposes that the following profits, SEK 1,137,842 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2 × 67,985,227 shares*	135,970
Carried forward	1,001,872
<b>Total</b>	<b>1,137,842</b>

\* Based on the total number of shares outstanding as of 31 March 2017.

The total dividend amount is subject to change until the record day, depending on share repurchases and transfer of shares to participants in long-term incentive programmes. In making the proposal for dividend, the company's dividend policy, equity/assets ratio and financial position in other respects were taken into account, and due consideration was given to the company's ability to fulfil present and anticipated payment obligations in a timely manner and to carry out necessary investments.

# Auditor's Report

To the general meeting of the shareholders of Lagercrantz Group AB (publ), corp. id 556282-4556

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Lagercrantz Group AB (publ) for the financial year 2016-04-01 – 2017-03-31. The annual accounts and consolidated accounts of the company are included on pages 3 – 40 and 44 – 45 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 March 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 March 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

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 consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of acquired intangible assets and parent company's shares in subsidiaries

See disclosure 1 and Accounting principles on page 22 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

The carrying value of acquired intangible assets, which comprise goodwill, trademarks and other intangible assets amounted to

1,479 million SEK as of 31 March 2017, which represents 51 % of total assets. Goodwill and trademarks amounted to 1,095 million SEK. Other intangible assets are depreciated over 3 – 20 years. Annually, or if any indicators of impairment exist, goodwill is subject to an impairment test which is complex and contains significant elements of judgement.

The impairment test as required by IFRS is to be performed taking into account both forecasted internal and external assumptions and plans. Examples of such judgements are future cash flows and the discount rate applied considering that estimated future payments are subject to risk.

The parent company holds shares in Group companies of 1,891 million SEK as at 31 March 2017, which represents 83 % of total assets. If the book value of the shares exceeds the equity in a given Group company, a similar type of impairment test is performed using the same methodology and assumptions as is done in respect of goodwill in the Group.

### Response in the audit

We have obtained and assessed the Group's impairment tests to ascertain whether they are carried out in accordance with the techniques prescribed by IFRS.

In addition, we have assessed the reasonableness of future cash flows and discount rates by obtaining and evaluating the Group's written documentation and plans. We have also performed retrospective review over prior period estimates.

An important part of our work has been to evaluate the methodology used and the discount rate applied, and also how changes in assumptions may affect the valuation by obtaining and assessing the Group's sensitivity test.

We have also reviewed the Annual report disclosures for completeness, and assessed whether the disclosures are in line with the assumptions used by management in their valuation and that they are, in all material respects, in accordance with the disclosures required by IFRS.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 46 – 51. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated

accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lagercrantz Group AB (publ) for the financial year 2016-04-01 – 2017-03-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend

is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, 27 June 2017

KPMG AB

KPMG AB

Håkan Olsson Reising  
Authorized Public Accountant

Johanna Hagström Jerkeryd  
Authorized Public Accountant

## Board of Directors and Auditors



### Anders Börjesson

*Chairman of the Board*  
 Born: 1948.  
 Edu: Bachelor of Science (Econ.).  
 Chairman of Addtech AB, Bergman & Beving AB and Tisenhult-gruppen AB.  
 Board member of Bostad Direkt AB, Futuraskolan AB, Expando Electronics AB, Northpower Stålhallar AB and Ventilationsgrossisten Nordic AB.  
 Holding (family): 1,477,764 A shares and 1,209,750 B shares.  
 Elected 2001.



### Anna Almlöf

*Board member*  
 Born: 1967.  
 Edu: Bachelor of Science (Econ.).  
 Vice President Services, Hiab AB (from 1 August 2017).  
 Board member of Precise Biometrics AB.  
 Holding: 500 B shares.  
 Elected 2016.



### Fredrik Börjesson

*Board member*  
 Born: 1978.  
 Edu: Bachelor of Science (Econ.).  
 President Tisenhult-gruppen AB  
 Chairman of Bostad Direkt AB, Inomec AB, Swedish Cable Trolleys AB, Northpower Stålhallar AB, Tisenhult Skogar AB and Ventilationsgrossisten Nordic AB.  
 Board member of AddLife AB, Momentum Group AB, Futuraskolan AB, Expando Electronics AB, Tisenhult-gruppen AB and Tisenhult Förvaltning AB.  
 Holding: 17,000 B shares.  
 Elected 2016.



### Peter Hedelius

*Board member*  
 Born: 1970.  
 Edu: Technical college engineer and marketing and business at university level.  
 President of Say hello to all our friends AB.  
 Board member of Blue Harvest AB, Say hello to all our friends AB and Neocorus Trading Company AB.  
 Holding: 1,200 B shares.  
 Elected 2016.



### Roger Bergqvist

*Board member*  
 Born: 1948.  
 Edu: Economics and marketing at university level.  
 Board member of Bergman & Beving AB, Coroventa AB and Ventilationsgrossisten Nordic AB.  
 Holding: 18,000 B shares.  
 Elected 2011.



### Marika Rindborg Holmgren

*Board member*  
 Born: 1961.  
 Edu: Bachelor of Laws.  
 Chairman of Rindborg & Rindborg Advokatbyrå AB.  
 Board member of Riksgälden and Karin Sandqvist Stiftelse för resestipendier och forskning inom området ögonsjukdomar.  
 Holding: 4,500 B shares.  
 Elected 2013.



### Lennart Sjölund

*Board member*  
 Born: 1949.  
 Edu: Bachelor of Science (Econ.).  
 Chairman of ErySave AB, Fässbergs EL AB, Kinna El & Tele AB, Parkallen Invest AB, Östanbäcks Timmerhus AB, Elgruppen i Borås AB, Zarismo AB and Elinväst AB.  
 Board member of Godiva AB, Quickcool AB and New Nordic Healthbrands AB.  
 Holding (family): 225,885 B shares.  
 Elected 2001.



### Jörgen Wigh

*President and CEO*  
 Born: 1965.  
 Edu: Bachelor of Science (Econ.).  
 Chairman of Momentum Group AB.  
 Holding: 68,538 A shares, 570,950 B shares and 120,000 call options on B shares.  
 Elected 2006.

### Auditors

Auditors appointed by the 2016 Annual General Meeting are the registered auditing company KPMG AB. George Pettersson was auditor in charge until January 2017, when Håkan Olsson Reising was appointed.

*Holding refers to status per 10 June 2017.*

## Management



**Jörgen Wigh**  
*President and CEO*  
 Born: 1965.  
 Holding: 68,538 A shares,  
 570,950 B shares and  
 120,000 call options on B shares.



**Bengt Lejdström**  
*CFO*  
 Born: 1962.  
 Holding: 42,000 B shares and  
 75,750 call options on B shares.



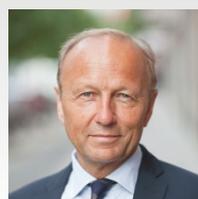
**Magnus Söderlind**  
*Executive Vice President and  
 Head of Business Development*  
 Born: 1966.  
 Holding: 253,430 B shares and  
 90,000 call options on B shares.



**Per Ikov**  
*CEO of Lagercrantz A/S and  
 M&A Lagercrantz Denmark*  
 Born: 1961.  
 Holding: 6,300 B shares and  
 65,000 call options on B shares.



**Ulf Gladh**  
*Vice President Electronics*  
 Born: 1961.  
 Holding: 15,000 B shares and  
 36,000 call options on B shares.



**Sten Alfredsson**  
*Vice President Mechatronics*  
 Born: 1952.  
 Holding: 42,480 B shares and  
 50,000 call options on B shares.



**Daniel Reithner**  
*Vice President Communications*  
 Born: 1970.  
 Holding: 20,000 call options on  
 B shares.



**Leif Åkesson**  
*Vice President Communications*  
 Born: 1958.  
 Holding: 66,000 call options on  
 B shares.



**Jonas Ahlberg**  
*Vice President Niche Products*  
 Born: 1966.  
 Holding: 36,429 B shares and  
 60,000 call options on B shares.



**Caroline Reuterskiöld**  
*Vice President Niche Products*  
 Born: 1976.  
 Holding: None.

*Holding refers to status per 10 June 2017.*

# Financial Performance in Summary

## INCOME STATEMENT

Amounts in MSEK	2016/17	2015/16	2014/15	2013/14	2012/13
Net revenue	3,096	3,057	2,846	2,546	2,328
<b>Operating profit before depreciation and amortisation</b>	<b>452</b>	<b>392</b>	<b>327</b>	<b>286</b>	<b>252</b>
Depreciation and amortisation	-91	-77	-51	-44	-39
<b>Operating profit</b>	<b>361</b>	<b>315</b>	<b>276</b>	<b>242</b>	<b>213</b>
Financial income and expenses	-10	-8	-11	-12	-13
<b>Profit after financial items</b>	<b>351</b>	<b>307</b>	<b>265</b>	<b>230</b>	<b>200</b>
Taxes and non-controlling interests	-77	-66	-62	-53	-41
<b>Net profit for the year</b>	<b>274</b>	<b>241</b>	<b>203</b>	<b>177</b>	<b>159</b>

## BALANCE SHEET

Amounts in MSEK	31 Mar 2017	31 Mar 2016	31 Mar 2015	31 Mar 2014	31 Mar 2013
<b>Assets</b>					
Intangible assets	1,479	1,307	983	880	743
Property, plant and equipment	224	206	167	140	125
Financial assets	10	10	11	9	10
Other current assets	1,056	992	865	810	691
Cash and cash equivalents and investments in securities	122	67	80	38	36
<b>Total assets</b>	<b>2,891</b>	<b>2,582</b>	<b>2,106</b>	<b>1,877</b>	<b>1,605</b>
<b>Equity and liabilities</b>					
Equity and non-controlling interests	1,197	1,032	917	805	699
Interest-bearing provisions and liabilities	750	673	450	379	343
Non-interest-bearing provisions and liabilities	944	877	739	693	563
<b>Total equity and liabilities</b>	<b>2,891</b>	<b>2,582</b>	<b>2,106</b>	<b>1,877</b>	<b>1,605</b>
Capital employed	1,947	1,705	1,367	1,184	1,042
Pledged assets and contingent liabilities	52	45	12	5	13

## STATEMENT OF CASH FLOWS

Amounts in MSEK	2016/17	2015/16	2014/15	2013/14	2012/13
Profit after financial items	351	307	265	230	200
Adjustment for taxes paid and items not included in cash flow	18	-18	-6	-15	-25
<b>Cash flow before changes in working capital</b>	<b>369</b>	<b>289</b>	<b>259</b>	<b>215</b>	<b>175</b>
Cash flow from changes in working capital	6	-32	9	16	2
<b>Cash flow from operating activities</b>	<b>375</b>	<b>257</b>	<b>268</b>	<b>231</b>	<b>177</b>
Cash flow from investing activities	-255	-358	-166	-175	-228
<b>Cash flow from operating and investing activities</b>	<b>120</b>	<b>-101</b>	<b>102</b>	<b>56</b>	<b>-51</b>
Cash flow from financing activities	-65	88	-60	-54	-51
<b>Cash flow for the year</b>	<b>55</b>	<b>-13</b>	<b>42</b>	<b>2</b>	<b>0</b>

## KEY RATIOS

Amounts in MSEK unless otherwise stated	2016/17	2015/16	2014/15	2013/14	2012/13
Change in revenue, %	1.3	7.4	11.8	9.4	2.8
Profit after tax	274	241	203	177	159
Operating margin, %	11.7	10.3	9.7	9.5	9.1
Profit margin, %	11.3	10.1	9.3	9.0	8.6
Equity/assets ratio, %	41	40	44	43	44
Operating profit / Working capital (P/WC), %	58	58	58	55	52
Return on capital employed, %	20	21	22	22	23
Return on equity, %	25	25	24	24	24
Debt/equity ratio, times	0.6	0.6	0.4	0.4	0.4
Net debt/equity ratio, times	0.5	0.5	0.3	0.4	0.4
Interest coverage ratio, times	22	20	18	16	13
Net interest-bearing liabilities (+) / receivables (-)	565	551	302	285	248
Number of employees at year-end	1,247	1,230	1,139	1,010	932
Average number of employees	1,281	1,237	1,073	995	864
Payroll expenses incl. social security contributions	793	755	659	574	510
Revenue outside Sweden	1,940	1,991	1,931	1,676	1,553

## PER SHARE DATA

	2016/17	2015/16	2014/15	2013/14	2012/13
Number of shares at year-end after repurchases ('000)	67,985	67,844	67,773	67,572	67,560
Weighted number of shares after repurchases ('000)	67,941	67,889	67,719	67,632	66,278
Weighted number of shares after repurchases and dilution ('000)	68,097	68,121	67,965	67,995	67,503
Operating profit per share, SEK	5.30	4.63	4.06	3.56	3.16
Earnings per share, SEK	4.03	3.55	3.00	2.62	2.36
Earnings per share after dilution, SEK	4.02	3.54	2.99	2.60	2.36
Cash flow from operations per share after dilution, SEK	5.51	3.77	3.94	3.40	2.62
Cash flow per share after dilution, SEK	0.81	-0.19	0.62	0.03	-
Dividend per share, SEK (dividend for the year as proposed)	2.00	1.75	1.50	1.33	1.08
Equity per share, SEK	17.61	15.22	13.53	11.90	10.33
Latest price paid per share, SEK	87.00	77.50	52.67	42.33	29.42

## DEFINITIONS

### Return on equity

Profit for the year as a percentage of average equity.

### Return on working capital (P/WC)

Operating profit as a percentage of average working capital, where working capital consists of inventories, trade receivables and trade payables.

### Return on capital employed

Profit after financial items, plus financial expenses as a percentage of average capital employed.

### EBITA

Operating profit before amortisation of intangible assets that arose in connection with acquisitions (Earnings Before Interest, Tax and Amortisation).

### Equity per share

Equity in relation to number of shares outstanding at year-end after repurchases.

### Average number of employees

Average number of full-time employees during the year.

### Cash flow per share after dilution

Cash flow for the year in relation to the weighted number of shares outstanding after repurchases and dilution.

### Cash flow from operations per share after dilution

Cash flow from operating activities in relation to weighted number of shares outstanding after repurchases and dilution.

### Net interest-bearing liabilities/receivables

Interest-bearing provisions and liabilities, less cash and cash equivalents, and investments in securities.

### Net debt/equity ratio

Interest-bearing provisions and liabilities, less cash and cash equivalents, and investments in securities in relation to equity plus non-controlling interests.

### Change in revenue

Change in net revenue as a percentage of the preceding year's net revenue.

### Interest coverage ratio

Profit after financial items plus financial expenses divided by financial expenses.

### Operating margin

Operating profit as a percentage of net revenue.

### Debt/equity ratio

Interest-bearing liabilities in relation to equity, plus non-controlling interests.

### Equity/assets ratio

Equity, plus non-controlling interests as a percentage of total assets.

### Capital employed

Total assets, less non-interest-bearing provisions and liabilities.

### Earnings per share

Profit for the year attributable to the Parent Company's shareholders, in relation to the weighted number of shares outstanding after repurchases.

### Earnings per share after dilution

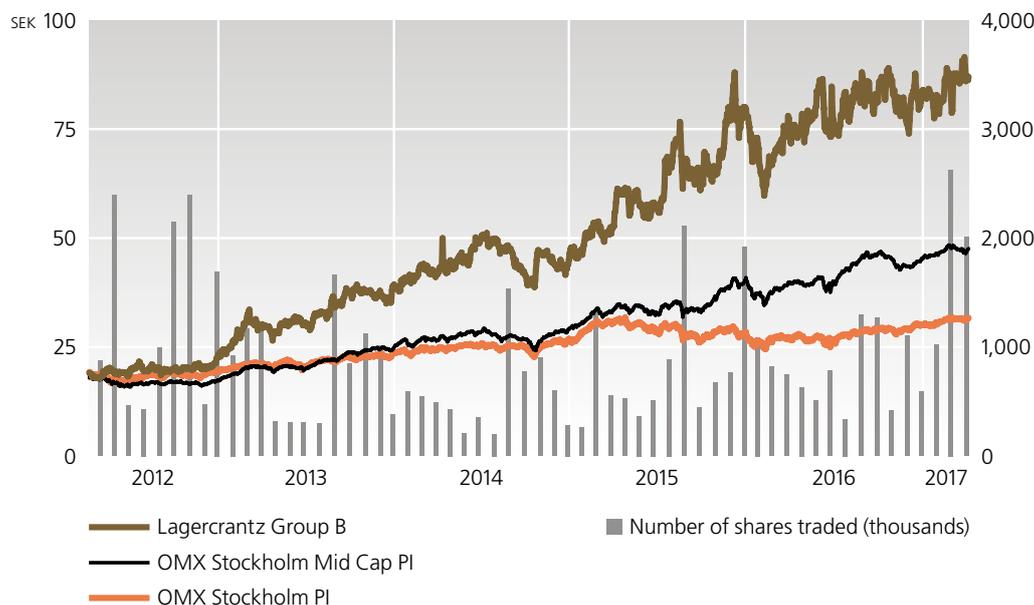
Profit for the year attributable to the Parent Company's shareholders, in relation to the weighted number of shares outstanding after repurchases and dilution.

### Profit margin

Profit after financial items, less participations in associated companies as a percentage of net revenue.

## The Share

### LAGERCRANTZ SHARE



**Over a five-year period between 1 April 2012 and 31 March 2017, the market price of the Lagercrantz share has appreciated by 356 percent. The broad OMX Stockholm Price Index rose 66 percent during the same period, and the benchmark OMX Stockholm Mid Cap PI index, which tracks the overall development of medium-sized companies, rose by 163 percent.**

The market price of the share as of 31 March 2017 was SEK 87.00 (77.50). During the 2016/17 financial year (April – March), the market price of the share rose by 12 percent (47). During the same period, the OMX Stockholm Price Index rose by 16 percent (-11) and the OMX Stockholm Mid Cap PI Index rose by 17 percent (19). Lagercrantz Group had a market capitalisation of MSEK 5,915 (5,258) as of 31 March 2017, calculated based on the number of shares outstanding after repurchases.

#### SHARE DATA

Short name	LAGR B
ID	SSE14335
ISIN code	SE00007603493
Segment	Mid Cap
Sector	Industrial goods and services
ICB code	2700
Listed since	3 September 2001

#### PROPOSED DIVIDEND

The dividend proposed by the Board of Directors for the 2016/17 financial year implies an increase to SEK 2.00 (1.75) per share. The total dividend payment amounts to MSEK 136 (119).

#### TRADING OF THE SHARE ON THE STOCK EXCHANGE

During the financial year, 12.6 million (10.8) shares, equivalent to a value of MSEK 1,043 (747) were traded. The turnover rate for the number of outstanding shares was 19 percent (16). The average number of transactions per trading day in the Lagercrantz share was 111 (82).

#### REPURCHASE OF OWN SHARES

The 2016 Annual General Meeting authorised the Board of Directors to repurchase shares. During the 2016/17 financial year, no repurchases were made. A total of 141,200 repurchased Class B shares were sold for a total of MSEK 6 during the financial year in connection with redemption of options. At the end of the period, Lagercrantz Group held 1,534,700 Class B shares, equivalent to 2.2 percent of the total number of shares and 1.6 percent of the votes in the Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 18.92 per share.

**LARGEST OWNERS IN LAGERCRANTZ GROUP, 31 MAR 2017**

Owner	Number of A shares	Number of B shares	Holding	Votes
Anders Börjesson and family	1,477,674	1,209,750	3.8%	16.4%
Tom Hedelius	1,432,674	16,200	2.1%	14.7%
Lannebo Funds		8,226,756	12.1%	8.4%
SEB Investment Management		7,649,519	11.3%	7.9%
Swedbank Robur Funds		6,305,192	9.3%	6.5%
Handelsbanken Funds		4,886,051	7.2%	5.0%
Didner & Gerge Funds		4,331,856	6.4%	4.4%
Odin Funds		3,330,207	4.9%	3.4%
Säve family	60,000	1,310,000	2.0%	2.0%
Jörgen Wigh	68,538	552,950	0.9%	1.3%
Christina Mörner	30,000	785,263	1.2%	1.1%
Nordea Funds		1,079,281	1.6%	1.1%
Margareta von Matérn		1,024,983	1.5%	1.1%
Dimensional Fund Advisors		914,713	1.3%	0.9%
Charlotte Rapp Hamrén		747,501	1.1%	0.8%
Third Swedish National Pension Fund		720,030	1.1%	0.7%
Susanne Rapp Nilsson		716,001	1.1%	0.7%
Fredrik Rapp		715,998	1.1%	0.7%
Allianz Global Investors		703,300	1.0%	0.7%
Fidelity		617,207	0.9%	0.6%
<b>Total 20 largest owners</b>	<b>3,068,886</b>	<b>45,842,758</b>	<b>71.9%</b>	<b>78.5%</b>
<b>Total other owners</b>	<b>194,916</b>	<b>18,332,667</b>	<b>28.1%</b>	<b>21.5%</b>
<b>Total excluding repurchased shares</b>	<b>3,263,802</b>	<b>64,721,425</b>	<b>100%</b>	<b>100%</b>
Lagercrantz Group (repurchased)		1,534,700		
<b>Total</b>	<b>3,263,802</b>	<b>66,256,125</b>		

**OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP, 31 MAR 2017**

Number of shares	Number of owners	Holding	Votes
1 – 1,500	3,719	1.9%	1.4%
1,501 – 3,000	504	1.8%	1.3%
3,001 – 30,000	496	6.4%	5.3%
30,001 – 150,000	64	6.2%	5.4%
150,001 – 300,000	9	2.9%	2.0%
300,001 –	28	77.3%	82.2%
Other owners	N/A	3.5%	2.5%
<b>Total</b>	<b>4,820</b>	<b>100%</b>	<b>100%</b>
Category	Number of owners	Holding	Votes
Swedish institutional owners	33	51.4%	36.6%
Swedish private individuals	4,482	29.7%	49.4%
Foreign institutional owners	26	10.5%	7.4%
Other owners	N/A	8.4%	6.6%
<b>Total</b>	<b>4,820</b>	<b>100%</b>	<b>100%</b>
of whom resident in Sweden	3,625	82.0%	87.4%

## Addresses

### Lagercrantz Group AB (publ)

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P.O. Box 3508  
SE-103 69 Stockholm  
SWEDEN  
Tel: +46 8 700 66 70  
www.lagercrantz.com  
Corporate Identity Number:  
556282-4556

### ELECTRONICS

#### ACTE A/S

Vallensbækvej 41  
DK-2605 Brøndby  
DENMARK  
Tel: +45 46 900 400  
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#### ACTE AS

Institutveien 8  
NO-2700 Kjeller  
NORWAY  
Tel: +47 63 89 89 00  
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#### ACTE Solutions AB

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P.O. Box 4115  
SE-171 04 Solna  
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www.acte.se

#### ACTE Sp. z o.o.

ul Krancowa 49  
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#### El-produkter AS

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www.el-produkter.no

#### E-Tech Components Ltd

Unit 14 Park Court  
Sherdley Business Park  
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#### Idesco Oy

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#### ISIC A/S

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#### Unitronic GmbH

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#### Vanpee AS

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### MECHATRONICS

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SE-915 93 Robertsfors  
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Tel: +46 934 153 10  
www.cuedee.se

#### EFC Finland Oy

Ahmantie 6  
FI-65480 Mustasaari  
FINLAND  
Tel: +358 6 322 6222  
www.efc.fi

#### Elfac A/S

Priorsvej 23  
DK-8600 Silkeborg  
DENMARK  
Tel: +45 86 80 15 55  
www.elfac.dk

#### Elkapsling AB

Industrivägen 1, Alby  
P.O. Box 18  
SE-841 21 Änge  
SWEDEN  
Tel: +46 690 76 30 00  
www.elkapsling.se

#### Elpress AB

Industrivägen 15  
P.O. Box 186  
SE-872 24 Kramfors  
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Tel: +46 612 71 71 00  
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Tel: +358 9 752 761  
www.enkom-active.fi

#### Exilight Oy

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FI-33720 Tampere  
FINLAND  
Tel: +358 107 735 400  
www.exilight.fi

#### Kablageproduktion i Västerås AB

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SE-721 37 Västerås  
SWEDEN  
Tel: +46 21 81 51 51  
www.kablageproduktion.com

#### Norwesco AB

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Tel: +46 8 792 27 00  
www.norwesco.se

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www.cad-komp.dk

**COBS AB**

Norra Långebergsgatan 4  
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**Direktronik AB**

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SE-149 23 Nynäshamn  
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www.direktronik.se

**Excidor AB**

Industrigatan 7  
SE-821 41 Bollnäs  
SWEDEN  
Tel: +46 278 136 70  
www.excidor.se

**GasIQ AB**

Täljstensvägen 5  
SE-443 61 Stenkullen  
SWEDEN  
Tel: +46 302 246 80  
www.gasiq.se

**ISG Systems AB**

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Tel: +46 42 36 21 40  
www.isg.se

**Leteng AS**

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NO-0680 Oslo  
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Tel: +47 62 48 24 50  
www.leteng.no

**Load Indicator AB**

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SE-422 43 Hisings Backa  
SWEDEN  
Tel: +46 31 220 730  
www.loadindicator.se

**Nordic Alarm AB**

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SWEDEN  
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www.nordicalarm.se

**Precimeter Control AB**

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**Projectspine A/S**

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www.projectspine.com

**Radonova Laboratories AB  
(fd Landauer Nordic AB)**

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P.O. Box 6522  
SE-751 38 Uppsala  
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Tel: +46 18 56 88 80  
www.radonova.se

**R-Contracting AB (from June 2017)**

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Tel: +46 11 31 13 90  
www.r-con.se

**Skomø A/S**

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Tel: +45 86 34 34 44  
www.skomo.dk

**STV Video Data AB**

Anderstorpsvägen 12, 2 tr  
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SE-171 06 Solna  
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Tel: +46 8 568 441 00  
www.stv.se

## NICHE PRODUCTS

**Asept International AB**

Traktorvägen 17  
SE-226 60 Lund  
SWEDEN  
Tel: +46 46 329 700  
www.asept.com

**Dooman Teknik AB**

Klangfärgsgatan 8  
SE-426 52 Västra Frölunda  
SWEDEN  
Tel: +46 31 69 68 50  
www.dooman.se

**Kondator AB**

Energivägen 8  
P.O. Box 121  
SE-135 23 Tyresö  
SWEDEN  
Tel: +46 8 556 595 00  
www.kondator.se

**Nikodan Conveyor  
Systems A/S**

Fællesvej 9  
DK-8766 Nr. Snede  
DENMARK  
Tel: +45 39 304 316  
www.nikodan.dk

**Plåt & Spiralteknik  
i Torsås AB**

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SE-385 34 Torsås  
SWEDEN  
Tel: +46 486 456 50  
www.pst.se

**Profsafe AB (from June 2017)**

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P.O. Box 140  
SE-334 23 Anderstorp  
SWEDEN  
Tel: +46 371 52 32 90  
www.profsafe.se

**Steelo AB**

Industrivägen 31  
SE-330 10 Bredaryd  
SWEDEN  
Tel: +46 370 37 41 00  
www.steelo.se

**Svenska Industriborstar  
i Västerås AB**

Ödhumlagatan 4  
SE-723 55 Västerås  
SWEDEN  
Tel: +46 21 203 76  
www.sib.brushes.se

**SwedWire AB**

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

**Thermod AB**

Söderborgsvägen 32  
SE-671 95 Klässbol  
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Tel: +46 570 72 74 70  
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