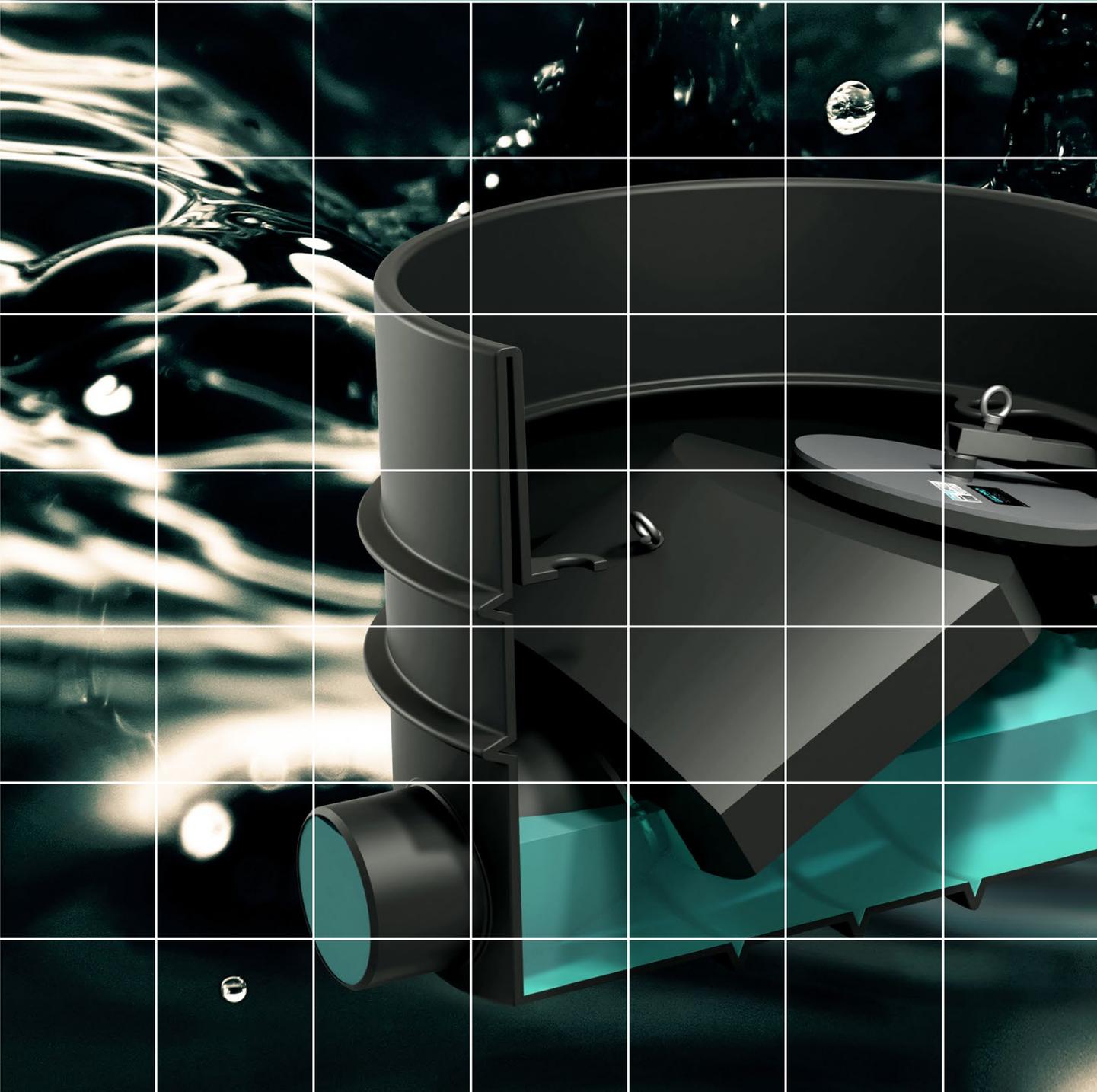


Annual Report 2017/18





The subsidiary Wapro

WaBack Non-Return Chamber helps to stop backflows of waste water from flooding our basements.

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

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INTRODUCTION

About Lagercrantz Group	4
Comments by the President	6
Group review	7
Electronics division	8
Mechatronics division	9
Communications division	10
Niche Products division	11
The year in brief	12

ANNUAL REPORT

Report of the Board of Directors	14
Sustainability Report	18
Corporate Governance Report	22
Consolidated Financial Statements	28
Notes	38
Auditor's Report	57

OTHER INFORMATION

Board of Directors and Auditors	60
Management	61
Financial Performance in Summary	62
The Share	64
Addresses	66



Lagercrantz Group

*To be a leading supplier of value-creating technology
with market-leading positions in several expansive niches
...is our vision*

Lagercrantz Group AB (publ) is a technology group that offers value-adding technology, with proprietary products or with products from leading suppliers. The Group consists of about 50 companies, each with a focus on a specific sub-market – a niche. All the Group’s subsidiaries are B2B companies – high value-creation is a common feature, including a high degree of customisation, service, support and other services. All Group companies try to create and maintain a leading position in their niche.

The operations are decentralised, and each subsidiary is followed-up based on clear objectives. This decentralisation allows for a high degree of independence, with freedom and accountability for each subsidiary’s management, and business decisions that are made close to customers and the market. The businesses share a highly qualified technical sales process, selling only to other companies – “business-to-business” (B2B).

Each subsidiary strives to develop a leading position in a limited market, product/customer or geographical niche.

VALUE CREATION AS A VISION

Leading means good growth and profitability and creating a positive development that benefits customers and business partners alike.

Value creation means adding value to the goods and services offered, by providing our own unique products and solutions, by customisation and by offering ancillary services such as technical knowledge, service, support and other services.

A *market leading* position means being number one or two in a defined sub-market – a niche.

GOALS

Lagercrantz Group’s financial goals are:

- Earnings growth of 15 percent per year.
- Return on equity of no less than 25 percent.

Earnings growth is measured over a business cycle on profit after net financial items. The return on equity goal is converted internally to a return on working capital of no less than 45 percent per business concept and profit centre. Lagercrantz aims to confirm its position as a profitable and growing company by developing its existing operations and acquiring additional companies with strong market positions in expansive niches.

Lagercrantz works with group-wide strategies and on building a strong corporate culture in order to achieve its goals for earnings growth and profitability.

STRATEGIES

Strong market positions in niches

All of Lagercrantz Group's subsidiaries strive to achieve a strong market position in their niche. By focusing on their niche, companies can specialise in a limited market, develop a strong offer and meet competition from other, larger, players that are not as specialised. Companies can also optimise their internal processes and become the fast and flexible first choice in their market. A niche consists of a well-defined technology area, customer segment or geographical area with a total market value that generally amounts to MSEK 200 – 1,000.

High value added

With good market knowledge and specialised technical expertise, Lagercrantz's subsidiaries create added value for customers and suppliers by customising, developing and combining different products in the solutions offered. The degree of refinement has been continually enhanced by increasing the offer of proprietary products and phasing out standard products with low margins.

Acquisitions

The growth targets are reached through organic growth as well as acquisitions. Acquired companies strengthen our market position in existing areas, or pave the way for entry into new areas. We strive to acquire companies with tried-and-tested business models, strong market positions in their niches, good earnings capacity, strong managements, limited risk and good growth potential. We aim to carry out 4 – 6 acquisitions per year.

CORPORATE CULTURE

Shared values

Our shared values are an important part of our corporate culture and consist of accountability and freedom, simplicity and efficiency, together with willingness to change.

Decentralisation and management by objectives

Each subsidiary conducts its operations with a great deal of freedom, but subject to accountability. The most important business decisions are thus taken where knowledge is greatest – close to customers and the market. Each subsidiary prepares an annual business plan with targets for earnings and return on working capital. These plans are followed up on an ongoing basis, and action is taken as and when needed. In addition, the companies are systematically compared to each other every quarter, which stimulates improvements.

Businessmanship

Businessmanship means creating added value for our customers by understanding the market and combining customer needs with the right technology. This requires a holistic and business-like perspective as well as an ability to identify opportunities.



Moving forward with confidence

After seven consecutive years where we reached our financial goal of at least 15 percent earnings growth, 2017/18 was an off year with lower earnings growth. Although the profit reached a new annual high of MSEK 358 (351), it was equivalent to earnings growth of almost 2 percent and was therefore a bit of a disappointment. The reason for this was primarily found in a few larger profit centres, which did not meet last year's excellent results. In particular, this was the case in the telecom-related operations within the Mechatronics division.

Instead, the year delivered a number of other important milestones in the development of Lagercrantz. During the year, six successful companies were acquired where entrepreneurs chose to join the Group's portfolio of leading edge technology companies. The proportion of proprietary products in the Group's total sales has thus continued to increase steadily. These sales currently represent more than half of the Group's total revenue and our ambition is to further increase this proportion going forward. During the year, companies with proprietary products were acquired, including in areas such as secure storage, sprinkler systems, water regulation and sharpening systems. But the Group also has a number of leading distribution companies, which have good profitability. The acquisition of the electrical components distributor NST DK A/S in Denmark is a good example of this.

Apart from the strong acquisition-led growth, organic growth has moved higher up the agenda. All of the Group's 50 companies have a business plan with ambitious goals and we have developed an internal toolbox for growth involving sales training, improvement projects for sales management, initiatives relating to increased exports, digitalisation and value-based pricing as well as an internal "fund" for growth investments outside the ordinary operations. Some of the product companies with export ambitions joined forces during the year and established an office in Chicago and expanded their collaboration in Germany, Poland and the UK. Initially, this means increased costs but we are convinced that it will bear fruit in a couple of years. As part of our growth ambitions, we have also chosen to replace and rejuvenate the Management teams in some of our units. All of this is aimed at bringing new energy and mindsets into the companies. We still have more to prove in relation to organic growth but I can assure you that it is high on our agenda in a slightly new way compared to before.

CONSISTENT STRATEGY DELIVERS SUCCESS

As I often point out, Lagercrantz Group's successes are due to the strategy that we have been pursuing consistently for several years.

Our organisational model involving decentralisation



and management by objectives is well-established. Our subsidiaries work according to clearly defined earnings and working capital targets incorporating concrete actions and initiatives. Management by objectives also encourages the identification of new opportunities when the market shows limited growth.

The acquisition strategy is another key success factor. We are continuing to acquire profitable technology companies with strong market positions in niches. The six acquisitions we completed during the 2017/18 financial year, will add about MSEK 435 to business volume on an annual basis. This also increases the proportion of proprietary products, which generally have higher margins than distribution products.

I want to end the year by expressing a big and heartfelt thank you to all our dedicated employees for their fantastic efforts during the year and at the same time welcome all the new employees to our growing team at Lagercrantz.

FUTURE

Our business concept is strong, and so is our balance sheet, which will enable more acquisitions. Growth in existing units is high on the agenda. Examples of areas, which can promote growth are continued efforts to increase exports and a greater digital presence, both in our products and in our marketing communication activities. By continuing to boost the proportion of proprietary products through acquisitions of market-leading niche product companies, there is also good potential to continue increasing our growth and profitability. The overall situation gives me a strong belief in the future.

May 2018

Jörgen Wigh, President and CEO

Niche companies in four divisions

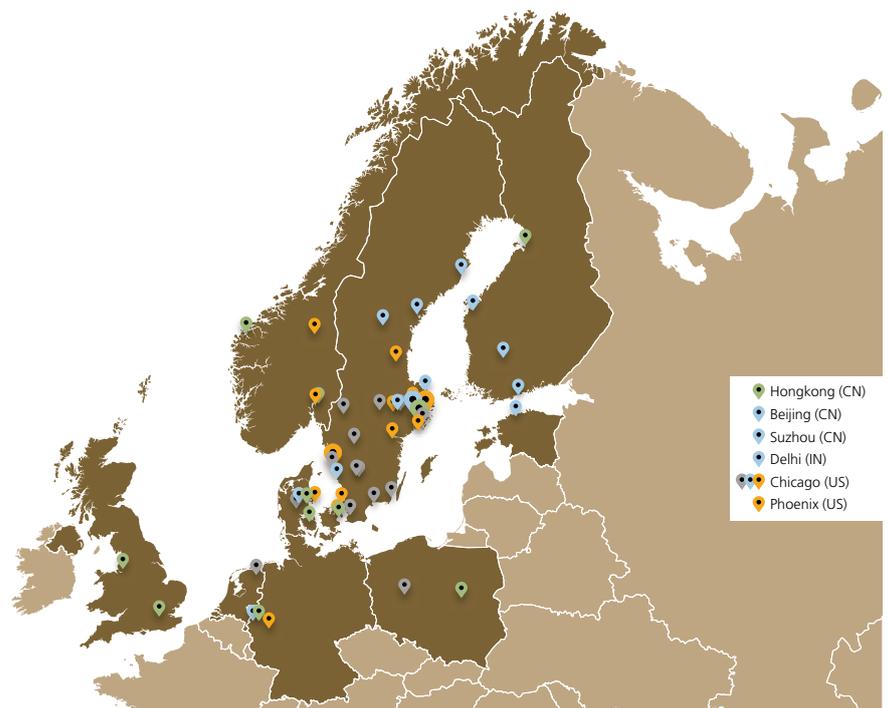
All of the companies within Lagercrantz are run in a decentralised way and with a strong entrepreneurial spirit according to the motto freedom with accountability. The divisional management and Group add value through Board work in subsidiaries, by challenging in terms of formulating goals, through improvement projects, business and expansion plans, sales training, through national and international contacts as well as common bank and financing solutions. Focus areas for all divisions are to grow organically and through acquisitions.

The acquired companies are challenged in relation to growth in order to identify continued development opportunities and are supported in their expansion plans. Together, we are also looking for supplementary acquisitions in order to strengthen each unit.

In view of this, divisional management teams are actively seeking new companies to add to the Group.

LAGERCRANTZ GROUP

ELECTRONICS 13 companies · 8 countries	MECHATRONICS 10 companies · 8 countries	COMMUNICATIONS 15 companies · 5 countries	NICHE PRODUCTS 12 companies · 6 countries
ACTE A/S (DK, UK and CN) ACTE AS (NO) ACTE Solutions AB (SE) ACTE Sp. z o.o. (PL) El-produkter AS (NO) E-Tech Components Ltd (UK) Idesco Oy (FI) ISIC A/S (DK) NST A/S (DK) Unitronic GmbH (DE) Vanpee A/S (DK) Vanpee AS (NO) Vanpee AB (SE)	Cue Dee AB (SE, CN and IN) EFC Finland Oy (FI and EE) Elfac A/S (DK) Elkapsling AB (SE) Elpress AB (SE, DE, DK, CN and US) Enkom Active Oy (FI) Exilight Oy (FI) Kablageproduktion AB (SE) Norwesco AB (SE) SwedWire AB (SE) <i>(previously Niche Products, as of 1 April 2018)</i>	CAD Kompagniet A/S (DK) COBS AB (SE) Direktronik AB (SE) Excidor AB (SE) GasIQ AB (SE) ISG Systems AB (SE) Leteng AS (NO) Load Indicator AB (SE) Nordic Alarm AB (SE) Precimeter Control AB (SE, DE and US) Projectspine A/S (DK) Radonova Laboratories AB (SE and US) R-Contracting AB (SE and NO) Skomø A/S (DK) STV Video Data AB (SE)	Asept International AB (SE, NL and US) Dooman Teknik AB (SE) Kondator AB (SE) Nikodan Conveyor Systems A/S (DK) Plåt & Spiralteknik AB (SE) ProfSAFE AB (SE and NO) Steelo AB (SE) Svenska Industriborstar AB (SE) Thermod (SE and PL) Tormek AB (SE) Vendig AB (SE) Wapro (SE och US)



ELECTRONICS



13 companies · 8 countries

MSEK	2017/18	2016/17	2015/16
Net revenue	890	834	838
Operating profit	70	65	71
Operating margin, %	7.9	7.9	8.5



Ulf Gladh
VP Electronics



Bo Rasmussen
VP Electronics

The Electronics division currently consists of a total of 13 niche electronics and electricity-related companies. The division originates from the value-adding distribution of electronics components in the ACTE companies and Unitronic. These businesses have evolved to distribute finished modules and subsystems with a high degree of customisation and now generate revenue of just over MSEK 400 per year. The value added is created by specialist know-how, technical development, customisation and the companies' ability to deliver at the right time to customers. At present, several of the companies are investing in the "internet-of-things" – IoT, primarily in modular communication solutions that shorten customer's time-to-market and help them in their business opportunities with connecting their products in the cloud. The customers are usually export-focused OEM customers that need good technical solutions in their products.

Electronic's focus on adding value for the customer means that project sales of semi-manufactures and modules for small and medium-sized production runs are increasing at the expense of standard component sales, which has resulted in lower sales volumes in some companies, but higher margins. The proportion of services and proprietary products is also increasing.

The Electronics division has operations in Denmark, Sweden, Norway, Finland, Germany, Poland, the UK and China. In the Polish, German and UK markets, the division also forms a bridgehead for

other companies within the Lagercrantz Group.

Apart from the above-mentioned companies, the division also consists of four companies that concentrate on lighting control, LED lighting and distribution of electrical products; Vanpée in Denmark, Norway and Sweden as well as El-produkter in Norway. Even here Lagercrantz companies act as value-adding distributors, where we sell world-leading solutions, primarily in lighting control to domestic customers in the construction and infrastructure segments. Significant sales occur via direct channels such as architects, office and shop fitters and annual revenue amounts to about MSEK 230.

During 2017/18, the Danish company NST A/S was acquired, which creates and distributes solutions, primarily within temporary power and lighting in the Danish market, e.g. for the construction sector. The company's annual sales are about MSEK 60.

Finally, the division has ambitions to increase its proportion of companies with proprietary products. Today there is Idesco Oy, which is market-leading in RFID solutions in access control in Finland with about MSEK 70 in annual revenue. There is also ISIC A/S in Denmark (approx. MSEK 140 in annual revenue), which is a leading player in marine electronics with monitors and Panel-PC solutions for the marine industry, including navigation equipment in ships. The customers are global leaders in the field with strict demands in relation to product durability in exposed environments.

www.acte.dk | www.acte.no | www.actesolutions.se | www.acte.pl

www.el-produkter.no | www.etchcomponents.com | www.idesco.fi | www.isic.dk | www.nst-dk.dk

www.unitronic.de | www.vanpee.dk | www.vanpee.no | www.vanpee.se

MECHATRONICS



Peter Baaske
VP Mechatronics



Marcus Kåld
VP Mechatronics

10 companies · 8 countries

MSEK	2017/18	2016/17	2015/16
Net revenue	973	1,003	1,007
Operating profit	130	163	150
Operating margin, %	13.4	16.3	14.9



Mechatronics currently consists of a total of 10 companies (9 during 2017/18), primarily with proprietary, electricity-related products. Examples of product areas are electrical connection systems, safety switches, cabling and electrical enclosures. There are also other companies in the division with infrastructural products such as masts and aerial brackets for the telecommunications and broadband sector. The company SwedWire AB, which offers galvanized steel wire and road barrier ropes, was previously part of the Niche Products division but is now part of Mechatronics. The division's customers are found within manufacturing industry, power production, electricity distribution, infrastructure and the property sector. Mechatronics conducts operations in Denmark, Finland, Sweden, Estonia, Germany, India, the USA and China. Some of the companies are described below.

Elpress AB has been part of Lagercrantz since 2006 and today is the Group's largest operation with just over MSEK 300 in annual sales. Elpress is market-leading in the Nordic region in electrical connection systems, i.e. connectors with associated tools and other solutions such as earthing. Besides the Nordic region, about two thirds of the company's sales are exported, where the high quality products are advantageously chosen as part of customers' more sensitive products and installations. Examples of customers are found within areas such as renewable energy with wind and solar power installations, on the transformer side and on the heavy vehicle side, principally trains. Elpress has developed positively for many years and currently has significant operations in Central Europe, USA and China.

Elkapsling AB was acquired in 2012 and currently generates annual revenue of around MSEK 120. The company is one of the leaders in Sweden in IP-classed cabinets and enclosures for customers that are building electricity,

telecommunications and broadband networks. The enclosures are manufactured according to strict customer requirements in terms of design and with short delivery times, often in stainless or acid-resistant material. Elkapsling has a strong position in several customer segments in Sweden but also has clear export ambitions, particularly in Norway and Finland.

Cue Dee AB became a part of Lagercrantz during 2015 and currently generates annual revenue of just over MSEK 100. Cue Dee has a leading position within masts and aerial brackets in aluminium, particularly for the telecommunications sector. The products, which are produced to be easy to install while withstanding high wind and snow loads in various environments, are approved by telecoms suppliers whereupon sales can occur to different installation projects around the world. During the financial year 2017/18, the operations were impacted by tough price competition among telecoms suppliers and lower investments in telecommunications networks pending the arrival of 5G. The organisation has been adapted and investments have been made in new product generations as well as new customers and sectors.

The Mechatronics division also has cabling manufacturing units in four countries; Sweden, Denmark, Finland and Estonia. Together, the companies generate annual revenue of almost MSEK 300 and are therefore one of the leading players in the Nordic region in their sector. The customers are mainly found in renewable energy, industrial automation and transport-related products. The companies work completely independently of each other and in their own home markets but can use their size e.g. during procurements of material. We are actively involved in the customer's development of different solutions and can thereby make an early impression regarding the choice of material and production processes and thus ensure a prominent position when customers choose a partner.

www.cuedee.se | www.efc.fi | www.elfac.dk | www.elkapsling.se
www.elpress.se | www.enkom-active.fi | www.exilight.fi | www.kablageproduktion.com
www.norwesco.se | www.swedwire.se

COMMUNICATIONS



15 companies · 5 countries

MSEK	2017/18	2016/17	2015/16
Net revenue	786	631	719
Operating profit	86	61	47
Operating margin, %	10.9	9.7	6.5



Leif Åkesson
VP Communications



Daniel Reithner
VP Communications

The Communications division has its origins in the early days of Lagercrantz when several companies conducted distribution and system integration of network and communications solutions. In recent years, the division has broadened its business focus and expanded through a number of acquisitions that mainly offer products and services in the areas of control technology and technical security. Many of the companies typically have a high degree of digital communication in their products, systems and solutions. The division currently consists of 15 companies.

The division still contains distributors and system integrators within data communication and audiovisual applications such as STV, Leteng and Direktronik. These companies generate combined annual revenue of about MSEK 240.

Several of the newer companies are specialised in control technology. These companies develop, manufacture and market proprietary products and systems for measurement and control of various industrial purposes.

Examples of companies are Excidor, which was acquired during 2015 – a successful company that develops, manufactures and sells control systems to manufacturers and users of forestry and construction machinery.

Another important company for the division is Precimeter, which delivers proprietary systems for level and flow measurement when working with metal flows. Precimeter operates on a global market and its customers are spread throughout the whole world. Steelworks and aluminium smelters are typical customers of the company. Precimeter and Excidor

generate annual revenue of approx. MSEK 50 each.

The division's most consumer-focused company is Radonova, which was founded to meet the need to measure radioactive radiation in connection with the Chernobyl accident. Today the company primarily operates within measurement and analysis of radon content in air and water and the customers include consumers as well as organisations and companies in a large number of countries around the world. Radonova currently generates annual revenue of approx. MSEK 45.

Companies such as ISG, with its niche camera and detection system in areas relating to traffic monitoring and industrial applications, Nordic Alarm with its alarm systems and solutions as well as COBS, which supplies alarm and message handling systems, e.g. for correctional treatment and elderly care, all belong to the technical security area. These companies generate combined annual revenue of just over MSEK 150.

The fire sprinkler pump supplier R-Contracting (R-Con) is also active this area. R-Con is market-leading in Sweden in delivering turnkey fire sprinkler pump systems in buildings where higher pressure and water flow are required than provided by municipal water pipes. Examples of buildings that often have a need for pump systems are higher apartment blocks and warehouses. R-Con generates annual revenue of about MSEK 120 and an increasing proportion of its sales are in the other Nordic countries. During 2017/18, R-Con made a supplementary acquisition of Alf Bjurenwall AB, which supplies cisterns for storage of water connected to fire sprinkler systems.

www.cad-komp.dk | www.cobs.se | www.direktronik.se | www.excidor.se | www.gasiq.se
www.isg.se | www.leteng.no | www.loadindicator.se | www.nordicalarm.se | www.precimeter.com
www.projectspine.com | www.radonova.se | www.r-con.se | www.skomo.dk | www.stv.se

NICHE PRODUCTS



Jonas Ahlberg
VP Niche Products



Caroline Reuterskiöld
VP Niche Products

12 companies · 6 countries

MSEK	2017/18	2016/17	2015/16
Net revenue	761	628	493
Operating profit	108	105	74
Operating margin, %	14.2	16.5	15.0



The Niche Products division was started in 2012 after it transpired that several product companies were looking for a new owner like Lagercrantz. The companies were often family-owned and had strong positions in technology niches with proven good profitability but in widely different technology segments. Three product companies that were already part of the Group formed the base and ever since the start the strategy has been to acquire more strong companies. Niche technology companies are sought, preferably product companies with a proven earnings capacity and a strong position in their market niche. The annual revenue of the companies sought is in the range MSEK 50–200.

Today the division consists of 12 product companies (13 during 2017/18), each one leading in its niche. Most of the companies are based in the Nordic region but several also have foreign subsidiaries. All of the companies sell proprietary technical products and solutions to other companies and increasing exports is high on the growth agenda. The companies generate annual revenue of between MSEK 20 and 150 and have similarities in terms of structure and challenges although the technical focus among the companies varies. The division currently has operations in Sweden, Denmark, Norway, Poland, the Netherlands and USA.

A short description follows below of some of the companies within Niche Products;

Asept generates annual revenue of approximately MSEK 85 and is leading within dispensing of liquid foodstuffs such as ketchup and other sauces. In the Nordic region, most people have encountered Asept's ketchup pumps in fast-food stands and lunch restaurants. However, the company's largest market is the USA. Through Asept's patented solutions,

ketchup and sauce producers gain exposure of their brands, ensure that their sauces are served, and that the processing is hygienic and safe. A new area that was added during the year, was dispensaries for chemical-technical applications such as soap, algogel and medical fluids. Asept has its main operations in Sweden but also has subsidiaries in the Netherlands and USA. Asept's solutions reduce the need for preservatives and contribute to an improved environment through less food waste and lower use of disposable packaging.

Nikodan, with annual revenue of around MSEK 135 provides automation and transport solutions to producers of consumer packaged foodstuffs, medicines and toys. Nikodan is an expert in linking together the stages of a manufacturing process through conveyor belts. Its speciality is the steps before the packaging machine, where for example foodstuff come into direct contact with the conveyor belt, which therefore needs to be easy to clean. They also have solutions for the end of the manufacturing process such as palletizing machines and pallet conveyor systems. The company's customers are found in Denmark, Germany and the rest of the Nordic region.

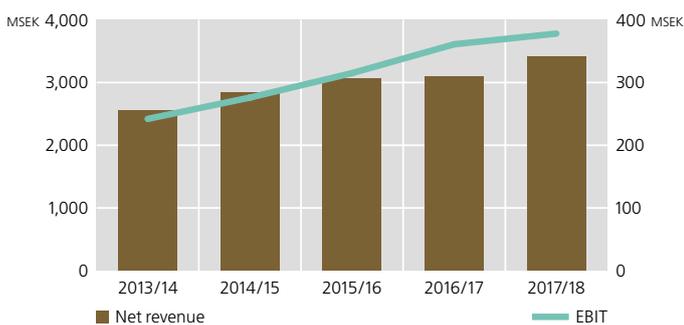
Tormek, which was acquired during 2018, generates annual revenue of about MSEK 90 and is a leader within sharpening systems for edge tools such as knives, chisels as well as tools for woodcarving. Sales and marketing occur through resellers in about 40 countries, with the USA, Germany and Sweden as the largest markets. During the past year, Tormek produced the new T2 knife sharpener, which is targeted towards restaurant kitchens. Through a diamond grinding wheel, restaurant and home chefs can quickly and easily keep their knives professionally sharp without needing to send them away for sharpening.

www.asept.com | www.dooman.se | www.kondator.se | www.nikodan.dk
www.pst.se | www.profsafe.se | www.steelo.se | www.sibproducts.com | www.thermod.se
www.tormek.se | www.vendig.se | www.wapro.com

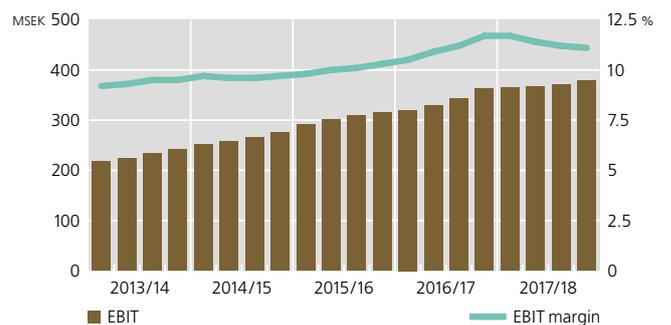
The year in brief

- Net revenue increased by 10 percent and amounted to MSEK 3,410 (3,096).
- Operating profit (EBITA) increased by 7 percent to MSEK 436 (409), equivalent to an operating margin of 12.8 percent (13.2).
- Profit before financial items increased by 5 percent to MSEK 378 (361), equivalent to an EBIT margin of 11.1 percent (11.7). Profit after financial items was MSEK 358 (351).
- Profit after taxes amounted to MSEK 286 (274). Earnings per share amounted to SEK 4.21 (4.02).
- Cash flow from operating activities amounted to MSEK 282 (375). Return on equity was 23 percent (25). The equity ratio at the end of the period was 36 percent (41).
- Six acquisitions were completed during the 2017/18 financial year, with combined annual sales of about MSEK 435.

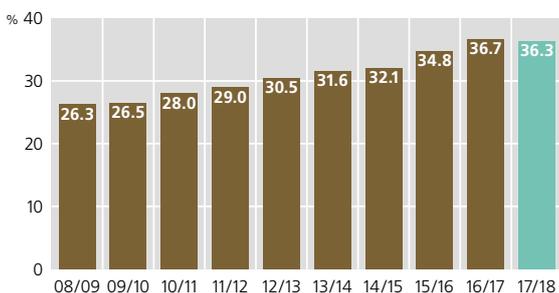
Net revenue and EBIT



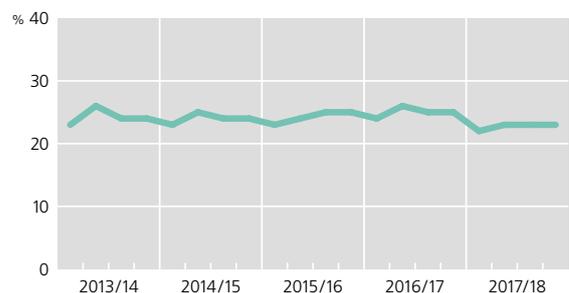
Earnings performance moving 12 months



Gross margin

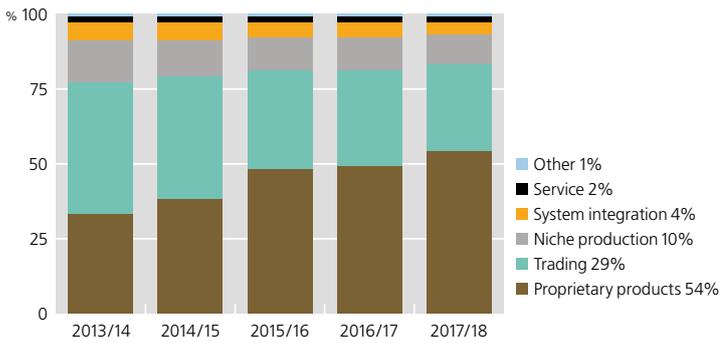


Return on equity moving 12 months

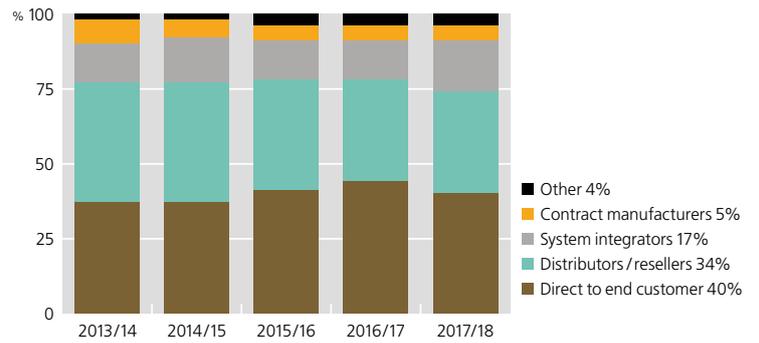




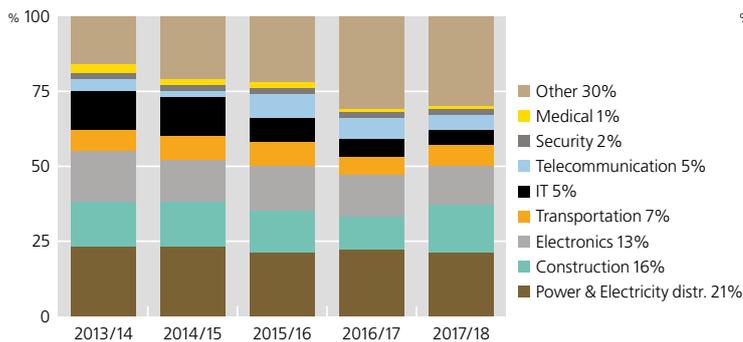
Revenue by business type



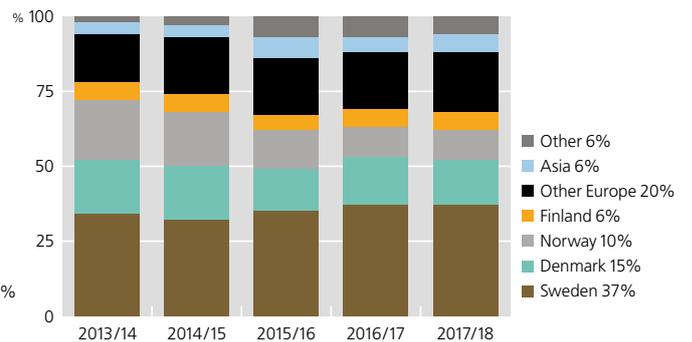
Revenue by market channel



Revenue by market segment



Revenue by geographic market



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 2017/18 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 and Sustainability Report, with proposed appropriation of profits, and the financial statements.

OPERATIONS

Lagercrantz Group (publ) is a technology group that offers value-creating technology, using either proprietary products or products from leading suppliers. The Group consists of about 50 companies, each with a focus on a specific sub-market – a niche. Each company is a separate profit centre with responsibility for its chosen strategy. High value-creation is common to all the operations, including a high degree of customisation, support, service and other services.

The companies during 2017/18 were organised in the four divisions Electronics, Mechatronics, Communications and Niche Products.

NET REVENUE AND PROFIT

Consolidated net revenue for the financial year increased by 10 percent to MSEK 3,410 (3,096). The currency effect on net revenue was MSEK 23. Acquired businesses made a contribution of MSEK 351.

Sales in the Group's main markets of Sweden, Denmark and Finland developed well during the financial year. However, some of the Group's units in Sweden and Norway displayed a weaker performance compared to the previous year. The export markets outside of northern Europe increased their proportion of sales and now represent about one third of total sales. Operating profit before amortisation of intangible assets (EBITA) for the financial year increased by 7 percent to MSEK 436 (409), equivalent to an operating margin of 12.8 percent (13.2).

Generally speaking, the profit in the Group's units was in line with the previous year, however, the profit was negatively impacted by the fact that a few units in the Electronics and Mechatronics divisions were unable to match last year's levels. During the financial year, acquired units made a positive contribution to the profit, particularly in the Communications and Niche Products divisions.

Profit after net financial items amounted to MSEK 358 (351). Total currency effects on the profit after net financial items amounted to MSEK 2 (1). Exchange rate adjustments of financial assets impacted net financial items negatively during the period by about MSEK 6 (+1). Profit after taxes for the period amounted to MSEK 286 (274). Earnings per share after dilution for the 2017/18 financial year amounted to SEK 4.21, compared to SEK 4.02 for the 2016/17 financial year.

PROFITABILITY AND FINANCIAL POSITION

Consolidated profit before financial items (EBIT) for the financial year amounted to MSEK 378 (361), equivalent to an EBIT margin of 11.1 percent (11.7).

The return on equity for the latest 12-month period amounted to 23 percent (25) and the return on capital employed was 17 percent (20). The Group's metric for return on working capital (P/WC) was 52 percent (58).

The equity/assets ratio was 36 percent (41).

Equity per share totalled SEK 19.26 at the end of the period, compared to SEK 17.61 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.

At the end of the period, operational net indebtedness was MSEK 1,035, compared to MSEK 565 at the beginning of the year. The increase was primarily attributable to acquisition of businesses. The operational net debt/equity ratio (excluding pension provisions) amounted to 0.8 (0.5). The pension liability amounted to MSEK 67 (63) at the end of the financial year and was mainly affected by changes in actuarial assumptions.

CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from operating activities during the financial year amounted to MSEK 282, compared to MSEK 375 for the 2016/17 financial year. The lower cash flow was largely related to the build-up of working capital connected to increased sales volumes.

Gross investments in non-current assets amounted to MSEK 60 (62) during the financial year. Larger items included new production equipment in the Mechatronics and Niche Products divisions.

A total of 67,800 repurchased own Class B shares were sold for a total of MSEK 4 during the financial year in connection with redemption of options. In addition, 240,300 outstanding options were repurchased for a total of MSEK 8.

During the financial year, 675,000 options for B shares with a redemption price of SEK 95.30 were issued in accordance with the resolution of the 2017 AGM. These options were acquired by about 50 managers and senior executives in the Group for a total of MSEK 5.

During the financial year, MSEK 34 (52) was paid in contingent consideration for previous acquisitions.

NET REVENUE AND PROFIT BY DIVISION

Electronics

Net revenue amounted to MSEK 890 (834). Operating profit amounted to MSEK 70 (66), equivalent to an operating margin of 7.9 percent (7.9).

The division's Danish operations in marine electronics and electrical and electronics distribution strengthened their sales and profits, while some of the Norwegian and Swedish units in lighting and lighting control were unable to match last year's profit level. The division's unit in RFID solutions displayed a strong performance, while the German operation reported a weaker profit.

During the third quarter, the acquisition was completed in the division of NST DK A/S, which is described below under the item Acquisitions.

Mechatronics

Net revenue amounted to MSEK 973 (1,003). Operating profit for the financial year amounted to MSEK 130 (163), equivalent to an operating margin of 13.4 percent (16.3).

The division's largest unit, in electrical connection systems, continued to perform well, including the newly established sales company in the USA, as did the units in safety switches and enclosures. The division's Danish unit in customised cabling showed a positive development while the Swedish and

Finnish units reported a weaker performance in terms of sales and profits. The unit in aerial brackets and masts for mobile telephony, was unable to reach last year's strong profit level, due to lower project sales, among other reasons. The weaker performance was related to a few large customers, which had a negative impact on the division.

Communications

Net revenue increased to MSEK 786 (630). Operating profit for the financial year amounted to MSEK 86 (61), equivalent to an operating margin of 10.9 percent (9.7).

The improvement was partly due to acquisitions, where the division's sprinkler installations unit displayed a strong performance. In addition, some of the units in control technology/network access performed well, especially sales of radon monitoring equipment, control systems for forest and processing machinery and measurement equipment for foundries. However, some of the digital imaging/technical security units showed a weaker development compared to the previous year.

During the financial year, R-Contracting AB and Alf Bjurenwall AB were acquired, see Acquisitions below.

Niche Products

Net revenue increased to MSEK 761 (629). Operating profit amounted to SEK 108 million (105), corresponding to an operating margin of 14.2 percent (16.7).

Several of the division's units showed a positive development compared to the previous year. In particular, the units in snow clearance equipment for airports, workplace accessories and special doors reported stronger sales, while the division's unit in aseptic packaging solutions for the food processing industry recorded weaker sales to major customers, primarily in the USA. An adjustment related to remeasurement of products in progress applicable to the full 2016/17 financial year, of about MSEK +6, in the division's Danish unit in customised conveyor belt solutions, impacted the comparison with the previous financial year.

During the financial year, Profsafe AB, Wapro AB and Tormek AB were acquired, which are described below under the item Acquisitions.

PARENT COMPANY

The Parent Company's internal net revenue for the financial year amounted to MSEK 36 (37) and profit after net financial items was MSEK 327 (274). The result includes exchange rate adjustments on intra-Group lending of MSEK 5 (3) and dividends from subsidiaries of MSEK 335 (277).

Net investments in non-current assets amounted to MSEK 0 (0). The Parent Company's equity/assets ratio was 47 percent (53).

EMPLOYEES

At the end of the period, the number of employees in the Group was 1,387, compared to 1,247 at the beginning of the financial year. During the financial year, 118 employees were added through acquisitions. For further information regarding working environment, equality etc., refer to the company's Code of Conduct, which is published on the company's website.

SHARES, REPURCHASES AND MAJOR SHAREHOLDERS

The share capital amounted to MSEK 48.9 at the end of the period. As of 31 March 2018, 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 2017 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, 396,600 own Class B shares were repurchased for a total of MSEK 32. The average cost of the repurchased shares amounts to SEK 32.24 per share. Repurchased shares cover, inter alia, the company's obligations under outstanding call option programmes for repurchased shares.

In conjunction with redemption of options, a total of 67,800 repurchased own Class B shares were sold for a total of MSEK 4 during the financial year. In addition, 240,300 outstanding options were repurchased for a total of MSEK 8.

At 31 March 2018, Lagercrantz Group held 1,863,500 own Class B shares, equivalent to 2.7 percent of the total number of shares and 1.9 percent of the votes in the Lagercrantz Group. Repurchased shares cover, inter alia, the company's obligations under outstanding call option programmes for repurchased shares, where a total of 1,863,375 options have been acquired by senior executives. This refers to allocations in 2015, 2016 and 2017 of options still outstanding on 31 March 2018. The redemption price for each respective programme is SEK 78.80, SEK 100.10, and SEK 95.30 per share.

During the financial year, 675,000 options for B shares with a redemption price of SEK 95.30 were issued in accordance with the resolution of the 2017 AGM. These options 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 2018: Anders Börjesson & Tisenhult-gruppen with 16.4 percent and Tom Hedelius with 14.8 percent. SEB Investment Management with 12.0 percent of the capital, was the largest owner in terms of number of shares owned. After the end of the financial year, Tom Hedelius sold his A shares equivalent to 2.06 percent of the capital and 14.49 percent of the votes in Lagercrantz Group AB to the Börjesson family and three other persons in the Management team. The Börjesson family after the new acquisition of A shares, via their company Tisenhult-gruppen AB, are the largest owner of Lagercrantz Group AB with 5.50 percent of the capital and 28.2 percent of the votes.

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 were completed during the financial year.

During the first quarter, R-Contracting AB and Profsafe AB were acquired. R-Contracting AB develops and markets pumping systems for sprinkler installations. The company also has some engagements in infrastructure-related pump or hydropower projects. The company generates annual sales of about MSEK 110 and has been part of the Lagercrantz Communications division since June 2017. Profsafe AB develops and markets safes and security products within e.g. fire protection, burglary prevention, cash handling and weapon storage cabinets. The business generates annual sales of about MSEK 85 and has been part of the Niche Products division since June 2017.

During the second quarter, Wapro AB was acquired, whose products regulate water flows in order to protect properties and infrastructure from flooding during storms and rising water levels.

Wapro generates annual sales of about MSEK 40 and has been part of the Niche Products division since June 2017.

During the third quarter, NST DK A/S was acquired. The company is a niche player in the Danish market for electrical components and electromechanics. The company generates annual revenue of about MDKK 45 and has been part of the Lagercrantz Electronics division since November 2017.

During the fourth quarter, Tormek AB and Alf Bjurenwall AB were acquired. Tormek is a leader within sharpening systems for edge tools such as knives, chisels as well as tools for wood-carving. Tormek generates annual revenue of MSEK 90 and has formed part of the Lagercrantz Niche Products division since January 2018. Bjurenwall is a leader within the construction of cisterns, primarily for storage of water connected to fire sprinkler systems. Bjurenwall is a supplementary acquisition to the previously acquired R-Contracting. Bjurenwall generates annual revenue of about MSEK 25 and has been part of the Lagercrantz Communications division since March 2018.

Estimated consideration for the businesses acquired during the financial year amounted to MSEK 577. This amount includes estimated contingent consideration of MSEK 76, which represents 73 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 period, goodwill in the Group increased by MSEK 316 on the balance sheet date and other intangible non-current assets, mostly related to proprietary products and customer relationships, increased by MSEK 188. Other non-current assets increased by MSEK 19. The deferred tax liability related to the acquisitions amounted to MSEK 42.

The effect of the completed acquisitions during the fourth quarter of the financial year, on consolidated revenue during the fourth quarter was MSEK 270 and the effect on profit before taxes was MSEK 28 after acquisition costs.

If the operations acquired during the financial year had been consolidated as of 1 April 2017, the effect on revenue and net profit after taxes would have been MSEK 435 and MSEK 49, respectively, after acquisition costs.

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 Shares above.

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 in connection with external contacts. Much like in other parts of the Group's business, the concrete work with social responsibility is highly decentralised within the framework of the guidelines 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. For a further description of Lagercrantz Group's goals, strategies and governance and taking of responsibility, risks and opportunities from a sustainability perspective, see the Sustainability Report below.

ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participating in lasting 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 continually work to reduce the environmental impact of their operations. The 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 very 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 operations 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 2017/18 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 UNCERTAINTY FACTORS

Lagercrantz Group's profit, financial position and future development are affected by internal factors over which the Company exerts control, as well as by external factors, where opportunities to affect the course of events are limited. The focus is instead on managing the consequences of these. 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 risks and sensitivity analysis

Financial and political uncertainties are the most important uncertainty factors for Lagercrantz.

In the market, business volume was generally stable during the 2017/18 financial year, even though a few larger business units were unable to match last year's strong performance. In particular, this was the case for the telecom-related operations within the Mechatronics division. Continued low interest rates are stimulating the economies in which the Group operates, even though many uncertainty factors persist at a global level. The Group's largest markets in Sweden and Denmark generally displayed a positive performance during the year, as did the Finnish market. Even the Norwegian market showed positive signals, however, mainly related to the construction sector, which the Group's companies are focused on. The export markets outside of northern Europe increased their proportion of sales and now represent about one third of total sales. With a rising proportion of international expanding product companies in the portfolio, the risks for larger fluctuations in demand and growth can be offset.

For a further description of the Group's and the Parent Company's financial risks and sensitivity analysis, refer to Note 41.

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 the buying decisions of these entities 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 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 2018, 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 the 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.

SUSTAINABILITY REPORTING

OUR BUSINESS MODEL

Lagercrantz Group AB (publ) is a technology group that offers value-creating technology, with proprietary products or products from leading suppliers.

Lagercrantz’s business concept is to offer value-creating technical products and solutions within expansive niches to corporate customers. Value-creating means that we provide added value to the products and services we offer. We do this in many ways, by offering unique proprietary products and solutions, through far-reaching customisations and through our specialist know how and service organisation. On many occasions, we have become part of our customers’ product development process. Expansive niche means a clearly-defined sub-market, usually with less than SEK 1 billion in annual sales, and that is growing. Our niches are usually defined by a technology area or field of knowledge, but a niche may also be a customer segment or a well-defined geographical area.

THE PURPOSE AND AIM OF THE REPORT

The purpose of this sustainability report is to describe in a transparent way Lagercrantz Group’s goals, strategies and governance and taking of responsibility, risks and opportunities from a sustainability perspective. Both Lagercrantz and the surrounding world should be able to follow the development of the Group’s sustainability initiatives. The report should provide customers, employees and shareholders with an understanding of and knowledge about our sustainability work.

FRAMEWORK AND METHODOLOGY OF THE REPORTING

In connection with the close of the financial year, all Lagercrantz companies have provided sustainability data as part of the non-financial reporting. The participation of all companies is required in order to follow developments in sustainability both at a company and Group level. Unless otherwise stated, the Sustainability Report covers all companies and all of the Group’s operations. All diagrams shows aggregated Group data.

DIALOGUE WITH STAKEHOLDERS PROVIDES RIGHT FOCUS IN THE SUSTAINABILITY WORK

The sustainability work is influenced by a number of stakeholders that impose demands and have expectations of us. Meeting existing demands and planning in advance are basic elements in our sustainable development strategy. We strive to have an open dialogue with our stakeholders in order to focus our sustainability work on the issues that our stakeholders think are most important. We have identified five important stakeholder groups: customers, suppliers, society/public authorities, employees and shareholders.

In order to ensure that we work with and report on the areas that are most important for our operations and stakeholders, we produced a list of the areas, which we should prioritise and work with during 2017–2018 (see *description of processes below*).

SUSTAINABLE VISION IN ORDER TO BE LEADING IN VALUE-CREATING TECHNOLOGY TRADING

Lagercrantz Group’s vision is to be leading within value-creating technology, with proprietary products and products from leading suppliers.

SUSTAINABLE GOVERNANCE WITH DECENTRALISED RESPONSIBILITY

Lagercrantz Group’s sustainability work is primarily governed by our Code of Conduct. Lagercrantz’s Board, through the Group Management, is ultimately responsible for the Group’s sustainability work. The Group Management decides on the long-term overriding goals in key areas. The aim is that these should be supplemented by each business area drawing up goals and action plans for their companies.

Lagercrantz Code of Conduct

Our Code of Conduct is an important pillar in our sustainability work and an integrated part of the operations. Our Code of Conduct, together with our four core values (simplicity and efficiency, accountability and freedom, businessmanship and willingness to change) are the basis of how we do business, behave and act in our day-to-day work and in our external relationships. The Code includes all the important matters in human rights, working conditions, anti-corruption, equality and diversity. The Code is based on the UN Global Compact, the ILO’s core conventions, and on the OECD’s Guidelines for Multi-national Enterprises and covers all companies and all employees.



The Codes of Conduct have been adopted by the Board and are found on our website www.lagercrantz.com.

STRATEGY AND GOVERNANCE

Sustainability is an important part of our strategy and the goal is to take sustainability into account in all strategic decisions that are taken within the organisation. We have divided our sustainability work into three categories, economic, social and environmental value creation. In each area, we have adopted a number of strategies, policies and goals.

THREE FOCUS AREAS FOR OUR SUSTAINABILITY WORK

Material issues and risks

Our stakeholder analysis showed that the highest prioritised areas in sustainability are to generate and deliver sustainable growth, reduce our negative environmental impacts, maintain high business ethics and to be a healthy workplace. The table below shows how we plan to work within these areas (see description of processes below).

ECONOMIC VALUE CREATION

Financial stability and strength are basic requirements for investing in sustainable business development.

Lagercrantz Group’s vision is to be the leading supplier of value-creating technology to corporate customers in selected niches.

In order to realise our vision, we have three basic requirements, Growth, Profitability and Development.

Growth – At Lagercrantz, we focus on earnings growth rather than on sales growth. Lagercrantz Group’s growth target is earnings growth (REX) of at least 15 percent per year over a business cycle. This means in practice that we double our profit in five years. Such a continual improvement in earnings requires that we continuously work with investments, improvements and streamlining the operations. We need to sell more to existing customers, broaden our range, launch new products, find new customers and segments and also establish in new markets. Another way to create growth is to carry out acquisitions or establish partnerships with different players.

Profitability – Profitability, measured as operating profit (P) in relation to working capital (WC) shall amount to at least 45 percent. P/WC shows how effective we are at using the year’s average invested working capital. We want every business concept and subsidiary to have the potential to reach this target in order to be a part of the Group in the long term. A high profit level enables us to self-finance our growth.

Development – Each subsidiary is expected to remain at the cutting edge and develop the operations in its niche. Development issues may relate to new technology, new products, improved working procedures, new IT systems or other things that help the company to advance.

We know that companies that manage to identify and handle issues before the competitors create long-term competitiveness.

Goals within economic value creation

To realise the vision, it is converted into goals and intermediate goals in most of the companies. At Lagercrantz Group, we have converted the vision into financial goals for the entire Group, which are subsequently broken down at a subsidiary level.

The Group’s two financial goals are:

- Earnings growth of at least 15 percent per year (over a business cycle).
- Return on equity of no less than 25 percent.

SOCIAL VALUE CREATION

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 in connection with external contacts. Much like in other parts of the Group’s business, the concrete work with social responsibility is highly decentralised within the framework of the guidelines 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.

OUR MOST IMPORTANT ASSET IS OUR EMPLOYEES

The efforts of all employees are important. At Lagercrantz, each employee is critical for our success. Their combined efforts make a huge difference.

Employees

The majority of the workforce is permanently employed. Temporary personnel are mainly used to replace regular employees during illness or other absences. The fact that our employees have secure employment is not just a working environment issue but is also an important factor for ensuring continuity in the operations and in building long-term relationships.

At year-end, the average number of employees amounted to 1,378, of whom 73 percent were men.

Working environment

We offer a pleasant workplace and safeguard our employees’ health, well-being and development. This means that in the design of workplaces, equipment, behaviour in relation to each other, job descriptions, skills development and in all other work environment-related questions, we work to ensure that our employees shall have a work environment and work situation that prevents physical and mental ill health and that promotes well-being and development.



Health and safety

Health and safety is a prioritised area in our line of business. We have a zero vision in relation to work-related accidents, illnesses and incidents and an ambition to continually strive for improved health and well-being among our employees. The goal is that nobody shall be affected by physical or mental ill health due to his/her work situation.

Absence due to illness as a percentage in relation to time worked is 4.6 percent, of which 1.8 percent relates to long-term illness.

Employee turnover

We strive to be a respected employer. Companies in the Group should strive to be an attractive employer when it comes to the employees' professional development. The relationship with and among the employees should be based on mutual respect and also allow reasonable influence in areas that impact the individual's work situation.

During 2017/18, the total employee turnover was 13.6 percent, excluding employees that were added through acquisitions during the year.

Skills development

The Lagercrantz Group aims to develop its operations and to be an attractive employer. In order to provide support in the development work, peak competence and project support are offered in fields such as sales effectiveness, exports, pricing and inventory optimisation through Business Improvement Modules (BIM), knowledge modules that can help the company improve within a functional area. Skills development and training via E-Learning are also offered.

Equality and diversity

Lagercrantz does not permit any form of discrimination or harassment. Lagercrantz strives to ensure that employees in the Group shall be afforded equal opportunities for career advancement, training, remuneration, work content and working conditions, regardless of gender. In those cases where remuneration gaps exist between men and women, we actively work to adjust them. We also work to achieve a more uniform gender breakdown in recruitment. We offer equal employment opportunities regardless of race, religion, gender, disability, family circumstances or sexual orientation. We work to counter all forms of discrimination at the workplace or in dealing with employees when it comes to setting of salaries and career advancement. We strive to introduce appropriate processes for discovering and remedying each case of discrimination.

Other working conditions

Employees should have the freedom to exercise their legal right to be a member of, organise or work for organisations that represent their interests as employees.

WE IMPOSE STRICT REQUIREMENTS ON OUR SUPPLIERS

Because we impose strict requirements in relation to privacy and ethics in our own operations, it is natural to also do the same thing when it comes to our suppliers. We work close to our suppliers and audit them regularly in order to ensure that the entire value chain is working towards the same goals.

No incidents were reported in relation to violations of human rights during 2017/18.

Lagercrantz Supplier Code of Conduct

The Group's long-term goal is that all suppliers to the Group's companies should comply with the Code of Conduct. The operations are based on close and long-term relationships with our suppliers. We want to be a trustworthy, long-term and reliable partner. We thus attach great importance that our suppliers act in professional, honest and ethically correct manner. We work continually on deepening our supplier relationships and on ensuring that our suppliers meet our expected standards in relation to their employees, society and the environment.

Anti-corruption

Business ethics is high on our agenda and is an issue that is continually dealt with, including in our business school. During the year, we introduced a training film about the Lagercrantz Code of Conduct, where our anti-corruption guidelines were presented. We have a declared policy of zero tolerance against corruption and do not accept bribes or unfair methods of competition. No incidents of corruption were confirmed during the year.

Child labour

The UN Convention on the Rights of the Child, the ILO Convention on the Minimum Age for Admission to Employment and Work and the Convention on Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, are guidelines for all business activities that are conducted in our name. No incidents were reported in relation to violations of these conventions during 2017/18.

Labour

We follow as a minimum all laws and rules relating to labour law. We expect as a minimum requirement that customers and suppliers comply with current legislation. We work actively on ensuring that there are no breaches of regulations in our operations or in our value chain.

OUR ROLE IN SOCIETY

Lagercrantz also creates value in society. We create job opportunities, further develop the competitiveness of value-creating technology trading and contribute in terms of tax payments.

Each company within the Group strives to have a positive influence in the communities where the Group operates. Business decisions that may be considered to have an impact on the wider community shall as far as possible always be preceded by, or promptly followed by, discussions with community representatives for the purpose of identifying possible need for collective measures.

Through employer's contributions and taxes, we contribute to the common welfare. Profit before taxes amounted to MSEK 358 and the tax expense amounted to MSEK 72, equivalent to approx. 22 percent tax.

Goals in social value creation

Lagercrantz strives to be a respected employer where employees feel happy and develop.

To achieve this, we aim:

- To have satisfied employees.
- To be a workplace, that promotes diversity and equality.
- That no employee shall be affected by physical or mental ill health due to his/her work situation.
- That all employees, operations and suppliers shall comply with our Code of Conduct.

ENVIRONMENTAL VALUE CREATION

Responsibility for improving the environment and participating in lasting 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 continually work to reduce the environmental impact of their operations. The 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 very sensitive to customers' and suppliers' wishes, thereby meeting the market's demands for proactive environmental work. Several of the companies in the Group work with quantitative goals in their environmental efforts. In total, 52 percent of our subsidiaries are certified according to ISO. The Group conducts operations 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.

Energy consumption in the Group

During 2016/2017, Lagercrantz participated in an Energy audit according to the Law on Energy Audits in Large Companies (EKL 2014:266), which is conducted every 4th year. The Group's total energy consumption was surveyed and certified energy surveyors are continuing the work with the audits over a 3-year period, which started in 2017, and will finish in 2019. Based on the audit, we identified numerous areas for improvements and improving energy efficiency during the year.

Our energy consumption during 2016 in MWh

Buildings:	5,262 MWh – 526 tonnes CO ₂
Operations:	11,853 MWh – 1,067 tonnes CO ₂
Transports:	1,979 MWh – 5,284 tonnes CO ₂
Total energy use:	19,094 MWh – 6,877 tonnes CO ₂
Energy consumption in relation to net revenue amounted to 6.17 MWh/MSEK.	

Carbon dioxide emissions

Lagercrantz Group's carbon footprint mainly consists of carbon emissions, which we believe to be the largest negative environmental impact from our operations. Besides emissions related to internal use of fossil fuels and electricity, carbon dioxide emissions are also generated from different types of transports, such as transports of material and products as well as transports of persons. We place the overall carbon emissions in relation to revenue in order to provide a correct view of the emissions, a so-called internal metric for greenhouse gases.

The total carbon footprint during 2016 amounted to 2.22 tonnes CO₂/MSEK.

Goals within environmental value creation

Lagercrantz shall conduct active work in order to continually reduce our direct and indirect environmental impacts from our operations, products and processes.

To achieve this, we aim:

- To continue the work on providing products and solutions that contribute to a sustainable development and lower environmental impact.
- To continue the work on establishing targets regarding energy and climate.
- To continue the work on energy audits according to the EU's energy efficiency directive (which finishes in 2019).
- That our subsidiaries continue their work on updating to ISO 14001:2015.

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 2018 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 are 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 2018, the number of shareholders was 4,534, compared to 4,820 at the beginning of the financial year. Private individuals owned 29 percent (29) of the number of shares outstanding and 36 percent (49) 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 18 percent (19) of the shares outstanding and 13 percent (13) of the votes. The combined shareholding of the ten largest shareholders was 61 percent (60) of the shares outstanding and 71 percent (70) 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 were adopted in their current form 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 2017

The 2017 AGM was held on 29 August in Stockholm. Notice for the Meeting was announced in the form of a press release on 21 July 2017, 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 that had been given. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 37.3 million shares and 64.4 million votes, respectively, were present – this refers to the number of shares before the split. This is equivalent to 54 (60) percent of the

number of shares outstanding and 66 (70) percent of the votes in the company.

Resolutions passed by the General Meeting included the following:

- A dividend of SEK 2.00 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 2016/17.
- All Board members stood for re-election and they and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee.
- Fees for the Board of Directors and the auditors were 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 2017/18 of eight ordinary members who together possess broad commercial, technical and public experience:

- Anders Börjesson, Chairman of the Board
- Marika Rindborg Holmgren
- Lennart Sjölund
- Roger Bergqvist
- Anna Almlöf
- Fredrik Börjesson
- Peter Hedelius
- Jörgen Wigh, President and CEO

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 60. 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 nine recorded meetings during the 2017/18 financial year, of which one 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 lay down the division of labour between the Board of Directors and the President, the Chairman's and the President's responsibility, and the forms for the financial reporting.

The President is a member of the Board of Directors and presents reports at Board 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 2017/18, 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 2018. 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 2017/18 amounted to SEK 2,000,000 (2,000,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 500,000 (500,000), and the other ordinary members who are not employees of the company received SEK 250,000 (250,000) 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 2017/18, 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 2017/18, 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 2017 AGM. The audit firm appointed Håkan Olsson Reising, Authorised Public Accountant, to serve 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 and Group Controller – in total thirteen persons who constitute the Group's senior executives. A detailed presentation of the Management team can be found under Management on page 61.

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. The Group Controller is also present at these meetings. 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 approved by the 2017 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 2018 AGM on 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 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.

Diversity policy

The guidelines adopted by the Group's Board of Directors for business ethics (Code of Conduct) for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner, also contain guidelines for diversity.

Lagercrantz strives to ensure that employees in the Group shall be afforded equal opportunities for career advancement, training, remuneration, work content and conditions of employment, regardless of gender. In those cases where remuneration gaps exist between men and women, we actively work to adjust them. We also work to achieve a more uniform gender breakdown in recruitment. We offer equal employment opportunities regardless of race, religion, gender, disability, family circumstances or sexual orientation. By participating in the recruitment work, the Group's operational Management team ensures that the Board's guidelines are complied with and developed.

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 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 2017, 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 2017, 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
- Adam Gerge
(representing Didner & Gerge Funds)
- Johan Strandberg
(representing SEB Investment Management)
- Marianne Nilson
(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 2006–2017, according to the resolution of the AGM each year. The 2015, 2016 and 2017 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

Thomas Alkbrant has been appointed as the new CFO for the Lagercrantz Group and will take up his employment at Lagercrantz in July 2018. Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2018.

FUTURE DEVELOPMENT

The Group's two most important tasks for the future are to continue developing existing businesses, and to also focus 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 the 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 profit 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 (2.00) per share. The dividend is equivalent to a total of MSEK 135 (136) and constitutes 48 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 1,303,651 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2 × 67,656,427 shares*	135,313
To be carried forward	1,168,338
Total	1,303,651

*Based on the total number of shares outstanding as of 31 March 2018. 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 2018. 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 2018

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 2018

KPMG AB

Håkan Olsson Reising
Auditor in charge

Jenny Jansson
Authorised Public Accountant

Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	2017/18	2016/17
Net revenue	3, 4	3,410	3,096
Cost of goods sold		-2,171	-1,959
Gross profit		1,239	1,137
Other operating income	7	71	32
Selling expenses		-629	-555
Administrative expenses		-274	-230
Other operating expenses	8	-29	-23
Operating profit	3, 5, 6, 9, 10, 13	378	361
<i>Profit from financial items</i>			
Financial income	11	7	7
Financial expenses	12	-27	-17
Profit before taxes	13	358	351
Taxes	14	-72	-77
Net profit for the year attributable to the Parent Company's shareholders		286	274
Earnings per share after dilution, SEK	40	4.21	4.02
Earnings per share, SEK	40	4.21	4.03
Number of shares after repurchases during the period ('000)		67,656	67,985
Weighted number of shares after repurchases during the period, adjusted after dilution ('000)		67,924	68,097
Weighted number of shares after repurchases during the period ('000)		67,868	67,941
Proposed dividend per share, SEK		2.00	2.00

Other Consolidated Comprehensive Income

Amounts in MSEK	Note	2017/18	2016/17
Net profit for the year		286	274
Other comprehensive income			
<i>Items transferred or that may be transferred to net profit</i>			
Translation differences for the year		-9	20
<i>Items that will not be transferred to net profit</i>			
Actuarial effects on pensions		-5	-6
Taxes attributable to actuarial effects		1	2
Comprehensive income for the year		273	290

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2018	31 Mar 2017
ASSETS	3		
Non-current assets			
<i>Intangible assets</i>			
Goodwill	15	1,248	912
Trademarks	16	255	183
Other intangible assets	17	455	384
		1,958	1,479
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	18	85	76
Costs incurred in leasehold property	19	3	3
Plant and machinery	20	118	102
Equipment, tools, fixtures and fittings	21	45	43
		251	224
<i>Financial assets</i>			
Other non-current receivables	24, 33	3	2
		3	2
<i>Deferred tax assets</i>			
Deferred tax assets	31	8	8
		8	8
Total non-current assets		2,220	1,713
Current assets			
<i>Inventories etc.</i>	25		
Raw materials and consumables		162	142
Work in progress		32	34
Finished goods and goods for resale		298	225
		492	401
<i>Current receivables</i>	33		
Trade receivables	26	614	506
Claims on clients	27	33	11
Tax receivables		50	36
Other receivables		51	64
Prepaid expenses and accrued income	28	38	38
		786	655
Cash and cash equivalents	33	134	122
Total current assets		1,412	1,178
TOTAL ASSETS		3,632	2,891

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2018	31 Mar 2017
EQUITY AND LIABILITIES			
Equity	29		
Share capital		49	49
Other paid-up capital		345	345
Reserves		-22	-13
Retained earnings		931	816
Total equity attributable to the Parent Company's shareholders		1,303	1,197
Non-current liabilities	3, 33, 34		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	30	67	62
Liabilities to credit institutions	34	311	415
		378	477
<i>Non-interest-bearing liabilities, non-current</i>			
Deferred tax liabilities	31	206	172
Other provisions	32	7	8
		213	180
Total non-current liabilities		591	657
Current liabilities	3, 33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	338	265
Liabilities to credit institutions	34	520	8
		858	273
<i>Non-interest-bearing liabilities, current</i>			
Advanced payments from customers		3	2
Trade payables		305	261
Tax liabilities		41	46
Other liabilities		340	272
Accrued expenses and deferred income	35	191	178
Provisions	32	-	5
		880	764
Total current liabilities		1,738	1,037
TOTAL EQUITY AND LIABILITIES		3,632	2,891

Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings	Total equity
31 Mar 2018					
Opening balance	49	345	-13	816	1,197
COMPREHENSIVE INCOME					
Net profit for the year				286	286
Actuarial effects on pensions				-5	-5
Taxes attributable to actuarial effects				1	1
Translation effect for the year			-9	-	-9
Comprehensive income for the year			-9	282	273
Dividend				-136	-136
Repurchase of own shares				-32	-32
Repurchased options				-7	-7
Issued options				4	4
Redemption of options				4	4
Closing balance	49	345	-22	931	1,303

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

Note 29 contains further information regarding equity.

Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2017/18	2016/17
Operating activities			
Profit after financial items	36	358	351
Adjustment for items not included in cash flow etc.	37	68	89
		426	440
Taxes paid		-103	-71
Cash flow from operating activities before changes in working capital		323	369
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in inventories		-32	15
Increase (-) / Decrease (+) in operating receivables		-57	7
Increase (+) / Decrease (-) in operating liabilities		48	-16
Cash flow from operating activities		282	375
Investing activities			
Investment in businesses	38	-519	-208
Sold subsidiaries	38	-	-
Investments in intangible assets		-11	-12
Purchase of property, plant and equipment		-49	-43
Divestment of property, plant and equipment		14	8
Cash flow from investing activities		-565	-255
Financing activities			
Repurchase of own shares		-32	-
Repurchased options		-7	-17
Issued options		4	5
Redemption of options		4	6
Dividend paid		-136	-119
Borrowings		401	100
Amortisation of loans		-111	-
Change in committed credit facilities, liabilities to credit institutions	34	172	-40
Cash flow from financing activities		295	-65
Cash flow for the year		12	55
Cash and cash equivalents at the beginning of the year		122	67
Exchange rate difference in cash and cash equivalents		0	0
Cash and cash equivalents at the end of the year		134	122

CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2017/18	2016/17
Net loan liabilities (+) / receivables (-) at the start of the year		710	580
Change in interest-bearing liabilities		482	63
Interest-bearing liabilities in acquired operations		-	6
Changes in interest-bearing pension provisions		5	6
Cash and cash equivalents in acquired operations		-39	-28
Change in cash and cash equivalents, other		51	83
Net loan liabilities (+) / receivables (-) at end of year		1,209	710

Parent Company Income Statement

Amounts in MSEK	Note	2017/18	2016/17
Net revenue	3, 4	35	37
Gross profit		35	37
Administrative expenses		-63	-63
Other operating income and operating expenses		-3	-
Operating profit	3, 6, 9, 10, 13	-31	-26
<i>Profit from financial items</i>			
Profit from participations in Group companies	11	368	310
Interest income and similar profit/loss items	11	6	12
Interest expenses and similar profit/loss items	12	-16	-22
Profit after financial items	13	327	274
<i>Appropriations</i>			
Change in untaxed reserves		-	4
Profit before taxes		327	278
Taxes	14	2	-2
Net profit for the year		329	276

Other Comprehensive Income, Parent Company

Amounts in MSEK	Note	2017/18	2016/17
Net profit for the year		329	276
Other comprehensive income		-	-
Comprehensive income for the year		329	276

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2018	31 Mar 2017
ASSETS			
Non-current assets			
Equipment, tools, fixtures and fittings	21	1	1
		1	1
<i>Financial assets</i>			
Participations in Group companies	22	2,312	1,891
Receivables from Group companies	23	105	11
Deferred tax assets	31	1	1
		2,418	1,903
Total non-current assets		2,419	1,904
Current assets			
<i>Current receivables</i>			
Receivables from Group companies	33	485	335
Tax receivables		7	7
Other receivables		19	20
Prepaid expenses and accrued income	28	3	3
		514	365
Cash and bank balances	33	–	–
Total current assets		514	365
TOTAL ASSETS		2,933	2,269

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2018	31 Mar 2017
EQUITY AND LIABILITIES			
Equity	29		
Share capital		49	49
Legal reserve		13	13
Restricted equity		62	62
Retained earnings		975	862
Net profit for the year		329	276
Non-restricted equity		1,304	1,138
Total equity		1,366	1,200
Untaxed reserves		–	–
Non-current liabilities	33, 34		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	30	20	20
Liabilities to credit institutions	34	300	400
Liabilities to Group companies		–	1
Total non-current liabilities		320	421
Current liabilities	33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	338	264
Liabilities to credit institutions	34	512	–
		850	264
<i>Non-interest-bearing liabilities, current</i>			
Trade payables		1	2
Liabilities to Group companies		225	214
Tax liabilities		–	3
Other liabilities		157	152
Accrued expenses and deferred income	35	14	13
		397	384
Total current liabilities		1,247	648
TOTAL EQUITY AND LIABILITIES		2,933	2,269

Statement of Changes in Parent Company's Equity

Amounts in MSEK				
	Share capital	Legal reserve	Non-restricted equity	Total equity
31 Mar 2018				
Opening balance	49	13	1,138	1,200
COMPREHENSIVE INCOME				
Net profit for the year			329	329
Other comprehensive income			–	–
Comprehensive income for the year			329	329
Dividend			-136	-136
Repurchase of own shares			-32	-32
Repurchased options			-7	-7
Issued options			4	4
Redemption of options			4	4
Other			4	4
Closing balance	49	13	1,304	1,366
Amounts in MSEK				
31 Mar 2017				
Opening balance	49	13	984	1,046
COMPREHENSIVE INCOME				
Net profit for the year			276	276
Other comprehensive income			–	–
Comprehensive income for the year			276	276
Dividend			-119	-119
Repurchased shares			–	–
Repurchased options			-17	-17
Issued options			5	5
Redemption of options			6	6
Other			3	3
Closing balance	49	13	1,138	1,200

Note 29 contains further information regarding equity.

Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2017/18	2016/17
Operating activities			
Profit after financial items	36	327	274
Adjustment for items not included in cash flow etc.	37	-28	-34
		299	240
Taxes paid		-1	-3
Cash flow from operating activities before changes in working capital		298	237
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in operating receivables		-111	-45
Increase (+) / Decrease (-) in operating liabilities		4	-16
Cash flow from operating activities		191	176
Investing activities			
Investment in businesses		-411	-177
Purchase of property, plant and equipment		-	-
Disposal of/decrease in financial assets		-95	62
Cash flow from investing activities		-506	-115
Financing activities			
Repurchase of own shares		-32	-
Repurchased options		-7	-17
Issued options		4	5
Redemption of options		4	6
Dividend paid		-136	-119
Borrowings		400	-
Amortisation of loans		-100	-
Change in committed credit facilities, liabilities to credit institutions	34	182	64
Cash flow from financing activities		315	-61
Cash flow for the year		0	0
Cash and cash equivalents at the beginning of the year		0	0
Exchange rate difference in cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		0	0

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 is 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 and 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 2018. 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 2018.

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 when the change is made, where the change affects that period only, or in the period when the change is made, and in future periods where the change affects the current period as well as future periods.

Judgments made by Management in the application of IFRS, which have 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 disclosed in the annual accounts concerning significant events after the balance sheet date that were not taken into account when preparing the consolidated statement of comprehensive income and the statement of financial position. 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 2017 have had any material effect on the Group's accounting.

New IFRS standards and interpretations that will only become effective in future annual periods, have not been early adopted in the preparation of these financial statements.

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

IFRS 9 *Financial Instruments*, which has been adopted by the EU and shall be applied for annual periods beginning on 1 January 2018 will only become effective for Lagercrantz during the coming financial year. IFRS 9 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 performed and the assessment is that IFRS 9 will not have any material effects on the consolidated financial statements and financial statements.

IFRS 15 *Revenue from Contracts with Customers* is a new revenue recognition standard adopted by the EU, which shall be applied for annual periods beginning on 1 January 2018 and will only become effective for Lagercrantz during the coming financial year. 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 to the new standard. Lagercrantz has chosen to follow the so-called cumulative effect method, without transfer of revenue or costs between financial years and without adjustments of equity or other items in the balance sheet. An analysis of the effects of IFRS 15 for the Group has been performed and the new IFRS 15 standard will impact the Group during the 2018/19 financial year.

The estimated effect on net profit for the full year is expected to be about MSEK 5–7 in lower profit, compared with if the same revenue recognition approach had been used as for the 2017/18 financial year. The net effect arises due to allocation of service contracts to particular periods, where Lagercrantz subsidiaries are principals.

IFRS 16 *Leases* is a new standard for recognition of leases. For lessees, the classification according to IAS 17 in operating and finance leases will disappear and will be replaced by a model where assets and liabilities shall be recognised in the balance sheet for all leases. There is an exemption from recognition in the balance sheet for leases of low-value assets and for short-term leases with a term of 12 months or less. Depreciation should be recognised separately in the income statement from interest expenses attributable to the leasing liability. No major changes are expected for lessors but the rules in IAS 17 are essentially retained with the exception of additional 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 except for a higher profit level before depreciation, amortisation and net financial items (EBITDA), and profit before net financial items (EBIT). The Group's balance sheet total will also be increased by an asset and liability corresponding to the discounted value of the leases entered into. Refer to Note 10 Leasing fees relating to operating leases and rental charges.

(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 400 for the Group and MSEK 400 for the Parent Company as of 31 March 2018.

(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 value of the share is recognised as a financial liability in the Group.

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

Income from property sales is normally recognised on the date of taking possession unless the 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 the 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 rate 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 them. The same applies to a portion 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, loans and 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).

Loans and receivables

Loans and 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 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 for 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 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.

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 offset 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 a cost 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 loans and 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 loans and 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 carrying amount of the asset after the reversal does not exceed the value the asset would have had if no impairment loss had been recognised, taking into account the amortisation that would then have occurred. 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). The collective consolidation level is defined as the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with 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 finance 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 share 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 recorded 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 include 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 and software.
- **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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Revenue								
External sales	890	834	973	1,003	786	631	761	628
Internal sales	4	3	11	8	–	–	6	2
Total revenue	894	837	984	1,011	786	631	767	630
Operating profit	70	65	130	163	86	61	108	105
					Parent company and eliminations		Total	
					2017/18	2016/17	2017/18	2016/17
Revenue								
External sales					–	–	3,410	3,096
Internal sales					-21	-13	–	–
Total revenue					-21	-13	3,410	3,096
Profit								
Operating profit					-16	-33	378	361
Financial income							7	7
Financial expenses							-27	-17
Profit before tax							358	351
Taxes							-72	-77
Net profit							286	274

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

Other information by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Assets	679	528	897	911	847	631	1,180	798
Undistributed assets	–	–	–	–	–	–	–	–
Total assets	679	528	897	911	847	631	1,180	798
Liabilities	132	117	174	181	201	132	135	98
Undistributed liabilities	–	–	–	–	–	–	–	–
Total liabilities	132	117	174	181	201	132	135	98
Investments	10	12	15	22	11	9	24	13
Depreciation and amortisation	16	14	28	28	29	21	35	28
					Parent Company		Total	
					2017/18	2016/17	2017/18	2016/17
Assets					25	25	3,628	2,893
Undistributed assets					–	–	4	-2
Total assets					25	25	3,632	2,891
Liabilities					984	568	1,626	1,096
Undistributed liabilities					–	–	703	598
Total liabilities					984	568	2,329	1,694
Capital expenditures					0	0	60	56
Depreciation and amortisation					0	0	108	91

External sales by geographical market

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

	2017/18	2016/17
Sweden	1,259	1,157
Denmark	520	505
Norway	358	325
Finland	208	177
UK	87	58
Germany	206	198
Poland	114	100
Rest of Europe	260	219
Rest of World	399	357
	3,410	3,096

Capital expenditure and non-current assets by geographical market

	Capital expenditures		Non-current assets	
	2017/18	2016/17	31 Mar 2018	31 Mar 2017
Sweden	37	40	1,557	1,174
Denmark	15	10	372	261
Norway	1	2	133	136
Finland	2	0	96	88
Germany	2	1	33	30
Poland	2	3	19	16
Rest of Europe	–	0	9	8
Rest of World	1	–	1	–
Undistributed assets	–	–	–	–
	60	56	2,220	1,713

Note 3 continued

Parent Company	2017/18	2016/17
Internal net revenue by operating segment		
Electronics	7	9
Mechatronics	10	10
Communications	10	10
Niche Products	8	8
	35	37
Internal net revenue by geographical market		
Sweden	24	23
Denmark	4	7
Norway	3	3
Finland	2	2
Germany	1	1
Other countries	1	1
	35	37

Note 4 Distribution of net revenue

Net revenue by product category	2017/18	2016/17
Group		
Trading	1,004	1,001
Niche production	347	359
Proprietary products	1,835	1,504
Systems integration	146	145
Service and other	78	87
	3,410	3,096

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	2017/18	2016/17
Cost of goods sold	1,585	1,585
Compensation-related personnel costs	923	793
Depreciation and amortisation	108	91
Other operating expenses	487	292
Total operating expenses	3,103	2,761

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

Average number of employees	2017/18		2016/17	
		of whom men		of whom men
Parent Company				
Sweden	13	62%	14	64%
Other Group companies				
Sweden	815	78%	722	76%
Denmark	270	64%	280	46%
Norway	56	82%	56	86%
Finland	99	48%	95	53%
Germany	26	73%	30	73%
Poland	67	88%	67	84%
Other countries	32	88%	17	76%
Total in Group companies	1,365	73%	1,267	67%
Group total	1,378	73%	1,281	66%

Salaries, other remuneration and social security expenses

	2017/18		2016/17	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	28	16	26	15
(of which pension expense)		(8) ¹⁾		(6) ¹⁾
Other Group companies	626	253	560	193
(of which pension expense)		(59)		(48)
Group total	654	269	586	208
(of which pension expense)		(67) ²⁾		(54) ²⁾

¹⁾ MSEK 3 (3) 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.

²⁾ MSEK 11 (11) 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

	2017/18		2016/17	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Sweden				
Parent Company	13	15	11	15
(of which, bonus etc.)	(1)	(2)	(2)	(2)
Other Group companies in Sweden	32	294	28	266
(of which, bonus etc.)	(1)	(5)	(2)	(6)
Sweden total	45	309	39	282
	(2)	(7)	(4)	(7)
Outside Sweden				
Denmark	15	143	15	143
(of which, bonus etc.)	(0)	(3)	(0)	(2)
Norway	4	37	5	36
(of which, bonus etc.)	(0)	(0)	(0)	(0)
Finland	4	34	4	30
(of which, bonus etc.)	(0)	(0)	(0)	(1)
Germany	1	16	1	16
(of which, bonus etc.)	(-)	(-)	(-)	(-)
Poland	2	11	2	10
(of which, bonus etc.)	(-)	(1)	(0)	(0)
Other countries	1	13	0	3
(of which, bonus etc.)	(-)	(1)	(0)	(1)
Group companies outside Sweden	28	254	27	238
(of which, bonus etc.)	(0)	(5)	(1)	(4)
Group total	73	564	66	519
(of which, bonus etc.)	(3)	(12)	(5)	(11)

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

Gender distribution in company managements

	31 Mar 2018	31 Mar 2017
	Proportion of women	Proportion of women
Parent Company		
Board of Directors	25%	29%
Other senior executives	15%	10%
Group total		
Board of Directors	7%	3%
Other senior executives	0%	0%

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 received fees as remuneration.

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, other benefits, 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 one Board member, 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 2018 AGM is set out in the Report of the Board of Directors.

Remuneration Board members

SEK '000	2017/18	2016/17
Chairman of the Board	500	500
Vice Chairman of the Board	-	-
Other Board members	1,500	1,500
Total	2,000	2,000

Remuneration and other benefits to senior executives 2017/2018

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
Chief Executive Officer						
Jörgen Wigh	5,151	640	505	117	1,501	7,914
Executive Vice President						
Magnus Söderlind	2,962	369	338	85	874	4,628
Other senior executives						
11 persons	15,181	1,574	831	809	3,085	21,481
Total	23,294	2,583	1,674	1,011	5,460	34,023

Remuneration and other benefits to senior executives 2016/2017

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

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 11 (8) persons, of whom 2 persons were members during the period Nov – Mar and Jan – Mar 2017/18, respectively. Remuneration to this group, a total of 13 (10) persons in 2017/18, was covered by the resolution at the 2017 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 usually set off against other income.

Employee share option plan

The 2017 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 the when the company publishes its Interim Report for the period 1 April 2019 – 30 September 2019, (ii) during the period 18 May – 30 May 2020, and (iii) during the period 28 September – 2 October 2020. Similar call option programmes for managers and senior executives were approved by the 2015 and 2016 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 2015 AGM comprised 35 persons and a total of 225,000 call options (675,000 options after split). Allocations varied between 2,250 – 60,000 options per person (after split). The President & CEO acquired 60,000 and other members of the Management team acquired 252,750.

The measurement period to determine the average share price, which was SEK 196.87, was 31 August – 11 September 2015. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 236.30 (78.80 SEK after split). The market value of the call options was set at SEK 13.70 per option (4.57 after split) by an independent valuation institution.

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.

The allocation resolved by the 2017 AGM comprised 59 persons and a total of 675,000 call options. Allocations varied between 1,000 – 66,500 options per person. The President & CEO acquired 66,500 and other members of the Management team acquired 283,500. The measurement period to determine the average share price, which was SEK 79.42, was 4 September – 15 September 2017. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 95.30. The market value of the call options was set at SEK 6.90 per option by an independent valuation institution.

In addition to this, redemption of options relating to the 2014 and 2015 programmes meant an increase in equity of MSEK 4, in connection with the Parent Company's sale of repurchased Class B shares to the option holders.

Audit fees and reimbursements

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
KPMG				
Audit assignments	3	3	0.5	0.4
Tax advisory assignments	0	–	–	–
Other assignments	1	–	0.2	0.2
Other auditors				
Audit assignments	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

	2017/18	2016/17
Group		
Disposal of subsidiary	–	–
Rental income	–	–
Other remuneration and contributions	1	1
Exchange gains on receivables/liabilities of an operating character	12	10
Reversal of contingent consideration previous acquisitions	50	18
Other	8	3
	71	32

Note 8 Other operating expenses

	2017/18	2016/17
Group		
Exchange losses on receivables/liabilities of an operating character	-12	-8
Impairment losses and remeasurement of goodwill	–	–
Reversal of contingent consideration previous acquisitions	-12	-13
Other expenses	-5	-2
	-29	-23

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

	2017/18	2016/17
Group		
<i>Depreciation and amortisation according to plan allocated by asset</i>		
Intangible assets	-70	-58
Lands and buildings	-3	-3
Costs incurred in leasehold property	–	–
Plant and machinery	-22	-18
Equipment, tools, fixtures and fittings	-13	-12
	-108	-91
<i>Depreciation and amortisation according to plan allocated by function</i>		
Cost of goods sold	-22	-27
Selling expenses	-79	-63
Administrative expenses	-7	-1
	-108	-91
Parent Company		
<i>Depreciation and amortisation according to plan allocated by asset</i>		
Equipment, tools, fixtures and fittings	0	0
	0	0
<i>Depreciation and amortisation according to plan allocated by function</i>		
Administrative expenses	0	0
	0	0

Note 10 Leasing fees relating to operating leases and rental charges

	2017/18	2016/17
Group		
Expensed operating leasing fees and rents during the financial year	64	64
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	58	75
2 years after the current financial year	41	56
3 years after the current financial year	27	49
4 years after the current financial year	16	17
5 years after the current financial year	14	13
	156	210
Parent Company		
Expensed operating leasing fees and rents during the financial year	4	3
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	2	4
2 years after the current financial year	–	1
More than 3 years after the current financial year	–	–
	2	5

Leasing fees and rents mainly relate to rent for premises.

Note 11 Financial income

	2017/18	2016/17
Group		
Interest income	1	–
Exchange gains	6	7
	7	7
Parent Company		
<i>Result from participations in Group companies</i>		
Interest income from Group companies	6	5
Group contributions received	32	34
Dividends	336	277
	374	316
<i>Other interest income and similar profit/loss items</i>		
Exchange gains	–	–
Other	–	6
	–	6
Total financial income	374	322

Note 12 Financial expenses

	2017/18	2016/17
Group		
Interest expenses pensions	-1	-2
Other interest expenses	-13	-10
Effect of interest hedge	–	–
Exchange losses	-13	-5
Other	–	0
	-27	-17
Parent Company		
<i>Result from participations in Group companies</i>		
Interest expenses to Group companies	–	–
Exchange losses	–	–
Impairment losses	–	–
	–	–
<i>Other interest expenses and similar profit/loss items</i>		
Other interest expenses	-11	-9
Effect of interest hedge	–	–
Other	-5	-13
	-16	-22
Total financial expenses in the Parent Company	-16	-22

Note 13 Exchange differences that affected profit

	2017/18	2016/17
Group		
Exchange differences affecting operating profit	–	2
Financial exchange differences	-6	1
	-6	3
Parent Company		
Financial exchange differences	-4	1
	-4	1

Note 14 Tax on net profit for the year

	2017/18	2016/17
Group		
<i>Current tax expense (-) / tax revenue (+)</i>		
Tax for the period	-88	-91
Adjustment of tax pertaining to prior years	2	2
	-86	-89
<i>Deferred tax expense (-) / tax revenue (+)</i>		
Deferred tax related to temporary differences	14	12
Change in deferred tax related to change in capitalised tax value of loss carryforwards	-	-
	14	12
Total recognised tax expense / tax revenue in the Group	-72	-77

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

	2017/18	2016/17
Reconciliation of effective tax		
Group		
Profit before taxes	358	351
Tax according to tax rate for the Parent Company, 22%	-79	-76
Effect of other tax rates in Group companies outside Sweden	-1	-1
Effect of changed tax rates	-	-
Non-deductible expenses	-7	-5
Other non-taxable income	13	3
Tax pertaining to prior years	2	2
Recognised effective tax	-72	-77

	2017/18	2016/17
Parent Company		
<i>Current tax expense (-) / tax revenue (+)</i>		
Tax expense for the period	2	-1
	2	-1
<i>Deferred tax expense (-) / tax revenue (+)</i>		
Deferred tax related to temporary differences	0	0
	0	0
Total recognised tax expense / tax revenue in the Parent Company	2	-1

	2017/18	2016/17
Reconciliation of effective tax		
Parent Company		
Profit before taxes	327	274
Tax according to current tax rate, 22%	-72	-60
Effect of impairment losses	-	-
Dividends from Group companies	74	61
Non-deductible expenses	-1	-3
Tax pertaining to prior years	1	-
Recognised effective tax	2	-2

Note 15 Goodwill

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	912	802
New purchases incl. remeasurements	316	99
Disposals	-	-
Impairment losses	-	-
Exchange difference	20	11
Carrying amount at end of the period	1,248	912
<i>Goodwill allocated by division and cluster</i>		
Electronics	191	122
Mechatronics	283	280
Communications	302	207
Niche Products	472	303
Total goodwill	1,248	912

Impairment testing of goodwill

The Group's recognised goodwill amounts to MSEK 1,248 (912). 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 2018. Goodwill is allocated to cash-generating units, which from accounting year 2017/18 consist of clusters of companies in 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 9.7 percent before tax and 7.5 percent after tax (8.5 and 6.5 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. No risk of a write-down requirement exists based on reasonable change assumptions. 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 cluster were to decline by 10 percent.

Note 16 Trademarks

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	183	164
New purchases	71	17
Exchange difference	1	2
Carrying amount at end of the period	255	183
<i>Trademarks allocated by division and cluster</i>		
Electronics	59	50
Mechatronics	40	40
Communications	70	44
Niche Products	86	49
Total trademarks	255	183

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 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	616	520
New purchases	14	16
Purchases via new companies	117	75
Disposals	–	–
Reclassifications	–	-2
Exchange difference	14	7
	761	616
<i>Accumulated depreciation according to plan</i>		
Opening balance	-232	-179
Depreciation for the year according to plan	-67	-57
Reclassifications	–	–
Exchange difference	-7	4
	-306	-232
Carrying amount at end of the period	455	384

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

Note 18 Buildings, land and land improvements

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	99	88
New purchases	1	–
Disposals	–	–
Purchases via new companies	11	11
	111	99
<i>Accumulated depreciation according to plan</i>		
Opening balance	-23	-20
Depreciation for the year according to plan	-3	-3
	-26	-23
Carrying amount at end of the period	85	76

¹⁾ No capitalised interest is included in the cost.

Note 19 Costs incurred in leasehold property

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	9	10
New purchases	1	–
Exchange difference	1	-1
	11	9
<i>Accumulated depreciation according to plan</i>		
Opening balance	-6	-7
Depreciation for the year according to plan	-1	-1
Exchange difference	-1	2
	-8	-6
Carrying amount at end of the period	3	3

Note 20 Plant and machinery

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	298	263
New purchases	14	19
Purchases via new companies	5	9
Transferred from construction in progress	4	3
Reclassifications	14	4
Disposals and retirements	-2	-2
Exchange difference	6	2
	339	298
<i>Accumulated depreciation according to plan</i>		
Opening balance	-196	-173
Reclassifications	–	-11
Disposals and retirements	–	5
Depreciation for the year according to plan	-21	-18
Exchange difference	-4	1
	-221	-196
Carrying amount at end of the period	118	102

Note 21 Equipment, tools, fixtures and fittings

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance (including construction in progress)	166	158
New purchases	13	15
Purchases via new companies	–	2
Disposals and retirements	-7	-6
Reclassifications from construction in progress	–	–
Other reclassifications	–	–
Exchange difference	4	-3
	176	166
<i>Accumulated depreciation according to plan</i>		
Opening balance	-123	-115
Disposals and retirements	7	4
Reclassifications	–	2
Depreciation for the year according to plan	-12	-12
Exchange difference	-3	-2
	-131	-123
Carrying amount at end of the period	45	43

Parent Company

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

Note 22 Participations in Group companies

	31 Mar 2018	31 Mar 2017
Parent Company		
<i>Accumulated cost</i>		
Opening balance	2,027	1,870
External acquisitions	446	157
Divestment to Group companies	–	–
Adjustment of contingent consideration	-25	–
Mergers	–	–
	2,448	2,027
<i>Accumulated impairment losses</i>		
Opening balance	-136	-136
Impairment losses for the year	–	–
	-136	-136
Carrying amount at end of the period	2,312	1,891

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

Group company ¹⁾ / Corp. ID. no. / Registered office	Number of participations	Participation as % ²⁾	Carrying amount		Note
			31 Mar 2018	31 Mar 2017	
Acte Solutions AB, 556600-8032, Stockholm	500	100.0	13	13	1
Acte Systems AS, 927 714 574, Bergen, Norway	600	100.0	1	1	2
Acte Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	0	3
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44	4
Ampol Servis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16	5
Thermod Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	–	–	6
Asept International AB, 556057-9962, Lund	25,000	100.0	81	80	7
Asept International Inc., Chicago, USA	100	100.0	–	–	8
Apparatenfabriek Bereilia B.V, Bedum, Netherlands	40	100.0	–	–	9
COBS AB, 556524-3788, Gothenburg	3,000	100.0	21	21	10
Cue Dee AB, 556244-8000, Sikeå	2,000	100.0	240	262	11
Cue Dee Trading Co. Ltd, Suzhou, China	100	100.0	–	–	12
Cue Dee India Private Ltd., Gurgaon, India	100	100.0	–	–	13
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24	14
Dooman Teknik AB, 556153-3794, Västra Frölunda	500	100.0	24	24	15
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	13	13	16
EFC Estonia OÜ, Estonia	1	100.0	–	–	17
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	81	82	18
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	99	19
Elpress A/S, CVR 26162629, Silkeborg, Denmark	100	100.0	–	–	20
Elpress GmbH, HBR 3252, Viersen, Germany	100	100.0	–	–	21
Elpress (Beijing) Electrical Components Co. Ltd, Beijing, China	100	100.0	–	–	22
Elpress Inc., Chicago, USA	100	100.0	–	–	23
Kablema AB, 556746-2196, Kramfors	100	100.0	–	–	24
Elprodukter AS, 995 768 100, Ulsteinvik, Norway	100	100.0	68	68	25
Enkom Active Oy, 239 992, Helsinki, Finland	300	100.0	54	54	26
Excidor AB, 556429-7850, Bollnäs	1,000	100.0	47	48	27
Exilight Oy, 1865741-4, Tampere, Finland	8,000	100.0	33	34	28
GasIQ AB, 556650-3461, Stenkullen	10,000	100.0	47	52	29
GasIQ Fastighetsförvaltning AB, 556867-3023, Stenkullen	500	100.0	–	–	30
HPG Nordic AB, 556854-0271, Stenkullen	500	100.0	–	–	31
Idesco OY, 2024497-7, Oulu, Finland	403,391	90.2	35	30	32
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0	33
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18	34
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20	35
Kondator AB, 556500-1947, Tyresö	2,000	100.0	71	71	36
Lager CC AB, 556260-2127, Solna	1,000	100.0	3	3	37
Laurea Teknisk Säkerhet AB, 559519-2904, Norrköping	45,500	91.0	131	–	38
R-Contracting AB, 556681-1564, Norrköping	5,000	100.0	–	–	39
Alf Bjurenwall AB, 556217-6098, Kolbäck	5,000	100.0	–	–	40
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	50	51	41
Load Indicator AB, 556081-3569, Hisings Backa	1,000	100.0	35	35	42
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30	43
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61	44
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46	45
Precimeter Control AB, 556511-8980, Hönö	10,000	100.0	36	36	46
Precimeter Inc, 20-0110568, Phoenix, USA	100	100.0	–	–	
Precimeter GmbH, 212/5752/0032, Wiehl, Germany	1	100.0	13	–	
ProfSAFE AB, 556722-2459, Anderstorp	4,000	100.0	76	–	
ProfSAFE Norge AS, 911552388, Oslo, Norway	100	100.0	–	–	
Skandex i Bromma AB, 556515-1189, Anderstorp	5,000	100.0	–	–	
Radonova Laboratories AB, 556690-0717, Uppsala	1,000	100.0	66	66	
Radonova, Inc, 70206544, Chicago, 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	46	45	
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95	
Thermod AB, 556683-7125, Klässbol	1,000	100.0	47	47	
Tormek AB, 556586-5788, Lindesberg	960	96.0	169	–	
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	
Wapro AB, 556352-1466, Karlshamn	1,000	100.0	54	–	
Wapro Inc., Chicago, USA	100	100.0	–	–	
Lagercrantz A/S, 81 74 67 10, Copenhagen, Denmark	6	100.0	131	131	
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	–	–	
Lagercrantz Asia Ltd, Hong Kong, 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	–	–	
NST A/S, 25844998, Odense, Denmark	600,000	100.0	–	–	
			2,312	1,891	

¹⁾ Group companies recognised at carrying amount. Other companies are owned indirectly via Group companies.

²⁾ 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 2018	31 Mar 2017
Parent Company		
<i>Accumulated cost</i>		
Opening balance	11	74
Additional receivables	107	14
Settled receivables	-18	-80
Exchange difference	5	3
Carrying amount at end of the period	105	11

Note 24 Other non-current receivables

	31 Mar 2018	31 Mar 2017
Group		
<i>Accumulated cost</i>		
Opening balance	2	3
Additional receivables	1	-
Settled receivables	-	-1
Carrying amount at the end of the year	3	2

Note 25 Inventories

During the year, impairments losses of MSEK 5 (3) on the inventory value were recognised.

Note 26 Trade receivables

Age analysis, not impaired trade receivables due	31 Mar 2018	30 Mar 2017
Group		
Trade receivables not due	548	468
Trade receivables due 0 – 30 days	59	26
Trade receivables due > 30 – 90 days	4	7
Trade receivables due > 90 – 180 days	1	3
Trade receivables due > 180 days	2	2
Total	614	506

Provision account for bad debt losses	31 Mar 2018	31 Mar 2017
Group		
Opening balance	0	-1
Reversal of previously recognised impairment losses	-	-
Impairment losses for the year	2	1
Exchange difference	-	-
Closing balance	2	0

Confirmed bad debt losses during the year of MSEK 1 (0) were charged to earnings.

Note 27 Claims on clients

	31 Mar 2018	31 Mar 2017
Group		
<i>Work in progress</i>		
Accumulated recognised contract income	153	104
Invoicing	-120	-93
Total claim on clients	33	11
Accumulated contract expenditure and recognised income (after deduction of recognised loss) at the end of the period	153	104
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 2018	31 Mar 2017
Group		
Prepaid rent	8	7
Prepaid insurance premiums	3	3
Other items	27	28
	38	38
Parent Company		
Prepaid rent	1	1
Prepaid insurance premiums	-	-
Other items	2	2
	3	3

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*

Classes of shares	Number of shares	Number of votes
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	-1,863,500	-1,863,500
Total	67,656,427	97,030,645

	A shares	B shares
Number of outstanding shares at start of period	3,263,802	66,256,125
Redemption of shares	-	-
Number of outstanding shares at start of period	3,263,802	66,256,125

Number of repurchased shares

At start of period	-	1,534,700
Shares used during redemption of options	-	-
Repurchased shares during the period	-	328,800
At the end of the period	-	-1,863,500

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 (2) per share.

The options programmes described in Note 6 are secured by shares repurchased at an average cost of SEK 32.24.

When the call options are exercised at a redemption price of SEK 78.80, SEK 100.10 and SEK 95.30, respectively, per share, the number of outstanding shares may increase by the number of call options redeemed, or a total of 1,863,375 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 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 non-controlling interests.

The ambition of the Board of Directors is to retain a balance between a high return and the security of a large capital base. The Group's goal is to achieve a return on equity of at least 25 percent per year. During the 2017/18 financial year, the return was 23 percent (25). Profit amounted to MSEK 286 (274) and average equity during the year amounted to MSEK 1,250 (1,115). Profit increased more than the equity, among other reasons due to this year's dividend paid of MSEK 136.

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 AGM 2018, the Board of Directors has proposed a dividend of MSEK 2 (2) per share. The proposed dividend is equivalent to a dividend payout ratio of 48 percent (50). The dividend is also equivalent to 10 percent (11) of consolidated equity on the balance sheet date.

The Group's Board of Directors has a mandate from the 2017 Annual General 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 2018 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 2018	31 Mar 2017
Group		
The present value of unfunded defined benefit obligations	67	62
Net obligations including adjustments	67	62
Distribution of amount on plans in the following countries	31 Mar 2018	31 Mar 2018
Sweden	66	62
Germany	1	–
Amount in statement of financial position	67	62

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.

	2017/18	2016/17
Pension expense		
Group		
<i>Defined benefit plans</i>		
Cost of pensions earned during the year	0	0
Change payroll tax	-2	-2
Interest expense	-2	-2
Cost of defined benefit plans	-4	-4
Cost of defined contribution plans	-63	-50
Total cost of payments, post-employment	-67	-54

The pension expense relating to the most important defined benefit pension plans is recognised 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 (2) and the interest expense as a financial expense of MSEK 2 (2). The pension expense for defined contribution plans amounted to MSEK 63 (50). The total pension expense for defined benefit and defined contribution pension plans amounted to MSEK 67 (54).

The forecast for the period 2018/19 is that the pension expense will be in line with 2017/18, 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:

	2017/18	2016/17
Opening balance: Present value of obligation	62	55
Change in IAS 19 accounting standard	–	–
Cost of defined benefit plans	2	2
Payments disbursed	-2	-2
Change in actuarial gains/losses	4	6
Exchange differences	1	1
Closing balance: Present value of obligation	67	62
Net amount in statement of financial position, closing balance	67	62

Actuarial assumptions

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

(weighted average values)	31 Mar 2018	31 Mar 2017
Discount rate	2.5%	2.9%
Expected inflation	2.0%	2.0%

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 2017/18 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 (FFFS 2007:31).

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

	31 Mar 2018	31 Mar 2017
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

Parent Company

Provision for pensions	20	20
	20	20

Pledged assets for pension obligations

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

Note 31 Deferred tax

31 Mar 2018	Deferred tax assets	Deferred tax liabilities	Net
Group			
Other non-current assets	4	-154	-150
Other provisions	–	–	–
Untaxed reserves	–	-51	-51
Other	4	-1	3
Loss carryforwards	–	–	–
	8	-206	-198
31 Mar 2017			
	Deferred tax assets	Deferred tax liabilities	Net
Group			
Other non-current assets	3	-125	-122
Other provisions	1	–	1
Untaxed reserves	–	-46	-46
Other	4	-1	3
Loss carryforwards	–	–	–
	8	-172	-164

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 over profit or loss	Closing balance
Group			
Other non-current assets	-122	14	-150
Other provisions	1	–	–
Untaxed reserves	-46	–	-51
Other	3	–	3
Loss carryforwards	–	–	–
	-164	14	-198

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 2018	31 Mar 2017
Group		
<i>Other provisions such as non-current liabilities</i>		
Costs for restructuring measures	–	–
Guarantee reserve	6	6
Other	1	2
	7	8
<i>Other provisions such as current liabilities</i>		
Costs for restructuring measures	–	5
Other	–	–
	–	5
Carrying amount at start of the period	14	15
Provisions in acquired subsidiaries	–	–
Provisions made during the period	3	11
Amounts claimed during the period	-9	-12
Unutilised amount reversed during the period	-1	–
Carrying amount at end of the period	7	14

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 2018 and 2017, there were outstanding derivatives.

31 Mar 2018	Loans and receivables	Derivatives for trading	Total
Group			
<i>Assets in the statement of financial position</i>			
Non-current receivables	3	–	3
Trade receivables	614	–	614
Other receivables	–	0	–
Cash and cash equivalents	134	–	134
Total	751	0	751

All financial assets of MSEK 751 (630) are measured at amortised cost. There were derivatives of MSEK 0.2 as of the balance sheet date. The consolidated statement of financial position shows other receivables of MSEK 51. Other items are non-financial.

31 Mar 2018	Other liabilities	Financial liabilities measured at fair value via profit or loss	Derivatives for trading	Total
Group				
<i>Liabilities in the statement of financial position</i>				
Current liabilities to credit institutions	858	–	–	858
Non-current liabilities to credit institutions	311	–	–	311
Trade payables	305	–	–	305
Other current liabilities	–	153	3	156
Total	1,474	153	3	1,630

The consolidated statement of financial position shows other liabilities of MSEK 340, including call options of MSEK 30. There were derivatives of MSEK 3 on the closing date. Contingent consideration payments are recognised of MSEK 153 measured at fair value via profit or loss based on likely scenarios for future EBITA. These scenarios are based on the likelihood of each profit level to occur, based on forecasts, previous profit levels and any already completed periods' profit levels for current debt. Other financial liabilities of MSEK 1,474 (939) are measured at amortised cost. Financial liabilities are mostly payable within 12 months with a maturity of 3–5 months and estimated interest of MSEK 2. Other items are non-financial.

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

All financial assets of MSEK 630 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 trading	Total
Group				
<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
Total	939	165	0	1,104

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 EBITA. These scenarios are based on the likelihood of each profit level to occur, based on forecasts, previous profit levels and any already completed periods' profit levels for current debt. Other financial liabilities of MSEK 939 are measured at amortised cost. Financial liabilities are mostly payable within 12 months. Other items are non-financial.

Change in contingent consideration (category 3)

	2017/18	2016/17
Opening balance	165	184
Additional liabilities during the year	76	51
Settled liabilities	-34	-64
Remeasured liabilities	-49	-5
Exchange difference	-5	-1
Carrying amount at end of the period	153	165

Parent Company

31 Mar 2018	Loans and receivables	Contingent consideration	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from Group companies	105	–	105
Other current receivables	485	–	485
Cash and cash equivalents	–	–	–
Total	590	–	590

31 Mar 2018	Other liabilities	Contingent consideration	Total
<i>Liabilities in the balance sheet</i>			
Non-current liabilities to Group companies	–	–	–
Current liabilities to credit institutions	850	–	850
Non-current liabilities to credit institutions	300	–	300
Trade payables	2	–	2
Other current liabilities	224	103	327
Total	1,376	103	1,479

Contingent consideration payments are recognised of MSEK 103 measured according to the procurement method and based on the likelihood that the purchase price will expire. Possible changes of the provision / the claim is put on / reduces the acquisition value.

31 Mar 2017	Loans and receivables	Contingent consideration	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	11	–	11
Other current receivables	335	–	335
Cash and cash equivalents	–	–	–
Total	346	–	346

31 Mar 2017	Other liabilities	Contingent consideration	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 receivables	214	141	355
Total	880	141	1,021

Contingent consideration payments are recognised of MSEK 141 measured which are valued according to the acquisition method and based on the likelihood that the purchase price will expire. Possible changes of the provision / the claim is put on / reduces the acquisition value.

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 67 (62), Long-term liabilities MSEK 311 (415), Current liabilities to credit institutions MSEK 858 (273) and Other current liabilities MSEK 0 (0). Total MSEK 1,236 (750). 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 as of 31 Mar 2017. In addition to committed 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 2018	31 Mar 2017
Group		
Short-term portion	520	8
Maturity date, 1–2 years from the balance sheet date	301	404
Maturity date, 3–5 years from the balance sheet date	3	–
Maturity date, more than 5 years from the balance sheet date	7	11
	831	423

Parent Company		
Short-term portion	512	–
Maturity date, 1–2 years from the balance sheet date	300	400
Maturity date, 3–5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	812	400

Committed credit facilities

	31 Mar 2018	31 Mar 2017
Group		
Approved credit limit	501	503
Unutilised portion	-163	-238
Utilised credit amount	338	265

Credit limits on committed credit facilities are extended annually.

Parent Company		
Approved credit limit	500	500
Unutilised portion	-162	-236
Utilised credit amount	338	264

The credit limit on committed credit facilities is extended annually.

Pledged assets for committed credit facilities

	31 Mar 2018	31 Mar 2017
Group		
Chattel mortgages	4	9
	4	9

Note 35 Accrued expenses and deferred income

	31 Mar 2018	31 Mar 2017
Group		
Employee benefit expenses	131	120
Other items	60	58
	191	178
Parent Company		
Personnel costs	8	11
Other items	6	2
	14	13

Note 36 Interest paid and received

	2017/18	2016/17
Group		
Interest received	–	–
Interest paid	-13	-10
Parent Company		
Interest received	6	5
Interest paid	-11	-9

Note 37 Adjustment for non-cash items

	2017/18	2016/17
Group		
Depreciation and amortisation	108	91
Other provisions	11	5
Impairment losses and retirements	–	–
Capital gain/loss on disposal of non-current assets	–	–
Change in interest accrual	–	–
Reversal contingent consideration	-49	-5
Other items	-2	-3
	68	88
Parent Company		
Depreciation and amortisation	0	0
Impairment losses	0	0
Group contributions not yet received	-32	-35
Other items	4	-0
	-28	-35

Note 38 Investments in businesses

A total of six acquisitions of businesses were completed during the financial year. The acquired companies are R-Contracting AB, Profsafe AB, Wapro AB, NST DK A/S, Tormek AB and Alf Bjurenwall AB. All acquisitions were paid for in cash.

Specification of acquisitions

During the first quarter, the operations in R-Contracting AB and Profsafe AB were acquired.

R-Contracting AB develops and markets pumping systems for sprinkler installations. The company also has some engagements in infrastructure-related pump or hydropower projects. Most sales take place in Sweden but the company also has some sales in Norway and Denmark. The company generates annual sales of about MSEK 110 and has been part of the Lagercrantz Communications division since June 2017.

Profsafe AB 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 generates annual sales of about MSEK 85 and has been part of the Lagercrantz Niche Products division since June 2017.

During the second quarter, Wapro AB was acquired, whose innovative products regulate water flows in order to protect properties and infrastructure from flooding during storms and rising water levels. Wapro generates annual revenue of approximately MSEK 40 and has sales in Europe, North America and Australia. Wapro has been part of the Lagercrantz Niche Products division since July 2017.

During the third quarter, NST DK A/S was acquired. The company is a niche player in the Danish market for electrical components and electromechanics. NST mainly sells to installation companies, but also to wholesalers and industrial customers. The company generates annual revenue of approximately MDKK 45.

During the fourth quarter, Tormek AB and Alf Bjurenwall AB were acquired. Tormek is a leader within sharpening systems for edge tools such as knives, chisels as well as tools for woodcarving. The customers are mainly craftsmen and others who work with wood. The company's products are sold in about 40 countries, with the USA, Germany and Sweden as the largest markets. Tormek generates annual revenue of MSEK 90 and has formed part of the Lagercrantz Niche Products division since January 2018.

Bjurenwall is a leader within the construction of cisterns, primarily for storage of water connected to fire sprinkler systems. Bjurenwall is a supplementary acquisition to the previously acquired R-Contracting. Bjurenwall's customers mainly consist of construction companies and companies specialised in fire safety technology in Sweden. Bjurenwall generates annual revenue of about MSEK 25 and has been part of the Lagercrantz Communications division since March 2018.

Estimated consideration for the businesses acquired during the financial year amounted to MSEK 577. This amount includes estimated contingent consideration of MSEK 76, which represents 73 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 316 on the balance sheet date and other intangible non-current assets, mostly related to proprietary products and customer relationships, increased by MSEK 188. Other non-current assets increased by MSEK 19. The deferred tax liability related to the acquisitions amounted to MSEK 42.

The effect of the completed acquisitions during the fourth quarter of the financial year, on consolidated revenue during the fourth quarter was MSEK 25 and the effect on profit before taxes was MSEK 4 after acquisition costs.

If the operations acquired during the financial year had been consolidated as of 1 April 2017, the effect on revenue and net profit after taxes would have been MSEK 435 and MSEK 49, respectively, after acquisition costs.

The difference between reserved, paid and remeasured contingent consideration, was taken up as other operating income (recognised under consolidation items) of MSEK 11 net during the fourth quarter, which had a positive impact on earnings. The annual impairment test did not result in any write-downs of goodwill. During the financial year, MSEK 34 (52) was paid in contingent consideration for previous acquisitions.

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 to the value of the technological expertise the companies have, good profitability and future profits.

Net assets of acquired companies at the time of acquisition

	2017/18	2016/17
Net identifiable assets/liabilities	261	147
Goodwill	316	99
Estimated consideration	577	246

Cash flow effect

	2017/18	2016/17
Group		
Intangible assets	-497	-192
Property, plant and equipment	-16	-21
Inventories	-56	-33
Other current assets	-111	-65
Provisions	47	22
Non-current liabilities	5	7
Current liabilities	78	36
Total consideration	-550	-246
Cash and cash equivalents in the acquired operations	39	28
Impact on the Group's cash and cash equivalents from acquisitions during the year	-511	-218
Adjustment of estimated contingent consideration in older acquisitions	-3	17
Amortisation of/increase in liabilities relating to acquired businesses	-5	-7
Cash flow related to investments in businesses	-519	-208

Distribution of intangible assets in connection with acquisitions

	2017/18	2016/17
Goodwill	316	99
Trademarks	71	17
Other intangible assets	117	76
Total intangible assets via acquisitions	504	192

Contribution of the acquired entities to Group revenue and earnings

	2017/18	2016/17
Revenue	270	153
Profit contribution before acquisition costs	48	31
Transaction costs	-2	-2
Amortisation of surplus value	-10	-6
Profit contribution after acquisition costs	36	23
Financing costs	-8	-4
Profit contribution after financing costs	28	19

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

	2017/18	2016/17
Revenue	435	233
Profit contribution before acquisition costs	81	39
Transaction costs	-2	-2
Amortisation of surplus value	-16	-8
Profit contribution after acquisition costs	63	29
Financing costs	-14	-6
Profit contribution after financing costs	49	23

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

Note 39 Contingent liabilities

	31 Mar 2018	31 Mar 2017
Group		
Guarantee commitments FPG/PRI	1	1
Other guarantees	24	14
	25	15

Note 40 Earnings per share

	2017/18	2016/17
Earnings per share, SEK	4.21	4.03
Earnings per share after dilution, SEK	4.21	4.02

The calculation of earnings per share for 2017/18 is based on profit for the year attributable to the Parent Company's shareholders amounting to MSEK 329 (274) and a weighted average number of shares outstanding during 2017/18 of 67,868,240 (67,940,515). The weighted number of shares outstanding including dilution is 67,924,403 (68,096,773).

Instruments that may generate future dilutive effects

During the 2017/18 financial year, the company had three call option programmes outstanding, where the redemption prices (SEK 78.80, SEK 100.10 and SEK 95.30 per share) in one case fell below the average market price of the share (SEK 86.89 per share). These options give rise to a dilutive effect and have been included in the estimated earnings per share after dilution. Refer to Note 6 for a description of the options programme. Repurchased shares are used as a hedge for these programmes.

Note 41 Risk management**Financial risks**

It is essential for 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 Group 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 1,182 and MSEK 1,753 respectively, during the year.

Purchasing/sales in important currencies

Amounts in MSEK	Purchases	Sales
USD	245	294
EUR	675	837
GBP	10	14
DKK	80	290
NOK	46	209
JPY	47	22
PLN	79	87
Group total	1,182	1,753

Cash and cash equivalents per currency

Amounts in MSEK	31 Mar 2018	31 Mar 2017
SEK	11	1
USD	20	45
EUR	28	15
DKK	12	10
NOK	14	10
CNY	41	37
Other currencies	8	4
Group total	134	122

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 statement 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 by plus or minus 5 percent is estimated to change Lagercrantz Group's operating profit by plus or minus MSEK 6, 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 4, respectively. A change in the US dollar exchange rate of plus or minus 5 percent, would give an effect of plus or minus 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 fluctuations. 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 affects 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 10 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, overdraft facility or committed credit facilities.

Weighted average effective interest rates on loans

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Non-current liabilities				
to credit institutions	1.35%	1.33%	1.30%	1.27%
Current liabilities				
to credit institutions	1.30%	1.27%	1.30%	1.30%

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 rules for attestation. In connection with financing of projects and other business agreements, Lagercrantz may in certain cases assume responsibility for bank guarantees, in the form of Parent Company guarantees towards a third party, for the purpose of securing financing during a limited period of time. According to the finance policy, as few credit counterparties as possible shall be strived for and they should always be highly credit-worthy. 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, refer to 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 and MSEK 300 to be renewed in June 2020.

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 32 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 Group companies.

Note 43 Post-balance sheet events

Thomas Alkbrant has been appointed as the new CFO for the Lagercrantz Group. He has many years' experience of leading financial and accounting functions in acquiring groups with many subsidiaries, including from Däckia and Werksta. Thomas, who holds a Bachelor of Science in Business Administration and Economics from the Stockholm School of Economics in Stockholm, will take up his position at Lagercrantz in July 2018.

Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2018.

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 14. 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 2018.

Note 45 Pledged assets and contingent liabilities

31 Mar 2018 31 Mar 2017

Group		
<i>Pledged assets</i>		
For own liabilities and provisions		
Chattel mortgages	4	9
	4	9
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	1	1
Other guarantees	24	14
	25	15
Parent Company		
<i>Pledged assets</i>		
None		
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	28	28
Other guarantees	–	–
	28	28

Note 46 Appropriation of profits

The Board of Directors proposes that the following profits, SEK 1,303,651 thousand, at the disposal of the Annual General Meeting, shall be allocated as follows:

Dividend to the shareholders, SEK 2 × 67,656,427 shares*	135,313
To be carried forward	1,168,338
Total	1,303,651

* Based on the total number of shares outstanding as of 31 March 2018.

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

This Auditor's Report is a translation from the Swedish version. Should there be any discrepancies, the Swedish version shall prevail.

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 2017-04-01–2018-03-31, except for the corporate governance statement on pages 22–25 and 60–61 and the sustainability report on pages 18–21. The annual accounts and consolidated accounts of the company are included on pages 14–56 and 60–61 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 2018 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 2018 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. Our opinions do not cover the corporate governance statement on pages 22–25 and 60–61 and sustainability report on pages 18–21. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 15, 16 and 17 and disclosure 1 Accounting principles 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 1,914 million SEK as of 31 March 2018, which represents 53 % of total assets. Goodwill and trademarks amounted to 1,503 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 2,312 million SEK as at 31 March 2018, which represents 79 % 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 2–13, 18–21 and 62–67. 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.

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 2017-04-01–2018-03-31 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 22–25 and 60–61 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 18–21, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27 Stockholm, was appointed auditor of Lagercrantz Group AB (publ) by the general meeting of the shareholders on the 29 August 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since financial year 2001/2002.

Stockholm, 27 June 2018

KPMG AB

KPMG AB

Håkan Olsson Reising
Authorized Public Accountant
Auditor in charge

Jenny Jansson
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 a number of companies within Tisenhult-gruppen AB.
 Holding: 61,200 B shares (family) and 2,677,782 A shares and 1,148,550 B shares (via Tisenhult-gruppen).
 Elected 2001.



Anna Almlöf

Board member
 Born: 1967.
 Edu: Bachelor of Science (Econ.).
 Vice President Services, Hiab AB. Board member of Precise Biometrics AB.
 Holding: 1,000 B shares.
 Elected 2016.



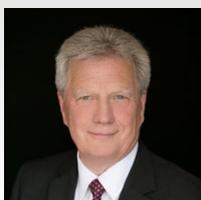
Fredrik Börjesson

Board member
 Born: 1978.
 Edu: Bachelor of Science (Econ.).
 President of Tisenhult-gruppen AB. Board member of Momentum Group AB and a number of companies within Tisenhult-gruppen AB.
 Holding: 17,000 B shares (own) and 2,677,782 A shares and 1,148,550 B shares (via Tisenhult-gruppen).
 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: None.
 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, Östanbäck's Timmerhus AB, Elgruppen i Borås 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: 220,634 A shares, 570,950 B shares and 146,500 call options on B shares.
 Elected 2006.

Auditors

Auditors appointed by the 2017 Annual General Meeting are the registered auditing company KPMG AB. Håkan Olsson Reising is appointed auditor in charge.

Holding refers to status per 31 May 2018.

Management



Jörgen Wigh
President and CEO
Born: 1965.



Magnus Söderlind
*Executive Vice President and
Head of Business Development*
Born: 1966.



Per Ikov
*CEO of Lagercrantz A/S and
M&A Lagercrantz Denmark*
Born: 1961.



Bengt Lejdström
CFO
Born: 1962.

Leaves 5 August 2018.



Carina Nordlöf
Group Controller
Born: 1968.



Thomas Alkbrant
CFO
Born: 1966.

As of 1 July 2018.



Ulf Gladh
Vice President Electronics
Born: 1961.



Bo Rasmussen
Vice President Electronics
Born: 1968.



Peter Baaske
Vice President Mechatronics
Born: 1975.



Marcus Käld
Vice President Mechatronics
Born: 1964.



Leif Åkesson
Vice President Communications
Born: 1958.



Daniel Reithner
Vice President Communications
Born: 1970.



Jonas Ahlberg
Vice President Niche Products
Born: 1966.



Caroline Reuterskiöld
Vice President Niche Products
Born: 1976.

Financial Performance in Summary

INCOME STATEMENT

Amounts in MSEK	2017/18	2016/17	2015/16	2014/15	2013/14
Net revenue	3,410	3,096	3,057	2,846	2,546
Operating profit before depreciation and amortisation	486	452	392	327	286
Depreciation and amortisation	-108	-91	-77	-51	-44
Operating profit	378	361	315	276	242
Financial income and expenses	-20	-10	-8	-11	-12
Profit after financial items	358	351	307	265	230
Taxes and non-controlling interests	-72	-77	-66	-62	-53
Net profit for the year	286	274	241	203	177

BALANCE SHEET

Amounts in MSEK	31 Mar 2018	31 Mar 2017	31 Mar 2016	31 Mar 2015	31 Mar 2014
Assets					
Intangible assets	1,958	1,479	1,307	983	880
Property, plant and equipment	251	224	206	167	140
Financial assets	11	10	10	11	9
Other current assets	1,278	1,056	992	865	810
Cash and cash equivalents and investments in securities	134	122	67	80	38
Total assets	3,632	2,891	2,582	2,106	1,877
Equity and liabilities					
Equity and non-controlling interests	1,303	1,197	1,032	917	805
Interest-bearing provisions and liabilities	1,236	750	673	450	379
Non-interest-bearing provisions and liabilities	1,093	944	877	739	693
Total equity and liabilities	3,632	2,891	2,582	2,106	1,877
Capital employed	2,539	1,947	1,705	1,367	1,184
Pledged assets and contingent liabilities	53	52	45	12	5

STATEMENT OF CASH FLOWS

Amounts in MSEK	2017/18	2016/17	2015/16	2014/15	2013/14
Profit after financial items	358	351	307	265	230
Adjustment for taxes paid and items not included in cash flow	-35	18	-18	-6	-15
Cash flow before changes in working capital	323	369	289	259	215
Cash flow from changes in working capital	-41	6	-32	9	16
Cash flow from operating activities	282	375	257	268	231
Cash flow from investing activities	-565	-255	-358	-166	-175
Cash flow from operating and investing activities	-283	120	-101	102	56
Cash flow from financing activities	295	-65	88	-60	-54
Cash flow for the year	12	55	-13	42	2

KEY RATIOS

Amounts in MSEK unless otherwise stated	2017/18	2016/17	2015/16	2014/15	2013/14
Change in revenue, %	10.1	1.3	7.4	11.8	9.4
Profit after taxes	286	274	241	203	177
Operating margin, %	11.1	11.7	10.3	9.7	9.5
Profit margin, %	10.5	11.3	10.1	9.3	9.0
Equity/assets ratio, %	36	41	40	44	43
Operating profit / Working capital (P/WC), %	52	58	58	58	55
Return on capital employed, %	17	20	21	22	22
Return on equity, %	23	25	25	24	24
Debt/equity ratio, times	0.9	0.6	0.6	0.4	0.4
Net debt/equity ratio, times	0.8	0.5	0.5	0.3	0.4
Interest coverage ratio, times	14	22	20	18	16
Net interest-bearing liabilities (+) / receivables (-)	1,035	565	551	302	285
Number of employees at year-end	1,387	1,247	1,230	1,139	1,010
Average number of employees	1,378	1,281	1,237	1,073	995
Payroll expenses incl. social security contributions	923	793	755	659	574
Revenue outside Sweden	2,151	1,940	1,991	1,931	1,676

PER SHARE DATA

	2017/18	2016/17	2015/16	2014/15	2013/14
Number of shares at year-end after repurchases ('000)	67,656	67,985	67,844	67,773	67,572
Weighted number of shares after repurchases ('000)	67,868	67,941	67,889	67,719	66,632
Weighted number of shares after repurchases and dilution ('000)	67,924	68,097	68,121	67,965	67,995
Operating profit per share, SEK	5.57	5.30	4.63	4.06	3.56
Earnings per share, SEK	4.21	4.03	3.55	3.00	2.62
Earnings per share after dilution, SEK	4.21	4.02	3.54	2.99	2.60
Cash flow from operations per share after dilution, SEK	4.14	5.51	3.77	3.94	3.40
Cash flow per share after dilution, SEK	0.16	0.81	-0.19	0.62	0.03
Dividend per share, SEK (Dividend for the year as proposed)	2.00	2.00	1.75	1.50	1.33
Equity per share, SEK	19.26	17.61	15.22	13.53	11.90
Latest price paid per share, SEK	83.50	87.00	77.50	52.67	42.33

DEFINITIONS**Average number of employees**

Average number of full-time employees during the year.

Capital employed

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

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.

Cash flow per share after dilution

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

Change in revenue

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

Debt/equity ratio

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

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.

EBITA

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

Equity/assets ratio

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

Equity per share

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

Interest coverage ratio

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

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.

Net interest-bearing liabilities/receivables

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

Operating margin

Operating profit as a percentage of net revenue.

Profit margin

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

Return on capital employed

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

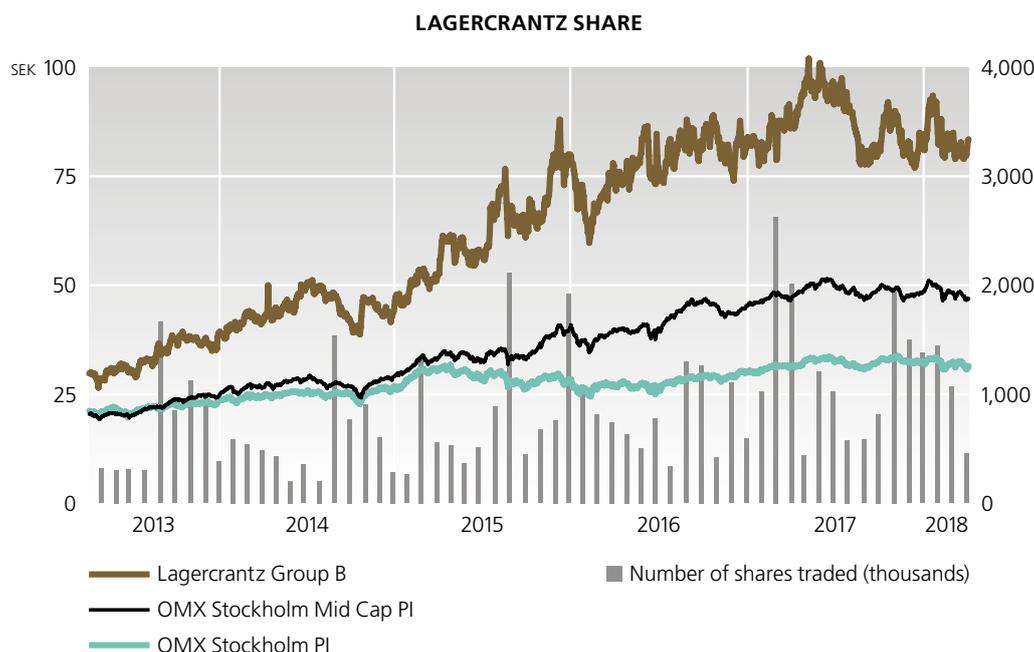
Return on equity

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.

The Share



Over a five-year period between 1 April 2013 and 31 March 2018, the market price of the Lagercrantz share has appreciated by 181 percent. The broad OMX Stockholm Price Index rose 130 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 48 percent.

The market price of the share as of 31 March 2018 was SEK 83.50 (87.00). During the 2017/18 financial year (April–March), the market price of the share fell by -4 percent (+12). During the same period, the OMX Stockholm Price Index fell by -1 percent (+16) and the OMX Stockholm Mid Cap PI Index fell by -1 percent (+17). Lagercrantz Group had a market capitalisation of MSEK 5,649 (5,915) as of 31 March 2018, 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 2017/18 financial year implies an increase to SEK 2.00 (2.00) per share. The total dividend corresponds to MSEK 135 (136).

TRADING OF THE SHARE ON THE STOCK EXCHANGE

During the financial year, 12.4 million (12.6) shares, equivalent to a value of MSEK 1,083 (1,043) were traded. The turnover rate for the number of outstanding shares was 18 percent (19). The average number of transactions per trading day in the Lagercrantz share was 187 (111).

REPURCHASE OF OWN SHARES

The 2017 Annual General Meeting authorised the Board of Directors to repurchase shares. During the 2017/18 financial year, repurchases were made of 396,600 (0) shares in total. A total of 67,800 repurchased Class B shares were sold for a total of MSEK 4 during the financial year in connection with redemption of options. At the end of the period, Lagercrantz Group held 1,863,500 Class B shares, equivalent to 2.7 percent of the total number of shares and 1.9 percent of the votes in the Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 32.24 per share.

LARGEST OWNERS IN LAGERCRANTZ GROUP, 31 MAY 2018

Owner	Number of A shares	Number of B shares	Holding	Votes
Anders Börjesson & Tisenhult-gruppen	2,677,782	1,148,550	5.5%	28.8%
SEB Investment Management		8,756,130	12.6%	9.0%
Didner & Gerge Funds		6,500,000	9.3%	6.7%
Swedbank Robur Funds		6,305,192	9.1%	6.5%
Lannebo Funds		5,546,583	8.0%	5.7%
Fidelity		3,275,313	4.7%	3.4%
ODIN Funds		3,101,440	4.5%	3.2%
Jörgen Wigh	220,634	570,950	1.1%	2.9%
Handelsbanken Funds		2,325,248	3.3%	2.4%
Säve family	60,000	1,310,000	2.0%	2.0%
Total 10 largest owners	2,958,416	38,840,406	60.1%	70.6%
Total other owners	305,386	25,552,219	39.9%	29.4%
Total excluding repurchased shares	3,263,802	64,392,625	100%	100%
Lagercrantz Group (repurchased)		1,833,000		
Total	3,263,802	66,256,125		

OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP, 31 MAY 2018

Number of shares	Number of owners	Holding	Votes
1–1,500	3,387	1.7%	1.2%
1,501–3,000	469	1.6%	1.1%
3,001–30,000	480	6.4%	5.2%
30,001–150,000	58	5.6%	5.7%
150,001–300,000	10	3.1%	2.2%
300,001–	7	53.7%	62.1%
Other owners	N/A	27.9%	22.5%
Total		100%	100%
Category	Number of owners	Holding	Votes
Swedish institutional owners	36	48.0%	34.3%
Swedish private individuals	4,122	23.6%	21.3%
Foreign institutional owners	26	13.4%	9.4%
Other owners	247	15.0%	35.0%
Total	4,431	100%	100%

Source: Monitor from Modular Finance AB. Compiled and processed data including from Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for foreign owners. Updated on 31 May 2018.

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