

# Annual Report 2013/14

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## Board of Directors Report

The Board of Directors and the President of Lagercrantz Group AB (publ), organisation number 556282-4556, hereby submit their Annual Accounts and Consolidated Financial Statements for the 2013/14 operating year. The Board of Directors Report also includes the Corporate Governance Report.

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

### BUSINESS

Lagercrantz Group AB (publ) and its subsidiaries is a technology group that offers value-adding technology, either with its own products or with products from leading suppliers. The Group is active in a number of product segments in several geographic markets. The Group consists of over 30 companies, each niche-oriented towards a specific submarket, a niche. Each subsidiary is a separate profit centre with responsibility for its chosen strategy. Common for all companies is that value creation is great, with a high degree of customisation, support and other services.

During 2013/14 the subsidiaries were organised in four divisions: Electronics, Mechatronics, Communications and Niche Products.

### NET REVENUE AND PROFIT

During the 2013/14 financial year the market was characterised by gradual, but slow improvement.

Consolidated net revenue increased by 9 percent to MSEK 2,546 (2,328). Acquired businesses contributed MSEK 147, which makes for organic growth of 3 percent for comparable units, measured in local currency.

A gradual improvement of sales during the financial year resulted in stronger organic growth during the third as well as the fourth quarters. Underlying organic growth during the first and second quarters was weakly negative, while it amounted to 7 and 8 percent, respectively, during the third and fourth quarters. These are historically good levels. Acquired business volume also contributed to the favourable development. The Scandinavian markets showed a good development for most of the Group's businesses. The German market was stable, while the Finnish market continued to be weak due to the state of the domestic economy.

Operating profit for the financial year increased by 14 percent to MSEK 242 (213). The operating margin increased to 9.5 percent (9.1). Currency effects on operating profit were MSEK -1 (-2) during the financial year.

Profit after net finance items increased by 15 percent to MSEK 230 (200), which is an all-time high for a twelve-month period. The earnings improvement is explained primarily by acquired units and a good development in several units of divisions Mechatronics and Niche Products. The sales mix moved in the direction of a larger proportion of proprietary products, which constituted 33 percent of sales and the margins are higher. Net finance items were impacted by currency effects in the amount of MSEK 0 (-1).

Profit after taxes for the financial year amounted to MSEK 177 (159). Profit after taxes for the preceding year was impacted in a positive direction by a one-time effect in the amount of MSEK 10, due to recalculation of deferred taxes based on the new corporate tax rate in Sweden.

Earnings per share after dilution for the 2013/14 financial year increased by 10 percent and amounted to SEK 7.81, as compared with SEK 7.07 for the 2012/13 financial year.

### PROFITABILITY AND FINANCIAL POSITION

The return on equity for the 2013/14 financial year was 24 percent (24) and the return on capital employed was 22 percent (23).

The Group's metric for return on working capital (P/WC) was 55 percent (52). This yardstick is measured over a 12-month period as operating profit divided by average working capital, where working capital consists of inventories, trade receivables and trade payables.

Equity per share stood at SEK 35.74 at the end of the period, compared to SEK 31.00 at the beginning of the financial year. Aside from profit, this metric was affected by dividend paid and currency-related translation effects.

The equity ratio stood at 43 percent compared to 44 percent at the beginning of the financial year.

At the end of the period the financial net indebtedness amounted to MSEK 285, not including the pension liability, compared to MSEK 248 not including the pension liability at the beginning of the year. The increase is primarily attributable to acquisition of businesses. The consolidated net debt equity ratio was 0.4, unchanged compared to the situation at the beginning of the year.

### CASH FLOW AND CAPITAL EXPENDITURES

The cash flow from operating activities during the financial year amounted to MSEK 231 (177). The difference compared to the year before is explained primarily by higher earnings and increased operating liabilities. Investments in non-current assets amounted to a gross of MSEK 45 (29) during the financial year.

During the financial year MSEK 2 was paid as additional consideration for previous acquisitions.

### NET REVENUE AND PROFIT BY DIVISION

#### Electronics

Net revenue for the 2013/14 financial year amounted to MSEK 691 (675). Sales of lighting-related products displayed a good development during the year and compensated for weaker sales of electronic components. Increased sales were also recorded in products for the medical and marine sectors. In Finland, however, some weakness was experienced due to the current general economic situation. Subsidiary Acte Supply was moved to division Electronics from division Mechatronics effective as of 1 April 2013. In connection therewith the name of the company was changed to Vanpee AB. Historical earnings data for the divisions have been adjusted accordingly.

Operating profit for the financial year amounted to MSEK 56 (48), equivalent to an operating margin of 8.1 percent (7.1). The earnings improvement is primarily due to an increased proportion of lighting products and increments due to acquisitions.

The business in EI-produkter AS was acquired during the third quarter. This company designs, markets and sells mostly LED lighting, including among other things, light dimensioning support. The products are sold under a proprietary trademark to the professional installer market in Norway. The company is headquartered in Ullsteinvik and has aggregate annual sales of approximately MNOK 50 with good profitability. The company is a part of division Electronics from December 2013.

#### Mechatronics

Net revenue for division Mechatronics for the 2013/14 financial year amounted to MSEK 750 (651). The strong sales performance was due primarily to increased sales of customised cabling in Sweden and to the wind power industry in Denmark, as well

as a positive development in electrical enclosures and electrical connection systems.

The operating profit for the financial year amounted to MSEK 108 (83), equivalent to an operating margin of 14.4 percent (12.7). The earnings and margin improvement is due in part to the acquisition towards the end of the third quarter 2012/13 of Elkapsling AB, in part to a good development in the electrical connection systems business, and in part to improved earnings in cable harness manufacturing during the financial year.

### Communications

Operating profit for the 2013/14 financial year amounted to MSEK 802 (785). Major market interest in the Group's offerings in camera surveillance was noted in the beginning of the year. Sales of software for computer-aided design also showed a good development. Demand was slightly weaker than last year in certain units, in part because of the weak Finnish market.

Operating profit for the financial year amounted to MSEK 51 (64), equivalent to an operating margin of 6.4 percent (8.2). The lower level of earnings is explained primarily by an increased proportion of sales of software for computer-aided design at lower margins. Sales of solutions for digital image processing/surveillance were also lower towards the end of the year, and profitability in the Finnish market was low.

### Niche Products

Net revenue for the 2013/14 financial year amounted to MSEK 303 (217). Revenue was impacted in a positive direction by acquisitions, increased sales of projects in areas such as infrastructure, and by a positive development of sales of storage and exposure solutions.

Operating profit amounted to MSEK 45 (35), equivalent to an operating margin of 14.9 percent (16.1). The earnings improvement is due primarily to acquisitions, increased project sales in certain units and to increased sales of storage and exposure solutions.

The business in Frontwall i Anderstorp AB was acquired during the first quarter in an asset purchase by Lagercrantz Group's subsidiary Steelo AB (formerly Svensk Stålinredning AB). Frontwall is a niche player that designs and delivers store interiors, among them so-called shop-in-shop solutions and product displays. Most customers are product suppliers who wish to gain exposure for their products with various retailers in an easy-to-access and selling manner. During 2012 Frontwall has sales of over MSEK 30 and is a part of division Niche Products from June 2013.

The business in Asept International AB was acquired during the second quarter. Asept is a niched product company that offers dispenser systems mainly used for liquid foods. The patented products are found among global food producers, restaurant chains and others with a need for customised packaging and dispenser solutions. Asept has aggregate annual sales of about MSEK 65 with good profitability and is a part of division Niche Products since August 2013.

### PARENT COMPANY

The Parent Company's internal net revenue for the financial year amounted to MSEK 34 (30) and profit after net finance items was MSEK 162 (140). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK 3 (-4) and dividend income from subsidiaries in the amount of MSEK 149 (138). Investments in capital assets amounted to MSEK 1 (0).

Available credit facilities were increased by MSEK 200 during the year. MSEK 400 of the Parent Company's total credit facility of MSEK 700 is in the form of a committed credit facility and MSEK 300 as an additional credit facility. MSEK 308 of the total credit facility was utilised at the end of the period (268). The Parent Company's liquidity ratio was 54 percent (53).

### EMPLOYEES

At the end of the period the number of employees in the Group

was 1010, which can be compared to 932 at the beginning of the financial year. During the financial year 38 employees were added via acquisitions.

### SHARES, REPURCHASES AND MAJOR SHAREHOLDERS

The share capital amounted to MSEK 48.9 at the end of the period. As of 31 March 2014 the distribution on classes of shares was 1,091,966 class A shares and 22,081,343 class B shares, for a total of 23,173,309 shares outstanding. The class A share is not listed. The quotient value per share is SEK 2.11. The Articles of Association allow for conversion of class A shares to class B shares. No shares were converted during the year.

The 2013 Annual General Meeting resolved to authorise the Board of Directors to repurchase shares up to 10 percent of the total number of shares outstanding until the next Annual Meeting. Repurchases shall be made via the stock exchange. Among other things, the mandate included the option of covering the Company's obligations under incentive programmes, under which purchase options on repurchased shares have been acquired by members of senior management and key persons in the Group. During the financial year 101,000 own B shares were repurchased for a total of MSEK 11, at an average price of SEK 104.93. A total of 105,250 Class B shares were sold for a total of MSEK 4 during the financial year in connection with redemption of options. In addition, 136,750 outstanding options for a total of MSEK 8 and MSEK 2 were received in connection with subscription for new call options.

At the end of the period Lagercrantz Group owned 649,050 class B shares, equivalent to 2.8 percent of the number of shares outstanding and 2.0 percent of the votes in Lagercrantz Group. The average acquisition cost of the shares held in treasury is SEK 43.17 per share. Repurchased share cover, inter alia, the Company's obligation under outstanding call option programmes for repurchased shares, where a total of 545,500 options have been acquired by members of senior management. This refers to awards in 2011, 2012 and 2013 of options still outstanding. The redemption price for each respective programme is SEK 57.20, SEK 70.30, and SEK 125.40 per share.

During the 2013/14 financial year 225,000 options with a redemption price of SEK 125.40 were issued in accordance with the resolution of the 2013 Annual General Meeting. These options were acquired by members of senior management in the Group for a total of MSEK 2.

During the first six months of the year incentive programmes based on options on repurchased class B shares acquired by members of senior management in the Group during 2010 were redeemed. In connection with the redemption a total of 97,950 class B shares held in treasury were sold for a total of MSEK 4. In addition, 59,550 outstanding options were repurchased for a total of MSEK 4. No outstanding options remain under this programme.

During the third quarter parts of the incentive programmes based on options on repurchased class B shares acquired by members of senior management in the Group during 2011 were redeemed. In connection with the redemption of options a total of 7,300 class B shares held in treasury were sold. In addition, 77,200 outstanding options were repurchased for a total of MSEK 4.

Two shareholders held more than ten percent of the votes as of 31 March 2014: Anders Börjesson with family with 16.5 percent and Tom Hedelius with family with 14.8 percent. Lannebo Fonder, with 12.3 percent of the capital, was the largest owner in terms of number of shares owned.

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

### CERTAIN AGREEMENTS

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

## ACQUISITIONS

A total of three acquisitions of businesses were made during the financial year.

During the first quarter the business in Frontwall i Anderstorp AB was acquired in an asset purchase by Lagercrantz Group's subsidiary Steelo AB. Frontwall is a niched player that designs and delivers store interiors, among other things so-called shop-in-shop solutions and product displays. The company is a part of division Niche Products since June 2013.

During the second quarter the business in Asept International AB was acquired. Asept is a niched product company that offers dispenser systems, mainly used for liquid foods. The company is a part of division Niche Products since August 2013.

During the third quarter the businesses in El-produkter AS was acquired. The company designs, markets and sells primarily LED lighting, including among other things light-dimensioning support. The company is a part of division Electronics since December 2013.

Estimated consideration for the businesses acquired during the financial year amounted to MSEK 164. This amount includes contingent consideration in the amount of MSEK 31 for the companies, which is 55 percent of maximum outcome. The outcome depends on the profit achieved by the companies.

Transactions costs for the acquisitions made during the period amounted to MSEK 1, included in Administrative expenses in the income statement.

The acquisitions added MSEK 63 in goodwill and MSEK 76 in other intangible non-current assets, relating mostly to trademarks, patents and products. The deferred tax liability related to the acquisition amounted to MSEK 19.

The effect of the acquisitions on consolidated revenue during the financial year is MSEK 74 and the effect on profit before taxes is MSEK 5 after acquisition costs. Had the acquired units been consolidated as of 1 April 2013, the effect on revenue and profit before taxes would have been MSEK 133 and MSEK 13, respectively, after acquisition expenses. The acquisition analysis for the acquired businesses is presented in Note 38.

## TRANSACTIONS WITH CLOSELY RELATED PARTIES

Transactions between Lagercrantz and closely related parties with a significant impact on the Company's financial position and results have not occurred, aside from the issuance of options as reported under Distribution of Shares above.

## SOCIAL RESPONSIBILITY

The business of Lagercrantz Group is based on long-term and close relationships with customers and suppliers, as well as strong ethics and great respect for all individuals within 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. During the year the Group developed new business ethics guidelines (Code of Conduct) for how employees, customers and other stakeholders should be treated in a lawful, fair and ethical manner.

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

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

## ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participating in a sustainable development is an important prerequisite for the Group's business. The principal activity consists of trading and distribution and some companies in the Group have their own manufacturing operations. The Group's impact on the environment is limited and is mainly associated with transportation of finished goods, business travel and waste management. The Group's companies are continually working on reducing the environmental impact of their operations. Environmental work is conducted locally, based on the specific conditions for each individual company.

All the Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for renewed use and recycling of materials and energy, and also prevent and limit environmental pollution. The ambition is to be sensitive to customers' and suppliers' wishes, thereby meeting the market's demands for proactive environmental work. Several of the companies in the Group work with quantitative goals in their environmental efforts. In four subsidiaries the Group conducts business that requires a permit under the Swedish Environmental Act. There are no known threats from an environmental viewpoint that could jeopardise these operations.

## RESEARCH AND DEVELOPMENT

In the interest of strengthening and developing Lagercrantz Group's position in its areas of operation, the Group assigns resources primarily to development of different solutions for customers and co-operation partners, products, and certain building of proprietary trademarks. Activities during 2013/14 included product development in particular. Development is performed in close co-operation with the customer and always based on an identified customer need. No pure research is conducted in the Lagercrantz Group.

Expenditure for research and development increased slightly during the year, but still accounts for less than one percent of revenue. Expenses consist of the ongoing costs for product development and also for amortisation of investments in new products and acquired intangible assets.

## RISKS AND UNCERTAINTY FACTORS

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

Financial and political uncertainties are the most palpable uncertainty factors for Lagercrantz Group. The unrest in financial markets, and the broad economic slowdown during 2008–2009, had a negative effect on demand for several of the Group's companies. A number of measures were therefore taken in the Group during 2008–2009 in areas including costs, working capital, and capital expenditures. When demand subsequently grew stronger in the beginning of 2010/11, the Group had a good position, with reduced costs and a strong financial position, all of which had a positive effect on the Group during the ensuing years.

The business climate during 2013/14 was marked by stability and gradual but slow improvement. Initially, the volumes for components stabilized, then increased slowly. Project-related sales started to show growth only during the latter part of the year. Underlying organic growth for the first two quarters was weakly negative, but during the third and fourth quarters organic growth was 7–8 percent.

### *Economic situation*

Lagercrantz Group is affected by the overall economic development, typically measured in terms of GDP growth.

Since Lagercrantz Group almost exclusively sells its products and services to companies and government agencies, it is primarily these entities' purchasing plans that affect Lagercrantz Group. Lagercrantz Group tries to meet the risks that result from cyclical changes in the economy by sector diversification, niche focus and its decentralised structure. Sector diversification means that, seen across the entire Group, its customers will find themselves in different phases of an economic cycle. As a consequence of the Group's niche focus, the Group is less dependent on one or a few end markets for its growth and profitability. This means that cyclical changes in one sector or one country may have an impact on an individual company niched towards parts of this sector or geographic area, but will have less effect on the Group's overall development. The decentralised structure means that it is the responsibility of the individual profit centres to keep on top of their respective markets and take action quickly when fluctuations in the market situation are seen.

#### *Structural changes*

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

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

#### *Supplier and customer dependence*

Dependency on individual suppliers is one of the most significant operational risks for an individual subsidiary to handle. 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 hurt the company, especially in the short term, before alternatives have been located. In order to minimise this risk, the subsidiaries work closely with their suppliers so as to create strong relationships at multiple levels. All subsidiaries are also actively working 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 follow-up 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. A number of supplier agreements expire and are added each year in the normal course of business, however. Only one supplier represents more than about five percent of the Group's aggregate sales.

Lagercrantz Group has a broad customer structure, spread over a number of industry segments and geographic markets. No customer represents more than 5 percent of the Group's aggregate sales.

#### *Competitive situation*

Lagercrantz operates in an environment of global competition. New technological solutions and efficiency improvements exert relentless pricing pressures and requirements for renewal. 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 respective niche Lagercrantz Group attempts to assume a unique position by great 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 as well as the long term.

#### *Seasonal variations*

Lagercrantz Group's business is only to a limited extent marked 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 below half of the profit is generated during the first two quarters, and just over half during the last two quarters of the financial year, April to September, and more than half during the last two quarters of the financial year, October to March. In lockstep with the change in the Group's structure prompted by a growing share of export-related business, the seasonal pattern has been evened out to a large extent.

#### *Financial risks and sensitivity analysis*

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

### **CORPORATE GOVERNANCE REPORT**

Starting with the 2009/10 financial year, the Board of Directors of Lagercrantz Group prepares a statutory corporate governance report in accordance with the Swedish Annual Accounts Act (1995:1554), chapter 6, sections 6–9, which is subject to review by the Company's auditor. In addition hereto Lagercrantz Group applies the Swedish Code for Corporate Governance in accordance with the revised code that came into force 1 February 2010. Since the legislation and the code partially overlap, Lagercrantz Group in the following provides a report that takes the Swedish Annual Accounts Act as well as the Swedish Code for Corporate Governance into account. The Company adheres to the Code in all essential aspects. In four respects (two of which are found in the section on Election Committee, one in the section on Audit Committee, and one in the section on incentive programmes) an explanation is offered for the deviations. The report also contains an account of the work of the Election Committee leading up to the 2014 Annual Meeting.

#### **Corporate governance structure**

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

The Swedish Companies Act contains basic rules for the Company's organisation. The Swedish Companies Act stipulates that there should be three decision-making 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 a General Meeting of Shareholders.

#### **Shareholders**

As of 31 March 2014 the number of shareholders was 3,347, compared to 3,453 at the beginning of the financial year.

Private individuals owned 32 percent (34) of the number of shares outstanding and 51 percent (52) of the votes in the Company. The remaining shares were owned by legal entities, primarily mutual funds, insurance companies and pension funds. Foreign shareholders owned 19 percent (19) of the shares outstanding and 13 percent (13) of the votes. The holding of the ten largest shareholders was 59 percent (58) of the shares outstanding and 68 percent (68) of the votes.

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

### General Meeting 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 the proceedings of and to vote their shares at the General Meeting in accordance with the provisions of the Articles of Association.

Lagercrantz Group's regularly scheduled Annual General Meeting shall be held in Stockholm within six months of the end of the financial year. The Annual General Meeting appoints the Board of Directors and the auditors and sets their fees. The Annual General Meeting also adopts the financial statements, decides on the allocation of earnings and on discharge from liability for the Board of Directors and the President, and decides on other matters that according to the Articles of Association or legislation should be brought before the General Meeting.

The Articles of Association have been adopted by the General Meeting. This document stipulates that the Company's shares have been issued in two classes, where class A shares entitle their holder to 10 votes and class B shares to 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 12,500,000 and the maximum number of shares outstanding shall be 50,000,000. Both classes of shares confer the same rights on its holders with respect to the Company's assets and profit. The Articles of Association allows for conversion of class A shares into class B shares. The Articles of Association also stipulate that the Company's Board of Directors shall consist of not less than three and not more than nine directors, and regulates the forms of notice for General Meeting.

Notice for Annual General Meeting, and notice for Extraordinary General Meeting, where an amendment of the Articles of Association will be on the agenda, shall be issued not more than six weeks and not less than four weeks before such Meeting. Notice for other Extraordinary General Meeting shall be issued not more than six weeks and not less than two weeks before such Meeting. The notice to attend shall be published in Post och Inrikes Tidningar and Dagens Industri and shall be available at the Company's website.

Shareholders who wish to participate in the proceedings of the Annual General Meeting shall (i) be entered in a transcript or other version of the entire share register showing the state of affairs five weekdays before the General Meeting and (ii) give notice to the Company for him- or herself and up to two assistants not later than at 3:00 p.m. on the date set forth in the notice for the General Meeting.

Since 2005, the Annual General Meeting has also determined the form for how an election committee is to be appointed.

### 2013 Annual General Meeting

The 2013 Annual Meeting was held 27 August in Stockholm. Notice for the Meeting was published 23 July 2013 in Dagens Industri and Post och Inrikes Tidningar, and was announced the same day in a press release. At the Meeting shareholders representing 8.8 million shares and 17.8 million votes, respectively,

were present. This is equivalent to 39 percent of the number of shares outstanding and 55 percent of the votes in the Company.

Resolutions passed by the General Meeting included the following:

- A dividend of SEK 3.25 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 2012/13.
- All directors and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee. The number of directors was also increased by one, to a total of seven persons.
- Fees for the Board of Directors and the auditors were determined.
- Routines were established for appointment of an election committee in preparation for the next Annual General Meeting.
- Principles for remuneration and other terms of employment for senior management were resolved.
- In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that the Company – in a departure from the pre-emptive rights of shareholders – to offer managers and members of senior management to acquire up to 225,000 call options on repurchased class B shares.
- The Board of Directors was authorised to acquire and sell shares in the Company, representing up to 10 percent of the shares – on one or more occasions – during a period ending immediately before the next following Annual General Meeting.

### Board of Directors

It is the duty of the Board of Directors to manage the affairs of the Company in the best possible way and in so doing look after the interests of the shareholders. Lagercrantz Group AB's Board of Directors consisted during 2013/14 of seven regular members who together represent broad commercial, technical and public experience:

- Anders Börjesson, Chairman
- Tom Hedelius, Vice Chairman
- Pirkko Alitalo
- Marika Rindborg Holmgren (from August 2013)
- Lennart Sjölund
- Roger Bergqvist
- Jörgen Wigh, President & Chief Executive Officer

A detailed presentation of the members of the Board of Directors, including information about other assignments, will be found on page 39. Other members of management of the Group participate in Board of Directors meetings as reporters or Secretary.

### Chairman of the Board of Directors

The Chairman of the Board of Directors leads the work of the Board of Directors and has a special responsibility to follow the Company's development between the Board of Directors meetings, and to ensure that the members of the Board of Directors are provided with the information necessary to perform satisfactorily. The Chairman maintains ongoing contact with corporate management and holds meetings with them as needed. The Chairman is also responsible for evaluation of the work of the Board of Directors and for the Election Committee being informed of the result of such evaluation.

### Work of the Board of Directors

The Board of Directors held eight meetings during the 2013/14 operating year during which minutes were taken, one of which was a statutory Board of Directors meeting in conjunction with Annual Meeting. The work of the Board of Directors follows rules of procedure that are confirmed on an annual basis. These rules of procedure lay down the division of labour between the Board of Directors and the President, the Chairman's and the President's responsibility, and the forms for the financial reporting.

The President is a member of the Board of Directors and presents reports at Board of Directors meetings. The Board has appointed the Group's Chief Financial Officer to serve as Secretary. The Board of Directors has a quorum when at least four directors are present and, where possible, decisions are made after discussion that leads to consensus. The Board of Directors was in full attendance at all meetings during the year.

During regularly scheduled Board of Directors Meetings the Company's economic and financial position are dealt with; one item on the agenda deals with acquisitions. The Board of Directors is kept informed by way of information in writing about the Company's business and other relevant information.

During 2013/14 the Board of Directors devoted special attention to acquisition issues, market development and business model. One extra Board of Directors meeting was held solely aimed at discussing the Group's position and strategy.

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

- Agenda and material for the Board of Directors
- Number of meetings
- Strategic plan and orientation
- Review of Auditing
- Competence
- Work of the Chairman

The Board of Directors dealt with the most recent evaluation during a meeting in the month of January 2014. 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 members of corporate management.

The total fee to the Board of Directors of Lagercrantz Group for 2013/14 amounted to SEK 1,558,000 (1,300,000). In accordance with an Annual Meeting resolution, the Chairman of the Board of Directors received SEK 440,000 (400,000), the Vice Chairman SEK 330,000 (300,000) and the other directors who are not employees of the Company received SEK 220,000 (200,000) each. Refer to Note 6.

#### Compensation Committee

The Board of Directors has appointed a compensation committee within itself with the task of preparing the proposal of the Board of Directors for the Annual Meeting's guidelines for compensation to the President and CEO, and other members of senior management. The Committee also has the task of following up on and implementing the resolutions of the Annual Meeting with respect to principles for compensation to members of senior management. During 2013/14 the Compensation Committee consisted of Anders Börjesson, Chairman of the Board of Directors, and Tom Hedelius, Vice Chairman of the Board of Directors. The President & CEO presents reports but does not participate in matters concerning him. The Compensation Committee held one meeting during the year. The Committee was in full attendance at this meeting.

#### Audit Committee

The Board of Directors has appointed an audit committee, the duty of which is to analyse and discuss the Company's risk management, governance and internal control. During 2013/14 the Committee consisted of all directors with the exception of the President & CEO. In the opinion of the Board of Directors, this is most appropriate in view of Lagercrantz Group's size and business. The Audit Committee maintains contact with the Company's auditors to discuss the orientation and scope of the audit work. In connection with the adoption of the annual accounts, the Company's auditors report on their observations during the course of their audit and their assessment of the internal control. At its disposal the Audit Committee also has an internal control group.

The Committee held one meeting during the year. The Committee was in full attendance at this meeting.

Because of the structure with an internal control group that supervises and reports discrepancies to the Committee, and the extensive work that a traditional examination by the Company's auditors would entail, the Board of Directors has chosen to deviate from the recommendation of the Swedish Code of Corporate Governance calling for a review of the semi-annual report or the third quarter interim report.

#### Auditors

Registered Audit Company KPMG AB was elected to serve as auditor at the 2013 Annual General Meeting. The audit firm has appointed Joakim Thilstedt, Authorised Public Accountant, to serve as auditor in charge.

In order to ensure oversight and control by the Board of Directors, it is annually given an opportunity to voice its opinion on the auditors' planning of the audit's scope and focus. After completing its review of internal control and accounting records, the auditors report on their findings at the Board of Directors meeting in May. In addition hereto, the auditors are offered to attend Board of Directors meetings when the Board of Directors or the auditors feel that there is a need.

The independence of the auditors is ensured by the audit firm's internal guidelines. Their independence has been confirmed to the Audit Committee.

#### Management

The Chief Executive Officer and Group management draw up and implement Lagercrantz Group's over-arching strategies and deal with issues such as acquisitions, disposals and major capital 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 decisions and guidelines of the Board of Directors.

Lagercrantz Group's Group management consists of the President, Executive Vice President and the Group's Chief Financial Officer. The management team consists of Group management and division heads/business area managers, in total eight persons who constitute the Group's senior management. A detailed presentation of the management team will be found under Management on page 39. The management team meets on a monthly basis to discuss the Group's and the subsidiaries' results and financial position, as well as issues pertaining to strategy, result follow-up, forecasts and the general development of the business. At these meetings the Group Controller is also present. Among the tasks are also issues concerning acquisitions, joint projects, consolidated financial reporting, communication with the stock market, internal and external communication, and co-ordination and follow-up of security, environment and quality.

#### Compensation to senior management

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

Guidelines adopted for compensation of members of senior management as resolved by the 2013 Annual General Meeting and information about existing incentive programmes are set forth in Note 6 of this Annual Report and are summarized below.

The aggregate compensation must be in line with market conditions as well as competitive, and should be commensurate with responsibility and authority. The annual variable portion of the compensation should be maximised to about 40 percent of the fixed salary. The variable portion should also be based on actual performance relative to set goals, and on individual performance.

The retirement age shall be 60–65 years and in addition to the ITP plan, there should in the normal instance only be defined contribution pension plans. In case of termination, there may be severance pay equivalent to a maximum of one year's salary.

There shall be no other share-price-based incentive programmes than the present and to the Annual Meeting proposed incentive programme.

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

The proposal of the Board of Directors to the 2014 Annual General Meeting for guidelines for compensation to members of senior management is that the principles for compensation to the President & CEO and other senior managers should be unchanged.

### Operative governance

The Group's operative activities are handled in subsidiaries of the Lagercrantz Group. There is active board-of-directors work in all subsidiaries under the management of division heads. Subsidiary boards of directors follow day-to-day operations and set business plans. Operations are conducted in accordance with the rules, guidelines and policies adopted by Group management, and by guidelines instituted by each respective subsidiary Board of Directors. Subsidiary chief executives are charged with profit centre and profitability responsibility for their respective companies, as well as responsibility to secure growth and development in their respective companies. Allocation of investment capital in the Group is determined following a decision by parent company Lagercrantz Group's Board of Directors in accordance with an annually updated capital expenditure policy.

Operative governance in the Lagercrantz Group is distinguished by clear demands from Group management and considerable liberty for each respective subsidiary to make decisions and act to fulfil set goals.

### Internal control

The purpose of internal control is to ensure that the Company's strategies and goals are followed up and that the investment of the shareholders is protected. A secondary purpose is to ensure Group-wide accurate and relevant information to the stock market in compliance with generally accepted accounting principles in Sweden, laws, regulations and other requirements on listed companies. The Board of Directors of Lagercrantz Group has delegated the practical responsibility to the President & CEO, who in turn has allocated the responsibility to the other members of senior management and to subsidiary chief executives.

Control activities take place in the entire organisation at all levels. Follow-up is included as an integrated element of management's day-to-day work.

For the financial reporting there are policies and guidelines, and also automatic control in systems as well as reasonability assessment of flows and amounts.

Management makes regular assessments of any new financial risks that may arise and the risk for errors in the existing financial reporting. To its aid in this regard, management has an internal control group consisting of persons from the finance department. The group is charged with responsibility to review the Group's internal control routines and compliance therewith, and report its observations and recommendations to the Audit Committee.

Controls are made taking transaction flows, staffing and control mechanisms into account. There is focus on possible errors in the financial reporting with respect to significant earnings and balance sheet items and areas where there is a risk that the consequences of any errors would be considerable.

The Board of Directors is of the opinion that a trading operation of Lagercrantz Group's scope, in a decentralised organisation, in a well-defined market, does not require a more extensive review function. The Board of Directors makes a renewed assessment of this issue on an annual basis.

So as to ensure good capital market communication, the Board of Directors has adopted a communications policy. This policy dictates what should be communicated, by whom and how. The basic premise is that regular financial information is provided in the form of:

- Press releases about significant events or 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 suggest directors, Chairman of the Board of Directors and auditors and to suggest the fees for directors, the Chairman and the auditors in such a way that the Annual General Meeting can make well-founded decisions. At the Annual General Meeting 2012 the principles for the Election Committee's mandate were decided, and how the Committee shall be appointed. This shall be valid until the Annual General Meeting decides otherwise. Therefore the principles of Annual General Meeting 2012 still apply for 2013, meaning that the Chairman of the Board was given the assignment of contacting the largest shareholders by vote before 31 December 2013, requesting them to appoint candidates, thereby forming an election committee together with the Chairman of the Board of Directors. In accordance herewith, an election committee was formed consisting of:

- Anders Börjesson, Chairman
- Tom Hedelius, Vice Chairman
- Martin Wallin (representing Lannebo Fonder)
- Johan Strandberg (representing SEB Fonder)
- Jens Barnevik (representing Didner & Gerge Fonder)

The Election Committee has access to the evaluation made by the Board of Directors of its work, and information about the Company's business and strategic orientation. The suggestions of the Election Committee as well as its motives will be published in connection with the notice for the Annual General Meeting and will also be made available at the Company's website. The mandate period of the Election Committee lasts until a new election committee has been appointed. No fees are payable for election committee work.

In a deviation from the Swedish Code of Corporate Governance, the Chairman of the Board of Directors, Anders Börjesson, has also held the post of Chairman of the Election Committee. Tom Hedelius, Vice Chairman of the Board, has also been a member of the Election Committee. The explanation for this deviation is that Anders Börjesson and Tom Hedelius also are the Company's largest owners in terms of votes. Lagercrantz Group's strategic orientation, as well as its business and governance model, is based on aspects such as strong engagement and know-how on the part of the Company's principal owners. This approach permeates Lagercrantz Group's corporate culture and has proved to be vital for the Group's successful development.

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

### Incentive programme

A long-term incentive programme has been in place since 2006 for managers and members of senior management in the Group in accordance with an Annual Meeting resolution. The purpose of the programme is to raise motivation and create participation for managers and members of senior management regarding the opportunities for the company's development. The object of the programme is also to motivate managers and members of senior management to continued employment in the Group.

The programme is a revolving programme based on call options on repurchased Class B shares held in treasury. Options have been issued in 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 based on the decision by the Annual General Meeting each year. The 2011, 2012 and 2013 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 Code of Corporate Governance. The purpose of this is to allow redemption on several occasions. A complete description of outstanding option programmes will be found in Note 6.

#### EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

No events of significance for the Company have occurred since the date of the statement on financial position, 31 March 2014.

#### FUTURE DEVELOPMENT

The Group's two most important tasks for the future are to continue developing existing businesses, also focusing on growth, organically as well as through acquisitions.

Financial and political challenges exist in many parts of the world. Lagercrantz Group has its main exposure to Nordic industry, where the situation has been, and is expected to continue to be, stable. Albeit Lagercrantz Group always has a cautious attitude and follows the changes in the surrounding world diligently, the Group has its sight set on growth.

Since the Group has been working on lowering its costs and increasing its added value, improved profitability has been created and the Group now stands well prepared for the future. To this is added the revenue and profit that follows from successful acquisitions. The Group's ambition is to continue increasing the element of proprietary products, primarily through acquisitions.

#### DIVIDEND

The Board of Directors proposes a dividend of SEK 4.00 (3.25) per share. The dividend is equivalent to a total of MSEK 90 (73) and constitutes 51 percent (46) of the year's profit. 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 leaves room for the Group to fulfil its obligations and to make the necessary capital expenditures.

#### PROPOSED ALLOCATION OF EARNINGS

The Board of Directors proposes that the funds available for distribution, SEK 707,149 thousand, are allocated as follows:

Dividend to the shareholders, SEK 4.00 × 22,524,259 shares*	90,097
To be carried forward	617,052
<b>Total</b>	<b>707,149</b>

\*Based on the total number of shares outstanding as of 31 March 2014. The total dividend amount is subject to change until the record day, depending on share buybacks 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 capital expenditures.

#### BOARD ASSURANCE

The consolidated and the Parent Company income statements and the consolidated statement of financial position and the Parent Company's balance sheet will be subject to approval at the Annual General Meeting to be held 26 August 2014. We regard the consolidated financial statements as prepared in accordance with the international financial reporting standards referred to in regulation (EG) No. 1606/2002 of 19 July 2002 of the European Parliament and the Council on the application of international financial reporting standards and as providing a true and fair view of the financial position and performance of the Group. The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and, we consider, provide a true and fair view of the financial position and results of the Parent Company. The Board of Directors Report for the Group and the Parent Company provides a true and fair overview of the business activities, financial position and results of the Group and the Parent Company and describes the significant risks and uncertainty factors facing the Group and the Parent Company.

Stockholm 25 June 2014

Anders Börjesson  
Chairman of the Board

Tom Hedelius  
Vice Chairman of the Board

Pirkko Alitalo  
Director

Roger Bergqvist  
Director

Lennart Sjölund  
Director

Marika Rindborg Holmgren  
Director

Jörgen Wigh  
President and Director

Our audit report was submitted on 25 June 2014

KPMG AB

Joakim Thilstedt  
Authorised Public Accountant

## Consolidated Income Statement

Amounts in MSEK	Note	2013/14	2012/13
Net revenue	3, 4	2,546	2,328
Cost of goods sold		-1,741	-1,617
<b>Gross profit</b>		<b>805</b>	<b>711</b>
Other operating income	7	15	21
Selling costs		-409	-364
Administrative expense		-161	-146
Other operating expenses	8	-8	-9
<b>Operating profit</b>	3, 5, 6, 9, 10, 13	<b>242</b>	<b>213</b>
<i>Profit from finance items</i>			
Financial income	11	3	3
Financial expense	12	-15	-16
<b>Profit before taxes</b>	13	<b>230</b>	<b>200</b>
Taxes	14	-53	-41
<b>Profit for the year</b>		<b>177</b>	<b>159</b>
Earnings per share after dilution, SEK	40	7.81	7.07
Earnings per share, SEK	40	7.85	7.09
Number of shares outstanding after repurchases ('000)		22,524	22,520
Weighted number of shares outstanding after the period's repurchases adjusted for dilution ('000)		22,665	22,501
Weighted number of shares outstanding after the period's repurchases ('000)		22,544	22,426
Proposed dividend per share, SEK		4.00	3.25

## Other Consolidated Comprehensive Profit

Amounts in MSEK	Note	2013/14	2012/13
Profit for the year		177	159
<b>Other comprehensive profit</b>			
<i>Items transferred or eligible for transfer to profit for the period</i>			
Change in translation reserve		13	-23
<i>Items not eligible for transfer to profit for the period</i>			
Actuarial gains and losses		3	-
Income tax relating to actuarial gains and losses		-1	-
Revaluations of defined benefit pension plans		-	2
<b>Comprehensive profit for the year</b>		<b>192</b>	<b>138</b>

## Consolidated Statement of Financial Position

Amounts in MSEK	Note	2014-03-31	2013-03-31
<b>ASSETS</b>	3		
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>			
Goodwill	15	584	515
Trademarks	16	170	129
Other intangible assets	17	126	99
		<b>880</b>	<b>743</b>
<i>Tangible non-current assets</i>			
Buildings, land and land improvements	18	49	48
Leasehold improvements	19	1	1
Plant and machinery	20	58	47
Equipment, tools, fixtures and fittings	21	32	29
		<b>140</b>	<b>125</b>
<i>Financial non-current assets</i>			
Other long-term receivables	24, 33	2	2
		<b>2</b>	<b>2</b>
<i>Deferred tax asset</i>			
Deferred tax asset	31	7	8
		<b>7</b>	<b>8</b>
<b>Total non-current assets</b>		<b>1,029</b>	<b>878</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>	25		
Raw materials and supplies		82	73
Work in progress		30	21
Finished goods and merchandise		167	138
		<b>279</b>	<b>232</b>
<i>Short-term receivables</i>	33		
Trade receivables	26	439	362
Recognised but not invoiced income	27	11	20
Tax assets		19	22
Other receivables		34	32
Prepaid expenses and accrued revenue		28	23
		<b>531</b>	<b>459</b>
Cash and cash equivalents	33	38	36
<b>Total current assets</b>		<b>848</b>	<b>727</b>
<b>TOTAL ASSETS</b>		<b>1,877</b>	<b>1,605</b>

# Consolidated Statement of Financial Position

Amounts in MSEK	Note	2014-03-31	2013-03-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Other contributed capital		345	345
Reserves		-28	-41
Retained earnings		439	346
<b>Total equity attributable to the Parent Company's equity holders</b>		<b>805</b>	<b>699</b>
<b>Long-term liabilities</b>	3, 33, 34		
<i>Long-term interest-bearing liabilities</i>			
Provision for pensions	30	56	59
Liabilities to credit institutions	34	53	4
Other long-term interest-bearing liabilities		-	1
		<b>109</b>	<b>64</b>
<i>Long-term non-interest-bearing liabilities</i>			
Deferred tax liability	31	99	82
Other provisions	32	3	2
		<b>102</b>	<b>84</b>
<b>Total long-term liabilities</b>		<b>211</b>	<b>148</b>
<b>Current liabilities</b>	3, 33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	262	272
Liabilities to credit institutions	34	8	7
		<b>270</b>	<b>279</b>
<i>Current non-interest-bearing liabilities</i>			
Advance payments from customers		3	1
Trade payables		265	196
Tax liabilities		24	30
Other liabilities		178	143
Accrued expenses and prepaid income		119	107
Provisions	32	2	2
		<b>591</b>	<b>479</b>
<b>Total current liabilities</b>		<b>861</b>	<b>758</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,877</b>	<b>1,605</b>

## GROUP'S PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in MSEK	Note	2014-03-31	2013-03-31
<b>Pledged assets</b>			
<i>For own liabilities and provisions</i>			
Corporate mortgages	34	1	6
		<b>1</b>	<b>6</b>
<b>Guarantees</b>			
Guarantees, FPG/PRI	39	1	1
Guarantees, other		3	6
		<b>4</b>	<b>7</b>

## Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other contributed capital	Translation reserve	Retained earnings	Total equity
<b>2014-03-31</b>					
Opening balance	49	345	-41	346	699
<b>COMPREHENSIVE PROFIT</b>					
Profit for the year				177	177
Actuarial gains and losses				3	3
Income tax relating to actuarial gains and losses				-1	-1
Other comprehensive profit			13	-	13
<b>Comprehensive profit for the year</b>			<b>13</b>	<b>179</b>	<b>192</b>
Dividend				-73	-73
Repurchase of own shares				-11	-11
Sale of treasury shares				4	4
Repurchase of call-options				-8	-8
Issued call-options		0		2	2
<b>Closing balance</b>	<b>49</b>	<b>345</b>	<b>-28</b>	<b>439</b>	<b>805</b>

Amounts in MSEK	Share capital	Other contributed capital	Translation reserve	Retained earnings	Total equity
<b>2013-03-31</b>					
Opening balance	49	345	-18	244	620
Change of accounting policy IAS 19				-8	-8
Adjusted opening balance	49	345	-18	236	612
<b>COMPREHENSIVE PROFIT</b>					
Profit for the year				159	159
Other comprehensive profit			-23	2	-21
<b>Comprehensive profit for the year</b>			<b>-23</b>	<b>161</b>	<b>138</b>
Dividend				-62	-62
Sale of treasury shares				10	10
Issued call-options		0		1	1
<b>Closing balance</b>	<b>49</b>	<b>345</b>	<b>-41</b>	<b>346</b>	<b>699</b>

Note 29 contains additional information on equity.

## Consolidated Statement of Cash Flow

Amounts in MSEK	Note	2013/14	2012/13
<b>Operating activities</b>			
Profit after finance items	36	230	200
Adjustment for items not included in cash flow, etc.	37	49	41
		<b>279</b>	<b>241</b>
Paid taxes		-64	-66
<b>Cash flow from operating activities before changes in working capital</b>		<b>215</b>	<b>175</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in inventories		-18	21
Increase (-) / Decrease (+) in operating receivables		-30	3
Increase (+) / Decrease (-) in operating liabilities		64	-22
<b>Cash flow from operating activities</b>		<b>231</b>	<b>177</b>
<b>Investing activities</b>			
Investment in businesses	38	-130	-199
Acquisition of intangible non-current assets		-5	-4
Acquisition of tangible non-current assets		-42	-26
Disposal of tangible non-current assets		2	1
<b>Cash flow from investing activities</b>		<b>-175</b>	<b>-228</b>
<b>Financing activities</b>			
Repurchase of own shares		-11	-
Sale of treasury shares		4	10
Repurchase of call-options		-8	-
Issued call-options		2	1
Dividend paid		-73	-62
Loans raised		50	0
Change in committed credit facility		-18	102
<b>Cash flow from financing activities</b>		<b>-54</b>	<b>51</b>
<b>Cash flow for the year</b>		<b>2</b>	<b>0</b>
Cash and cash equivalents at beginning of year		36	37
Translation difference in cash and cash equivalents		0	-1
<b>Cash and cash equivalents at year-end</b>		<b>38</b>	<b>36</b>

### CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2013/14	2012/13
Net loan liability (+) / receivable receivable (-) at beginning of year		307	185
Change in interest-bearing liabilities		32	102
Interest-bearing liabilities in acquired businesses		-	10
Change in interest-bearing pension provisions		-3	9
Cash and cash equivalents in acquired businesses		-5	-46
Change in cash and cash equivalents, other		10	47
<b>Net loan liability (+) / receivable (-) at end of year</b>		<b>341</b>	<b>307</b>

## Parent Company Income Statement

Amounts in MSEK	Note	2013/14	2012/13
Net revenue	3, 4	34	30
Cost of goods sold		-	-
<b>Gross profit</b>		<b>34</b>	<b>30</b>
Administrative expense		-48	-44
Other operating income and operating expense		-1	-
<b>Operating result</b>	3, 6, 9, 10, 13	<b>-15</b>	<b>-14</b>
<i>Result from finance items</i>			
Financial income	11	215	179
Financial expense	12	-38	-25
<b>Profit after finance items</b>	13	<b>162</b>	<b>140</b>
<i>Year-end allocations</i>			
Change in untaxed reserves		-	-2
<b>Result before taxes</b>		<b>162</b>	<b>138</b>
Taxes	14	-3	-2
<b>Profit for the year</b>		<b>159</b>	<b>136</b>

## Parent Company Statement of Comprehensive Profit

Amounts in MSEK	Note	2013/14	2012/13
Profit for the year		159	136
Other comprehensive profit		-	-
<b>Comprehensive profit for the year</b>		<b>159</b>	<b>136</b>

## Parent Company Balance Sheet

Amounts in MSEK	Note	2014-03-31	2013-03-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, tools, fixtures and fittings	21	1	0
		<b>1</b>	<b>0</b>
<i>Financial non-current assets</i>			
Shares in Group companies	22	1,242	1,119
Due from Group companies	23	102	101
Deferred tax asset	31	1	1
		<b>1,345</b>	<b>1,221</b>
<b>Total non-current assets</b>		<b>1,346</b>	<b>1,221</b>
<b>Current assets</b>			
<i>Short-term receivables</i>			
Due from Group companies	33	54	69
Tax assets		–	3
Other receivables		13	15
Prepaid expenses and accrued income	28	3	3
		<b>70</b>	<b>90</b>
Cash and cash equivalents	33	0	0
<b>Total current assets</b>		<b>70</b>	<b>90</b>
<b>TOTAL ASSETS</b>		<b>1,416</b>	<b>1,311</b>

## Parent Company Balance Sheet

Amounts in MSEK	Not	2014-03-31	2013-03-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Legal reserve		13	13
<b>Restricted funds</b>		<b>62</b>	<b>62</b>
Retained earnings		548	498
Net profit for the year		159	136
<b>Unrestricted funds</b>		<b>707</b>	<b>634</b>
<b>Total equity</b>		<b>769</b>	<b>696</b>
Untaxed reserves		5	5
<b>Long-term liabilities</b>	33, 34		
<i>Long-term interest-bearing liabilities</i>			
Provision for pensions	30	22	22
Liabilities to credit institutions		50	–
Due to Group companies		–	3
<b>Total long-term liabilities</b>		<b>72</b>	<b>25</b>
<b>Current liabilities</b>	33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	258	268
		<b>258</b>	<b>268</b>
<i>Current non-interest-bearing liabilities</i>			
Trade payables		2	2
Due to Group companies		190	217
Tax liabilities		–	3
Other liabilities		107	85
Accrued expenses and prepaid income	35	13	10
		<b>312</b>	<b>317</b>
<b>Total current liabilities</b>		<b>570</b>	<b>585</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,416</b>	<b>1,311</b>

### PARENT COMPANY'S PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in MSEK	Not	2014-03-31	2013-03-31
<b>Pledged assets</b>		None	None
<b>Contingent liabilities</b>			
Guarantees, FPG/PRI		27	26
Guarantees, other		0	1
		<b>27</b>	<b>27</b>

The Parent Company guarantees the pension obligations of its subsidiaries via FPG/PRI.

## Summary of Changes in Parent Company's Equity

Amounts in MSEK

2014-03-31	Share capital	Legal reserve	Unrestricted equity	Total equity
Closing balance according to balance sheet last year	49	13	634	696
<b>COMPREHENSIVE PROFIT</b>				
Net profit for the year			159	159
Other comprehensive profit			–	–
<b>Comprehensive profit for the year</b>			<b>159</b>	<b>159</b>
Dividend			-73	-73
Repurchase of own shares			-11	-11
Sale of treasury shares			4	4
Repurchase of call-options			-8	-8
Issued call-options			2	2
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>707</b>	<b>769</b>

Amounts in MSEK

2013-03-31	Share capital	Legal reserve	Unrestricted equity	Total equity
Closing balance according to balance sheet last year	49	13	549	611
<b>COMPREHENSIVE PROFIT</b>				
Net profit for the year			136	136
Other comprehensive profit			–	–
<b>Comprehensive profit for the year</b>			<b>136</b>	<b>136</b>
Dividend			-62	-62
Sale of treasury shares			10	10
Issued call-options			1	1
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>634</b>	<b>696</b>

Note 29 contains additional information about equity.

## Parent Company Statements of Cash Flow

Amounts in MSEK	Note	2013/14	2012/13
<b>Operating activities</b>			
Result from finance items	36	162	140
Adjustment for items not included in cash flow, etc.	37	-10	-24
		<b>152</b>	<b>116</b>
Paid taxes		-3	-1
<b>Cash flow from operating activities before changes in working capital</b>		<b>149</b>	<b>115</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Minskning (+) operating liabilities		16	-29
Increase (+) / Decrease (-) operating liabilities		-30	58
<b>Cash flow from operating activities</b>		<b>135</b>	<b>144</b>
<b>Investment activities</b>			
Investment in businesses		-118	-242
Acquisition of tangible non-current assets		-1	0
Disposal of/decrease in financial assets		2	14
<b>Cash flow from investment activities</b>		<b>-117</b>	<b>-228</b>
<b>Financing activities</b>			
Repurchase of own shares		-11	-
Sale of treasury shares		4	10
Repurchase of call-options		-8	-
Issued call-options		2	1
Dividend paid		-73	-62
Increase in long-term loans		50	2
Repayment of debt		-4	-
Change in committed credit facility		22	133
<b>Cash flow from financing activities</b>		<b>-18</b>	<b>84</b>
<b>Cash flow for the year</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at beginning of year		0	-
Translation difference in cash and cash equivalents		-	-
<b>Cash and cash equivalents at year-end</b>		<b>0</b>	<b>0</b>

# Notes to the Financial Statements

## Note 1 Accounting policies

### (a) Compliance with standards and law

The Consolidated Income Statement, the Parent Company Income Statement, the Consolidated Statement of Financial Position and the Parent Company Balance Sheet will be subject to adoption by the Annual General Meeting to be held 26 August 2014.

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

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

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

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

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

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

The financial reports encompass the Administration Report with proposed allocation of earnings and the financial statements with notes. The consolidated financial statements and the Parent Company's annual accounts have been approved for publication by the Board of Directors 25 June 2014. 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 to be held 26 August 2014.

Preparing the financial reports in accordance with IFRS requires management to make judgments and estimates and make assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and a number of other factors that under prevailing circumstances are deemed reasonable. The result of these judgments and assumptions is then used to judge the reported value of assets and liabilities that would not be evident from other sources. The actual outcome may differ from these estimates and judgments. Estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period when the change is made, where the change affects that period only, or in the period when the change is made, and in future periods where the change affects the current period as well as future periods.

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

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

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

### Changed accounting policies

Described below are the changed accounting policies applied by the Group after 1 April 2013. No other changes of IFRS applicable starting in 2013 have had any material effect on the Group's accounting.

Amended IAS 1 *Presentation of financial statements* has the effect that items in "other comprehensive income" are now reported in two categories, items that have been reclassified or could subsequently be reclassified to profit or loss, and items that cannot be reclassified to profit or loss. Items that have been reclassified or could subsequently be reclassified include translation differences and gains/losses on cash flow hedges. Items that cannot be reclassified are revaluations of defined benefit insurance plans and revaluations in accordance with the revaluation method for intangible and tangible assets. Comparative data are presented according to the new standard.

Amended IAS 19 *Employee benefits* has the effect that use of the so-called "corridor approach" is no longer permitted. Actuarial gains and losses must be recognized in other comprehensive income. The estimated return on managed assets is based on the discount rate used to calculate the amount of pension obligations. This means that the net interest on the net of pension liabilities/pension assets now consists of interest expense on the pension liability and the interest income on the managed assets. The difference between actual and the total amount included in net interest income on managed assets is accounted for in other comprehensive income.

The amended IAS 19 standard is applied from 1 April 2013 with full retroactive effect. The effect for Lagercrantz Group is an immediate increase in the Company's net pension liability (classified as a financial liability) and a corresponding decrease of retained earnings, taking tax effects into account. The amended standard also contains new rules on how to account for special payroll tax. The new standard means that the net pension liability increased by MSEK 8, including special payroll tax, as of 1 April 2012. After taking deferred taxes into account, the effect of the amended standard on retained earnings was MSEK 8 lower than reported as of 31 March 2012. The effect on the consolidated income statement, except in the case of total comprehensive profit, is insignificant and is therefore not reported separately.

The amendment of IAS 19 means greater volatility for pension liability and equity. For this reason Lagercrantz Group does not include the pension liability of the Groups net loan liability since the 2013/14 financial year.

The new standard IFRS 13 *Fair value measurement* makes for increased disclosure requirements as stated in Note 33.

### New and revised IFRS applied early

The Group applies the revised IAS 36 *Impairment of assets*, version 2014 early. The revision refers to disclosures about the recovery value of non-financial assets and has the effect, among other, that information about estimated recovery values for each cash-generating unit with significant goodwill does not have to be provided.

### New and revised IFRS not yet applied

A number of new or revised standards and interpretation statements come into force during the upcoming financial year. These have not been applied early when preparing the financial reports for this financial year and are expected to have no effect on the Group's financial statements.

### (c) Operating segment reporting

An operating segment is a part of the Group that conducts business from which it can generate income and incur costs and for which independent financial information is available. Operating segments are reported in a manner that corresponds with the Group's internal reporting, which is followed up by the Group's highest executive decision-maker. The Group's highest executive decision-maker is the function responsible for allocating resources to and evaluating 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 long-term liabilities in the Parent Company and the Group essentially consist only of amounts that are expected to be recovered or paid more than twelve months from the end of the reporting period. Current assets and short-term liabilities in the Parent Company and the Group essentially consist only of amounts that are expected to be recovered or paid within twelve months of the end of the reporting period.

### (e) Principles of consolidation

#### (i) Subsidiaries

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

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

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

An acquisition that does not refer to 100 percent of the subsidiary gives rise to a holding without controlling influence. There are two alternative ways of reporting holdings without controlling influence. These two alternatives are to report holdings without controlling interest as a proportion of net assets, or to report holdings without controlling interest at fair value, which means that holdings without controlling interest

includes a proportion of goodwill. The choice of which of the two alternative methods to apply is made individually for each acquisition.

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

*(ii) Transactions eliminated in consolidation*

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

**(f) Foreign currency**

*(i) Transactions in foreign currency*

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

*(ii) Financial statements of foreign entities*

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

**(g) Revenue**

*(i) Sale of goods*

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

*Revenue from the sale of real property*

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

*(ii) Service assignments*

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

*(iii) Rental income*

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

*(iv) Government grants*

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

**(h) Operating expenses and finance income and expense**

*(i) Payments relating to operating leases*

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

*(ii) Payments 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 leasing period in such a way that each accounting period is charged with an amount equivalent to a fixed rate

of interest for the liability reported during the respective period. Variable fees are expensed in the periods when they arise.

*(iii) Finance income and expense*

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

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

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

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

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

**(i) Financial instruments**

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

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

*Reporting in and removal from the Statement of Financial Position*

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

*Valuation*

Financial instruments, which are not derivatives, are initially valued at acquisition cost, equivalent to the fair value of the instrument. A financial instrument's classification determines how it is valued after the first recording occasion. IAS 39 classifies financial instruments in categories. The classification depends on the purpose behind acquiring the financial instrument. The relevant categories for the Group are as follows:

Financial assets at fair value through the income statement, Loans receivable and trade receivables, Financial liabilities valued at fair value through the income statement, Other financial liabilities and Derivatives used for hedge accounting.

*Financial assets valued at fair value through the income statement*

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

*Loan receivables and trade receivables*

Loan receivables and trade receivables are non-derivative assets with fixed payments or with payments that can be determined, and which are not listed on an active market. They are included in current assets, with the exception of items that mature later than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category are valued at accrued acquisition value.

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

*Financial liabilities valued at fair value through the income statement*

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

*Other financial liabilities*

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

#### Derivatives used for hedge accounting

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

#### 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, exposed to minimal risk for fluctuation in value.

#### Financial investments

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

### (j) Derivatives and hedge accounting

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

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

#### Hedging of prognosticated sales in foreign currency – cash flow hedging

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

#### Hedging of period with fixed interest – cash flow hedging

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

#### Receivable and liabilities in foreign currency

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

#### Net investments

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

### (k) Tangible non-current assets

#### (i) Owned assets

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

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

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

The reported value of a tangible non-current asset is removed from the statement of financial position upon disposal or sale, or when no future economic benefits are expected to be derived from use or disposal/sale of the asset. Gains or losses that arise

upon sale or disposal of an asset are defined as the difference between the selling price and the reported value of the asset, less direct selling expenses. Gains and losses are recognised as other operating income/expense.

#### (ii) Leased assets

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

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

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

#### (iii) Additional expenditure

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

#### (iv) Depreciation principles

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

Estimated period of use:

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

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

Assessment of the residual value and period of use of assets is made on an annual basis.

### (l) Intangible assets

#### (i) Goodwill

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

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

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

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

#### (ii) Research and development

Expenditure for research and development aimed at obtaining new scientific or technological knowledge is reported as costs as incurred.

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

#### (iii) Other intangible assets

Other intangible assets, not including trademarks, acquired by the Group are reported at acquisition value, less accumulated amortisation and impairment. Also included here are capitalised IT expenditure for development and purchase of software. Acquired trademarks are carried at acquisition value, less any impairment. The life of trademarks is indefinite. Their value is therefore tested annually for impairment. Sunk costs for internally generated goodwill and internally generated trademarks are reported in the income statement when the cost is incurred.

#### (iv) Additional expenditure

Additional expenditure for capitalised intangible assets is recorded as an asset in the statement of financial position only to the extent it increases the future economic

benefits for the specific asset to which it is attributable. All other expenditure is expensed as incurred.

#### (v) Amortisation

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

The estimated periods of use are:

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

#### (m) Inventories

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

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

#### (n) Impairment of assets

The reported value of the Group's assets is tested on each balance sheet date with a view to determining if any impairment has been suffered. IAS 36 is applied for testing for any need for impairment charges for assets other than financial assets, which are tested in accordance with IAS 39, assets held for sale and groups of assets reported in accordance with IFRS 5, inventories, assets under management used for financing compensation to employees and deferred tax assets. For goodwill, other assets with undeterminable useful life and intangible assets not yet ready for use, the recovery value is also estimated annually.

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

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

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

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

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

#### (i) Impairment of financial assets

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

#### (ii) Reversal of impairment losses

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

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

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

#### (o) Shareholders' Equity

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

#### (i) Repurchase of own shares

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

#### (ii) Dividends

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

#### (iii) Earnings per share

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

#### (p) Employee benefits

#### (i) Defined contribution plans

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

#### (ii) Defined benefit plans

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

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

When the calculation leads to an asset for the Group, the reported value of the asset is limited to the lowest surplus in the plan and the availability limitation calculated using the discount rate. The availability limitation consists of the present value of the future economic benefits in the form of lower future fees, or a cash refund. When calculating the present value of future repayments or contributions, any requirements for minimum vesting will be taken into consideration.

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

Actuarial gains and losses are carried directly to equity under other comprehensive income in the period when they arise.

Obligations for retirement pension to salaried employees in Sweden in accordance with the ITP plan are handled mainly within the so-called FPG/PRI system. Obligations for family pensions are secured by insurance in Alecta, however. These obligations are also of the defined benefit type, although the Company has not had access to the information necessary to report these obligations as a defined benefit plan. These pensions secured by insurance in Alecta are therefore reported as defined contribution plans. At the end of 2013, Alecta's surplus in the form of collective solvency margin was 148 percent (2012: 129 percent). The collective solvency margin is defined as the market value of Alecta's assets in percent of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19. Alecta's surplus can be distributed to the policyholders and/or the insured.

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

#### (iii) Benefits in the event of termination

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

#### (iv) Option programmes

The call option programme for the group enables members of senior management to acquire shares in the company. The employees have paid a market-valuated premium for this opportunity. Premiums received are carried in equity as a transaction with the owners.

#### (q) Provisions

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

**(j) Warranties**

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

**(k) Restructuring**

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

**(l) Loss contracts**

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

**(r) Taxes**

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

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

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

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

**(s) Contingent liabilities**

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

**(t) Cash flow statement**

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

The year's changes of operating assets and operating liabilities have been adjusted for effects of exchange rate differences. Acquisitions and disposals are reported in investment operations. The assets and liabilities held by the entities acquired and sold at the time of change are not included in the statement of changes in working capital, nor are changes of balance sheet items reported in investment and financing operations. Liquid funds include cash and bank flows and also short-term investments, the conversion to bank funds of which can occur at a beforehand essentially known amount. Liquid funds include short-term investments with a term of less than three months.

**(u) Parent Company accounting policies**

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

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

**Classification and presentation**

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

**Subsidiaries**

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

**Revenue****Anticipated dividends**

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

**Tangible non-current assets****Owned assets**

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

**Borrowing costs**

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

**Leased assets**

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

**Taxes**

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

**(v) Group contributions and shareholder contributions for legal entities**

The Company reports group contributions in accordance with the recommendation of the Swedish Financial Reporting Board. Shareholder contributions are carried directly to the recipient's equity and are capitalised in the form of shares with the donor, to the extent no charge for impairment is required. Group contributions received are reported as dividends and group contributions rendered are reported as investments in shares in subsidiaries, or where nothing of value is added, as an impairment charge against shares via profit and loss. Group contributions were previously carried directly to equity.

**(x) Mergers**

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

**(y) Financial guarantees**

Lagercrantz Group has chosen not to apply the rules in IAS 39 regarding financial guarantees for subsidiaries in accordance with RFR 2.

**Note 2 Critical estimates and judgments**

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

**Test for impairment of goodwill**

Each year the Group investigates if any impairment of goodwill has occurred. The recoverable value of the cash-generating units is determined through a calculation of the value in use. This calculation is based on the strategic plan of the business in question and expected future cash flows for the operation. The discount factor used for present value calculations of expected future cash flows is the weighted average cost of capital (WACC). The year's review has demonstrated that there is no need for an impairment charge. 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 reported pension liability and the annual cost of pensions. One of the most critical assumptions is the discount rate which is important for measuring the year's pension cost 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 personnel turnover and are not reviewed as often. The current outcome often differs from the actuarial assumptions for economic and other reasons. The discount rate makes it possible to measure future cash flows at present value at the time of measurement. This interest rate should correspond to the return on investment grade corporate bonds, or government bonds (including housing bonds) or, if no functioning market for such bonds exists, government bonds. A lowered discount rate increases the present value of the pension liability and the annual cost.

### Note 3 Segment reporting

Segment reporting is drawn up for the Group's operating segments and is based on top management's, i.e. the management group'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 top management's decisions about the best possible allocation of resources to what the Group produces and sells in the segments. Directly attributable items have been included in segment earnings and non-current as well as items that can be allocated in a reasonable and reliable manner. Segment investments in non-current assets include all capital expenditures, both in intangible and tangible assets. Assets added as a result of acquisitions are not included, but amortisation of group surplus values is.

#### Operating segments

The Group consists of the following operating segments:

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

#### Sales and profit by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
<b>Revenue</b>								
External sales	691	675	750	651	802	785	303	217
Internal sales	2	14	3	8	–	1	–	–
<b>Total revenue</b>	<b>693</b>	<b>689</b>	<b>753</b>	<b>659</b>	<b>802</b>	<b>786</b>	<b>303</b>	<b>217</b>
<b>Profit</b>								
<b>Operating profit</b>	<b>56</b>	<b>48</b>	<b>108</b>	<b>83</b>	<b>51</b>	<b>64</b>	<b>45</b>	<b>35</b>
					Parent Company and eliminations		Total	
					2013/14	2012/13	2013/14	2012/13
<b>Revenue</b>								
External sales					–	–	2,546	2,328
Internal sales					-5	-23	–	–
<b>Total revenue</b>					<b>-5</b>	<b>-23</b>	<b>2,546</b>	<b>2,328</b>
<b>Profit</b>								
<b>Operating profit</b>					<b>-18</b>	<b>-17</b>	<b>242</b>	<b>213</b>
Financial income							3	3
Financial expense							-15	-16
<b>Profit before taxes</b>							<b>230</b>	<b>200</b>
Taxes							-53	-41
<b>Net profit</b>							<b>177</b>	<b>159</b>

Transfer pricing between operating segments is on market terms.

#### Other information by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Assets	480	397	501	456	355	342	497	362
Undistributed assets	–	–	–	–	–	–	–	–
<b>Total assets</b>	<b>480</b>	<b>397</b>	<b>501</b>	<b>456</b>	<b>355</b>	<b>342</b>	<b>497</b>	<b>362</b>
Liabilities	94	85	137	103	150	125	64	35
Undistributed liabilities	–	–	–	–	–	–	–	–
<b>Total liabilities</b>	<b>94</b>	<b>85</b>	<b>137</b>	<b>103</b>	<b>150</b>	<b>125</b>	<b>64</b>	<b>35</b>
Capital expenditures	8	13	28	11	2	2	9	4
Depreciation and amortisation	10	10	13	11	9	9	12	9
					Parent Company		Total	
					2013/14	2012/13	2013/14	2012/13
Assets					17	18	1,850	1,575
Undistributed assets					–	–	27	28
<b>Total assets</b>					<b>17</b>	<b>18</b>	<b>1,877</b>	<b>1,603</b>
Liabilities					122	97	567	445
Undistributed liabilities					–	–	505	453
<b>Total liabilities</b>					<b>122</b>	<b>97</b>	<b>1,072</b>	<b>898</b>
Capital expenditures					0	0	47	30
Depreciation and amortisation					0	0	44	39

#### External sales by geographic market

The basis for sales by geographic market is the country where invoicing takes place.

	2013/14	2012/13
Sweden	870	775
Denmark	453	454
Norway	514	473
Finland	157	156
United Kingdom	72	43
Germany	116	116
Poland	61	47
Other Europe	149	146
Rest of world	154	118
	<b>2,546</b>	<b>2,328</b>

#### Capital expenditures and non-current assets by geographic market

	Capital expenditures		Non-current assets	
	2013/14	2012/13	2014-03-31	2013-03-31
Sweden	37	17	679	593
Denmark	5	8	84	79
Norway	2	2	158	98
Finland	1	1	66	65
Germany	1	1	20	20
Poland	1	1	15	15
Other Europe	0	0	–	0
Rest of world	–	0	–	0
Undistributed assets	–	–	7	6
	<b>47</b>	<b>30</b>	<b>1,029</b>	<b>876</b>

Note 3 continues

Parent Company	2013/14	2012/13
<b>Internal net revenue by operating segment</b>		
Electronics	9	9
Mechatronics	10	8
Communications	9	10
Niche Products	4	3
	<b>32</b>	<b>30</b>
<b>Internal net revenue by geographic market</b>		
Sweden	17	15
Denmark	7	8
Norway	3	3
Finland	3	3
Germany	1	1
Other countries	1	0
	<b>32</b>	<b>30</b>

#### Note 4 Distribution of net revenue

Net revenue by product category	2013/14	2012/13
<b>Group</b>		
Trading	1,162	1,102
Niche production	345	301
Proprietary products	799	683
Systems integration	155	155
Service and other	85	87
	<b>2,546</b>	<b>2,328</b>

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

#### Note 5 Operating expenses by type of cost

	2013/14	2012/13
<b>Group</b>		
Cost of goods sold	1,471	1,410
Compensation-related personnel costs	574	510
Depreciation and amortisation	44	39
Other operating expenses	230	177
<b>Total operating expenses</b>	<b>2,319</b>	<b>2,136</b>

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

Average number of employees	2013/14	Of whom men	2012/13	Of whom men
<b>Parent Company</b>				
Sweden	11	82%	10	80%
<b>Other Group companies</b>				
Sweden	563	76%	475	74%
Denmark	188	56%	176	56%
Norway	61	82%	47	74%
Finland	91	53%	91	51%
Germany	20	70%	22	64%
Poland	61	82%	43	79%
<b>Total in Group companies</b>	<b>984</b>	<b>71%</b>	<b>854</b>	<b>68%</b>
<b>Group total</b>	<b>995</b>	<b>71%</b>	<b>864</b>	<b>68%</b>

#### Salaries, other compensation and social benefits

	2013/14		2012/13	
	Salaries and compensation	Social benefits	Salaries and compensation	Social benefits
Parent Company	20	12	20	12
(of which pension cost)		(6) <sup>1)</sup>		(5) <sup>1)</sup>
Other Group companies	418	124	371	107
(of which pension cost)		(31)		(29)
<b>Group total</b>	<b>438</b>	<b>136</b>	<b>391</b>	<b>119</b>
(of which pension cost)		(37) <sup>2)</sup>		(34) <sup>2)</sup>

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

<sup>2)</sup> MSEK 7 (6) of the Group's pension costs refers to the group Board of Directors, President, executive vice presidents and subsidiary presidents. The Group's pension obligations to this group amount to MSEK 0 (0).

#### Salaries and other compensation by country and among other employees

	2013/14		2012/13	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
<b>Sweden</b>				
Parent Company	9	12	8	12
(of which bonus, etc.)	(1)	(2)	(1)	(2)
Other Group companies in Sweden	18	212	15	172
(of which bonus, etc.)	(1)	(4)	(2)	(4)
<b>Sweden total</b>	<b>27</b>	<b>223</b>	<b>23</b>	<b>184</b>
	(3)	(6)	(3)	(6)
<b>Outside Sweden</b>				
Denmark	9	88	9	84
(of which bonus, etc.)	(0)	(2)	(1)	(2)
Norway	5	37	6	34
(of which bonus, etc.)	(-)	(0)	(0)	(2)
Finland	3	28	3	32
((of which bonus, etc.)	(-)	(0)	(0)	(0)
Germany	1	9	1	9
(of which bonus, etc.)	(-)	(-)	(-)	(-)
Poland	1	9	1	5
(of which bonus, etc.)	(-)	(0)	(-)	(-)
<b>Group companies outside Sweden, total</b>				
	<b>20</b>	<b>171</b>	<b>20</b>	<b>164</b>
(of which bonus, etc.)	(0)	(2)	(1)	(4)
<b>Group total</b>	<b>47</b>	<b>395</b>	<b>43</b>	<b>348</b>
(of which bonus, etc.)	(3)	(8)	(4)	(10)

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

#### Gender distribution in management

	2014-03-31 Proportion of women	2013-03-31 Proportion of women
<b>Parent Company</b>		
Board of Directors	29%	17%
Other members of senior management	0%	0%
<b>Group total</b>		
Board of Directors	8%	6%
Other executives	3%	3%

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

Fees paid to the Chairman of the Board of Directors and to members of the Board of Directors were set by the Annual Meeting. No separate fees are paid for committee work. In accordance with Annual Meeting resolution, compensation to members of senior management consists of compensation to the President & CEO and other members of senior management in the form of basic salary, variable compensation, pension and financial instruments. The aggregate compensation shall be adjusted to conditions on the market and be 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, a severance payment in a maximum amount of one year's salary may be offered, in addition to salary during the period of notice. In addition to the incentive programme proposed to the Annual General Meeting, no other share-based or share-price-related programmes will be offered.

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

As far as compensation to the President and other members of senior management is concerned, the Board of Directors has appointed a compensation committee consisting of the Chairman of the Board of Directors and the Vice Chairman of the Board of Directors, with the Chairman as reporter. The task of the committee is to evaluate and suggest principles of compensation to the Board of Directors (refer to the Corporate Governance). The Board of Directors submits proposals to the Annual Meeting for resolution. The proposal to the 2014 Annual General Meeting is set forth in the Board of Directors Report.

**Compensation, fees and other benefits to Board of Directors and members of senior management 2013/2014**

SEK thousand	Basic salary, directors fee	Variable compensation	Other compensation	Other benefits	Pension cost	Total
<b>Chairman of the Board</b>						
Anders Börjesson	440					440
<b>Directors</b>						
Tom Hedelius	330					330
Pirkko Alitalo	220					220
Lennart Sjölund	220					220
Marika Rindborg Holmberg (7 months from 13 Sept.)	128					128
Roger Bergqvist	220					220
<b>Chief Executive Officer</b>						
Jörgen Wigh	3,267	889	161	111	968	5,396
<b>Executive Vice President</b>						
Magnus Söderlind	2,078	564	103	92	503	3,340
<b>Other members of senior management</b>						
5 persons	7,180	1,364	137	331	1,763	10,775
<b>Total</b>	<b>14,083</b>	<b>2,817</b>	<b>401</b>	<b>534</b>	<b>3,234</b>	<b>21,069</b>

**Compensation, fees and other benefits to Board of Directors and members of senior management 2012/2013**

SEK thousand	Basic salary, directors fee	Variable compensation	Other compensation	Other benefits	Pension cost	Total
<b>Chairman of the Board</b>						
Anders Börjesson	400					400
<b>Directors</b>						
Tom Hedelius	300					300
Pirkko Alitalo	200					200
Lennart Sjölund	200					200
Roger Bergqvist	200					200
<b>Chief Executive Officer</b>						
Jörgen Wigh	2,882	804	198	93	875	4,852
<b>Executive Vice President</b>						
Magnus Söderlind	1,836	513	120	86	450	3,005
<b>Other members of senior management</b>						
5 persons	6,148	1,207	170	336	2,021	9,882
<b>Total</b>	<b>12,166</b>	<b>2,524</b>	<b>488</b>	<b>515</b>	<b>3,346</b>	<b>19,039</b>

In addition to the President & CEO, other members of senior management refers to the management group consisting of: executive vice presidents 1 person (1), other senior executives, including business area heads 5 (5) persons. Compensation to this group, a total of 8 (8) persons in 2013/14, was covered by the resolution at the 2013 Annual Meeting regarding compensation principles for members of senior management. The Compensation Committee verified compliance with the Annual Meeting resolution. Among other things, the Compensation Committee has verified conformity with market conditions by comparing with compensation in other similar listed companies.

**Pensions**

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

**Severance payment**

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

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

**Option programme**

The 2013 Annual Meeting resolved an incentive programme for members of senior management 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 class B repurchased share. Redemption can take place during three time periods: (i) during two week period from the when the Company publishes its Interim Report for the period 1 April 2015 – 30 September 2015, (ii) during the period 16 May – 27 May 2016, and (iii) during the period 19 September – 30 September 2016.

Similar call option programmes for members of senior management were resolved by the 2012 and 2011 Annual Meetings.

In all cases the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the Annual General Meeting in accordance with listed paid prices. The programmes cover members of senior management and managers with a direct possibility of affecting the Group's profit. The members of the Board of Directors do not have the right to acquire call options, with the exception of the Company's President & CEO. One prerequisite for being awarded call options is that the employee has concluded a special pre-emption agreement with the Company. Pre-emption shall occur at the market value at the time of termination of employment, a tender offer for all outstanding and in cases when the call options are to be transferred to a third party. In all other respects the call options are freely transferable. The Company did not invoke the pre-emption agreement during 2013/14. 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 award resolved by the 2011 Annual General Meeting comprised 27 persons and a total of 180,000 call options. Awards varied between 2,500–23,500 options per person. The President & CEO acquired 23,500 and other members of senior management 50,500. The measuring period to determine the average share price, which was SEK 47.67, was 5 September – 16 September 2011. The redemption price for the shares resolved was 120 percent of the average price, was set as SEK 57.20. The market value of the call options was set at SEK 3.30 per option by an independent valuation institution.

The award resolved by the 2012 Annual General Meeting comprised 30 persons and a total of 225,000 call options. Awards varied between 4,000–26,550 options per person. The President & CEO acquired 26,550 and other members of senior management 89,000. The measuring period to determine the average share price, which was SEK 58.60, was 3 September – 14 September 2012. The redemption price for the shares resolved was 120 percent of the average price, was set as SEK 70.30. The market value of the call options was set at SEK 4.00 per option by an independent valuation institution.

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

In addition hereto, redemption of options relating to the 2010 and 2011 programmes meant an increase in equity of MSEK 6, in connection with the Company's sale of class B shares held in treasury to the option holders.

Note 6 continues

**Fees and reimbursement to auditors**

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
<b>KPMG</b>				
Audit assignments	3	3	0.4	0.5
Tax advisory assignments	0	0	0.1	0.0
Other assignments	0	0	–	0.1
<b>Other auditors</b>				
Audit assignments	0	1	–	–
Tax advisory assignments	0	0	–	–
Other assignments	0	0	–	–

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

**Note 7 Other operating revenue**

	2013/14	2012/13
<b>Group</b>		
Capital gains	1	1
Rental income	0	0
Other compensation and contributions	4	6
FX gains on receivables/liabilities of an operating character	4	5
Other	6	9
	<b>15</b>	<b>21</b>

**Note 8 Other operating expenses**

	2013/14	2012/13
<b>Group</b>		
FX losses on receivables/liabilities of an operating character	-5	-6
Other expenses	-3	-3
	<b>-8</b>	<b>-9</b>

**Note 9 Depreciation and amortisation of tangible and intangible non-current assets**

	2013/14	2012/13
<b>Group</b>		
<i>Depreciation and amortisation according to plan by type of asset</i>		
Intangible assets	-21	-18
Buildings and land	-2	-2
Leasehold improvements	-1	-1
Plant and machinery	-12	-10
Equipment, tools, fixtures and fittings	-8	-8
	<b>-44</b>	<b>-39</b>
<i>Depreciation and amortisation according to plan by function</i>		
Cost of goods sold	-13	-11
Selling costs	-27	-24
Administrative expenses	-4	-4
	<b>-44</b>	<b>-39</b>
<b>Parent Company</b>		
<i>Depreciation and amortisation according to plan by type of asset</i>		
Equipment, tools, fixtures and fittings	0	0
	<b>0</b>	<b>0</b>
<i>Depreciation and amortisation according to plan by function</i>		
Administrative expenses	0	0
	<b>0</b>	<b>0</b>

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

	2013/14	2012/13
<b>Group</b>		
Operating leasing fees and rents paid during the financial year	46	41
<i>Amounts of future annual payments:</i>		
1 year after current financial year	41	36
2 years after current financial year	28	20
3 years after current financial year	22	13
4 years after current financial year	8	6
5 years after current financial year	6	4
	<b>105</b>	<b>79</b>
<b>Parent Company</b>		
Operating leasing fees and rents paid during the financial year	2	2
<i>Amounts of future annual payments:</i>		
1 year after current financial year	2	2
2 years after current financial year	2	1
More than 3 years after current financial year	2	0
	<b>6</b>	<b>3</b>

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

**Note 11 Financial income**

	2013/14	2012/13
<b>Group</b>		
Interest income	1	1
FX gains	2	2
	<b>3</b>	<b>3</b>
<b>Parent Company</b>		
<i>Profit from shares in Group companies</i>		
Interest income from Group companies	3	4
Group contributions received	35	37
Dividend income	174	138
	<b>212</b>	<b>179</b>
<i>Other interest income and similar items</i>		
FX gains	3	0
Other interest income	–	0
	<b>3</b>	<b>0</b>
<b>Total finance income</b>	<b>215</b>	<b>179</b>

**Note 12 Financial expense**

	2013/14	2012/13
<b>Group</b>		
Interest expense, pensions	-3	-3
Other interest expense	-9	-10
Effect of interest hedging	–	–
FX losses	-3	-3
Other interest expense	0	0
	<b>-15</b>	<b>-16</b>
<b>Parent Company</b>		
<i>Profit from shares in Group companies</i>		
Interest expense to Group companies	-1	-1
Group contributions rendered	-2	-5
FX losses	–	-4
Impairment charges	-25	-5
	<b>-28</b>	<b>-15</b>
<i>Other interest expense and similar items</i>		
Other interest expense	-10	-10
Effect of interest hedging	–	–
Other interest expense	0	0
	<b>-10</b>	<b>-10</b>
<b>Total financial expense in the Parent Company</b>	<b>-38</b>	<b>-25</b>

**Note 13 Exchange rate differences affecting profit**

	2013/14	2012/13
<b>Group</b>		
Exchange rate differences affecting operating profit	-1	-2
Financial exchange rate differences	-1	-1
	<b>-2</b>	<b>-3</b>
<b>Parent Company</b>		
Financial exchange rate differences	3	-4
	<b>3</b>	<b>-4</b>

**Note 14 Taxes on the year's profit**

	2013/14	2012/13
<b>Group</b>		
<i>Current tax expense (-) / tax income (+)</i>		
Tax expense for the period	-57	-45
Adjustment of taxes attributable to prior years	0	0
	<b>-57</b>	<b>-45</b>
<i>Deferred tax expense (-) / tax income (+)</i>		
Deferred taxes on temporary differences	4	3
Deferred taxes on change of capitalised tax value of tax loss carryforward	0	1
	<b>4</b>	<b>4</b>
<b>Total reported tax expense / tax income in the Group</b>	<b>-53</b>	<b>-41</b>

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

<b>Reconciliation of effective tax</b>	2013/14	2012/13
<b>Group</b>		
Profit before taxes	230	200
Tax according to Parent Company's tax rate, 22%	-51	-53
Effect of lowered tax rate in Sweden to 22%	-	10
Effect of other tax rates for other Group companies outside Sweden	-2	1
Non-deductible expenses	-3	-1
Other tax-exempt income	3	2
Taxes attributable to prior years	0	0
<b>Reported effective taxes</b>	<b>-53</b>	<b>-41</b>

	2013/14	2012/13
<b>Parent Company</b>		
<i>Current tax expense (-) / tax income (+)</i>		
Tax expense for the period	-3	-2
	<b>-3</b>	<b>-2</b>
<i>Deferred tax expense (-) / tax income (+)</i>		
Deferred taxes on temporary differences	0	0
	<b>0</b>	<b>0</b>
<b>Total reported tax expense / tax income in the Parent Company</b>	<b>-3</b>	<b>-2</b>

<b>Reconciliation of effective tax</b>	2013/14	2012/13
<b>Parent Company</b>		
Profit before taxes	162	138
Tax according to the current tax rate, 22%	-36	-36
Effect of impairment charges	-6	-2
Dividends from Group companies	39	36
Non-deductible expenses	0	0
<b>Reported effective taxes</b>	<b>-3</b>	<b>-2</b>

**Note 15 Goodwill**

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	515	361
Additions	63	161
Exchange rate difference	6	-7
<b>Reported value at end of period</b>	<b>584</b>	<b>515</b>

*Goodwill allocated to Group companies*

Acte Solutions AB	2	2
Ampol Serwis Sp Z o.o.	6	5
Asept International AB	37	-
CAD-Kompagniet A/S	24	23
COBS AB	8	8
Direktronik AB	9	9
Elkapsling AB	44	44
Elpress AB	40	40
Elprodukter AS	21	-
ISG Systems AB	12	12
Idesco OY	21	19
ISIC A/S	5	5
K&K Active OY	30	28
Leteng AS	21	22
Nordic Alarm AB	20	20
Norwesco AB	31	31
Plåt och Spiralteknik i Torsås AB	25	25
STV Sv Tele & Video Konsult AB	5	5
SwedWire AB	61	61

Steele AB	26	21
Thermod AB	37	37
Unitronic AG	16	15
Vanpee AB	7	7
Vanpee AS	42	43
Vanpée & Westerberg A/S	13	12
Vendig AB	21	21
<b>Total goodwill</b>	<b>584</b>	<b>515</b>

**Test for impairment of goodwill**

The Group's reported goodwill amounts to MSEK 584 (515). Goodwill is not amortised after the transition to IFRS. Instead the value of goodwill is tested in accordance with the rules set forth in IAS 36. The most recent test was performed during March 2014. Goodwill is allocated to cash-generating units, which typically coincide with the entity acquired. In cases where the acquired business is integrated into other Lagercrantz businesses to such an extent that it is not possible to keep distinguish the assets and cash flows attributable to the entity acquired, a test of goodwill values is performed at a higher level. The recovery value is calculated based on the value in use and a current assessment of the cash flows for the next five-year period. Assumptions are made for sales growth, gross margin, level of overhead, working capital requirement and the need for capital expenditures. In the normal case these parameters are set to correspond to the prognosticated levels for the next financial year, mainly based on the relevant entity's business plan calling for a growth rate of 0–10 (0–10) percent per year. For the year's thereafter, a rate of growth based on estimated sustained growth rate of about 2 (2) percent is applied.

Cash flows have been discounted using a weighted capital cost equivalent to about 13 percent before tax and 10 percent after tax (about 13 and 10 percent last year as well). The impairment test thus demonstrates that there is no need for an impairment charge. The sensitivity of the calculations demonstrate that the goodwill value can be defended going forward, even if the sustainable growth rate were to be 0 percent instead of 2 percent, or if the recovery value of each respective company were to decline by 10 percent. Other tests for impairment: No events or changed circumstances have been identified that would warrant a test of other intangible non-current assets.

**Note 16 Trademarks**

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	129	108
Additions	40	23
Exchange rate differences	1	-2
<b>Closing balance</b>	<b>170</b>	<b>129</b>

*Trademarks are allocated to Group companies as follows:*

Acte Solutions AB	3	3
Asept International AB	10	-
COBS AB	3	3
Direktronik AB	2	2
Elkapsling AB	10	10
Elpress AB	15	15
Elprodukter	27	-
ISIC A/S	8	8
Leteng AS	16	17
Nordic Alarm AB	7	7
Norwesco AB	15	15
Steele AB	4	-
STV Sv Tele & Video Konsult AB	3	3
SwedWire AB	25	25
Thermod AB	7	7
Vanpee AS	5	5
Vanpée & Westerberg A/S	10	9
<b>Total trademarks</b>	<b>170</b>	<b>129</b>

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

**Note 17 Other intangible assets**

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	183	152
Additions	42	35
Reclassification	4	0
Exchange rate differences	4	-4
	<b>233</b>	<b>183</b>
<i>Accumulated amortisation according to plan</i>		
Opening balance	-84	-68
Year's amortisation according to plan	-21	-18
Reclassification	0	0
Exchange rate differences	-2	2
	<b>-107</b>	<b>-84</b>
<b>Closing balance</b>	<b>126</b>	<b>99</b>

Other intangible assets primarily consist of patents, customer relationships, capitalised development costs and software. Of the total reported value, MSEK 23 (21) refers to internally generated intangible assets.

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

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	56	33
Additions	-	1
Transfer from construction in progress	3	-
Additions via new companies	-	22
	<sup>1)</sup> <b>59</b>	<b>56</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-8	-3
Additions via new companies	0	-3
Year's depreciation according to plan	-2	-2
	<b>-10</b>	<b>-8</b>
<b>Closing balance</b>	<b>49</b>	<b>48</b>

<sup>1)</sup> Acquisition values include no capitalised interest.

**Note 19 Leasehold improvements**

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	7	7
Additions	-	0
Exchange rate differences	1	0
	<b>8</b>	<b>7</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-6	-5
Year's depreciation according to plan	-1	-1
Exchange rate differences	0	0
	<b>-7</b>	<b>-6</b>
<b>Closing balance</b>	<b>1</b>	<b>1</b>

**Note 20 Plant and machinery**

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	163	129
Additions	7	7
Additions via new companies	23	26
Transfer from construction in progress	12	-
Reclassification	-	4
Sales and disposals	-4	-2
Exchange rate differences	2	-1
	<b>203</b>	<b>163</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-116	-91
Additions via new companies	-20	-17
Reclassification	-	-1
Sales and disposals	4	2
Year's depreciation according to plan	-12	-10
Exchange rate differences	-1	1
	<b>-145</b>	<b>-116</b>
<b>Closing balance</b>	<b>58</b>	<b>47</b>

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

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance (including construction in progress)	119	102
Additions	31	18
Additions via new companies	3	11
Sales and disposals	-7	-6
Reclass from construction in progress	-15	-
Reclassification other	-4	-4
Exchange rate differences	1	-2
	<b>128</b>	<b>119</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-90	-85
Additions via new companies	-3	-4
Sales and disposals	6	5
Reclassification	0	0
Year's depreciation according to plan	-8	-8
Exchange rate differences	-1	2
	<b>-96</b>	<b>-90</b>
<b>Closing balance</b>	<b>32</b>	<b>29</b>
<b>Parent Company</b>		
<i>Accumulated acquisition values</i>		
Opening balance	1	1
Additions	1	0
	<b>2</b>	<b>1</b>
<i>Accumulated depreciation according to plan</i>		
Opening balance	-1	-1
Year's depreciation according to plan	0	0
	<b>-1</b>	<b>-1</b>
<b>Closing balance</b>	<b>1</b>	<b>0</b>

**Note 22 Shares in Group companies**

	2014-03-31	2013-03-31
<b>Parent Company</b>		
<i>Accumulated acquisition values</i>		
Opening balance	1,230	941
External acquisitions	148	291
Adjustment of additional consideration	-	-2
	<b>1,378</b>	<b>1,230</b>
<i>Accumulated impairment charges</i>		
Opening balance	-111	-106
Impairment for the year	-25	-5
	<b>-136</b>	<b>-111</b>
<b>Closing balance</b>	<b>1,242</b>	<b>1,119</b>

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

Group companies <sup>1)</sup> / Corporate identity number / Registered office	Number of shares	Stake in % <sup>2)</sup>	Carrying value	
			2014-03-31	2013-03-31
Acte Solutions AB, 556600-8032, Stockholm	500	100.0	13	13
Acte Systems AS, 927 714 574, Bergen, Norway	600	100.0	1	1
Acte Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	0
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44
Acte Oy, 239 992, Helsingfors, Finland	300	100.0	3	3
Ampol Serwis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16
Thermod Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	–	–
Asept International AB	25,000	100.0	80	–
COBS AB, 556524-3788, Göteborg	3,000	100.0	21	21
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	82	107
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	99
Elpress A/S, CVR 26162629, Silkeborg, Denmark	100	100.0	–	–
Elpress GmbH, HBR 3252, Viersen, Germany	100	100.0	–	–
Elpress (Beijing) Electrical Components Co. Ltd, Beijing, China	100	100.0	–	–
Kablema AB, 556746-2196, Kramfors	100	100.0	–	–
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	13	13
Elprodukter AS	100	100.0	68	–
Idesco OY, 2024497-7, Uleåborg, Finland	403,391	90.2	30	30
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18
K&K Active OY, 0980670-5, Helsingfors, Finland	100	100.0	51	51
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20
Lagercrantz Communication AB, 556260-2127, Solna	1,000	100.0	3	3
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	51	51
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16
Svensk Stålinredning AB, 556842-6000, Värnamo	100,000	100.0	32	32
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95
Thermod AB, 556683-7125, Klässbol	1,000	100.0	55	55
Unitronic AG, HRB 40042, Düsseldorf, Germany	153,600	100.0	28	28
Secos GmbH, Baar, Switzerland	20,000	100.0	–	–
Vanpee AB, 556213-2406, Stockholm	50,000	100.0	20	20
Vanpee Norge AS, 976 286 324, Oslo, Norway	100	100.0	60	60
Vendig AB, 556626-7976, Skara	5,000	100.0	29	29
VP Ledbelysning AB, 556084-5975, Nyköping	4,000	100.0	2	2
Lagercrantz A/S, 81 74 67 10, Copenhagen, Denmark	6	100.0	131	131
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	–	–
Lagercrantz Asia Ltd, Hong Kong	20,000	100.0	–	–
Acte Poland Sp Z o.o., 5 753, Warszawa, Poland	2	100.0	–	–
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100.0	–	–
ISIC A/S, 16 70 45 39, Århus, Denmark	33,400	100.0	–	–
Vanpée & Westerberg A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	–	–
Betech Data A/S, 10 51 07 32, Copenhagen, Denmark	1	100.0	–	–
CAD-Kompagniet A/S, 21 69 77 88, Copenhagen, Denmark	8	100.0	–	–
			<b>1,242</b>	<b>1,119</b>

<sup>1)</sup> Group companies are reported at book value; other companies are owned indirectly via Group companies.

<sup>2)</sup> Refers to ownership stake of capital, which also coincides with the proportion of votes for the total number of shares outstanding.

## Note 23 Due from Group companies

	2014-03-31	2013-03-31
<b>Parent Company</b>		
<i>Accumulated acquisition values</i>		
Opening balance	101	116
Incremental receivables	42	94
Receivables paid	-44	-105
Exchange rate differences	3	-4
<b>Closing balance</b>	<b>102</b>	<b>101</b>

## Note 24 Other long-term receivables

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Accumulated acquisition values</i>		
Opening balance	2	2
Incremental receivables	0	0
Receivables paid	0	0
<b>Closing balance</b>	<b>2</b>	<b>2</b>

## Note 25 Inventories

impairment charges were made against inventories in the amount of MSEK 3 (1).

## Note 26 Trade receivables

Aging of unimpaired trade receivables due	2014-03-31	2013-03-31
<b>Group</b>		
Trade receivables not due	391	320
Trade receivables due in 0 – 30 days	40	37
Trade receivables due in > 30 – 90 days	7	5
Trade receivables due in > 90 – 180 days	1	0
Trade receivables due in > 180 days	–	0
<b>Total</b>	<b>439</b>	<b>362</b>
<b>Provision account for bad debt losses</b>	<b>2014-03-31</b>	<b>2013-03-31</b>
<b>Group</b>		
Opening balance	3	2
Reversal of previously made impairment charges	-1	0
Year's impairment losses	0	1
Exchange rate differences	0	0
<b>Closing balance</b>	<b>2</b>	<b>3</b>

Bad debt losses realised during the year have been charged to profit and loss in the amount of MSEK 0 (2).

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

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Work in progress</i>		
Accumulated recognised contract income	95	64
Invoicing	-84	-44
<b>Total claim on clients</b>	<b>11</b>	<b>20</b>
Accumulated contract costs and recognised income (after deduction of recognised loss) at end of period	95	64
Advance payments received	-	0
Amount held back by clients	-	-

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

**Note 28 Prepaid expenses and accrued revenue**

	2014-03-31	2013-03-31
<b>Parent Company</b>		
Prepaid rent	1	0
Prepaid insurance premiums	0	0
Other items	2	3
	<b>3</b>	<b>3</b>

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

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

**Restricted reserves**

Restricted funds consist of share capital and the following reserves:

*Legal reserve*

The purpose of the legal reserve is to set aside the portion of net earnings not required to cover a loss brought forward.

**Unrestricted equity**

Unrestricted funds consist of retained earnings and premium reserve:

*Retained earnings*

Consist of the preceding year's unrestricted equity after any allocation to legal reserve and after any dividends paid. Constitute the total unrestricted equity together with this year's income, 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
Class A shares, 10 votes per share	1,091,966	10,919,660
Class B shares, 1 vote per share	22,081,343	22,081,343
Class B shares held in treasury	-649,050	-649,050
<b>Total</b>	<b>22,524,259</b>	<b>32,351,953</b>
	<b>Class A shares</b>	<b>Class B shares</b>
Number of shares outstanding at beginning of period	1,091,966	22,081,343
Redemption of shares	-	-
Conversion of calls A shares	-	-
<b>Number of shares outstanding at end of period</b>	<b>1,091,966</b>	<b>22,081,343</b>
<b>Number of shares repurchased</b>		
At beginning of period	-	653,300
Shares used in connection with redemption of options	-	-105,250
Number of shares repurchased during the period	-	101,000
<b>Closing balance</b>	<b>-</b>	<b>649,050</b>

The share capital amounted to MSEK 48.9 at the end of the period. The class B share is listed on OMX Nordic Exchange Stockholm. According to the Articles of Association the share capital shall be not less than MSEK 25 and not more than MSEK 100. The quotient value of the share is SEK 2.11.

The proposed dividend for the year is SEK 4.00 (3.25) per share.

The options programmes described in Note 6 are secured by shares repurchased at an average cost of SEK 43.17.

When the call options are exercised at a redemption price of SEK 57.20, SEK 70.30 and SEK 125.40, respectively, per share, the number of shares outstanding may increase by the number of option redeemed, or a total 545,500 shares. The number of shares held in treasury will then decline accordingly.

**Group**

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

*Other contributed capital*

Refers to equity capital contributed by the owners.

*Reserves*

Reserves refer to restatement reserve and hedging reserve.

The restatement reserve includes all FX rate translation differences that arise when translating the financial statements of foreign operations. These entities prepare their financial statements in other currencies than the Group and the Parent Company, which report in Swedish kronor (SEK). The restatement reserve additionally consists of exchange rate differences that arise upon revaluation of net investments in foreign operations.

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet transpired.

*Retained earnings*

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

*Capital management*

The Group's goal, as expressed in its finance policy, is to have a good capital structure and financial stability in the interest of retaining the confidence of investors, credit institutions and the market in general. In addition, this constitutes a foundation for continued development of the business operations. Capital is defined as total shareholders' equity, not including holdings without controlling influence.

The ambition of the Board of Directors is to retain a balance between a high return and the security of a large capital base. The Group's goal is to achieve a return on equity of at least 25 percent per year. For the 2013/14 financial year the return was 24 percent (24). Profit amounted to MSEK 177 (159) and average equity during the year amounted to MSEK 752 (660). The result has gained more than the equity which depends on this year's paid dividend amounting to MSEK 73.

The Group's policy is to pay a dividend of 30–50 percent of this year's result with cashflow and needs for investments taken into account. For the Annual General Meeting, the Board of Directors has proposed a dividend of SEK 4.00 (3.25) per share. The proposed dividend is equivalent to a dividend payout ratio of 51 percent (46). The dividend is also equivalent to 11 percent (10) of consolidated equity on the balance sheet date.

The Group's Board of Directors has a mandate from the 2013 Annual Meeting to repurchase shares. During the year the Group repurchased 101,000 of its own Class B shares at an average price of SEK 104.93 per share. The timing of these purchases was in part determined by the market price of the share from time to time. The repurchased shares are, in part, intended to cover the Group's commitment under outstanding option programmes, where members of senior management and certain key persons have the opportunity to acquire class B shares by exercising acquired options. There is no formal repurchase plan. Decisions to buy and sell shares in the Group are instead made by the Board of Directors within the framework of the mandate given by Annual General Meeting. The Board of Directors is again proposing that the Annual General Meeting authorizes the Board of Directors to repurchase 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 and the value of managed assets**

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

	2014-03-31	2013-03-31
<b>Group</b>		
Present value of unfunded defined benefit obligations	56	59
<b>Net obligations including adjustments</b>	<b>56</b>	<b>59</b>
<b>Distribution of amount on plans in the following countries:</b>		
	<b>2014-03-31</b>	<b>2013-03-31</b>
Sweden	55	58
Germany	1	1
<b>Amount in the statement of financial position</b>	<b>56</b>	<b>59</b>

Actuarial gains and losses may arise when the present value of the obligation and the fair value of managed assets are determined. They arise either when the actual outcome differs from the previously made assumption, or when assumptions are changed. IAS 19 Employee Benefits has changed since the beginning of the financial year on 1 April 2013. The effect of the revision is that the so-called "corridor method" for reporting actuarial gains and losses no longer is allowed. Actuarial gains and losses must now be reported in other comprehensive profit. The change has the effect that

the pension liability at the beginning of the 2013/14 financial year has increased by MSEK 8 and equity has been reduced by MSEK 8, including tax effects.

Pension cost	2013/14	2012/13
<b>Group</b>		
<i>Defined benefit plans</i>		
Cost of pensions earned during the year	–	0
Interest expense	-3	-3
Actuarial gains (-) and losses (+) reported during the year	–	0
<b>Cost of defined benefit plans</b>	<b>-3</b>	<b>-3</b>
Cost of defined contribution plans	34	-31
<b>Total cost compensation after termination of employment</b>	<b>37</b>	<b>-34</b>

The pension cost relating to the most important defined benefit pension plans is reported in the income statement on the lines Selling costs, Administrative expenses and Interest expense. Since virtually no new salaries are earned in this category, it is the interest portion that dominates and is reported as a financial expense in the amount of MSEK 3 (3). The pension cost for defined contribution pension plans amounted to MSEK 34 (31). The pension total cost for defined benefit and defined contribution pension plans amounted to MSEK 37 (34).

The prognosis for the period 2014/15 is that the pension cost will be equal to 2013/14, where of financial costs for defined benefit plans is estimated to MSEK 2.

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

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

	2013/14	2012/13
<b>Opening balance: Present value of obligation</b>	<b>59</b>	<b>50</b>
Change of accounting standard IAS 19	–	8
Cost of defined benefit plans	2	3
Pension payments	-2	-2
Payment of fees by the Company	–	0
Change in actuarial gains/losses	-3	0
Translation differences	–	0
<b>Closing balance: Present value of obligation</b>	<b>56</b>	<b>59</b>
<b>Net amount in statement of financial position, closing balance</b>	<b>56</b>	<b>59</b>

#### Actuarial assumptions

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

(weighted average values)	2014-03-31	2013-03-31
Discount interest rate	3.9%	3.7%
Expected inflation	2.0%	2.0%
Future salary increases	3.0%	3.0%
Personnel turnover	5.0%	5.0%
Change in income amount	3.0%	3.0%

As in prior years, the basis for discount interest rate in Sweden is the interest rate on housing bonds. The Group estimates that MSEK 3 will be paid during 2013/14 to funded and unfunded defined benefit plans.

Assumptions regarding life-span are the same as proposed by Finansinspektionen to be valid from 2007-12-31 (FFFS 2007:31).

#### Sensibility analysis

##### Change of the unfunded defined benefit plan, MSEK:

Discount interest rate, increase with 0.5%	5.0
Discount interest rate, decrease with 0.5%	-4.5
Inflation, increase with 0.5%	-4.5
Inflation, decrease with 0.5%	5.0
Life-span, increase with 1 year	2.5
Life-span, decrease with 1 year	-2.7

	2014-03-31	2013-03-31
<b>Parent Company</b>		
Provision for pensions	21	22
	<b>21</b>	<b>22</b>

#### Pledged assets for pension obligations

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

## Note 31 Deferred taxes

2014-03-31	Deferred tax asset	Deferred tax liability	Net
<b>Group</b>			
Other non-current assets	2	-69	-67
Other provisions	1	–	1
Untaxed reserves	–	-29	-29
Miscellaneous	3	-1	2
Tax loss carryforwards	1	–	1
	<b>7</b>	<b>-99</b>	<b>-92</b>

2013-03-31	Deferred tax asset	Deferred tax liability	Net
<b>Group</b>			
Other non-current assets	3	-55	-52
Other provisions	1	–	1
Untaxed reserves	–	-27	-27
Miscellaneous	1	0	1
Tax loss carryforwards	1	–	1
Change of accounting standard IAS 19	2	–	2
	<b>8</b>	<b>-82</b>	<b>-74</b>

#### Unreported deferred tax assets

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

#### Change in deferred taxes in temporary differences and tax loss carryforwards

	Opening balance	Reported via profit and loss	Closing balance
<b>Group</b>			
Other non-current assets	-52	3	-67
Other provisions	1	0	1
Untaxed reserves	-27	0	-29
Miscellaneous	3	1	2
Tax loss carryforwards	1	0	1
	<b>-74</b>	<b>4</b>	<b>-92</b>

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

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

The Parent Company has a deferred tax asset of MSEK 1 (1).

## Note 32 Other provisions

	2014-03-31	2013-03-31
<b>Group</b>		
<i>Other provisions as long-term liabilities</i>		
Cost of restructuring measures	0	0
Warranty provisions	2	1
Miscellaneous	1	1
	<b>3</b>	<b>2</b>
<i>Other provisions as current liabilities</i>		
Cost of restructuring measures	2	2
Miscellaneous	0	0
	<b>2</b>	<b>2</b>
<b>Opening balance</b>	<b>4</b>	<b>12</b>
Provisions set aside during the period	3	3
Amount utilised during the period	-2	-11
Unutilised amounts reversed during the period	0	–
<b>Closing balance</b>	<b>5</b>	<b>4</b>

#### Restructuring

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

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

Fair values of financial assets and liabilities essentially correspond to reported values. Fair value of contingent considerations is measured using the fair value option contained in IAS 39, category 3. Derivatives are valued at fair value based on current, observable data and included in IAS 39, category 2. As per 31 March 2014 and 2013 there were no outstanding derivatives.

Group	Loan and trade receivables	Derivatives for hedge accounting	Total
<b>2014-03-31</b>			
<i>Assets in statement of financial position</i>			
Long-term receivables	2		2
Trade receivables	439		439
Cash and cash equivalents	38		38
<b>Total</b>	<b>479</b>	<b>-</b>	<b>479</b>

All financial assets MSEK 479 (400) are valued at accrued cost. The consolidated statement of financial items shows other receivables of MSEK 34. All items are non-financial.

2014-03-31	Financial liabilities	Derivatives for hedge accounting	Total
<i>Liabilities in statement of financial position</i>			
Short-term liabilities to credit institutions	270		270
Trade payables	265		265
Other current liabilities	97	-	97
<b>Total</b>	<b>632</b>	<b>-</b>	<b>632</b>

The consolidated statement of financial position shows other liabilities in the amount of MSEK 178. There are no derivatives as of the balance sheet date. Contingent consideration payments are carried in the amount MSEK 97 measured at fair value via the income statement. Other financial liabilities of MSEK 535 (475) are valued at accrued cost. Financial liabilities are for the most part payable within 12 months. Other items are non-financial.

2013-03-31	Loan and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in statement of financial position</i>			
Long-term receivables	2		2
Trade receivables	362		362
Cash and cash equivalents	36		36
<b>Total</b>	<b>400</b>	<b>-</b>	<b>400</b>

The consolidated statement of financial position shows other liabilities in the amount of MSEK 32. All items are non-financial.

2013-03-31	Financial liabilities	Derivatives for hedge accounting	Total
<i>Liabilities in statement of financial position</i>			
Short-term liabilities to credit institutions	279		279
Trade payables	196		196
Other current liabilities	72	-	72
<b>Total</b>	<b>547</b>	<b>-</b>	<b>547</b>

The consolidated statement of financial position shows other liabilities in the amount of MSEK 143. There are no derivatives as of the balance sheet date. Contingent consideration payments are carried in the amount of MSEK 72 measured at fair value via the income statement. Financial liabilities are for the most part payable within 12 months. Other items are non-financial.

**Change in contingent consideration**

	2013/14	2012/13
Opening balance	72	28
Year's liabilities	31	51
Settled liabilities	-2	-4
Revalued liabilities	-4	-3
Translation difference	0	0
<b>Closing balance</b>	<b>97</b>	<b>72</b>

**Parent Company**

2014-03-31	Loan and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in the balance sheet</i>			
Long-term receivables from subsidiaries	102		102
Other short-term receivables	54		54
Cash and cash equivalents	0		0
<b>Total</b>	<b>156</b>	<b>-</b>	<b>156</b>

2014-03-31	Financial liabilities	Derivatives for hedge accounting	Total
<i>Liabilities in the balance sheet</i>			
Long-term liabilities to Group companies	-		-
Sort-term liabilities to credit institutions	258		258
Trade payables	2		2
Other current liabilities	287		287
<b>Total</b>	<b>547</b>	<b>-</b>	<b>547</b>

MSEK 92 of other liabilities refer to contingent consideration measured at fair value.

2013-03-31	Loan and trade receivables	Derivatives for hedge accounting	Total
<i>Assets in the balance sheet</i>			
Long-term receivables from subsidiaries	101		101
Other short-term receivables	69		69
Cash and cash equivalents	0		0
<b>Total</b>	<b>170</b>	<b>-</b>	<b>170</b>

2013-03-31	Financial liabilities	Derivatives for hedge accounting	Total
<i>Liabilities in the balance sheet</i>			
Long-term liabilities to Group companies	3		3
Sort-term liabilities to credit institutions	268		268
Trade payables	2		2
Other current liabilities	286		286
<b>Total</b>	<b>559</b>	<b>-</b>	<b>556</b>

MSEK 69 of other liabilities refer to contingent consideration measured at fair 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 56 (59), Long-term liabilities MSEK 53 (5), Current liabilities to credit institutions MSEK 270 (279) and Other current liabilities MSEK 0 (0), Total MSEK 379 (343). The provision for pensions is defined as an interest-bearing provisions since the present value of defined benefit pension obligations is calculated using a discount rate in accordance with IAS 19. For details, refer to Note 30.

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

**Liabilities to credit institutions**

	2014-03-31	2013-03-31
<b>Group</b>		
Current portion	8	7
Maturity, 1–5 years from the date of statement of financial position	52	3
Maturity, more than five years the date of statement of financial position	1	1
	<b>61</b>	<b>11</b>
<b>Parent Company</b>		
Current portion	-	-
Maturity, 1–5 years from the date of statement of financial position	50	-
Maturity, more than five years the date of statement of financial position	-	-
	<b>50</b>	<b>-</b>

**Committed credit facility**

	2014-03-31	2013-03-31
<b>Group</b>		
Approved credit limit	409	517
Unutilised portion	-147	-245
<b>Utilised portion</b>	<b>262</b>	<b>272</b>
Credit limits on committed credit facilities are renewed on an annual basis.		
<b>Parent Company</b>		
Approved credit limit	400	500
Unutilised portion	-142	-232
<b>Utilised portion</b>	<b>258</b>	<b>268</b>
Credit limits on committed credit facilities are renewed on an annual basis.		

**Pledged assets for committed credit facility**

	2014-03-31	2013-03-31
<b>Group</b>		
Corporate mortgages	1	6
	<b>1</b>	<b>6</b>

**Note 35 Accrued expenses and prepaid income**

	2014-03-31	2013-03-31
<b>Parent Company</b>		
Personnel costs	7	7
Other items	6	3
	<b>13</b>	<b>10</b>

**Note 36 Paid interest**

	2013/14	2012/13
<b>Group</b>		
Interest income	1	1
Interest expense	-9	-10
<b>Parent Company</b>		
Interest income	4	4
Interest expense	-10	-10

**Note 37 Adjustment for items not included in cash flow**

	2013/14	2012/13
<b>Group</b>		
Depreciation and amortisation	44	39
Other provisions	5	1
Impairment losses and disposals	0	1
Capital gain/loss on sale of non-current assets	1	1
Change in interest accrual	1	1
Other items	-2	-2
	<b>49</b>	<b>41</b>
<b>Parent Company</b>		
Depreciation and amortisation	0	0
Impairment losses	25	5
Group contribution not yet disbursed	2	5
Group contribution not yet received	-35	-37
Other items	-2	3
	<b>-10</b>	<b>-24</b>

**Note 38 Investment in businesses**

A total of three acquisitions of businesses were made during the operating year. Companies acquired are Asept International AB in Lund and El-produkter AS in Ulsteinvik, Norway, both 100 percent. The business in Frontwall i Anderstorp AB was also acquired. All acquisitions were paid for in cash.

**Specification of acquisitions**

During the first quarter the business in Frontwall i Anderstorp AB was acquired in an asset purchase by Lagercrantz Group's subsidiary Steelo AB. Frontwall is a niched player who designs and delivers retail store interiors, among other things so-called shop-in-shop solutions, and product displays. Customers are typically product suppliers who want to give exposure to their products in an easy-to-access and selling manner with various retailers. During 2012 Frontwall had sales of over MSEK 30 and is a part of division Niche Products since June 2013.

During the second quarter the business in Asept International AB was acquired. Asept is a niched product company that offers dispenser systems primarily used for liquid foods. The patented products are found among global food producers, restaurant chains and others with an need for customised packaging and dispenser solutions. Asept has aggregate annual sales of approximately MSEK 65 with good profitability and is a part of division Niche Products since August 2013.

During the third quarter the business in El-produkter AS was acquired. The company designs, markets and sells primarily LED lighting, including among other things light dimensioning support. The products are sold under a proprietary trademark to the professional installer market in Norway. The company has its head office in Ulsteinvik and has aggregate annual sales of about MNOK 50. The Company is a part of division Electronics since December 2013.

Since information about the companies on an individual basis is irrelevant, it is given here in aggregated form. Lagercrantz Group normally uses contingent consideration as a complement to the basic purchase money. The estimated total purchase money includes estimated contingent consideration in the amount of MSEK 31 for the companies. The calculation is based on probability-weighted waiting value. The absence of additional consideration is the minimum outcome that can occur. This is not probable, however. Estimated contingent consideration in the amount of MSEK 97 has not yet been disbursed. The outcome depends on the profit achieved by the companies. Intangible surplus values refer primarily to strong product ranges and innovations that justify a good price and a good position in the market. Goodwill is justified by the value of the technological expertise the companies have and good profitability. The acquisition calculations are still preliminary and are subject to change.

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

	2013/14	2012/13
Net identifiable assets/liabilities	101	128
Goodwill	63	163
<b>Estimated purchase money</b>	<b>164</b>	<b>291</b>

**Effect on cash flow**

	2013/14	2012/13
<b>Group</b>		
Intangible non-current assets	-139	-215
Tangible non-current assets	-8	-34
Inventories	-25	-29
Other current assets	-39	-86
Provisions	21	19
Long-term liabilities	-	6
Current liabilities	26	48

<b>Total purchase money</b>	<b>-164</b>	<b>-291</b>
Cash and cash equivalents in the acquired businesses	5	45

**Effect of the year's acquisitions on the Group's cash and cash equivalents**

	<b>-159</b>	<b>-246</b>
Adjustment of estimated contingent consideration, prior acquisitions	3	-4
Repayment of/increase in liabilities relating to acquired businesses	26	51

<b>Cash flow attributable to capital investments in businesses</b>	<b>-130</b>	<b>-199</b>
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No temporary tax differences arose in connection with the year's acquisitions.

**Distribution of intangible assets in connection with acquisitions**

	2013/14	2012/13
Goodwill	63	163
Trademarks	22	22
Other intangible assets	54	30
<b>Total intangible assets via acquisitions</b>	<b>139</b>	<b>215</b>

**Contribution of the acquired entities to the Group's revenue and profit**

	2013/14	2012/13
Revenue	74	135
Contribution to profit before acquisition costs	11	23
Transaction costs	-1	-2
Amortisation of surplus values	-2	-2
<b>Contribution to profit after acquisition costs</b>	<b>8</b>	<b>19</b>
Financing costs	-3	-6
<b>Contribution to profit after financing costs</b>	<b>5</b>	<b>13</b>

**Contribution of the acquired entities to the Group's revenue and profit had they been included for the entire year**

	2013/14	2012/13
Revenue	133	246
Contribution to profit before acquisition costs	24	41
Transaction costs	-1	-2
Amortisation of surplus values	-4	-4
<b>Contribution to profit after acquisition costs</b>	<b>19</b>	<b>35</b>
Financing costs	-6	-10
<b>Contribution to profit after financing costs</b>	<b>13</b>	<b>25</b>

Transaction overhead for the year's acquisitions in the amount of MSEK 1 (2) is reported as administrative expenses.

**Note 39 Contingent liabilities**

	2014-03-31	2013-03-31
<b>Group</b>		
Guarantee undertakings FPG/PRI	1	1
Other guarantees	3	6
	<b>4</b>	<b>7</b>

**Note 40 Earnings per share**

	2013/14	2012/13
Earnings per share, SEK	7.85	7.09
Earnings per share after dilution, SEK	7.81	7.07

The calculation of earnings per share for 2013/14 is based on profit for the year attributable to the Parent Company's equity holders amounting to MSEK 177 (159) and a weighted average number of shares outstanding during 2013/14 of 22,543,569 (22,425,586). The weighted number of shares outstanding including dilution is 22,664,579 (22,500,744).

**Instruments that may generate future dilution effects**

During the 2013/14 financial year the Company had three option programmes outstanding, the redemption prices of which (SEK 57.20, SEK 70.30 and SEK 125.40 per share) in two cases exceeded the average market price of the share during the year (SEK 106.67 per share). These options add a dilutive effect and have been included in 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 this programme.

**Note 41 Risk management****Financial risks**

It is essential to Lagercrantz Group to have an efficient and systematic evaluation 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 the Board of Directors of Lagercrantz Group, group management and the Group's companies. In the Group, group management has the operative responsibility to secure the Group's financing, to manage the cash liquidity, financial assets and liabilities efficiently.

**FX risk**

Despite the fact that Lagercrantz Group has an international presence, its operations are local in nature as far as FX exposure 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. FX 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 subsidiary results in different currencies is translated into Swedish kronor (translation exposure).
- Equity is affected when the subsidiaries' net assets in different currencies are translated in 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 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 1,305 and MSEK 1,766, respectively.

**Purchases/sales of important currencies**

Amounts in MSEK	Purchases	Sales
USD	269	201
EUR	818	764
GBP	14	43
DKK	113	410
NOK	21	262
JPY	20	11
PLN	50	76
<b>Group total</b>	<b>1,305</b>	<b>1,766</b>

**Cash and cash equivalents by currency**

Amounts in MSEK	2014-03-31	2013-03-31
SEK	1	2
USD	6	2
EUR	3	6
DKK	2	6
NOK	13	12
Other currencies	13	8
<b>Group total</b>	<b>38</b>	<b>36</b>

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

**Translation exposure in the report of financial position**

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

**Exchange rate sensitivity**

As a rule of thumb it can be said that a change in the euro exchange rate (including the Danish krone, the exchange rate of which is linked to EUR) relative to the Swedish krona by plus or minus 5 percent is estimated to change Lagercrantz Group's gross profit by plus or minus MSEK 6, respectively, on an annual basis given the conditions prevailing during the financial year. The equivalent change of the Norwegian exchange rate gives an effect of plus and minus MSEK 7, respectively.

A change in the US dollar exchange rate by plus or minus 5 percent, on the other hand, would give an effect of minus and plus MSEK 3, respectively. The effects of exchange rate changes can also have other effects on profit since measures are continually taken to minimize the negative effects of exchange rate changes. This makes the ultimate effects on profit difficult to predict and analyze. The rule of thumb should therefore be used with caution.

**Interest rate risk**

The financial policy states that maximum borrowing and periods of fixed interest 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 on 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 a maturity of less than 90 days. The interest rate risk in the Group's short-term investments is therefore minimal. Changes in interest rates therefore primarily affects the Company's borrowing costs. A change in the weighted average interest rate by 1 percentage point is estimated to affect the Group's interest expense before taxes by MSEK 3 on an annual basis, given the conditions prevailing during the financial year.

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

**Weighted average effective interest rates on loans, %**

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Long-term liabilities to credit institutions	2.57%	3.63%	2.47%	–
Short-term liabilities to credit institutions	2.22%	2.13%	2.22%	2.13%

**Credit risk**

Lagercrantz Group's credit risk with respect to trade receivables is highly diversified through a large number of projects and other business agreements of varying size and type, with a large number of customer categories in a multitude of geographic markets. The Company therefore has no significant concentration of credit risks. Financial credit and counterparty risk is identified, managed and reported in accordance with the framework defined in the Group's finance policy, risk policy and rules 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 creditworthy. No significant losses of a financial character were sustained during the year.

#### Liquidity risk

Well established relationships with the capital markets is a prerequisite for Lagercrantz Group's ability to ensure the supply of capital at market terms taking sustainability into account. Thanks to negotiated credit facilities there is adequate preparedness for temporary fluctuations in the Group's needs for liquidity. For a maturity schedule, refer to Note 34. Lagercrantz Group's committed bank credit facilities consist of:

- A committed credit facility of MSEK 400 in the Parent Company.
- A revolving credit facility in the amount of MSEK 300, to be renewed in November 2015.
- Committed credit facilities in subsidiaries in the amount of MSEK 9.

#### Capital risk

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

### Note 42 Related parties

#### Related party relationships

The Parent Company has a related-party relationship with its Group companies. The Company's directors and their close family members control approximately 32 percent of the votes in the Company.

#### Related party transactions

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

### Note 43 Events after the balance sheet date

No for the Company significant events have occurred after the balance sheet date, 31 March 2014.

### 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 as well as products made by others in the fields electronic and electro-mechanical components, equipment for communication and other niched technology areas – in a value-adding manner – through niche-oriented subsidiaries to corporate customers, either itself or through wholly or partially owned Group companies, and to engage in other business compatible therewith. The average number of employees for the year was 11. The Parent Company's shares are registered on the NASDAQ OMX. The Annual Accounts and the consolidated financial statements were approved for publication by the Board of Directors and the President for publication on 25 June 2014.

# Auditor's Report

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

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Lagercrantz Group AB (publ) for the financial year 2013-04-01–2014-03-31. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 2–37.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### *Opinions*

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 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International

Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance Statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Lagercrantz Group AB (publ) for the financial year 2013-04-01–2014-03-31.

### *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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As 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.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### *Opinions*

We recommend to the annual 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.

Stockholm 25 June 2014

KPMG AB

Joakim Thilstedt  
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,  
B&B Tools AB and Cibenon AB.  
Director of Bostad Direkt AB,  
Futuraskolan AB, Inomec AB and  
Ventilationsgrossisten Nordic AB.  
Holding (family): 492,588 class A  
shares and 402,850 class B shares.  
Director since 2001.

### Pirkko Alitalo

*Director*

Born: 1949.

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

### Lennart Sjölund

*Director*

Born: 1949.

Edu: Bachelor of Science (Econ.).  
Chairman of ErySave AB,  
Quickcool AB, Parkallen Invest AB,  
Östanbäcks Timmerhus AB,  
Zarismo AB and Elinväst AB.  
Director of Godiva AB and  
New Nordic Healthbrands AB.  
Holding (family):  
83,671 class B shares.  
Director since 2001.

### Tom Hedelius

*Vice Chairman of the Board*

Born: 1939.

Edu: Doctor h. c. Economics,  
Bachelor of Science (Econ.).  
Honorary chairman of  
Svenska Handelsbanken AB.  
Chairman of Anders Sandrews  
stiftelse and Jan Wallanders och  
Tom Hedelius stiftelse.  
Vice chairman of Addtech AB  
and B&B Tools AB.  
Holding: 477,558 class A shares  
and 5,400 class B shares.  
Director since 2001.

### Roger Bergqvist

*Director*

Born: 1948.

Edu: Economics and marketing  
at university level.  
Director of B&B Tools AB,  
Proact IT Group AB, BE Group AB,  
Ventilgrossisten Nordic AB  
and Coroventa AB.  
Holding: 6,000 class B shares.  
Director since 2011.

### Marika Rindborg Holmgren

*Director*

Born: 1961.

Edu: Bachelor of Laws.  
Chairman of Rindborg  
& Rindborg Advokatbyrå AB.  
Director of Riksgälden,  
Marika Rindborg Advokat AB,  
Norwesco AB and Karin Sandqvist  
Stiftelse för resestipendier och  
forskning inom området ögon-  
sjukdomar.  
Holding: None.  
Director since 2013.

### Jörgen Wigh

*President and CEO*

Born: 1965.

Edu: Bachelor of Science (Econ.).  
Holding: 22,810 class A shares,  
151,100 class B shares  
and 51,550 call options on  
class B shares.  
Director since 2006.

### Auditors

Auditors appointed by the  
2013 Annual Meeting are the  
registered auditing company  
KPMG AB. Auditor in charge is  
Joakim Thilstedt, Authorised  
Public Accountant.

## Management

### Jörgen Wigh

*President and CEO*

Born: 1965.

Holding: 22,810 class A shares,  
151,100 class B shares  
and 51,550 call options on  
class B shares.

### Bengt Lejdström

*Chief Financial Officer*

Born: 1962.

Holding: 3,000 class B shares  
and 33,000 call options on  
class B shares.

### Magnus Söderlind

*Executive Vice President and  
Head of Business Development*

Born: 1966.

Holding: 83,625 class B shares  
and 34,500 call options on  
class B shares.

### Ulf Gladh

*Vice President Electronics*

Born: 1961.

Holding: 3,000 class B shares  
and 24,000 call options on  
class B shares.

### Sten Alfredsson

*Vice President Mechatronics*

Born: 1952.

Holding: 15,000 class B shares  
and 16,500 call options on  
class B shares.

### Kjell Eriksson

*Vice President Communications*

Born: 1954.

Holding: 11,000 class B shares  
and 24,000 call options on  
class B shares.

### Per Ikov

*Vice President Communications*

Born: 1961.

Holding: 2,100 class B shares  
and 24,000 call options on  
class B shares.

### Jonas Ahlberg

*Vice President Niche Products*

Born: 1966.

Holding: 36,000 call options  
on class B shares.

### Eva Berger

*Group Controller  
(as of 1 July 2014)*

Born: 1968.

Holding: None.

*Holding refers to status per 15 June 2014.*

## Summary of Financial Performance

### INCOME STATEMENT

Amounts in MSEK	2013/14	2012/13	2011/12	2010/11	2009/10
Net revenue	2,546	2,328	2,265	2,029	1,720
<b>Operating profit before depreciation and amortisation</b>	<b>286</b>	<b>252</b>	<b>219</b>	<b>176</b>	<b>92</b>
Depreciation and amortisation	-44	-39	-35	-29	-25
<b>Operating profit</b>	<b>242</b>	<b>213</b>	<b>184</b>	<b>147</b>	<b>67</b>
Financial income and expense	-12	-13	-13	-10	-9
<b>Profit after finance items</b>	<b>230</b>	<b>200</b>	<b>171</b>	<b>137</b>	<b>58</b>
Taxes and holdings without controlling influence	-53	-41	-45	-35	-16
<b>Net profit for the year</b>	<b>177</b>	<b>159</b>	<b>126</b>	<b>102</b>	<b>42</b>

### BALANCE SHEET

Amounts in MSEK	2014-03-31	2013-03-31	2012-03-31	2011-03-31	2010-03-31
<b>Assets</b>					
Intangible non-current assets	880	743	553	505	283
Tangible non-current assets	140	125	87	91	51
Financial non-current assets	9	10	10	11	17
Other current assets	810	691	659	621	503
Cash and cash equivalents & short-term investments	38	36	37	56	29
<b>Total assets</b>	<b>1,877</b>	<b>1,605</b>	<b>1,346</b>	<b>1,284</b>	<b>883</b>
<b>Equity and liabilities</b>					
Equity and holdings without controlling influence	805	699	620	545	494
Interest-bearing provisions and liabilities	379	343	222	299	67
Non-interest-bearing provisions and liabilities	693	563	504	440	322
<b>Total equity and liabilities</b>	<b>1,877</b>	<b>1,605</b>	<b>1,346</b>	<b>1,284</b>	<b>883</b>
Capital employed	1,184	1,042	842	844	561
Pledged assets and contingent liabilities	5	13	6	32	31

### STATEMENT OF CASH FLOW

Amounts in MSEK	2013/14	2012/13	2011/12	2010/11	2009/10
Profit after finance items	230	200	171	137	58
Adjustments for paid taxes and items not included in cash flow	-15	-25	13	11	-2
<b>Cash flow before changes in working capital</b>	<b>215</b>	<b>175</b>	<b>184</b>	<b>148</b>	<b>56</b>
Cash flow from changes in working capital	16	2	-9	-30	31
<b>Cash flow from operating activities</b>	<b>231</b>	<b>177</b>	<b>175</b>	<b>118</b>	<b>87</b>
Cash flow from investment activities	-175	-228	-68	-297	-18
<b>Cash flow from operating activities and investment activities</b>	<b>56</b>	<b>-51</b>	<b>107</b>	<b>-179</b>	<b>69</b>
Cash flow from financing activities	-54	51	-127	206	-99
<b>Cash flow for the year</b>	<b>2</b>	<b>0</b>	<b>-20</b>	<b>27</b>	<b>-30</b>

## KEY FINANCIAL INDICATORS

Amounts in MSEK unless otherwise specifically stated	2013/14	2012/13	2011/12	2010/11	2009/10
Change in revenue, %	9.4	2.8	11.6	18.0	-19.6
Profit after taxes	177	159	126	102	42
Operating margin, %	9.5	9.1	8.1	7.2	3.9
Profit margin, %	9.0	8.6	7.5	6.8	3.4
Equity ratio, %	43	44	46	42	56
Operating profit / Working capital (P/WC), %	55	52	48	45	20
Return on capital employed, %	22	23	22	21	11
Return on equity, %	24	24	22	20	8
Debt equity ratio	0.4	0.4	0.3	0.5	0.0
Net debt equity ratio	0.4	0.4	0.2	0.4	0.0
Interest coverage ratio	16	13	11	12	6
Net interest-bearing liabilities (+) / Receivables (-)	285	248	135	193	-11
Number of employees at year-end	1,010	932	780	731	608
Average number of employees	995	864	753	692	661
Payroll, including social benefits	574	510	441	405	366
Revenue outside Sweden	1,676	1,553	1,533	1,355	1,155

## PER-SHARE DATA

	2013/14	2012/13	2011/12	2010/11	2009/10
Number of shares outstanding at year-end after repurchases ('000)	22,524	22,520	22,217	22,196	21,978
Weighted number of shares outstanding after repurchases ('000)	22,544	22,426	22,242	22,046	21,978
Weighted number of shares outstanding after repurchases and dilution ('000)	22,665	22,501	22,392	22,133	21,978
Operating profit per share, SEK	10.68	9.47	8.22	6.64	3.05
Earnings per share, SEK	7.85	7.09	5.66	4.63	1.91
Earnings per share after dilution, SEK	7.81	7.07	5.63	4.61	1.91
Cash flow from operations per share after dilution, SEK	10.19	7.87	7.82	5.33	3.96
Cash flow per share after dilution, SEK	0.09	0.00	-0.89	1.22	-1.37
Dividend per share, SEK (This year's dividend as proposed)	4.00	3.25	2.75	2.25	1.50
Equity per share, SEK	35.70	31.00	27.90	24.60	22.50
Latest market price per share, SEK	127.00	88.25	57.25	61.75	31.50

## DEFINITIONS

**Return on equity**

Profit for the year in percent of average equity.

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

Operating profit in percent of average working capital, where working capital consists of inventories, trade receivables and trade payables.

**Return on capital employed**

Profit after finance items, plus financial expense in percent of average capital employed.

**Equity per share**

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

**Average number of employees**

Average number of annual employees during the year.

**Cash flow per share after dilution**

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

**Cash flow from operations per share after dilution**

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

**Net interest-bearing liabilities / receivables**

Interest-bearing provisions and liabilities, less cash and cash equivalents, and short-term investments.

**Net debt equity ratio**

Interest-bearing provisions and liabilities, less cash and cash equivalents and short-term investments relative to equity, plus holdings without controlling interest.

**Change in revenue**

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

**Interest coverage ratio**

Profit after finance items, plus finance items divided by financial expense.

**Operating margin**

Operating profit in percent of net revenue.

**Debt equity ratio**

Interest-bearing liabilities in relation to equity, plus holdings without controlling interest.

**Equity ratio**

Equity, plus holdings without controlling interest in percent of balance sheet total.

**Capital employed**

Balance sheet total, less non-interest-bearing provisions and liabilities.

**Earnings per share**

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

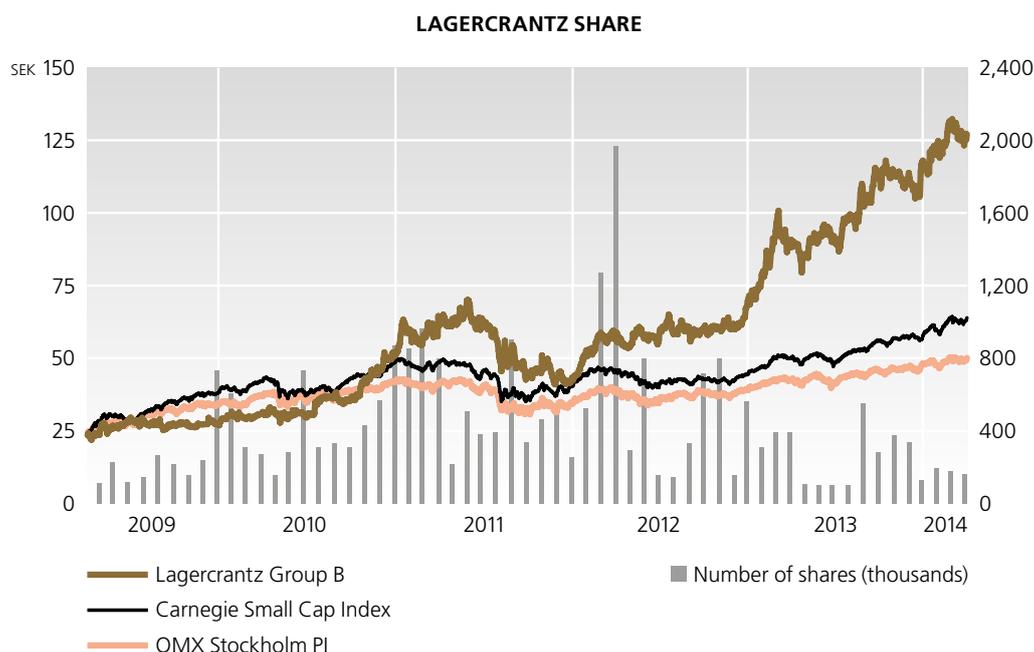
**Earnings per share after dilution**

Profit for the year attributable to the Parent Company relative to the weighted number of shares outstanding after repurchases and dilution.

**Profit margin**

Profit after finance items, less stake in associated companies in percent of net revenue.

## The Share



**Over a five-year period between 1 April 2009 and 31 March 2014 the market price of the Lagercrantz share has appreciated by 440 percent. The broad OMX Stockholm Price Index rose 113 percent during the same period, and the benchmark Carnegie Small Cap Index, which tracks the overall development for small companies, rose by 172 percent.**

**Effective as of 2 January 2014 the Lagercrantz Group class B share was moved from the Small Cap list of NASDAQ OMX of the Stockholm Stock Exchange to its Mid Cap list.**

The market price of the share as of 31 March 2014 was SEK 127.00 (88.25). During the 2013/14 financial year (April–March) the market price of the share rose by 44 percent (54). OMX Stockholm Price Index rose by 17 percent (10) during the same period and Carnegie Small Cap Index rose by 27 percent (10). Lagercrantz Group had a market capitalisation of MSEK 2,861 (1,987) as of 31 March 2014, calculated based on the number of shares outstanding after repurchases.

### PROPOSED DIVIDEND

The dividend proposed by the Board of Directors for the 2013/14 financial year involves an increase to SEK 4.00 (3.25) per share. The total dividend payment amounts to MSEK 90 (73).

### TRADING VOLUME OF THE SHARE

During the financial year 2.6 million (5.0) shares valued at MSEK 284 (329) changed hands on the stock exchange. The turnover rate of outstanding shares was 12 percent (24). The average number of transactions per trading day in the Lagercrantz share was 32 (26).

### REPURCHASE OF OWN SHARES

The 2013 Annual General Meeting authorized the Board of Directors to repurchase shares. During the 2013/14 financial year a total of 101,000 class B shares were repurchased for a total of MSEK 11, at an average price of SEK 104.93 kr. In conjunction with redemption of options, a total of 105,250 class B shares were sold for a total of MSEK 4. At the end of the period Lagercrantz Group held 649,050 class B shares in treasury, equivalent to 2.8 percent of the total number of shares outstanding and 2.0 percent of the votes in Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 43.17 per share.

### SHARE FACTS

<b>Short name</b>	LAGR B
<b>ID</b>	SSE14335
<b>ISIN code</b>	SE0000808396
<b>Segment</b>	Mid Cap
<b>Sector</b>	Industrial goods and services
<b>ICB code</b>	2700
<b>Listed since</b>	3 September 2001

**LARGEST SHAREHOLDERS IN LAGERCRANTZ GROUP 2014-03-31**

Shareholder	A shares	B shares	Stake	Votes
Anders Börjesson w family	492,558	402,850	4.0%	16.5%
Tom Hedelius	477,558	5,400	2.1%	14.8%
Lannebo Funds		2,768,359	12.3%	8.6%
Didner & Gerge Funds		2,149,641	9.5%	6.6%
SEB Investment Management		1,634,719	7.3%	5.1%
Odin Funds		1,443,348	6.4%	4.5%
Swedbank Robur Funds		1,358,717	6.0%	4.2%
SEB Asset Management		966,211	4.3%	3.0%
Handelsbanken Funds		880,585	3.9%	2.7%
Nordea Investment Funds		729,056	3.2%	2.3%
Säve family	20,000	468,549	2.2%	2.1%
Fondita Nordic Micro Cap SR		650,000	2.9%	2.0%
Christina Mörner	10,000	346,411	1.6%	1.4%
Jörgen Wigh	22,810	136,100	0.7%	1.1%
Margareta von Matérn		341,661	1.5%	1.1%
Charlotte Rapp Hamrén		249,167	1.1%	0.8%
Susanne Rapp Nilsson		238,667	1.1%	0.7%
Fredrik Rapp		238,666	1.1%	0.7%
State Street Bank & Trust		230,000	1.0%	0.7%
CBMU-DFA-INT SML CAP V		202,789	0.9%	0.6%
<b>20 largest shareholders</b>	<b>1,022,926</b>	<b>15,440,896</b>	<b>73.1%</b>	<b>79.3%</b>
<b>Other owners</b>	<b>69,040</b>	<b>5,991,397</b>	<b>26.9%</b>	<b>20.7%</b>
<b>Total excl. shares held in treasury</b>	<b>1,091,966</b>	<b>21,432,293</b>	<b>100%</b>	<b>100%</b>
Lagercrantz Group (treasury)		649,050		
<b>Total</b>	<b>1,091,966</b>	<b>22,081,343</b>		

**OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP 2014-03-31**

Number of shares	Number of owners	Stake	Votes
1–500	2,118	1.7%	1.2%
501–1,000	525	1.9%	1.3%
1,001–10,000	581	7.6%	6.2%
10,001–50,000	74	6.6%	5.7%
50,001–100,000	16	4.8%	3.4%
100,001–	33	77.4%	82.2%
<b>Total</b>	<b>3,347</b>	<b>100%</b>	<b>100%</b>
Category	Number of owners	Stake	Votes
Institutional ownership	336	67.9%	48.9%
Private individuals	3,011	32.1%	51.1%
<b>Total</b>	<b>3,347</b>	<b>100%</b>	<b>100%</b>
of which Sweden based	3,197	81.0%	86.6%

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