

# Corporate Governance Report 2017/18

The Board of Directors of Lagercrantz Group AB (publ), corporate identity number 556282-4556, hereby submit the Corporate Governance Report for the 2017/18 financial year. The report is included in the 2017/18 Annual Report. References in this report refer to the 2017/18 Annual Report. The report has been subject to review by the Company's auditors.

Since the 2009/10 financial year, the Board of Directors of Lagercrantz Group has prepared a statutory corporate governance report in accordance with Chapter 6, sections 6 – 9 of the Swedish Annual Accounts Act (1995:1554), which is subject to review by the company's auditor. In addition to this, Lagercrantz Group applies the Swedish Corporate Governance Code in accordance with the revised code that entered into force on 1 December 2016. Since the legislation and the Code partially overlap, Lagercrantz Group submits the following Corporate Governance Report, which takes account of the Swedish Annual Accounts Act as well as the Swedish Corporate Governance Code. The company complies with the Code in all essential aspects. In three respects (one of which is found in the section on the Election Committee, one in the section on the Audit Committee, and one in the section on incentive programmes) an explanation is provided for the deviations. The report also contains an account of the work of the Election Committee ahead of the 2018 Annual General Meeting (AGM).

## Corporate governance structure

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

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

## Shareholders

As of 31 March 2018, the number of shareholders was 4,534, compared to 4,820 at the beginning of the financial year. Private individuals owned 29 percent (29) of the number of shares outstanding and 36 percent (49) of the votes in the company. The remaining shares were owned by legal entities, primarily mutual funds, insurance companies and pension funds. Foreign shareholders owned 18 percent (19) of the shares outstanding and 13 percent (13) of the votes. The combined shareholding of the ten largest shareholders was 61 percent (60) of the shares outstanding and 71 percent (70) of the votes.

The above calculations are based on the number of shares

outstanding, not including repurchased shares held by Lagercrantz Group.

## General Meeting of Shareholders and Articles of Association

The General Meeting of Shareholders is the highest decision-making body in Lagercrantz Group. Here, shareholders exercise their influence through discussions and resolutions. The General Meeting decides on all issues that do not expressly fall under the jurisdiction of another corporate body. Every shareholder has the right to participate in and to vote for their shares at the General Meeting in accordance with the provisions of the Articles of Association.

Lagercrantz Group's Annual General Meeting (AGM) shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the Board of Directors and the auditors and determines their fees. The AGM also adopts the financial statements, decides on the appropriation of profits and on discharge from liability for the Board of Directors and the President, and decides on other matters that according to the Articles of Association or legislation should be considered by the General Meeting.

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

The company's share capital shall be a minimum of SEK 25,000,000 and a maximum of SEK 100,000,000.

The minimum number of shares outstanding shall be 37,500,000 and the maximum number of shares outstanding shall be 150,000,000. Both classes of shares carry the same rights to share in the company's assets and profit. The Articles of Association allow for conversion of Class A shares into Class B shares. The Articles of Association also stipulate that the company's Board of Directors shall consist of not less than three and not more than nine members, and regulate the forms of notice for General Meetings. The Articles of Association do not contain any limitations in respect of how many votes each shareholder may cast at a General Meeting. For the entire Articles of Association, which were adopted in their current form on 25 August 2015, see the company's website, the section Corporate governance/Articles of Association.

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

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

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

### Annual General Meeting 2017

The 2017 AGM was held on 29 August in Stockholm. Notice for the Meeting was announced in the form of a press release on 21 July 2017, and was published on the company's website on the same day. On the same date, it was also announced in Dagens Industri that notice had been given. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 37.3 million shares and 64.4 million votes, respectively, were present – this refers to the number of shares before the split. This is equivalent to 54 (60) percent of the number of shares outstanding and 66 (70) percent of the votes in the company.

Resolutions passed by the General Meeting included the following:

- A dividend of SEK 2.00 per share was declared in accordance with the proposal of the Board of Directors.
- Discharge from liability was granted to the Board of Directors and the President for their administration during 2016/17.
- All Board members stood for re-election and they and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee.
- Fees for the Board of Directors and the auditors were approved.
- Routines were established for appointment of an Election Committee ahead of the next AGM.
- Principles for remuneration and other terms of employment for senior executives were approved.
- In accordance with the proposal of the Board of Directors, the AGM resolved that the company – in a departure from the pre-emptive rights of shareholders – invite managers and senior executives to acquire up to 675,000 call options on repurchased Class B shares.
- The Board of Directors was authorised during the period until the next AGM to acquire and sell shares, on one or more occasions, representing up to 10 percent of the shares in the company.

### Board of Directors

It is the duty of the Board of Directors to manage the affairs of the company in the best possible way and to safeguard the interests of the shareholders.

Lagercrantz Group AB's Board of Directors consisted during 2017/18 of eight ordinary members who together possess broad commercial, technical and public experience:

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

A detailed presentation of the members of the Board of Directors, including information about other assignments may be found under Board of Directors and Auditors on page 60. Other officers in the Group can participate in Board meetings as a reporting member or secretary.

### Chairman of the Board of Directors

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

### The Board's work

The Board of Directors held nine recorded meetings during the 2017/18 financial year, of which one was the statutory meeting in conjunction with the AGM. The work of the Board follows rules of procedure that are adopted on an annual basis. These rules of procedure lay down the division of labour between the Board of Directors and the President, the Chairman's and the President's responsibility, and the forms for the financial reporting.

The President is a member of the Board of Directors and presents reports at Board meetings. The Board has appointed the Group's CFO to serve as secretary. The Board of Directors forms a quorum when at least four members are present and, where possible, decisions are made after discussion that leads to consensus. The Board was in full attendance at all meetings during the year, apart from one.

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

During 2017/18, the work of the Board was dominated by questions relating to acquisitions, market development and the business model. One Board meeting was devoted solely to discussing the Group's position and strategy.

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

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

The Board of Directors dealt with the most recent evaluation during a meeting in January 2018. The Board's views on the Board work are documented and presented for the Election Committee. In accordance with the Code, the Board of Directors evaluated the work of the President & CEO at a meeting without the presence of the President or other senior executives.

Total fees to the Board of Directors of Lagercrantz Group for 2017/18 amounted to SEK 2,000,000 (2,000,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 500,000 (500,000), and the other ordinary members who are not employees of the company received SEK 250,000 (250,000) each. See also Note 6.

### Remuneration Committee

The Board has appointed a Remuneration Committee from among its members with the task of preparing the Board's proposal to the AGM on guidelines for remuneration to the President and CEO, and other senior executives. The Committee also has the task of following up and implementing the AGM's resolutions with respect to principles of remuneration for senior executives. During 2017/18, the Remuneration Committee consisted of Anders Börjesson, Chairman of the Board and Roger Bergqvist. The President & CEO presents reports but does not participate in matters concerning him. The Committee held one meeting during the year. All members of the Committee were present at this meeting.

### Audit Committee

The Board has appointed an Audit Committee, which has the task of analysing and discussing the company's risk management, governance and internal control. During 2017/18, the Committee consisted of all Board members with the exception of the President & CEO. In the opinion of the Board of Directors, this is most appropriate in view of Lagercrantz Group's size and business. The Audit Committee maintains contact with the company's auditors to discuss the direction and scope of the audit work. In connection with the adoption of the annual accounts, the company's auditors report on their observations from their audit and their assessment of the internal control. The Committee also has the result of the annual review of the internal control at its disposal. The Committee held one meeting during the year. All members of the Committee were present at this meeting.

Because of the structure with an annual self-assessment of the internal control, which is performed by each company during the third quarter and which in turn is reviewed by the company's auditors, and the extensive work that a traditional examination by the company's auditors would entail, the Board of Directors has chosen to deviate from the recommendation of the Swedish Corporate Governance Code calling for a review of the half-yearly report or the interim report for the third quarter.

### Auditors

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

In order to ensure oversight and control by the Board of Directors, it is given an opportunity each year to provide its opinion on the auditors' planning of the audit's scope and focus. After completing its review of internal control and accounting records, the auditors report on their findings at the Board meeting in May. In addition to this, the auditors are invited to attend Board meetings when the Board of Directors or the auditors feel that there is a need. The independence of the auditors is ensured by the audit firm's internal guidelines. Their independence has been confirmed to the Audit Committee.

### Management

The Chief Executive Officer and Group Management draw up and implement Lagercrantz Group's overall strategies and deal with issues such as acquisitions, disposals and major capital investments. Such issues are prepared by Group Management for decision by the Parent Company's Board of Directors. The President & CEO is responsible for day-to-day management of the company in accordance with the decisions and guidelines of the Board of Directors.

Lagercrantz Group's Group Management consists of the President & CEO, Executive Vice President, the Group's Chief Financial Officer and the Head of Business Development, four persons in total. The Management team consists of Group Management and division heads/business area managers and

Group Controller – in total thirteen persons who constitute the Group's senior executives. A detailed presentation of the Management team can be found under Management on page 61.

The Management team meets on a monthly basis to discuss the Group's and the subsidiaries' results and financial position, as well as issues pertaining to strategy, budget follow-up, forecasts and the performance of the business. The Group Controller is also present at these meetings. Other issues discussed include acquisitions, joint projects, consolidated financial reporting, communication with the stock market, internal and external communication, and coordination and follow-up of security, environment and quality.

### Remuneration to senior executives

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

Guidelines for remuneration of senior executives approved by the 2017 AGM and information about existing incentive programmes are described in Note 6 of this Annual Report and are summarised below.

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

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

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

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

The proposal of the Board of Directors to the 2018 AGM on guidelines for remuneration to senior executives is that the principles for remuneration of the President & CEO and other senior executives should be unchanged compared to the principles described above.

### Operational control

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

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

### Diversity policy

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

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

### Internal control

The purpose of the internal control is to ensure that the company's strategies and goals are followed up and that shareholder investments are protected. A secondary purpose is to ensure accurate and relevant information to the stock market in accordance with generally accepted accounting principles in Sweden and that laws, regulations and other requirements on listed companies are complied with across the entire Group. The Board of Directors of Lagercrantz Group has delegated the practical responsibility to the President & CEO, who in turn has allocated the responsibility to the other members of the Management team and to subsidiary presidents.

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

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

Management makes regular assessments of any new financial risks that may arise and the risk for errors in the existing financial reporting. At each Board meeting, the Management reports its assessment of existing risks and other any issues concerning internal control. The Board can then call for further measures if considered necessary. The Group's financial department under the management of the Group's CFO conducts an annual evaluation of the internal control in the companies. This is performed by each company as a self-assessment based on pre-defined questions, which are drawn up by the financial department in consultation with the Group's auditors. This evaluation aims to examine the Group's internal control routines and compliance with them. The result is reviewed by the Group's auditors, who in turn report their observations and recommendations to the Audit Committee and to the entire Board. The Board evaluates if this procedure is still fit-for-purpose on an annual basis and calls for possible changes in the internal control work in consultation with the company's auditors.

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

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

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

- Press releases about significant events or share price-sensitive events
- Interim reports, year-end report and press release in conjunction with the Annual General Meeting
- Annual Report

Through openness and transparency, the Board of Directors and Management of Lagercrantz Group work to provide the company's owners and the stock market with relevant and accurate information.

### Election Committee

The principal task of the Election Committee is to propose Board members, the Chairman of the Board of Directors and auditors and to propose fees for Board members, the Chairman and auditors, so that the AGM can make well-founded decisions. At the AGM 2017, the principles for the Election Committee's mandate were determined, and how the Committee shall be appointed. This shall be valid until the AGM decides to change these principles. This means that the Chairman of the Board was tasked with contacting the largest shareholders in terms of votes as of 31 December 2017, and requesting them to appoint members, to form an Election Committee together with the Chairman of the Board. In accordance with this, an Election Committee was formed consisting of:

- Anders Börjesson, Chairman of the Board
- Tom Hedelius
- Adam Gerge  
(representing Didner & Gerge Funds)
- Johan Strandberg  
(representing SEB Investment Management)
- Marianne Nilson  
(representing Swedbank Robur Funds)

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

In a deviation from the Swedish Corporate Governance Code, the Chairman of the Board of Directors, Anders Börjesson, has also held the post of Chairman of the Election Committee. The explanation for this deviation is that Anders Börjesson is the company's largest owner in terms of votes. Lagercrantz Group's strategic direction, as well as its business and governance model, is based on aspects such as strong commitment from the company's principal owners. This approach pervades Lagercrantz Group's corporate culture and has proved to be vital for the Group's successful development.

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

**Incentive programme**

A long-term incentive programme has been in place since 2006 for managers and senior executives in the Group in accordance with an AGM resolution. The purpose of the programme is to raise motivation and create participation for managers and senior executives in relation to the opportunities for the company's development. The programme also aims to motivate managers and senior executives to remain employed in the Group. The programme is a recurring programme based on call options on repurchased Class B shares. Options have been

issued every year from 2006–2017, according to the resolution of the AGM each year. The 2015, 2016 and 2017 programmes are currently outstanding. Outstanding programmes mean that shares can be acquired on three different occasions, two of which fall within three years from issuance and thus constitute a deviation from the Swedish Corporate Governance Code. The purpose of this is to allow redemption on several occasions. A complete description of outstanding option programmes is provided in Note 6.

*Stockholm, 27 June 2018*

Anders Börjesson  
Chairman of the Board

Roger Bergqvist  
Board member

Marika Rindborg Holmgren  
Board member

Anna Almlöf  
Board member

Peter Hedelius  
Board member

Lennart Sjölund  
Board member

Fredrik Börjesson  
Board member

Jörgen Wigh  
President and Board member

# Auditor's Report

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

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Lagercrantz Group AB (publ) for the financial year 2017-04-01–2018-03-31, except for the corporate governance statement on pages 22–25 and 60–61 and the sustainability report on pages 18–21. The annual accounts and consolidated accounts of the company are included on pages 14–56 and 60–61 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 March 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 March 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 22–25 and 60–61 and sustainability report on pages 18–21. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Key Audit Matters

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

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

See disclosure 15, 16 and 17 and disclosure 1 Accounting principles in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

The carrying value of acquired intangible assets, which comprise goodwill, trademarks and other intangible assets amounted to 1,914 million SEK as of 31 March 2018, which represents 53 % of total assets. Goodwill and trademarks amounted to 1,503 million SEK. Other intangible assets are depreciated over 3–20 years. Annually, or if any indicators of impairment exist, goodwill is subject to an impairment test which is complex and contains significant elements of judgement.

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

The parent company holds shares in Group companies of 2,312 million SEK as at 31 March 2018, which represents 79 % of total assets. If the book value of the shares exceeds the equity in a given Group company, a similar type of impairment test is performed using the same methodology and assumptions as is done in respect of goodwill in the Group.

### Response in the audit

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

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

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

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

## Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–13, 18–21 and 62–67. The Board of Directors and the Managing Director are responsible for this other information.

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

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



the information otherwise appears to be materially misstated.

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

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

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

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

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

#### *Auditor's responsibility*

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit

evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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

### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lagercrantz Group AB (publ) for the financial year 2017-04-01–2018-03-31 and the proposed appropriations of the company's profit or loss.

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

### *Basis for Opinions*

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

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

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

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

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

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

### *Auditor's responsibility*

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we

focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### *The auditor's examination of the corporate governance statement*

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

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

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

### *The auditor's opinion regarding the statutory sustainability report*

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

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

A statutory sustainability report has been prepared.

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

Stockholm, 27 June 2018

KPMG AB

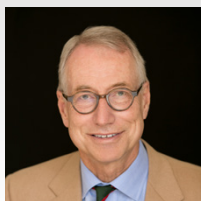
KPMG AB

Håkan Olsson Reising  
Authorized Public Accountant  
Auditor in charge

Jenny Jansson  
Authorized Public Accountant

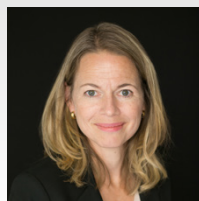


## Board of Directors



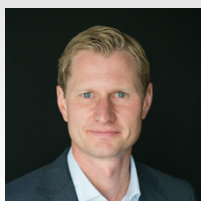
### Anders Börjesson

*Chairman of the Board*  
 Born: 1948.  
 Edu: Bachelor of Science (Econ.).  
 Chairman of Addtech AB, Bergman & Beving AB and Tisenhult-gruppen AB. Board member of a number of companies within Tisenhult-gruppen AB.  
 Holding: 61,200 B shares (family) and 2,677,782 A shares and 1,148,550 B shares (via Tisenhult-gruppen).  
 Elected 2001.



### Anna Almlöf

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



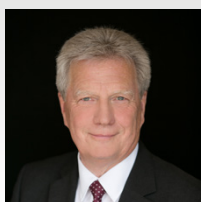
### Fredrik Börjesson

*Board member*  
 Born: 1978.  
 Edu: Bachelor of Science (Econ.).  
 President of Tisenhult-gruppen AB. Board member of Momentum Group AB and a number of companies within Tisenhult-gruppen AB.  
 Holding: 17,000 B shares (own) and 2,677,782 A shares and 1,148,550 B shares (via Tisenhult-gruppen).  
 Elected 2016.



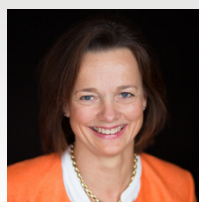
### Peter Hedelius

*Board member*  
 Born: 1970.  
 Edu: Technical college engineer and marketing and business at university level.  
 President of Say hello to all our friends AB. Board member of Blue Harvest AB, Say hello to all our friends AB and Neocorus Trading Company AB.  
 Holding: None.  
 Elected 2016.



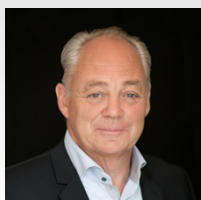
### Roger Bergqvist

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



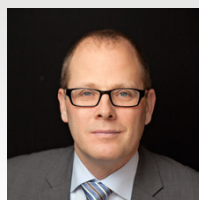
### Marika Rindborg Holmgren

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



### Lennart Sjölund

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



### Jörgen Wigh

*President and CEO*  
 Born: 1965.  
 Edu: Bachelor of Science (Econ.).  
 Chairman of Momentum Group AB.  
 Holding: 220,634 A shares, 570,950 B shares and 146,500 call options on B shares.  
 Elected 2006.

*Holding refers to status per 31 May 2018.*