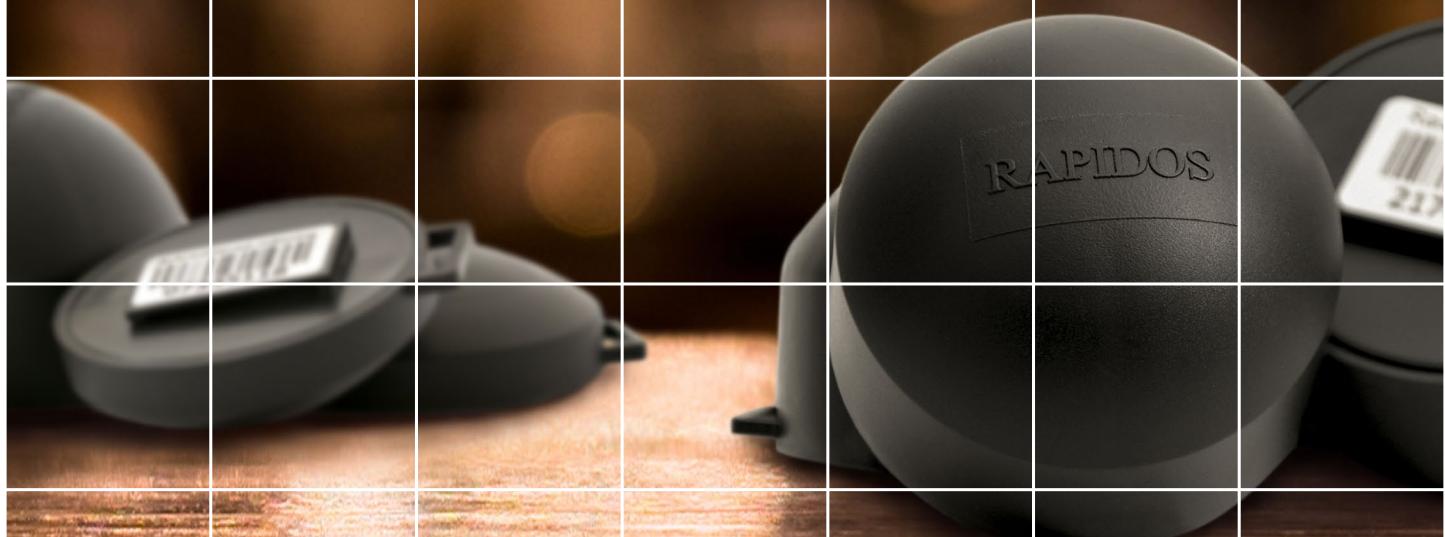


# Annual Report 2018/19





***The subsidiary Radonova***

*Radonova's detectors that  
measure radioactive radon gas  
in our indoor air.*

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

Lagercrantz Group AB (publ) · Torsgatan 2 · P.O. Box 3508 · SE-103 69 Stockholm · Tel: +46 8 700 66 70

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# Lagercrantz Group

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

**Lagercrantz Group AB (publ) is a technology group that offers value-adding technology, with proprietary products and products from leading suppliers. Today there are just over 50 companies in the Group, where each company is focused on a specific submarket – a niche. All the Group's subsidiaries deliver technology to other companies (B2B) – high value-creation is a common feature, including a high degree of customisation, support, service and other services.**

The operations are conducted in a decentralised manner, and each subsidiary is followed-up in relation to clear objectives. Therefore the degree of independence is high where the management team of each subsidiary can work with considerable freedom and own responsibility. This also means that critical business decisions are made, where they are made best – close to customers and the market. Each subsidiary strives to develop a leading position in a limited market, product/customer or geographical niche.

The companies generally operate in many different submarkets but the businesses are of a similar size and therefore also face many common challenges. This can concern the growth strategy, governance issues, profitability and expansion – domestically and in terms of exports. Every subsidiary has growth ambitions but also has the objective of growing the Group through acquisitions of new subsidiaries. In recent years, the Group has acquired between 4 and 6 companies per year.

## VALUE CREATION AS A VISION

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

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

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

## FINANCIAL GOALS

Lagercrantz Group's financial goals are:

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

Earnings growth is measured over a business cycle as profit after net financial items. The return on equity goal is converted internally to a return on working capital (P/WC) of not less than 45 percent per business concept and profit centre. Lagercrantz aims to strengthen its position as a profitable and growing company by developing its existing operations and acquiring additional companies with strong market positions in expansive niches.

**STRATEGIES***Strong market positions in niches*

All Lagercrantz companies strive to build a strong market position in their respective niches. A niche is normally defined as a technology area, customer segment or geographical area with a total market value that generally amounts to MSEK 200 – 1,000. Through their specialisation, companies focus on developing an effective offering in a limited market, and can thereby also be competitive against other, much larger players. This specialist competence is requested by leading and very demanding customers, which in return attracts competence and the best employees. The companies thereby also become interesting as partners for the best suppliers. This creates competitiveness.

*High value added*

Through good market knowledge, attractive proprietary products and products from leading suppliers, technical specialist knowledge, close collaboration with customers and suppliers, the aim is to create significant added value for customers and suppliers. A high degree of customisation, support, service and other services further increases the value added. This work is evident in the fact that the gross profit in the Group increased during the past 15 years from just over 20 percent to more than 36 percent. An increased proportion of proprietary products is an important part of this and today these products represent about 55 percent of the Group's sales from having been almost non-existent prior to 2005.

*Growth focus*

In line with the increase in the Group's operating margin and profit reaching the targeted levels, the focus in subsidiaries moves to earnings growth through increased sales. Here, situation-adapted growth plans are being developed in each subsidiary, where efforts to boost exports are dominating the work in certain companies. Others focus on growth through new products and/or growth from new customers or customer segments. The Group's role is to help to initiate plans and develop strategies, to provide competence, a network of contacts and experience, provide financing and provide strength when subsidiaries want to grow.

*Acquisitions*

The growth targets are reached through organic growth and acquisitions. Acquired companies strengthen our market position in existing areas, or pave the way for entry into new areas. We strive to acquire companies with tried-and-tested business models, strong market positions in their niches, good earnings capacity, strong management teams and good growth potential. We aim to carry out 4 – 6 acquisitions per year. In order to continue to increase value added, acquiring companies with proprietary products is in focus.

**CORPORATE CULTURE***Shared values*

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

*Decentralisation and management by objectives*

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

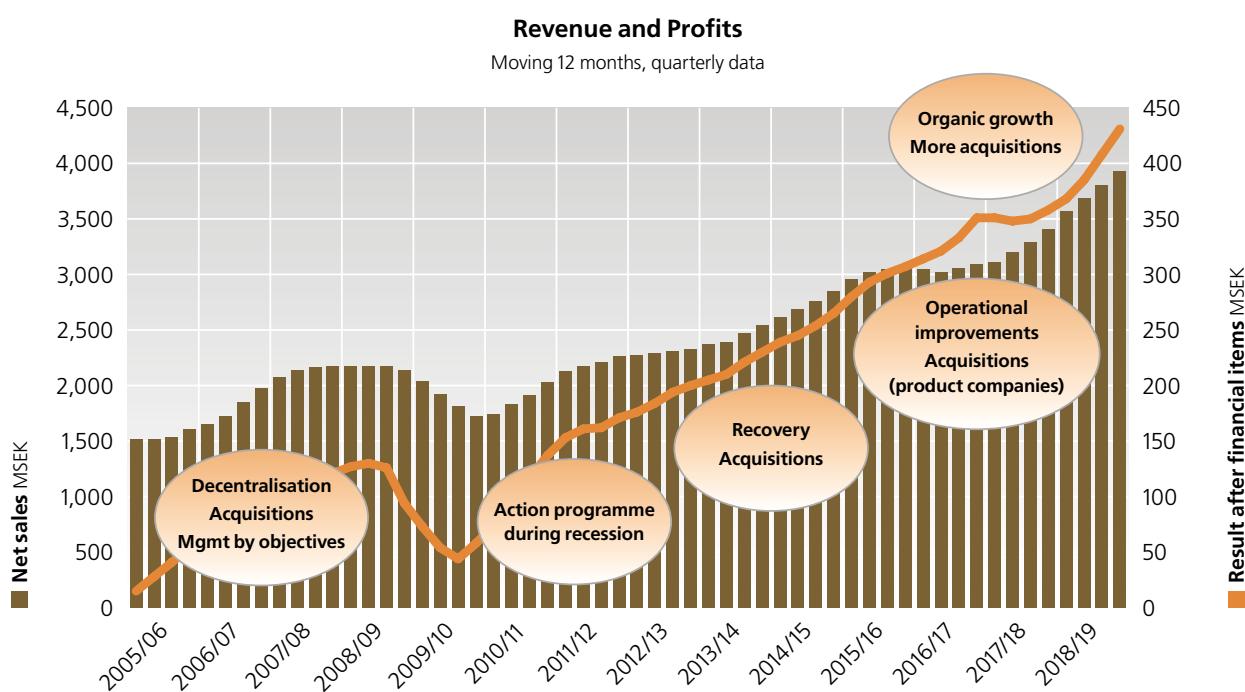
*Businessmanship*

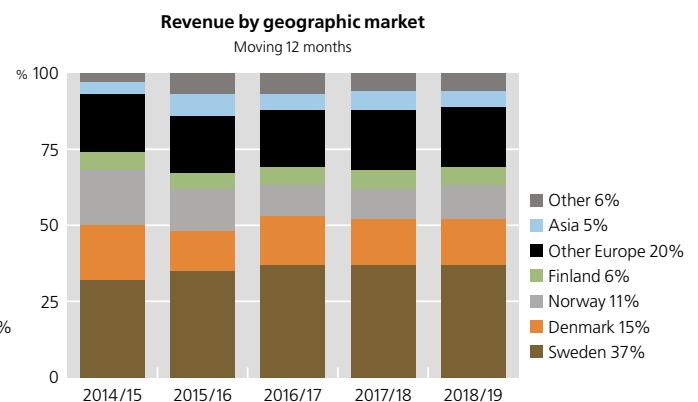
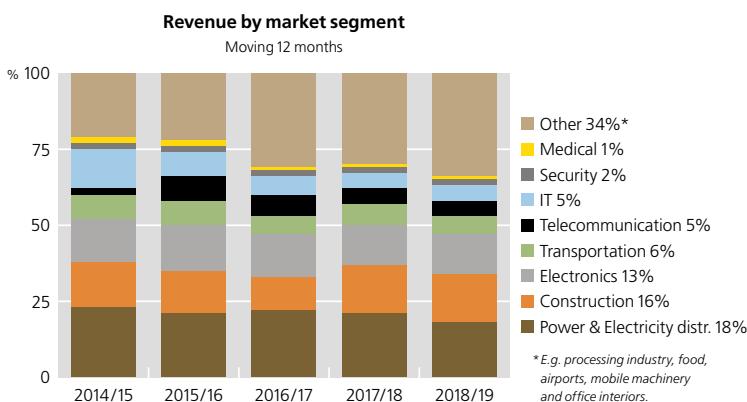
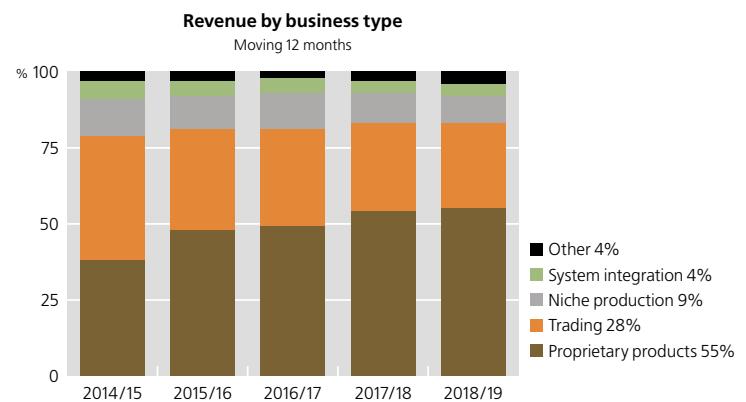
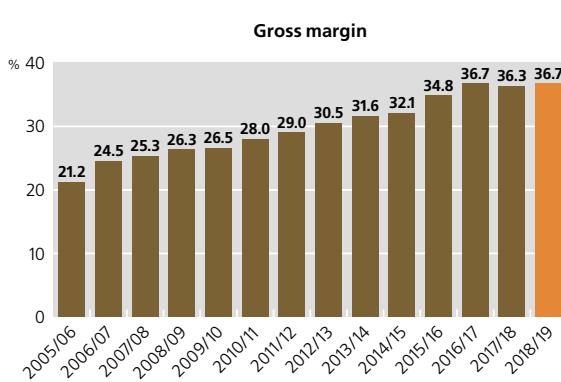
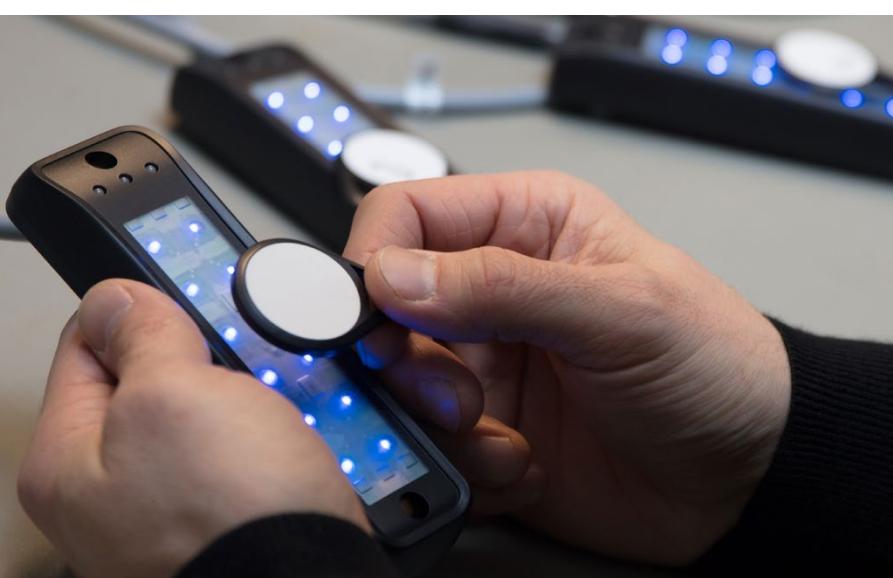
Businessmanship means creating added value for our customers by understanding the market and combining customer needs with the right technology. This requires a holistic and business-like perspective as well as an ability to identify opportunities.



# The year in brief

- Net revenue increased by 15% to MSEK 3,932 (3,410).  
Organically, net revenue increased by 7%.
- Operating profit (EBITA) increased by 19% to MSEK 519 (436), equivalent to an operating margin of 13.2% (12.8).
- Profit after financial items increased by 20% to MSEK 431 (358).
- Profit after taxes amounted to MSEK 342 (286). Earnings per share after dilution amounted to SEK 5.05 (4.21).
- Cash flow from operating activities increased to MSEK 462 (282).
- Return on equity was 24% (23). The equity ratio at the end of the period was 39% (36).
- During the financial year 2018/19, the acquisition of Schmitztechnik GmbH in Germany was carried out. The acquisition is expected to add annual sales of about MEUR 6.7 with good profitability. After the end of the period Dorotea Mekaniska AB was acquired. The company generates annual revenue of approximately MSEK 70 with high level of exports and good profitability.







## COMMENTS BY THE PRESIDENT



# Success on a broad front

“Success on a broad front”, sums up the 2018/19 financial year. The strength in our business concept was confirmed as we achieved a new record profit for the 9th year in a row. For the full-year, profit after net financial items was MSEK 431, an increase of about 20 percent compared to the previous year. Earnings per share also reached a new record level of SEK 5.05 per share, an increase of 20 percent and the Board proposed an increased dividend to the shareholders of SEK 2.50 per share.

The fact that the organic sales growth was higher than before was extra positive in this context and that the increases in profits were seen on a broad front among many of our more than 50 companies.

The better organic growth than before was due to a favourable market situation but also to the fact that the Group is selling a higher proportion of proprietary products. We have had this ambition ever since 2006 and the proportion today has increased to 55 percent of sales. The gross margins are generally higher with proprietary products and companies can develop a market position where they exercise better control, with products based on their own merits and which are less exposed for this reason. If the products are unique and leading in the domestic market, there are often growth opportunities, not least in terms of exports.

Apart from an increased proportion of product companies, we have also clarified the prioritisation of growth internally in the Group. We have made international investments to a greater extent and prioritised sales and product development as well as digitalisation in our companies. We have also increased the level of expectation and made changes in subsidiaries where administration rather than entrepreneurship has dominated the discussion. This has delivered results. Organic growth, i.e. sales growth in comparable units, measured in local currency, has been 7–9 percent during the past four quarters.

In light of these strategic ambitions, it is pleasing to see that the profit improvements are being reported on a broad front.

This shows that the governance model and how we are developing the companies is working. Benchmarking is a tool in the business development where we rank all the Group's companies from best to worst using different metrics. One metric is the net margin where comparisons stimulate improvements when it comes to sales activities, active pricing strategies and cost control. Everyone wants to improve and no one wants to be in the relegation zone in the comparison, which generates results. Of our total of 51 companies, 30 currently achieve a profit after net financial items in excess of 10 percent of sales. These units account for about 70 percent of the Group's business volume. This means that many companies in the Group are performing very well and with regard to risk, we are diversified in many sub-markets, geographies, customer segments and product technologies.

I really want to take this opportunity to thank all our employees for the many fantastic efforts during the year. Our business philosophy with decentralisation and management by objectives provides a great basis for every management team to reach their goals and realise their visions. Taken together, this leads to a successful listed company.

Looking ahead, we will continue on our chosen path. Today we have a strong business concept, a strong company portfolio and a strong balance sheet, which will enable more investments and acquisitions. The ambition is to further increase the proportion of proprietary products and reach 75 percent of sales in 3–5 years' time.

In recent years, sustainability issues have come into stronger focus. We have always worked on a long-term basis with high ethical standards and we want to be the good company. We have strengthened our Code of Conduct and we are prioritising environmental and gender equality issues.

Taken together, all of this gives me a very strong confidence in Lagercrantz's future.

May 2019

Jörgen Wigh, President and CEO



”

# Niche companies in four divisions

All of the companies within Lagercrantz are run in a decentralised way and with a strong entrepreneurial spirit according to the motto freedom subject to accountability. The divisional management and Group add value through Board work in subsidiaries, by challenging in terms of formulating goals, through improvement projects, by business and expansion plans, by sales training, through national and international contact networks and common bank and financing solutions.

Focus areas for all divisions are to grow organically and through acquisitions. The acquired companies are challenged in relation to growth in order to identify continued development opportunities and are supported in their expansion. Together, we are also looking for supplementary acquisitions in order to strengthen each unit.

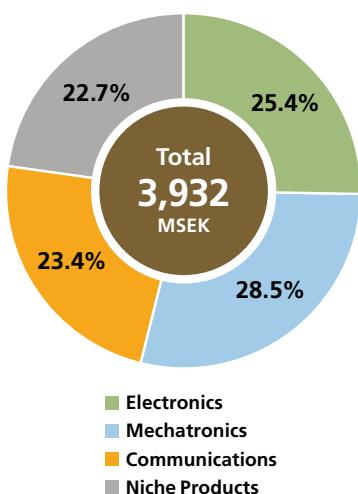
In view of this, divisional management teams are actively seeking new companies to add to the Group.

## LAGERCRAVTZ GROUP

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

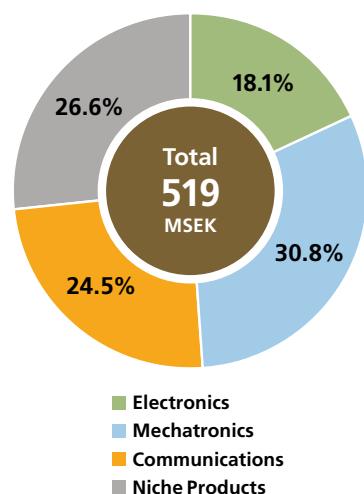
## Net revenue

2018/19



## Operating profit (EBITA)

2018/19



# ELECTRONICS



## 14 companies • 8 countries

MSEK	2018/19	2017/18	2016/17
Net revenue	998	890	834
Operating profit (EBITA)	101	75	62
Operating margin, %	10.1	8.4	7.4



**Ulf Gladh**  
VP Electronics  
(responsible 8 companies)  
Until June 2019



**Lars-Ola Lundkvist**  
VP Electronics  
(responsible 8 companies)  
As of June 2019



**Bo Rasmussen**  
VP Electronics  
(responsible 6 companies)

The Electronics division currently consists of a total of 14 niche electronics and electricity-related companies. The total revenue for the division amounted to MSEK 998 for the financial year with an operating profit (EBITA) of MSEK 101. The division originates from the value-adding distribution of electronics components in the ACTE companies and Unitronic. These businesses have evolved to distribute finished modules and subsystems with a high degree of customisation and now generate annual revenue of just over MSEK 550. The value added is created by specialist know-how, technical development, customisation and the companies' ability to deliver to customers at the right time. Several of the companies are currently investing in the "internet-of-things" – IoT, primarily in modular communication solutions that shorten customers' time-to-market and help them with their business opportunities by connecting their products in the cloud. The customers are usually export-focused OEM customers that need good technical solutions in their products.

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

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

the division also forms a bridgehead for other companies within the Lagercrantz Group.

Apart from the above-mentioned companies, the division also consists of four companies, which are focused on lighting control, LED lighting and distribution of electrical products; Vanpee in Denmark, Norway and Sweden as well as El-produkter in Norway. Even here Lagercrantz companies act as value-adding distributors, where we sell world-leading solutions, primarily in lighting control to domestic customers in the construction and infrastructure segments. Significant sales occur via direct channels such as architects, office and shop fitters and annual revenue amounts to about MSEK 250.

The division has ambitions to increase the proportion of companies with proprietary products. Today there is Idesco Oy, which is market-leading in RFID solutions in access control in Finland with about MSEK 70 in annual revenue. There is also ISIC A/S in Denmark (approx. MSEK 120 in annual revenue), which is a leading player in marine electronics with monitors and Panel-PC solutions for the marine industry, including navigation equipment in ships. The customers are global leaders in the field with strict demands in relation to product durability in exposed environments.

During 2018/19, the German company Schmitztechnik was acquired, which is a leader in several OEM segments with customised silicone, rubber, PUR and industrial plastic products with Germany as its main market. The company's annual sales are about MEUR 6.7.

### COMPANIES WITHIN THE DIVISION

[www.acte.dk](http://www.acte.dk) | [www.acte.no](http://www.acte.no) | [www.actesolutions.se](http://www.actesolutions.se) | [www.acte.pl](http://www.acte.pl)

[www.el-produkter.no](http://www.el-produkter.no) | [www.etchcomponents.com](http://www.etchcomponents.com) | [www.idesco.fi](http://www.idesco.fi) | [www.isic.dk](http://www.isic.dk) | [www.nst-dk.dk](http://www.nst-dk.dk)

[www.schmitztechnik.de](http://www.schmitztechnik.de) | [www.unitronic.de](http://www.unitronic.de) | [www.vanpee.dk](http://www.vanpee.dk) | [www.vanpee.no](http://www.vanpee.no) | [www.vanpee.se](http://www.vanpee.se)

# MECHATRONICS



**Peter Baaske**  
VP Mechatronics  
(responsible 5 companies)



**Marcus Käld**  
VP Mechatronics  
(responsible 5 companies)

## 10 companies • 8 countries

MSEK	2018/19	2017/18	2016/17
Net revenue	1,122	1,033	1,003
Operating profit (EBITA)	172	147	134
Operating margin, %	15.3	14.2	13.4



Mechatronics currently consists of a total of 10 companies, primarily with proprietary, electricity-related products. The total revenue for the division amounted to MSEK 1,122 for the financial year with an operating profit (EBITA) of MSEK 172. Examples of product areas are electrical connection systems, safety switches, cabling and electrical enclosures. There are also other companies in the division that offer infrastructural products such as masts and aerial brackets for the telecommunications and broadband sector. The company Swedwire AB, which offers galvanized steel wire and road barrier ropes, was previously part of the Niche Products division but has been part of Mechatronics since 1 April 2018.

The division's customers are found within manufacturing industry, power production, electricity distribution, infrastructure and the property sector. Mechatronics conducts operations in Sweden, Denmark, Finland, Estonia, Germany, India, the USA and China. Some of the companies are described below.

Elpress AB has been part of Lagercrantz since 2006 and today is the Group's largest business with about MSEK 350 in annual sales. Elpress is market-leading in the Nordic region within electrical connection systems, i.e. connectors with associated tools and other solutions such as earthing. Besides the Nordic region, about two thirds of the company's sales are exported, where the high quality products are advantageously chosen as part of customers' more sensitive products and installations. Examples of customers are found within areas such as renewable energy with wind and solar power installations, on the transformer side and on the heavy vehicle side, principally trains. Elpress has developed positively for many years and currently has significant operations in Central Europe, USA and China.

Elkapsling AB was acquired in 2012 and currently generates annual revenue of around MSEK 125. The company is one of the leaders in Sweden in IP-classified cabinets and enclosures for customers that are building electricity, telecommunications and broadband networks. The enclosures are manufactured according to strict customer requirements in terms of design and with short delivery times, often in stainless or acid-resistant material. Elkapsling has a strong position in several customer segments in Sweden but also has export ambitions, particularly in Norway and Finland.

Cue Dee AB became a part of Lagercrantz during 2015 and currently generates annual revenue of about MSEK 120. Cue Dee has a leading position within masts and aerial brackets in aluminium for the telecommunications sector in particular. The products which are produced to be easy to install while withstanding high wind and snow loads in various environments, are approved by telecoms suppliers, whereupon sales can occur to different installation projects around the world.

Norwesco AB, which develops and manufactures safety switches, cooker guards etc. primarily for the Nordic market, generates annual revenue of about MSEK 80. Manufacturing occurs in Sweden with sales mainly in the Nordic countries.

The Finnish company Exilight Oy was acquired in 2016. The company makes systems for emergency lighting and displays and generates annual revenue of almost MSEK 40 with Finland as its main market.

The Mechatronics division also has cabling manufacturing units in four countries; Sweden, Denmark, Finland and Estonia. Together, the companies generate annual revenue of about MSEK 250 and are therefore one of the leading players in the Nordic countries in their niche. The customers are mainly found in renewable energy, industrial automation and transport-related products.

### COMPANIES WITHIN THE DIVISION

[www.cuedee.se](http://www.cuedee.se) | [www.efc.fi](http://www.efc.fi) | [www.elfac.dk](http://www.elfac.dk) | [www.elkapsling.se](http://www.elkapsling.se)

[www.elpress.se](http://www.elpress.se) | [www.enkom-active.fi](http://www.enkom-active.fi) | [www.exilight.fi](http://www.exilight.fi) | [www.kablageproduktion.com](http://www.kablageproduktion.com)

[www.norwesco.se](http://www.norwesco.se) | [www.swedwire.se](http://www.swedwire.se)

# COMMUNICATIONS



## 15 companies · 5 countries

MSEK	2018/19	2017/18	2016/17
Net revenue	918	786	631
Operating profit (EBITA)	137	103	48
Operating margin, %	14.9	13.1	7.6



**Urban Lindskog**  
VP Communications  
(responsible 7 companies)



**Daniel Reithner**  
VP Communications  
(responsible 8 companies)

The Communications division has its origins in the early days of Lagercrantz when several companies conducted distribution and system integration of network and communications solutions. The total revenue for the division amounted to MSEK 918 for the financial year with an operating profit (EBITA) of MSEK 137. In recent years, the division has broadened its business focus and expanded through a number of acquisitions that mainly offer products and services in the areas of control technology and technical security. Many of the companies typically have a high degree of digital communication in their products, systems and solutions. The division currently consists of 15 companies.

The division still contains distributors and system integrators within data communication and audiovisual applications such as STV, Leteng and Direktronik. These companies generate combined annual revenue of about MSEK 245.

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

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

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

aluminium smelters are typical customers of the company. Precimeter and Excidor generate annual revenue of about MSEK 55 – 60 each.

Radonova, which was founded to meet the need to measure radioactive radiation in connection with the Chernobyl accident, operates within measurement and analysis of radon content in air and water and customers include building owners as well as organisations and companies in a large number of countries around the world. Radonova currently generates annual revenue of just over MSEK 45.

Companies such as ISG, with its niche camera and detection system in areas relating to traffic monitoring and industrial applications, Nordic Alarm with its alarm systems and solutions as well as COBS, which supplies alarm and message handling systems, e.g. for correctional treatment and elderly care, all belong to the technical security area. These companies generate combined annual revenue of just over MSEK 250.

The fire sprinkler pump supplier R-Contracting (R-Con) is also active in this area. R-Con is market-leading in Sweden in delivering turnkey fire sprinkler pump systems in buildings where higher pressure and water flow is required than provided by municipal water pipes. Examples of buildings that often have a need for pump systems are higher apartment blocks and warehouses. R-Con generates annual revenue of about MSEK 170 and has displayed an excellent performance since the acquisition in 2017. The company has an increasing proportion of its sales in the other Nordic countries and as part of its product portfolio R-Con also offers cisterns for storage of water connected to fire sprinkler systems through the subsidiary Bjurenwalls.

## COMPANIES WITHIN THE DIVISION

[www.cad-komp.dk](http://www.cad-komp.dk) | [www.cobs.se](http://www.cobs.se) | [www.direktronik.se](http://www.direktronik.se) | [www.excidor.se](http://www.excidor.se) | [www.gasiq.se](http://www.gasiq.se)

[www.isg.se](http://www.isg.se) | [www.leteng.no](http://www.leteng.no) | [www.loadindicator.se](http://www.loadindicator.se) | [www.nordicalarm.se](http://www.nordicalarm.se) | [www.precimeter.com](http://www.precimeter.com)

[www.projectspine.com](http://www.projectspine.com) | [www.radonova.se](http://www.radonova.se) | [www.r-con.se](http://www.r-con.se) | [www.skomo.dk](http://www.skomo.dk) | [www.stv.se](http://www.stv.se)

# NICHE PRODUCTS



**Jonas Ahlberg**  
VP Niche Products  
(responsible 7 companies)



**Caroline Reuterskiöld**  
VP Niche Products  
(responsible 6 companies)

## 13 companies • 6 countries

MSEK	2018/19	2017/18	2016/17
Net revenue	894	701	628
Operating profit (EBITA)	149	127	90
Operating margin, %	16.7	18.1	14.3



The Niche Products division was started in 2012 after it transpired that several product companies were looking for a new owner like Lagercrantz. The total revenue for the division amounted to MSEK 894 for the financial year with an operating profit (EBITA) of MSEK 149. The companies were often family-owned and had strong positions in technology niches with proven good profitability but in widely different technology segments. Three product companies that were already part of the Group formed the base and since the outset the strategy has been to acquire additional strong product companies. The acquisition focus is on finding technology companies, preferably product companies with a proven earnings capacity and a strong position in their market niche. The annual revenue of the companies sought is in the range MSEK 50 – 500.

Today the division consists of 13 product companies and each one is a leader in its niche. Most of the companies are based in the Nordic region but several also have foreign subsidiaries. All of the companies sell proprietary technical products and solutions to other companies and an ambition to increase exports is often high on their growth agenda. All of the companies generate annual revenue of between MSEK 20 and 150 and have similarities in terms of structure and challenges although the technical focus among the companies varies.

The division currently has operations in Sweden, Denmark, Norway, Poland, the Netherlands and USA. A short description of some of the companies follows below;

Asept generates annual revenue of approximately MSEK 108 and is leading within dispensing of liquid foodstuffs such as ketchup and other sauces. In the Nordic region, most people have encountered Asept's ketchup pumps in fast-food stands and lunch restaurants. However, the company's largest market is the USA. Through Asept's patented solutions, ketchup and sauce producers gain exposure of their brands, ensure that it is

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

The unit in ergonomic workplace accessories Kondator, and the unit in special doors for medical, public and foodstuff environments, Thermod, each generate annual revenue of about MSEK 85.

Plät- & Spiralteknik (PST), which generates annual revenue of about MSEK 64 is a niche player that develops, manufactures and markets shaftless spiral conveyors in Sweden, continental Europe and worldwide. Customers are found within e.g. biofuel processing, waste water treatment as well as sawmills and the recycling industry.

Tormek, which was acquired during 2018, generates annual revenue of about MSEK 110 and is a leader within sharpening systems for edge tools such as knives, chisels as well as tools for woodcarving. Sales and marketing occur through resellers in about 40 countries, with the USA, Germany and Sweden as the largest markets. During the past year, Tormek produced the new T2 knife grinder, which is targeted towards restaurant kitchens. Through a diamond grinding wheel, restaurant and home chefs can quickly and easily keep their knives professionally sharpened without needing to send them away for sharpening.

During April 2019, Dorotea Mekaniska (DMAB) was acquired, which is leading within amphibian machines with related tools for lake clearance and wetland and water conservation where the products are sold under the Truxor brand. DMAB generates annual revenue of about MSEK 70 and sales are made via resellers worldwide.

## COMPANIES WITHIN THE DIVISION

[www.asept.com](http://www.asept.com) | [www.dooman.se](http://www.dooman.se) | [www.doroteamekaniska.se](http://www.doroteamekaniska.se) | [www.kondator.se](http://www.kondator.se)

[www.nikodan.dk](http://www.nikodan.dk) | [www.pst.se](http://www.pst.se) | [www.profsafe.se](http://www.profsafe.se) | [www.steelo.se](http://www.steelo.se) | [www.sibproducts.com](http://www.sibproducts.com)

[www.thermod.se](http://www.thermod.se) | [www.tormek.se](http://www.tormek.se) | [www.vendig.se](http://www.vendig.se) | [www.wapro.com](http://www.wapro.com)

## Sustainability in focus

**Elpress** has developed products adapted for wind power and other renewable energy sources. These products ensure high conductivity in electric systems with reduced energy loss from production to the user as a result. In this way, we are helping wind power companies to advance against their less sustainable competitors.



**Wapro** helps to protect us from climate change. By installing Wapro's check valves in surface water and sewage pipes, lives and property are protected from flooding. This is particularly important in low-lying areas that are exposed to storms and the solution has become very popular on Florida's west coast.



# Sustainability at Lagercrantz

Lagercrantz has always worked on the basis of a long-term approach. Our history dates back to 1906 and we are working hard to continue to be successful for another 100 years and even longer. Our success is based on the fact that we care about the environment and that we also conduct sustainable business operations in general. We believe that a decentralised work approach creates the best basis for engagement and change. This also applies to our sustainability efforts. Lagercrantz strives to ensure that all subsidiaries act as good and socially responsible companies. Every year, the Group conducts number of different local initiatives, ranging from installing solar cells on the factory roof to sponsoring local initiatives in the communities where the companies are active. In addition, the core business of many subsidiaries in one way or another is related to sustainability and the environment. On the left, examples are presented from five of our subsidiaries. Several have the potential to be really useful in a global perspective. Lagercrantz also conducts a number of sustainability initiatives that are run centrally in the Group. Two examples during the year that are worth highlighting are:

● **Asept** offers dispensing solutions, e.g. for ketchup and mayonnaise (liquid foodstuffs) that replace disposable packaging. This lowers the consumption of plastic by 90 percent and reduces food waste. The aseptic solutions also contribute to reduced use of chemicals in liquid foodstuffs. During the year, Asept developed a water dispenser for ultra-thin PET bottles for Europe's leading bottled water company. These bottles require only one fifth as much plastic.

● **Vanpee** contributes to reduced energy consumption and increased well-being through smart lighting control in public and private environments. Generally, a changeover from fluorescent lamps to LED lighting saves 50–70 percent. Through smart adaptation to daylight and presence patterns, you can save even more energy. In addition, the working environment becomes better by optimising light and colour temperature for each individual area.

● **Radonova** saves people from lung cancer. Radon is an invisible, odourless and radioactive gas, which is a significant cause of lung cancer. It is generally not difficult to fix when you can measure the radon levels. Radonova is the leader in Europe for radon measurement in homes, schools and workplaces.

## VIDEO MEETINGS

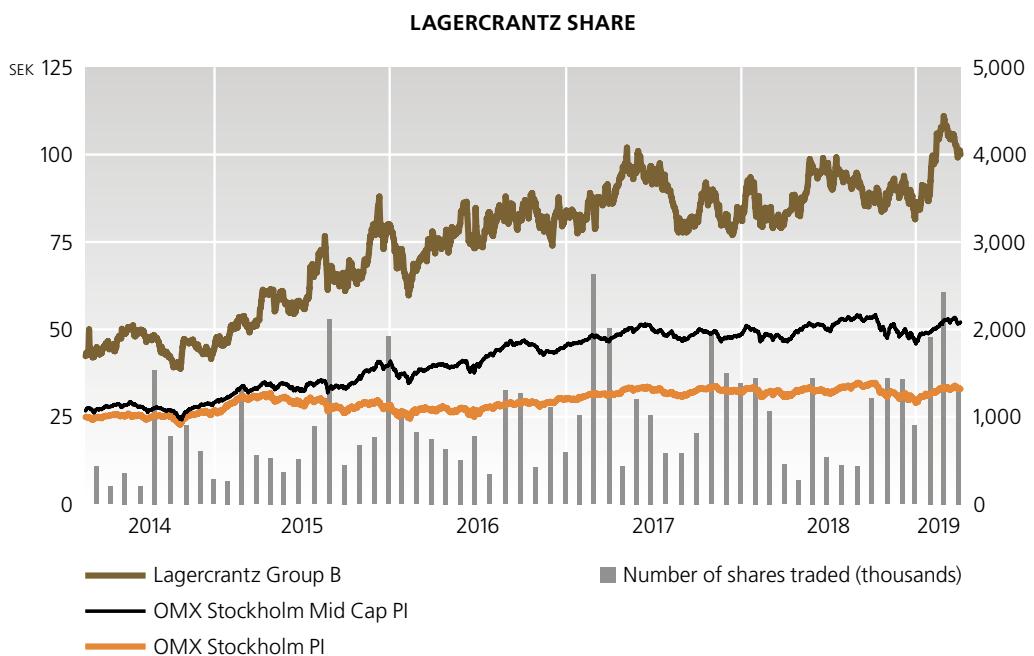
Intensified use of video meetings by installing video conferencing systems at 35 of our companies worldwide. The systems were used for 1,700 meetings during the year and if about 60 percent of these replaced at least one return flight within the Nordic countries, we saved 300 tonnes of CO<sub>2</sub> in emissions. Acceptance has increased significantly and video meetings are increasingly a first choice.

## CODE OF CONDUCT AND WHISTLEBLOWER FUNCTION

The implementation of the Code of Conduct has continued at newly acquired and existing subsidiaries, for example by using an educational film, which was introduced during the year. In addition, we have implemented a central whistleblower function where employees and others can anonymously report misconduct in subsidiaries and in the Group generally.

More information about our collective work and efforts can be found on our website.

## The Share



**Over a five-year period between 1 April 2014 and 31 March 2019, the market price of the Lagercrantz share has appreciated by 136 percent. The broad OMX Stockholm Price Index rose 32 percent during the same period, and the benchmark OMX Stockholm Mid Cap PI index, which tracks the overall development of medium-sized companies, rose by 95 percent.**

The market price of the share as of 31 March 2019 was SEK 100.00 (83.50). During the 2018/19 financial year (April – March), the market price of the share rose by 20 percent. During the same period, the OMX Stockholm Price Index increased by 6 percent and the OMX Stockholm Mid Cap PI Index increased by 11 percent. Lagercrantz Group had a market capitalisation of MSEK 6,769 (5,649) as of 31 March 2019, calculated based on the number of shares outstanding after repurchases.

### SHARE DATA

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

### PROPOSED DIVIDEND

The dividend proposed by the Board of Directors for the 2018/19 financial year implies an increase to SEK 2.50 (2.00) per share. The total dividend corresponds to MSEK 169 (135).

### TRADING OF THE SHARE ON THE STOCK EXCHANGE

During the financial year, 13.8 million (12.4) shares, equivalent to a value of MSEK 1,291 (1,083) were traded. The turnover rate for the number of outstanding shares was 20 percent (18). The average number of transactions per trading day in the Lagercrantz share was 176 (187).

### REPURCHASE OF OWN SHARES

The 2018 Annual General Meeting authorised the Board of Directors to repurchase shares. During the 2018/19 financial year no repurchases were made (396,600). A total of 30,500 repurchased Class B shares were sold for a total of MSEK 2.4 during the financial year in connection with redemption of options. At the end of the period, Lagercrantz Group held 1,833,000 Class B shares, equivalent to 2.6 percent of the total number of shares and 1.9 percent of the votes in the Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 32.24 per share.

**LARGEST OWNERS IN LAGERCRANTZ GROUP, 31 MARCH 2019**

Owner	Number of A shares	Number of B shares	Holding	Votes
Anders Börjesson & Tisenhult-gruppen	2,730,210	1,148,550	5.7%	29.3%
SEB Funds		9,190,894	13.6%	9.5%
Swedbank Robur Funds		6,605,192	9.8%	6.8%
Didner & Gerge Funds		6,316,219	9.3%	6.5%
Lannebo Funds		5,465,767	8.1%	5.6%
Fidelity Investments		3,539,245	5.2%	3.6%
Handelsbanken Funds		3,313,328	4.9%	3.4%
Jörgen Wigh	224,666	570,950	1.2%	2.9%
ODIN Funds		2,729,653	4.0%	2.8%
Säve family	60,000	1,320,000	2.0%	2.0%
<b>Total 10 largest owners</b>	<b>3,014,876</b>	<b>40,199,798</b>	<b>63.8%</b>	<b>72.5%</b>
<b>Total other owners</b>	<b>248,926</b>	<b>24,223,327</b>	<b>36.2%</b>	<b>27.5%</b>
<b>Total excluding repurchased shares</b>	<b>3,263,802</b>	<b>64,423,125</b>	<b>100%</b>	<b>100%</b>
Lagercrantz Group (repurchased)		1,833,000		
<b>Total</b>	<b>3,263,802</b>	<b>66,256,125</b>		

**OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP, 31 MARCH 2019**

Number of shares	Number of owners	Holding	Votes
1–1,500	3,394	1.7%	1.2%
1,501–3,000	448	1.6%	1.1%
3,001–30,000	475	6.3%	5.1%
30,001–150,000	55	5.1%	4.5%
150,001–300,000	9	3.4%	2.4%
300,001–	29	81.0%	85.1%
Other owners	N/A	0.9%	0.7%
<b>Total</b>	<b>4,410</b>	<b>100%</b>	<b>100%</b>
Category	Number of owners	Holding	Votes
Swedish institutional owners	38	50.1%	35.2%
Swedish private individuals	4,084	22.5%	20.2%
Foreign institutional owners	27	14.7%	10.4%
Other owners	261	12.7%	34.3%
<b>Total</b>	<b>4,410</b>	<b>100%</b>	<b>100%</b>

Source: Monitor from Modular Finance AB. Compiled and processed data including from Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for foreign owners. Updated on 31 March 2019.

# Financial Performance in Summary

## INCOME STATEMENT

Amounts in MSEK	2018/19	2017/18	2016/17	2015/16	2014/15
Net revenue	3,932	3,410	3,096	3,057	2,846
<b>Operating profit before depreciation and amortisation</b>	<b>575</b>	<b>486</b>	<b>452</b>	<b>392</b>	<b>327</b>
Depreciation and amortisation	-56	-50	-43	-37	-33
<b>Operating profit (EBITA)</b>	<b>519</b>	<b>436</b>	<b>409</b>	<b>355</b>	<b>294</b>
Amortisation of intangible assets that arose during acquisitions	-68	-58	-48	-40	-18
<b>EBIT (profit before financial items)*</b>	<b>451</b>	<b>378</b>	<b>361</b>	<b>315</b>	<b>276</b>
Financial income and expenses	-20	-20	-10	-8	-11
<b>Profit after financial items</b>	<b>431</b>	<b>358</b>	<b>351</b>	<b>307</b>	<b>265</b>
Taxes and non-controlling interests	-89	-72	-77	-66	-62
<b>Net profit for the year</b>	<b>342</b>	<b>286</b>	<b>274</b>	<b>241</b>	<b>203</b>

\*During the year, the company changed to presenting operating profit as EBITA, i.e. operating profit before amortisation of intangible assets.

In the above table, EBIT is presented as a profit measure for comparison between periods.

## BALANCE SHEET

Amounts in MSEK	31 Mar 2019	31 Mar 2018	31 Mar 2017	31 Mar 2016	31 Mar 2015
<b>Assets</b>					
Intangible non-current assets	2,048	1,958	1,479	1,307	983
Property, plant and equipment	266	251	224	206	167
Financial assets	14	11	10	10	11
Other current assets	1,387	1,278	1,056	992	865
Cash and cash equivalents and investments in securities	139	134	122	67	80
<b>Total assets</b>	<b>3,854</b>	<b>3,632</b>	<b>2,891</b>	<b>2,582</b>	<b>2,106</b>
<b>Equity and liabilities</b>					
Equity and non-controlling interests	1,508	1,303	1,197	1,032	917
Interest-bearing provisions and liabilities	1,144	1,236	750	673	450
Non-interest-bearing provisions and liabilities	1,202	1,093	944	877	739
<b>Total equity and liabilities</b>	<b>3,854</b>	<b>3,632</b>	<b>2,891</b>	<b>2,582</b>	<b>2,106</b>
Capital employed	2,651	2,539	1,947	1,705	1,367
Pledged assets and contingent liabilities	38	53	52	45	12

## STATEMENT OF CASH FLOWS

Amounts in MSEK	2018/19	2017/18	2016/17	2015/16	2014/15
Profit after financial items	431	358	351	307	265
Adjustment for taxes paid and items not included in cash flow	11	-35	18	-18	-6
<b>Cash flow before changes in working capital</b>	<b>442</b>	<b>323</b>	<b>369</b>	<b>289</b>	<b>259</b>
Cash flow from changes in working capital	20	-41	6	-32	9
<b>Cash flow from operating activities</b>	<b>462</b>	<b>282</b>	<b>375</b>	<b>257</b>	<b>268</b>
Cash flow from investing activities	-215	-565	-255	-358	-166
<b>Cash flow from operating activities and investing activities</b>	<b>248</b>	<b>-283</b>	<b>120</b>	<b>-101</b>	<b>102</b>
Cash flow from financing activities	-242	295	-65	88	-60
<b>Cash flow for the year</b>	<b>5</b>	<b>12</b>	<b>55</b>	<b>-13</b>	<b>42</b>

**KEY RATIOS**

Amounts in MSEK unless otherwise stated	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue	3,932	3,410	3,096	3,057	2,846
Change in revenue, %	15.3	10.1	1.3	7.4	11.8
Operating profit (EBITA)	519	436	409	355	295
EBITA margin, %	13.2	12.8	13.2	11.6	10.4
EBIT	451	378	361	315	307
Operating margin (EBIT), %	11.5	11.1	11.7	10.3	9.7
Profit after financial items	431	358	351	307	265
Profit margin, %	10.7	10.5	11.3	10.1	9.3
Profit after taxes	342	286	274	241	203
Equity ratio, %	39	36	41	40	44
Operating profit (EBIT)/Working capital (P/WC), %	54	52	58	58	58
Return on capital employed, %	18	17	20	21	22
Return on equity, %	24	23	25	25	24
Debt/equity ratio, times	0.7	0.9	0.6	0.6	0.4
Net debt/equity ratio, times	0.6	0.8	0.5	0.5	0.3
Interest coverage ratio, times	16	14	22	20	18
Net interest-bearing liabilities (+) / receivables (-)	928	1,035	565	551	302
Number of employees at year-end	1,450	1,387	1,247	1,230	1,139
Average number of employees	1,422	1,378	1,281	1,237	1,073
Payroll expenses incl. social security contributions	1,036	923	793	755	659
Revenue outside Sweden	2,491	2,151	1,940	1,991	1,931

**PER SHARE DATA**

	2018/19	2017/18	2016/17	2015/16	2014/15
Number of shares at year-end after repurchases ('000)	67,687	67,656	67,985	67,844	67,773
Weighted number of shares after repurchases ('000)	67,682	67,868	67,941	67,889	67,719
Weighted number of shares after repurchases and dilution ('000)	67,682	67,924	68,097	68,121	67,965
EBIT result per share after dilution, SEK	6.66	5.57	5.30	4.63	4.06
Earnings per share, SEK	5.05	4.21	4.03	3.55	3.00
Earnings per share after dilution, SEK	5.05	4.21	4.02	3.54	2.99
Cash flow from operations per share after dilution, SEK	6.83	4.14	5.51	3.77	3.94
Dividend per share, SEK (dividend for the year as proposed)	2.50	2.00	2.00	1.75	1.50
Equity per share, SEK	22.28	19.26	17.61	15.22	13.53
Latest price paid per share, SEK	100.00	83.50	87.00	77.50	52.67

**DEFINITIONS****Average number of employees**

Average number of full-time employees during the year.

**Capital employed**

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

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

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

**Cash flow per share after dilution**

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

**Change in revenue**

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

**Debt/equity ratio**

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

**Earnings per share**

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

**Earnings per share after dilution**

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

**EBIT margin**

Profit before net financial items as a percentage of net revenue.

**Equity/assets ratio**

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

**Equity per share**

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

**Interest coverage ratio**

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

**Net debt/equity ratio**

Interest-bearing provisions and liabilities, excluding pensions, less cash and cash equivalents and investments in securities, divided by equity plus non-controlling interests.

**Net interest-bearing liabilities/receivables**

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

**Operating margin**

Operating profit (EBITA) as a percentage of net revenue.

**Operating profit (EBITA)**

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

**Profit margin**

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

**Return on capital employed**

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

**Return on equity**

Profit for the year as a percentage of average equity.

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

Operating profit before net financial items (EBIT) as a percentage of average working capital, (opening balance plus closing balance for the period, divided by two), where working capital consists of inventories, trade receivables and claims on customers less trade payables and advance payment from customers.

# Report of the Board of Directors

The Board of Directors and the President of Lagercrantz Group AB (publ), corporate identity number 556282-4556, hereby submit the annual accounts and consolidated financial statements for the 2018/19 financial year. The Report of the Board of Directors also includes the Corporate Governance Report.

The legal annual accounts consist of the Report of the Board of Directors, with proposed appropriation of profits, the financial statements, notes and audit report. The Report of the Board of Directors also includes a Sustainability Report and a Corporate Governance Report.

## OPERATIONS

Lagercrantz Group (publ) is a technology group that offers value-adding technology to other companies, either using either proprietary products or products from leading suppliers. The Group consists of about 50 companies, each with a focus on a specific sub-market – a niche. Each business constitutes its own profit centre which is responsible for its chosen strategy under its own name. High value-creation is common to all the businesses and they offer technology to other corporate customers, including a high degree of customisation, support, service and other services.

The companies during 2018/19 were organised in the four divisions Electronics, Mechatronics, Communications and Niche Products.

## NET REVENUE AND PROFIT

Consolidated net revenue for the financial year increased by 15 percent to MSEK 3,932 (3,410). The currency effect on net revenue was MSEK 89. Acquired businesses made a contribution of MSEK 201. Organic growth in comparable units amounted to 7 percent, measured in local currency.

The market climate in the Group's main markets in the Nordic countries and Northern Europe was favourable during the financial year. Domestic demand in Sweden was stable and the export industry has benefitted from the weaker Swedish Krona. In Denmark, Norway and Finland, demand gradually strengthened somewhat during the year. The Group's exports outside the Nordic countries strengthened during the financial year. The share of exports is increasing and now represents just over 30 percent of business volume where sales in the rest of Europe and in the USA and China developed particularly well.

Operating profit before amortisation of intangible assets (EBITA) for the financial year increased by 19 percent to MSEK 519 (436), corresponding to an operating margin of 13.2 percent (12.8).

Improvements were noted on a broad front in the Group, where the economic situation had a positive impact and many of the Group's companies developed positively both domestically and in terms of exports. Profit after net financial items amounted to MSEK 431 (358).

Total currency effects on the profit after net financial items amounted to MSEK 9 (2). Exchange rate adjustments of financial assets impacted net financial items negatively during the period by about MSEK 2 (-6). Profit after taxes for the period amounted to MSEK 342 (286). Earnings per share after dilution for the 2018/19 financial year amounted to SEK 5.05, compared to SEK 4.21 for the 2017/18 financial year.

## PROFITABILITY AND FINANCIAL POSITION

Consolidated profit before financial items (EBIT) for the financial year amounted to MSEK 451 (378), equivalent to an EBIT margin of 11.5 percent (11.1).

The return on equity for the latest 12-month period amounted to 24 percent (23) and the return on capital employed was

18 percent (17). The Group's metric for return on working capital (P/WC) was 54 percent (52).

The equity ratio was 39 percent (36).

Equity per share totalled SEK 22.28 at the end of the period, compared to SEK 19.26 at the start of the financial year. Aside from profit, this metric was also affected by dividends paid, currency-related translation effects and redemption of options.

At the end of the period, operational net indebtedness was MSEK 928, compared to MSEK 1,035 at the beginning of the year. The decrease was mainly due to a positive operating cash flow less dividends of MSEK 135 and acquisition of businesses. The operational net debt/equity ratio (excluding pension provisions) amounted to 0.6 (0.8). The pension liability amounted to MSEK 76 (67) at the end of the financial year and was mainly affected by changes in actuarial assumptions.

## CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from operating activities during the financial year increased to MSEK 462, compared to MSEK 282 for the 2017/18 financial year. The improved cash flow was mostly related to the improvement in profits.

Gross investments in non-current assets amounted to MSEK 80 (60) during the financial year. Larger items related to investments in production equipment and facilities in the Niche Products and Mechatronics divisions, among other things.

A total of 30,500 repurchased own Class B shares were sold for a total of MSEK 2.4 during the financial year in connection with redemption of options. In addition, 623,000 outstanding options were repurchased for a total of MSEK 7.3.

During the financial year, 500,000 options for B shares with a redemption price of SEK 105.20 were issued in accordance with the resolution of the 2018 AGM. These options were acquired by about 50 managers and senior executives in the Group for a total of MSEK 4.

During the financial year, MSEK 19 (34) was paid in contingent consideration for previous acquisitions.

## NET REVENUE AND PROFIT BY DIVISION

During the financial year, Lagercrantz changed to reporting operating profit (EBITA). The Group has chosen to report the key ratio EBITA, as unlike EBIT it shows the Group's operating profit before the effect of amortisation of intangible non-current assets that arose as a result of acquisitions. Amortisation (A) is an expense but does not represent an asset that requires reinvestment. Comparative figures from the previous year have been restated to operating profit (EBITA).

### Electronics

Net revenue amounted to MSEK 998 (890). Operating profit (EBITA) amounted to SEK 101 million (75), corresponding to an operating margin of 10.1 percent (8.4).

The Vanpee units within lighting control in Norway, Denmark and Sweden and Unitronic in Germany, all strengthened their profits. The division's operation within IoT solutions in Sweden (ACTE Solutions) and the operations within distribution of electromechanics and temporary power in Denmark (NST DK) increased their sales and profits and the division's unit in proprietary RFID solutions (Idesco) displayed a strong performance.

However, the electronics components business in Denmark did not match last year's very strong result.

During the year, some shortages of components and input goods from suppliers delayed deliveries to customers and certain Units, the Norwegian company (El-produkter) within lighting and lighting systems and the Danish unit (ISIC), which delivers computers and monitors for marine environments, did not achieve the previous year's profit.

During the third quarter, an agreement was entered into for the acquisition of Schmitztechnik, which will be an important unit in the division. The acquisition is described below under Acquisitions.

### **Mechatronics**

Net revenue totalled MSEK 1,122 (1,033). Profit after taxes (EBITA) for the financial year amounted to MSEK 172 (147), which corresponds to an operating margin of 15.3 percent (14.2).

The division's largest unit, Elpress, which is also the Group's largest unit, active within electrical connection systems, continued to perform well. The units in aerial brackets (Cue Dee), safety switches (Norwesco) and enclosures (Elkapsling) also strengthened their profits. Even the operation in steel wire production, Swedwire, which moved from the Niche Products division on 1 April 2018, reported a strong result. The division's units in emergency lighting and distribution of telecom and electrical components and the cabling businesses reported a stable performance.

### **Communications**

Net revenue increased to MSEK 918 (786). Operating profit (EBITA) for the financial year amounted to MSEK 137 (103), which corresponds to an operating margin of 14.9 percent (13.1).

Most of the division's units displayed a strong performance and the units within infrastructure and sprinkler installations (R-con) and the units in radon measurement (Radonova) and gas measurement (GasIQ) improved their profits. The unit (ISG) in camera-based surveillance also improved its profit from the previous year, while the units in communication and surveillance (COBS) and control systems for forest and processing machinery (Excidor) found it difficult to match last year's results.

### **Niche Products**

Net revenue increased to MSEK 894 (701). Operating profit (EBITA) amounted to SEK 149 million (127), corresponding to an operating margin of 16.7 percent (18.1).

Several of the division's units showed a positive development. Especially the units within sharpening of edge tools (Tormek), aseptic solutions for the food processing industry (Asept), the unit in snow clearance for airports (SIB) and ergonomic office interior accessories (Kondator) reported a strong sales and profit growth. The division's Danish unit in conveyor belt solutions (Nikodan), and the units within storage solutions (Steelco) and special doors (Thermod), however, reported weaker sales and profits.

### **PARENT COMPANY**

The Parent Company's internal net revenue for the financial year amounted to MSEK 36 (36) and profit after net financial items was MSEK 332 (327). The result includes exchange rate adjustments on intra-Group lending of MSEK 1 (5) and dividends from subsidiaries of MSEK 337 (336).

Net investments in non-current assets amounted to MSEK 0 (0). The Parent Company's equity ratio was 50 percent (47). Non-current and current interest-bearing liabilities decreased from MSEK 1,150 to MSEK 1,053, mainly related to lower utilisation of overdraft facilities through a positive cash flow from subsidiaries.

### **EMPLOYEES**

At the end of the period, the number of employees in the Group was 1,450, compared to 1,387 at the beginning of the

financial year. During the financial year, 18 employees were added through acquisitions. For further information regarding the working environment, gender equality etc., refer to the company's Code of Conduct, which is published on the company's website.

### **SHARE DISTRIBUTION, REPURCHASES AND MAJOR SHAREHOLDERS**

The share capital amounted to MSEK 49 at the end of the period. As of 31 March 2019, the distribution according to classes of shares was 3,263,802 Class A shares and 66,256,125 Class B shares, 69,519,927 shares in total. Lagercrantz Group's Class B shares are quoted on Nasdaq Stockholm's Mid Cap list.

The quota value per share amounted to SEK 0.70. The Articles of Association allow for conversion of Class A shares to Class B shares. 0 (0) shares were converted during the financial year.

The 2018 Annual General Meeting (AGM) authorised the Board of Directors to repurchase shares up to 10 percent of the total number of shares in the company. Repurchases shall be made via the stock exchange. Among other things, the mandate includes the possibility of covering the company's obligations under incentive programmes, where call options on repurchased shares have been acquired by managers and key persons in the Group.

Repurchased shares cover, *inter alia*, the company's obligations under outstanding call option programmes on repurchased shares. During the financial year, no own shares were repurchased.

In addition, the AGM authorised the Board during the period until the next AGM to carry out a new issue of up to 10 percent of the number of B shares as a means of payment during acquisitions. In conjunction with redemption of options, a total of 30,500 repurchased own Class B shares were sold for a total of MSEK 2.4 during the financial year. In addition, 623,000 outstanding options were repurchased for a total of MSEK 7.3.

During the financial year, 500,000 options for B shares with a redemption price of SEK 105.20 were issued in accordance with the resolution of the 2018 AGM. These options were acquired by about 50 managers and senior executives in the Group for a total of MSEK 4.

At 31 March 2019, Lagercrantz Group held 1,833,000 own Class B shares, equivalent to 2.6 percent of the total number of shares and 1.9 percent of the votes in the Lagercrantz Group. Repurchased shares cover, *inter alia*, the company's obligations under outstanding call option programmes on repurchased shares, where a total of 1,709,875 options have been acquired by senior executives. This refers to allocations in 2016, 2017 and 2018 of options still outstanding on 31 March 2019. The redemption price for each respective programme is SEK 100.70, SEK 95.90, and SEK 105.20 per share.

One shareholder held more than ten percent of the votes as of 31 March 2019: Anders Börjesson & Tisenhultgruppen 29.34 percent. SEB Fonder, with 13.6 percent of the capital, was the largest owner in terms of the share of equity.

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

### **AGREEMENTS**

As far as is known, there are no significant agreements to which the company is a party that enter into effect or are amended or terminated if control of the company changes due to a public takeover bid.

### **ACQUISITIONS**

During the financial year, Schmitztechnik GmbH was acquired.

Schmitztechnik is a distinctly niched, leading player within customized silicone-, rubber-, PUR-, and industrial plastic products with Germany as its main market. The company is located

in Mönchengladbach and generates annual revenue of about MEUR 6.7 with good profitability and is part of the Electronics division as of January 2019.

Estimated consideration for the acquired operation amounted to MSEK 135. The acquisition did not include any contingent consideration.

Transaction costs for the acquisition, which was carried out during the financial year amounted to about MSEK 0.8, and are included in administrative expenses in the income statement, to the extent they arose during the period.

As a result of the acquisition during the financial year, goodwill in the Group increased by MSEK 82 on the balance sheet date and other intangible non-current assets increased by MSEK 73, mostly related to proprietary products and customer relationships. Deferred tax liability related to the acquisitions amounted to MSEK 22. The above estimates are preliminary.

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

#### RELATED-PARTY TRANSACTIONS

Transactions between Lagercrantz and related parties with a significant impact on the company's financial position and results have not occurred, aside from the issuance of options as described under Share distribution above.

#### SOCIAL RESPONSIBILITY

Lagercrantz Group's operations are based on long-term relationships with customers and suppliers, as well as strong ethics and great respect for all individuals in the company and in connection with external contacts. Much like in other parts of the Group's business, the concrete work with social responsibility is highly decentralised within the framework of the guidelines adopted by Lagercrantz Group. The Group has adopted guidelines for business ethics (Code of Conduct) for how employees, suppliers and other stakeholders should be treated in a lawful, fair and ethical manner. For a further description of Lagercrantz Group's goals, strategies and governance as well as taking of responsibility, risks and opportunities from a sustainability perspective, see the Sustainability Report below.

#### ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participating in a lasting sustainable development is a key point of departure for the Group's business. Lagercrantz Group AB (publ) is a technology group that offers value-adding technology, with internally-developed products or with products from leading suppliers. The Group's impact on the environment is limited and is mainly associated with transports of finished goods, sourced components, manufacturing, business trips and waste management. In addition, some of the Group's companies are large consumers of electric power in their production operations. The Group's companies continually work to reduce the environmental impact of their operations. The environmental work is conducted locally, based on the specific conditions of each individual company. In certain instances, e.g. in procurement of transport services and electric power, some coordination among companies occurs.

The Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for reuse and recycling of materials and energy, and also prevent and limit environmental pollution. The ambition is to be very sensitive to customers' and suppliers' wishes, thereby meeting market demands for proactive environmental work. Several of the companies in the Group work with quantitative goals in their environmental efforts. The Group conducts operations in four of its subsidiaries that require a permit under the Swedish Environmental Code, relating to waste water treatment.

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

#### RESEARCH AND DEVELOPMENT

With the aim of strengthening and developing Lagercrantz Group's position in its areas of operation, the Group allocates resources primarily to the creation of different solutions for customers and partners, products and development of proprietary brands. Activities carried out during 2018/19 mainly included product development. Development occurs in close cooperation with the customer and is normally based on identified customer needs. Pure research operations are not conducted.

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

#### RISKS AND UNCERTAINTY FACTORS

Lagercrantz Group's profit, financial position and future development are affected by internal factors which are controlled by the Group itself, and by external factors, where opportunities to influence the course of events are limited and where the focus instead is on managing the consequences of these. The most important risk factors are the economic situation, structural changes in the Group's markets, supplier and customer dependence, the competitive situation, seasonal variations and financial risks, which are described below.

##### *Financial risks and sensitivity analysis*

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

Business volume in the market was generally good during the 2018/19 financial year and all divisions performed positively. Continued low interest rates are stimulating the economies in which the Group operates, even though uncertainty factors exist at a global level. The Group's largest markets in Sweden and Denmark generally displayed a positive performance during the year, and a positive performance was also reported in Norway and Finland. The export markets outside of northern Europe increased their proportion of sales and now represent about one third of total sales. With a rising share of international expanding product companies in the portfolio, the risks for larger shifts in demand and growth can be offset.

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

##### *Economic situation*

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

***Structural changes***

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

Another structural change that affects our business is the fast pace of technological development, and the generally short product life cycles. This imposes demands on our companies to stay close to the customers in order to identify new trends, and to know when it is commercially warranted to enter a new technology area, or to phase out an existing one. Lagercrantz Group generally strives for relatively long product life cycles.

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

***Customer and supplier dependence***

Dependency on individual customers and suppliers is one of the most significant operational risks for an individual subsidiary to manage. Some of the companies in the Group have developed their business based on one or a few such strong relationships. If one of these were to disappear, it would affect the company, especially in the short term, before alternatives have been found. In order to minimise this risk, the subsidiaries work closely with their customers and suppliers in order to create strong relationships on several levels and thereby ensure that they are an established partner and that any changes can be dealt with in good time. The Group also increasingly works on analysing customer and supplier relationships based on contract structure, product liability issues and insurable risks to minimise the consequences of the loss of a customer or supplier. In recent years, the Group has also worked in a focused way to reduce the risks associated with late payment, or non-payment by customers. Measures have included credit assessment and follow-up of new and existing customers, as well as active management of late payments.

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

***Competitive situation***

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

***Seasonal variations***

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

## SUSTAINABILITY REPORT

### OUR BUSINESS MODEL

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

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

### THE PURPOSE AND AIM OF THE REPORT

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

### FRAMEWORK AND METHODOLOGY OF THE REPORTING

In connection with the close of the financial year, all Lagercrantz companies have provided sustainability data as a part of the non-financial reporting. The participation of all companies is required in order to follow developments in sustainability both at a company and Group level. Unless otherwise stated, the Sustainability Report covers all companies and all of the Group's operations. Comparative figures in parenthesis refer to the previous financial year, 1 April 2017 – 31 March 2018.

### DIALOGUE WITH STAKEHOLDERS PROVIDES RIGHT FOCUS IN THE SUSTAINABILITY WORK

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

In order to ensure that we work with and report on the areas that are most important for our operations and stakeholders, we produced a list of the areas, which we should prioritise and work with during 2018/19 (see *description of processes below*).

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

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

### SUSTAINABLE GOVERNANCE WITH DECENTRALISED RESPONSIBILITY

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

### Lagercrantz Code of Conduct

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



Stakeholder group	Core issues in sustainability	Communication and cooperation
Customers	Customer satisfaction, business ethics.	The subsidiaries have communication with customers via meetings etc.
Suppliers	Environmental impact, customer satisfaction.	The subsidiaries have communication with suppliers. Supplier audits.
Society/public authorities	Business ethics, environmental impact.	Dialogue with public authorities concerning the working environment, environment and product liability. Certifications for ISO etc.
Employees	Health and safety, skills development.	Annual goal and career development discussions and skills development training are conducted. Communication via managers, Intranet and mailshots.
Shareholders	Earnings trend, business ethics, return to shareholders.	Annual report, interim reports, analyst and investor meetings, website and annual general meeting.

The Code of Conduct have been adopted by the Board and are found on our website [www.lagercrantz.com](http://www.lagercrantz.com).

## STRATEGY AND GOVERNANCE

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

## THREE FOCUS AREAS FOR OUR SUSTAINABILITY WORK

### Material issues and risks

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

### ECONOMIC VALUE CREATION

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

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

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

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

**Development** – Each subsidiary is expected to remain at the cutting edge and develop the operations in its niche. Development issues may relate to new technology, new products, improved working procedures, new IT systems or other things that help the company to advance and sustainability issues. We know that companies that manage to identify and handle such issues before the competitors create long-term competitiveness.

### Goals within economic value creation

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

The Group's two financial goals are:

- Earnings growth of at least 15 percent per year (over a business cycle).
- Return on equity of not less than 25 percent.

### SOCIAL VALUE CREATION

Lagercrantz Group's operations are based on long-term relationships with customers and suppliers, as well as strong ethics and great respect for all individuals in the company and in connection with external contacts. Much like in other parts of the Group's business, the concrete work with social responsibility is highly decentralised within the framework of the guidelines adopted by Lagercrantz Group. The Group has adopted guidelines for business ethics (Code of Conduct) for how employees, suppliers and other stakeholders should be treated in a lawful, fair and ethical manner.

### OUR MOST IMPORTANT ASSET IS OUR EMPLOYEES

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

#### Employees

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

At year-end, the average number of employees amounted to 1,449, of whom 29 percent were women (1,378, of whom 27 percent were women).

#### Working environment

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

Sustainability area	Prioritised issues	Activities during the financial year
Economic value creation	Long-term profitable growth and development.	Efficiency goals, earnings growth and development in our subsidiaries within their niches.
Social value creation	High quality and ethical standards among our suppliers. Healthy workplace for our employees.	Systematic working environment work in our subsidiaries, training, relevant measures.
Environmental value creation	Reduce our direct and indirect environmental impact.	Product and process development, Code of Conduct for our suppliers.

## Health and safety

Health and safety is a prioritised area in our line of business. We have a zero vision in relation to work-related accidents, illnesses and incidents and an ambition to continually strive for improved health and well-being among our employees.

The goal is that nobody shall be affected by physical or mental ill health due to his/her work situation.

Absence due to illness as a percentage in relation to time worked is 4.3 percent (4.6 percent), of which 1.7 percent (1.8 percent) relates to long-term illness.

## Employee turnover

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

During 2018/19, the total employee turnover was 12.0 percent (13.6 percent), excluding employees that were added through acquisitions during the year.

## Skills development

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

## Gender equality and diversity

Lagercrantz does not permit any form of discrimination or harassment. To the best of our knowledge, no salary differentials exist between men and women. We also work to achieve a more uniform gender breakdown in recruitment. We offer equal employment opportunities regardless of race, religion, gender, disability, family circumstances or sexual orientation. We work to counter all forms of discrimination at the workplace or in dealing with employees when it comes to setting of salaries and career advancement. We strive to introduce appropriate processes for discovering and remedying each case of discrimination.

## Other working conditions

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

## WE IMPOSE STRICT REQUIREMENTS ON OUR SUPPLIERS

Because we impose strict requirements in relation to privacy and ethics in our own operations, it is natural to also do the same thing when it comes to our suppliers.

No incidents were reported in relation to violations of human rights during 2018/19.

## Lagercrantz Supplier Code of Conduct

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

## Anti-corruption

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

## Child labour

The UN's Convention on the Rights of the Child, the ILO's Convention (no 138) on the Minimum Age for Employment, and the Convention (no 182) on Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, are guidelines for all business activities that are conducted in our name. No incidents were reported in relation to violations of these conventions during 2018/19.

## Labour

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

## OUR ROLE IN SOCIETY

Lagercrantz also creates value in society. We create job opportunities, improve competitiveness within value-adding technology trading and contribute in terms of tax payments.

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

Through employer's contributions and taxes, we contribute to the common welfare. Profit before taxes amounted to MSEK 431 (MSEK 358) and the tax expense amounted to MSEK 89 (MSEK 72), equivalent to approx. 22 percent tax.

## Goals within social value creation

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

To achieve this, we aim:

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

Our energy use in MWh	2018	2017
Buildings:	5,631 MWh – 563 tonnes CO <sub>2</sub>	5,262 MWh – 526 tonnes CO <sub>2</sub>
Operations:	12,266 MWh – 1,104 tonnes CO <sub>2</sub>	11,853 MWh – 1,067 tonnes CO <sub>2</sub>
Transports:	2,770 MWh – 7,395 tonnes CO <sub>2</sub>	1,979 MWh – 5,284 tonnes CO <sub>2</sub>
<b>Total energy use:</b>	<b>20,667 MWh – 9,062 tonnes CO<sub>2</sub></b>	<b>19,094 MWh – 6,877 tonnes CO<sub>2</sub></b>
<b>Acquisitions during the year:</b>	<b>1,149 MWh – 710 tonnes CO<sub>2</sub></b>	
Energy consumption in relation to net revenue amounted to 5.26 MWh/MSEK (6.17 MWh/MSEK).		

## ENVIRONMENTAL VALUE CREATION

Responsibility for improving the environment and participating in a lasting sustainable development is a key point of departure for the Group's business. The business operations consist of trading and distribution and in some companies, own manufacturing operations.

The Group's impact on the environment is limited and is mainly connected to transportation of input goods, finished products, business trips and waste management. In addition, some of the Group's companies are large consumers of electric power in their production operations. The Group's companies continually work to reduce the environmental impact of their operations. The environmental work is conducted locally, based on the specific conditions of each individual company. In certain instances, e.g. in procurement of transport services and electric power, some coordination among companies occurs.

The Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for reuse and recycling of materials and energy, and also prevent and limit environmental pollution. The ambition is to be very sensitive to customer and supplier wishes, thereby meeting the market's demands for proactive environmental work. Several of the companies in the Group work with quantitative goals in their environmental efforts. In total, 58 percent (52 percent) of our subsidiaries are certified according to ISO. The Group conducts operations in four (four) of its subsidiaries that require a permit under the Swedish Environmental Code, relating to waste water treatment. There are no known threats from an environmental viewpoint that could jeopardise these operations.

## Energy consumption in the Group

During 2017, Lagercrantz participated in an Energy audit according to the Law on Energy Audits in Large Companies (EKL 2014:266), which is conducted every 4<sup>th</sup> year. The Group's total energy consumption was surveyed and certified energy surveyors have since then worked with the audit, which finished in 2019. From the audit, we identified numerous areas for improvements and improving energy efficiency over the years.

## Carbon dioxide emissions

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

The total carbon footprint during 2018 amounted to 2.30 tonnes CO<sub>2</sub>/MSEK (2.22 tonnes CO<sub>2</sub>/MSEK).

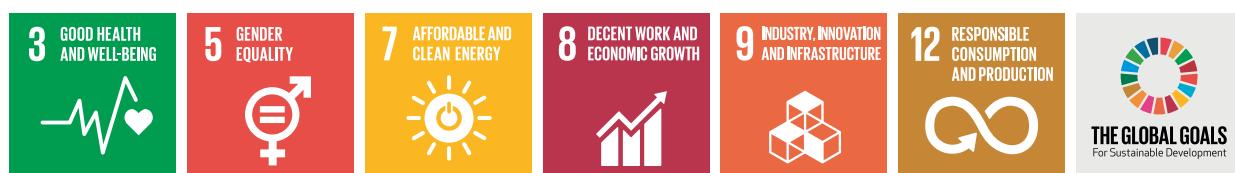
## Goals within environmental value creation

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

To achieve this, we aim:

- To continue the work on providing products and solutions that contribute to a sustainable development and lower environmental impact.
- To continue the work on establishing targets regarding energy and climate.

**In the Group's sustainability work, some of the UN's Global goals were identified as part of the work**



## CORPORATE GOVERNANCE REPORT

Since the 2009/10 financial year, the Board of Directors of Lagercrantz Group has prepared a statutory corporate governance report in accordance with Chapter 6, sections 6–9 of the Swedish Annual Accounts Act (1995:1554), which is subject to review by the company's auditor. In addition to this, Lagercrantz Group applies the Swedish Corporate Governance Code in accordance with the revised code that entered into force on 1 December 2016. Since the legislation and the Code partially overlap, Lagercrantz Group submits the following Corporate Governance Report, which takes account of the Swedish Annual Accounts Act as well as the Swedish Corporate Governance Code. The company complies with the Code in all essential aspects. In three respects (one of which is found in the section on the Election Committee, one in the section on the Audit Committee, and one in the section on incentive programmes) an explanation is provided for deviations. The report also contains an account of the work of the Election Committee ahead of the 2019 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 hierachal 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 2019, the number of shareholders was 4,410, compared to 4,534 at the beginning of the financial year. The combined shareholding of the ten largest shareholders was 64 percent (61) of the shares outstanding and 72 percent (71) of the votes. The above calculations are based on the number of shares outstanding, not including repurchased shares held by Lagercrantz Group. For detailed information about shareholders, see page 18–19.

### 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 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 to 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 regulates the forms of notice for General Meetings. The Articles of Association do not contain any limitations in respect of how many votes each shareholder may cast at a General Meeting. For the entire Articles of Association, which in their current form were adopted on 25 August 2015, see the company's website, the section Corporate governance/Articles of Association.

Notice for Annual General Meetings, and notice for Extra-ordinary 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 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 2018

The 2018 AGM was held on 28 September in Stockholm. Notice for the Meeting was announced in the form of a press release on 28 August 2018, and was published on the company's website on the same day. On the same date, it was also announced in Dagens Industri that notice that had been given. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 40.7 million shares and 66.0 million votes, respectively, were present. This was 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 2017/18.
- All Board members that stood for re-election and the Chairman of the Board of Directors were re-elected in accordance with the proposal of the Election Committee. Marika Rindborg Holmgren and Peter Hedelius declined re-election, Anna Marsell was elected to the Board of Directors as a new member.
- Fees for the Board of Directors and the auditors were determined.
- 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 resolved upon.
- 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 500,000 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.
- The Board was authorised during the period until the next AGM, to carry out a new issue of up to 10 percent of the number of B shares as a means of payment during acquisitions.

### 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 2018/19 of seven ordinary members who together possess broad commercial, technical and public experience:

- Anders Börjesson, Chairman
- Lennart Sjölund
- Roger Bergqvist
- Anna Almlöf
- Fredrik Börjesson
- Anna Marsell
- 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 68. 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 2018/19 financial year, one of which was the statutory meeting in conjunction with the AGM. The work of the Board follows rules of procedure that are adopted on an annual basis. These rules of procedure 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 and one item on the agenda concerns acquisitions. The Board is kept continually informed by way of information in writing about the company's business and other relevant information.

During 2018/19, 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 2019. 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 where neither the President nor other senior executives were present.

Total fees to the Board of Directors of Lagercrantz Group for 2018/19 amounted to SEK 2,100,000 (2,000,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 600,000 (500,000), and the other ordinary members who are not employees of the company received SEK 300,000 (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 2018/19, the Remuneration Committee consisted of Anders Börjesson and Roger Bergqvist. The President & CEO presents reports but does not participate in matters concerning him. During the year, the Committee held one meeting. All members of the Committee were present at this meeting. Compensation of SEK 50,000 is paid in fees to members of the Remuneration Committee.

## 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 2018/19, 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. 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 2018 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 13 persons who constitute the Group's senior executives. A detailed presentation can be found under Management on page 69.

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

## Remuneration to senior executives

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

Guidelines for remuneration of senior executives approved by the 2018 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 portion of the remuneration should be maximised to about 40 percent of the fixed salary. This variable salary component should also be based on outcome relative to set goals and on individual performance.

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

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 where special reasons exist, the Board of Directors may depart from the above guidelines.

The proposal of the Board of Directors to the 2019 Annual General Meeting for guidelines for remuneration to senior executives is that the principles for remuneration of the President & CEO and other senior executives should be unchanged compared to the principles described above.

## Operational control

The Group's operating activities are carried on in subsidiaries of the Lagercrantz Group. Active Board work is conducted in all subsidiaries under the management of division heads. The subsidiaries' Boards follow the day-to-day operations and establish business plans. Operations are conducted in accordance with the rules, guidelines and policies adopted by 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 Group Management and considerable 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. The Group also works to achieve a more uniform gender breakdown in recruitment and offers 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, 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 financial department, which makes proposals on possible improvements to the companies concerned. The Group's auditors also receive the results, 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, 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 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 their fees, so that the AGM can make well-founded decisions. At the AGM 2018, 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 2018, 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
- Adam Gerge  
(representing Didner & Gerge Fonder)
- Johan Strandberg  
(representing SEB Investment Management)
- Marianne Nilson  
(representing Swedbank Robur Fonder)
- Mats Gustafsson  
(representing Lannebo Fonder)

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 – 2018, according to the resolution of the AGM each year. The 2016, 2017 and 2018 programmes are currently outstanding. Outstanding programmes mean that shares can be acquired on three different occasions, two of which fall within three years from issuance and thus constitute a deviation from the Swedish Corporate Governance Code. The purpose of this is to allow redemption on several occasions. A complete description of outstanding option programmes is provided in Note 6.

## POST-BALANCE SHEET EVENTS

Kristina Elfström Mackintosh has been appointed as the new CFO for the Lagercrantz Group. She started her employment at Lagercrantz on 22 May 2019.

After the end of the financial year, Lagercrantz acquired Dorotea Mekaniska AB (DMAB). DMAB generates annual revenue of about MSEK 70 with a high level of exports and had an EBITA of about MSEK 13 in the year before the acquisition.

Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2019.

## FUTURE DEVELOPMENT

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

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

## DIVIDEND

The Board of Directors proposes a dividend of SEK 2.50 (2.00) per share. The dividend is equivalent to a total of MSEK 169 (135) and constitutes 50 percent (48) of the profit for the year. The size of the dividend is based on a balance between the Group's capital structure and future opportunities for expansion. The Board of Directors estimates that the proposed dividend allows scope for the Group to fulfil its obligations and to make necessary investments.

**PROPOSED APPROPRIATION OF PROFITS**

The Board of Directors proposes that the following profits, SEK 1,501,404 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2.50 × 67,686,927 shares*	169,217
To be carried forward	1,332,187
<b>Total</b>	<b>1,501,404</b>

*\*Based on the total number of shares outstanding as of 31 March 2019. The total dividend amount is subject to change until the record day, depending on share repurchases and transfer of shares to participants in long-term incentive programmes.*

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

**BOARD ASSURANCE**

The consolidated and Parent Company income statements and the consolidated statement of financial position and the Parent Company balance sheet will be subject to approval at the Annual General Meeting on 27 August 2019. We consider that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in regulation (EG) No.1606/2002 of 19 July 2002 of the European Parliament and the Council on the application of international financial reporting standards and provide a true and fair view of the financial position and results of operations of the Group. The annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the financial position and results of operations of the Parent Company. The Report of the Board of Directors for the Group and the Parent Company provides a true and fair overview of the business activities, financial position and results of operations of the Group and the Parent Company and describes the significant risks and uncertainty factors facing the Group and the Parent Company.

Stockholm, 26 June 2019

Anders Börjesson  
Chairman of the Board

Roger Bergqvist  
Board member

Anna Marsell  
Board member

Anna Almlöf  
Board member

Fredrik Börjesson  
Board member

Lennart Sjölund  
Board member

Jörgen Wigh  
President and Board member

*Our audit report was submitted on 26 June 2019*

KPMG AB

Håkan Olsson Reising  
Authorized Public Accountant  
Auditor in charge

Jenny Jansson  
Authorized Public Accountant

## Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	2018/19	2017/18
Net revenue	3, 4	3,932	3,410
Cost of goods sold		-2,488	-2,171
<b>Gross profit</b>		<b>1,444</b>	<b>1,239</b>
Other operating income	7	38	71
Selling expenses		-703	-629
Administrative expenses		-309	-274
Other operating expenses	8	-19	-29
<b>Operating profit (EBIT)</b>	3, 5, 6, 9, 10, 13	<b>451</b>	<b>378</b>
<i>Profit from financial items</i>			
Financial income	11	11	7
Financial expenses	12	-31	-27
<b>Profit before taxes</b>	13	<b>431</b>	<b>358</b>
Taxes	14	-89	-72
<b>Net profit for the year attributable to the Parent Company's shareholders</b>		<b>342</b>	<b>286</b>
Earnings per share after dilution, SEK	40	5.05	4.21
Earnings per share, SEK	40	5.05	4.21
Number of shares after repurchases ('000)		67,687	67,656
Weighted number of shares after repurchases during the period, adjusted after dilution ('000)		67,682	67,924
Weighted number of shares after repurchases during the period ('000)		67,682	67,868
Proposed dividend per share, SEK		2.50	2.00

## Other Consolidated Comprehensive Income

Amounts in MSEK	Note	2018/19	2017/18
Net profit for the year		342	286
<b>Other comprehensive income</b>			
<i>Items transferred or that may be transferred to net profit</i>			
Translation differences for the year	7	-9	
<i>Items that may not be transferred to profit/loss for the year</i>			
Actuarial effects on pensions	-10	-5	
Taxes attributable to actuarial effects	2	1	
<b>Comprehensive income for the year</b>		<b>341</b>	<b>273</b>

# Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2019	31 Mar 2018
<b>ASSETS</b>	3		
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>			
Goodwill	15	1,327	1,248
Trademarks	16	250	255
Other intangible assets	17	471	455
		<b>2,048</b>	<b>1,958</b>
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	18	87	85
Costs incurred in leasehold property	19	4	3
Plant and machinery	20	110	118
Equipment, tools, fixtures and fittings	21	65	45
		<b>266</b>	<b>251</b>
<i>Financial assets</i>			
Other non-current receivables	24, 33	3	3
		<b>3</b>	<b>3</b>
<i>Deferred tax assets</i>			
Deferred tax assets	31	11	8
		<b>11</b>	<b>8</b>
<b>Total non-current assets</b>		<b>2,328</b>	<b>2,220</b>
<b>Current assets</b>			
<i>Inventories etc.</i>	25		
Raw materials and consumables		189	162
Work in progress		27	32
Finished goods and goods for resale		312	298
		<b>528</b>	<b>492</b>
<i>Current receivables</i>	33		
Trade receivables	26	640	614
Contract assets	27	48	33
Tax receivables		68	50
Other receivables		62	51
Prepaid expenses and accrued income	28	41	38
		<b>859</b>	<b>786</b>
Cash and cash equivalents	33	139	134
<b>Total current assets</b>		<b>1,526</b>	<b>1,412</b>
<b>TOTAL ASSETS</b>		<b>3,854</b>	<b>3,632</b>

# Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2019	31 Mar 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Other paid-up capital		345	345
Reserves		-15	-22
Retained earnings incl. net profit for the year		1,129	931
<b>Total equity attributable to the Parent Company's shareholders</b>		<b>1,508</b>	<b>1,303</b>
<b>Non-current liabilities</b>	3, 33, 34		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	30	76	67
Liabilities to credit institutions	34	301	311
Other non-current interest-bearing liabilities		1	–
		<b>378</b>	<b>378</b>
<i>Non-interest-bearing liabilities, non-current</i>			
Deferred tax liability	31	203	206
Other provisions	32	9	7
		<b>212</b>	<b>213</b>
<b>Total non-current liabilities</b>		<b>590</b>	<b>591</b>
<b>Current liabilities</b>	3, 33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	155	338
Liabilities to credit institutions	34	611	520
		<b>766</b>	<b>858</b>
<i>Non-interest-bearing liabilities, current</i>			
Advanced payments from customers		5	3
Trade payables		332	305
Tax liabilities		47	41
Contract liabilities	27	32	15
Other liabilities		349	325
Accrued expenses and deferred income	35	222	191
Provisions	32	3	–
		<b>990</b>	<b>880</b>
<b>Total current liabilities</b>		<b>1,756</b>	<b>1,738</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,854</b>	<b>3,632</b>

# Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings incl. net profit for the year	Total equity
31 Mar 2019					
Opening balance	49	345	-22	931	1,303
<b>COMPREHENSIVE INCOME</b>					
Net profit for the year				342	342
Actuarial effects on pensions				-10	-10
Taxes attributable to actuarial effects				2	2
Translation effect for the year			7	-	7
<b>Comprehensive income for the year</b>			<b>-15</b>	<b>334</b>	<b>341</b>
<b>Transactions with owners</b>					
Dividend				-135	-135
Repurchase of own shares				-	-
Sale of own shares*				2	2
Repurchased options				-7	-7
Issued options				4	4
<b>Closing balance</b>	<b>49</b>	<b>345</b>	<b>-15</b>	<b>1,129</b>	<b>1,508</b>

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

Note 29 contains further information regarding equity.

\*Refers to redemption of options.

# Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2018/19	2017/18
<b>Operating activities</b>			
Profit after financial items	36	431	358
Adjustment for items not included in cash flow etc.	37	143	68
		<b>574</b>	<b>426</b>
Taxes paid		-132	-103
<b>Cash flow from operating activities before changes in working capital</b>	<b>442</b>	<b>323</b>	
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in inventories		-25	-32
Increase (-) / Decrease (+) in operating receivables		-36	-57
Increase (+) / Decrease (-) in operating liabilities		81	48
<b>Cash flow from operating activities</b>	<b>462</b>	<b>282</b>	
<b>Investing activities</b>			
Investment in businesses	38	-142	-519
Investments in non-current intangible assets		-14	-11
Purchase of property, plant and equipment		-66	-49
Divestment of property, plant and equipment		7	14
<b>Cash flow from investing activities</b>	<b>-215</b>	<b>-565</b>	
<b>Financing activities</b>			
Repurchase of own shares		-	-32
Sale of own shares*		2	4
Repurchased options		-7	-7
Issued options		4	4
Dividend paid		-137	-136
Borrowings		-	401
Amortisation of loans		-10	-111
Change in committed credit facilities, liabilities to credit institutions	34	-94	172
<b>Cash flow from financing activities</b>	<b>-242</b>	<b>295</b>	
<b>Cash flow for the year</b>	<b>5</b>	<b>12</b>	
Cash and cash equivalents at the beginning of the year		134	122
Exchange difference in cash and cash equivalents		0	0
<b>Cash and cash equivalents at the end of the year</b>	<b>139</b>	<b>134</b>	

\* Within option programme.

## CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2018/19	2017/18
Net loan liabilities (+) / receivables (-) at the start of the year		1,102	628
Change in interest-bearing liabilities		-102	482
Interest-bearing liabilities in acquired operations		-	-
Changes in interest-bearing pension provisions		9	5
Cash and cash equivalents in acquired operations		-	-39
Change in cash and cash equivalents, other		-5	26
<b>Net loan liabilities (+) / receivables (-) at end of year</b>		<b>1,004</b>	<b>1,102</b>

## Parent Company Income Statement

Amounts in MSEK	Note	2018/19	2017/18
Net revenue	3, 4	36	35
<b>Gross profit</b>		<b>36</b>	<b>35</b>
Administrative expenses		-72	-63
Other operating income and operating expenses		0	-3
<b>Operating profit</b>	3, 6, 9, 10, 13	<b>-36</b>	<b>-31</b>
<i>Profit from financial items</i>			
Profit from participations in Group companies	11	376	368
Interest income and similar profit/loss items	11	8	6
Interest expenses and similar profit/loss items	12	-16	-16
<b>Profit after financial items</b>	13	<b>332</b>	<b>327</b>
<i>Appropriations</i>			
Change in untaxed reserves		—	—
<b>Profit before taxes</b>		<b>332</b>	<b>327</b>
Taxes	14	1	2
<b>Net profit for the year</b>		<b>333</b>	<b>329</b>

## Other Comprehensive Income, Parent Company

Amounts in MSEK	Note	2018/19	2017/18
Net profit for the year		333	329
Other comprehensive income		—	—
<b>Comprehensive income for the year</b>		<b>333</b>	<b>329</b>

# Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2019	31 Mar 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, tools, fixtures and fittings	21	1	1
		<b>1</b>	<b>1</b>
<i>Financial assets</i>			
Participations in Group companies	22	2,461	2,312
Receivables from Group companies	23	110	105
Deferred tax assets	31	2	1
		<b>2,573</b>	<b>2,418</b>
<b>Total non-current assets</b>		<b>2,574</b>	<b>2,419</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies	33	528	485
Tax receivables		10	7
Other receivables		10	19
Prepaid expenses and accrued income	28	5	3
		<b>553</b>	<b>514</b>
Cash and bank balances	33	—	—
<b>Total current assets</b>		<b>553</b>	<b>514</b>
<b>TOTAL ASSETS</b>		<b>3,127</b>	<b>2,933</b>

# Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2019	31 Mar 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	29		
Share capital		49	49
Statutory reserve		13	13
<b>Restricted equity</b>		<b>62</b>	<b>62</b>
Retained earnings incl. net profit for the year		1,169	975
Net profit for the year		333	329
<b>Non-restricted equity</b>		<b>1,502</b>	<b>1,304</b>
<b>Total equity</b>		<b>1,564</b>	<b>1,366</b>
<b>Provisions</b>			
Provisions for pensions	30	20	20
<b>Non-current liabilities</b>	33, 34		
<i>Non-current interest-bearing liabilities</i>			
Liabilities to credit institutions	34	300	300
Liabilities to Group companies		–	–
<b>Total non-current liabilities</b>		<b>320</b>	<b>320</b>
<b>Current liabilities</b>	33, 34		
<i>Current interest-bearing liabilities</i>			
Committed credit facility	34	153	338
Liabilities to credit institutions	34	600	512
		<b>753</b>	<b>850</b>
<i>Non-interest-bearing liabilities, current</i>			
Trade payables		2	1
Liabilities to Group companies		287	225
Tax liabilities		–	–
Other liabilities		181	157
Accrued expenses and deferred income	35	20	14
		<b>490</b>	<b>397</b>
<b>Total current liabilities</b>		<b>1,243</b>	<b>1,247</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,127</b>	<b>2,933</b>

## Statement of Changes in Parent Company's Equity

Amounts in MSEK	Share capital	Statutory reserve	Retained earnings incl. net profit for the year	Total equity
<b>31 Mar 2019</b>				
Opening balance	49	13	1,304	1,366
<b>COMPREHENSIVE INCOME</b>				
Net profit for the year			333	333
Other comprehensive income			–	–
<b>Comprehensive income for the year</b>			<b>333</b>	<b>333</b>
<b>Transactions with owners</b>				
Dividend			-135	-135
Repurchase of own shares			–	–
Sale of own shares*			2	2
Repurchased options			-7	-7
Issued options			4	4
Other			1	1
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>1,502</b>	<b>1,564</b>

Amounts in MSEK	Share capital	Statutory reserve	Retained earnings incl. net profit for the year	Total equity
<b>31 Mar 2018</b>				
Opening balance	49	13	1,138	1,200
<b>COMPREHENSIVE INCOME</b>				
Net profit for the year			329	329
Other comprehensive income			–	–
<b>Comprehensive income for the year</b>			<b>329</b>	<b>329</b>
<b>Transactions with owners</b>				
Dividend			-136	-136
Repurchase of own shares			-32	-32
Sale of own shares*			4	4
Repurchased options			-7	-7
Issued options			4	4
Other			4	4
<b>Closing balance</b>	<b>49</b>	<b>13</b>	<b>1,304</b>	<b>1,366</b>

Note 29 contains further information regarding equity.

\*Refers to redemption of options.

## Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2018/19	2017/18
<b>Operating activities</b>			
Profit after financial items	36	332	327
Adjustment for items not included in cash flow etc.	37	-37	-28
		<b>295</b>	<b>299</b>
Taxes paid		-2	-1
<b>Cash flow from operating activities before changes in working capital</b>		<b>293</b>	<b>298</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in operating receivables	2		-111
Increase (+) / Decrease (-) in operating liabilities	131		4
		<b>426</b>	<b>191</b>
<b>Investing activities</b>			
Investment in businesses		-187	-411
Purchase of property, plant and equipment		-	-
Disposal of/decrease in financial assets		-6	-95
		<b>-193</b>	<b>-506</b>
<b>Financing activities</b>			
Repurchase of own shares		-	-32
Sale of own shares		2	4
Repurchased options		-7	-7
Issued options		4	4
Redemption of options		-	-
Dividend paid		-135	-136
Borrowings		-	400
Amortisation of loans		-	-100
Change in committed credit facilities, liabilities to credit institutions	34	-97	182
		<b>-233</b>	<b>315</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents at the beginning of the year		-	-
Exchange difference in cash and cash equivalents		-	-
		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>			

# Notes

## Note 1 Accounting policies

### (a) Compliance with standards and laws

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

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

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

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

Non-current assets and available-for-sale disposal groups are recognised at the lower of the previous carrying amount and fair value, after deduction of selling expenses.

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

The financial reports include the financial statements with notes. The consolidated financial statements and the Parent Company's annual accounts were approved for publication by the Board of Directors on 26 June 2019. The consolidated income statement and statement of financial position and the Parent Company's income statements and balance sheets are subject to approval by the Annual General Meeting on 27 August 2019.

Preparing the financial statements in accordance with IFRS requires that the company management makes assessments and estimates as well as assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and on a number of other factors that, under prevailing circumstances, are considered reasonable. The result of these estimates and assumptions is subsequently used to estimate the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may diverge from these estimates and judgements. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period when the change is made, where the change affects that period only, or in the period when the change is made, and in future periods if the change affects both the period in question and future periods.

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

Events after the end of the reporting period include favourable as well as unfavourable events that occur between the end of the reporting period and the date at the start of the next financial year when the financial statements are signed by the members of the Board of Directors. Information is provided in the annual report about significant events after the end of the reporting period that was accounted for when the consolidated income statement and the statement of financial position were adopted. Only such events that confirm circumstances that prevailed at the end of the reporting period are taken into account at the time of adopting the financial statements.

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

### Amended accounting principles

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

### New and revised IFRS that apply during the financial year 2018/19

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which is applied from 1 April 2018, deals with the recognition of financial assets and liabilities and replaces IAS 39 Financial Instruments. The standard contains amended rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting.

#### Classification of financial assets and financial liabilities

The classification of financial assets under IFRS 9 is generally based on the company's business model for the management of the financial assets and the characteristic

features of the contractual flows from the financial asset.

The introduction of IFRS 9 has meant that the previous measurement categories held-to-maturity investments, loans and receivables, and financial assets available for sale that existed in IAS 39 have been replaced by the new categories financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. The amended model for classification of financial assets has not had any effect on amounts used in the valuation of the Group's financial assets.

#### Impairment of financial assets and contract assets

IFRS 9 has replaced the incurred loss model with a model based on expected future credit losses – the expected credit loss model. The new impairment model applies to financial assets measured at amortised cost or at fair value through other comprehensive income, with the exception of investments in equity instruments (shares and participations), and to contract assets under IFRS 15.

Historically, credit losses in the Group have been insignificant. The introduction of IFRS 9 has not had any material impact on the Group, and therefore no adjustment of the recognised provision for credit losses was made in connection with the transition to IFRS 9.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is a new revenue recognition standard. The Lagercrantz Group started to apply IFRS 15 Revenue from Contracts with Customers as from 1 April 2018. The aim of the new revenue recognition standard is to have a single principle-based standard for all sectors that will replace existing standards and statements concerning revenue. The Group applies IFRS 15 retrospectively according to the cumulative effect method. Thus the information that was reported in 2017 has not been restated, i.e. it is reported like before according to IAS 18, IAS 11 and related interpretations. The disclosure requirements in IFRS 15 have also not been applied to comparative information. An analysis of the effects of IFRS 15 for the Group has been performed and the new IFRS 15 standard will impact the Group during the 2018/19 financial year. The estimated effect on net profit for the full year is expected to be about MSEK 5 in lower profit, compared with if the same revenue recognition approach had been used as for the 2017/18 financial year. The net effect arises due to allocation of service contracts for particular periods.

The Group's revenue consists mainly of sales of goods that are recognised as revenue at a certain point in time when the control of the goods is transferred to the customer. Certain agreements include services, e.g. installation of a product. In a few cases, revenue also comes from service/maintenance agreements. This revenue is recognised on a straight-line basis over the contractual period.

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

#### IFRS 16 Leases

IFRS 16 Leases is a new standard for recognition of leases. IFRS 16 Leases replaces existing IFRSs related to recognition of leases, such as IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group will apply IFRS 16 Leases starting from 1 April 2019. IFRS 16 introduces a uniform lease accounting model for lessees. A lessee recognises a right-of-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to pay leasing fees. There are exceptions for short-term leases and leases of low-value assets. The reporting for lessors is similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

#### Leases where the Group is the lessee

The Group will report new assets and liabilities for operating leases, primarily rent for premises, vehicles and production equipment. The costs for these leases will change, as the Group will report depreciation for right-of-use assets and interest expenses for lease liabilities.

Previously, the Group reported operating lease costs on a straight-line basis over the lease term and recognised assets (prepaid leasing fees) and liabilities (accrued leasing fees) only to the extent that there was a difference between actual leasing fees and the recognised expense. In addition, the Group will no longer report provisions for operating leases that are deemed to be loss contracts. Instead, the Group will include payments under the lease agreement in the lease liability.

No material effect is expected on the Group's finance leases.

The Group expects that the operating profit for 2019/2020 will increase compared to if previous accounting principles had been used, due to the fact that a part of the leasing costs will be recognised as an interest expense. The effect on profit after taxes is expected to be insignificant. Cash flow from operating activities is expected to increase, and decrease from financing activities due to the fact that the leasing fees amortisation portion will be recognised as a payment in financing activities.

The Group does not expect the introduction of IFRS 16 to affect its ability to meet the revised maximum debt/equity ratio in the Group's covenants.

#### Transition and relief rules

The Group plans to apply the modified retrospective method. This means that the accumulated effect of the introduction of IFRS 16 will be recognised in the balance sheet in the opening balance as of 1 January 2019, without restating comparative figures. At the transition, the lease liabilities are measured at the present value of the remaining leasing fees, discounted by the Group's marginal borrowing rate on the first date of application (1 April 2019). The right-of-use asset was measured at an amount corresponding to the lease liability, adjusted for any prepaid or accrued leasing fees.

Based on the information available, the Group estimates that right-of-use assets and

liabilities will increase by about MSEK 131, of which current liabilities amount to about MSEK 71 and non-current liabilities amount to about MSEK 60.

The Group plans to apply the relief rule to "inherit" the earlier definition of leases during the transition. This means that it will apply IFRS 16 to all contracts concluded before 1 January 2019 and which were identified as leases in accordance with IAS 17 and IFRIC 4 Leases of low value (assets of a value in new condition less than approx. SEK 50,000) – which mainly consist of computers, printers/copiers and coffee machines – will not be included in the lease liability but will continue to be recognised as an expense on a straight-line basis over the lease term. The existence of leases with a lease term of a maximum of 12 months, known as short-term leases, is not deemed to be significant in the Group. A marginal loan interest has been determined by country and asset class.

Refer to Note 10 Leasing fees relating to operating leases and rental charges.

#### **(c) Operating segment reporting**

An operating segment is a part of the Group that conducts business from which it can generate income and incur costs and for which independent financial information is available. Operating segments are reported in a manner consistent with the Group's internal reporting, which is followed up by the chief operating decision-maker. The Group's chief operating decision-maker is the function responsible for allocating resources and evaluating the operating segments' results. Refer to Note 3 for additional description of the breakdown and presentation of operating segments.

#### **(d) Classification, etc.**

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

#### **(e) Basis of consolidation**

##### *(i) Subsidiaries*

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

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

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

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

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

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

##### *(ii) Transactions eliminated on consolidation*

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

#### **(f) Foreign currency**

##### *(i) Transactions in foreign currency*

Transactions in foreign currency are translated to the functional currency using the rate of exchange that prevailed on the transaction date. Monetary assets and liabilities in a foreign currency are converted to the functional currency at the rate of exchange that prevailed at the end of the reporting period. Translation differences arising on such translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historical cost are translated at the exchange rate on the transaction date.

Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the rate of exchange that prevailed at the time of fair value measurement.

##### *(ii) Financial statements of foreign operations*

Assets and liabilities in foreign operations, including goodwill and other surpluses and deficits in the Group are translated to Swedish kronor at the rate of exchange that prevailed at the end of the reporting period. Revenue and costs in a foreign operation are converted to Swedish kronor at an average rate. Translation differences that arise in connection with conversion of a foreign net investment, and the related effects of hedging of net investments, are recognised 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 hedging and reclassified from the translation reserve in equity to profit or loss.

#### **(g) Revenue**

##### *(i) Sale of goods*

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

##### *Revenue from the sale of property*

Income from property sales is normally recognised on the date of taking possession unless the risks and rewards have been transferred to the buyer on an earlier date.

##### *(ii) Service assignments*

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

##### *(iii) Rental income*

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

##### *(iv) Government grants*

Government grants are recognised in the statement of financial position as prepaid income when there is reasonable assurance that the grant will be received and that the Group will be able to fulfil the conditions associated with the grant. Grants are systematically allocated to the correct periods in profit or loss in the same way and in the same periods as the costs that the grants are intended to compensate for. Government grants related to assets are recognised as a reduction in the carrying amount of the asset.

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

##### *(i) Payments relating to operating leases*

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

##### *(ii) Payments relating to finance leases*

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

##### *(iii) Financial income and expense*

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

Interest expenses on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective rate is the rate that means that the present value of all estimated future incoming and outgoing payments during the expected fixed interest term equals the carrying amount of the receivable or the liability. Interest income includes allocated amounts of transaction costs and any rebates, discounts, premiums and other differences between the original value of the receivable and the amount received at maturity.

Interest expense includes allocated amounts of issue expenses and similar direct transaction costs in connection with raising loans.

Borrowing costs are recognised in the income statement using the effective rate method, except to the extent they are directly attributable to the acquisition.

construction or production of assets that take a substantial period of time to get ready for their intended use or sale, in which case they are included in the cost of the assets.

Dividend income is recognised when the right to receive payment has been determined. Exchange gains and exchange losses are recognised net.

#### **(i) Financial instruments**

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

##### *Recognition and derecognition in the statement of financial position*

A financial asset or a financial liability is carried in the statement of financial position when the company becomes party to the contractual terms of the instrument. A receivable is recognised when the company has performed and a contractual obligation exists for the counterparty to pay, even if no invoice has yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received. Trade payables are recognised when an invoice has been received. A financial asset is derecognised when the rights in the contract are realised, fall due or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognised when the contractual liability is discharged or otherwise expires. The same applies to a portion of a financial liability. Acquisition and disposal of financial assets are recognised on the transaction date.

##### *Measurement*

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

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

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

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

##### *Loans and receivables*

Loans and receivables are financial assets that are not derivatives, which have fixed or determinable payments and which are not quoted on an active market. They are included in current assets, with the exception of items that mature after more than 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category are measured at amortised cost. Amortised cost is determined on the basis of the effective interest rate that was calculated on the date of acquisition.

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

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

This category consists of financial liabilities held for trading and other financial assets that the company initially elected to place in this category (under the so-called Fair Value Option) and contingent consideration. Liabilities in this category are measured on an ongoing basis at fair value with the change in value in the income statement.

##### *Other financial liabilities*

Financial liabilities not held for trading are measured at amortised cost. The Group's borrowings, financial lease liabilities, trade payables and advance payments from customers belong to this category.

##### *Derivatives used for hedge accounting*

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

##### *Cash and cash equivalents*

Cash and cash equivalents consist of cash and immediately available balances with banks and equivalent institutions, and short-term liquid investments with a term to maturity of less than three months, which are exposed to a minimal risk for fluctuations in value.

##### *Financial investments*

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

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

The Group's derivative instruments are acquired to hedge the currency exposures to which the Group is exposed. An embedded derivative is recognised separately unless it is closely related to the host contract. Derivatives are initially measured at fair value, with the effect that transaction costs are charged to the period's results. After initial recognition, derivative instruments are measured at fair value and changes in value are recognised as described below.

In order to meet the requirements for hedge accounting in accordance with IAS 39, there must be an unambiguous link to the hedged item. It is 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 recognised in the income statement at the same time as gains and losses are recognised for the hedged items.

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

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

##### *Receivables and liabilities in foreign currency*

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

##### *Net investments*

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

#### **(k) Property, plant and equipment**

##### *(i) Owned assets*

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

Property, plant and equipment are recognised in the Group at cost less accumulated depreciation and any impairment losses. The purchase price is included in the cost as well as expenses directly attributable to the asset in order to bring it to the location and in the condition to be used in accordance with the aim of the acquisition. Examples of directly attributable costs included in the cost of acquisition are costs for delivery and handling, installation, registration of title, consulting services and legal services. Borrowing costs directly attributable to the purchase, design or production of assets that take a significant time to complete for their intended use or for sale are included in the cost of acquisition.

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

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

##### *(ii) Leased assets*

IAS 17 applies to leased assets. Leases are classified in the consolidated financial statements either as finance or operating leases. A finance lease exists when the economic risks and rewards associated with ownership have been essentially transferred to the lessee. Where that is not the case, the lease is an operating lease. Assets rented under finance leases are recognised as assets in the consolidated statement of financial position. The obligation to pay future leasing fees is recognised as non-current and current liabilities. The leased assets are depreciated according to plan, whereas lease payments are recognised as interest and repayment of the liabilities.

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

##### *(iii) Additional expenditure*

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

##### *(iv) Depreciation methods*

Assets are depreciated on a straight-line basis over their estimated useful life. Land is

not depreciated. The Group applies component depreciation, which means that the components' estimated useful life forms the basis for depreciation.

Estimated useful lives:

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

Commercial premises consist of a number of components with varying useful lives. The main classification is buildings and land. The land component is not depreciated since its useful life is considered to be unlimited. Buildings, however, consist of a number of components where the useful lives vary.

The useful lives have been deemed to vary between 15 and 50 years for these components. Assessment of the residual value and useful life of an asset is made on an annual basis.

## (l) Intangible assets

### (i) Goodwill

Goodwill represents the difference between the cost of a business combination and the fair value of the assets acquired and liabilities and contingent liabilities assumed. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is distributed to cash-generating units and tests are performed on an annual basis or as soon as there are indications the asset in question has suffered an impairment loss (Refer to Accounting policies n).

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

### (ii) Research and development

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

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

### (iii) Other intangible assets

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

### (iv) Amortisation

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

The estimated useful lives are:

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

## (m) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and for bringing about a sale. The cost of inventories is calculated by applying the first-in first out method (FIFO), or weighted average acquisition cost and includes expenditure arising on the acquisition of the inventory items and transporting them to their current location and condition. For manufactured goods and work in progress, the cost of acquisition includes a reasonable portion of indirect costs based on normal capacity utilisation.

## (n) Impairment of assets

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

are still not ready for use, the recoverable amount is calculated annually.

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

Impairment losses on assets attributable to a cash-generating unit are in the first instance allocated to goodwill. A proportional impairment loss on other assets that are part of the unit is subsequently recognised. The recoverable amount is the higher of fair value less selling expenses and the value in use. Future cash flows are discounted using a discount factor that reflects risk-free interest and the risk associated with the specific asset for the purpose of calculating the value in use.

### (i) Impairment of financial assets

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

### (ii) Reversal of impairment losses

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

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

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

## (o) Equity

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

### (i) Repurchase of own shares

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

### (ii) Dividends

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

### (iii) Earnings per share

The calculation of earnings per share is based on the Group's net profit for the year attributable to the Parent Company's shareholders and on the weighted average number of shares in issue during the year. When calculating earnings per share after dilution, the average number of shares is adjusted to take account of the effects of dilutive potential ordinary shares, which during reported periods were attributable to options issued to employees. Dilution from options affects the number of shares and occurs only when the redemption price is lower than the market price.

## (p) Employee benefits

### (i) Defined contribution plans

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

### (ii) Defined benefit plans

The Group's net obligations relating to defined benefit plans are calculated separately for each plan and company through an estimate of the future remuneration that the employee has earned as a result of his/her employment. A provision for special payroll tax is included in IAS 19. The measurement is based on the difference between the pension obligation determined in the legal entity and the Group. Interest on pension provisions is recognised in net financial items.

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

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

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

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

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

**(iv) Employee share option plan**

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

**(q) Provisions**

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

**(i) Warranties**

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

**(ii) Restructuring**

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

**(iii) Onerous contracts**

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

**(r) Taxes**

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

Current tax is tax that shall be paid or refunded in respect of the current year, using the tax rates which are enacted or which in practice are enacted at the end of the reporting period. This includes adjustments of current tax relating to previous periods.

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

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

**(s) Contingent liabilities**

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

**(t) Cash flow statement**

Payments have been divided into categories: operating activities, investing activities and financing activities. The indirect method is used for flows from operating activities. The year's changes of operating assets and operating liabilities have been adjusted for effects of exchange rate differences. Acquisitions and disposals are recognised in investing activities.

The year's changes of operating assets and operating liabilities have been adjusted for the effects of exchange rate fluctuations. Acquisitions and disposals are recognised in investing activities. The assets and liabilities that the acquired and divested companies had at the time of the change are not included in the statement of changes in working capital, nor are changes in balance sheet items recognised in investing and financing activities. Apart from cash and bank flows, cash and cash equivalents also include investments in securities, which may be converted to bank funds at an amount that is essentially known in advance. Cash and cash equivalents include investments in securities with a term of less than three months.

**(u) Parent Company accounting policies**

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

The Parent Company has opted not to apply IFRS 9 for financial instruments. However, some of the principles in IFRS 9 are still applicable – such as for impairment losses, recognition/derecognition, criteria for applying hedge accounting and the effective interest method for interest income and interest expenses. In the Parent Company, financial assets are measured at cost less any impairment losses and financial current assets according to the lower of cost or net realisable value. For financial assets recognised at amortised cost, the impairment rules in IFRS 9 are applied.

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

**Classification and presentation**

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

**Subsidiaries**

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

**Revenue*****Anticipated dividends***

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

**Property, plant and equipment*****Owned assets***

Items of property, plant and equipment in the Parent Company are recognised at cost less accumulated depreciation and any impairment losses in the same way as in the Group but with the addition of any write-ups.

***Borrowing costs***

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

***Leased assets***

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

***Taxes***

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

**(v) Group contributions and shareholders' contributions for legal entities**

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

**(x) Financial guarantees**

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

## Note 2 Critical estimates and judgments

The Board of Directors and Management have discussed the development, 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 made in conjunction with application of the Group's accounting policies are described below.

### Impairment testing of goodwill

Each year, the Group tests if any impairment of goodwill has occurred. The recoverable amount of the cash-generating units is determined through a calculation of the value in use. This calculation is based on the business plan of the company 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) determined by the Group. For more information, refer to Note 15.

### Deferred taxes

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

### Exposure to foreign currencies

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

### Pension assumptions

Pension assumptions are an important element of the actuarial methods used to measure pension obligations and they can have an effect on the recognised pension liability and the annual pension expense. One of the most critical assumptions is the discount rate, which is important for measuring the year's pension expense as well as the present value of the defined benefit pension obligations. The assumed discount rate is reviewed at least once per year for each plan in each country. Other assumptions may relate to

demographic factors, such as retirement age, mortality and employee turnover and are not reviewed as often. The actual outcome often differs from the actuarial assumptions for economic and other reasons. The discount rate makes it possible to measure future cash flows at present value at the time of measurement. This interest rate should correspond to the return on investment grade corporate bonds, or government bonds (including housing bonds) or, if no functioning market for such bonds exists, government bonds. A reduced discount rate increases the present value of the pension liability and the annual cost.

## Note 3 Segment reporting

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

### Operating segments

The Group consists of the following operating segments:

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

### Sales and profit by operating segment

	Electronics 2018/19	Electronics 2017/18	Mechtronics 2018/19	Mechtronics 2017/18	Communications 2018/19	Communications 2017/18	Niche Products 2018/19	Niche Products 2017/18
<b>Revenue</b>								
External sales	998	890	1,122	1,033	918	786	894	701
Internal sales	4	4	12	11	–	–	5	6
<b>Total revenue</b>	<b>1,002</b>	<b>894</b>	<b>1,134</b>	<b>1,044</b>	<b>918</b>	<b>786</b>	<b>899</b>	<b>707</b>
<b>Operating profit (EBITA)</b>								
Amortisation of intangible assets that arose during acquisitions	-8	-5	-16	-17	-20	-17	-24	-19
<b>EBIT (profit before financial items)</b>	<b>93</b>	<b>70</b>	<b>156</b>	<b>130</b>	<b>117</b>	<b>86</b>	<b>125</b>	<b>108</b>
<b>Parent company and eliminations</b>							<b>Total</b>	
							<b>2018/19</b>	<b>2017/18</b>
<b>Revenue</b>								
External sales					–	–	3,932	3,410
Internal sales					-21	-21	–	–
<b>Total revenue</b>					<b>-21</b>	<b>-21</b>	<b>3,932</b>	<b>3,410</b>
<b>Earnings</b>								
<b>EBIT (profit before financial items)</b>					<b>-40</b>	<b>-16</b>	<b>451</b>	<b>378</b>
Financial income							11	7
Financial expenses							-31	-27
<b>Profit before tax</b>								
Taxes							-89	-72
<b>Net profit</b>							<b>342</b>	<b>286</b>

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

### Other information by operating segment

	Electronics 2018/19	Electronics 2017/18	Mechtronics 2018/19	Mechtronics 2017/18	Communications 2018/19	Communications 2017/18	Niche Products 2018/19	Niche Products 2017/18
<b>Assets</b>								
Assets	877	679	1,027	897	854	847	1,059	1,180
Undistributed assets	–	–	–	–	–	–	–	–
<b>Total assets</b>	<b>877</b>	<b>679</b>	<b>1,027</b>	<b>897</b>	<b>854</b>	<b>847</b>	<b>1,059</b>	<b>1,180</b>
<b>Liabilities</b>								
Liabilities	248	132	242	174	270	201	191	135
Undistributed liabilities	–	–	–	–	–	–	–	–
<b>Total liabilities</b>	<b>248</b>	<b>132</b>	<b>242</b>	<b>174</b>	<b>270</b>	<b>201</b>	<b>191</b>	<b>135</b>
Investments	11	10	24	15	11	11	33	24
Depreciation and amortisation	20	16	32	28	32	29	40	35
<b>Parent Company</b>							<b>Total</b>	
							<b>2018/19</b>	<b>2017/18</b>
<b>Assets</b>								
Assets					18	25	3,835	3,628
Undistributed assets					–	–	19	4
<b>Total assets</b>					<b>18</b>	<b>25</b>	<b>3,854</b>	<b>3,632</b>
<b>Liabilities</b>								
Liabilities					1,134	984	2,085	1,626
Undistributed liabilities					–	–	261	703
<b>Total liabilities</b>					<b>1,134</b>	<b>984</b>	<b>2,346</b>	<b>2,329</b>
Investments					1	0	80	60
Depreciation and amortisation					0	0	124	108

Note 3 *continued***External sales by geographical market***The basis for sales by geographical market is the country where invoicing occurs.*

	2018/19	2017/18
Sweden	1,441	1,259
Denmark	578	520
Norway	425	358
Finland	229	208
UK	77	87
Germany	303	206
Poland	111	114
Rest of Europe	315	260
Rest of the world	453	399
	<b>3,932</b>	<b>3,410</b>

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

	Capital expenditures		Non-current assets	
	2018/19	2017/18	31 Mar 2019	31 Mar 2018
Sweden	56	37	1,535	1,557
Denmark	15	15	354	372
Norway	1	1	130	133
Finland	4	2	97	96
Germany	1	2	184	33
Poland	3	2	21	19
Rest of Europe	–	–	7	9
Rest of the world	–	1	–	1
Undistributed assets	–	–	–	–
	<b>80</b>	<b>60</b>	<b>2,328</b>	<b>2,220</b>

**Parent Company**

	2018/19	2017/18
<b>Internal net revenue by operating segment</b>		
Electronics	11	7
Mechtronics	12	10
Communications	10	10
Niche Products	10	8
	<b>43</b>	<b>35</b>
<b>Internal net revenue by geographical market</b>		
Sweden	26	24
Denmark	9	4
Norway	3	3
Finland	3	2
Germany	1	1
Other countries	1	1
	<b>43</b>	<b>35</b>

**Note 4 Distribution of net revenue**

	2018/19	2017/18
<b>Net revenue by product category</b>		
Group		
Trading	1,120	1,004
Niche production	347	347
Proprietary products	2,164	1,835
System integration	150	146
Service and other	151	78
	<b>3,932</b>	<b>3,410</b>

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

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

	2018/19	2017/18
<b>Group</b>		
Cost of goods sold	2,006	1,585
Compensation-related personnel costs	1,101	923
Depreciation and amortisation	124	108
Other operating expenses	288	487
<b>Total operating expenses</b>	<b>3,519</b>	<b>3,103</b>

**Note 6 Employees, personnel costs and fees to the Board of Directors and auditors****Average number of employees**

	2018/19	of whom men	2017/18	of whom men
<b>Parent Company</b>				
Sweden	13	62%	13	62%
<b>Other Group companies</b>				
Sweden	815	78%	815	78%
Denmark	302	63%	270	64%
Norway	58	79%	56	82%
Finland	106	46%	99	48%
Germany	48	67%	26	73%
Poland	72	86%	67	88%
Other countries	35	83%	32	88%
<b>Total in Group companies</b>	<b>1,436</b>	<b>72%</b>	<b>1,365</b>	<b>73%</b>
<b>Group total</b>	<b>1,449</b>	<b>72%</b>	<b>1,378</b>	<b>73%</b>

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

	2018/19		2017/18	
	Salaries and re-muneration	Social security expenses	Salaries and re-muneration	Social security expenses
Parent Company	32	18	28	16
(of which pension expense)		(8) <sup>1)</sup>		(8) <sup>1)</sup>
Other Group companies	689	313	626	253
(of which pension expense)		(64)		(59)
<b>Group total</b>	<b>721</b>	<b>331</b>	<b>654</b>	<b>269</b>
(of which pension expense)		(72) <sup>2)</sup>		(67) <sup>2)</sup>

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

<sup>2)</sup> MSEK 12 (11) of the Group's pension expense refers to the group Board of Directors, President, executive vice presidents and subsidiary presidents. The Group's pension obligations to this group amount to MSEK 0 (0).

**Salaries and other remuneration distributed by country and among Board members etc. and other employees**

	2018/19		2017/18	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
<b>Sweden</b>				
Parent Company	13	19	13	15
(of which, bonus etc.)	(1)	(4)	(1)	(2)
Other Group companies in Sweden	37	331	32	294
(of which, bonus etc.)	(4)	(8)	(1)	(5)
<b>Sweden total</b>	<b>50</b>	<b>350</b>	<b>45</b>	<b>309</b>
	(5)	(12)	(2)	(7)
<b>Outside Sweden</b>				
Denmark	22	159	15	143
(of which, bonus etc.)	(1)	(1)	(1)	(3)
Norway	6	38	4	37
(of which, bonus etc.)	(0)	(1)	(0)	(0)
Finland	4	38	4	34
(of which, bonus etc.)	(0)	(0)	(0)	(0)
Germany	1	20	1	17
(of which, bonus etc.)	(–)	(0)	(–)	(–)
Poland	2	13	2	11
(of which, bonus etc.)	(–)	(–)	(–)	(1)
Other countries	3	16	1	13
(of which, bonus etc.)	(0)	(2)	(–)	(1)
<b>Group companies outside Sweden total</b>	<b>38</b>	<b>283</b>	<b>28</b>	<b>255</b>
(of which, bonus etc.)	(1)	(4)	(1)	(5)
<b>Group total</b>	<b>88</b>	<b>633</b>	<b>73</b>	<b>564</b>
(of which, bonus etc.)	(6)	(16)	(3)	(12)

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

**Gender distribution in company managements**

	31 Mar 2019	31 Mar 2018
	Proportion of women	Proportion of women
<b>Parent Company</b>		
Board of Directors	25%	25%
Other senior executives	15%	15%
<b>Group total</b>		
Board of Directors	7%	7%
Other senior executives	4%	0%

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

Fees paid to the Chairman of the Board and to other Board members were set by the Annual General Meeting (AGM). Fees for work in the Remuneration Committee were paid of SEK 50,000. Board members received fees as remuneration.

In accordance with the resolution of the AGM regarding guidelines for remuneration of senior executives, remuneration to the President & CEO and other senior executives consists of basic salary, variable remuneration, other benefits, pension and financial instruments. The total remuneration shall be market-related and competitive, and should be commensurate with responsibility and authority. The variable annual portion of the compensation shall be maximised to approximately 40 percent of the fixed salary. The variable portion of the compensation should also be based on outcome relative to set goals and on individual performance. The retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one annual salary may be offered, in addition to salary during the period of notice. In addition to the incentive programme proposed to the AGM, no other share-based or share-price-related programmes will be offered.

**Remuneration and other benefits to senior executives 2018/2019**

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
<b>Chief Executive Officer</b>						
Jörgen Wigh	5,335	1,566	608	131	1,618	9,258
<b>Executive Vice President</b>						
Magnus Söderlind	3,084	907	434	109	907	5,441
<b>Other senior executives</b>						
11 persons	18,348	3,389	1,002	1,125	3,692	27,556
<b>Total</b>	<b>26,767</b>	<b>5,862</b>	<b>2,044</b>	<b>1,365</b>	<b>6,217</b>	<b>42,255</b>

**Remuneration and other benefits to senior executives 2017/2018**

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
<b>Chief Executive Officer</b>						
Jörgen Wigh	5,151	640	505	117	1,501	7,914
<b>Executive Vice President</b>						
Magnus Söderlind	2,962	369	338	85	874	4,628
<b>Other senior executives</b>						
11 persons	15,182	1,574	831	809	3,085	21,481
<b>Total</b>	<b>23,295</b>	<b>2,583</b>	<b>1,674</b>	<b>1,011</b>	<b>5,460</b>	<b>34,023</b>

In addition to the President & CEO, senior executives refers to the Management team consisting of: Executive vice presidents 1 person (1), other senior executives, including business area heads 11 (11) persons. During the year, two persons left the company and 2 persons joined. Remuneration to this group, a total of 13 (13) persons in 2018/19, was covered by the resolution at the 2018 AGM regarding principles of remuneration for senior executives. The Remuneration Committee has verified compliance with the AGM's resolution. Among other things, the Remuneration Committee has verified conformity with market conditions by making a comparison with the remuneration in other similar listed companies.

**Pensions**

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

**Termination benefits**

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

The period of notice for the other members of the Group Management is 6–12 months when termination is initiated by the company and up to 6 months when termination is initiated by the employee. In the case of termination initiated by the company, members of Group Management are entitled to termination benefits equivalent to up to one year's salary, in addition to salary during the period of notice. No termination benefits are payable in the event of termination at the member's own request. The termination benefits are usually set off against other income.

**Employee share option plan**

The 2018 AGM resolved on an incentive programme for managers and senior executives in the Lagercrantz Group. This programme consists of call options on Lagercrantz Group repurchased shares, where each call option gives the holder a right to acquire one repurchased share of Class B. Redemption can take place during three time periods: (i) during a two week period from when the company publishes its Interim Report for the period 1 April 2020 – 30 September 2020, (ii) during the period 17 May – 28 May 2021, and (iii) during the period 8 November – 19 November 2021. Similar call option programmes for managers and senior executives were approved by the 2016 and 2017 AGMs. In all programmes, the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the AGM in accordance with the quoted prices paid. The programmes cover senior ex-

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

As regards remuneration to the President and CEO and other senior executives, the Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board and one Board member, with the President and CEO as a reporting member.

The task of the Committee is to evaluate and propose principles of remuneration to the Board of Directors (refer to the Corporate Governance Report).

The Board of Directors submits proposals to the AGM for resolution. The proposal to the 2019 AGM is set out in the Report of the Board of Directors.

**Remuneration Board members**

SEK '000	2018/19	2017/18
Chairman of the Board	600	500
Vice Chairman of the Board	–	–
Other Board members (incl. fee Remuneration Committee)	1,550	1,500
<b>Total</b>	<b>2,150</b>	<b>2,000</b>

Note

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ecutives and managers with a direct possibility of affecting the Group's results. Board members have not been entitled to acquire call options, with the exception of the company's President & CEO. In order to be allocated call options, the employee must have concluded a special pre-emption agreement with the company. Pre-emption shall occur at the market value at the time of termination of employment, an offer from a third party for all shares in the company and in cases when the call options are to be transferred to a third party. In all other respects the call options are freely transferable. The premium for the call options shall be equivalent to the market value of the call options in accordance with external valuation applying the generally accepted valuation method (the Black & Scholes model).

The allocation resolved by the 2016 AGM comprised 52 persons and a total of 584,875 call options. Allocations varied between 500 – 60,000 options per person. The President & CEO acquired 60,000 and other members of the Management team acquired 210,000. The measurement period to determine the average share price, which was SEK 83.38, was 5 September – 16 September 2016. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 100.10. The market value of the call options was set at SEK 8.00 per option by an independent valuation institution.

The allocation resolved by the 2017 AGM comprised 59 persons and a total of 675,000 call options. Allocations varied between 1,000 – 66,500 options per person. The President & CEO acquired 66,500 and other members of Management team acquired 283,500. The measurement period to determine the average share price, which was SEK 79.42, was 4 September – 15 September 2017. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 95.90. The market value of the call options was set at SEK 6.90 per option by an independent valuation institution.

The allocation resolved by the 2018 AGM comprised 50 persons and a total of 500,000 call options. Allocations varied between 500 – 75,000 options per person. The President & CEO acquired 75,000 and other members of the Management team acquired 319,000. The measurement period to determine the average share price, which was SEK 87.80, was 1 October – 12 October 2018. The redemption price for the call options, which was resolved to be 120 percent of the average price, was set at SEK 105.20. The market value of the call options was set at SEK 7.10 per option by an independent valuation institution.

In addition to this, redemption of options relating to the 2015 and 2016 programmes meant an increase in equity of MSEK 2.4, in connection with the Parent Company's sale of repurchased own Class B shares to the option holders.

Note 6 *continued*

Option programme	31 Mar 2019	31 Mar 2018
2015/18	0	603,500
2016/19	534,875	584,875
2017/20	675,000	675,000
2018/21	500,000	–
<b>Total number of outstanding options</b>	<b>1,709,875</b>	<b>1,863,375</b>

## Audit fees and reimbursements

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
<b>KPMG</b>				
Audit assignments	4	3	0.5	0.5
Tax advisory assignments	0	0	–	–
Other assignments	1	1	0.1	0.2
<b>Other auditors</b>				
Audit assignments	1	1	–	–
Tax advisory assignments	–	–	–	–
Other assignments	–	–	–	–

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

## Note 7 Other operating income

	2018/19	2017/18
<b>Group</b>		
Disposal of subsidiary	–	–
Rental income	–	–
Other remuneration and contributions	1	1
Exchange gains on receivables/liabilities of an operating character	19	12
Reversal of contingent consideration previous acquisitions	10	50
Other	8	8
	<b>38</b>	<b>71</b>

## Note 8 Other operating expenses

	2018/19	2017/18
<b>Group</b>		
Exchange losses on receivables/liabilities of an operating character	-11	-12
Impairment losses and remeasurement of goodwill	–	–
Reversal of contingent consideration previous acquisitions	-6	-12
Other expenses	-2	-5
	<b>-19</b>	<b>-29</b>

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

	2018/19	2017/18
<b>Group</b>		
Depreciation and amortisation according to plan allocated by asset		
Intangible assets	-82	-70
Lands and buildings	-4	-3
Costs incurred in leasehold property	–	–
Plant and machinery	-24	-22
Equipment, tools, fixtures and fittings	-14	-13
	<b>-124</b>	<b>-108</b>
Depreciation and amortisation according to plan allocated by function		
Cost of goods sold	-25	-22
Selling expenses	-91	-79
Administrative expenses	-8	-7
	<b>-124</b>	<b>-108</b>
<b>Parent Company</b>		
Depreciation and amortisation according to plan allocated by asset		
Equipment, tools, fixtures and fittings	0	0
	<b>0</b>	<b>0</b>
Depreciation and amortisation according to plan allocated by function		
Administrative expenses	0	0
	<b>0</b>	<b>0</b>

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

	2018/19	2017/18
<b>Group</b>		
The current financial year's expensed operating leasing fees and rents	81	64
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	69	58
2 years after the current financial year	37	41
3 years after the current financial year	22	27
4 years after the current financial year	13	16
5 years after the current financial year	7	14
	<b>148</b>	<b>156</b>
<b>Parent Company</b>		
The current financial year's expensed operating leasing fees and rents	4	4
of which, variable fees	–	–
<i>Future payments due per year:</i>		
1 year after the current financial year	4	2
2 years after the current financial year	1	–
More than 3 years after the current financial year	–	–
	<b>5</b>	<b>2</b>

Leasing fees and rents mainly relate to rent for premises.

## Note 11 Financial income

	2018/19	2017/18
<b>Group</b>		
Interest income	1	1
Exchange gains	10	6
	<b>11</b>	<b>7</b>
<b>Parent Company</b>		
<i>Result from participations in Group companies</i>		
Interest income from Group companies	8	6
Group contributions received	39	32
Dividends	337	336
	<b>384</b>	<b>374</b>
<i>Other interest income and similar profit/loss items</i>		
Exchange gains	–	–
Other	–	–
	–	–
<b>Total financial income</b>	<b>384</b>	<b>374</b>

## Note 12 Financial expenses

	2018/19	2017/18
<b>Group</b>		
Interest expenses pensions	-2	-1
Other interest expenses	-17	-13
Effect of interest hedge	–	–
Exchange losses	-12	-13
Other	–	–
	<b>-31</b>	<b>-27</b>
<b>Parent Company</b>		
<i>Result from participations in Group companies</i>		
Interest expenses to Group companies	–	–
Exchange losses	–	–
Impairment losses	–	–
	–	–
<i>Other interest expenses and similar profit/loss items</i>		
Other interest expenses	-15	-11
Effect of interest hedge	–	–
Other	-1	-5
	<b>-16</b>	<b>-16</b>
<b>Total financial expenses in the Parent Company</b>	<b>-16</b>	<b>-16</b>

## Note 13 Exchange differences that affected profit

	2018/19	2017/18
<b>Group</b>		
Exchange differences affecting operating profit	7	–
Financial exchange differences	-2	-6
	<b>5</b>	<b>-6</b>
<b>Parent Company</b>		
Financial exchange differences	–	-4
	–	<b>-4</b>

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

	2018/19	2017/18
<b>Group</b>		
Current tax expense (-) / tax revenue (+)		
Tax for the period	-120	-88
Adjustment of tax pertaining to prior years	-	2
	<b>-120</b>	<b>-86</b>
Deferred tax expense (-) / tax revenue (+)		
Deferred tax related to temporary differences	31	14
Change in deferred tax related to change in capitalised tax value of loss carryforwards	-	-
	<b>31</b>	<b>14</b>
<b>Total recognised tax expense / tax revenue in the Group</b>	<b>-89</b>	<b>-72</b>

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

	2018/19	2017/18
<b>Reconciliation of effective tax</b>		
<b>Group</b>		
Profit before taxes	431	358
Tax according to tax rate for the Parent Company, 22%	-87	-79
Effect of other tax rates in Group companies outside Sweden	-3	-1
Effect of changed tax rates	8	-
Non-deductible expenses	-30	-7
Other non-taxable income	23	13
Tax pertaining to prior years	-	2
<b>Recognised effective tax</b>	<b>-89</b>	<b>-72</b>

	2018/19	2017/18
<b>Parent Company</b>		
Current tax expense (-) / tax revenue (+)		
Tax expense for the period	1	2
	<b>1</b>	<b>2</b>
Deferred tax expense (-) / tax revenue (+)		
Deferred tax related to temporary differences	0	0
	<b>0</b>	<b>0</b>
<b>Total recognised tax expense / tax revenue in the Parent Company</b>	<b>1</b>	<b>2</b>
<b>Reconciliation of effective tax</b>		
<b>Parent Company</b>		
Profit before taxes	332	327
Tax according to current tax rate, 22%	-73	-72
Effect of impairment losses	-	-
Dividends from Group companies	74	74
Non-deductible expenses	-1	-1
Tax pertaining to prior years	1	1
<b>Recognised effective tax</b>	<b>1</b>	<b>2</b>

**Note 15 Goodwill**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	1,248	912
New purchases	82	316
Remeasurements	-7	-
Disposals	-	-
Impairment losses	-	-
Exchange difference	4	20
<b>Carrying amount at end of the period</b>	<b>1,327</b>	<b>1,248</b>
<i>Goodwill allocated by division and cluster</i>		
Electronics	273	191
Mechtronics	344	283
Communications	310	302
Niche Products	400	472
<b>Total goodwill</b>	<b>1,327</b>	<b>1,248</b>

**Impairment testing of goodwill**

The Group's recognised goodwill amounts to MSEK 1,327 (1,248). Goodwill is not amortised under IFRS. Instead the value of goodwill is tested annually in accordance with IAS 36. The most recent test was performed during March 2019. Goodwill is allocated to cash-generating units, which from accounting year 2016/17 consist of clusters of companies in each division. These clusters have been established by grouping companies that have similar operations and business models and that have common market conditions.

The recoverable amount is calculated based on the value in use and a current assessment of the cash flows for the next three-year period. The most important variables for estimating the value include the sales trend, gross margin, overhead levels, working capital requirement and the need for capital expenditures.

Assumptions are made based on previous experience and statistical analysis. These parameters are normally set to correspond to the forecast levels for the next financial year, mainly based on the relevant entity's business plan equivalent to growth rates of 0–10 (0–10) percent annually. For subsequent years, growth has been based on an estimated sustainable GDP growth rate of about 2 (2) percent.

Cash flows have been discounted using a weighted cost of capital equivalent to about 9.3 percent before tax and 7.3 percent after tax (about 9.7 and 7.5 percent last year).

The calculation showed that the value in use exceeded the carrying amount. Thus the impairment testing did not result in any further write-down requirement.

No risk of a write-down requirement exists based on reasonable change assumptions. The sensitivity of the calculations demonstrate that the goodwill value can be defended going forward, even if the sustainable growth rate was 0 percent instead of 2 percent, or if the recoverable amount of each cluster were to decline by 10 percent.

**Note 16 Trademarks**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	255	183
New purchases	-	71
Exchange difference	-5	1
<b>Carrying amount at end of the period</b>	<b>250</b>	<b>255</b>
<i>Trademarks allocated by division and cluster</i>		
Electronics	58	59
Mechtronics	65	40
Communications	69	70
Niche Products	58	86
<b>Total trademarks</b>	<b>250</b>	<b>255</b>

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

**Note 17 Other intangible assets**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	761	616
New purchases	17	14
Purchases via new companies	73	117
Disposals	–	–
Reclassifications	–	–
Exchange difference	4	14
	<b>855</b>	<b>761</b>
Accumulated depreciation according to plan		
Opening balance	-306	-232
Depreciation for the year according to plan	-77	-67
Reclassifications	–	–
Exchange difference	-1	-7
	<b>-384</b>	<b>-306</b>
<b>Carrying amount at end of the period</b>	<b>471</b>	<b>455</b>

Other intangible assets mainly consist of patents, client relations, capitalised development costs and software. Of the total carrying amount, MSEK 46 (44) refers to internally developed intangible assets.

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

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	111	99
New purchases	6	1
Disposals	–	–
Purchases via new companies	–	11
	117	111
Accumulated depreciation according to plan		
Opening balance	-26	-23
Depreciation for the year according to plan	-4	-3
	<b>-30</b>	<b>-26</b>
<b>Carrying amount at end of the period</b>	<b>87</b>	<b>85</b>

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

**Note 19 Costs incurred in leasehold property**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	11	9
New purchases	1	1
Exchange difference	1	1
	<b>13</b>	<b>11</b>
Accumulated depreciation according to plan		
Opening balance	-8	-6
Depreciation for the year according to plan	-1	-1
Exchange difference	–	-1
	<b>-9</b>	<b>-8</b>
<b>Carrying amount at end of the period</b>	<b>4</b>	<b>3</b>

**Note 20 Plant and machinery**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	339	298
New purchases	15	14
Purchases via new companies	–	5
Transferred from construction in progress	–	4
Reclassifications	–	14
Disposals and retirements	-2	-2
Exchange difference	–	6
	<b>352</b>	<b>339</b>
Accumulated depreciation according to plan		
Opening balance	-221	-196
Reclassifications	–	–
Disposals and retirements	1	–
Depreciation for the year according to plan	-24	-21
Exchange difference	2	-4
	<b>-242</b>	<b>-221</b>
<b>Carrying amount at end of the period</b>	<b>110</b>	<b>118</b>

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

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance (including construction in progress)	176	166
New purchases	43	13
Purchases via new companies	1	–
Disposals and retirements	-15	-7
Reclassifications from construction in progress	–	–
Other reclassifications	-4	–
Exchange difference	1	4
	<b>202</b>	<b>176</b>
Accumulated depreciation according to plan		
Opening balance	-131	-123
Disposals and retirements	9	7
Reclassifications	-1	–
Depreciation for the year according to plan	-13	-12
Exchange difference	-1	-3
	<b>-137</b>	<b>-131</b>
<b>Carrying amount at end of the period</b>	<b>65</b>	<b>45</b>

**Parent Company**

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

**Note 22 Participations in Group companies**

	31 Mar 2019	31 Mar 2018
<b>Parent Company</b>		
Accumulated cost		
Opening balance	2,448	2,027
External acquisitions	137	446
Divestment to Group companies	–	–
Adjustment of contingent consideration	12	-25
Mergers	–	–
	<b>2,597</b>	<b>2,448</b>
Accumulated impairment losses		
Opening balance	-136	-136
Impairment losses for the year	–	–
	<b>-136</b>	<b>-136</b>
<b>Carrying amount at end of the period</b>	<b>2,461</b>	<b>2,312</b>

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

Group company <sup>1)</sup> / Corp. ID. no. / Registered office	Number of participations	Participation as % <sup>2)</sup>	Carrying amount		Note
			31 Mar 2019	31 Mar 2018	
Acte Solutions AB, 556600-8032, Stockholm	500	100.0	13	13	1
Acte Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	0	2
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44	3
Ampol Serwis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16	4
Thermod Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	—	—	5
Asept International AB, 556057-9962, Lund	25,000	100.0	81	80	6
Asept International Inc., Chicago, USA	100	100.0	—	—	7
Apparatenfabriek Bereilia B.V, Bedum, Netherlands	40	100.0	—	—	8
COBS AB, 556524-3788, Gothenburg	3,000	100.0	21	21	9
Cue Dee AB, 556244-8000, Sikeå	2,000	100.0	240	240	10
Cue Dee Trading Co. Ltd, Suzhou, China	100	100.0	—	—	11
Cue Dee India Private Ltd., Gurgaon, India	100	100.0	—	—	12
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24	13
Dooman Teknik AB, 556153-3794, Västra Frölunda	500	100.0	24	24	14
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	13	13	15
EFC Estonia OÜ, Estonia	1	100.0	—	—	16
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	81	82	17
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	99	18
Elpress A/S, CVR 26162629, Silkeborg, Denmark	100	100.0	—	—	19
Elpress GmbH, HBR 3252, Viersen, Germany	100	100.0	—	—	20
Elpress (Beijing) Electrical Components Co. Ltd, Beijing, China	100	100.0	—	—	21
Elpress Inc., Chicago, USA	100	100.0	—	—	22
Kablema AB, 556746-2196, Kramfors	100	100.0	—	—	23
Elprodukter AS, 995 768 100, Ulsteinvik, Norway	100	100.0	68	68	24
Enkom Active Oy, 239 992, Helsinki, Finland	300	100.0	54	54	25
Excidor AB, 556429-7850, Bollnäs	1,000	100.0	47	48	26
Exilight Oy, 1865741-4, Tampere, Finland	8,000	100.0	37	33	27
GasIQ AB, 556650-3461, Stenkullen	10,000	100.0	50	47	28
GasIQ Fastighetsförvaltning AB, 556867-3023, Stenkullen	500	100.0	—	—	29
HPG Nordan AB, 556854-0271, Stenkullen	500	100.0	—	—	30
Idesco OY, 2024497-7, Oulu, Finland	403,391	90.2	32	35	31
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0	32
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18	33
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20	34
Kondator AB, 556500-1947, Tyresö	2,000	100.0	71	71	35
Lager CC AB, 556260-2127, Solna	1,000	100.0	3	3	36
Laurea Teknisk Säkerhet AB, 559519-2904, Norrköping	45,500	91.0	137	131	37
R-Contracting AB, 556681-1564, Norrköping	5,000	100.0	—	—	38
Alf Bjurenwall AB, 556217-6098, Kolbäck	5,000	100.0	—	—	39
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	51	50	40
Load Indicator AB, 556081-3569, Hisings Backa	1,000	100.0	35	35	41
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30	42
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61	43
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46	44
Precimeter Control AB, 556511-8980, Höönö	10,000	100.0	36	36	45
Precimeter Inc, 20-0110568, Phoenix, USA	100	100.0	—	—	46
Precimeter GmbH, 212/5752/0032, Wiehl, Germany	1	100.0	13	13	47
Profsafe AB, 556722-2459, Anderstorp	4,000	100.0	76	76	48
Profsafe Norge AS, 911552388, Oslo, Norway	100	100.0	—	—	49
Skandex i Bromma AB, 556515-1189, Anderstorp	5,000	100.0	—	—	50
Radonova Laboratories AB, 556690-0717, Uppsala	1,000	100.0	66	66	51
Radonova, Inc, 70206544, Chicago, USA	100	100.0	—	—	52
schmitztechnik GmbH, HRB 956, Mönchengladbach, Germany	135,015	90.0	133	—	53
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16	54
Steelo AB, 556842-6000, Värnamo	100,000	100.0	32	32	55
Svenska Industriborstar i Västerås AB, 556109-2221, Västerås	5,000	100.0	42	46	56
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95	57
Thermod AB, 556683-7125, Klässbol	1,000	100.0	47	47	58
Tormek AB, 556586-5788, Lindesberg	960	96.0	180	169	59
Unitronic GmbH, HRB 40042, Düsseldorf, Germany	153,600	100.0	28	28	60
Vanpee AB, 556213-2406, Stockholm	50,000	100.0	20	20	61
Vanpee Norge AS, 976 286 324, Oslo, Norway	100	100.0	45	44	62
Vendig AB, 556626-7976, Skara	5,000	100.0	29	29	63
VP Ledbelysning AB, 556084-5975, Nyköping	4,000	100.0	2	2	64
Wapro AB, 556352-1466, Karlshamn	1,000	100.0	54	54	65
Wapro Inc., Chicago, USA	100	100.0	—	—	66
Lagercrantz A/S, 81 74 67 10, Copenhagen, Denmark	6	100.0	131	131	67
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	—	—	68
Lagercrantz Asia Ltd, Hong Kong, China	20,000	100.0	—	—	69
Acte Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100.0	—	—	70
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100.0	—	—	71
E-Tech Components UK Ltd, Liverpool, UK	5,000	100.0	—	—	72
ISIC A/S, 16 70 45 39, Århus, Denmark	33,400	100.0	—	—	73
Vanpée A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	—	—	74
Nikodan Conveyor Systems A/S, 13 47 38 03, Snede, Denmark	555,334	80.0	—	—	75
CAD-Kompagniet A/S, 21 69 77 88, Copenhagen, Denmark	8	100.0	—	—	76
Projectspine A/S, 36 55 76 80, Brøndby, Denmark	500,000	100.0	—	—	77
Skomø A/S, 11801978, Ebeltoft, Denmark	500,000	100.0	—	—	78
NST A/S, 25844998, Odense, Denmark	600,000	100.0	—	—	79

2,461

2,312

<sup>1)</sup> Group companies recognised at carrying amount. Other companies are owned indirectly via Group companies.<sup>2)</sup> The participating interest in the capital is referred to, which also corresponds to the share of the votes of the total number of shares.

**Note 23 Receivables from Group companies**

	31 Mar 2019	31 Mar 2018
<b>Parent Company</b>		
Accumulated cost		
Opening balance	105	11
Additional receivables	14	107
Settled receivables	-11	-18
Exchange difference	1	5
<b>Carrying amount at end of the period</b>	<b>109</b>	<b>105</b>

**Note 24 Other non-current receivables**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Accumulated cost		
Opening balance	3	2
Additional receivables	-	1
Settled receivables	-	-
<b>Carrying amount at the end of the year</b>	<b>3</b>	<b>3</b>

**Note 25 Inventories**

During the year, impairments losses of MSEK 2 (5) on the inventory value were recognised.

**Note 26 Trade receivables**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Trade receivables not due	572	548
Trade receivables due 0 – 30 days	48	59
Trade receivables due > 30 – 90 days	16	4
Trade receivables due > 90 – 180 days	3	1
Trade receivables due > 180 days	1	2
<b>Total</b>	<b>640</b>	<b>614</b>
<b>Provision account for bad debt losses</b>	<b>31 Mar 2019</b>	<b>31 Mar 2018</b>
<b>Group</b>		
Opening balance	2	-
Reversal of previously recognised impairment losses	-	-
Impairment losses for the year	-	2
Exchange difference	-	-
<b>Closing balance</b>	<b>2</b>	<b>2</b>

Confirmed bad debt losses during the year of MSEK 2 (1) were charged to earnings.

**Note 27 Contract balances**

	31 Mar 2019
<b>Contract assets</b>	
<b>Group</b>	
Opening balance	33
New contracts and increase in existing contracts	236
Reclassification of contract assets to trade receivables	-221
<b>Closing balance</b>	<b>48</b>
<b>Contract liabilities</b>	<b>31 Mar 2019</b>
<b>Group</b>	
Opening balance	15
Increase in contract liabilities during the year	32
Contracts taken up as income included in contract liabilities at the beginning of the period	-15
<b>Closing balance</b>	<b>32</b>

Contract assets primarily relate to the Group's correct remuneration for performed but non-invoiced work at the balance sheet date. Contract liabilities primarily relate to the advances received from the customer for installations and inventories and service assets where no assets are created and where the customer consumes the service when it is provided e.g. service contracts, for which revenue is recognised over time, the MSEK 15 recognised as a contract liability at the beginning of the period, MSEK 15 was recognised as revenue.

**Note 28 Prepaid expenses and accrued income**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Prepaid rent	8	8
Prepaid insurance premiums	2	3
Other items	31	27
	<b>41</b>	<b>38</b>
<b>Parent Company</b>		
Prepaid rent	1	1
Prepaid insurance premiums	-	-
Other items	4	2
	<b>5</b>	<b>3</b>

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

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

**Restricted reserves**

Restricted funds consist of share capital and the following reserves:

*Legal reserve*

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

**Non-restricted equity**

Non-restricted funds consist of retained earnings:

*Retained earnings*

Consist of the preceding year's unrestricted equity after any allocation to legal reserve and after any dividends paid. Constitute the total unrestricted equity together with this year's income, i.e. the amount available for payment as dividends to the shareholders.

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

	Number of shares	Number of votes
	A shares	B shares
A shares, 10 votes per share	3,263,802	32,638,020
B shares, 1 vote per share	66,256,125	66,256,125
The company's repurchased B shares	-1,833,000	-1,833,000
<b>Total</b>	<b>67,686,927</b>	<b>97,061,145</b>
	A shares	B shares
Number of outstanding shares at start of period	3,263,802	66,256,125
Redemption of shares	-	-
<b>Number of outstanding shares at start of period</b>	<b>3,263,802</b>	<b>66,256,125</b>
<b>Number of repurchased shares</b>		
At the start of the period	-	-1,863,500
Shares used during redemption of options	-	30,500
Repurchased shares during the period	-	-
<b>At the end of the period</b>		<b>-1,833,000</b>

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

The proposed dividend for the year is SEK 2.50 (2) per share.

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

When the call options are exercised at a redemption price of SEK 100.70, SEK 95.90 and SEK 105.20, respectively, per share, the number of outstanding shares may increase by the number of call options redeemed, or a total of 1,833,000 shares. The number of repurchased shares will then decline by an equivalent amount.

**Group**

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

*Other paid-up capital*

Refers to equity contributed by the owners.

*Reserves*

Reserves refer to translation reserve.

The translation reserve includes all exchange 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 translation reserve also consists of exchange rate differences that arise upon remeasurement of net investments in a foreign operation.

*Retained earnings*

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

*Capital management*

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

The ambition of the Board of Directors is to retain a balance between a high return and the security of a large capital base. The Group's goal is to achieve a return on equity of at least 25 percent per year. During the 2018/19 financial year, the return was 24 percent (23). Profit amounted to MSEK 342 (286) and average equity during the year amounted to MSEK 1,406 (1,250). Profit increased more than the equity, among other reasons due to this year's paid dividend of MSEK 135.

The Group's policy is to pay a dividend of 30–50 percent of the net profit for year with cash flow and capital expenditure needs taken into account. Ahead of the AGM 2019, the Board of Directors has proposed a dividend of MSEK 2.50 (2) per share. The proposed dividend is equivalent to a dividend payout ratio of 50 percent (48). 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 2018 Annual General Meeting to repurchase shares.

No shares were repurchased during the year. The timing of repurchases is determined by the share price. The repurchased shares are, in part, intended to cover the Group's commitment under outstanding option programmes, where senior executives and certain key persons have the opportunity to acquire Class B shares by exercising acquired options. 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 2019 AGM authorise the Board of Directors to repurchase the company's shares.

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

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

Lagercrantz Group has defined benefit pension plans in just a few countries. The plans in Sweden cover certain Group companies. The plans provide benefits based on the remuneration and length of service the employees have had at or close to retirement. Accordingly, the ITP pension plan secured through insurance with Alecta is recognised as a defined contribution plan since the company has not had access to such information to make it possible to recognise this plan as a defined benefit plan.

**31 Mar 2019 31 Mar 2018**

**Group**

The present value of unfunded defined benefit obligations	76	62
<b>Net obligations including adjustments</b>	<b>76</b>	<b>62</b>

**Distribution of amount on plans in the following countries**

**31 Mar 2019 31 Mar 2018**

Sweden	75	66
Germany	1	1
<b>Amount in statement of financial position</b>	<b>76</b>	<b>67</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.

**Pension expense**

**2018/19 2017/18**

**Group**

<i>Defined benefit plans</i>		
Cost of pensions earned during the year	0	0
Change payroll tax	-1	-2
Interest expense	-1	-2
<b>Cost of defined benefit plans</b>	<b>-2</b>	<b>-4</b>
Cost of defined contribution plans	-74	-63
<b>Total cost of payments, post-employment</b>	<b>-76</b>	<b>-67</b>

The pension expense relating to the most important defined benefit pension plans is recognised in the income statement in the line items Selling expenses, Administrative expenses and Interest expenses. Since virtually no new salaries are earned in this category, the change in the liability for payroll tax and the interest portion of the pension expense represent the main part of this. The change in the liability for payroll tax is recognised as an administrative expense of MSEK 2 (2) and the interest expense as a financial expense of MSEK 1 (2). The pension expense for defined contribution plans amounted to MSEK 74 (63). The pension total expense for defined benefit and defined contribution pension plans amounted to MSEK 76 (67).

The forecast for the period 2019/20 is that the pension expense will be in line with 2018/19, of which the financial expense for defined benefit plans is estimated at MSEK 1.

**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:

	<b>2018/19</b>	<b>2017/18</b>
<b>Opening balance: Present value of obligation</b>	<b>67</b>	<b>62</b>
Change in IAS 19 accounting standard	–	–
Cost of defined benefit plans	2	2
Payments disbursed	-2	-2
Change in actuarial gains/losses	8	4
Exchange differences	1	1
<b>Closing balance: Present value of obligation</b>	<b>76</b>	<b>67</b>

**Net amount in statement of financial position, closing balance**

	<b>76</b>	<b>67</b>
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**Actuarial assumptions**

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

(weighted average values)	<b>31 Mar 2019</b>	<b>31 Mar 2018</b>
Discount rate	1.7%	2.5%
Expected inflation	2.0%	2.0%

As in prior years, the basis for the discount interest rate in Sweden is the interest rate on housing bonds. The Group estimates that MSEK 2 will be paid during 2019/20 to funded and unfunded defined benefit plans.

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

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

Discount rate, decrease of 0.5%	6.6
Discount rate, increase of 0.5%	-5.9
Inflation, decrease of 0.5%	-5.7
Inflation, increase of 0.5%	6.3
Life expectancy, increase of 1 year	3.7
Life expectancy, decrease of 1 year	-3.4

**31 Mar 2019 31 Mar 2018**

**Parent Company**

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

**Pledged assets for pension obligations**

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

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### Note 31 Deferred tax

31 Mar 2019	Deferred tax asset	Deferred tax liability	Net
<b>Group</b>			
Other non-current assets	6	-157	-151
Other provisions	–	–	–
Untaxed reserves	–	-48	-48
Other	5	2	7
Loss carryforwards	–	–	–
	<b>11</b>	<b>-203</b>	<b>-192</b>
31 Mar 2018	Deferred tax asset	Deferred tax liability	Net
<b>Group</b>			
Other non-current assets	4	-154	-150
Other provisions	–	–	–
Untaxed reserves	–	-51	-51
Other	4	-1	3
Loss carryforwards	–	–	–
	<b>8</b>	<b>-206</b>	<b>-198</b>

#### Non-recognised deferred tax assets

Deferred tax assets relating to tax deficits of MSEK 0 (0) have not been recognised. The value of tax loss carryforwards is taken into account to the extent it is deemed possible that they will result in lower tax payments in the future.

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

	Opening balance	Recognised over profit or loss	Closing balance
<b>Group</b>			
Other non-current assets	-150	-1	-151
Other provisions	–	–	–
Untaxed reserves	-51	3	-48
Other	3	4	-7
Loss carryforwards	–	–	–
	<b>-198</b>	<b>6</b>	<b>-192</b>

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

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

The Parent Company has a deferred tax asset of MSEK 2 (1).

### Note 32 Other provisions

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Other provisions such as non-current liabilities		
Costs for restructuring measures	–	–
Guarantee reserve	6	6
Other	3	1
	<b>9</b>	<b>7</b>
Other provisions such as current liabilities		
Costs for restructuring measures	3	–
Other	–	–
	<b>3</b>	<b>–</b>
<b>Carrying amount at start of the period</b>		
Provisions in acquired subsidiaries	2	–
Provisions made during the period	8	3
Amounts claimed during the period	-4	-9
Unutilised amount reversed during the period	-1	-1
<b>Carrying amount at end of the period</b>	<b>12</b>	<b>7</b>

#### Restructuring

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

### Note 33 Financial assets and liabilities

#### Financial instruments by category

Fair values of financial assets and liabilities essentially correspond to the carrying amounts. Fair value of contingent consideration is measured using the fair value option contained in IAS 39, category 3. Derivatives are measured at fair value based on observable market inputs. As of 31 March 2018 and 2017, there were outstanding derivatives.

#### Group

31 Mar 2019	Financial assets measured at amortised cost	Financial assets measured at fair value via profit or loss	Total
<i>Assets in the statement of financial position</i>			
Non-current receivables	3	–	3
Trade receivables	640	–	640
Other receivables	–	0	0
Cash and cash equivalents	139	–	139
<b>Total</b>	<b>782</b>	<b>0</b>	<b>782</b>

All financial assets of MSEK 782 (751) are measured at amortised cost. There were derivatives of MSEK 0.4 as of the balance sheet date. The consolidated statement of financial position shows other receivables of MSEK 51. Other items are non-financial.

31 Mar 2019	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value via profit or loss	Total
<i>Liabilities in the statement of financial position</i>			
Current liabilities to credit institutions	766	–	766
Non-current liabilities to credit institutions	301	–	301
Trade payables	332	–	332
Other current liabilities	–	129	129
<b>Total</b>	<b>1,399</b>	<b>129</b>	<b>1,528</b>

The consolidated statement of financial position shows other liabilities of MSEK 349, including call options of MSEK 50. There were derivatives of MSEK 0.4 on the closing date. Contingent consideration payments are recognised of MSEK 129 measured at fair value via profit or loss. Other financial liabilities of MSEK 1,399 (1,474) are measured at amortised cost. Financial liabilities are mostly payable within 12 months with a maturity of 3–5 months and estimated interest of MSEK 3. Other items are non-financial.

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

The consolidated statement of financial position shows other receivables of MSEK 630. All items are non-financial.

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

The consolidated statement of financial position shows other liabilities of MSEK 272. There were derivatives of MSEK 0.4 as of the balance sheet date. Contingent consideration payments are recognised of MSEK 165 measured at fair value via profit or loss based on likely scenarios for future EBITA. These scenarios are based on the likelihood of each profit level to occur, based on forecasts, previous profit levels and any already completed periods' profit levels for current debt. Other financial liabilities of MSEK 939 are measured at amortised cost. Financial liabilities are mostly payable within 12 months. Other items are non-financial.

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

	2018/19	2017/18
Opening balance	153	165
Additional liabilities during the year	–	76
Settled liabilities	-19	-34
Remeasured liabilities	-4	-49
Exchange difference	-1	-5
<b>Carrying amount at end of the period</b>	<b>129</b>	<b>153</b>

**Parent Company**

	Loans and receivables	Contingent consideration	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	110	–	110
Other current receivables	528	–	528
Cash and cash equivalents	–	–	–
<b>Total</b>	<b>638</b>	<b>–</b>	<b>638</b>

	Other liabilities	Contingent consideration	Total
<i>Liabilities in the balance sheet</i>			
Non-current liabilities to Group companies	–	–	–
Current liabilities to credit institutions	753	–	753
Non-current liabilities to credit institutions	300	–	300
Trade payables	2	–	2
Other current liabilities	287	105	392
<b>Total</b>	<b>1,342</b>	<b>105</b>	<b>1,447</b>

Contingent consideration payments are recognised of MSEK 105 measured using the acquisition method and based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/reduce the acquisition value.

	Loans and receivables	Contingent consideration	Total
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	105	–	105
Other current receivables	485	–	485
Cash and cash equivalents	–	–	–
<b>Total</b>	<b>590</b>	<b>–</b>	<b>590</b>

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

Contingent consideration payments are recognised of MSEK 103 measured using the acquisition method and based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/reduce the acquisition value.

**Note 34 Interest-bearing liabilities and provisions**

The Group's interest-bearing liabilities are allocated in the statement of financial position as follows: Provision for pensions MSEK 76 (67), Long-term liabilities MSEK 301 (311), Current liabilities to credit institutions MSEK 766 (858) and Other current liabilities MSEK 1 (0). Total MSEK 1,144 (1,236). The provision for pensions is defined as an interest-bearing provision since the present value of defined benefit pension obligations is calculated using a discount rate in accordance with IAS 19. For details, see Note 30.

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**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Short-term portion	611	520
Maturity date, 1–2 years from the balance sheet date	301	301
Maturity date, 3–5 years from the balance sheet date	–	3
Maturity date, more than 5 years from the balance sheet date	–	7
	<b>912</b>	<b>831</b>

**Parent Company**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Short-term portion	600	512
Maturity date, 1–2 years from the balance sheet date	300	300
Maturity date, 3–5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	<b>900</b>	<b>812</b>

**Committed credit facilities**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Approved credit limit	502	501
Unutilised portion	-347	-163
	<b>155</b>	<b>338</b>

Credit limits on committed credit facilities are extended annually.

**Parent Company**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Approved credit limit	500	500
Unutilised portion	-347	-162
	<b>153</b>	<b>338</b>

The credit limit on committed credit facilities is extended annually.

**Pledged assets for committed credit facilities**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Chattel mortgages	3	4
	<b>3</b>	<b>4</b>

**Note 35 Accrued expenses and deferred income**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Personnel expenses	152	131
Other items	70	60
	<b>222</b>	<b>191</b>

**Parent Company**

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Personnel expenses	12	8
Other items	8	6
	<b>20</b>	<b>14</b>

**Note 36 Interest paid and received**

	2018/19	2017/18
<b>Group</b>		
Interest received	–	–
Interest paid	-17	-13

**Parent Company**

	2018/19	2017/18
<b>Group</b>		
Interest received	8	6
Interest paid	-15	-11

**Note 37 Adjustment for non-cash items**

	2018/19	2017/18
<b>Group</b>		
Depreciation and amortisation	125	108
Other provisions	11	11
Impairment losses and retirements	–	–
Capital gain/loss on disposal of non-current assets	–	–
Change in interest accrual	–	–
Reversal contingent consideration	4	-49
Other items	3	-2
	<b>143</b>	<b>68</b>

	2018/19	2017/18
<b>Parent Company</b>		
Depreciation and amortisation	0	0
Impairment losses	–	0
Group contributions not yet received	-38	-32
Other items	1	4
	<b>-37</b>	<b>-28</b>

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### Note 38 Investments in businesses

One acquisition was completed during the financial year. The acquired company was Schmitztechnik GmbH. The acquisition was paid for in cash.

#### Specification of the acquisition

During the final quarter, the operations in Schmitztechnik GmbH were acquired. Schmitztechnik is a leader in several OEM segments with customised silicone, rubber, PUR and industrial plastic products with Germany as its main market. The company is located in Mönchengladbach and generates annual revenue of about MEUR 6.7 with good profitability. Schmitztechnik NST is part of the Lagercrantz Electronics division as of January 2019.

Estimated consideration for the acquisition amounted to MSEK 135. In the acquisition, there is no contingent consideration to consider.

Transaction costs for the acquisition amounted to about MSEK 0.8 and are included in Administrative expenses in the income statement, to the extent they arose during the period.

As a result of the acquisition during the financial year, goodwill in the Group increased by MSEK 82 on the balance sheet date and other intangible assets, mostly related to proprietary products and customer relationships, increased by MSEK 73. The deferred tax liability related to the acquisitions amounted to MSEK 22.

The effect of the completed acquisition during the fourth quarter of the financial year, on consolidated revenue during the fourth quarter was MSEK 21 and the effect on profit before taxes was MSEK 4.5 after acquisition costs.

If the operations acquired during the financial year had been consolidated as of 1 April 2018, the effect on revenue and net profit after taxes would have been MSEK 66 and MSEK 10, respectively, after acquisition costs.

The difference between reserved, paid and remeasured contingent consideration, was taken up as other operating income (recognised under consolidation items) of MSEK -3 net during the fourth quarter, which had a positive impact on earnings. The annual impairment test did not result in any write-downs of goodwill. During the financial year, MSEK 19 (34) was paid in contingent consideration for previous acquisitions.

Goodwill represents the difference between the cost of a business combination and the fair value of the assets acquired and liabilities and contingent liabilities assumed and is equivalent to the value of the technological expertise the companies have, good profitability and future profits.

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

	2018/19	2017/18
Net identifiable assets/liabilities	53	261
Goodwill	82	316
<b>Estimated consideration</b>	<b>135</b>	<b>577</b>
<b>Cash flow effect</b>		
	2018/19	2017/18
<b>Group</b>		
Intangible non-current assets	-155	-497
Property, plant and equipment	-1	-16
Inventories	-11	-56
Other current assets	-19	-111
Provisions	25	47
Non-current liabilities	-	5
Current liabilities	26	78
<b>Total consideration</b>	<b>-135</b>	<b>-550</b>
Cash and cash equivalents in the acquired operations	-	39
<b>Impact on the Group's cash and cash equivalents from acquisitions during the year</b>	<b>-135</b>	<b>-511</b>
Adjustment of estimated contingent consideration in older acquisitions	-5	-3
Amortisation of/increase in liabilities relating to acquired businesses	-2	-5
<b>Cash flow related to investments in businesses</b>	<b>-142</b>	<b>-519</b>

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

	2018/19	2017/18
Goodwill	82	316
Trademarks	-	71
Other intangible assets	73	117
<b>Total intangible assets via acquisitions</b>	<b>155</b>	<b>504</b>

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

	2018/19	2017/18
Revenue	17	270
Profit contribution before acquisition costs	5	48
Transaction costs	-1	-2
Amortisation of surplus value	-1	-10
<b>Profit contribution after acquisition costs</b>	<b>3</b>	<b>36</b>
Financing costs	-1	-8
<b>Profit contribution after financing costs</b>	<b>2</b>	<b>28</b>

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

	2018/19	2017/18
Revenue	66	435
Profit contribution before acquisition costs	21	81
Transaction costs	-1	-2
Amortisation of surplus value	-7	-16
<b>Profit contribution after acquisition costs</b>	<b>13</b>	<b>63</b>
Financing costs	-3	-14
<b>Profit contribution after financing costs</b>	<b>10</b>	<b>49</b>

Transaction costs relating to acquisitions during the year of MSEK 1 (2) are recognised as administrative expenses.

### Note 39 Contingent liabilities

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
Guarantee commitments FPG /PRI	1	1
Other guarantees	10	24
<b>11</b>	<b>25</b>	

### Note 40 Earnings per share

	2018/19	2017/18
Earnings per share, SEK	5.05	4.21
Earnings per share after dilution, SEK	5.05	4.21

The calculation of earnings per share for 2018/19 is based on profit for the year attributable to the Parent Company's shareholders amounting to MSEK 342 (329) and a weighted average number of shares outstanding during 2018/19 of 67,682,407 (67,868,240). The weighted number of shares outstanding including dilution is 67,682,403 (67,924,403).

#### Instruments that may generate future dilutive effects

During the 2018/19 financial year the Company had three option programmes outstanding, the redemption prices of which (SEK 100.70, SEK 95.90 and SEK 105.20 per share) in two cases exceeded the average market price of the share during the year (SEK 92.33 per share). These options give rise to a dilutive effect and have been included in the estimated earnings per share after dilution. Refer to Note 6 for a description of the options programme. Repurchased shares are used as a hedge for these programmes.

## Note 41 Risk management

### Financial risks

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

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

### Currency risk

Despite the fact that Lagercrantz Group has an international presence, its operations are local in nature as far as currency risk is concerned. Receipts and disbursements in the various local currencies are thus well balanced. Currency risk is the greatest financial risk to which Lagercrantz Group is exposed. It is defined as the risk for a negative effect on profit caused by foreign exchange rate fluctuations. Exchange rate fluctuations affect the company's profit, equity and competitive situation in different ways:

- The result is affected when sales and purchases are in different currencies (transaction exposure).
- The result is affected when assets and liabilities are in different currencies (translation exposure).
- The result is affected when subsidiary results in different currencies are 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 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 1,565 and MSEK 2,410, respectively.

### Purchasing / sales in important currencies

Amounts in MSEK	Purchasing	Sales
USD	415	393
EUR	751	1,128
GBP	13	11
DKK	197	475
NOK	26	222
JPY	48	43
PLN	81	87
CNY	34	51
<b>Group total</b>	<b>1,565</b>	<b>2,410</b>

### Cash and cash equivalents per currency

Amounts in MSEK	31 Mar 2019	31 Mar 2018
SEK	1	11
USD	16	20
EUR	34	28
DKK	1	12
NOK	16	14
CNY	55	41
Other currencies	16	8
<b>Group total</b>	<b>139</b>	<b>134</b>

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

### Translation exposure in the statement of financial position

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

### Exchange rate sensitivity

As a rule of thumb it can be said that a change in the euro exchange rate (including the Danish krone, the exchange rate of which is linked to EUR) relative to the Swedish krona by plus or minus 5 percent is estimated to change Lagercrantz Group's operating profit by plus or minus MSEK 13, respectively, on an annual basis given the conditions that prevailed during the financial year. The equivalent change in the Norwegian exchange rate gives an effect of plus and minus MSEK 5, respectively. A change in the US dollar exchange rate of plus or minus 5 percent, would give an effect of plus or minus MSEK 2, respectively.

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

### Interest rate risk

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

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

Lagercrantz Group has no long-term surplus liquidity and does not normally invest funds in anything but short-term bank deposits/money market instruments with maturities of less than 90 days. The interest rate risk in the Group's investments in securities is therefore minimal. Changes in interest rates therefore primarily affect the company's borrowing costs. A change in the weighted average interest rate of 1 percentage point is estimated to affect the Group's interest expense before taxes by MSEK 11 on an annual basis, given the conditions that prevailed during the financial year.

The effective weighted average interest rate for non-current liabilities to credit institutions amounted to 1.35 percent (1.35) for the Group and to 1.30 percent (1.30) for the parent company. The equivalent interest rate for current liabilities amounted to 0.90 percent (1.30) for the Group and 0.90 percent (1.30) for the parent company.

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

### Credit risk

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

### Liquidity risk

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

- A committed credit facility of MSEK 500 in the Parent Company.
- A revolving credit facility of MSEK 1,000, to be renewed in August 2021 and MSEK 300 to be renewed in June 2020.

### Capital risk

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

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## Note 42 Related parties

### Related parties

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

### Transactions with related parties

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

## Note 43 Post-balance sheet events

After the end of the financial year, Lagercrantz acquired Dorotea Mekaniska AB (DMAB). DMAB is a leading product company, which is active in the market under the Truxor brand and offers amphibian machines for lake clearance and wetland and water conservation. DMAB generates annual revenue of about MSEK 70 with a high level of exports and had an EBITA of about MSEK 13 in the year before the acquisition. DMAB is part of the Lagercrantz Nichs Products division since April 2019.

Kristina Elfström Mackintosh has been appointed as the new CFO for the Lagercrantz Group.

Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2019.

## Note 44 Information about Lagercrantz Group AB

Lagercrantz Group AB, with corporate identity number 556282-4556, is the Parent Company in the Group. The company's registered office is in Stockholm, Stockholm County, and it is a limited liability company according to Swedish legislation:

Address to the head office:  
 Lagercrantz Group AB (publ)  
 P.O. Box 3508  
 Torsgatan 2 (visiting address)  
 103 69 Stockholm, Sweden  
 Telephone +46 8 700 66 70  
[www.lagercrantz.com](http://www.lagercrantz.com)

## Note 45 Pledged assets and contingent liabilities

	31 Mar 2019	31 Mar 2018
<b>Group</b>		
<i>Pledged assets</i>		
<i>For own liabilities and provisions</i>		
Chattel mortgages	3	4
	<b>3</b>	<b>4</b>
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	1	1
Other guarantees	10	24
	<b>11</b>	<b>25</b>
<b>Parent Company</b>		
<i>Pledged assets</i>	None	None
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	28	28
Other guarantees	–	–
	<b>28</b>	<b>28</b>

## Note 46 Appropriation of profits

The Board of Directors proposes that the following profits, SEK 1,501,404 thousand, at the disposal of the Annual General Meeting, shall be allocated as follows:

Dividend to the shareholders, SEK 2,50 x 67,686,927 shares*	169,217
To be carried forward	1,332,187
<b>Total</b>	<b>1,501,404</b>

\* Based on the total number of shares outstanding as of 31 March 2019.

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

# Auditor's Report

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

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### *Opinions*

We have audited the annual accounts and consolidated accounts of Lagercrantz Group AB (publ) for the financial year 2018-04-01–2019-03-31, except for the corporate governance statement on pages 30–33 and 68–69 and the sustainability report on pages 26–29. The annual accounts and consolidated accounts of the company are included on pages 22–64 and 68–69 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 2019 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 2019 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 30–33 and 68–69 and sustainability report on pages 26–29. 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 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 2,048 million SEK as of 31 March 2019, which represents 53 % of total assets. Goodwill and trademarks amounted to 1,576 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 2,461 million SEK as at 31 March 2019, 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 2–21, 26–29 and 70–71. 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 2018-04-01–2019-03-31 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 30–33 and 68–69 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 26–29, 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 28 September 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2001/2002.

Stockholm, 26 June 2019

KPMG AB

KPMG AB

Håkan Olsson Reising  
Authorized Public Accountant  
Auditor in charge

Jenny Jansson  
Authorized Public Accountant

## Board of Directors and Auditors



### Anders Börjesson

*Chairman of the Board*

Born: 1948.

Edu: Bachelor of Science (Econ.).  
Chairman of Addtech AB  
and Tisenhult-gruppen AB.  
Board member of  
Bergman & Beving AB and  
a number of companies within  
Tisenhult-gruppen AB.  
Holding: 61,200 B shares (family)  
and 2,730,210 A shares  
and 1,148,550 B shares  
(via Tisenhult-gruppen).  
Elected 2001.



### Anna Almlöf

*Board member*

Born: 1967.

Edu: Bachelor of Science (Econ.).  
Senior 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: 18,000 B shares (family)  
and 2,730,210 A shares  
and 1,148,550 B shares  
(via Tisenhult-gruppen).  
Elected 2016.

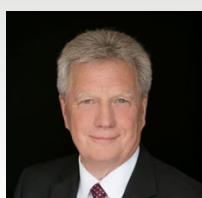


### Anna Marsell

*Board member*

Born: 1978.

Edu: Master of Science.  
President of Galderma Nordic  
(part of the Nestlé Group).  
Board member of  
Galderma Nordic AB.  
Holding: None.  
Elected 2018.



### Roger Bergqvist

*Board member*

Born: 1948.

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



### Lennart Sjölund

*Board member*

Born: 1949.

Edu: Bachelor of Science (Econ.).  
Chairman of  
ErySave AB, Fässbergs EL AB,  
Kinna El & Tele AB,  
Parkallen Invest AB,  
Östanbäcks Timmerhus AB,  
Elgruppen i Borås AB 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: 224,666 A shares,  
570,950 B shares and  
201,500 call options on B shares.  
Elected 2006.

### Auditors

Auditors appointed by the 2018 Annual General Meeting  
are the registered auditing company KPMG AB.  
Håkan Olsson Reising is appointed auditor in charge.

*Holding refers to status per 31 May 2019.*

# Management



**Jörgen Wigh**  
President and CEO  
Born: 1965.



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



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



**Kristina Elfström Mackintosh**  
Chief Financial Officer  
Born: 1964.



**Carina Nordlöf**  
Group Controller  
Born: 1968.



**Lars-Ola Lundkvist**  
Vice President Electronics  
Born: 1961.



**Bo Rasmussen**  
Vice President Electronics  
Born: 1968.



**Peter Baaske**  
Vice President Mechatronics  
Born: 1975.



**Marcus Käld**  
Vice President Mechatronics  
Born: 1964.



**Urban Lindskog**  
Vice President Communications  
Born: 1965.



**Daniel Reithner**  
Vice President Communications  
Born: 1970.



**Jonas Ahlberg**  
Vice President Niche Products  
Born: 1966.



**Caroline Reuterskiöld**  
Vice President Niche Products  
Born: 1976.

# Addresses

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Corporate identity number:  
556282-4556

## ELECTRONICS

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### ISIC A/S

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### NST DK A/S

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## MECHATRONICS

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Tel: +45 86 80 15 55  
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### Elkapsling AB

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### Elpress AB

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**GasIQ AB**

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**ISG Systems AB**

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**NICHE PRODUCTS****Asept International AB**

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**Dooman Teknik AB**

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(as of 25 April 2019)

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