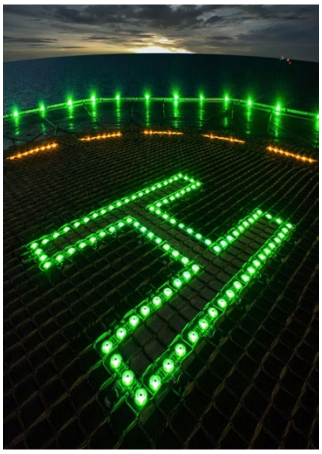
Lagercrantz Group

Annual Report 2019/20



The subsidiary Frictape

Frictape's security solution (landing net and circle & H approach lighting on helideck) at an offshore facility.

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

Graphic design: Tintin Design Studio · Print: Digaloo · Translation: David Murphy

Photo: Christin Philipson / Håkan Målbäck / Magnus Fond / Shutterstock / Lagercrantz Group

Content

Lagercrantz Group

OUR VISION

A leading supplier of value-creating technology with market-leading positions in several expansive niches

Lagercrantz Group AB (publ) is a technology group that offers value-adding technical solutions, based on proprietary products and products from leading suppliers. The Group consists of just over 50 businesses, where each company is focused on a specific submarket – a niche. The businesses all share a technical content and sales are made to other companies with value creation in focus.

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 subject to its 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 market, product/customer or geographical niche.

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 each established business concept and business.

STRATEGIES

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. Lagercrantz shall build long-term sustainable market positions where every business also contributes to public welfare.

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

Decentralisation and management by objectives

The Group's working method is characterised by decentralised decision-making where each subsidiary management conducts its operations independently with a great deal of freedom, but subject to accountability. This means that the most important business decisions are made where the expertise is greatest – close to the market, customers and the organisation. Management by objectives means that each subsidiary prepares business plans with clear targets for growth, earnings and return on working capital. Goal formulation is thus placed in focus while there is great freedom around the means of achieving them. Business plans are followed up on an ongoing basis, and measures are taken when needed. In addition, the companies are systematically compared to each other every quarter, which stimulates improvements.

Strong market positions in niches

All Lagercrantz companies strive to develop a strong and sustainable market position in an expansive niche. 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 – 2,000. Through 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 the leading and most demanding customers, which attract the best employees. The companies thereby also become interesting as partners for the best suppliers. This creates competitiveness.

High value added

Lagercrantz's subsidiaries shall create added value for customers and suppliers by customising, developing and combining attractive proprietary products and products from leading product suppliers with a high degree of service, support and other services in the solutions offered. The degree of refinement has been continually enhanced by increasing the offer of proprietary products and phasing out products with margins that are too low. The degree of refinement, measured as the consolidated gross margin, has improved for many years from an average of about 20 percent (2005/06) to just over 37 percent (2019/20).

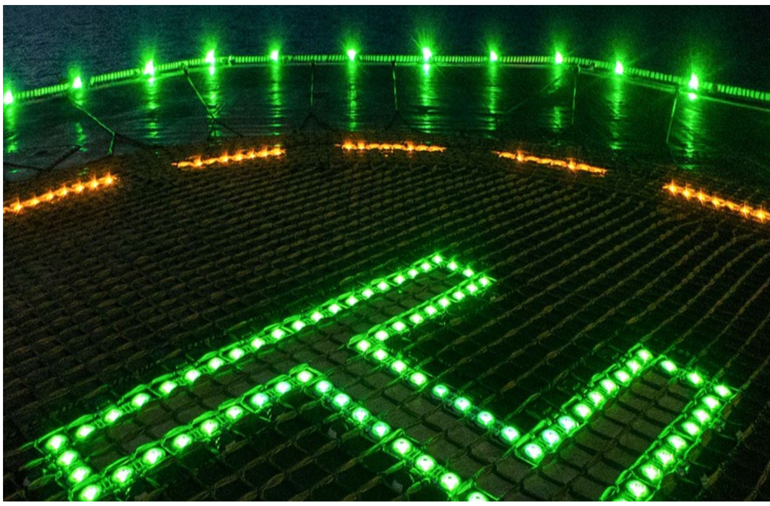
Growth, organic and via acquisitions

The growth targets shall be reached through organic growth and acquisitions. Organic growth is achieved by focusing on expansive niches in every business, on improved sales processes, innovation and new products, new customers and customer segments and through establishment in new markets and efforts to increase exports. The Group contributes with experience through Board work in the subsidiaries and with tools in the form of strategic and business plans, growth-promoting initiatives, financing of new investments and assistance during foreign establishments. Acquisition-led growth strengthens our market position in existing areas, or paves the way for entry into new ones. We mainly acquire companies with tried-and-tested business concepts, strong market positions in their niches, good stable earnings capacity, strong management teams, limited risk and good growth potential.

CORPORATE CULTURE AND LAGERCRANTZ VALUES

The corporate culture in Lagercrantz has taken shape and been developed all the way since the start in 1906. Today, it is well-established and is characterised by a long-term approach and sustainable enterprise – economically, socially and environmentally. Internally, this philosophy is communicated in courses, seminars, in books and through our Code of Conduct, which is also described in our Sustainability Report. Companies within Lagercrantz shall act responsibly and contribute to public welfare both in their products and actions locally and also in relation to the market.

Our shared values are an important part of our corporate culture and consist of businessmanship, accountability and freedom, simplicity and efficiency, together with willingness to change. Businessmanship involves creating added value for customers by understanding the market, technology and customer needs. This requires a holistic and businesslike perspective as well as an ability to identify opportunities.



The year in brief

1 APRIL 2019 – 31 MARCH 2020

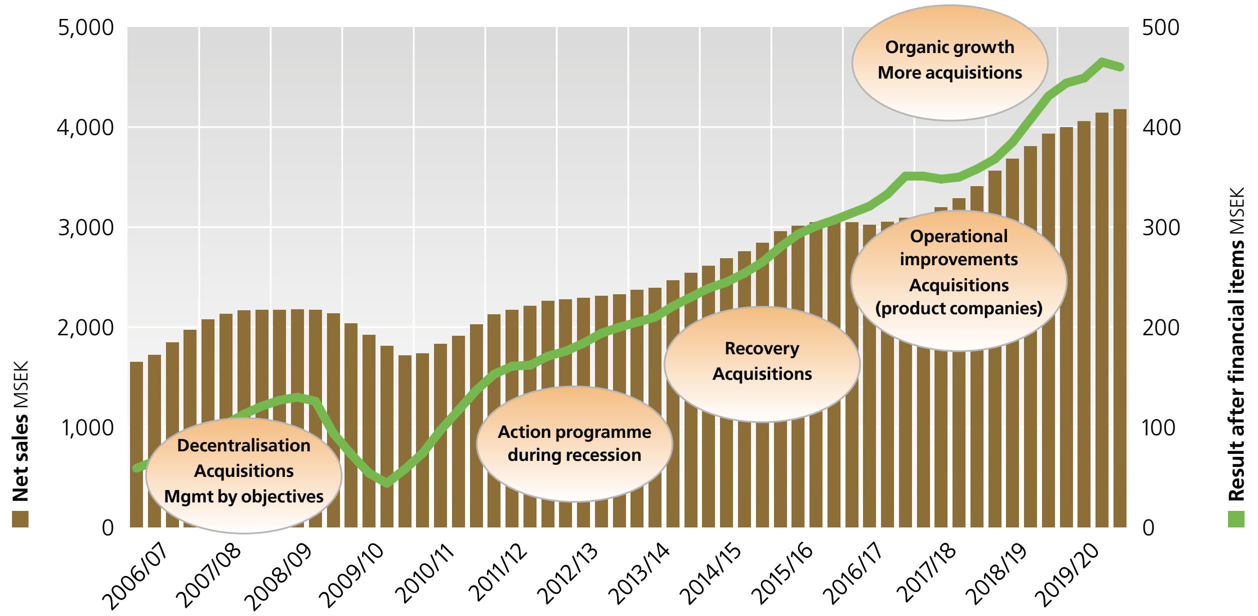
Dividend
SEK 2.00

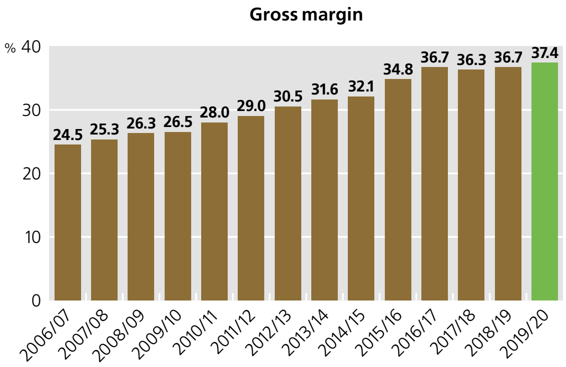
- **Net revenue increased by 6% to MSEK 4,180 (3,932).**
- **Operating profit (EBITA) reached a new all-time high of MSEK 565 (519), equivalent to an operating margin of 13.5% (13.2).**
- **Profit after financial items increased by 7% to MSEK 460 (431).**
- **Profit after taxes amounted to MSEK 366 (342). Earnings per share after dilution amounted to SEK 5.39 (5.05).**
- **Return on equity was 23% (24). The equity ratio at the end of the financial year was 39% (39).**
- **Six acquisitions were carried out during the year, of which three were additional acquisitions and three were new profit centres in the form of the Swedish company Dorotea Mekaniska, Denmark-based G9 and the Finnish company Frictape.**

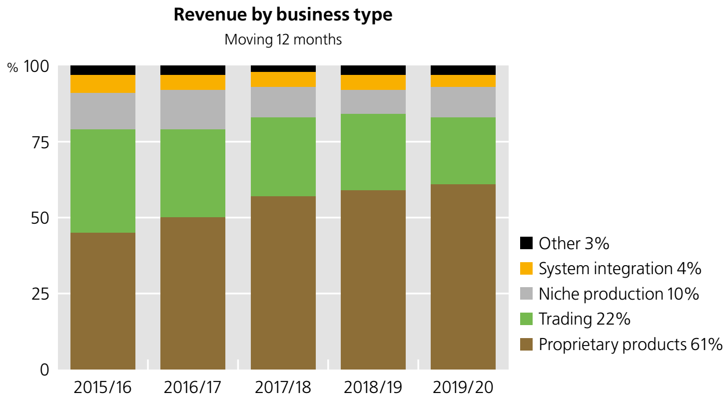
Lagercrantz develops sustainable on a long-term basis

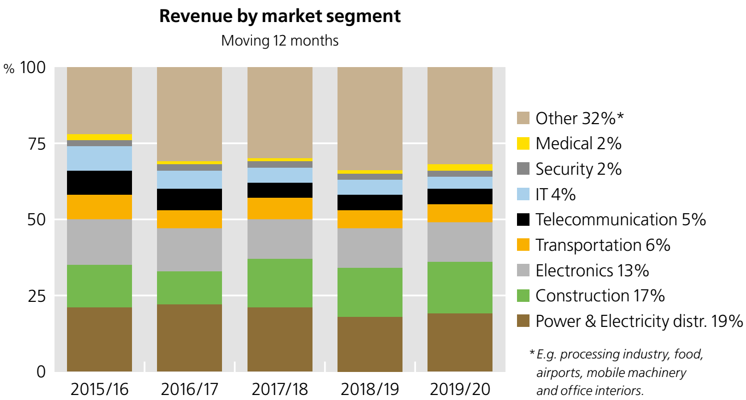
Revenue and Profits

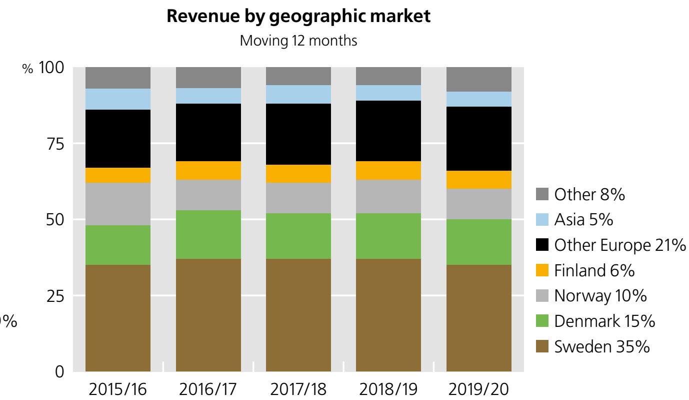
Moving 12 months, quarterly data

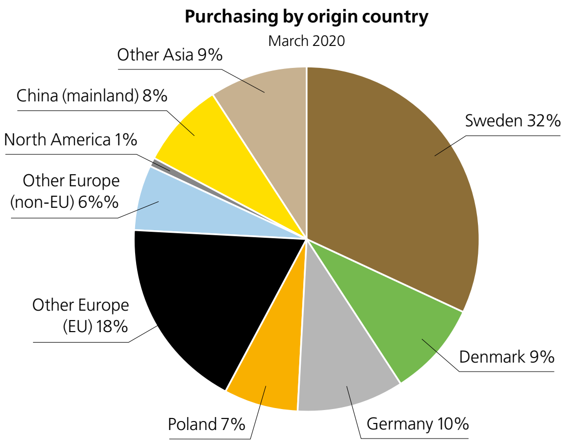



Gross margin
%
40
30
20
10
0
24.5
25.3
26.3
26.5
28.0
29.0
30.5
31.6
32.1
34.8
36.7
36.3
36.7
37.4
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20


Revenue by business type
Moving 12 months
%
100
75
50
25
0
2015/16
2016/17
2017/18
2018/19
2019/20
Other 3%
System integration 4%
Niche production 10%
Trading 22%
Proprietary products 61%


Revenue by market segment
Moving 12 months
%
100
75
50
25
0
2015/16
2016/17
2017/18
2018/19
2019/20
Other 32%*
Medical 2%
Security 2%
IT 4%
Telecommunication 5%
Transportation 6%
Electronics 13%
Construction 17%
Power & Electricity distr. 19%
* E.g. processing industry, food, airports, mobile machinery and office interiors.


Revenue by geographic market
Moving 12 months
%
100
75
50
25
0
2015/16
2016/17
2017/18
2018/19
2019/20
Other 8%
Asia 5%
Other Europe 21%
Finland 6%
Norway 10%
Denmark 15%
Sweden 35%


Purchasing by origin country
March 2020
Other Asia 9%
China (mainland) 8%
North America 1%
Other Europe (non-EU) 6%%
Other Europe (EU) 18%
Poland 7%
Germany 10%
Denmark 9%
Sweden 32%

COMMENTS BY THE PRESIDENT

Lagercrantz develops on a long-term basis

THE PAST YEAR

The 2019/20 financial year was a strong year for Lagercrantz. Profit after net financial items reached a new all-time-high of MSEK 460, compared to MSEK 431 in the previous year, and cash flow from operating activities increased to MSEK 507, or SEK 7.47 per share.

The portfolio of companies in the Group was also strengthened during the year, where the base increasingly consists of technology-leading product companies – market leaders in their respective niches. The development of the Group has occurred over many years and has been self-financed, as already owned companies have generated positive cash flows that could be used for both dividends and for continued acquisitions.

The year also offered increased earnings per share to a new record level of SEK 5.39 per share (5.05) and we have a strong financial position with an equity ratio of 39 percent and substantial credit facilities for continued acquisitions and growth investments.

THE STRATEGY BEHIND THE SUCCESSES

Lagercrantz Group's successes are due to the strategy that we have been pursuing consistently for several years. The organisational model involving decentralisation and management by objectives is well-established. Subsidiaries work according to clearly-defined growth, earnings and working capital targets as part of a business plan, which is adopted annually, incorporating concrete actions and initiatives. Management by objectives also encourages the identification of new opportunities when the market shows limited growth.

The Group's acquisition strategy is another important success factor. We are continuing to acquire profitable technology companies with strong market positions in niches. A focus on product companies has been the ambition in recent years and the proportion of proprietary products now represents just over 60 percent of Group sales. Our ambition is to reach 75 percent within a few years, which should have a positive impact on margins and on the potential for organic growth. During the year, six acquisitions were completed, where three (Dorotea Mekaniska in Sweden, G9 in Denmark and Frictape in Finland) will become new profit centres with proprietary products. The three others are smaller but equally important additions to pre-existing focus areas in the Group.

Sustainability is another reason for the Group's success. Long-term corporate social responsibility is a hallmark of the Group, and this applies economically, environmentally, socially and in relation to business ethics. Here, we have a lot to be proud of given our long history.

Finally, our focus on high value-added is an important reason for the Group's successes. We measure this in the Group's rising gross margin. With very specialised companies, we want to quickly meet customer demands by developing and adapting products and solutions that create added value.

I want to end the year by expressing my heartfelt thanks to all our dedicated employees for their outstanding work.

FUTURE

Approaching the 2020/21 financial year, there is great uncertainty regarding market conditions and the business situation. The Covid-19 pandemic in just a few months has had a very significant impact on society and business life

and even though Lagercrantz has a strong platform the Group will not be unaffected.

The health situation and our staff are our first priority. These matters are prioritised locally in our businesses in line with local health authority recommendations.

Meanwhile, in each business we must align capacity to demand and fluctuations in business volume, and in many cases, we are now preparing our businesses for a lower business volume.

In times of great uncertainty, the Group's decentralised structure will really come into its own, where our more than 50 companies in about 100 operating locations ensure a large diversification of products, end customer markets and geographies. Given the extraordinary sense of responsibility, commitment and decision-making power I see among our local management teams, I am convinced that the Group is well-prepared and that we will handle every situation in an effective way.

Having said all this, I have the same confidence about the future as before. In the near term, the Group and all business operations will go through a very challenging period. However, in the longer term, the basis for our business concept, our focus and our platform of competitive technology companies is very strong.

July 2020

Jörgen Wigh, President and CEO

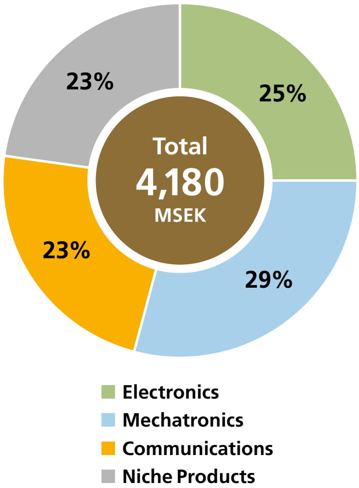
Niche companies in four divisions

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, by improvement projects, business and expansion plans, sales training, through national and international contact networks and common bank and financing solutions. Focus areas for all businesses are to grow organically and through acquisitions.

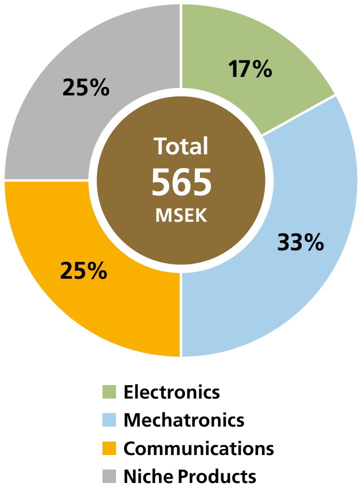
LAGERCRANTZ GROUP

ELECTRONICS 16 companies · 8 countries	MECHATRONICS 12 companies · 8 countries	COMMUNICATIONS 13 companies · 5 countries	NICHE PRODUCTS 12 companies · 6 countries
ACTE A/S (DK, UK and CN)	**Cue Dee AB** (SE, CN and IN)	**COBS AB** (SE)	**Asept International AB** (SE, NL and US)
ACTE AS (NO)	**EFC Finland Oy** (FI and EE)	**Direktronik AB** (SE)	**Dooman Teknik AB** (SE)
ACTE Solutions AB (SE)	**Elfac A/S** (DK)	**Excidor AB** (SE)	**Dorotea Mekaniska AB** (SE)
ACTE Sp. z o.o. (PL)	**Elkapsling AB** (SE)	**GasIQ AB** (SE)	**Kondator AB** (SE)
CAD Kompagniet A/S (DK) *(previously Communications, included as of 1 April 2020)*	**Elpress AB** (SE, DE, DK, CN and US)	**ISG Systems AB** (SE)	**Nikodan Conveyor Systems A/S** (DK)
E-Tech Components Ltd (UK)	**Enkom Active Oy** (FI)	**Leteng AS** (NO)	**Plåt & Spiralteknik AB** (SE)
G9 landskab, park & byrum A/S (DK)	**Exilight Oy** (FI)	**Load Indicator AB** (SE)	**Profsafe AB** (SE and NO)
Idesco Oy (FI)	**Frictape Net Oy** (FI and EE)	**Nordic Alarm AB** (SE)	**Svenska Industriborstar AB** (SE)
ISIC A/S (DK)	**Kablageproduktion AB** (SE)	**Precimeter Control AB** (SE, DE and US)	**Thermod** (SE and PL)
NST A/S (DK)	**Norwesco AB** (SE)	**Projectspine A/S** (DK)	**Tormek AB** (SE and US)
Schmitztechnik GmbH (DE)	**Steelo AB** (SE) *(previously Niche Products, included as of 1 April 2020)*	**Radonova Laboratories AB** (SE and US)	**Vendig AB** (SE)
Skomø A/S (DK) *(previously Communications, included as of 1 April 2020)*	**Swedwire AB** (SE)	**R-Contracting AB** (SE and NO)	**Wapro** (SE and US)
Unitronic GmbH (DE)		**STV Video Data AB** (SE)	
Vanpee A/S (DK)			
Vanpee Norge AS (NO)			
Vanpee AB (SE)			

Net revenue
2019/20



Operating profit (EBITA)
2019/20



ELECTRONICS

16 companies · 8 countries

MSEK	2019/20	2018/19	2017/18
Net revenue	1,048	998	890
Operating profit (EBITA)	102	101	75
Operating margin, %	9.7	10.1	8.4

Lars-Ola Lundkvist
Responsible 8 companies

Bo Rasmussen
Responsible 8 companies

The Electronics division today consists of a total of 16 niche companies within electronics, including in IoT, RFID, M2M, LED[1], and companies that add value in electronics and within components and special materials. The total revenue for the division amounted to MSEK 1,048 for the 2019/20 financial year with an operating profit (EBITA) of MSEK 102. The ambition is to grow the Electronics division through growth and business development in existing units and the acquisition of additional companies that either have proprietary products or boost the Group's selling power in the distributor role in attractive markets. The division is the Group's most international with profit centres in Denmark, Sweden, Norway, Finland, Germany, Poland, the UK and China. In the Norwegian, Polish, German and UK markets, the division also forms a bridgehead for other companies within the Lagercrantz Group.

Today, the division has five companies with proprietary products, which generate total annual revenue of about MSEK 400. Idesco is the market leader in RFID solutions in Finland, ISIC is a Danish leading player within marine electronics, with monitors and panel PCs for demanding environments for international customers with high demands in respect of product durability. Skomø is a market leader in Denmark in the development, manufacture and marketing of graphically custom-designed imaging materials to selected niches and Schmitztechnik is a leader in several OEM segments[2] with customised silicone, rubber, PUR[3] – and industrial plastic products with Germany as its largest market. During the financial year, another product company was added, the Denmark-based G9, which develops, designs and supplies products for park and city environments, including security products such as automatic height-adjustable bollards and barriers.

The division's value-adding distributors are 11 in number with total annual revenue of just over MSEK 600. This includes the ACTE companies and Unitronic, which in recent years has developed its electronic component sales through an ever increasing proportion of customisation, service, support and other services. Today, these companies specialise in the distribution of modules and subsystems with a high degree of customisation and personal sales involving high technical expertise. The customers are usually export-focused OEM customers that need the right technical solutions in their products. This group of companies currently generates annual revenue of just over MSEK 430. Here, we act as value-adding distributors and mainly sell to domestic customers in the construction and infrastructure sectors. Significant sales occur via direct channels such as architects, office and shop fitters and annual revenue amounts to about MSEK 250.

From 1 April 2020, the Danish companies Skomø A/S and CAD Kompagniet A/S are being moved from Communications to Electronics.

1) IoT (Internet of Things), RFID (Radio Frequency ID – reads information at a distance), M2M (machine to machine communication), LED (Light Emitting Diode).

2) OEM (Original Equipment Manufacturer).

3) PUR (the plastic polyurethane).

SUBSIDIARIES IN THE DIVISION

www.acte.dk | www.acte.no | www.actesolutions.se | www.acte.pl | www.cadkompagniet.dk
www.etechcomponents.com | www.g9.dk | www.idesco.fi | www.isic.dk | www.nst-dk.dk | www.schmitztechnik.de
www.skomo.dk | www.unitronic.de | www.vanpee.dk | www.vanpee.no | www.vanpee.se

MECHATRONICS

Peter Baaske
Responsible 6 companies

Marcus Käld
Responsible 6 companies

12 companies · 8 countries

MSEK	2019/20	2018/19	2017/18
Net revenue	1,222	1,122	1,033
Operating profit (EBITA)	197	172	147
Operating margin, %	16.1	15.3	14.2

Mechatronics consists of a total of 12 companies primarily with proprietary, electrical and infrastructure-related products. The total revenue for the division amounted to MSEK 1,122 for the financial year with an operating profit (EBITA) of MSEK 197. Examples of product areas are electrical connection systems, safety switches, cabling and electrical enclosures and infrastructural products such as masts and aerial brackets for the telecom and broadband sector, galvanized steel wire and road barrier ropes and security products for helidecks.

The division's customers are found within electricity distribution, power production, manufacturing industry, 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 operation with just under MSEK 400 in annual sales. Elpress is market-leading in the Nordic countries in electrical connection systems, i.e. connectors with associated tools and other solutions such as earthing. Besides the Nordic region, about two thirds of the company's sales are exported, where the high quality products are advantageously chosen as part of customers' more sensitive products and installations. Examples of customers are found in areas such as electricity distribution and renewable energy with wind and solar power installations, on the transformer side and in the heavy vehicle area, principally trains. Elpress has developed positively for many years and currently has significant operations in Central Europe, USA and China.

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

Cue Dee AB became part of Lagercrantz during 2015 and currently generates annual revenue of about MSEK 125. 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.

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 300 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. In particular, the Danish unit, Elfac A/S, advanced during the year in close cooperation with customers in the wind power industry.

During 2019, the Finnish company Frictape Net was acquired, which is a leading supplier of security products for offshore helidecks. The products are supplied to environments that are exposed to severe weather and must be of high quality. All products are therefore internally-developed and manufacturing occurs in the company's own factory in Estonia. The business currently generates annual revenue of about MEUR 7 with good growth.

SUBSIDIARIES IN THE DIVISION

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

COMMUNICATIONS

13 companies · 5 countries

MSEK	2019/20	2018/19	2017/18
Net revenue	966	918	786
Operating profit (EBITA)	151	137	103
Operating margin, %	15.6	14.9	13.1

Urban Lindskog
Responsible 7 companies

Martin Sirvell
Responsible 6 companies

Companies in the Communications division have their main business operations in technical security and control technology. The total revenue for the division amounted to MSEK 966 for the financial year with an operating profit (EBITA) of MSEK 151. The division consists of 13 companies.

Several of the recently acquired companies are specialised in control technology. One example is Excidor in Bollnäs, which is a leader in the niche for control systems for forest and construction machinery, which the company develops, manufactures and sells to equipment manufacturers and resellers. The company mainly has customers in northern Europe.

Another company in the division is Precimeter, which develops and sells proprietary systems for control and measurement of levels for the industrial casting of metal flows niche. The products are based on proprietary laser technology, which operates at very high temperatures. The company sells globally and aluminium smelters are the main customer group. Precimeter and Excidor generate annual revenue of about MSEK 50 – 55 each.

Load Indicator designs and manufactures high quality load cells, force sensors and torque sensors based on durability measurement technology and generates annual revenue of just over MSEK 30.

GasIQ is a niche product company within welding equipment. The company supplies products used in gas and electricity welding, where the latter method uses gas control for gas shielding welding. Annual revenues are approx. MSEK 40.

Radonova, which was founded in connection with the Chernobyl accident and the need to measure radiation levels, sells proprietary products and services for monitoring and analysis of radon content. Customers are residential and commercial property owners as well as companies that perform radon remediation services. Radonova has performed strongly in recent years and currently generates annual revenue of just over MSEK 80, of which MSEK 20 is in North America through its American subsidiary.

The company ISG operates within technical security, with proprietary camera and detection systems used in demanding traffic monitoring environments such as road tolls and industrial applications. Nordic Alarm, with its integrated security systems, is also active in technical security and COBS, which supplies alarm and message handling systems for businesses with high demands for reliable communication solutions such as nursing and healthcare companies as well as companies with higher security requirements. These companies generate combined annual revenue of just over MSEK 185.

Within technical security, there is also the fire sprinkler pump supplier R-Contracting (R-Con). R-Con is market-leading in Sweden in delivering fire sprinkler pumping systems in buildings, mainly for industrial and warehouse properties. R-Con generates annual revenue of about MSEK 200 and has displayed a strong performance since its acquisition in 2017, including through the additional acquisition Bjurenwalls, which manufactures cisterns, primarily for storage of water connected to fire sprinkler systems.

The division still has the ambition to grow with niche product companies and value-adding distributors in prioritised areas.

SUBSIDIARIES IN THE DIVISION

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

NICHE PRODUCTS

Jonas Ahlberg
Responsible 7 companies

Caroline Reuterskiöld
Responsible 5 companies

12 companies · 6 countries

MSEK	2019/20	2018/19	2017/18
Net revenue	944	894	701
Operating profit (EBITA)	149	149	127
Operating margin, %	15.8	16.7	18.1

The Niche Products division was established in 2012 as a result of our strategic ambition to grow Lagercrantz with more product companies. The total revenue for the division amounted to MSEK 944 for the financial year with an operating profit (EBITA) of MSEK 149.

The division's 12 companies have leading positions in their niches. They are based in the Nordic countries but several also have foreign subsidiaries. All of the companies sell proprietary technical products and solutions to other companies and boosting exports is often high on the growth agenda. The division currently has its own operations in Sweden, Denmark, Norway, Poland, the Netherlands and USA. Some examples of companies are provided below.

Thermod generates annual revenue of approx. MSEK 90 and is one of northern Europe's leading suppliers of special doors for environments with high demands in respect of durability, insulation and hygiene, such as hospitals, laboratories, food environments or bathing and sports facilities.

Kondator generates annual revenue of about MSEK 90 and offers ergonomic, computer-related accessories, such as monitor arms, laptop holders, network and power supply. Around half of the company's revenue consists of proprietary niche products and the company also sells to furniture producers and distributors in the Nordic countries, Germany and the Netherlands.

Vendig, which generates annual revenue of approx. MSEK 50, supplies conveyor components to the bulk handling industry, and you can find the company's products in recycling facilities around the Nordic countries. During the year, Vendig acquired the belt weigher operations from OJ:s Vågsystem, which broadens Vendig's product range.

Tormek, which was acquired during 2018, generates annual revenue of about MSEK 130 and is a leader within sharpening systems for edge tools such as knives, chisels and tools for woodcarving. Sales and marketing efforts occur through resellers in about 40 countries, with the USA, Germany and Sweden as the largest markets. The new T2 knife grinder is targeted towards restaurant kitchens and through a diamond grinding wheel, restaurant and home chefs can quickly and easily keep their knives professionally sharp themselves without needing to send them away for sharpening.

Wapro is a market leader in the niche for check valves and flow regulators, patented products, which are mainly used in municipal storm and waste water systems. The company has sales in all parts of the world but the main markets are the Nordic countries and USA and it generates annual revenue of approx. MSEK 60.

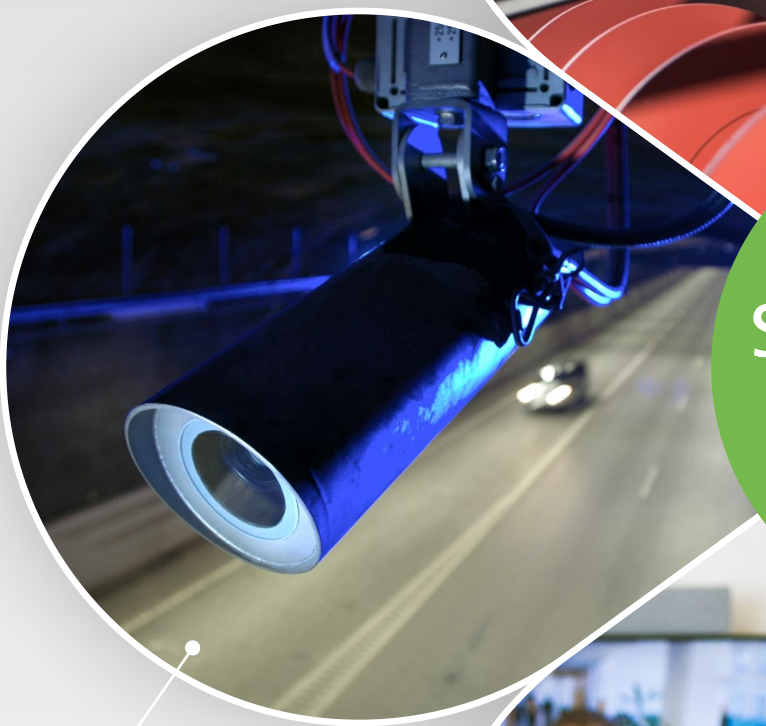
During April 2019, Dorotea Mekaniska was acquired, which is a market and product leader within amphibian machines with related tools for lake clearance and wetland and water conservation where the products are sold under the Truxor brand. DMAB generates annual revenue of about MSEK 75 and sales are made via resellers worldwide.

In parallel with the division's companies working on organic growth, the division continues to focus on acquisitions of niche product companies with proven earning capacity, a strong position within their technology and market niches and growth opportunities.

SUBSIDIARIES IN THE DIVISION

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

PST's spiral conveyors are special designed for transporting, for example transport refuse or pellets. PST is an important supplier, including to pellet factories, bio-heating plants, digestion plants and refuse recycling stations, and thus helps to create the conditions for renewable energy production. PST's spiral conveyors are also more energy-efficient than alternative technical solutions. This is in line with the UN's global goal no. 7 and no. 12.



Sustainability in focus

ISG Systems camera and detection system is used in areas for traffic monitoring in order to detect congestion and obstacles in traffic and thus avoid accidents on our roads, completely in line with the UN's global goal no. 3.

Sustainability at Lagercrantz

In Lagercrantz, sustainability and a long-term approach are the basis for our operations and our history extends all the way back to 1906. Long-term competitiveness is based on us showing consideration – socially, environmentally and to society as a whole and thus conducting a sustainable enterprise. In the Management team, we take the responsibility that has been given to us extremely seriously.

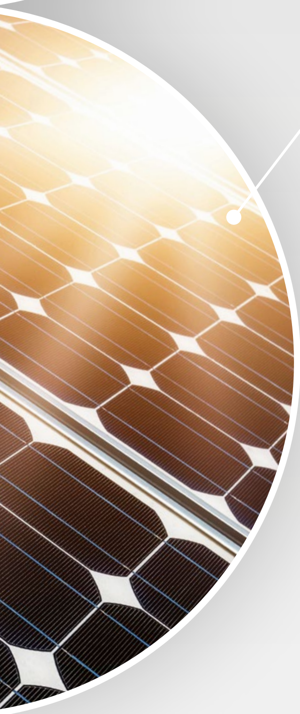
We have developed a strong corporate culture around simplicity and efficiency, accountability and freedom, businessmanship and willingness to change, where a long-term approach is a cornerstone. We see that there is a great strength in a decentralised working method, where decisions are taken as close to those affected as possible, whether they are customers, employees, suppliers or local communities. This is reflected in our sustainability work, where we strive to ensure that all our subsidiaries act as good and responsible companies, which contribute to public welfare.

> *Lagercrantz's entire business culture is characterised by a long-term approach and sustainability. In the future, this will be even more important and a focus area in everything we do.*
>
> **Jörgen Wigh, President and CEO**

A lot of our sustainability work is carried out in the subsidiaries, close to employees, customers, suppliers and the local communities where we operate. Goals are set for the sustainability work, and they are managed and followed up through active Board work in each company. Our employees are trained in our Code of Conduct and we have a similar ambition for our business partners, suppliers and customers. Each company has its own goals for the sustainability work, consisting of several dimensions. This includes the companies' own operations, with targets regarding, e.g. energy consumption, waste management and substitution of harmful chemicals. In addition, the core businesses of many subsidiaries in one way or another are also related to sustainability and the environment. Here, on the left, are some examples from five of our subsidiaries showing how each business has the potential to contribute to public welfare.

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

Cue Dee has a leading position within masts and aerial brackets in aluminium for the telecommunications sector in particular and thus contributes to the development of communications possibilities for more of the world's population, in accordance with the UN's global goal no. 9. Cue Dee's aluminium products have a longer useful life and lower weight than steel, the latter is particularly important for easier handling during installation work and Cue Dee naturally uses recycled aluminium as far as possible.

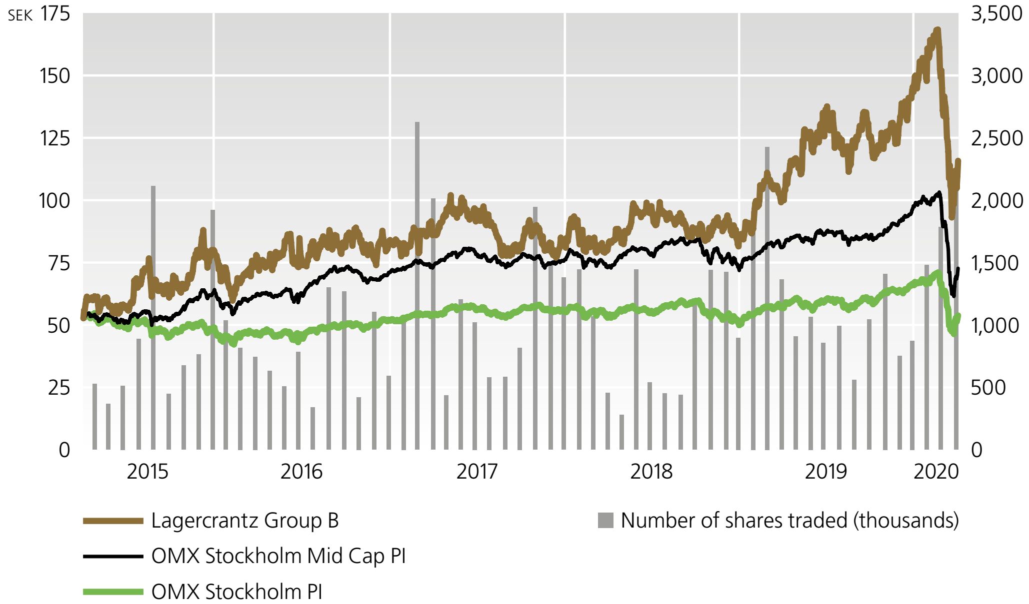


Elfac supplies cables to customers in the renewable energy sector, such as manufacturers of wind turbines, fuel cells or solar panels. Elfac's business thus supports the UN's global goal no. 7. Elfac has its production in Denmark and is very involved in its local community. Among other things, Elfac often employs and develops those who are a bit far removed from the labour market e.g. new arrivals and persons with disabilities (UN's global goal no. 8).

STV offers collaboration tools to effectively support remote working. STV has supplied video systems and infrastructure to a large number of customers within county councils and public administration as well as to private industry since 1988. STV can thus help to replace more business trips with video meetings, and facilitate remote working, which supports the UN's global goal no. 9.

The Share

LAGERCRANTZ SHARE



Over a five-year period between 1 April 2015 and 31 March 2020, the market price of the Lagercrantz share has appreciated by 120 percent. The broad OMX Stockholm Price Index rose 2 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 38 percent.

SHARE DATA

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

The market price of the share as of 31 March 2020 was SEK 115.80 (100.00). During the 2019/20 financial year (April – March), the market price of the share rose by 11 percent. During the same period, the OMX Stockholm Price Index fell by 7 percent and the OMX Stockholm Mid Cap PI Index fell by 12 percent. Lagercrantz Group had a market capitalisation of MSEK 7,842 (6,769) as of 31 March 2020, calculated based on the number of shares outstanding after repurchases.

PROPOSED DIVIDEND

The dividend proposed by the Board of Directors for the 2019/20 financial year implies an increase to SEK 2.00 (2.50) per share. The total dividend corresponds to MSEK 135 (169).

TRADING OF THE SHARE ON THE STOCK EXCHANGE

During the financial year, 13.9 million (13.8) shares, equivalent to a value of MSEK 1,809 (1,291) were traded. The turnover rate for the number of outstanding shares was 20 percent (20). The average number of transactions per trading day in the Lagercrantz share was 339 (176).

REPURCHASE OF OWN SHARES

The 2019 Annual General Meeting authorised the Board of Directors to repurchase shares. During the 2019/20 financial year, no own shares were repurchased. A total of 38,863 repurchased Class B shares were sold for a total of MSEK 3.9 during the financial year in connection with redemption of options. At the end of the period, Lagercrantz Group held 1,794,137 Class B shares, equivalent to 2.6 percent of the total number of shares and 1.8 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 2020

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		9,922,696	14.7%	10.2%
Swedbank Robur Funds		7,936,178	11.7%	8.2%
Didner & Gerge Funds		5,066,956	7.5%	5.2%
Fidelity (FMR)		3,863,895	5.7%	4.0%
ODIN Funds		2,929,653	4.3%	3.0%
Handelsbanken Funds		2,833,854	4.2%	2.9%
Jörgen Wigh	224,666	570,950	1.2%	2.9%
Lannebo Funds		2,182,348	3.2%	2.2%
Per Säve	60,000	1,320,000	2.0%	2.0%
Total 10 largest owners	**3,014,876**	**37,775,080**	**60.2%**	**70.0%**
Total other owners	**248,926**	**26,686,908**	**39.8%**	**30.0%**
Total excluding repurchased shares	**3,263,802**	**64,461,988**	**100%**	**100%**
Lagercrantz Group (repurchased)		1,794,137		
Total	**3,263,802**	**66,256,125**		

OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP, 31 MARCH 2020

Number of shares	Number of owners	Holding	Votes
1 – 1,500	4,146	1.8%	1.3%
1,501 – 3,000	438	1.5%	1.1%
3,001 – 30,000	481	6.4%	5.1%
30,001 – 150,000	51	4.7%	4.2%
150,001 – 300,000	12	4.1%	2.9%
300,001 –	28	78.7%	83.5%
Other owners	N/A	2.7%	1.9%
Total	**5,156**	**100%**	**100%**

Category	Number of owners	Holding	Votes
Swedish institutional owners	42	48.1%	33.8%
Swedish private individuals	4,780	22.0%	19.8%
Foreign institutional owners	39	16.4%	11.6%
Other owners	295	13.5%	34.8%
Total	**5,156**	**100%**	**100%**

Source: Monitor from Modular Finance AB. Compiled and processed data including from Euroclear, Morningstar and the Swedish Financial Supervisory Authority. The verification date may vary for foreign owners. Updated on 31 March 2020.

Financial Performance in Summary

INCOME STATEMENT

Amounts in MSEK	2019/20	2018/19	2017/18	2016/17	2015/16
Net revenue	4,180	3,932	3,410	3,096	3,057
Operating profit before depreciation and amortisation	**717**	**575**	**486**	**452**	**392**
Depreciation and amortisation, other non-current assets	-152	-56	-50	-43	-37
Operating profit (EBITA)	**565**	**519**	**436**	**409**	**355**
Amortisation of intangible assets that arose during acquisitions	-82	-68	-58	-48	-40
EBIT (profit before financial items) *	**483**	**451**	**378**	**361**	**315**
Financial income and expenses	-23	-20	-20	-10	-8
Profit after financial items	**460**	**431**	**358**	**351**	**307**
Taxes and non-controlling interests	-94	-89	-72	-77	-66
Net profit for the year	**366**	**342**	**286**	**274**	**241**

** IFRS 16 has affected depreciation (other non-current assets), which increased by MSEK 90, operating costs, which decreased by MSEK 92 and financial expenses, which increased by MSEK 3 during the 2019/20 financial year.*

BALANCE SHEET

Amounts in MSEK	31 Mar 2020	31 Mar 2019	31 Mar 2018	31 Mar 2017	31 Mar 2016
Assets					
Intangible non-current assets	2,276	2,048	1,958	1,479	1,307
Property, plant and equipment	480	266	251	224	206
Financial assets	18	14	11	10	10
Other current assets	1,458	1,387	1,278	1,056	992
Cash and cash equivalents and investments in securities	117	139	134	122	67
Total assets	**4,349**	**3,854**	**3,632**	**2,891**	**2,582**
Equity and liabilities					
Equity and non-controlling interests	1,684	1,508	1,303	1,197	1,032
Interest-bearing provisions and liabilities	1,430	1,144	1,236	750	673
Non-interest-bearing provisions and liabilities *	1,235	1,202	1,093	944	877
Total equity and liabilities	**4,349**	**3,854**	**3,632**	**2,891**	**2,582**
Capital employed	3,114	2,651	2,539	1,947	1,705
Pledged assets and contingent liabilities	22	38	53	52	45

** IFRS 16 Leases affects the Group's financial position as follows: right-of-use assets of MSEK 179 have arisen and are included in property, plant and equipment. Non-current lease liabilities have increased by MSEK 97 and current lease liabilities have increased by MSEK 83. Equity has been affected negatively by MSEK 1.*

STATEMENT OF CASH FLOWS

Amounts in MSEK	2019/20	2018/19	2017/18	2016/17	2015/16
Profit after financial items	460	431	358	351	307
Adjustment for taxes paid and items not included in cash flow	143	11	-35	18	-18
Cash flow before changes in working capital	**603**	**442**	**323**	**369**	**289**
Cash flow from changes in working capital	-96	20	-41	6	-32
Cash flow from operating activities	**507**	**462**	**282**	**375**	**257**
Cash flow from investing activities	-351	-215	-565	-255	-358
Cash flow from operating activities and investing activities	**156**	**247**	**-283**	**120**	**-101**
Cash flow from financing activities	-178	-242	295	-65	88
Cash flow for the year	**-22**	**5**	**12**	**55**	**-13**

KEY RATIOS

Amounts in MSEK unless otherwise stated	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	4,180	3,932	3,410	3,096	3,057
Change in revenue, %	6.3	15.3	10.1	1.3	7.0
Operating profit (EBITA)	565	519	436	409	355
Operating margin (EBITA), %	13.5	13.2	12.8	13.2	11.6
EBIT	483	451	378	361	315
EBIT margin, %	11.6	11.5	11.1	11.7	10.3
Profit after financial items	460	431	358	351	307
Profit margin, %	11.0	10.7	10.5	11.3	10.0
Profit after taxes	366	342	286	274	241
Equity ratio, %	39	39	36	41	40
Operating profit (EBITA) / Working capital (P/WC), %	64	63	60	66	71
Return on capital employed, %	17	18	17	20	21
Return on equity, %	23	24	23	25	25
Net debt (+) / receivable (-) **	1,312	1,004	1,102	628	606
Net debt / equity ratio, times	0.8	0.7	0.9	0.6	0.6
Operating net debt (+) / receivable (-)	1,056	928	1,035	565	551
Operational net debt / equity ratio, times	0.6	0.6	0.8	0.5	0.5
Interest coverage ratio, times *	13	15	14	22	20
Number of employees at year-end	1,532	1,450	1,387	1,247	1,230
Average number of employees	1,521	1,449	1,378	1,281	1,237
Payroll expenses incl. social security contributions	1,150	1,052	923	793	755
Revenue outside Sweden	2,706	2,491	2,151	1,940	1,991

** The equity ratio and interest coverage ratio includes the IFRS 16 effect from 1 April 2019 and it impacted the equity ratio negatively by 1 percentage point. The interest coverage ratio excluding IFRS 16 amounts to 15 times.*

*** Net debt and net debt/equity ratio includes pension liabilities. IFRS 16 is included from 1 April 2019. No restatement of previous periods has occurred.*

PER SHARE DATA

	2019/20	2018/19	2017/18	2016/17	2015/16
Number of shares at year-end after repurchases ('000)	67,726	67,687	67,656	67,985	67,844
Weighted number of shares after repurchases ('000)	67,717	67,682	67,868	67,941	67,889
Weighted number of shares after repurchases and dilution ('000)	67,872	67,682	68,924	68,097	68,121
Earnings per share, SEK	5.40	5.05	4.21	4.03	3.55
Earnings per share after dilution, SEK	5.39	5.05	4.21	4.02	3.54
Cash flow from operations per share after dilution, SEK	7.47	6.83	4.14	5.51	3.77
Dividend per share, SEK (dividend for the year as proposed)	2.00	2.50	2.00	2.00	1.75
Equity per share, SEK	24.86	22.28	19.26	17.61	15.22
Latest price paid per share, SEK	115.80	100.00	83.50	87.00	77.50

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

Cash flow from operations per share after dilution
Cash flow from operating activities in relation to the weighted average number of shares outstanding after repurchases and adjusted for dilution.

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

Debt / equity ratio
Interest-bearing liabilities divided by equity, plus non-controlling interests.

Earnings per share
Net profit for the year attributable to the Parent Company's shareholders in relation to weighted number of shares outstanding after repurchases.

Earnings per share after dilution
Net profit for the year attributable to the Parent Company's shareholders in relation to the weighted number of shares outstanding after repurchases and dilution.

Equity per share
Equity divided by the number of outstanding shares at year-end after repurchases.

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

Interest coverage ratio
Profit after financial items plus financial expenses divided by financial expenses.

Net debt / equity ratio
Interest-bearing provisions and liabilities, including pensions and including IFRS 16, less cash and cash equivalents and investments in securities, divided by equity plus non-controlling interests.

Net debt / receivables
Interest-bearing provisions and liabilities including pension liabilities and including IFRS 16, 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 non-current assets that arose in connection with acquisitions.

Operational net debt / equity ratio
Interest-bearing provisions and liabilities, excluding pensions and excluding IFRS 16, less cash and cash equivalents and investments in securities divided by equity, plus non-controlling interests.

Operational net debt / receivables
Interest-bearing provisions and liabilities, excluding pensions and excluding IFRS 16, less cash and cash equivalents and investments in securities.

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 (opening balance plus closing balance for the period, divided by two).

Return on equity
Net profit for the year after tax as a percentage of average equity (opening plus closing balance for the period, divided by two).

Return on working capital (P/WC)
Operating profit (EBITA) 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 2019/20 financial year.

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 Corporate Governance Report and a Sustainability Report.

OPERATIONS

Lagercrantz Group (publ) is a technology group that offers value-adding technology to other companies, using either proprietary products or products from leading suppliers. The Group consists of just over 50 companies, each one focused on a specific sub-market – a niche. The businesses are decentralised where decision-making and strategic development occur within each profit centre. 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 2019/20 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 6 percent to MSEK 4,180 (3,932). The currency effect on net revenue was MSEK 36. The acquired businesses have a combined annual revenue of about MEK 210. Organic growth in comparable units, measured in local currency, was therefore unchanged for the year (7 percent).

The market climate in the Group's main markets in the Nordic countries and Northern Europe was stable during the financial year as a whole. Sweden accounted for 35 percent of the business volume during the year, followed by Denmark at 15 percent and Norway and Finland at 10 and 6 percent, respectively. Exports outside the Nordic countries have increased in recent years and now represent about 34 percent of the business volume. In particular, sales in the rest of Europe and in China and the USA have developed well.

Operating profit before amortisation of intangible assets (EBITA) for the financial year increased by 9 percent to MSEK 565 (519), equivalent to an operating margin of 13.5 percent (13.2). The Group's larger companies have generally reported a positive development during the year and in addition, acquired companies contributed profits in line with the expectations at the time of acquisition.

The uncertainty about the business situation as a result of the Covid-19 pandemic increased during the latter part of the final quarter of the financial year. The pandemic is expected to delay customer's investment and business decisions. The situation ahead of the coming year is thus uncertain and measures are being taken to adjust to a lower business volume in a number of the Group's subsidiaries.

Consolidated profit before financial items amounted to MSEK 483 (451). Profit after financial items increased by 7 percent and amounted to MSEK 460 (431). Total currency effects on the profit after financial items amounted to MSEK 3 (9). Profit after taxes for the period amounted to MSEK 366 (342). Earnings per share after dilution for the 2019/20 financial year amounted to SEK 5.39 (5.05).

PROFITABILITY AND FINANCIAL POSITION

The return on equity for the latest 12-month period amounted to 23 percent (24) and the return on capital employed was 17 percent (18). The Group's metric for return on working capital (P/WC) was 64 percent (63).

The equity ratio was 39 percent (39).

Equity per share totalled SEK 24.86 at the end of the period, compared to SEK 22.28 at the beginning of the financial year. Aside from profit, this metric was also affected by dividends paid. The equity ratio was affected negatively during the year by about 1 percent due to the implementation of IFRS 16 Leases.

At the end of the period, operational net indebtedness was MSEK 1,056 (928). The change between years was mainly due to acquisitions, dividends of MSEK 169 in September 2019 and the operating cash flow. The operational net debt equity ratio was 0.6 (0.6). Net indebtedness including pension liability and the IFRS 16 effect amounted to MSEK 1,312 (1,004). The pension liability amounted to MSEK 76 (76) at the end of the financial year and the IFRS 16 effect in the balance sheet amounted to MSEK 180 (0).

CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from operating activities during the financial year amounted to MSEK 507 (462), equivalent to SEK 7.47 (6.83) per share. The introduction of IFRS 16 increased the cash flow from operating activities during 2019/20, by MSEK 89 and the cash flow from financing activities correspondingly decreased by MSEK 89.

Cash flow from investments in businesses was affected by acquisitions and amounted to MSEK 260 (142). During the financial year, MSEK 40 (19) was paid in contingent consideration for previous acquisitions.

Investments in intangible non-current assets and property, plant and equipment amounted to MSEK 96 (80) during the financial year. Larger items included investment in production equipment, including a powder coating facility in the subsidiary Elkapsling.

For other information about the cash flow from financing activities (shares and options) refer to the section "Share distribution, repurchases and major shareholders", page 24.

NET REVENUE AND PROFIT BY DIVISION

Electronics

Net revenue in the Electronics division for the 2019/20 financial year increased by 5 percent to MSEK 1,048 (998). Operating profit (EBITA) amounted to MSEK 102 (101), equivalent to an operating margin of 9.7 percent (10.1).

The financial year began strongly with good growth figures both in sales and earnings in the first and second quarters. Several companies showed good organic growth and in January 2019 the acquisition was completed of Schmitztechnik and

Denmark-based G9 was added in July, both of which contributed positively during the year.

During the autumn and winter of 2019/2020, a gradually weakening of the market situation was observed, particularly in the German market. The Swedish company Acte Solutions did not achieve the previous year's results during the autumn, and as a consequence of this cutbacks were implemented during the third quarter of the financial year. As a result of the challenging business situation towards the end of the year, a change in strategy was also implemented under new management in Unitronic in Germany. Acte Poland also made cutbacks and in Norway the El-produkter business was integrated into Vanpee AS to ensure stronger competitiveness ahead of the coming financial year. Taken together, the restructuring of Electronics means that low margin business is being discontinued, that the diversification into new areas is being accelerated and that the share of more competitive proprietary products is increasing.

Mechatronics

Net revenue in the Mechatronics division for the 2019/20 financial year increased by 9 percent to MSEK 1,222 (1,122). Operating profit (EBITA) increased by 15 percent to MSEK 197 (172), equivalent to an operating margin of 16.1 percent (15.3).

The division's largest unit, Elpress, which is also the Group's largest unit, (electrical connection systems), continued to display strong growth and profitability. Cue Dee (masts and aerial brackets for telecoms) delivered important project transactions during the year and developed its product portfolio for the fifth generation mobile network. The units Swedwire (crash barrier wires), Elfac within special cables and Norwesco (electrical components and safety switches) and the Finnish units Enkom Active and Exilight also reported improvements in sales and earnings compared to the previous year. Elkapsling (IP-classed electrical and other enclosures) started the year weakly but implemented measures in late summer and finished with a strong second half of the year.

In October 2020, Frictape was acquired, a niche export-focused company based in Finland and with production in Estonia. Frictape develops and sells security products for helidecks, all over the world, with annual revenue of approximately MEUR 7. The company has got off to a good start in the Group and is an important unit for the future in the division.

Communications

Net revenue in the Communications division for the 2019/20 financial year increased by 5 percent to MSEK 966 (918). Operating profit (EBITA) increased by 10 percent to MSEK 151 (137), equivalent to an operating margin of 15.6 percent (14.9).

The division's two largest units, R-Con (infrastructure for sprinkler installations) and Radonova (radon measurement) showed very good organic growth and have also been supplemented with smaller additional acquisitions. STV (video conferencing and services relating to remote meetings) also delivered strong growth and increased its profits. ISG Nordic within security and camera solutions also developed well.

However, COBS (communication and alarm), GasIQ (welding equipment) and Excidor with control systems for forest and construction machinery, did not achieve the profit level of the previous year. Precimeter (flow measurement of metal flows) with a large share of export sales, was negatively impacted by a lower investment rate among aluminium smelters, primarily in China and the USA.

Niche Products

Net revenue in the Niche Products division for the 2019/20 financial year increased by almost 6 percent to MSEK 944 (894). Operating profit (EBITA) amounted to MSEK 149 (149), corresponding to an operating margin of 15.8 percent (16.7).

Several of the division's larger units displayed a positive development. Especially Asept (dispensing solutions for liquid foods and health products), Tormek (sharpening of edge tools), and Kondator (ergonomic office interior accessories) reported strong organic sales and profit growth.

Nikodan, the division's Danish unit in conveyor belt solutions, displayed a much weaker performance, however, related to miscalculations in a few larger projects. Steelo (sheet metal processing and storage solutions) also displayed weaker sales and profits. In addition, SIB (cassette brushes for snow clearance of airports) was negatively impacted by a winter with very little snow.

During April, the first month of the financial year, Dorotea Mekaniska was acquired with amphibian machines for lake clearance and wetland and water conservation. Dorotea Mekaniska carried out the launch of a new product generation during the year and was affected by delayed deliveries in connection with the Covid-19 pandemic but it will be an important addition to the division. A smaller additional acquisition was also carried out in the division during the financial year when the subsidiary Vendig AB acquired OJ:s Vågsystem in May 2019.

PARENT COMPANY

The Parent Company's net revenue for the financial year amounted to MSEK 37 (36) and profit after net financial items was MSEK 429 (332). The result includes exchange rate adjustments on intra-Group lending of MSEK 7 (-) and dividends from subsidiaries during 2019 of MSEK 378 (337). Group contributions received were adjusted by MSEK 168 after the submission of the year-end report and amounted to MSEK 85 (39) during the financial year. Net investments in non-current assets amounted to MSEK 0 (0). The Parent Company's equity ratio was 52 percent (50).

Non-current and current interest-bearing liabilities increased from MSEK 1,053 to MSEK 1,162, mainly related to increased utilisation of credit facilities for carrying out acquisitions.

EMPLOYEES

At the end of the financial year, the number of employees in the Group was 1,532, which can be compared to 1,450 at the beginning of the financial year. During the financial year, 79 employees (18) were added through acquisitions.

For further information regarding working environment, gender equality etc., refer to the company's Sustainability Report and Code of Conduct, which are published on the company's website.

THE BOARD'S PROPOSAL FOR GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board proposed the following guidelines to the Annual General Meeting 2020 for remuneration to the President and other members of Group Management and Board members to the extent that they receive compensation in addition to what was approved by the general meeting of shareholders. The guidelines shall be applied to agreements entered into after the 2020 Annual General Meeting. Regarding employment conditions that are governed by regulations other than Swedish rules, appropriate adjustments may be made to comply with local rules and practices.

Remuneration to the President and senior executives

With the aim of attracting and retaining qualified employees who, in the best possible way, maximise long-term shareholder value and safeguard the Group's interests, the total remuneration shall be market-related and competitive, and should be commensurate with responsibility and authority. Remuneration shall normally consist of fixed and variable salary, pension and other benefits. In addition to this, the Annual General Meeting, for example, can resolve on incentive schemes and share-based remuneration.

The fixed salary shall be paid as a cash salary and constitute a main component in the remuneration. The fixed salary shall be reviewed annually. In addition to fixed salary, variable salary should normally also be paid where the outcome is determined annually after the audited annual accounts have been adopted. By linking the executive's variable salary to the company's goals in relation to earnings, growth and profitability, a development in value is promoted for the benefit of the company and its shareholders. The variable salary shall be linked to predetermined and measurable targets that may be financial or non-financial and individual performance. Variable salary should normally include pension expense on the variable salary and can correspond to a maximum of 40 percent of the fixed annual salary. In addition, an additional bonus of 20 percent of the variable salary received may be paid to be used for acquisition of shares in Lagercrantz Group AB.

Pension benefits are paid to the President and other senior executives in accordance with individual agreements. As a general rule, the retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. Premiums for defined contribution pensions must not exceed 40 percent of the pensionable salary. Salary waivers can be utilised for an enhanced occupational pension through one-off pension contributions, provided that the total cost for the company is neutral.

Other benefits, which may include company car, travel benefits, extra health and medical insurance, occupational health care and health and wellness training, and, where applicable, reimbursement for double accommodation costs, shall be market-based and only constitute a minor part of the total compensation. In the event of termination by the company, a notice period of a maximum of 12 months shall apply. The notice period for the executive should normally reflect the notice period for the company and the estimated time it takes to find a replacement but must never exceed 12 months. In the event of termination by the company, senior executives may be entitled to, in addition to salary and other employment benefits during the notice period, termination benefits corresponding to a maximum of 12 months' fixed salary. The aim should be to link rules on loyalty and a non-compete clause to the termination benefits in accordance with prevailing legal practice and rules on set-off against other income.

Share-based incentive programmes adopted by the annual general meeting

The Board shall evaluate the need for a share-based incentive programme on an annual basis and when necessary submit a proposal for approval at the general meeting of shareholders.

Fees to Board members

Lagercrantz Group's Board members elected by the annual general meeting can in special cases be remunerated for services that do not constitute Board work for a limited period of time. For these services (including services performed by a wholly-owned company of the member), the fees shall be market-based and the fees for each Board member during a period of one year may not be more than twice the annual director's fees.

Preparation and decision-making process

The Board has established a Remuneration Committee. The committee's duties include preparing the Board's resolution on a proposal to the annual general meeting on guidelines for remuneration to senior executives. The guidelines shall be adopted at the annual general meeting, but shall be reviewed at least every four years. The Remuneration Committee shall also follow up and evaluate programmes for variable remuneration to senior executives, the application of guidelines for remuneration, compensation structures and remuneration levels for senior executives. Remuneration to the President shall be decided by the Board after preparation by the Remuneration Committee.

At the suggestion of the President, the Remuneration Committee shall decide on remuneration to other members of the Management team. When the Board is dealing with and deciding on remuneration-related issues, the President or other senior executives are not present, to the extent that they are affected by the issues.

Departures from the guidelines

In individual cases, the Board may decide to depart from these guidelines if there are special reasons for this and a departure is made in order to safeguard the long-term interests of the Lagercrantz Group and its shareholders.

SHARE DISTRIBUTION, REPURCHASES AND MAJOR SHAREHOLDERS

The share capital amounted to MSEK 49 at the end of the financial year. The quota value per share amounted to SEK 0.70.

Classes of shares were distributed as follows on 31 March 2020:

Classes of shares	Number of shares
A shares	3,263,802
B shares	66,256,125
Repurchased B shares	-1,794,137
Total	**67,725,790**

Lagercrantz Group's Class B shares are quoted on Nasdaq Stockholm's Mid Cap list. The Articles of Association allow for conversion of Class A shares to Class B shares. During the financial year, 0 (0) shares were converted.

One shareholder held more than ten percent of the votes as of 31 March 2020: Anders Börjesson & Tisenhultgruppen 29.3 percent. SEB Fonder, with 14.3 percent of the capital, was the largest owner in terms of the share of equity. Swedbank Robur Fonder is the second largest owner with 11.7 percent of the capital.

The 2019 Annual General Meeting authorised the Board of Directors to repurchase shares up to 10 percent of the total number of shares in the company. Repurchases shall be made via the stock exchange. Among other things, the mandate included 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.

In addition, the Annual General Meeting 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.

At 31 March 2020, Lagercrantz Group held 1,794,137 own Class B shares, equivalent to 2.7 percent of the total number of shares and 1.8 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. During the financial year, no own shares were repurchased.

Options programme	31 Mar 2020	31 Mar 2019
2016/19	–	534,875
2017/20	234,500	675,000
2018/21	500,000	500,000
2019/22	417,900	–
Total	**1,152,400**	**1,709,875**

In conjunction with redemption of options, repurchased own Class B shares were sold during the financial year for MSEK 4 in total. In addition, outstanding options in the 2016/19 programme were repurchased for MSEK 12 and in the 2017/20 programme for MSEK 13.

During the financial year, 417,900 options for B shares with a redemption price of SEK 154.40 were issued in accordance with the resolution of the 2019 AGM. These options were acquired by about 60 managers and senior executives in the Group for a total of MSEK 5.

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, the following acquisitions were completed:

Dorotea Mekaniska

In April, Dorotea Mekaniska AB (DMAB) was acquired. The company is a leader within amphibian machines with related tools for lake clearance and wetland and water conservation where the products are sold under the Truxor brand. A large proportion of the sales are exported via resellers to end users around the world. DMAB is part of the Lagercrantz Niche Products division.

G9 in Denmark

In early July, G9 was acquired, which consists of the two companies G9 Landskab, Park & Byrum A/S and Came Danmark A/S. G9 develops, designs and supplies products for park and city environments including security products such as automatic height-adjustable bollards and barriers and products for water and wetlands. G9 has strong market positions within its product areas and works directly with customers in direct channels, architects offices, park management and municipalities. The companies are located on Jylland in Denmark and will have their base in the Danish operation within the Electronics division.

Frictape

In October, Lagercrantz, via a newly established Finnish company, acquired the shares in Finland-based Frictape Net Oy and in the Estonian company Frictape Net Oü. The operations are a leading manufacturer of security products for helidecks, primarily offshore, all over the world. The acquisitions were made together with the previous owners where Lagercrantz becomes a majority shareholder with just over 70 percent. The previous owners remain as holders of almost 30 percent of the shares with call and put options, which means that Lagercrantz can become a complete owner in 4 years at the earliest. The Frictape group will become part of the Lagercrantz Group's Mechatronics division.

UNRO and SDP

Lagercrantz Group's subsidiary Asept International AB in March 2020 acquired the two companies UNRO Dispenser System AB and SDP Scandinavian Dispenser Products AB. The companies manufacture dispensers, pumps and accessories for liquid foods, alcogel and hygiene products. Customers are found in the Nordic countries and northern Europe. UNRO and SDP are subsidiaries of Asept International AB, in the Niche Products division.

Apart from the above acquisitions, the assets and liabilities of OJ:s Vågsystem were acquired as a complement to Vendig AB and of Dynamo Free as a complement to Load Indicator.

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

RELATED-PARTY TRANSACTIONS

Transactions between Lagercrantz and related parties with a significant impact on the company's financial position and results have not occurred, apart from what is described in the section Share distribution, repurchases and major shareholders.

SOCIAL RESPONSIBILITY

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

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 significant resources to product development. Development occurs in close cooperation with the customer and is normally based on identified customer needs. Regular research operations are not conducted.

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

RISKS AND UNCERTAINTY FACTORS

Lagercrantz Group's profit, financial position and future development are affected by internal factors 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, IT risks/cyber attacks, pandemics, and financial risks, which are described below.

Economic situation
Lagercrantz is affected by the overall economic trend. Since Lagercrantz Group almost exclusively sells its products and services to companies and public authorities, it is primarily these entities' buying decisions that affect the Group's operations. Lagercrantz Group tries to meet the risks that result from changes in market conditions by sector diversification, niche focus and its decentralised structure. Sector diversification means that, seen across the entire Group, customers are in different phases of an economic cycle. As a consequence of its niche focus, the Group is less dependent on one or a few end markets for its growth and profitability. This means that a change in market conditions in one sector or country may have an impact on an individual company niched towards parts of this sector or geographical area, but it will 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
The transformation of society and the industrial structure in the geographies where the Group has its customers affects Lagercrantz generally. Globalisation has meant that important customers have moved their production operations to low-cost countries and particularly to Asia. The effect of this has diminished over the years in line with the Group becoming more niche-oriented, as new companies more focused on infrastructure and the construction sector are acquired and as several of the customers who previously moved their production in recent years have chosen to bring their production back to the Nordic countries and Northern Europe again. Cost aspects are important for the choice of location but proximity also provides flexibility and access to development resources, to customers and markets. Aspects such as product quality, possibilities for customisation and high value added, in ways other than price, often explain why customers choose to work with Lagercrantz-owned companies. In spite of this, the Group is still dependent on customers and industrial production in the markets we operate in.

Another structural change that affects our businesses 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
Lagercrantz Group has a broad customer structure, spread over a number of industrial segments and geographical markets. No single customer represents more than five percent of the Group's overall revenue.

Dependency on individual customers and suppliers is one of the most significant 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 in order 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. During the financial year, the Group had no significant bad debt losses, see Note 26 Trade receivables.

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 – 2,000. In each niche, Lagercrantz Group attempts to develop a strong 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.

IT risks/cyber attacks
Lagercrantz is exposed to IT-related risks such as cyber attacks and IT criminal activity. Cyber attacks and hacking can cause shutdowns in one or more of the Group's units. IT criminal activity and IT-related bank fraud can cause losses and negative economic effects. The risks are limited through the decentralised organisational model where the different subsidiaries work with individual solutions and separate IT infrastructures. Internal control and dual approval in connection with payments are mitigating factors in relation to bank fraud and IT criminal activity.

Pandemics
Lagercrantz's continued success is dependent on being able to manage and operate during unforeseen events such as pandemics and the like. Pandemics have an impact on society and individuals and could have an effect on Lagercrantz's operations, financial position and results. Lagercrantz's decentralised structure involving diversified businesses in different operating locations, in different niches, geographies and markets increases the Group's strength and resilience against the negative consequences of unforeseen events, incidents or threats. The Group works preventively and according to a risk-based approach with measures to increase safety for personnel, to offset disruptions in delivery flows and the impact on business volume.

Financial risks and sensitivity analysis
Financial and political uncertainties impact Lagercrantz's business volume and operations in general. For a further description of the Group's and the Parent Company's financial risks and sensitivity analysis, refer to Note 40 Risk management.

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 January 2020. 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. 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 2020 Annual General Meeting.

Corporate governance structure

Lagercrantz Group is a Swedish public limited liability company with its registered office in Stockholm. The company, through its subsidiaries, conducts technology trading and has been listed on the Nasdaq Stockholm exchange since 2001, and on its Mid Cap list since January 2014. Governance and control of the company is regulated through a combination of written rules and practices. 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 Companies Act contains basic rules regarding the company's organisation. The Companies Act stipulates that there must be three decision-making bodies: the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer, in a hierarchal relationship with each other. There must also be a monitoring body, the auditor, who is appointed by the General Meeting of Shareholders.

Shareholders

As of 31 March 2020, the number of shareholders was 5,156, compared to 4,410 at the beginning of the financial year. The combined shareholding of the ten largest shareholders was 60 percent (64) of the shares outstanding and 70 percent (72) 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 Annual General Meeting (AGM) shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the company's Board of Directors and the auditors and determines their fees. In addition, the AGM adopts the financial statements and determines the appropriation of earnings and discharge from liability for the Board of Directors and the President, and decides on other matters that according to the Articles of Association or legislation should be considered by the General Meeting.

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

The company's share capital shall be a minimum of SEK 25,000,000 and a maximum of SEK 100,000,000. The minimum number of shares outstanding shall be 37,500,000 and the maximum number of shares outstanding shall be 150,000,000. Both classes of shares carry the same rights to share in the company's assets and profit. The Articles of Association allow for conversion of class A shares into class B shares. The Articles of Association also stipulate that the company's Board of Directors shall consist of not less than three and not more than nine members, and regulates the forms of notice for General Meetings. The Articles of Association do not contain any limitations on how many votes each shareholder may cast at a General Meeting. For the entire Articles of Association, which in their current form were adopted on 25 August 2015, see the company's website, the section Corporate governance/Articles of Association.

Notice for Annual General Meetings, and notice for Extraordinary General Meetings (EGMs), where an amendment of the Articles of Association will be on the agenda, shall be issued not more than six weeks and not less than four weeks before the Meeting. Notice for other EGMs shall be issued not more than six weeks and not later 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 the newspaper Dagens Industri that notice has been issued.

Shareholders who wish to participate in the General Meeting shall (i) be included in the print-out or other presentation of the entire share register showing the state of affairs five weekdays before the General Meeting, (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.

Annual General Meeting 2019

The 2019 AGM was held on 27 August in Stockholm. Notice for the Meeting was announced in the form of a press release on 19 July 2019, 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 issued. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 41.5 million shares and 69.7 million votes, respectively, were present. This was equivalent to 60 (54) percent of the number of shares outstanding and 72 (66) percent of the votes in the company. Resolutions passed by the General Meeting included the following:

- A dividend of SEK 2.50 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 2018/19.
- 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. Roger Bergqvist declined re-election, Ulf Södergren 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 of Directors was authorised during the period until the next AGM, to carry out a new issue of up to 10 percent of the shares in the company 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 2019/20 of seven ordinary members who together possess broad commercial, technical and public experience:

- Anders Börjesson, Chairman of the Board
- Lennart Sjölund
- Ulf Södergren
- 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 is provided under Board of Directors and Auditors on page 72. 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 2019/20 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 executive management, the responsibility of the Chairman and the President, respectively, 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 written information about the company's business and other important information.

During 2019/20, 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 2020. 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 2019/20 amounted to SEK 2,550,000 (2,150,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 700,000 (600,000), and the other ordinary members who are not employees of the company received SEK 350,000 (300,000) each. See also Note 6.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee from among its members with the task of preparing the Board's proposal to the Annual General Meeting regarding 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 2019/20, the Remuneration Committee consisted of Chairman of the Board Anders Börjesson and Ulf Södergren. The President & CEO presents reports but does not participate in matters concerning him. The Committee held one meeting during the year. All members of the Committee were present at this meeting. Compensation of SEK 50,000 is paid as 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 2019/20, 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.

Auditor

The registered auditing firm KPMG AB was elected to serve as auditor at the 2019 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 comment on the auditors' planning of the audit's scope and focus. After completing its review of the 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 and 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 the Group controller – in total 13 persons who constitute the Group's senior executives. A detailed presentation can be found under Management on page 73.

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, acquisition, 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.

The guidelines for remuneration to senior executives resolved upon by the 2019 AGM and information about existing incentive programmes are presented 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. The variable salary component should also be based on outcome relative to set goals and individual performance.

The retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one 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 if special circumstances exist, the Board may depart from the above guidelines.

The proposal of the Board of Directors to the 2020 Annual General Meeting means that new guidelines for remuneration to senior executives will be adopted. The proposal for new guidelines will be in line with the Company's existing application of remuneration to senior executives and should aim to provide a clear framework for remuneration and have the degree of flexibility that is deemed appropriate based on the levels of remuneration, and the design should benefit the Company's business strategy, long-term interests, including long-term value creation for shareholders and sustainability. The new guidelines are prepared against the background of the new legal requirements that have been implemented as a result of the EU's Shareholder Rights Directive (Directive (EU) 2017/828 of the European Parliament and of the Council). The Board of Director's final proposal for new guidelines will be presented in the notice convening the Annual General Meeting.

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 by guidelines established by each subsidiary's Board of Directors. Subsidiary presidents have profit responsibility for their respective companies, as well as responsibility to ensure growth and development in their companies. Allocation of investment capital in the Group is determined following a decision by the Parent Company Lagercrantz Group's Board of Directors in accordance with an annually updated capital expenditure policy.

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

Diversity policy

The guidelines adopted by the Group's Board of Directors for business ethics (Code of Conduct) for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner, also contain guidelines on 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. The Group also works to achieve a more uniform gender breakdown in recruitment and offers equal employment opportunities regardless of race, religion, gender, age, 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 controls 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 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, Chairman of the Board of Directors and auditors and their fees so that the AGM can make well-founded decisions. At the AGM 2019, 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 2019, 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 (appointed by Didner & Gerge fonder)
- Daniel Klint (appointed by SEB Investment Management)
- Marianne Nilson (appointed by Swedbank Robur Fonder)
- Niklas Johansson (appointed by Handelsbanken 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

Long-term incentive programmes have been in place since 2006 for managers and senior executives in the Group in accordance with an AGM resolution. The programmes aim to increase motivation and create participation among managers and senior executives in relation to the opportunities for the company's development. The programmes also aim to motivate managers and senior executives to remain employed in the Group. The programmes consist of call options on repurchased Class B shares.

The options have been issued every year from 2006 – 2019, according to the resolution of the AGM each year. The 2017, 2018 and 2019 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

After the end of the financial year, a merger was registered between a Swedish holding company and a Finnish holding company. In connection with this, a transfer was carried out of the Finnish subsidiaries to the Finnish holding company, with the aim of creating a legal organisational structure in Finland.

Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2020.

COVID-19 EFFECTS

The Group is affected by the Covid-19 pandemic. The effects were limited during the 2019/20 financial year but are likely to affect the operations to a greater extent during the coming financial year. Within the Group, preparations are being made for negative effects from the pandemic such as a lower business volume. The measures are being taken to reduce the negative effects and in order to follow the recommendations of local authorities.

The measures taken include the following:

- Ensuring the health status of staff
- Deferred bonus and salary negotiations
- Salary waivers
- Negotiation with landlords
- Reduction in working hours for employees and terminations of employment

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

DIVIDEND

The Board of Directors proposes a dividend of SEK 2.00 (2.50) per share. The dividend is equivalent to a total of MSEK 135 (169) and constitutes 37 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 1,721,612 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2.00 x 67,725,790 shares *	135,452
To be carried forward	1,586,160
Total	**1,721,612**

** Based on the total number of shares outstanding as of 31 March 2020. 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 25 August 2020. 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, 17 July 2020

Anders Börjesson
Chairman of the Board

Ulf Södergren
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 17 July 2020

KPMG AB

Håkan Olsson Reising
Authorised Public Accountant
Auditor in charge

Alexander Tistam
Authorised Public Accountant

Sustainability Report

OUR APPROACH

Based on our stakeholder analysis, we have determined the pillars for our sustainability work as Environmental Sustainability, Social Sustainability and well as Sound Governance and Economic Sustainability. For us, it is important that the business and sustainability go hand in hand, since long-term sustainable returns depend on a sustainable business and vice versa.

Our sustainability work is based on the UN Global Compact, the ILO's core conventions, the OECD's Guidelines for Multinational Enterprises and the UN's global sustainable development goals. Since the previous financial year, we have worked specifically with six of the goals: Good health and Well-being, Gender equality, Affordable and clean energy, Decent work and economic growth, Industry, innovation and infrastructure, and Responsible production and consumption. We work in two dimensions, firstly with getting our own businesses to meet the goals, and secondly by developing products and services that can help our customers achieve the goals. See our table in the following pages where we describe how our work is progressing under each target.

ENVIRONMENTAL SUSTAINABILITY

The Group's impact on the environment is mainly connected to transportation of input goods, finished products, business trips and waste management. Some of the Group's companies also have electric power as an important input in their production. Lagercrantz Group's carbon footprint thus mainly consists of carbon emissions, which we believe to be the largest negative environmental impact from our operations. Besides emissions related to internal use of fossil fuels and electricity, carbon emissions are also generated from different types of transports, such as transports of materials and products as well as transports of persons.

We compare the overall carbon emissions with revenue in order to provide a correct view of the emissions, a so-called carbon intensity metric.

See the table for follow-up regarding our energy use in MWh and the estimated resulting CO_2 effect. According to the GHG Protocol standard, the emissions we report would be primarily classified as scope 2, with emissions from some of our company cars as scope 1.

The total carbon footprint during 2019 amounted to 0.72 tonnes CO_2/MSEK (0.79 tonnes CO_2/MSEK), which shows that the work we are doing to boost energy efficiency and review our energy mix is delivering results.

Stakeholder group	Core issues in sustainability	Communication and cooperation
Customers	Financial stability and long-term relationships based on mutual trust. Customers are increasingly demanding sustainable products, both in terms of environmental footprint, as well as business ethics.	We carry out several projects together with customers with the aim of developing our offerings in a more sustainable direction, for example, in relation to choice of materials. We also strive for our customers to follow our Code of Conduct and ensure that our products are not used in harmful operations.
Suppliers	Long-term relationships with openness and transparency, clear guidelines, financial stability and cooperation around e.g. jointly reducing the environmental impact.	Our subsidiaries conduct dialogues with our suppliers. This concerns the products themselves e.g. substitution with more recycled and sustainable materials, packaging materials, but also business ethics. We strive to ensure that all our suppliers sign our Code of Conduct, for the working environment, anti-corruption, non-discrimination and human rights.
Society	The communities in which we operate expect us to conduct a sustainable and ethical business, where we contribute in terms of safe workplaces, tax payments and take responsibility for our shared environment and the local community in which we operate.	We have a continual dialogue with public authorities concerning the working environment, environment and product liability. 32 of our companies are ISO-certified. We are often one of the larger employers in the local communities where we operate and we collaborate with authorities, schools and associations. We do not engage in tax optimisation, but always strive to comply with applicable regulations.
Employees	Our employees expect safe workplaces, with a high level of ambition in relation to health and safety. They expect fair compensation and opportunities for skills development.	We conduct annual goal and career development discussions as well as skills development training. Communication also occurs via managers, Intranet and mailshots. Our larger companies conduct regular employee surveys. Whistleblower function.
Shareholders	Our owners expect a continued sustainable enterprise, with financial stability and returns, low risks and active sustainability work.	We communicate continually with our shareholders through the annual report, interim reports, analyst and investor meetings, our website and annual general meeting.

During the year, we developed our environmental work through improved calculation methods for climate effects compared to previous years. To ensure comparability, we have also opted to recalculate all comparative figures.

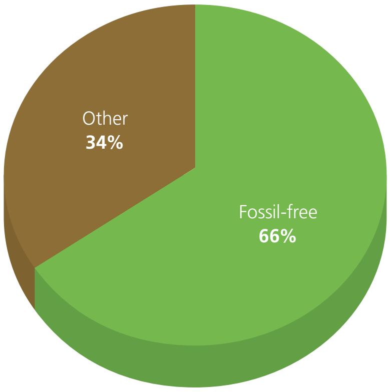
Energy consumption in the Group

Our energy use in MWh	2019	2018
Buildings and operations:	23,264 MWh – 1,845 tonnes CO_2	21,908 MWh – 1,798 tonnes CO_2
Company cars:	3,987 MWh – 1,174 tonnes CO_2	4,498 MWh – 1,322 tonnes CO_2
Total energy use:	**27,251 MWh – 3,019 tonnes CO_2**	**26,406 MWh – 3,120 tonnes CO_2**
Acquisitions during the year:	**409 MWh – 177 tonnes CO_2**	**1,149 MWh – 323 tonnes CO_2**

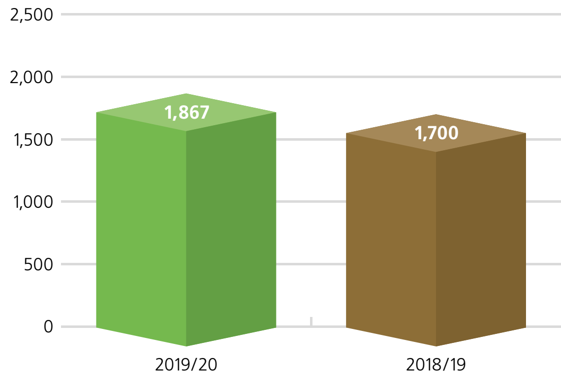
Energy consumption in relation to net revenue amounted to 6.52 MWh/MSEK (6.72 MWh/MSEK).
The total carbon footprint during 2019 amounted to 0.72 tonnes CO_2/MSEK (0.79 tonnes CO_2/MSEK).

The conversion of MWh to tonnes CO_2 is based on the "location-based method" where the calculation takes into account the "average mix" for electricity and heat in each relevant country.

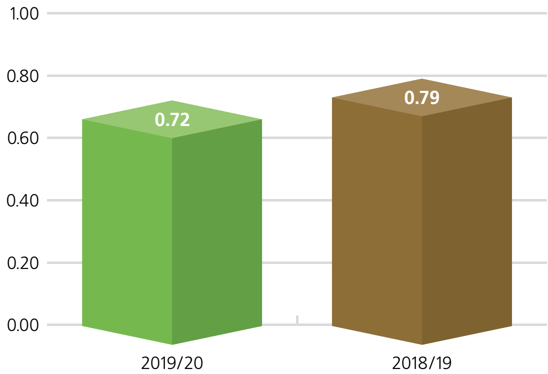
Fossil-free energy as share of total energy



No. of video conferences (hours) in our own systems

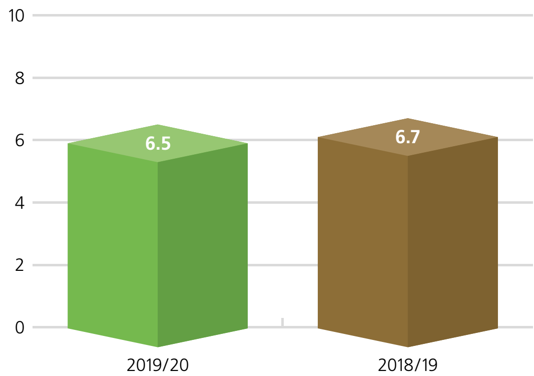


Climate impact
Tonnes CO_2/MSEK



> *Today, the Group is twice as large as it was when we started using video, while at the same time the number of management staff has only grown by about 15%. This is mostly due to increased efficiency as a result of video and remote meetings. Without video conferencing solutions, we would have had much less productive time with the organisation, with customers, suppliers and business partners.*
>
> **Jörgen Wigh, President and CEO**

Energy intensity
Power consumption in MWh/MSEK

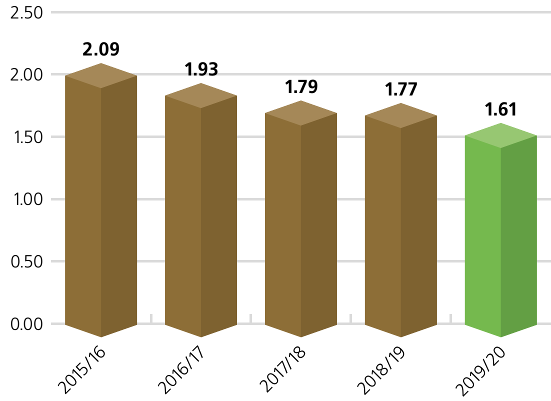


The Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for reuse and recycling of materials and energy, and also prevent and limit environmental pollution. See example from one of the Group's companies here on the right, and more examples from other companies in the table on the following pages where we provide examples of the Group's work with the UN's sustainable development goals no. 7, 9 and 12.

Several of the Group's companies work with quantitative goals in their environmental work, adapted to the conditions of each company. In certain instances, e.g. in procurement of transport services and electric power, some coordination among companies occurs. 32 subsidiaries (29) are ISO-certified, which is 56 percent (58 percent) of the companies. The Group conducts operations in four (four) of its subsidiaries that require a permit under the Swedish Environmental Code. There are no known threats from an environmental viewpoint that could jeopardise these operations.

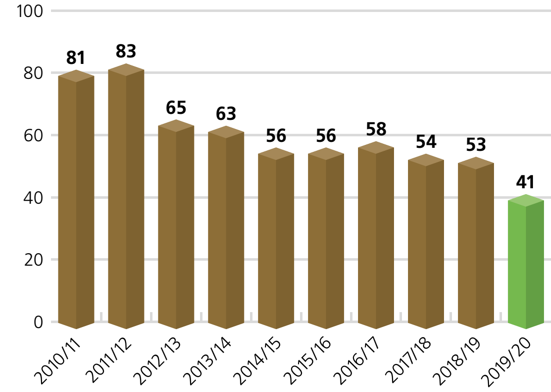
Electricity consumption per machine hour in kWh

Elpress



Water consumption per machine hour in litre

Elpress



SOCIAL SUSTAINABILITY

Social sustainability for us means that we want to be a long-term, responsible and stimulating employer for our employees and contribute to the local communities where we operate. We have a decentralised working method, which means that we control by setting goals and policies such as the Code of Conduct at a central level, but leave accountability and freedom to our employees to exercise their own businessmanship within this framework.

The majority of our employees are 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 is also an important factor for ensuring continuity in the operations and in building long-term relationships. 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, with a special focus on the working environment, health and safety and development questions. Often we are one of the larger private employers in the places we operate and we are proud to be an integrated part of the local communities, where we sponsor local sports associations, collaborate with schools etc. Finally, something that is natural for us, 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.

At year-end, the average number of employees amounted to 1,521, of whom 28 percent were women (1,449, of whom 28 percent were women). We work in traditionally male-dominated sectors and see that we can make a difference in relation to gender equality and diversity. It was positive that 31 percent of new incoming CEOs and economists in our companies during the year were women. During 2019/20, the total employee turnover was 13.7 percent (12.0 percent), excluding employees that were added via acquisitions during the year.

For information about remuneration to senior executives, see Note 6 in the Annual Report.

During the year, we reduced long-term absence due to illness from 1.7 to 1.3 percent of days worked, but unfortunately the overall absence due to illness increased from 4.3 to 5.5 percent. Towards the end of the financial year, the world was affected by Covid-19 pandemic. During the year, we took measures within the Group, including ensuring the health status of our staff, development of possibilities to work while respecting social distancing, increased cleaning frequency etc.

See also the table on the following pages where we provide examples of the Group's work with the UN's sustainable development goals no. 3, 5 and 8.

SOUND GOVERNANCE AND ECONOMIC SUSTAINABILITY

Lagercrantz's Board, through the Group Management, is ultimately responsible for the Group's sustainability work. Group Management decides on the long-term overriding goals in key areas, and through active Board work in our subsidiaries, goals are set for the sustainability work and follow up occurs in each company based on its conditions. Each company draws up a business plan annually for the next three years. Goals are set for the business and follow up then occurs during the year in each subsidiary board and this includes sustainability work.

For many years, the Group has also had a Code of Conduct for all employees, which addresses human rights, working conditions, gender equality and diversity, business ethics and anti-corruption.

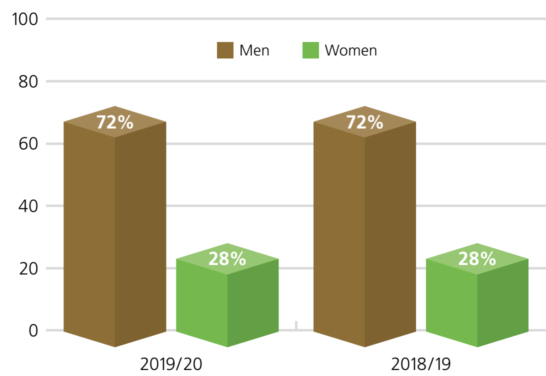
The Code is based on the UN Global Compact, the ILO's core conventions, GDPR and on the OECD's Guidelines for Multinational Enterprises and covers all companies and all employees. We conduct regular training initiatives about this, including interactive online training to ensure that all employees are familiar with it. Our Code of Conduct has been adopted by our Board and is available on our website www.lagercrantz.com. The website also contains information about the Group's whistleblower function. This provides an opportunity for those concerned to communicate with the company regarding erroneous conduct in subsidiaries or in the Group as a whole. The reporting is anonymous. During the year, we did not receive any reported incidents.

Because we impose strict requirements in relation to privacy and business ethics in our own operations, it is natural to also exert an influence on suppliers and customers. The operations are based on close and long-term relationships with business partners. We thus attach great importance that our businesses 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. We also have a Code of Conduct for our suppliers, which is based on our own internal Code of Conduct, with its point of departure in the UN Global Compact, the ILO's core conventions and the OECD Guidelines for Multinational Enterprises. The Group's long-term goal is that all suppliers to the Group's companies should comply with the Code of Conduct.

We work actively on ensuring that there are no breaches of regulations in our operations or in our value chain. We have not noted any violations of human rights, child labour, corruption or breaches of labour law regulations either in our own operations or in our value chain during the past year.

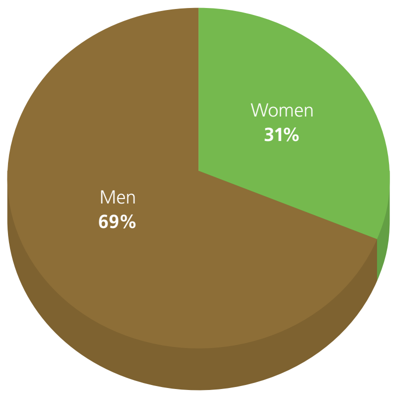
For us, it is also important to be economically sustainable, which means that we generate profits, growth and a return on invested capital to enable continued capital expenditures. Also read more later on in the Annual Report about our business model and our financial goals.

Share of women employed in the Group



We are working to increase the proportion of women in leading positions

Share of appointed CEO's, Finance managers



UN'S GLOBAL GOALS	Milestones in focus	At Lagercrantz
3 GOOD HEALTH AND WELL-BEING	**3.6 Reduce the number of deaths and injuries from road traffic accidents.** **3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and pollution.**	*Lagercrantz wants to contribute to a safer society, where fewer people are exposed to injury or risks.*
5 GENDER EQUALITY	**5.5 Ensure women's full participation in leadership and decision-making.**	*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 are also working to achieve a more uniform gender distribution in recruitment.*
7 AFFORDABLE AND CLEAN ENERGY	**7.2 Increase substantially the share of renewable energy in the global energy mix.** **7.3 Double the global rate of improvement in energy efficiency.**	*Lagercrantz shall conduct active work in order to continually reduce the energy use in the Group's operations, products and processes and increase the share of renewable energy.*
8 DECENT WORK AND ECONOMIC GROWTH	**8.1 Sustainable economic growth.** **8.5 Achieve full employment and decent work for all and equal pay for work of equal value.**	*Financial stability and strength are basic requirements for investing in sustainable business development. Through growth, we can create more exciting, stimulating and rewarding job opportunities. Lagercrantz strives to be a respected employer where employees feel happy and develop.*
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.1 Develop sustainable, resilient and inclusive infrastructure.** **9.C Significantly increase access to information and communications technology.** **9.4 Upgrade infrastructure and retrofit industries to make them sustainable.**	*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.*
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2 Achieve the sustainable management and efficient use of natural resources.** **12.4 Achieve the environmentally sound management of chemicals and all wastes.** **12.5 Substantially reduce waste generation.**	*We are continually working to reduce our use of resources and to act responsibly. Through our Code of Conduct for our suppliers, we are also working with earlier stages in the chain. Our long-term goal is that all suppliers to the Group's companies should comply with the Code of Conduct.*

Activities during the year

- **Swedwire** manufactures crash barrier wires, which are a constituent component in steel crash barriers. According to the Swedish Transport Administration (2019) *crash barriers of different types save about 80 person's lives in Sweden every year.* (3.6)
- Our own production mostly occurs in the Nordic countries, where we naturally follow the existing regulations. We are also continually looking to replace the chemicals that are used with better alternatives, including *with the help of the companies'* **chemical management system**. *We choose our suppliers carefully* and our goal is that they should follow our **Code of Conduct** which includes, sections about the environment. (3.9)

- We are working to have an **equal recruitment base** during hiring by actively seeking female candidates.
- Of the 200 managers in our companies, 16% are women. During the year, we recruited/promoted 26 persons to CEO or financial manager positions in subsidiaries, of which 8 are women, *which corresponds to 31%*.
- At our head office, 6 out of 16 persons are women.

Also see graphs on previous pages and Note 6 in the Annual Report.

- Most of our own production takes place in the Nordic countries, which means that a large part of the energy needed during production is **fossil-free**. *See table previous pages*. (7.2)
- Several subsidiaries, including **Tormek**, installed *solar cells as an energy source* during the year. (7.2)
- Several subsidiaries, including **Elpress**, *increased their energy efficiency* during the year due to a changeover to LED lights in production. *See separate graph on earlier pages concerning Elpress*. (7.3)

- In order to realise our vision, we have three basic requirements, **Growth**, **Profitability** and **Development**. We monitor this continually in each company during the year and it can be followed in each annual report. (8.1)
- **Developing our employees** is important for us. During the year, 114 employees participated in our various training courses. (8.5)
- We also work locally in the places we operate in to *also employ those who are a bit removed from the labour market*, such as new arrivals or people with disabilities. (8.5)
- Almost one third of our companies conduct regular **employee surveys** and we aim to increase this figure. (8.5)

Also see the graphs on the previous pages and Note 6 in the Annual Report for more data about our employees.

- During the year, we installed three additional **video conferencing facilities** in our companies and further developed the opportunities to work from home for those who need to. (9.1, 9.C)
- During the year, we **increased the utilisation of video meetings** by 10% in our own system to almost 1,900 hours in order to reduce travel. (9.4) *Also see graph on previous pages.*
- We advocate **eco-friendly cars** and they now account for just over *90% of the company car fleet*. (9.4)

- **Elpress** measures monthly water consumption, electricity consumption, etc. *Also see graphs on previous pages.* (12.2)
- **Acte Denmark** coordinates deliveries from suppliers to customers in order to limit the number of deliveries. (12.2)
- We sponsor **Städa Sverige**, where young people clean up different areas of the Swedish (outdoor) environment and thereby raise money for their sports associations. (12.4)
- **Acte Poland**, **Acte Denmark** reuse packaging material from incoming deliveries in outgoing deliveries. **ISG Systems** substitutes plastic with paper packaging material. (12.5)

Our own business

- **ISG Systems** works with technical solutions in order to detect traffic jams and obstacles in traffic in order to *avoid accidents* on our roads. (3.6)
- **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 deal with when you can measure the radon levels. Radonova is the leader in Europe for radon measurement in homes, schools and at workplaces. (3.9)
- **Asept** with its aseptic dispensing solutions contributes to *reduced chemical use* in liquid foodstuffs. (3.9)

- Many of our products enable a **better working environment** for our customers, which promotes diversity. One example is **Elpress**'s system for connectors that are ergonomically adapted and require lower hand strength.

- Several of Lagercrantz's subsidiaries are actively working to promote renewable energy production through their products and solutions. **Elpress**, the cable companies (**EFC**, **Elfac**, **Kablageproduktion**), **Norwesco**, **Swedwire** contribute to helping energy companies *increase their share of renewable energy*. (7.2)
- **Vanpee Norway** and **Vanpee Denmark** provide intelligent and demand-controlled lighting control that provide *great energy savings*. (7.3)

- The goal of our products and services is to help our customers in turn to become more efficient. For instance, **Asept**'s dispensing solutions enable customers to *reduce their plastic consumption by 90%* and boost their efficiency as they can replace disposable packaging. (8.1)
- **Vanpee Sweden** is a supplier of cable systems for infrastructure projects, e.g. for railways. The products are manufactured in **recycled plastic** and at the same time are lighter than traditional products, which *reduces the workload* during assembly. (8.5)

- Several of our companies have products and services for *promoting communication infrastructure*, including **Cue Dee**, **STV**, **Leteng**, **Direktronik**, **Enkom**, **COBS** and **ACTE Denmark**. (9.1, 9.C)
- **STV** enables *remote meetings*. (9.4)

- **Acte Denmark** sells Green Trough® recycled plastic cable ducts for railway applications, replacing the traditional concrete ducts. (12.2)
- **NST** minimises the customer's cable waste by customers ordering the exact length, which NST cuts according to order. (12.2)
- **Vendig** has conveyor components, which among other things, are important components in *recycling facilities around the Nordic countries*. (12.4)
- Dispensing solutions from **Asept** replace disposable packaging and *reduce the amount of plastic waste by up to 90%*. (12.5)

The figures in parentheses refer to the respective targets of the UN's Global Goals.

Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	2019/20	2018/19
Net revenue	3, 4	4,180	3,932
Cost of goods sold		-2,618	-2,488
Gross profit		**1,562**	**1,444**
Other operating income	7	53	38
Selling expenses		-769	-703
Administrative expenses		-341	-309
Other operating expenses	8	-22	-19
Operating profit (EBIT)	3, 5, 6, 9, 10, 13	**483**	**451**
Profit from financial items			
Financial income	11	14	11
Financial expenses	12	-37	-31
Profit before taxes	13	**460**	**431**
Taxes	14	-94	-89
Net profit for the year attributable to the Parent Company's shareholders		**366**	**342**
Earnings per share after dilution, SEK	39	5.39	5.05
Earnings per share, SEK	39	5.40	5.05
Number of shares after repurchases during the period ('000)		67,726	67,687
Weighted number of shares after repurchases during the period, adjusted after dilution ('000)		67,872	67,682
Weighted number of shares after repurchases during the period, ('000)		67,717	67,682
Proposed dividend per share, SEK		2.00	2.50

Other Consolidated Comprehensive Income

Amounts in MSEK	Note	2019/20	2018/19
Net profit for the year		366	342
Other comprehensive income			
Items transferred or that may be transferred to net profit			
Translation differences for the year		-4	7
Items that may not be transferred to profit/loss for the year			
Actuarial effects on pensions		-2	-10
Taxes attributable to actuarial effects		0	2
Comprehensive income for the year		**360**	**341**

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2020	31 Mar 2019
ASSETS	3		
Non-current assets			
Intangible non-current assets			
Goodwill	15	1,518	1,327
Trademarks	16	281	250
Other intangible assets	17	477	471
		2,276	**2,048**
Property, plant and equipment			
Buildings, land and land improvements	18	88	87
Costs incurred in leasehold property	19	8	4
Plant and machinery	20	136	110
Equipment, tools, fixtures and fittings	21	69	65
Rights of use	10	179	–
		480	**266**
Financial assets			
Other non-current receivables	24, 33	4	3
		4	**3**
Deferred tax assets			
Deferred tax assets	31	14	11
		14	**11**
Total non-current assets		**2,774**	**2,328**
Current assets			
Inventories etc.	25		
Raw materials and consumables		196	189
Work in progress		32	27
Finished goods and goods for resale		334	312
		562	**528**
Current receivables	33		
Trade receivables	26	682	640
Contract assets	27	34	48
Tax receivables		92	68
Other receivables		44	62
Prepaid expenses and accrued income	28	44	41
		896	**859**
Cash and cash equivalents	33	117	139
Total current assets		**1,575**	**1,526**
TOTAL ASSETS		**4,349**	**3,854**

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2020	31 Mar 2019
EQUITY AND LIABILITIES			
Equity	29		
Share capital		49	49
Other paid-up capital		345	345
Reserves		-19	-15
Retained earnings including net profit for the year		1,309	1,129
Total equity attributable to the Parent Company's shareholders		**1,684**	**1,508**
Non-current liabilities	3, 33, 34		
Non-current interest-bearing liabilities			
Provisions for pensions	30	76	76
Liabilities to credit institutions	34	700	901
Non-current lease liabilities	10	97	–
Other non-current interest-bearing liabilities		1	1
		874	**978**
Non-interest-bearing liabilities, non-current			
Deferred tax liabilities	31	211	203
Non-interest-bearing liabilities, non-current		3	–
Other provisions	32	14	9
		228	**212**
Total non-current liabilities		**1,102**	**1,190**
Current liabilities	3, 33, 34		
Current interest-bearing liabilities			
Committed credit facilities	34	166	155
Liabilities to credit institutions	34	307	11
Current lease liabilities	10	83	–
		556	**166**
Non-interest-bearing liabilities, current			
Advanced payments from customers		14	5
Trades payables		329	332
Tax liabilities		105	47
Contract liabilities	27	37	32
Other liabilities		299	349
Accrued expenses and deferred income	35	220	222
Provisions	32	3	3
		1,007	**990**
Total current liabilities		**1,563**	**1,156**
TOTAL EQUITY AND LIABILITIES		**4,349**	**3,854**

Consolidated Statement of Changes in Equity

Amounts in MSEK 31 Mar 2020	Share capital	Other paid-up capital	Translation reserve	Retained earnings incl. net profit for the year	Total equity
Opening balance	49	345	-15	1,129	1,508
COMPREHENSIVE INCOME					
Net profit for the year				366	366
Actuarial effects on pensions				-2	-2
Taxes attributable to actuarial effects				0	0
Translation effect for the year			-4	–	-4
Comprehensive income for the year			**-4**	**364**	**360**
Transactions with owners					
Dividend				-169	-169
Dividend to minority shareholders in subsidiaries				-10	-10
Shareholders' contribution from minority				12	12
Sale of own shares *				4	4
Repurchased options				-26	-26
Issued options				5	5
Closing balance	**49**	**345**	**-19**	**1,309**	**1,684**

Amounts in MSEK 31 Mar 2019	Share capital	Other paid-up capital	Translation reserve	Retained earnings incl. net profit for the year	Total equity
Opening balance	49	345	-22	931	1,303
COMPREHENSIVE INCOME					
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
Comprehensive income for the year			**7**	**334**	**341**
Transactions with owners					
Dividend				-135	-135
Repurchase of own shares				–	–
Sale of own shares *				2	2
Repurchased options				-7	-7
Issued options				4	4
Closing balance	**49**	**345**	**-15**	**1,129**	**1,508**

Note 29 contains further information regarding equity.

** Refers to redemption of options.*

Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2019/20	2018/19
Operating activities			
Profit after financial items	36	460	431
Adjustment for items not included in cash flow etc.	37	222	143
		682	**574**
Taxes paid		-79	-132
Cash flow from operating activities before changes in working capital		**603**	**442**
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		3	-25
Increase (-) / Decrease (+) in operating receivables		11	-36
Increase (+) / Decrease (-) in operating liabilities		-110	81
Cash flows from operating activities		**507**	**462**
Investing activities			
Investment in businesses	38	-260	-142
Sold subsidiaries	38	–	–
Investments in intangible non-current assets		-15	-14
Purchase of property, plant and equipment		-81	-66
Disposal of property, plant and equipment		5	7
Cash flow from investing activities		**-351**	**-215**
Financing activities			
Repurchase of own shares		–	–
Sale of own shares *		4	2
Repurchased options		-26	-7
Issued options		5	4
Dividends paid		-179	-137
Borrowings		100	–
Amortisation of loans		–	-10
Change in committed credit facilities, liabilities to credit institutions	34	-82	-94
Cash flow from financing activities		**-178**	**-242**
Cash flow for the year		**-22**	**5**
Cash and cash equivalents at beginning of year		139	134
Exchange difference in cash and cash equivalents		–	–
Cash and cash equivalents at end of the year		**117**	**139**

** Within option programme.*

CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2019/20	2018/19
Net loan liabilities (+) / receivables (-) at the start of the year		1,004	1,102
Change in interest-bearing liabilities		287	-102
Interest-bearing liabilities in acquired operations		–	–
Changes in interest-bearing pension provisions		–	9
Cash and cash equivalents in acquired operations		32	–
Change in cash and cash equivalents, other		-11	-5
Net loan liabilities (+) / receivables (-) at end of year		**1,312**	**1,004**

Parent Company Income Statement

Amounts in MSEK	Note	2019/20	2018/19
Net revenue	3, 4	37	36
Gross profit		**37**	**36**
Administrative expenses		-70	-72
Other operating income and operating expenses		0	0
Operating profit	3, 6, 9, 10, 13	**-33**	**-36**
Profit from financial items			
Results from participations in Group companies	11	462	376
Interest income and similar profit/loss items	11	17	8
Interest expenses and similar profit/loss items	12	-17	-16
Profit after financial items	13	**429**	**332**
Appropriations			
Change in untaxed reserves		-14	–
Profit before taxes		**415**	**332**
Taxes	14	-8	1
Net profit for the year		**407**	**333**

Group contributions received of MSEK 168 have been adjusted and appropriations of MSEK 42 have been dissolved since the publication of the year-end report, the effect is included in the income statement above.

Other Comprehensive Income, Parent Company

Amounts in MSEK	Note	2019/20	2018/19
Net profit for the year		407	333
Other comprehensive income		–	–
Comprehensive income for the year		**407**	**333**

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2020	31 Mar 2019
ASSETS			
Non-current assets			
Equipment, tools, fixtures and fittings	21	1	1
		1	**1**
Financial assets			
Participations in Group companies	22	2,617	2,461
Receivables from Group companies	23	115	110
Deferred tax assets	31	2	2
		2,734	**2,573**
Total non-current assets		**2,735**	**2,574**
Current assets			
Current receivables	33		
Receivables from Group companies	33	679	528
Tax receivables		1	10
Other receivables		–	10
Prepaid expenses and accrued income	28	4	5
		684	**553**
Cash and bank balances	33	–	–
Total current assets		**684**	**553**
TOTAL ASSETS		**3,419**	**3,127**

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2020	31 Mar 2019
EQUITY AND LIABILITIES			
Equity	29		
Share capital		49	49
Legal reserve		13	13
Restricted equity		**62**	**62**
Retained earnings including net profit for the year		1,315	1,169
Net profit for the year		407	333
Non-restricted equity		**1,722**	**1,502**
Total equity		**1,784**	**1,564**
Untaxed reserves		14	–
Provisions			
Provisions for pensions	30	19	20
Non-current liabilities	33, 34		
Non-current interest-bearing liabilities			
Liabilities to credit institutions	34	700	900
Liabilities to Group companies		1	–
Total non-current liabilities		**720**	**920**
Current liabilities	33, 34		
Current interest-bearing liabilities			
Committed credit facilities	34	162	153
Liabilities to credit institutions	34	300	–
		462	**153**
Non-interest-bearing liabilities, current			
Trade payables		2	2
Liabilities to Group companies		308	287
Tax liabilities		–	–
Other liabilities		113	181
Accrued expenses and deferred income	35	16	20
		439	**490**
Total current liabilities		**901**	**643**
TOTAL EQUITY AND LIABILITIES		**3,419**	**3,127**

Group contributions received of MSEK 168 have been adjusted and appropriations of MSEK 42 have been dissolved since the publication of the year-end report, the effect is included in the balance sheet above.

Statement of Changes in Parent Company's Equity

Amounts in MSEK 31 Mar 2020	Share capital	Legal reserve	Retained earnings incl. net profit for the year	Total equity
Opening balance	49	13	1,502	1,564
COMPREHENSIVE INCOME				
Net profit for the year			407	407
Other comprehensive income			–	–
Comprehensive income for the year			**407**	**407**
Transactions with owners				
Dividend			-169	-169
Repurchase of own shares			–	–
Sale of own shares *			4	4
Repurchased options			-26	-26
Issued options			5	5
Other			-1	-1
Closing balance	**49**	**13**	**1,722**	**1,784**

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

Note 29 contains further information regarding equity.

** Refers to redemption of options.*

Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2019/20	2018/19
Operating activities			
Profit after financial items	36	429	332
Adjustment for items not included in cash flow etc.	37	-84	-37
		345	**295**
Taxes paid		–	-2
Cash flow from operating activities before changes in working capital		**345**	**293**
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in operating receivables		-70	2
Increase (+) / Decrease (-) in operating liabilities		35	131
Cash flow from operating activities		**310**	**426**
Investing activities			
Investment in businesses		-228	-187
Purchase of property, plant and equipment		–	–
Disposal of/decrease in financial assets		-5	-6
Cash flow from investing activities		**-233**	**-193**
Financing activities			
Repurchase of own shares		–	–
Sale of own shares		4	2
Repurchased options		-26	-7
Issued options		5	4
Redemption of options		–	–
Dividends paid		-169	-135
Borrowings		100	–
Amortisation of loans		–	–
Change in committed credit facilities, liabilities to credit institutions	34	9	-97
Cash flow from financing activities		**-77**	**-233**
Cash flow for the year		**–**	**–**
Cash and cash equivalents at the beginning of the year		–	–
Exchange difference in cash and cash equivalents		–	–
Cash and cash equivalents at end of the year		**–**	**–**

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 recognised at fair value consist of derivative instruments and financial assets classified as financial assets measured at fair value through profit or loss.

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

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

The financial reports include the financial statements with notes. The consolidated financial statements and the Parent Company's annual accounts were approved for publication by the Board of Directors on 3 July 2020. The consolidated income statement and statement of financial position and the Parent Company's income statements and balance sheets are subject to adoption by the Annual General Meeting on 25 August 2020.

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 judgments. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which they arise if the change affects that period alone or, alternatively, in the period in which they arise and during future periods if the change affects both the period in question and future periods.

Judgements 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 before the end of the reporting period are taken into account at the time of adopting the financial statements.

The stated accounting policies for the Group have been consistently applied for all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have been 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 2019/20

IFRS 16 Leases

IFRS 16 Leases is a new standard for the 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.

On 1 April 2019, the Group started to apply the new standard for leases. For lessees, the classification according to IAS 17 in operating and finance leases disappeared and was replaced by a model where right-of-use assets and lease liabilities for all leases are recognised in the balance sheet.

Leases where the Group is the lessee

The Group reports new assets and liabilities for operating leases, primarily relating to rent for premises, vehicles and production equipment. The costs for these leases are recognised as 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.

The new standard has resulted in increased disclosure requirements, which are found in Note 10 Leases, Note 9 Depreciation and Amortisation and Note 37 Cash flow.

In the event that the Group is a lessor, no change has been made regarding the accounting, as the requirements are largely unchanged, i.e. lessors continue to classify leases as finance or operating leases.

There are exceptions for short-term leases and leases of low-value assets.

Transition and relief rules

The Group has elected to apply the modified retrospective method. This means that the accumulated effect of the introduction of IFRS 16 has been recognised in the balance sheet in the opening balance as of 1 January 2019, without restating comparative figures. At the transition, a lease liability was measured, which consists of the present value of the remaining leasing fees, discounted by the Group's incremental borrowing rate on initial recognition (1 January 2019). The right-of-use asset is measured at an amount corresponding to the lease liability, adjusted for any prepaid or accrued lease fees. After initial recognition, the rights of use are continually recognised at cost less depreciation. The right-of-use asset is written off over a useful life that usually corresponds to the term of the lease. The carrying amount of the lease liability subsequently increases with interest expenses on lease liabilities and decreases with paid leasing fees after the initial recognition.

There is no effect on total cash flow, but cash flow from operating activities will increase as most of the lease payments are classified as amortisation of lease liabilities, i.e. within financing activities. The lease payments for right-of-use assets have no effect on cash flow from investing activities as they are not classified as investing activities (but as payment of interest and lease liabilities).

The effect of the transition means that right-of-use assets and liabilities increased by about MSEK 142, of which current liabilities amounted to about MSEK 79 and non-current liabilities amounted to about MSEK 63. The Group's EBITA for the financial year 2019/20 increased by SEK 2 million, because part of the lease expenses are now recognised as an interest expense. Cash flow from operating activities increased by MSEK 89 during the financial year and cash flow from financing activities decreased by the same amount, as the lease fees' amortisation component is now recognised as a payment in financing activities.

The Group has applied the relief rule to "inherit" the earlier definition of leases during the transition. This means that IFRS 16 has been applied to all contracts entered into 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 that approx. SEK 50,000) – which mainly consist of computers, printers/copiers and coffee machines – have not been included in the lease liability but 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. An incremental borrowing rate has been determined per country and asset class. Refer to Note 10 Leases.

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

(e) 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

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liabilities. The acquisition cost to the Group is determined by an acquisition analysis in conjunction with the acquisition. The analysis determines the cost of the shares or entity, the fair values of acquired identifiable assets, and assumed liabilities and contingent liabilities, as well as any non-controlling interests. Transaction expenses incurred are recognised directly in profit or loss. The difference between the cost of acquisition of the shares in a subsidiary and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognised as goodwill in the Group. When the difference is negative, it is recognised directly in profit or loss. 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.

In the event that the acquisition does not relate to 100% of the subsidiary, a non-controlling interest arises. 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% 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 foreign currency are translated to the functional currency at the rate of exchange that prevailed at the end of the reporting period. Exchange 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. Income and expenses in a foreign operation are translated 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

The Group's revenue consists of the sale of goods and services. Revenue is measured based on the remuneration specified in the agreement with the customer. The Group recognises revenue when control over goods or services is transferred to the customer.

(i) Sale of goods

Since the majority of sales relate to goods, revenue is usually recognised at a certain point in time when the goods have been delivered to the buyer, i.e. when the control over the goods has been transferred. Volume discounts to customers occur and then reduce the revenue. Guarantees exist but do not constitute a separate performance and do not affect revenue recognition. Revenue is not recognised if it is probable that the economic rewards will not accrue to the Group. If the sold product includes installation at the buyer, and the installation constitutes a significant part of the delivery, revenue is recognised when the installation is completed.

(ii) 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 on another date.

(iii) 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.

(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 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.

(ii) 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 profit or loss, impairment losses on financial assets and gains and losses on hedging instruments recognised in profit or loss.

Interest income on receivables and interest 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 profit or loss using the effective interest 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 IFRS 9. Financial instruments on the asset side that are recognised in the balance sheet include cash and cash equivalents, trade receivables, other receivables, financial investments and derivatives. Liabilities include borrowings, trade payables other liabilities and derivatives.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual terms of the instrument. A financial asset or part of a financial asset is derecognised when the rights in the contract are realised, lapse or the Group loses control over them. A financial liability is derecognised when the contractual liability is discharged or otherwise expires.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realised and the liability settled simultaneously. Acquisition and disposal of financial assets are recognised on the transaction date, which represents the day when the Group committed to acquire or dispose of the asset.

Classification and measurement

Financial instruments are initially recognised at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments, apart from derivatives and financial assets and liabilities that are recognised at fair value via profit or loss, which are recognised at fair value excluding transaction costs. A financial instrument's classification determines how it is measured after initial recognition. The classification of financial assets under IFRS 9 is based on the company's business model for the management of the financial assets and the characteristic features of the contractual cash flows from the financial asset.

The instruments are classified as:

- Amortised cost
- Fair value via profit or loss

The Group's holdings of financial instruments are classified as follows:

Trade receivables, other receivables which are financial assets and cash and cash equivalents

Trade receivables, other current receivables, non-current receivables and cash and cash equivalents are recognised at amortised cost less any provision for impairment losses. Amounts are not discounted when it has no material effect. The items are recognised after deduction of expected credit losses. Any write-down requirement in respect of the receivables is assessed on the basis of an individual assessment of the credit risk when the receivable initially arises and then during its entire term. The companies in the Group measure the credit risk using available information about historical credit events, current circumstances and forecasts for future development. Credit risk is generally spread over a large number of customers and reflects the Group's trading operations well where the total revenue is made up of many business transactions and a good risk diversification of sales in various industries and companies. Historically, there have only been a few cases of confirmed bad debt losses in the Lagercrantz Group and they have been minor. The credit quality of the trade receivables that have not fallen due and that have not been written down is considered good.

Assets that do not meet the criteria for amortised cost are measured at fair value via profit or loss.

Financial liabilities measured at amortised cost

Loans, trade payables and certain other operating liabilities are included in this category. Borrowing is recognised at amortised cost and any difference between the amount borrowed (net after transaction costs) and the repayment amount is recognised in net profit for the year, allocated over the term of the loan using the effective interest method. Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment for at least 12 months after the balance sheet date. Trades payables and other operating liabilities are not discounted, since it does not have a material effect.

Financial liabilities measured at fair value through profit or loss

Liabilities for contingent considerations and call options arising in business combinations are measured at fair value through profit or loss. The measurement of these items pertains to Level 3 of the valuation hierarchy, where the measurement is based on the operations' expected future financial performance, which has been estimated by the company management.

Derivatives and hedge accounting, see description below (j)

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash and bank balances and other investments in securities with a remaining maturity of three months or less from the date of acquisition.

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. Currency exposure relating to future contracted and forecast flows is hedged using currency futures, swaps and currency clauses in customer and supplier contracts. Embedded derivatives, for example currency clauses are separated from the host contract and are recognised separately if the host contract is not a financial asset and special requirements are met. Derivatives are initially measured at fair value, which means that transaction costs are charged to profit or loss for the period. After initial recognition, the derivative instrument is measured at fair value. Hedge accounting is not applied at present for the futures, the swaps or the embedded derivatives in the currency clauses. Increases and decreases in value are recognised as revenue and expenses, respectively, within operating profit.

Hedging of forecast sales in foreign currency – cash flow hedges

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

Receivables and liabilities in foreign currency

Currency futures contracts can be used for hedging an asset or a liability against currency risk. For such hedges, 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 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 Group 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 disposal/sale 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 until 31 March 2019

IAS 17 applies to leased assets. Leases are classified in the consolidated financial statements either as finance or operating leases. Leases where substantially all of the economic risks and rewards associated with ownership have been transferred to the lessee are classified as finance leases. Where that is not the case, the lease is an operating lease. Assets rented under financial 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. Operating leases mean that leasing fees are expensed over the term of the lease, based on use, which may differ in practice from the amount of leasing fees actually paid during the year.

(iii) Leased assets from and including 31 March 2019

Leases that are longer than 12 months and of material value are initially recognised as a value in use and a lease liability in the balance sheet. The rights of use are initially recognised at cost, i.e. the lease liability's original value and other prepaid expenses. After the initial recognition, the rights of use are recognised on an ongoing basis at cost less depreciation. The lease liabilities are initially recognised at the present value of future unpaid leasing fees. The leasing fees are discounted by the incremental borrowing rate. Thereafter, the carrying amount is increased by interest expenses and reduced by paid lease fees. Depreciation of the rights of use and the interest on the lease liabilities are recognised in the income statement. Payments attributable to the amortisation of lease liabilities are recognised in the cash flow within financing activities and payments relating to interest as cash flow from operating activities. Short-term leases and low-value leases are exempted from the measurement and are recognised as an expense in the income statement.

(iv) Additional expenditure

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

(v) 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, business premises	15 – 50 years
■ Plant and machinery	3 – 10 years
■ Equipment, tools, fixtures and fittings	3 – 5 years

Business 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 the income statement.

(ii) Research and development

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

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

(iv) Amortisation

Amortisation is recognised in profit or loss 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 or 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 IFRS 9, 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. In calculating value in use, future cash flows are discounted using a discount factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

(i) Impairment of financial assets

The recoverable amount of financial assets, 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 profit or loss.

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

(iii) Remuneration upon termination of employment

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

(iv) Employee share option plan

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

(q) Provisions

A provision is recognised in the statement of financial position when the Group has 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.

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(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 on the balance sheet date.

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

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

(t) Cash flow statement
Incoming and outgoing payments have been divided into the 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 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% of the shares, there is always a mutual call/put option, i.e. Lagercrantz/the seller of shares has the right to acquire/sell the remaining shares at a predetermined price. Lagercrantz has a controlling influence over these shares as they can be acquired and incorporated into the Group's total bulk of assets.

Dividends received from subsidiaries' retained 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. This means that the Parent Company has elected to apply the possibility in RFR 2 to not adopt the new lease standard IFRS 16.

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 recognised 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 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 2 Critical estimates and judgements

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 strategic plan of the business in question and expected future cash flows for the operation. The discount factor used for present value calculations of expected future cash flows is the weighted average cost of capital (WACC). For more information, refer to Note 15.

Deferred taxes
The value of tax loss carryforwards and other deferred tax assets/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 40.

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 cost of pensions. 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 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.
- **Mechatronics division**: Active in niche production of cabling, electrical connection systems and similar products.
- **Communications division**: Offers products, systems and services in the areas of technical security and digital transmission technology as well as control technology.
- **Niche Products division**: Primarily produces and sells proprietary products with a strong position in their market niche.

Sales and profit by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Revenue								
External sales	1,048	998	1,222	1,122	966	918	944	894
Internal sales	3	4	14	12	–	–	5	5
Total revenue	**1,051**	**1,002**	**1,236**	**1,134**	**966**	**918**	**949**	**899**
Operating profit (EBITA)	**102**	**101**	**197**	**172**	**151**	**137**	**149**	**149**
Amortisation of intangible assets that arose during acquisitions	-16	-8	-18	-16	-20	-20	-28	-24
EBIT (profit before financial items)	**86**	**93**	**179**	**156**	**131**	**117**	**121**	**125**

	Parent Company and eliminations		Total	
	2019/20	2018/19	2019/20	2018/19
Revenue				
External sales	–	–	4,180	3,932
Internal sales	-22	-21	–	–
Total revenue	**-22**	**-21**	**4,180**	**3,932**
Earnings				
EBIT (profit before financial items)	**-34**	**-40**	**483**	**451**
Financial income			14	11
Financial expenses			-37	-31
Profit before taxes			**460**	**431**
Taxes			-94	-89
Net profit			**366**	**342**

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

Other information by operating segment

	Electronics		Mechatronics		Communications		Niche Products	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Assets	1,084	877	1,315	1,027	757	854	1,142	1,059
Undistributed assets	–	–	–	–	–	–	–	–
Total assets	**1,084**	**877**	**1,315**	**1,027**	**757**	**854**	**1,142**	**1,059**
Liabilities	285	248	312	242	262	270	241	191
Undistributed liabilities	–	–	–	–	–	–	–	–
Total liabilities	**285**	**248**	**312**	**242**	**262**	**270**	**241**	**191**
Capital expenditures	18	11	35	24	20	11	23	33
Depreciation and amortisation	60	20	67	32	48	32	55	40

	Parent Company		Total	
	2019/20	2018/19	2019/20	2018/19
Assets	14	18	4,312	3,835
Undistributed assets	–	–	37	19
Total assets	**14**	**18**	**4,349**	**3,854**
Liabilities	1,159	1,134	2,259	2,085
Undistributed liabilities	–	–	406	261
Total liabilities	**1,159**	**1,134**	**2,665**	**2,346**
Capital expenditures	–	1	96	80
Depreciation and amortisation	4	0	234	124

Note 3 continued

External sales by geographical market

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

	2019/20	2018/19
Sweden	1,474	1,441
Denmark	640	578
Norway	392	425
Finland	258	229
UK	85	77
Germany	294	303
Poland	119	111
Rest of Europe	384	315
Rest of the world	534	453
	4,180	**3,932**

Capital expenditures and non-current assets by geographical market

	Capital expenditures 2019/20	Capital expenditures 2018/19	Non-current assets 31 Mar 2020	Non-current assets 31 Mar 2019
Sweden	67	56	1,614	1,535
Denmark	13	15	505	354
Norway	2	1	141	130
Finland	8	4	293	97
Germany	1	1	188	184
Poland	4	3	24	21
Rest of Europe	–	–	7	7
Rest of the world	1	–	2	–
Undistributed assets	–	–	–	–
	96	**80**	**2,774**	**2,328**

Parent Company

	2019/20	2018/19
Internal net revenue by operating segment		
Electronics	12	11
Mechatronics	12	12
Communications	11	10
Niche Products	11	10
	46	**43**
Internal net revenue by geographical market		
Sweden	27	26
Denmark	9	9
Norway	3	3
Finland	3	3
Germany	2	1
Other countries	2	1
	46	**43**

Note 4 Distribution of net revenue

Net revenue by product category

	2019/20	2018/19
Group		
Trading	938	984
Niche production	396	331
Proprietary products	2,544	2,299
System integration	180	205
Service and other	122	113
	4,180	**3,932**

In the case of other types of revenue, dividends and interest income are recognised in net financial items. See Note 11. Also see Note 3, regarding net revenue by segment.

Note 5 Operating costs allocated by type of cost

	2019/20	2018/19
Group		
Cost of goods sold	2,351	2,006
Compensation-related personnel costs	1,150	1,101
Depreciation and amortisation	234	124
Other operating expenses	15	288
Total operating expenses	**3,750**	**3,519**

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

Average number of employees

	2019/20	of whom men	2018/19	of whom men
Parent Company				
Sweden	13	54%	13	62%
Other Group companies				
Sweden	861	78%	815	78%
Denmark	273	63%	302	63%
Norway	55	80%	58	79%
Finland	149	47%	106	46%
Germany	52	63%	48	63%
Poland	78	87%	72	86%
Other countries	40	78%	35	83%
Total in Group companies	**1,508**	**72%**	**1,436**	**72%**
Group total	**1,521**	**72%**	**1,449**	**72%**

Salaries, other remuneration and social security expenses

	2019/20 Salaries and re-muneration	2019/20 Social security expenses	2018/19 Salaries and re-muneration	2018/19 Social security expenses
Parent Company	31	18	32	18
(of which pension expense)		(7)[1]		(8)[1]
Other Group companies	759	342	689	313
(of which pension expense)		(72)		(64)
Group total	**790**	**360**	**721**	**331**
(of which pension expense)		(79)[2]		(72)[2]

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

[2] MSEK 13 (12) 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

	2019/20 Board of Directors and President	2019/20 Other employees	2018/19 Board of Directors and President	2018/19 Other employees
Sweden				
Parent Company	15	16	13	19
(of which, bonus etc.)	(2)	(1)	(1)	(4)
Other Group companies in Sweden	40	353	37	331
(of which, bonus etc.)	(5)	(13)	(4)	(8)
Sweden total	**55**	**369**	**50**	**350**
	(7)	(14)	(5)	(12)
Outside Sweden				
Denmark	22	177	22	159
(of which, bonus etc.)	(1)	(5)	(1)	(1)
Norway	4	37	6	38
(of which, bonus etc.)	(0)	(0)	(0)	(1)
Finland	6	52	4	38
(of which, bonus etc.)	(0)	(0)	(0)	(0)
Germany	2	27	1	20
(of which, bonus etc.)	(–)	(0)	(–)	(0)
Poland	2	15	2	13
(of which bonus etc.)	(–)	(–)	(–)	(–)
Other countries	4	18	3	15
(of which, bonus etc.)	(0)	(1)	(–)	(2)
Group companies outside Sweden total	**40**	**326**	**38**	**283**
(of which, bonus etc.)	(1)	(6)	(1)	(4)
Group total	**95**	**695**	**88**	**633**
(of which, bonus etc.)	(8)	(20)	(6)	(16)

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

Gender distribution in company managements

	31 Mar 2020 Proportion of women	31 Mar 2019 Proportion of women
Parent Company		
Board of Directors	25%	25%
Other senior executives	23%	15%
Group total		
The Board of Directors	10%	7%
Other senior executives	6%	4%

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% of the fixed salary. The variable salary component should also be based on outcome relative to set goals and individual performance. The retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one annual salary may be offered, in addition to salary during the period of notice. Apart from existing programmes and the incentive programme proposed to the AGM, no other share-based or share-price-related programmes will be offered.

In individual cases and where 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 2020 AGM is set out in the Report of the Board of Directors.

Remuneration Board members

SEK '000	2019/20	2018/19
Chairman of the Board (incl. fee Remuneration Committee)	750	600
Vice Chairman of the Board	–	–
Other Board members (incl. fee Remuneration Committee)	1,800	1,550
Total	**2,550**	**2,150**

Remuneration and other benefits to senior executives 2019/2020

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
Chief Executive Officer						
Jörgen Wigh	5,617	1,032	459	132	1,711	8,951
Executive Vice President						
Magnus Söderlind	3,244	597	581	108	957	5,487
Other senior executives						
11 persons	21,409	2,436	1,246	1,051	4,713	30,855
Total	**30,270**	**4,065**	**2,286**	**1,291**	**7,381**	**45,293**

Remuneration and other benefits to senior executives 2018/2019

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

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, 3 persons left the company and 3 persons joined. Remuneration to this group, a total of 13 (13) persons in 2019/20, was covered by the resolution at the 2019 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 2019 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 the when the company publishes its Interim Report for the period 1 April 2021 – 30 September 2021, (ii) during the period 16 May – 27 May 2022, and (iii) during the period 7 November – 18 November 2022. Similar call option programmes for managers and senior executives were approved by the 2017 and 2018 AGMs. In all programmes, the share is acquired at a redemption price determined as a percentage mark-up of an average share price after the AGM in accordance with the quoted prices paid. The programmes cover senior executives and managers with a direct possibility of affecting the Group's results. Board members have not been entitled to acquire call options, with the exception of the company's President & CEO. In order to be allocated call options, the employee must have concluded a special pre-emption agreement with the company. Pre-emption shall occur at the market value at the time of termination of employment, an offer from a third party for all shares in the company and in cases when the call options are to be transferred to a third party. In all other respects the call options are freely transferable. The options premium in the programme has been calculated by Nordea Bank using the generally accepted valuation method, the Black & Scholes model. The assumptions in the calculations have been that the redemption price was set at 120% of the calculated average of the highest and lowest prices paid during the measurement period, the volatility has been based on statistical information based on historical data, the risk-free interest rate has been based on the interest rate for government bonds, the term and redemption period according to the terms and conditions of the programmes and dividends according to the analyst estimates available in conjunction with the Group's dividend policy.

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% 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. Options programme 2017/20 extends to 6 November 2020.

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 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% 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. Options programme 2018/21 extends to 19 November 2021.

The allocation resolved by the 2019 AGM comprised 60 persons and a total of 500,000 call options, of which 417,900 were subscribed for. Allocations varied between 1,000 – 50,000 options per person. The President & CEO acquired 50,000 and other members of Management team acquired 180,500. The measurement period to determine the average share price, which was SEK 130.94, was 2 September – 13 September 2019. The redemption price for the call options, which was resolved to be 120% of the average price, was set at SEK 154.40. The market value of the call options was set at SEK 11.50 per option by an independent valuation institution. Options programme 2019/22 extends to 18 November 2022.

In addition to this, redemption of options relating to the 2016 and 2017 programmes meant an increase in equity of MSEK 4, in connection with the Parent Company's sale of repurchased Class B shares to the option holders.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 6 continued

Option programme	31 Mar 2020 SEK/Option	31 Mar 2020 Number	31 Mar 2019 SEK/Option	31 Mar 2019 Number
2016/19	–	–	100.70	534,875
2017/20	95.90	234,500	95.90	675,000
2018/21	105.20	500,000	104.80	500,000
2019/22	154.40	417,900	–	–
Total number of outstanding options		**1,152,400**		**1,709,875**

Audit fees and reimbursements

	Group 2019/20	Group 2018/19	Parent Company 2019/20	Parent Company 2018/19
KPMG				
Audit assignments	4	4	1	1
Tax advisory assignments	0	–	–	–
Other assignments	0	1	0	0
Other auditors				
Audit assignments	1	1	–	–
Tax advisory assignments	0	–	–	–
Other assignments	0	–	–	–

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

	2019/20	2018/19
Group		
Other remuneration and contributions	1	1
Exchange gains on receivables/liabilities of an operating character	23	19
Reversal of contingent consideration previous acquisitions	22	10
Other	7	8
	53	**38**

Note 8 Other operating expenses

	2019/20	2018/19
Group		
Exchange losses on receivables/liabilities of an operating character	-12	-11
Reversal of contingent consideration previous acquisitions	-6	-6
Other expenses	-4	-2
	-22	**-19**

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

	2019/20	2018/19
Group		
Depreciation and amortisation according to plan allocated by asset		
Intangible assets	-98	-82
Lands and buildings	-4	-4
Costs incurred in leasehold property	-1	–
Plant and machinery	-25	-24
Equipment, tools, fixtures and fittings	-16	-14
Right-of-use assets	-90	–
	-234	**-124**
Depreciation and amortisation according to plan allocated by function		
Cost of goods sold	-56	-25
Selling expenses	-136	-91
Administrative expenses	-42	-8
	-234	**-124**
Parent Company		
Depreciation and amortisation according to plan allocated by asset		
Equipment, tools, fixtures and fittings	0	0
	0	**0**
Depreciation and amortisation according to plan allocated by function		
Administrative expenses	0	0
	0	**0**

Note 10 Leases

	2018/19
Group	
The current financial year's expensed operating leasing fees and rents	81
of which variable fees	–
Future payments due per year:	
1 year after the current financial year	69
2 years after the current financial year	37
3 years after the current financial year	22
4 years after the current financial year	13
5 years after the current financial year	7
	148
Operating lease obligations as of 31 Mar 2019	148
Discounted – incremental borrowing rate 2%	144
Less exceptions for:	
Short-term leases	-4
Leases of low value	-2
Plus – reasonably certain extension options	4
Lease liabilities on 1 Apr 2019	**142**

	Recognised 31 Mar 2019	Effect of IFRS 16	Translated items 31 Mar 2019
Assets			
Buildings, land and land improvements	87	92	179
Equipment, tools, fixtures and fittings	65	43	108
Other property, plant and equipment	114	7	121
Deferred tax assets	11	0	11
Total non-current assets	**2,328**	**142**	**2,470**
Current assets	1,526	–	1,526
Total assets	**3,854**	**142**	**3,996**
Equity and liabilities			
Shareholders' equity	1,508	–	1,508
Non-current lease liabilities	0	63	63
Current lease liabilities	0	79	79
Total equity and liabilities	**3,854**	**142**	**3,996**

	31 Mar 2020
Maturity structure lease liabilities	
Within one year	83
1 – 2 years	51
2 – 5 years	49
Later than 5 years	2
Expected future payments, undiscounted	**185**
Recognised amount, discounted	**180**

	2019/20
Costs from leases	
Depreciation of right-of-use assets	90
Interest on lease liabilities	3
Costs for short-term leases	4
Costs for leased assets of low value	1
Lease expenses	**98**

	31 Mar 2020
The recognised right-of-use assets are distributed as follows:	
Properties	128
Vehicles	42
Other	9
Total right-of-use assets	**179**

The effect of the transition to IFRS 16 Leases on the Group is described in Note 1 Accounting policies. The method that the Group has elected to apply for the transition to IFRS 16 means that comparative figures are not restated. The transition effect from previous the accounting standard to IFRS 16 is described in the tables above. Future minimum lease fees amounting to MSEK 148 at the end of 2018 have been discounted with an incremental borrowing rate of 2% to MSEK 144. Leases of lower value and leases with short terms have been deducted and extension options have been added. Opening lease liability according to IFRS 16 at the beginning of the 2019/20 financial year amounted to MSEK 142. At the end the financial year 2019/20, the lease liability amounted to MSEK 180, of which MSEK 83 was current and MSEK 97 was non-current. The Group's right-of-use assets mainly refer to rented premises and cars but also to IT equipment etc. Depreciation of right-of-use assets is included in Note 9 Depreciation and amortisation.

Note 11 Financial income

	2019/20	2018/19
Group		
Interest income	1	1
Exchange gains	12	10
Other financial income	1	–
	14	**11**
Parent Company		
Result from participations in Group companies		
Interest income from Group companies	10	8
Group contributions received	84	39
Dividends	378	337
	472	**384**
Other interest income and similar profit/loss items		
Exchange gains	7	–
Other	–	–
	7	**–**
Total financial income	**479**	**384**

Note 12 Financial expenses

	2019/20	2018/19
Group		
Interest expenses pensions	-1	-2
Interest expenses lease liabilities	-3	–
Other interest expenses	-18	-17
Exchange losses	-15	-12
	-37	**-31**
Parent Company		
Result from participations in Group companies		
Interest expenses to Group companies	–	–
Exchange losses	–	–
Impairment losses	–	–
	–	**–**
Other interest expenses and similar profit/loss items		
Other interest expenses	-16	-15
Effect of interest hedge	–	–
Other	-1	-1
	-17	**-16**
Total financial expenses in the Parent Company	**-17**	**-16**

Note 13 Exchange differences that affected profit

	2019/20	2018/19
Group		
Exchange differences affecting operating profit	11	7
Financial exchange differences	-3	-2
	8	**5**
Parent Company		
Financial exchange differences	7	–
	7	**–**

Note 14 Tax on net profit for the year

	2019/20	2018/19
Group		
Current tax expense (-) / tax revenue (+)		
Tax for the period	-113	-120
Adjustment of tax pertaining to prior years	2	–
	-111	**-120**
Deferred tax expense (-) / tax revenue (+)		
Deferred tax related to temporary differences	17	31
Change in deferred tax related to change in capitalised tax value of loss carryforwards	–	–
	17	**31**
Total recognised tax expense / tax revenue in the Group	**-94**	**-89**

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

Reconciliation of effective tax	2019/20	2018/19
Group		
Profit before taxes	460	431
Tax according to tax rate for the Parent Company, 21.4%	-92	-87
Effect of other tax rates in Group companies outside Sweden	-6	-3
Effect of changed tax rates	–	8
Non-deductible expenses	-2	-30
Non-taxable income	4	23
Tax pertaining to prior years	2	–
Recognised effective tax	**-94**	**-89**

	2019/20	2018/19
Parent Company		
Current tax expense (-) / tax revenue (+)		
Tax expense for the period	-8	1
	-8	**1**
Deferred tax expense (-) / tax revenue (+)		
Deferred tax related to temporary differences	0	0
	0	**0**
Total recognised tax expense / tax revenue in the Parent Company	**-8**	**1**

Reconciliation of effective tax	2019/20	2018/19
Parent Company		
Profit before taxes	415	332
Tax according to current tax rate, 21.4%	-89	-73
Effect of impairment losses	–	–
Dividends from Group companies	81	74
Non-deductible expenses	0	-1
Tax pertaining to prior years	–	1
Recognised effective tax	**-8**	**1**

Note 15 Goodwill

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	1,327	1,248
New purchases	163	82
Remeasurements	15	-7
Reclassification	-1	–
Exchange difference	14	4
Carrying amount at end of the period	**1,518**	**1,327**
Goodwill allocated by division and cluster		
Electronics	304	273
Mechatronics	442	344
Communications	308	310
Niche Products	464	400
Total goodwill	**1,518**	**1,327**

Impairment testing of goodwill

The Group's recognised goodwill amounts to MSEK 1,518 (1,327). 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 2020. 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) annually. For subsequent years, growth has been based on an estimated sustainable GDP growth rate of about 2% (2).

Cash flows have been discounted using a weighted cost of capital equivalent to about 8.8% before taxes and 7.0% after taxes (about 9.3 and 7.3% 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% instead of 2%, or if the recoverable amount of each cluster were to decline by 10%.

Note 16 Trademarks

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	250	255
New purchases	4	–
New purchases via new companies	36	–
Reclassification	1	–
Amortisation for the year	-8	–
Exchange difference	-2	-5
Carrying amount at end of the period	**281**	**250**
Trademarks allocated by division and cluster		
Electronics	68	58
Mechatronics	74	65
Communications	65	69
Niche Products	74	58
Total trademarks	**281**	**250**

Every year impairment testing of trademarks is carried out according to the same principles used in the testing of goodwill. 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 shows that the value can be defended going forward, even if the sustainable growth rate was 0% instead of 2%, or if the recoverable amount of each cluster were to decline by 10%.

Note 17 Other intangible assets

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	855	761
New purchases	25	17
Purchases via new companies	88	73
Disposals	-1	–
Reclassifications	3	–
Exchange difference	15	4
	985	**855**
Accumulated amortisation according to plan		
Opening balance	-384	-306
Amortisation for the year according to plan	-90	-77
Exchange difference	-34	-1
	-508	**-384**
Carrying amount at end of the period	**477**	**471**

Other intangible assets mainly consist of patents, client relations, capitalised development costs and software. Of the total carrying amount, MSEK 50 (46) refers to internally developed intangible assets, mainly proprietary software.

Note 18 Buildings, land and land improvements

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	117	111
New purchases	1	6
Transferred from construction in progress	3	–
Translation difference	1	–
[1]	**122**	**117**
Accumulated depreciation according to plan		
Opening balance	-30	-26
Depreciation for the year according to plan	-4	-4
	-34	**-30**
Carrying amount at end of the period	**88**	**87**

[1] No capitalised interest is included in the cost.

Note 19 Costs incurred in leasehold property

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	13	11
New purchases	3	1
Reclassifications	2	–
Exchange difference	0	1
	18	**13**
Accumulated depreciation according to plan		
Opening balance	-9	-8
Depreciation for the year according to plan	-1	-1
	-10	**-9**
Carrying amount at end of the period	**8**	**4**

Note 20 Plant and machinery

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	352	339
New purchases	24	15
Purchases via new companies	2	–
Transferred from construction in progress	20	–
Reclassifications	4	–
Disposals and retirements	-3	-2
Exchange difference	5	–
	404	**352**
Accumulated depreciation according to plan		
Opening balance	-242	-221
Reclassifications	–	–
Disposals and retirements	3	1
Depreciation for the year according to plan	-25	-24
Exchange difference	-4	2
	-268	**-242**
Carrying amount at end of the period	**136**	**110**

Note 21 Equipment, tools, fixtures and fittings

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance (including construction in progress)	202	176
New purchases	53	43
Purchases via new companies	2	1
Disposals and retirements	-4	-15
Reclassifications from construction in progress	-23	–
Other reclassifications	-9	-4
Exchange difference	1	1
	222	**202**
Accumulated depreciation according to plan		
Opening balance	-137	-131
Disposals and retirements	2	9
Reclassifications	–	-1
Depreciation for the year according to plan	-16	-13
Exchange difference	-2	-1
	-153	**-137**
Carrying amount at end of the period	**69**	**65**
Parent Company		
Accumulated cost		
Opening balance	2	2
New purchases	0	0
	2	**2**
Accumulated depreciation according to plan		
Opening balance	-1	-1
Depreciation for the year according to plan	0	0
	-1	**-1**
Carrying amount at end of the period	**1**	**1**

Note 22 Participations in Group companies

	31 Mar 2020	31 Mar 2019
Parent Company		
Accumulated cost		
Opening balance	2,597	2,448
External acquisitions	83	137
Divestment to Group companies	-135	–
Shareholders' contributions provided	229	–
Adjustment of contingent consideration	-21	12
	2,753	**2,597**
Accumulated impairment losses		
Opening balance	-136	-136
Impairment losses for the year	–	–
	-136	**-136**
Carrying amount at end of the period	**2,617**	**2,461**

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

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

Group company[1] / Corp. ID. no. / Registered office	Number of participations	Participation as %[2]	Carrying amount 31 Mar 2020	Carrying amount 31 Mar 2019
Acte Solutions AB, 556600-8032, Stockholm	500	100.0	13	13
Acte Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	0
Acte AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44
Ampol Serwis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16
Thermod Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	–	–
Asept International AB, 556057-9962, Lund	25,000	100.0	81	81
UNRO Dispensersystem AB, 556104-1871, Gävle	1,000	100.0	–	–
SDP Scandinavian Dispenser Products AB, 556269-6129, Gävle	5,000	100.0	–	–
Asept International Inc., Chicago, USA	100	100.0	–	–
Apparatenfabriek Bereilia B.V, Bedum, Netherlands	40	100.0	–	–
COBS AB, 556524-3788, Gothenburg	3,000	100.0	21	21
Cue Dee AB, 556244-8000, Sikeå	2,000	100.0	227	240
Cue Dee Trading Co. Ltd, Suzhou, China	100	100.0	–	–
Cue Dee India Private Ltd., Gurgaon, India	100	100.0	–	–
Cue Dee Inc., 7611740, Wilmington, Delaware	100,000	100.0	–	–
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24
Dooman Teknik AB, 556153-3794, Västra Frölunda	500	100.0	24	24
Dorotea Mekaniska AB, 556407-7823, Dorotea	2,500	100.0	93	–
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	81	81
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	99
Elpress A/S, CVR 26162629, Silkeborg, Denmark	100	100.0	–	–
Elpress GmbH, HBR 3252, Viersen, Germany	100	100.0	–	–
Elpress (Beijing) Electrical Components Co. Ltd, Beijing, China	100	100.0	–	–
Elpress Inc., Chicago, USA	100	100.0	–	–
Kablema AB, 556746-2196, Kramfors	100	100.0	–	–
Elprodukter AS, 995 768 100, Ulsteinvik, Norway	100	100.0	68	68
Excidor AB, 556429-7850, Bollnäs	1,000	100.0	47	47
GasIQ AB, 556650-3461, Stenkullen	10,000	100.0	51	50
GasIQ Fastighetsförvaltning AB, 556867-3023, Stenkullen	500	100.0	–	–
HPG Nordic AB, 556854-0271, Stenkullen	500	100.0	–	–
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0
ISG Systems AB, 556468-2192, Höganäs	200	100.0	18	18
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20
Kondator AB, 556500-1947, Tyresö	2,000	100.0	71	71
Lager CC AB, 556260-2127, Solna	1,000	100.0	3	3
Lagercrantz Holding AB, 559216-5483	5,000	100.0	0	–
Laurea Teknisk Säkerhet AB, 559115-2904, Norrköping	45,500	91.0	137	137
R-Contracting AB, 556681-9404, Norrköping	5,000	100.0	–	–
Bjurenwall Laurea AB, 556217-6098, Kolbäck	5,000	100.0	–	–
Leteng AS, 952 002 872, Tynset, Norway	12,968	95.0	51	51
Load Indicator AB, 556081-3569, Hisings Backa	1,000	100.0	35	35
Nordic Alarm AB, 556318-0032, Solna	38,300	100.0	30	30
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46
Precimeter Control AB, 556511-8980, Hönö	10,000	100.0	36	36
Precimeter Inc, 20-0110568, Phoenix, USA	100	100.0	–	–
Precimeter GmbH, 212/5752/0032, Wiehl, Germany	1	100.0	13	13
Profsafe AB, 556722-2459, Anderstorp	4,000	100.0	67	76
Profsafe Norge AS, 911552388, Oslo, Norway	100	100.0	–	–
Skandex i Bromma AB, 556515-1189, Anderstorp	5,000	100.0	–	–
Radonova Laboratories AB, 556690-0717, Uppsala	1,000	100.0	66	66
Radonova, Inc, 70206544, Chicago, USA	100	100.0	–	–
Schmitztechnik GmbH, HRB 956, Mönchengladbach, Germany	135,015	90.0	122	133
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16
Steelo AB, 556842-6000, Värnamo	100,000	100.0	32	32
Svenska Industriborstar i Västerås AB, 556109-2221, Västerås	5,000	100.0	42	42
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95
Thermod AB, 556683-7125, Klässbol	1,000	100.0	47	47
Tormek AB, 556586-5788, Lindesberg	960	96.0	180	180
Tormek Inc., 352653923, Westmont, USA	100	100.0	–	–
Unitronic GmbH, HRB 40042, Düsseldorf, Germany	153,600	100.0	28	28
Vanpee AB, 556213-2406, Stockholm	50,000	100.0	20	20
Vanpee Norge AS, 976 286 324, Oslo, Norway	100	100.0	45	45
Vendig AB, 556626-7976, Skara	5,000	100.0	29	29
VP Ledbelysning AB, 556084-5975, Nyköping	4,000	100.0	2	2
Wapro AB, 556352-1466, Karlshamn	1,000	100.0	54	54
Wapro Inc., Chicago, USA	100	100.0	–	–
Lagercrantz A/S, 81 74 67 10, Copenhagen, Denmark	6	100.0	131	131
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	–	–
Acte Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100.0	–	–
CAD-Kompagniet A/S, 21 69 77 88, Copenhagen, Denmark	8	100.0	–	–
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100.0	–	–
E-Tech Components UK Ltd, Liverpool, UK	5,000	100.0	–	–
G9 landskab, park & byrum A/S, 22 65 29 32, Randers, Denmark	500,000	100.0	–	–
Camé Danmark A/S, 33 06 10 21, Randers, Denmark	33,400	100.0	–	–
ISIC A/S, 16 70 45 39, Århus, Denmark	33,400	100.0	–	–
Lagercrantz Asia Ltd, Hong Kong, China	20,000	100.0	–	–
Nikodan Conveyor Systems A/S, 13 47 38 03, Snede, Denmark	555,334	80.0	–	–
NST A/S, 25844998, Odense, Denmark	600,000	100.0	–	–
Projectspine A/S, 36 55 76 80, Bröndby, Denmark	500,000	100.0	–	–
Skomø A/S, 11801978, Ebeltoft, Denmark	500,000	100.0	–	–
Vanpée A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	–	–

Group company[1] / Corp. ID. no. / Registered office	Number of participations	Participation as %[2]	Carrying amount 31 Mar 2020	31 Mar 2019
Lagercrantz Holding Oy, 3010692-2, Vasa, Finland *	100	100.0	230	–
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	–	13
EFC Estonia OÜ, Estonia	1	100.0	–	–
Enkom Active Oy, 239 992, Helsinki, Finland	300	100.0	–	54
Exilight Oy, 1865741-4, Tampere, Finland	8,000	100.0	–	37
FN Holding Oy, 3020211-3, Helsinki, Finland	7,039,840	70.4	–	–
Frictape Net Oy, 1079463-3, Helsinki, Finland	100	100.0	–	–
Frictape Net Oü, 11831750, Harju maakond, Estonia	1	100.0	–	–
Idesco OY, 2024497-7, Oulu, Finland	403,391	90.2	–	32
			2,617	**2,461**

1) Group companies recognised at carrying amount. Other companies are owned indirectly via Group companies.
2) The participating interest in the capital is referred to, which also corresponds to the share of the votes of the total number of shares.
* The Finnish companies are organised under the Finnish holding company Lagercrantz Holding Oy. The transfer occurred after the end of the financial year.

Note 23 Receivables from Group companies

	31 Mar 2020	31 Mar 2019
Parent Company		
Accumulated cost		
Opening balance	109	105
Additional receivables	24	14
Settled receivables	-25	-11
Exchange difference	7	1
Carrying amount at end of the period	**115**	**109**

Note 24 Other non-current receivables

	31 Mar 2020	31 Mar 2019
Group		
Accumulated cost		
Opening balance	3	2
Additional receivables	1	1
Settled receivables	–	–
Carrying amount at the end of the year	**4**	**3**

Note 25 Inventories

During the year, impairments losses of MSEK 0 (2) on the inventory value were recognised.

Note 26 Trade receivables

Age analysis, not impaired trade receivables due	31 Mar 2020	31 Mar 2019
Group		
Trade receivables not due	614	572
Trade receivables due 0 – 30 days	53	48
Trade receivables due > 30 – 90 days	11	16
Trade receivables due > 90 – 180 days	3	3
Trade receivables due > 180 days	1	1
Total	**682**	**640**

Provision account for bad debt losses	31 Mar 2020	31 Mar 2019
Group		
Opening balance	2	2
Reversal of previously recognised impairment losses	–	–
Impairment losses for the year	–	–
Exchange difference	–	–
Closing balance	**2**	**2**

Confirmed bad debt losses during the year of MSEK 0 (2) were charged to earnings.

Note 27 Contract balances

Contract assets	31 Mar 2020	31 Mar 2019
Group		
Opening balance	48	33
New contracts and increase in existing contracts	130	236
Reclassification of contract assets to trade receivables	-144	-221
Closing balance	**34**	**48**

Contract liabilities	31 Mar 2020	31 Mar 2019
Group		
Opening balance	32	15
Increase in contract liabilities during the year	57	32
Contracts taken up as income included in contract liabilities at the beginning of the period	-52	-15
Closing balance	**37**	**32**

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. Of the MSEK 32 recognised as a contract liability at the beginning of the period, MSEK 32 was recognised as revenue.

Note 28 Prepaid expenses and accrued income

	31 Mar 2020	31 Mar 2019
Group		
Prepaid rent	10	8
Prepaid insurance premiums	2	2
Other items	32	31
	44	**41**
Parent Company		
Prepaid rent	1	1
Other items	3	4
	4	**5**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46

Note 29 Equity

Parent Company

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

Restricted reserves

Restricted funds consist of share capital and the following reserves:

Legal reserve

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

Non-restricted equity

Non-restricted funds consist of retained earnings:

Retained earnings

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

Share capital

Distribution and change of Class of share

Classes of shares	Number of shares	Number of votes
A shares, 10 votes per share	3,263,802	32,638,020
B shares, 1 vote per share	66,256,125	66,256,125
The company's repurchased B shares	-1,794,137	-1,794,137
Total	**67,725,790**	**97,100,008**

	A shares	B shares
Number of outstanding shares at start of period	3,263,802	66,256,125
Redemption of shares	–	–
Conversion of A shares	–	–
Number of outstanding shares at end of period	**3,263,802**	**66,256,125**
Number of repurchased shares		
At the start of the period	–	-1,833,000
Shares used during redemption of options	–	38,863
Repurchased shares during the period	–	–
At the end of the period	**–**	**-1,794,137**

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

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 95.90, 105.20 and SEK 154.40, respectively, per share, the number of outstanding shares may increase by the number of call options redeemed, or a total of 1,794,137 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 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% per year. During the 2019/20 financial year, the return was 23% (24). Profit amounted to MSEK 366 (342) and average equity during the year amounted to MSEK 1,596 (1,406). Profit increased more than the equity, among other reasons due to this year's paid dividend of MSEK 169.

The Group's policy is to pay a dividend of 30 – 50% of the net profit for year with cash flow and capital expenditure needs taken into account. Ahead of the AGM 2020, the Board of Directors has proposed a dividend of MSEK 2.00 (2.50) per share. The proposed dividend is equivalent to a dividend payout ratio of 37% (50). The dividend is also equivalent to 8% (11) of consolidated equity on the balance sheet date.

The Group's Board of Directors has a mandate from the 2019 Annual General Meeting to repurchase shares. No shares were repurchased during the year. The timing of repurchases is determined by the share price. The repurchased shares are, in part, intended to cover the Group's commitment under outstanding option programmes, where senior executives and certain key persons have the opportunity to acquire class B shares by exercising acquired options. There is no formal repurchase plan. Decisions to buy and sell shares in the Group are instead made by the Board of Directors within the framework of the mandate given by AGM. The Board of Directors is again proposing that the 2020 AGM authorise the Board of Directors to repurchase the company's shares.

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

Note 30 Provisions for pensions and similar obligations

Defined benefit obligations

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

	31 Mar 2020	31 Mar 2019
Group		
The present value of unfunded defined benefit obligations	76	76
Net obligations including adjustments	**76**	**76**

Distribution of amount on plans in the following countries	31 Mar 2020	31 Mar 2019
Sweden	75	75
Germany	1	1
Amount in statement of financial position	**76**	**76**

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 assumptions, or when assumptions are changed.

Pension expense	2019/20	2018/19
Group		
Defined benefit plans		
Cost of pensions earned during the year	0	0
Change payroll tax	1	-1
Interest expense	-1	-1
Cost of defined benefit plans	**0**	**-2**
Cost of defined contribution plans	-79	-74
Total cost of payments, post-employment	**-79**	**-76**

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 -1 (1) and the interest expense as a financial expense of MSEK 1 (1). The pension expense for defined contribution plans amounted to MSEK 79 (76). The total pension expense for defined benefit and defined contribution pension plans amounted to MSEK 79 (76).

The forecast for the period 2020/21 is that the pension expense will be in line with 2019/20, 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:

	2019/20	2018/19
Opening balance: Present value of obligation	**76**	**67**
Cost of defined benefit plans	–	2
Payments disbursed	-3	-2
Changes in actuarial gains/losses	2	8
Exchange rate differences	1	1
Closing balance: Present value of obligation	**76**	**76**
Net amount in statement of financial position, closing balance	**76**	**76**

Actuarial assumptions

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

(weighted average values)	31 Mar 2020	31 Mar 2019
Discount rate	1.4%	1.7%
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 3 will be paid during 2020/21 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 2020	31 Mar 2019
Parent Company		
Provision for pensions	19	20
	19	**20**

Pledged assets for pension obligations

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

Note 31 Deferred tax

31 Mar 2020	Deferred tax asset	Deferred tax liability	Net
Group			
Other non-current assets	6	-154	-148
Other provisions	–	–	–
Untaxed reserves	–	-59	-59
Other	4	2	6
Loss carryforwards	4	–	4
	14	**-211**	**-197**

31 Mar 2019	Deferred tax asset	Deferred tax liability	Net
Group			
Other non-current assets	6	-157	-151
Other provisions	–	–	–
Untaxed reserves	–	-48	-48
Other	5	2	7
Loss carryforwards	–	–	–
	11	**-203**	**-192**

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	Change via acquisitions	Closing balance
Group				
Other non-current assets	-151	25	-22	-148
Other provisions	–	–	–	–
Untaxed reserves	-48	-11	–	-59
Other	7	-1	–	6
Loss carryforwards	–	4	–	4
	-192	**17**	**-22**	**-197**

The difference in 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 (2).

Note 32 Other provisions

	31 Mar 2020	31 Mar 2019
Group		
Other provisions such as non-current liabilities		
Guarantee reserve	7	6
Other	7	3
	14	**9**
Other provisions such as current liabilities		
Costs for restructuring measures	3	3
	3	**3**
Carrying amount at start of the period	**12**	**7**
Provisions in acquired subsidiaries	–	2
Provisions made during the period	16	8
Amounts claimed during the period	-9	-4
Unutilised amount reversed during the period	-2	-1
Carrying amount at end of the period	**17**	**12**

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. Contingent considerations are measured using a cash flow-based measurement. Measurement that is not based on observable inputs is included in IFRS 13's level 3. Derivatives are measured at fair value based on observable market inputs. As of 31 March 2020 and 2019, there were outstanding derivatives.

Group

31 Mar 2020	Financial assets measured at amortised cost	Financial assets measured at fair value via profit or loss	Total
Assets in statement of financial position			
Non-current receivables	4	–	4
Trade receivables	682	–	682
Other receivables	44	–	44
Cash and cash equivalents	117	–	117
Total	**847**	**–**	**847**

All financial assets of MSEK 847 (845) are measured at amortised cost.

31 Mar 2020	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value via profit or loss	Total
Liabilities in statement of financial position			
Current liabilities to credit institutions	473	–	473
Non-current liabilities to credit institutions	700	–	700
Trades payables	329	–	329
Other current liabilities	97	202	299
Total	**1,599**	**202**	**1,801**

There were derivatives of MSEK 2.8 on the closing date. Contingent consideration payments are recognised of MSEK 199 measured at fair value via profit or loss. Of these, MSEK 100 fall due within one year.

Other financial liabilities of MSEK 1,599 (1,563) are measured at amortised cost. Financial liabilities are mostly payable within 24 months. Other items are non-financial.

31 Mar 2019	Financial assets measured at amortised cost	Financial assets measured at fair value via profit or loss	Total
Assets in statement of financial position			
Non-current receivables	3	–	3
Trade receivables	640	–	640
Other receivables	63	–	63
Cash and cash equivalents	139	–	139
Total	**845**	**–**	**845**

31 Mar 2019	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value via profit or loss	Total
Liabilities in statement of financial position			
Current liabilities to credit institutions	166	–	166
Non-current liabilities to credit institutions	901	–	901
Trades payables	332	–	332
Other current liabilities	164	185	349
Total	**1,563**	**185**	**1,748**

Liabilities to credit institutions as of 31 March 2019 were reclassified by MSEK 300 between non-current and current since the 2018/19 annual report and call options are recognised together with contingent considerations.

There were derivatives of MSEK 0.4 as of the balance sheet date. Contingent consideration payments incl. call options are recognised of MSEK 185 measured at fair value via profit or loss. Other financial liabilities of MSEK 1,563 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.

Change in contingent considerations incl. call options (category 3)

	2019/20	2018/19
Opening balance	185	191
Additional liabilities during the year	76	16
Settled liabilities	-47	-19
Remeasured liabilities	-14	-2
Exchange difference	-1	-1
Carrying amount at end of the period	**199**	**185**

Contingent consideration payments incl. call options are measured at fair value via profit or loss.

Parent Company

31 Mar 2020	Loans and receivables	Contingent consideration	Total
Assets in the balance sheet			
Non-current receivables from Group companies	115	–	115
Other current receivables	679	–	679
Cash and cash equivalents	0	–	0
Total	**794**	**–**	**794**

31 Mar 2020	Other liabilities	Contingent consideration	Total
Liabilities in the balance sheet			
Non-current liabilities to Group companies	–	–	–
Current liabilities to credit institutions	462	–	462
Non-current liabilities to credit institutions	700	–	700
Trade payables	2	–	2
Other current liabilities	308	53	361
Total	**1,472**	**53**	**1,525**

Contingent consideration payments are recognised of MSEK 53 measured using the acquisition method and based on the probability that the consideration will be paid. Any changes in provisions/receivables are added to/reduce the acquisition value.

31 Mar 2019	Loans and receivables	Contingent consideration	Total
Assets in the balance sheet			
Non-current receivables from Group companies	110	–	110
Other current receivables	528	–	528
Cash and cash equivalents	–	–	–
Total	**638**	**–**	**638**

31 Mar 2019	Other liabilities	Contingent consideration	Total
Liabilities in the balance sheet			
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 receivables	287	105	392
Total	**1,342**	**105**	**1,447**

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 provisions/receivables 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 (76), Non-current liabilities MSEK 700 (901), Current liabilities to credit institutions MSEK 307 (11) and Other current liabilities MSEK 1 (1). Total MSEK 1,249 (1,144). 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, i.e. 30 day payment terms. Nominal values of interest-bearing liabilities and provisions essentially correspond to carrying amounts.

The previous year's values in the table below are updated for the reclassification of interest-bearing liabilities to credit institutions between non-current and current.

Liabilities to credit institutions

	31 Mar 2020	31 Mar 2019
Group		
Short-term portion	307	11
Maturity date, 1 – 2 years from the balance sheet date	700	901
Maturity date, 3 – 5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	1,007	**912**

Parent Company		
Short-term portion	300	–
Maturity date, 1 – 2 years from the balance sheet date	700	900
Maturity date, 3 – 5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	1,000	**900**

Committed credit facilities

	31 Mar 2020	31 Mar 2019
Group		
Approved credit limit	509	502
Unutilised portion	-343	-347
Utilised credit amount	**166**	**155**

Credit limits on committed credit facilities are extended annually.

Parent Company		
Approved credit limit	500	500
Unutilised portion	-338	-347
Utilised credit amount	**162**	**153**

The credit limit on committed credit facilities is extended annually.

Pledged assets for committed credit facilities

	31 Mar 2020	31 Mar 2019
Group		
Chattel mortgages	16	3
	16	**3**

Note 35 Accrued expenses and deferred income

	31 Mar 2020	31 Mar 2019
Group		
Personnel expenses	143	152
Other items	77	70
	220	**222**
Parent Company		
Personnel expenses	4	12
Other items	12	8
	16	**20**

Note 36 Interest paid and received

	2019/20	2018/19
Group		
Interest received	–	–
Interest paid	-18	-17
Parent Company		
Interest received	9	8
Interest paid	-15	-15

Note 37 Cash flow

Reconciliation of liabilities arising from financing activities

	Opening balance 31 Mar 2019	Cash flows	Changes not affecting cash flow Exchange rate	Leases	Closing balance 31 Mar 2020
Group					
Committed credit facilities	155	11	–	–	166
Liabilities to credit institutions	912	96	-1	–	1,007
Liability relating to leases	–	-89	1	268	180
Total liabilities arising from financing activities	**1,067**	**18**	**0**	**268**	**1,353**

	Opening balance 31 Mar 2018	Cash flows	Changes not affecting cash flow Exchange rate	Leases	Closing balance 31 Mar 2019
Group					
Committed credit facilities	338	-184	1	–	155
Liabilities to credit institutions	831	80	1	–	912
Total liabilities arising from financing activities	**1,169**	**-104**	**2**	**–**	**1,067**

	Opening balance 31 Mar 2019	Cash flows	Closing balance 31 Mar 2020
Parent Company			
Committed credit facilities	153	9	162
Liabilities to credit institutions	900	100	1,000
Total liabilities arising from financing activities	**1,053**	**109**	**1,162**

	Opening balance 31 Mar 2018	Cash flows	Closing balance 31 Mar 2019
Parent Company			
Committed credit facilities	338	-185	153
Liabilities to credit institutions	812	88	900
Total liabilities arising from financing activities	**1,150**	**-97**	**1,053**

Adjustment for non-cash items

	2019/20	2018/19
Group		
Depreciation and amortisation	234	125
Other provisions	-4	11
Reversal contingent consideration	-9	4
Other items	1	3
	222	**143**
Parent Company		
Depreciation and amortisation	0	0
Group contributions not yet received	-84	-38
Other items	0	1
	-84	**-37**

Note 38 Investments in businesses

Acquisition	Country	Date of acquisition	Estimated annual net revenue (MSEK)	Division
Dorotea Mekaniska AB	Sweden	April 2019	70	Niche Products
OJ:s Vågsystem AB (assets and liabilities)	Sweden	May 2019	10	Niche Products
G9 Landskab, Park & Byrum A/S and Came Danmark A/S	Denmark	July 2019	60	Electronics
Dynamo Free AB (assets and liabilities)	Sweden	October 2019	3	Communications
Frictape Net Oy and Frictape Net Oü.	Finland and Estonia	October 2019	75	Mechatronics
UNRO Dispenser System AB and SDP Scandinavian Dispenser Products AB	Sweden	March 2020	10	Niche Products

During the financial year, Dorotea Mekaniska, G9, Frictape as well as SDP and Unro were acquired. An acquisition of the assets and liabilities was made of the operations in OJ:s Vågsystem and Dynamo Free.

Specification of acquisition

- Dorotea Mekaniska is a leader within amphibian machines for lake clearance and wetland and water conservation.
- G9 designs and supplies products for park and city environments including security products.
- Frictape is a leading manufacturer of security products for helidecks, primarily offshore, all over the world.
- UNRO Dispenser System AB and SDP Scandinavian Dispenser Products are manufacturers of dispensers, pumps and accessories for liquid foods, alcogel and hygiene products.

Apart from the above acquisitions, the acquisitions were completed of the assets and liabilities of OJ:s Vågsystem, which is a leader within belt weigher solutions and Dynamo Free within durability measurement in the field using specially-adapted force sensors.

The outcome of contingent considerations depends on the results achieved in the companies and has a set maximum level. The acquisitions during the financial year include contingent considerations of MSEK 23, which represents 52% of the maximum outcome.

During the financial year, MSEK 40 (19) was paid in contingent consideration for previous acquisitions.

Net assets of acquired companies at the time of acquisition

	Carrying amount in companies	Fair value adjustment	Fair value in Group
Intangible non-current assets	1	123	124
Other non-current assets	4	–	4
Inventories	43	–	43
Other current assets	62	–	62
Interest-bearing liabilities	–	–	–
Other liabilities	-47	-26	-73
Net identifiable assets/liabilities	**62**	**97**	**159**
Goodwill			163
Estimated consideration			**322**

Net assets of acquired companies at the time of acquisition

	2019/20	2018/19
Net identifiable assets/liabilities	159	53
Goodwill	163	82
Estimated consideration	**322**	**135**

Cash flow effect

	2019/20	2018/19
Group		
Intangible non-current assets	-287	-155
Property, plant and equipment	-4	-1
Inventories	-43	-11
Other current assets	-62	-19
Provisions	29	25
Non-current liabilities	–	–
Current liabilities	45	26
Total consideration	**-322**	**-135**
Cash and cash equivalents in the acquired operations	32	–
Impact on the Group's cash and cash equivalents from acquisitions during the year	**-290**	**-135**
Adjustment of estimated contingent consideration in older acquisitions	-46	-5
Amortisation/repayment of liabilities relating to acquired businesses	76	-2
Cash flow related to investments in businesses	**-260**	**-142**

Distribution of intangible assets in connection with acquisitions

	2019/20	2018/19
Goodwill	163	82
Trademarks	36	–
Other intangible assets	88	73
Total intangible assets via acquisitions	**287**	**155**

Contribution of the acquired entities to Group revenue and earnings

	2019/20	2018/19
Revenue	153	17
Profit contribution before acquisition costs	28	5
Transaction costs	-3	-1
Amortisation of surplus value	-7	-1
Profit contribution after acquisition costs	**18**	**3**
Financing costs	-6	-1
Profit contribution after financing costs	**12**	**2**

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

	2019/20	2018/19
Revenue	228	66
Profit contribution before acquisition costs	60	21
Transaction costs	-3	-1
Amortisation of surplus value	-11	-7
Profit contribution after acquisition costs	**46**	**13**
Financing costs	-8	-3
Profit contribution after financing costs	**38**	**10**

Transaction costs relating to acquisitions during the year of MSEK 3 (1) are recognised as administrative expenses.

Note 39 Earnings per share

	2019/20	2018/19
Earnings per share, SEK	5.40	5.05
Earnings per share after dilution, SEK	5.39	5.05

The calculation of earnings per share for 2019/20 is based on profit for the year attributable to the Parent Company's shareholders amounting to MSEK 366 (342) and a weighted average number of shares outstanding during 2019/20 of 67,717,017 (67,882,407) in total. The weighted number of shares outstanding including dilution is 67,872,123 (67,682,403).

Instruments that may generate future dilutive effects

During the 2019/20 financial year, the company had three call option programmes outstanding, which have resulted in dilutive effects in all quarterly reports. For a description of the options programmes refer to Note 6. Repurchased shares are used as a hedge for these programmes.

Note 40 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 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 into 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 during the year in important foreign currencies amounted to MSEK 1,615 and MSEK 2,577, respectively.

Purchasing / sales in important currencies

Amounts in MSEK	Purchasing	Sales
USD	325	352
EUR	897	1,326
GBP	41	19
DKK	173	511
NOK	15	142
JPY	60	66
PLN	92	86
CNY	12	75
Group total	**1,615**	**2,577**

Cash and cash equivalents per currency

Amounts in MSEK	31 Mar 2020	31 Mar 2019
SEK	4	1
USD	14	16
EUR	47	34
DKK	6	1
NOK	5	16
CNY	33	55
Other currencies	8	16
Group total	**117**	**139**

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 in foreign currency 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 exchange rate fluctuations. The largest exposures are in DKK, USD, EUR and NOK. The effect of translation differences on equity is presented 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% is estimated to change Lagercrantz Group's operating profit by plus or minus MSEK 14, respectively, on an annual basis given the conditions that prevailed during the financial year. The equivalent change in the Danish exchange rate gives an effect of plus and minus MSEK 6, respectively. A change in the US dollar exchange rate of plus or minus 5%, would give an effect of plus or minus MSEK 1, 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% 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 a maturity 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. The debt portfolio consists of committed credit facilities with a fixed interest term of three months as well as external loans with a fixed interest term of six months. 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 weighted average effective interest rate for long-term liabilities to credit institutions amounted to 1.32% (1.35) for the Group and to 1.29% (1.30) for the Parent Company. The corresponding interest rate for current liabilities amounted to 0.90% (0.90) for the Group and to 0.90% (0.90) 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. See also Note 26 Trade receivables.

Liquidity risk

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

- A committed credit facility of MSEK 500 in the Parent Company.
- A revolving credit facility of MSEK 1,000, to be renewed in July 2022.
- A Term Loan of MSEK 300, to be renewed in July 2021.

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

Note 41 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% 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 42 Post-balance sheet events

After the end of the financial year, a merger was registered between a Swedish holding company and the Finnish holding company. In connection with this, a transfer was carried out of the Finnish subsidiaries to the Finnish holding company, with the aim of creating a legal organisational structure in Finland.

No other significant events for the company have occurred after the balance sheet date on 31 March 2020.

Note 43 Covid-19 effects

The Group is affected like other companies by the Covid-19 pandemic. The effects have been limited during the financial year but are likely to affect the operations to a greater extent during the coming financial year. Within the Group, preparations are being made for negative effects from the pandemic and a lower business volume. The measures are being taken to reduce negative effects and in order to follow the recommendations of local authorities.

The measures taken include the following:

- Ensuring the health status of staff
- Deferred bonus and salary negotiations
- Salary waivers
- Negotiation with landlords
- Reduction in working hours for employees and terminations of employment

Note 44 Information about the Parent Company

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 of the head office:
Lagercrantz Group AB (publ)
Torsgatan 2 (visiting address)
P.O. Box 3508
SE-103 69 Stockholm, Sweden
Tel: +46 8 700 66 70
www.lagercrantz.com

Note 45 Pledged assets and contingent liabilities

	31 Mar 2020	31 Mar 2019
Group		
Pledged assets		
For own liabilities and provisions		
Chattel mortgages	16	3
	16	**3**
Contingent liabilities		
Guarantee commitments, FPG/PRI	1	1
Other guarantees	5	10
	6	**11**
Parent Company		
Pledged assets	None	None
Contingent liabilities		
Guarantee commitments, FPG/PRI	28	28
Other guarantees	–	–
	28	**28**

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

Note 46 Appropriation of profits

The Board of Directors proposes that the following profits, SEK 1,721,612 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders, SEK 2.00 x 67,725,790 shares *	135,452
To be carried forward	1,586,160
Total	**1,721,612**

** Based on the total number of shares outstanding as of 31 March 2020. 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 2019-04-01 – 2020-03-31, except for the corporate governance statement on pages 27 – 30 and 72 – 73 and the sustainability report on pages 32 – 37. The Company's annual accounts and consolidated accounts are included on the pages 22 – 68 and 72 – 73 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 2020 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 2020 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 27 – 30 and sustainability report on pages 32 – 37. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Valuation of aquired intangible assets and parent company's shares in subsiduaries

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 2,276 million SEK as of 31 March 2020, which represents 52% of total assets. Goodwill and trademarks amounted to 1,799 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 2,617 million SEK as at 31 March 2020, which represents 77% 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

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 2 – 21, 27 – 30 and 72 – 73.

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 2019-04-01 – 2020-03-31 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 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 27 – 30 and 72 – 73 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 32 – 37, 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 27 August 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2001/2002.

Stockholm, 17 July 2020

KPMG AB

Håkan Olsson Reising
Authorised Public Accountant
Auditor in charge

KPMG AB

Alexander Tistam
Authorised 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.
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.
Holding: 1,000 B shares.
Elected 2016.

Fredrik Börjesson
Board member
Born: 1978.
Edu: Bachelor of Science (Econ.).
Management positions within Tisenhult-gruppen AB.
Board member of Bergman & Beving 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.
CEO of Galderma Nordic AB.
Board member of Galderma Nordic AB.
Holding: None.
Elected 2018.

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): 191,000 B shares.
Elected 2001.

Ulf Södergren
Board member
Born: 1953.
Edu: Master of Science and Bachelor of Science (Econ.).
Chairman of IV Produkt AB.
Board member of ÅF Pöyry AB (publ) and HMS Networks AB.
Holding: 10,000 B shares.
Elected 2019.

Jörgen Wigh
President and CEO
Born: 1965.
Edu: Bachelor of Science (Econ.).
Chairman of Bergman & Beving AB.
Holding: 224,666 A shares, 570,950 B shares and 185,000 call options on B shares.
Elected 2006.

Auditors

Auditors appointed by the 2019 Annual General Meeting are the registered auditing company KPMG AB.
Håkan Olsson Reising is appointed auditor in charge.

Holding refers to status per 1 June 2020.

Group Management

Jörgen Wigh
President and CEO
Born: 1965.

Kristina Elfström Mackintosh
Chief Financial Officer
Born: 1964.

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.

Division and Business Area Management

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

Bo Rasmussen
Vice President Division Electronics
Born: 1968.

Peter Baaske
Vice President Division Mechatronics
Born: 1975.

Marcus Käld
Vice President Division Mechatronics
Born: 1964.

Urban Lindskog
Vice President Division Communications
Born: 1965.

Martin Sirvell
Vice President Division Communications
Born: 1974.

Jonas Ahlberg
Vice President Division Niche Products
Born: 1966.

Caroline Reuterskiöld
Vice President Division Niche Products
Born: 1976.

Carina Nordlöf
Group Controller
Born: 1968.

Addresses

Lagercrantz Group AB (publ)
Torsgatan 2
P.O. Box 3508
SE-103 69 Stockholm
SWEDEN
Tel: +46 8 700 66 70
www.lagercrantz.com
Corporate identity number:
556282-4556

ELECTRONICS

ACTE A/S
Vallensbækvej 41
DK-2605 Brøndby
DENMARK
Tel: +45 46 900 400
www.acte.dk

ACTE AS
Lurudveien 7
NO-2020 Skedsmokorset
NORWAY
Tel: +47 63 89 89 00
www.acte.no

ACTE Solutions AB
Karlsbodavägen 39, Bromma
P.O. Box 4115
SE-171 04 Solna
SWEDEN
Tel: +46 8 445 28 28
www.actesolutions.se

ACTE Sp. z o.o.
ul Krancowa 49
PL-02-493 Warsawa
POLAND
Tel: +48 22 336 02 00
www.acte.pl

CAD-Kompagniet A/S
Lyskaer 8 A
DK-2730 Herlev
DENMARK
Tel: +45 70 22 22 17
www.cad-komp.dk
(previously Communications, included as of 1 April 2020)

E-Tech Components UK Ltd
West Lancashire Investment Centre
White Moss Business Park
Maple View, Skelmersdale
WN8 9TG
UNITED KINGDOM
Tel: +44 1744 762 929
www.etechcomponents.com

G9 landskab, park & byrum A/S
Toldbodgade 96
DK-8930 Randers
DENMARK
Tel: +45 70 23 29 99
www.g9.dk

Idesco Oy
Teknologiantie 9
FI-90590 Uleåborg
FINLAND
Tel: +358 763 7502
www.idesco.fi

ISIC A/S
Edwin Rahrs Vej 54
DK-8220 Brabrand
DENMARK
Tel: +45 70 20 70 77
www.isic.dk

NST DK A/S
Hvidekærvej 27
DK-5250 Odense
DENMARK
Tel: +45 70 20 43 10
www.nst-dk.dk

schmitztechnik GmbH
Am Ringofen 24
DE-41189 Mönchengladbach
GERMANY
Tel: +49 2166 6202-0
www.schmitztechnik.de

Skomø A/S
Julius Kajus Vej 1
DK-8400 Ebeltoft
DENMARK
Tel: +45 86 34 34 44
www.skomo.dk
(previously Communications, included as of 1 April 2020)

Unitronic GmbH
Mündelheimer Weg 9
DE-40472 Düsseldorf
GERMANY
Tel: +49 211 951 10
www.unitronic.de

Vanpee AB
Karlsbodavägen 39, Bromma
P.O. Box 4115
SE-171 04 Solna
SWEDEN
Tel: +46 8 445 28 00
www.vanpee.se

Vanpee A/S
Gammelager 15
DK-2605 Brøndby
DENMARK
Tel: +45 44 85 90 00
www.vanpee.dk

Vanpee Norge AS
Hvamsvingen 9
NO-2013 Skjetten
NORWAY
Tel: +47 64 83 82 80
www.vanpee.no

MECHATRONICS

Cue Dee AB
Sikeå 58
SE-915 93 Robertsfors
SWEDEN
Tel: +46 934 153 10
www.cuedee.se

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

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

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

Elpress AB
Industrivägen 15
P.O. Box 186
SE-872 24 Kramfors
SWEDEN
Tel: +46 612 71 71 00
www.elpress.se

Enkom Active Oy
Upseerinkatu 1–3
FI-02600 Espoo
FINLAND
Tel: +358 10 204 00 00
www.enkom-active.fi

Exilight Oy
Hermiankatu 6–8 A, Hermia 1
FI-33720 Tampere
FINLAND
Tel: +358 107 735 400
www.exilight.fi

Frictape Net Oy
Verkkomäentie 35, Lepsämä
P.O. Box 130
FI-01801 Klaukkala
FINLAND
Tel: +358 50 3470 594
www.frictape.com

Kablageproduktion i Västerås AB
Omformargatan 12
SE-721 37 Västerås
SWEDEN
Tel: +46 21 81 51 51
www.kablageproduktion.com

Norwesco AB
Enhagsslingan 19
P.O. Box 603
SE-187 26 Täby
SWEDEN
Tel: +46 8 792 27 00
www.norwesco.se

Steelo AB
Industrivägen 31
SE-331 31 Bredaryd
SWEDEN
Tel: +46 370 37 41 00
www.steelo.se
(previously Niche Products, included as of 1 April 2020)

SwedWire AB
Birger Svenssons väg 16 D
SE-432 40 Varberg
SWEDEN
Tel: +46 340 64 54 30
www.swedwire.se

COMMUNICATIONS

COBS AB
Norra Långebergsgatan 4
P.O. Box 9242
SE-400 95 Göteborg
SWEDEN
Tel: +46 31 333 38 40
www.cobs.se

Direktronik AB
Konsul Johnsons väg 15
P.O. Box 234
SE-149 23 Nynäshamn
SWEDEN
Tel: +46 8 52 400 700
www.direktronik.se

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

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

ISG Systems AB
Sporthallsvägen 10
SE-263 34 Höganäs
SWEDEN
Tel: +46 42 36 21 40
www.isg.se

Leteng AS
Enebakkveien 117
NO-0680 Oslo
NORWAY
Tel: +47 62 48 24 50
www.leteng.no

Load Indicator AB
Aröds Industriväg 58
SE-422 43 Hisings Backa
SWEDEN
Tel: +46 31 220 730
www.loadindicator.se

Nordic Alarm AB
Karlsbodavägen 39
SE-168 67 Bromma
SWEDEN
Tel: +46 8 27 27 27
www.nordicalarm.se

Precimeter Control AB
Ruskvädersgatan 22
SE-418 34 Göteborg
SWEDEN
Tel: +46 31 764 5520
www.precimeter.com

Projectspine A/S
Bryghuspladsen 8
DK-1473 Copenhagen
DENMARK
Tel: +45 53 88 23 18
www.projectspine.com

Radonova Laboratories AB
Rapsgatan 25
P.O. Box 6522
SE-751 38 Uppsala
SWEDEN
Tel: +46 18 56 88 00
www.radonova.se

R-Contracting AB
Platinagatan 8
SE-602 23 Norrköping
SWEDEN
Tel: +46 11 31 13 90
www.r-con.se

STV Video Data AB
Karlsbodavägen 39, Bromma
P.O. Box 6062
SE-171 06 Solna
SWEDEN
Tel: +46 8 568 441 00
www.stv.se

NICHE PRODUCTS

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

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

Dorotea Mekaniska AB
Östra Polarvägen 10
SE-917 32 Dorotea
SWEDEN
Tel: +46 942 258 80
www.doroteamekaniska.se

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

Nikodan Conveyor Systems A/S
Fællesvej 9
DK-8766 Nr. Snede
DENMARK
Tel: +45 39 304 316
www.nikodan.dk

Plåt & Spiralteknik i Torsås AB
Ramsågsgatan 8
SE-385 34 Torsås
SWEDEN
Tel: +46 486 456 50
www.pst.se

Profsafe AB
Götgatan 12
P.O. Box 140
SE-334 23 Anderstorp
SWEDEN
Tel: +46 371 52 32 90
www.profsafe.se

Svenska Industriborstar i Västerås AB
Ödhumlagatan 4
SE-723 55 Västerås
SWEDEN
Tel: +46 21 203 76
www.sibproducts.com

Thermod AB
Söderborgsvägen 32
SE-671 95 Klässbol
SWEDEN
Tel: +46 570 72 74 70
www.thermod.se

Tormek AB
Torphyttevägen 40
SE-711 34 Lindesberg
SWEDEN
Tel: +46 581 147 90
www.tormek.se

Vendig AB
Smedtorpsgatan 10
P.O. Box 62
SE-532 21 Skara
SWEDEN
Tel: +46 511 173 60
www.vendig.se

Wapro AB
Munkahusvägen 103
SE-374 31 Karlshamn
SWEDEN
Tel: +46 454 185 10
www.wapro.com

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