

Annual Report 2020/21



The subsidiary Tormek

*With the sharp edge in focus,
Tormek supplies water-cooled
sharpening systems to tradesmen
worldwide. Here, the Tormek
ambassador Jonas Ahl sharpens
a burr on Tormek's profiled leather
honing wheel.*

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

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Lagercrantz Group

OUR VISION

*A sustainable supplier of value-creating technology
with market-leading positions in 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 approximately 60 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 close to customers and the market. Each subsidiary strives to develop a leading position in a submarket, a product/customer or geographical niche.

Growth ambitions exist in all subsidiary and at Group level, where growth occurs through acquisitions of new subsidiaries. In recent years, the Group has acquired between 4 and 6 companies per year.

VALUE CREATION AS A VISION

Sustainable means good growth and profitability and creating a positive development that benefits society, customers and business partners.

Value creation means adding value through the goods and services offered. By providing our own unique products and solutions, by customisation and by offering 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% per year
- Return on equity of not less than 25%

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% per each established business concept and business.

STRATEGIES

Lagercrantz shall strengthen its position as a profitable and growing company by developing its existing operations and acquiring additional companies with strong positions in expansive niches. Lagercrantz shall build long-term sustainable market positions where every business both in its customer offering and internally in how the business is conducted contributes to societal benefit.

Lagercrantz works with Group-wide strategies and on building a strong corporate culture in order to achieve its goals for 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 and 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. Every quarter, a systematic comparison is made of the companies which stimulates further 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 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 most important 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 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 21% (2005/06) to just over 38% (2020/21).

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 goal is that organic growth will be at least one third of the total growth and follow up will be done every quarter. The Group contributes with experience through the 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 with 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 which have strong market positions in their niches. They should also display a good, stable earnings capacity, have strong managements, limited risk and good growth potential.



CORPORATE CULTURE AND LAGERCRANTZ VALUES

The corporate culture in Lagercrantz has taken shape and been developed since the start in 1906. Today it is well-established and characterised by a long-term approach and sustainable enterprise – economically, socially and environmentally. Internally, this philosophy is communicated in courses, seminars, books and through our Code of Conduct, which is also described in our Sustainability Report. Companies within Lagercrantz shall act responsibly and contribute to societal benefit both in their customer offerings and in their actions locally and 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 means creating added value for our customers by understanding the market, technology and customer needs. This requires a holistic and businesslike perspective as well as an ability to identify opportunities.

LONG-TERM GOALS FOR SUSTAINABILITY

Lagercrantz has established sustainability goals with the aim of taking advantage of business opportunities and of pursuing sustainable profitable growth. The starting point is the creation of business and societal benefits and this shall pervade the entire operations; from evaluation of new businesses during acquisitions, during investments and development of existing businesses and in our conduct as a responsible owner. The sustainability work in Lagercrantz's decentralised structure in the first place shall be carried out in each subsidiary, where business opportunities that create sustainable products and solutions for customers and markets are prioritised. We present and follow up our sustainability goals regularly, including in our sustainability report, which is found later on in the annual report.

The year in brief

■ Net revenue totalled MSEK 4,091 (4,180).

Dividend
SEK 1.00

■ Operating profit (EBITA) increased by 9% to MSEK 616 (565), equivalent to an operating margin of 15.1% (13.5).

Lagercrantz
develops
sustainable on
a long-term
basis

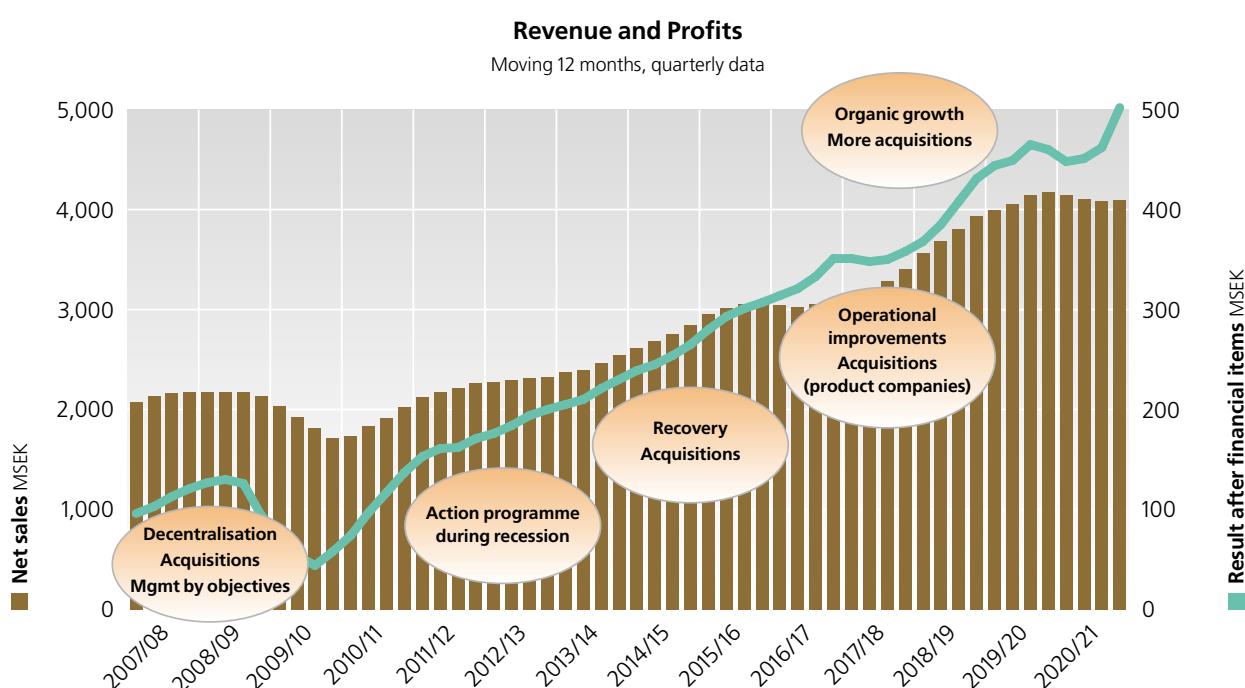
■ Cash flow from operating activities increased to MSEK 782 (507).

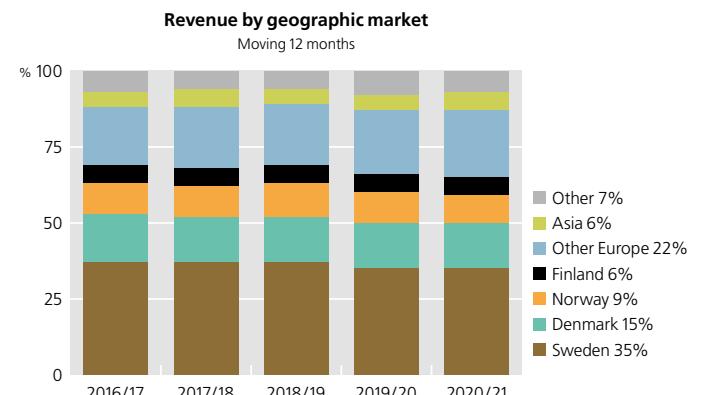
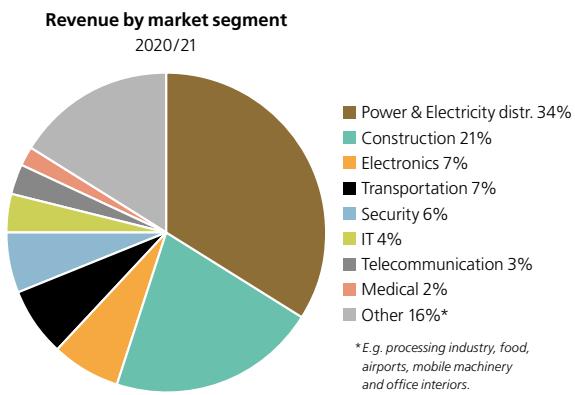
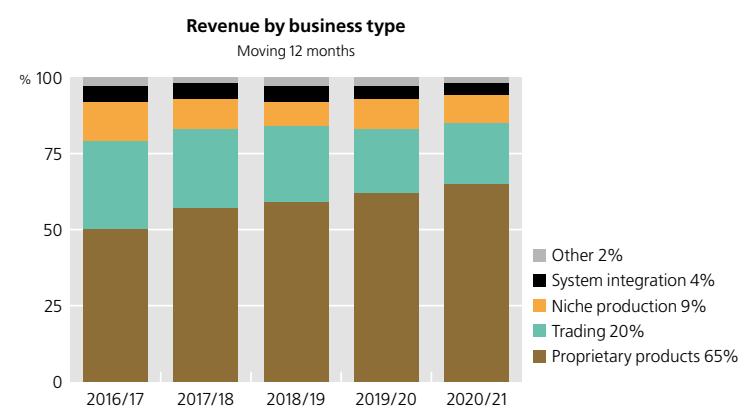
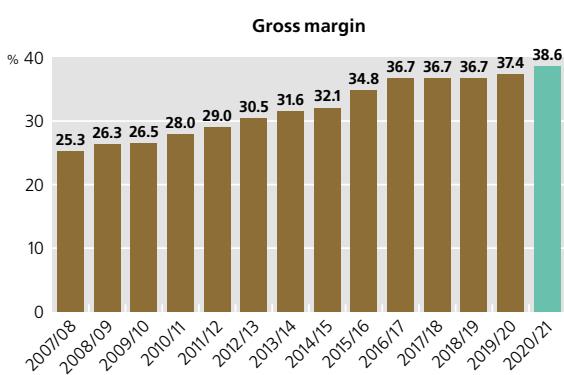
■ Profit after financial items increased by 9% to MSEK 502 (460).

■ Profit after taxes increased to MSEK 388 (366). Earnings per share after dilution, amounted to SEK 1.91 (1.80).

■ Return on equity was 22% (23). The equity ratio at the end of the financial year was 40% (39).

■ During the year, the acquisitions were carried out of the Danish company Proagria Miljø A/S, Sweden-based Vihab, the Finnish companies Sajas Group and Oy Esari Ab, Hovicon International B.V. from the Netherlands and VP metall AS from Norway. During April 2021, the acquisition was also completed of the Swedish company CW Lundberg AB and of Norway-based Libra-Plast AS in May 2021.







COMMENTS BY THE PRESIDENT



Strong year despite uncertain market conditions

THE PAST YEAR

The 2020/21 financial year was another strong year for Lagercrantz, which underlines the strength in our business concept and our governance model based on decentralisation and management by objectives. Profit after net financial items for the full year reached a new all-time high of MSEK 502, compared to MSEK 460 in the previous year. Cash flow from operating activities increased to MSEK 782 (507). This result is very gratifying as the year was so obviously dominated by Covid-19, where during spring 2020 in particular, we perceived a great uncertainty regarding the effects of the pandemic. I am convinced that we stood strong in the biting wind thanks to our organisational form with autonomous locally managed companies. During the year, we have seen many examples of great responsibility and proactivity among our managers and leaders, and therefore I want to express an extra big thanks to all our employees for fantastic efforts in challenging times during the year.

After the uncertain spring of 2020, the second, third and fourth quarters of the financial year saw a gradual recovery with improved order intake, strengthened gross margins and restraint in terms of costs. Taken together, this resulted in stronger earnings. During the autumn, we also carried out a 3:1 share split in order to improve the liquidity in the share. We resumed acquisition activities, which were paused at the start of the pandemic and I can happily state that the end of the year was strong with an increase in profit in the final quarter of almost 30% and an all-time high operating

margin of 17.2%. During the third and fourth quarters, we carried out no less than six acquisitions, which will strengthen the Group further. Early in the new 2021/22 financial year, a couple of slightly larger transactions were completed through the acquisition of the roof safety company CW Lundberg in Sweden and Libra-Plast in Norway. The acquisitions add a business volume of approximately MSEK 350 with a pro forma EBITA during 2020 of approximately MSEK 60. In summary, our assessment is that Lagercrantz has its strongest platform ever and that we are now delivering a record year 2020/21 despite the pandemic.

FUTURE

Now when I look ahead, I am doing so with confidence. Hopefully, the vaccination programmes will mean that societies can open up and it is expected that a high willingness to invest will drive growth in the next few years. In such an external environment, I see good opportunities for many of Lagercrantz's businesses.

Lagercrantz's business concept has been successful over many years and represents a strong platform for future expansion. During the past 10 years, the share has generated a return of 30% per year including dividends. The expansion has been financed by cash flows from the business operations and has been dominated by acquisitions with an increased proportion of niche product companies, which has contributed to higher margins and better conditions for organic growth, particularly for exports.



For the future and the new financial year, we have adopted a programme for continued expansion, which we are calling “Lagercrantz towards one billion”. Here, the strategic direction and the financial goals are clarified, and we are carrying out a reorganisation of the divisions and putting an increased focus on sustainability. Our intention is to build a strong B2B Tech Group with leading businesses in different niches, and to build a Group with SEK 1 billion in profit before taxes within five years. The programme

gives clear guidelines for us to reach our goals and we have already begun this exciting growth journey! In the next section, you can read more about what “Lagercrantz towards a billion” means for our work and our operations.

July 2021
Jörgen Wigh, President and CEO

“

We are preparing for continued expansion – Lagercrantz towards one billion

The corporate culture in Lagercrantz has taken shape and been developed since the start in 1906. Today it is well-established and characterised by a long-term approach and sustainable enterprise – economically, socially and environmentally. Our successes are due to the strategy that we have been pursuing for several years with a decentralised organisational model and clear management by objectives. Our subsidiaries are working towards clear growth and earnings targets and the Group has a clear acquisition strategy. Together these components represent a strong platform for future expansion.

With the aim of preparing the Group for continued growth and transition from a successful medium-sized company into a well-established larger Group, the “Lagercrantz towards one billion” programme has been developed. The vision is to build an even stronger B2B Tech Group with leading businesses in different niches, and by achieving the financial goals to build a Group with SEK 1 billion in profit within five years.

The financial goals are ambitious with earnings growth (EBT) in excess of 15% annually over a business cycle, a return on equity of not less than 25% and a policy with a dividend payout ratio of 30 – 50% of the net profit. The goal is that at least one third of growth shall be generated organically and the remainder through acquisitions of approximately 5 – 8 companies per year. The acquisitions will predominantly focus on niche product companies in northern Europe where our goal is that each business shall contribute to societal benefit.

FROM FOUR TO FIVE DIVISIONS

The vision and goals shall be achieved through a re-organisation where the businesses in the Group, starting from the 2021/22 financial year, are being divided into **five divisions** compared to four previously. The focus on

attractive growth segments will hereby be clarified, which will create dynamism and clarity internally for employees and in relation to the stock market and for the acquisition market. The new divisions will have the names Electrify, Control, TecSec, Niche Products and International, which represents both the existing businesses and in what sectors we are seeking to grow in.

LARGER CAPACITY IN BUSINESS DEVELOPMENT AND M&A

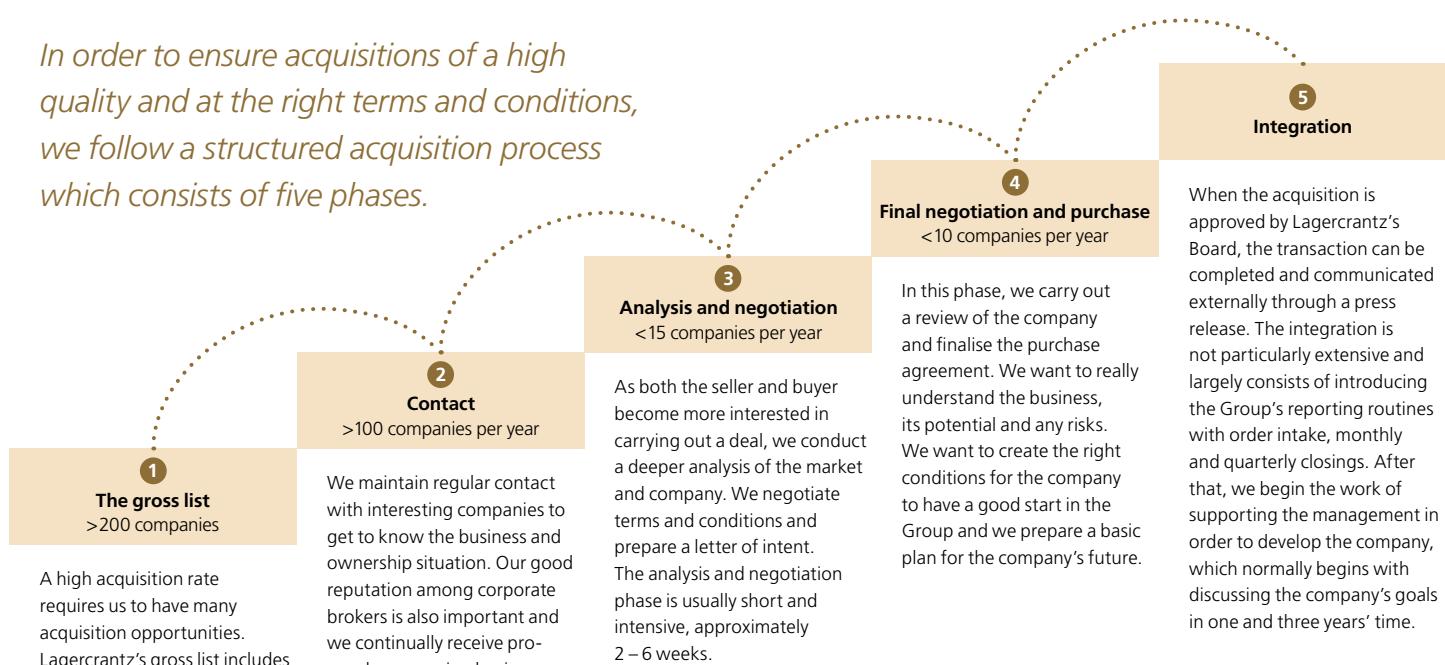
The vision and goals will also be achieved by the Group advancing its **capabilities within business development and M&A**. The goal is that both at Group level but also in each division to increase our resources in order to ensure that we will become even stronger in these areas. The acquisition market is still considered to be favourable and there are many interesting companies to add to the Group. The intention is to continue building culture and competencies around M&A and further develop the network of contacts and resources internationally in line with the Group's expansion. Prioritised markets are the Nordic countries, Germany, Poland, Benelux and the UK.

INCREASED FOCUS ON SUSTAINABILITY

The Group already has long-term goals for its sustainability work which is actively carried out. **Now we are further increasing our focus as sustainability is an important cornerstone of the future Lagercrantz.** It creates business benefits in the form of growth opportunities and attractiveness among our customers, in the stock market, the acquisition market and among existing and future employees. In recent years, the Group has advanced its positions in this area and the work is now being concretized through the goals described in our sustainability report further on in the annual report. The starting point is the creation of business and societal benefits and how the Group acts sustainably in all stages, including in our investments.



In order to ensure acquisitions of a high quality and at the right terms and conditions, we follow a structured acquisition process which consists of five phases.



**"Today
we are happier,
more profitable
and have a strong
belief in the future"**

Mats Backlund
Product Manager
and former partner
in Direktronik AB



ACQUISITIONS 2019 – MAY 2021

2019	Dorotea Mekaniska (Niche Products) OJ:s Vägsystem (Vendig, Niche Products) G9 (International) Dynamo Free (Load Indicator, Control) Frictape (TecSec)
2020	UNRO/SDP (Asept Group, Niche Products) Nexlan (Direktronik, Control) Sajas Group (Niche Products) VP metall (Electrify) Esari (Electrify) Hovicon International (Asept Group, Niche Products) Vihab (PST, Niche Products) Proagria Miljö (Wapro Group, Niche Products) CWL Group (TecSec) Libra-Plast (International)
2021	

This organisation applies from 1 April 2021.
 For information about the divisional structure
 during the 2020/21 financial year, refer to
 the Report of the Board of Directors,
 Note 1 and page 84.

Niche companies in five 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. Group and division management add value through board work in the subsidiaries and by challenging goal formulations and also through improvement projects that are expressed in terms of business and expansion plans. The Group also adds value through its network of contacts both nationally and internationally.

Focus areas for all businesses are to grow organically and through supplementary acquisitions.

LAGERCRANTZ GROUP

ELECTRIFY

14 companies · 9 countries

Cue Dee AB (SE, CN, IN and US)
Dooman AB (SE)
EFC Finland Oy (FI and EE)
Elfac A/S (DK)
Elkapsling AB (SE)
Elpress AB (SE, DE, DK, CN and US)
Enkom Active Oy (FI)
Oy Esari Ab (FI)
Exilight Oy (FI)
Kablageproduktion AB (SE)
Norwesco AB (SE)
Steelo AB (SE)
Swedwire AB (SE)
VP metall AS (NO)

CONTROL

10 companies · 7 countries

Direktronik AB (SE)
Excidor AB (SE)
GasiQ (SE)
Leteng AS (NO)
Load Indicator AB (SE)
Precimeter Control AB (SE, DE, CN and US)
Radonova Laboratories AB (SE, PL and US)
Vanpee A/S (DK)
Vanpee AS (NO)
Vanpee AB (SE)

TECSEC

7 companies · 5 countries

COBS AB (SE)
CW Lundberg AB (SE, NO and PL)
Frictape Net Oy (FI and EE)
Idesco Oy (FI)
ISG Nordic AB (SE)
R-Contracting AB (SE and NO)
STV AB (SE)

NICHE PRODUCTS

14 companies · 9 countries

Asept International AB (SE, NL and US)
Dorotea Mekaniska AB (SE)
Hovicon International B.V. (NL)
Kondator AB (SE)
Nikodan Process Equipment A/S (DK)
Proagria Miljø A/S (DK)
Profsafe AB (SE and NO)
Plåt & Spiralteknik AB (SE)
Sajaskorpi Oy (FI, EE and DE)
Svenska Industriborstar AB (SE)
Thermod AB (SE and PL)
Tormek AB (SE and US)
Vendig AB (SE)
Wapro AB (SE and US)

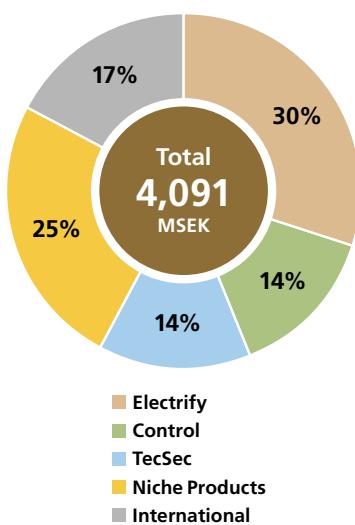
INTERNATIONAL

13 companies · 9 countries

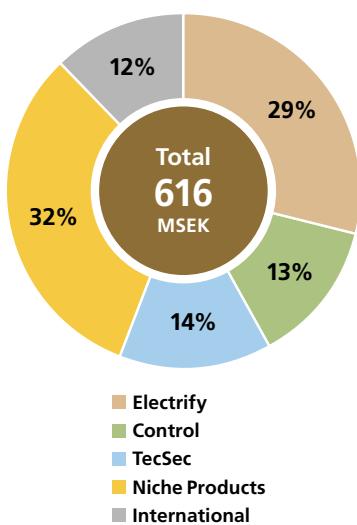
ACTE A/S (DK, UK and CN)
ACTE AS (NO)
ACTE Sp. z o.o (PL)
ACTE Solutions AB (SE)
CAD Kompagniet A/S (DK)
E-Tech Components Ltd (UK)
G9 A/S (DK)
ISIC A/S (DK)
Libra-Plast AS (NO, LV and VN)
NST DK A/S (DK)
Schmitztechnik GmbH (DE)
Skomø A/S (DK)
Unitronic GmbH (DE)

Net revenue

2020/21

**Operating profit (EBITA)**

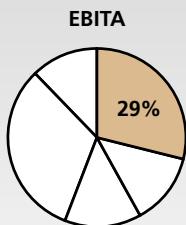
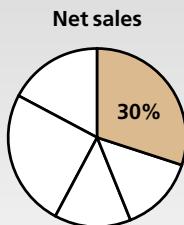
2020/21



*Pro forma
according to new
divisional structure.*



ELECTRIFY



MSEK (<i>pro forma</i>)	2020/21	2019/20
Net revenue	1,209	1,227
Operating profit (EBITA)	193	180
Operating margin as %	16.0	14.7

The Electrify division offers products and solutions that meet the need for an increasingly electrified and connected society. Investments in electrical infrastructure and technology that reduce the use of fossil fuels contribute to environmental improvements and a more sustainable society. The area is expected to have underlying strong structural annual growth in the next few years.

ABOUT THE DIVISION

The division currently consists of 14 businesses with a geographical emphasis in Northern Europe but with increasing exports. Many of the companies are market leaders within their field and are displaying stable and good growth. The majority of the companies supply proprietary, electrical and infrastructure-related products, often well-established with long product lifecycles. The customers are mainly found in the segments electrical distribution and transmission, renewable electricity production, railway infrastructure, battery manufacturing and charging. The ambition through organic growth

and acquisitions of 1 – 2 companies per year is to strengthen the positions in this growing area, which is of critical importance for society. Sustainability is a lifeblood and the shift to renewable energy is creating business opportunities. Today the division has a business volume of approx. MSEK 1,300 and an operating margin in excess of 15%.

ABOUT THE BUSINESSES

The division includes the Group's largest business Elpress, which is the leading provider of electrical connection systems in the Nordic countries and is also a highly respected player globally. Elpress offers a broad range of connectors with related tools, which together create a high-quality system. Elpress AB has been part of Lagercrantz since 2006 and has performed well for many years and today generates annual revenue of almost MSEK 400. Apart from the strong position in the Nordic countries, Elpress has a significant volume of exports with subsidiaries in the Middle East, USA and China. In total, approx. 2/3 of sales are exported. In early 2021, Elpress was supplemented with the Norwegian

Case · VP metall

Norway-based VP metall was founded just over 20 years ago and is a market leader in electrical connection systems based on so-called implosive connectors. The products are used in high and medium voltage networks when conductors are spliced or equipped with fittings at the ends. The connector consists of an aluminium sleeve wrapped with explosive material which, through implosion, creates an electrical connector with the highest possible electrical and mechanical properties. The use of VP metall's technology greatly reduces the need for time-consuming, expensive, heavy and environmentally unfriendly installations during construction and repair. The technology and products also deliver superior quality that reduces losses in the transmission of electric power and increases availability and service life, which contributes to a sustainable expansion of the electrical grid. End customers are mostly network owners and the company has a geographical focus in the Nordic countries and Canada, with Norway as the largest market. Investments in electrical infrastructure in the Nordic countries and Canada are expected to remain at a high level for many years to come thanks to development and maintenance of the transmission and distribution network. This is driven by increased environmental requirements, renewable power production, new industries, changed user patterns and not least by the electrification of society.



14 companies • 9 countries



Peter Baaske
Head of Division



Marcus Käld
VP Business Development



Jakob Sandwall
VP Business Development



acquisition VP metall, which offers implosive electrical connectors, primarily for transmission networks. VP metall generates annual revenue of approx. MNOK 40 and is displaying good profitability.

Elkapsling and Esari are both leading providers of IP-classed enclosures, cabinets and technical buildings. Storage solutions are also offered through the proprietary subcontractors Steelo and Dooman. Enclosures are relevant for customers that build electricity, telecommunications and broadband networks. The products meet strict customer requirements and are supplied based on short delivery times. The new acquisition Esari is Finland's leading manufacturer of technical buildings and protective cabinets for construction engineering. In total, these four companies generate annual revenue of approx. MSEK 260.

Operating in close connection to this, are the electrical components companies Norwesco with products including safety switches, cooker guards and electric car chargers, Exilight with solutions for evacuation and exit lighting and Enkom Active with sales of electrical-related components and tools for

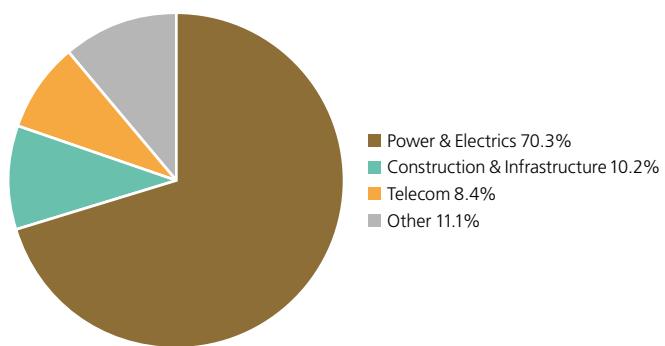
applications in electrical and telecoms infrastructure.

Annual revenue in these three companies is approx. MSEK 185.

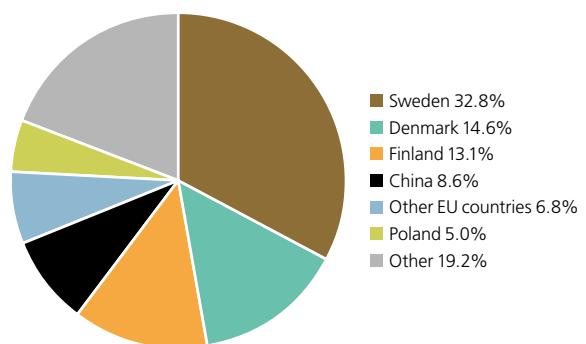
The cable companies Elfac, Kpro and EFC work with a high degree of customisation close to their main customers in Denmark, Sweden, Finland and Estonia. These businesses have delivered on a stable basis in the Group since the turn of the millennium. In recent years, the customer base has been diversified, particularly with new customers in railway infrastructure and battery manufacturing. In total, these companies generate annual revenue of approx. MSEK 330.

Last but not least, the division includes Cue Dee and Swedwire, which together generate annual revenue of approx. MSEK 225. Cue Dee supplies infrastructure products in the form of aerial brackets and masts for the telecommunications and the wind power sectors. Swedwire is a leading manufacturer of crash barrier wires and also supplies road barrier ropes for electrical infrastructure. The operations have a larger element of project-related business where Swedwire has performed very well in recent years while Cue Dee has focused on its new product portfolio connected to the rollout of 5G telecom networks.

Sales by industry



Sales by country



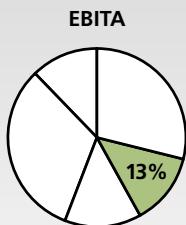
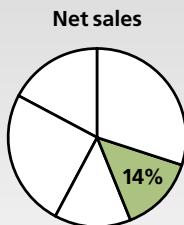
SUBSIDIARIES IN THE DIVISION

www.cuedee.se | www.dooman.se | www.efc.fi | www.elfac.dk | www.elkapsling.se

www.elpress.se | www.enkom-active.fi | www.esari.fi | www.exilight.fi | www.kablageproduktion.com

www.norwesco.se | www.steelo.se | www.swedwire.se | www.vpmetall.no

CONTROL



MSEK (<i>pro forma</i>)	2020/21	2019/20
Net revenue	578	634
Operating profit (EBITA)	83	94
Operating margin as %	14.4	14.8

Control technology is a structurally growing area, mainly as a result of new technologies that meet needs for measuring, controlling and regulating equipment remotely. The Control division's concept is to acquire and further develop businesses in this area. Control technology, including better sensors and communications solutions, contributes to higher efficiency, lower use of resources and a more sustainable society.

ABOUT THE DIVISION

In the past 10 years, Lagercrantz has built a portfolio of ten niche companies in total within the control technology field. Several of the companies are displaying good growth and the ambition through organic growth and acquisitions is to strengthen the position further and over time achieve

the Group's goal of at least 15% earnings growth per year. The area is broad and is growing thanks to continually improved technology for sensors, signal transmission and data processing. The businesses in the division include control and regulation of processes and machines. The division also includes several niche so-called value-adding distributors of products for networks, signal processing, audio/video, lighting and monitoring.

In addition to organic growth, the goal is to acquire approximately two companies per year. The acquisitions either aim to complement existing businesses or to form new profit centres in exciting new niches where Lagercrantz can become market-leading, preferably internationally. The division currently has an annual business volume of approx. MSEK 600 and an operating margin of 15%.

Case · Radonova

With customers in 50 countries, Radonova is a global leader in measurement of radon in houses, apartment blocks and at workplaces. With roots in the university and research world, the company offers radon detectors, instruments and wireless sensors for analysing radon in indoor air. Since 2018, a new Radiation Protection Act applies in Sweden and it implements the EU Radiation Protection Directive, which for the first time includes action levels for radon. The directive has enabled Radonova to expand in the European market, both through online sales but also through a network of distributors. Recently entered into cooperation agreements with national authorities such as AGES in Austria, for example increases the opportunities for expansion.

Radon is the second most common cause of lung cancer after smoking and globally it is estimated that approximately 230,000 people are affected each year because they have stayed in premises with elevated levels. Through Radonova's detectors and instruments, these areas can be identified so that measures can be put in place to create a healthy indoor environment with low radon levels. In this way, Radonova's operations contribute to better public health and fewer persons risk being affected by lung cancer. Radonova's measurement methods are accredited by SWEDAC and the company is also very highly ranked in international comparison tests.



10 companies • 7 countries



Urban Lindskog
Head of Division



ABOUT THE BUSINESSES

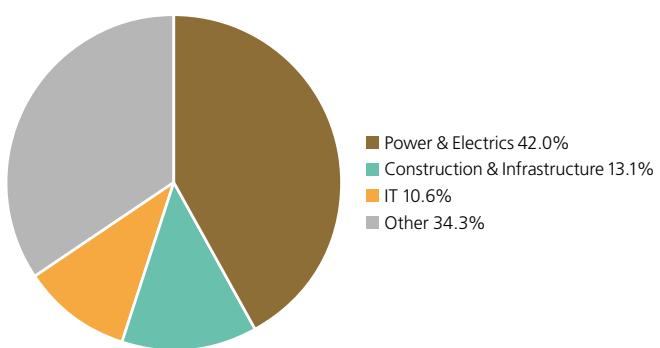
Radonova is a world leader in radon measurement and the division's largest unit in terms of earnings. From the company's base in Uppsala and Sweden, exports are growing to the Nordic countries, the rest of Europe and in North America. Radon measurement occurs in residential properties but also to an increasing extent in workplaces, at schools and at day nurseries and in mines. Precimeter develops sensors based on laser and induction technology for advanced control of molten metal level measurement in smelters. Sales occur all around the world with subsidiaries in Sweden, Germany and the USA. GasiQ designs and manufactures cost-saving and low-environmental impact regulators and other gas equipment. Besides their innovative corporate culture, all three companies develop world-leading technology for measurement and control with international sales. Combined, the companies generate annual revenue of approx. MSEK 160.

Excidor develops control systems for maintenance

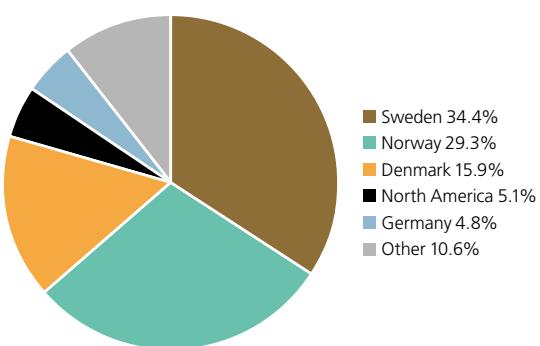
vehicles and vehicle-mounted equipment such as snow ploughs, tiltrotators and brushes, an area where Excidor and other Scandinavian companies are world leaders. Load Indicator is also connected to the automotive industry with development and own production of components for force and torque measurement, for example for weighing loads and for control of industrial tools. Excidor and Load Indicator together generate annual revenue of approx. MSEK 75.

Direktronik in Sweden imports and refines components for efficient solutions in communication networks, while Leteng in Norway has a similar business focused on signal processing for audio/video. The three Vanpee companies in Norway, Denmark and Sweden mainly offer environmental and energy-saving lighting components and lighting controls as well as high quality and smart products in electromechanics, cabling materials and connectors. Customers are found within the construction and infrastructure, automotive, railway, medical and defence industries. Combined, these five companies generate annual sales of approx. MSEK 350.

Sales by industry



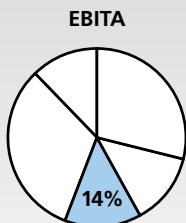
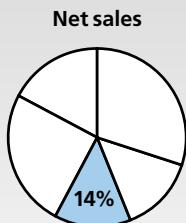
Sales by country



SUBSIDIARIES IN THE DIVISION

www.direktronik.se | www.excidor.se | www.gasiq.se | www.leteng.no
www.loadindicator.se | www.precimeter.com | www.radonova.com
www.vanpee.dk | www.vanpee.no | www.vanpee.se

TECSEC



MSEK (<i>pro forma</i>)	2020/21	2019/20
Net revenue	561	606
Operating profit (EBITA)	95	89
Operating margin as %	16.9	14.7

The technical security area is growing in line with the development of society with more care for people and critical societal functions. Lagercrantz currently has several businesses that contribute to this societal development and it is expected that the needs will continue to increase, which implies growth opportunities both organically and through acquisitions. Today the TecSec division has an annual business volume of approximately MSEK 800, which includes the acquisition of CW Lundberg, which was carried out in April 2021.

ABOUT THE DIVISION

The TecSec division consists of seven companies with a geographical main focus on Northern Europe. The majority of the companies are leaders in their niche of security products, either by virtue of proprietary products or in the role of system integrator. The businesses in the division include security companies with technical surveillance, entry control and alarms as well as companies in roof safety,

sprinklers and fire protection. The division also includes more niche businesses such as Frictape, which offers security solutions and safety nets for helidecks, among other things.

The division's customers are found in the segments public authorities and specific critical societal functions, logistics, healthcare, building and construction as well as offshore.

ABOUT THE BUSINESSES

There are several companies in the division that are specialised in security and surveillance. ISG Nordic is specialised in integrated security solutions for complex needs for monitoring, control and management within infrastructure, security and industry. COBS is a leading company in Sweden within alarm solutions, telephony and message handling systems for wireless communication, with security and safety in focus. STV is a leading provider in Sweden of systems for digital meetings for the modern office as well as business-related audio visual systems. Idesco is market-leading in RFID solutions in access control.

Case · CW Lundberg

With innovative and installer-friendly products for roofs and facades, CW Lundberg creates market-leading safety systems for a safe working environment. The products include snow fences, facade ladders, walkways, guardrails and wire systems where the development work is based on long-term experience and solid competence. Through engagement and an enterprising attitude, the company is continually searching for new smart solutions and innovations which benefit its customers. The products follow Swedish and international standards where the development and design philosophy is based on offering an environmentally friendly design where the environmental footprint shall be as small as possible. This is achieved, among other ways, by striving for the least possible emissions to land, air and water, as well as low energy use during production. The design shall be simple involving as few details as possible so that the products can be quickly assembled and that few tools are needed. New products are always thoroughly tested before being introduced to the market. Most of the sales are generated in Sweden but the company is also pursuing international expansion in Europe with establishments in Norway and Poland.



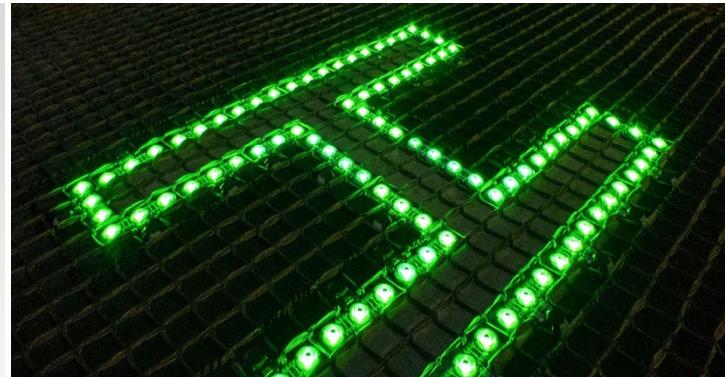
7 companies · 5 countries



Martin Sirvell
Head of Division



Stevan Ristic
VP Business Development
From 15 August 2021



The flexible and cost-efficient systems are used in various kinds of access-, vehicle identification and logistics applications around the world. The four companies within security and surveillance together generate annual revenue of approx. MSEK 330.

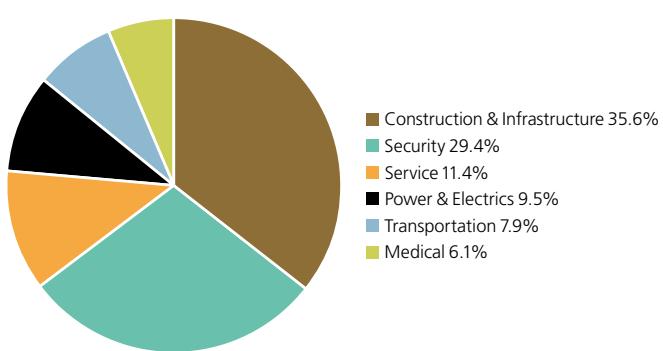
One of the division's largest businesses is the fire sprinkler pump supplier R-Con, which is a market leader in Sweden. In recent years, R-Con has further developed its offer to include cisterns for water connected to fire sprinkler systems. R-Con made a supplementary acquisition in this area of Alf Bjurenwall AB during 2017/18. The ambition is to develop the product offering further and take the groundbreaking concept in Sweden and develop the export market, primarily to Norway and Denmark. The business generates annual revenue of approx. MSEK 180.

The division's most niche-focused business is perhaps Frictape, which is a world leader in safety equipment for helidecks. Landing and safety nets, so-called perimeter nets, as well as lighting are the most important products that

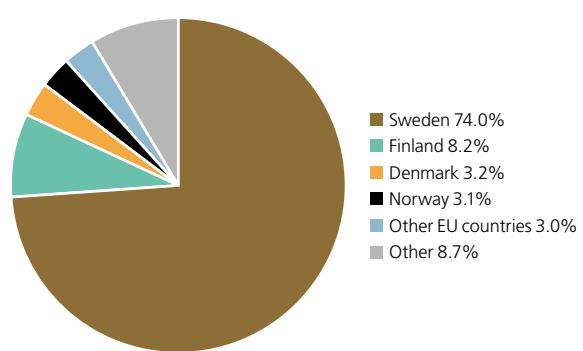
provide safety on helidecks and ships at sea. The business generates annual revenue of approx. MSEK 70, has good profitability and significant exports worldwide.

CW Lundberg is the latest acquisition and is part of the division since April 2021. The company is a leader within safety products for roofs and façades where development, marketing and production are based in Mora. Most sales are generated in Sweden but the company is also pursuing international expansion in Europe and is established in Norway and Poland. The business for many years has displayed stable, good growth and the company generates annual revenue of approx. MSEK 185.

Sales by industry



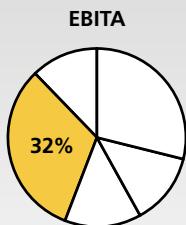
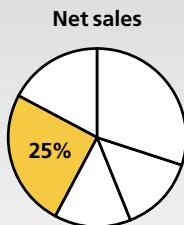
Sales by country



SUBSIDIARIES IN THE DIVISION

www.cobs.se | www.cwlundberg.com
www.frictape.com | www.idesco.fi | www.isgnordic.se
www.r-con.se | www.stv.se

NICHE PRODUCTS



MSEK (<i>pro forma</i>)	2020/21	2019/20
Net revenue	1,034	893
Operating profit (EBITA)	209	152
Operating margin as %	20.2	17.0

Lagercrantz has successfully built up Niche Products since the division was established in 2012. The focus is on finding, acquiring and refining niche companies with proprietary products. The division consists of companies with a proven earnings capacity, each one a leader within its respective niche. The division currently consists of about 15 businesses with an annual business volume of almost MSEK 1,200 in total and an operating margin of just under 20%.

ABOUT THE DIVISION

Lagercrantz in many cases has been a suitable owner for taking a previously family-owned product company to the next level. Through digitalisation and a focus on exports, there are also great opportunities for smaller product companies to grow. Growth has also come from building structural capital and by making something good even better in the domestic market. Apart from acquisition of companies in new markets, the division has also grown lately by supplementary acquisitions and has thereby strengthened its position in existing niches. The companies we are looking for typically generate annual revenue somewhere between MSEK 50 – 250. All of the companies that are part of the division sell proprietary products and solutions within selected technology niches. Examples of niches are

pumps for foodstuffs, sharpening systems for knives and other edge tools, special doors for niche applications such as operating theatres, swimming pools and refrigeration rooms, and check valves for flow regulation of stormwater systems. Most of the companies are based in the Nordic countries but several also have foreign subsidiaries.

The division currently has operations in Sweden, Denmark, Finland, Poland, Estonia, the Netherlands, Germany, Norway and the USA. Customers are found worldwide with a main focus on Northern Europe and the USA.

ABOUT THE BUSINESSES

Today the division consists of about 15 businesses of which a selection are described below. A common denominator for all the businesses is that they are leaders within their respective niches.

Asept Group is based on an initial acquisition in 2013 and since then the business has been developed through several supplementary acquisitions, of which Hovicon, which was acquired in 2020 is the largest. Asept is a global leader within dispensing of liquid foodstuffs such as ketchup pumps and recently also pumps for alcogel. Asept has operations in Sweden, the Netherlands and the USA, which is their largest market. The customers are the large well-known consumer products companies, which by

Case · Wapro

Climate change has made floods caused by severe storms and torrential rains a growing problem in large parts of the world. The Swedish company Wapro is a market leader in high-quality protection against backflows and flow regulation. Through the company's check valves, municipalities, cities and property owners can be assured that water, often salt water, does not recede into existing water mains and destroy public infrastructure and private property, something that affects many people's lives and is extremely costly. In recent years, they have achieved great success in Florida and on the east coast of the USA where the products have very successfully protected several cities from flooding. The company develops, manufactures, tests, markets and sells its products to 49 countries.



14 companies • 9 countries

Jonas Ahlberg
Head of Division



Caroline Reuterskiöld
VP Business Development



Magnus Nilsson
VP Business Development



using Asept's solutions can reduce the quantity and increase the recycling rate of packaging materials.

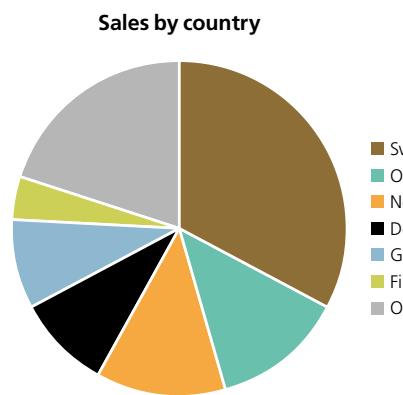
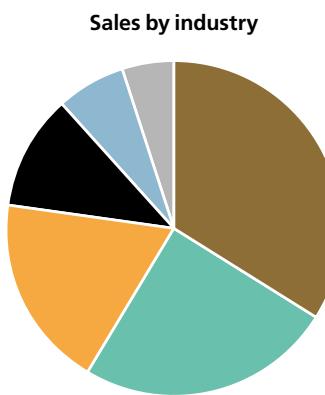
Tormek was acquired in 2018 and is a leader within sharpening systems for edge tools such as knives, chisels as well as tools for woodcarving. Demand is driven by trends towards increased DIY as well as maintenance and reuse of tools instead of disposability. Development and manufacturing occur in Sweden while sales occur through resellers in about 40 countries, with the USA, Germany and Sweden as the largest markets. Dorotea Mekaniska was acquired in 2019 and are experts in amphibian machines for lake clearance and wetland and water conservation with solutions for reed cutting, oil decontamination, excavation and dredging. The need for mechanical water conservation is increasing as the use of chemicals is regulated in more and more parts of the world.

Kondator develops functional and ergonomic accessories for office furniture such as power outlets, lighting and storage solutions. The products are mainly sold via office furniture manufacturers and interior decoration firms in Sweden and the Nordic countries, but also in Germany and the Benelux

countries. The company was acquired in 2016. In the brushes product area, in 2015 the division acquired the Swedish company SIB Products, which has a world-leading position in brushes for snow clearance of airport runways. In 2020 they acquired Sajas Group with operations in Finland, Estonia and Germany and a leading position in road brushes in the Nordic countries and Germany.

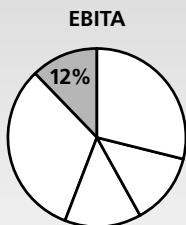
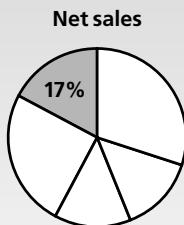
Within regulation of storm water, the Swedish company Wapro was acquired in 2017, which has achieved international success with its patented check valves when more and more coastal areas need to be protected from unstable weather and rising sea levels. During 2021, new products were added to the range that are focused on land-based fish farming through the acquisition of the Danish company ProAgria, together they form Wapro Group.

For many of the companies in the division sustainability and the technical solutions that are required for a more sustainable society have become an integrated part of the day-to-day operations. In different ways, directly or indirectly, the companies provide products and solutions that reduce society's use of plastics (Asept), herbicides (Dorotea Mekaniska) and/or facilitate a shift towards fossil-free energy (PST).

**SUBSIDIARIES IN THE DIVISION**

- www.asept.com | www.doroteamekaniska.se | www.hovicon.com | www.kondator.se
- www.nikodan.dk | www.proagria.dk | www.pst.se | www.profsafe.se | www.sajas-group.com
- www.sibproducts.com | www.thermod.se | www.tormek.se | www.vendig.se | www.wapro.com

INTERNATIONAL



MSEK (<i>pro forma</i>)	2020/21	2019/20
Net revenue	709	820
Operating profit (EBITA)	80	83
Operating margin as %	11.3	10.1

The International division includes most of Lagercrantz's businesses in Denmark, Germany, Poland and the UK. With a base in these businesses and management resources with international experience, the division shall take Lagercrantz's successful business concept, with acquisitions and decentralised governance of niche technology companies, and develop the export market. The priority is to grow through acquisitions of product companies in new niches, primarily in Denmark, Norway, Germany and the UK. The division shall also grow organically and through supplementary acquisitions for pre-existing companies in order to further strengthen their market positions. International also supports several companies in the Group as an important sales channel for their export ambitions.

ABOUT THE DIVISION

The division currently consists of twelve businesses in Denmark, Norway, Germany, the UK, Poland and Sweden. Several of the companies are specialised, value-adding distributors in the electronics and electrification areas. They are also distributors and bridgeheads that create selling

power in a specific geographic market for other businesses in the Group. Other companies are niche product companies in electronics, products for public environments and in special components such as rubber bushings, gaskets and membranes. Several of the division's companies have come a long way in their environmental thinking and offer solutions that actively contribute to positive environmental impacts. Today the division has an annual business volume of approx. MSEK 700 and an operating margin of approximately 12%.

The International division's ambition is to grow organically and through supplementary acquisitions within the specified geographical markets. Growth also occurs through acquisitions of well-managed companies within new niches where the companies have leading positions. Over time, the division will establish in new product areas.

ABOUT THE BUSINESSES

The companies in the division all have unique positions within their specific markets, where existing and innovative products and technologies are in focus. These are characterised by enhanced functionality and higher quality, which

Case · ACTE Denmark

Maximum security is crucial for creating a safe and reliable railway. This is achieved using ACTE Denmark's cable duct system, while customers obtain great sustainability and environmental benefits. The ground-breaking, innovative system for ground installation of cables is manufactured in 100% recycled plastic and meets the very strict requirements in the UN's goals for sustainable products.

Copenhagen's new "Letbane" light rail system extends for 28 kilometres between Kongens Lyngby and Ishøj. The choice of the new cable duct system means that they avoid large carbon emissions in the manufacture of the concrete systems traditionally used along railways. The wide product range also means that customers can easily solve all cable protection problems that arise in different circumstances along the track, while the installation work is significantly simplified and streamlined.



13 companies • 9 countries



Lars-Ola Lundkvist
Head of Division



Bo Rasmussen
VP Business Development



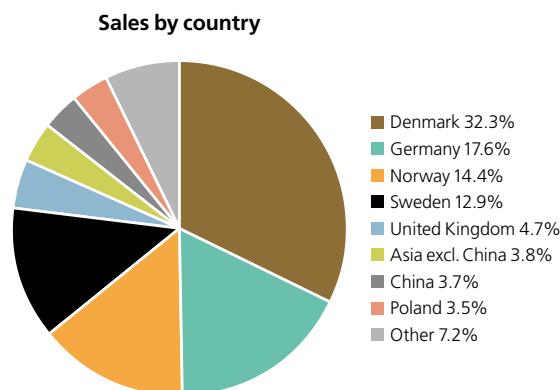
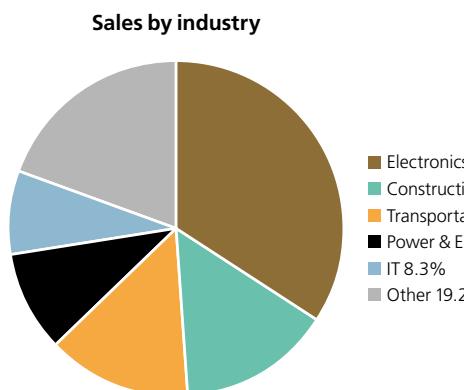
often requires application support and customisation.

The Danish company ISIC is a leading developer and manufacturer within marine electronics with monitors and navigation equipment. The customers are global players in the field with strict demands for durability in exposed environments. ISIC's products are developed internally under the company's own management based on customer-specific needs and meet the highest level of required standards. The company generates annual revenue of approx. MSEK 110. Schmitztechnik is a leader in several segments and develops innovative and customised industrial rubber products for the manufacturing and automotive industry with Germany as its largest market. The company generates annual revenue of almost MSEK 70 with good profitability. G9 designs and produces products for park and urban environments and creates an attractive sustainable landscape architecture. G9 generates annual revenue of approx. MSEK 60.

ACTE Denmark is the leading supplier of electronics to the world-leading Danish hearing aid industry. The company has also achieved success with the new cable duct systems that

are used in the expansion and upgrading of railway infrastructure, particularly in Denmark. The products are manufactured in recycled plastic and have major and positive environmental effects as they replace the concrete products that have traditionally been used. Unitronic is a leading distributor of electronics and advanced electrification products in the German market and is a leader in sensors for detection of greenhouse gases and analysis of air quality. The company supplies, among other things, key components to manufacturers of machines for analysis of exhaled air, which are used to detect Covid-19 and a number of lung diseases at an early stage in patients. Together the ACTE companies and Unitronic generate annual sales of approx. MSEK 360.

Finally, the division also includes the Danish company NST, which is a leader in electrical and lighting products for building and construction projects. Skomö is active in the development and production of graphic custom-designed imaging materials. The English company E-tech Components is a specialist in cable accessories for demanding applications. These companies, like others in the division, are heavily niche-focused with a strong position in their respective markets.



SUBSIDIARIES IN THE DIVISION

www.acte.biz | www.acte.no | www.acte.pl | www.acte.se | www.cadkompagniet.dk

www.etchcomponents.com | www.g9.dk | www.isic.dk | www.libra.no | www.nst-dk.dk

www.schmitztechnik.de | www.skomo.dk | www.unitronic.de

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 our company showing consideration – socially, environmentally and to society as a whole and thus on conducting a sustainable enterprise. In the Management, we take the responsibility that has been entrusted 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 shall act as good and responsible companies that contribute to societal benefit.

"

We now implement over 50 local sustainability initiatives among our subsidiaries that make a real difference both for our customers and internally, for our employees and for society.

Jörgen Wigh, President and CEO

A lot of our sustainability work is carried out in the subsidiaries, close to employees, customers, suppliers and in 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 its sustainability work, consisting of several dimensions. This includes the company's own business, e.g. with goals for energy consumption, waste management and substitution of harmful chemicals. In addition, the core businesses of many of our subsidiaries in one way or another are also related to sustainability and the environment. In our sustainability report, examples are provided from our subsidiaries where the business has a positive impact and has a societal benefit.

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

VP metall (Electrify) is a market leader in electrical connection systems primarily for high-voltage applications based on so-called implosive connectors. The use of VP metall's technology greatly reduces the need for time-consuming, expensive, heavy and environmentally unfriendly installations during construction and repair. The technology and products provide a superior quality that reduces losses in the transmission of electricity, increases availability and service life, which contributes to a sustainable expansion of the electrical grid. VP metall thereby contributes to the UN's sustainable development goal, no. 12, Ensure sustainable consumption and production and no. 9, Sustainable industry, innovation and infrastructure.



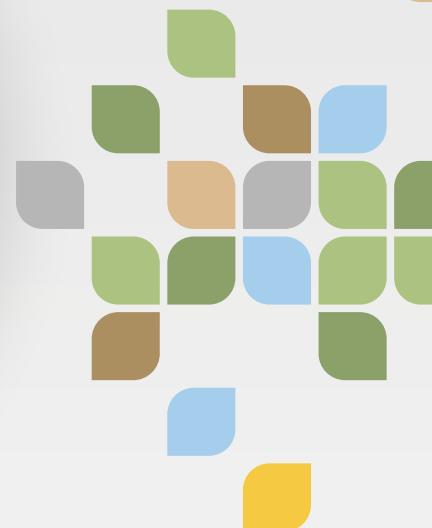
GasIQ's (Control Optimator® series) saves gas while the customer is welding. The unique reducing valves are developed for qualified shielding gas welding and have a function that causes the gas puff that normally occurs during the start of welding to be greatly reduced. This saves large quantities of shielding gas, up to 50% during normal welding. Thanks to the smoother gas flow at the start, the risk of defects is also reduced, which leads to less extra work and waste of resources. Optimator®'s reduced need for gas naturally has positive effects, particularly for our environment through a reduced number of transports of gas supplies, but also economically. GasIQ thereby contributes to the UN's sustainable development goal, no. 9, Sustainable industry, innovation and infrastructure.

Sustainability in focus



- **Dorotea Mekaniska (NP)** develops, manufactures and sells amphibian machines for lake clearance and wetland and water conservation with solutions for reed cutting, oil decontamination, excavation and dredging. Dorotea's world-leading machines make water management more efficient and can in many cases replace the use of chemicals and thus contribute to the UN's sustainable development goal no. 12, Ensure sustainable consumption and production and 9, Sustainable industry, innovation and infrastructure.

- **ACTE DK's (International)** ground-breaking, innovative system for ground installation of cables is manufactured in 100% recycled plastic and meets the very strict requirements in the UN's goals for sustainable products. Through the system, customers avoid large carbon emissions compared with manufacturing of the concrete systems traditionally used along railways. This also means more efficient installation work. ACTE thereby contributes to the UN's sustainable development goal no. 12, Ensure sustainable consumption and production and no. 9, Sustainable industry, innovation and infrastructure.



- **R-Con / Bjurenwalls** (TecSec) develops and delivers fire sprinkler systems with pertaining water cisterns for fire protection of warehouses and logistics premises, industries and other properties. The protection reduces the risk of immediate production stoppages, creates a safer working environment for employees and reduces direct emissions in the community in connection with a fire. Installed diesel units for fire protection also run on Ecopar for lower emissions. R-Con thereby contributes to the UN's sustainable development goal, no. 8, Decent work and economic growth and no. 11, Sustainable cities and communities.

Sustainability Report

OUR APPROACH

Based on our stakeholder analysis, we have determined the pillars for our sustainability work as Environmental Sustainability, Social Sustainability as 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 consumption and production. 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. 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 CO₂e-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 and emissions from cars with operating leases as scope 3.

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, regarding 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 activities.
Suppliers	Long-term relationships with openness and transparency, clear guidelines, financial stability and cooperation around e.g. collectively 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, the environment and product liability. 33 of our companies are ISO-certified or according to similar standards. We are often one of the larger employers in the local communities where we operate and we collaborate with public 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.

Energy consumption in the Group	2020	2019	2018
CO ₂ e tonnes/MSEK revenue	0.85	0.72	0.79
Energy consumption MWh/MSEK revenue	6.18	6.52	6.72
Share fossil-free energy	64%	66%	*
* No data collected			

Carbon emissions in the Group	2020	2019	2018
Total emissions CO₂e tonnes	3,471	3,019	3,120
Of which acquisitions during the year	69	177	323
Scope 1	431	500	564
Scope 2	1,749	1,579	1,515
Scope 3	1,291	940	1,041

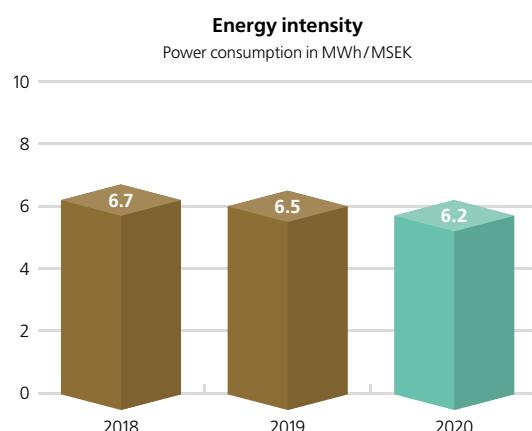
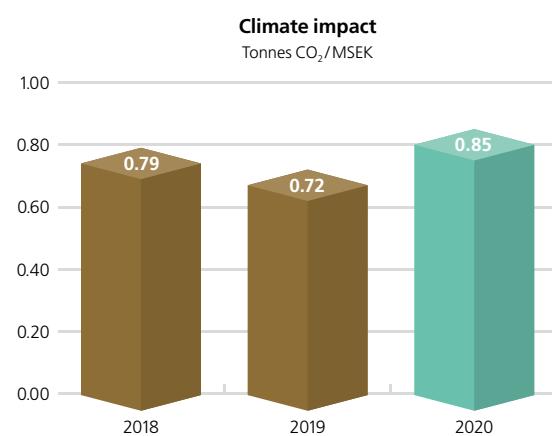
During the year, we have developed our environmental work and clarified the calculation method. This year, data has been collected separately for district heating and electricity, which has resulted in more accurate calculations. In previous years, an estimated distribution of purchased energy (electricity/district heating) has been made. No recalculation of previous periods has occurred. The total carbon footprint during 2020 amounted to 0.85 tonnes CO₂e/MSEK (0.72). The increase during the year is related to acquired units, change in energy consumption per country, change in conversion factors (from independent sources) and clearer distribution between electricity and district heating.

Recalculation of the energy consumption was performed by the company 2050 Consulting AB.

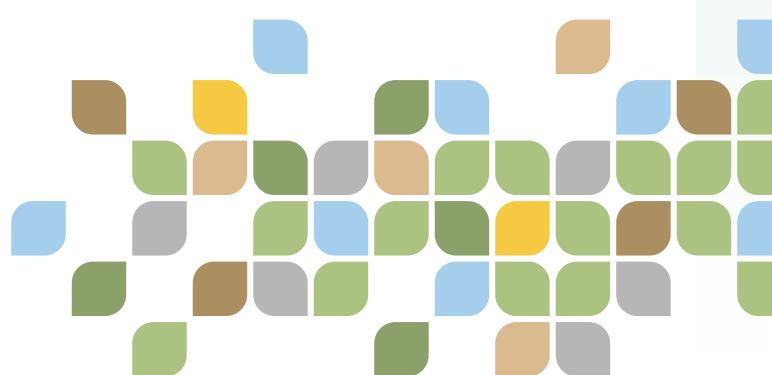
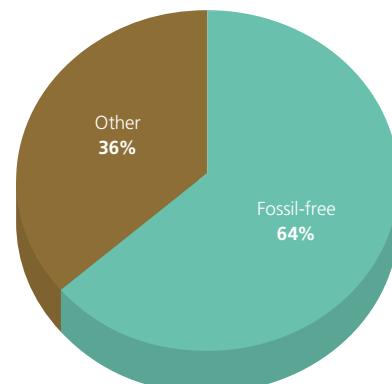
Scope 1 refers to direct emissions from activities owned and controlled by Lagercrantz. These include emissions from leased cars and refrigerant leakage. The financial control approach has been used, whereby the cars utilised with financial leases are included in scope 1. Emissions have been calculated from consumed litres of diesel and petrol and refilled tonnes of refrigerants.

Scope 2 refers to indirect emissions from purchased electricity, heating, cooling and steam. Lagercrantz has chosen the locationbased method in accordance with the GHG protocol, hence, the emissions for electricity and heating have been calculated with an average mix for each place in which Lagercrantz operates.

Scope 3 normally refers to upstream and downstream emissions in the value chain. For Lagercrantz, scope 3 only includes the cars that are leased using the operational control approach and therefore do not end up in scope 1, as well as fuel and energy-related emissions. Fuel and energy-related emissions in this case means the emissions indirectly arising in connection with electricity and district heating production and in the preparation and distribution of fuel for Lagercrantz cars.

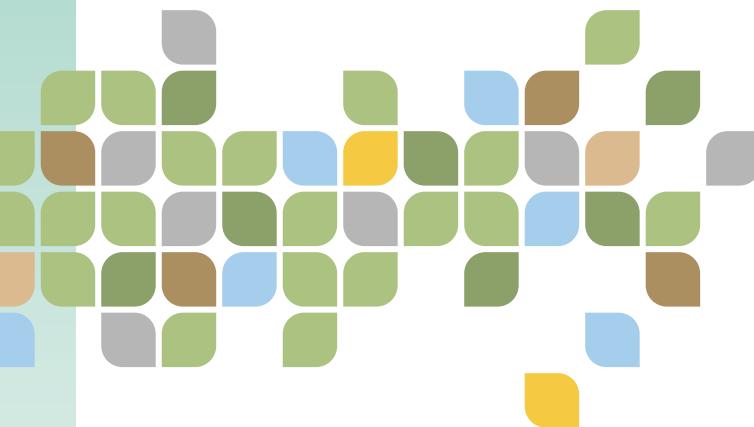


Fossil-free energy
as share of total energy



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. 33 subsidiaries (32) are ISO-certified, which is 57% (56%) of the companies. The Group conducts operations in six (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.



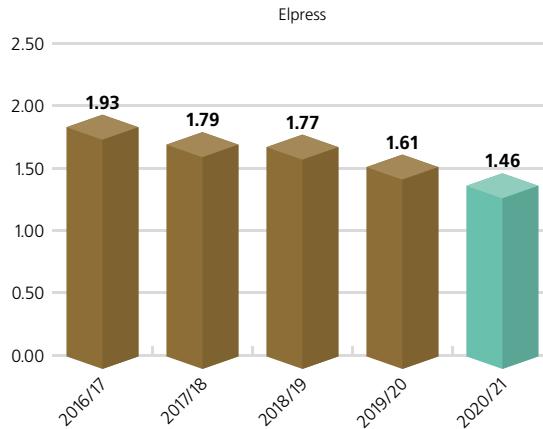
SOCIAL SUSTAINABILITY

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.

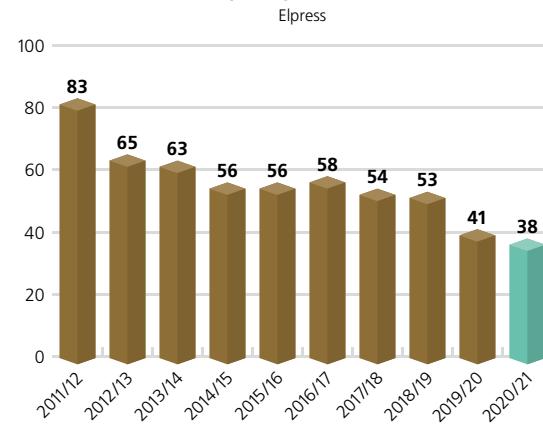
The majority of our employees are permanently employed. Temporary personnel are mainly used to replace permanent employees during illness or other absences. The fact that our employees have secure employment is not just a working environment issue but is also an important factor for ensuring continuity 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 1,632, of whom 27% were women (1,521, of whom 28% were women).

Electricity consumption per machine hour in kWh



Water consumption per machine hour in litre



We work in traditionally male-dominated sectors and see that we can make a difference in relation to gender equality and diversity. During the year, 29% (31%) of new incoming CEOs and economists in our companies were women. During 2020/21, the total employee turnover was 14.2% (13.7%), 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 1.3 to 0.5% of days worked, and the overall absence due to illness also decreased from 5.5 to 4.6%.

During the financial year, the operations were affected by the Covid-19 pandemic. We continued to take measures within the Group during the year, including ensuring the health status of our staff, development of possibilities to work while respecting social distancing, increased cleaning frequency etc. Thanks to the decentralised structure and local engagement, our staff and businesses have coped well on the whole.

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 the sustainability work.

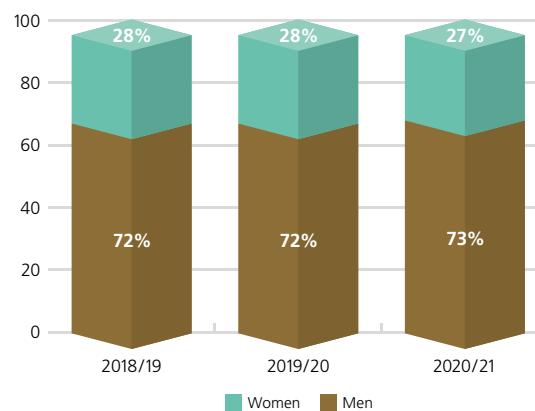
For many years, the Group has also had a Code of Conduct for all employees, which addresses human rights, working conditions, gender equality and diversity, business ethics and anti-corruption. During the year, 98% of the staff have read the Code of Conduct. The Code is based on the UN Global Compact, 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 had one reported incident, which has been dealt with.

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.

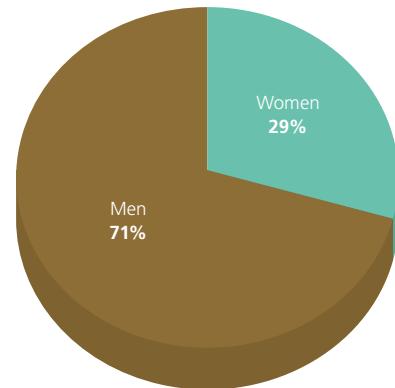
Share of women employed in the Group



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

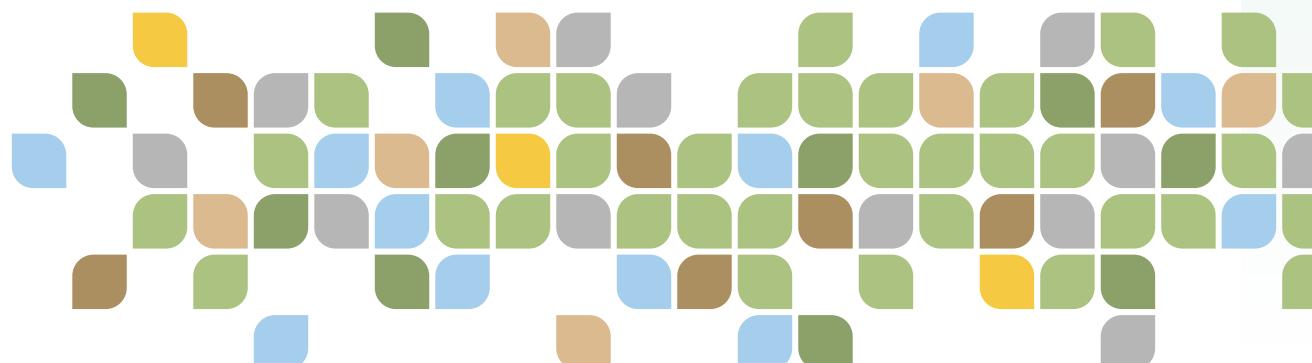
Share of appointed CEO's, Finance managers

2020/21



Goals in the coming years

Gender equality	Affordable & clean energy	Industry, innovation & infrastructure	Responsible consumption & production
<ul style="list-style-type: none"> During recruitments to senior positions, there shall be at least one female candidate. 	<ul style="list-style-type: none"> Increase the share of renewable energy. Local solutions for reduced energy consumption. 	<ul style="list-style-type: none"> Reduced carbon emissions through better coordinated logistics. 	<ul style="list-style-type: none"> Reduce the quantity of chemicals in the operations. Reduced waste of materials. Minimise waste generation.



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. 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 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 and goals

- Our own production mostly occurs in the Nordic countries, where we naturally follow the existing regulations. We are also constantly 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 shall follow our **Code of Conduct** which includes, sections about the environment. (3.9)
- During the pandemic, **the health and wellbeing of staff** has received more focus. (3.3)

- We are working to have an **equal recruitment base** during hiring by actively seeking female candidates.
- Of the 212 managers in our companies, 16% are **women**. During the year, we recruited/promoted 17 (26) persons to CEO or financial manager positions in subsidiaries, of whom 5 (8) are women, *which corresponds to 29%* (including acquisitions).
- At our head office, 6 (6) out of 16 (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)
- **Esari** is striving to increase sales of technical buildings fitted out with solar panels. This is mainly done in collaboration with telecom operators. (7.2)
- Several subsidiaries, including **Elpress** and **Load Indicator**, are working on *increasing their energy efficiency* due to a changeover to LED lightbulbs in their production operations. See separate graph on previous 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, 375 (114) employees participated in 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)
- Half 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.

- In previous years, we have installed **video conferencing facilities** in the companies. During this year of the pandemic, we have further developed the possibilities for remote working so that employees have had the opportunity to work together with colleagues, suppliers or customers, whether they are at an office or at home. Apart from reducing the risk of contagion, this reduced the carbon footprint which is necessary. (9.1, 9.C)
- **Vanpee A/S** strives to ensure that at least 30% of their products are certified. (9.4)
- **Direktronik** works to make it easier for customers to recycle metal by offering the possibility to send back discarded products. (9.4)

- **Elpress** measures monthly water consumption, electricity consumption, etc. *Also see graphs on previous pages.* (12.2)
- **Cue Dee** works to increase the proportion of recycled aluminium in its products. (12.2)
- **Excidor's** goal is to reduce chemical emissions by 25% by 2023/24. (12.4)
- We sponsor **Ståda Sverige**, where young people clean up different areas of the Swedish (outdoor) environment and thereby raise money for their sports associations. (12.4)

Our own business

- **ISG Systems** works with technical solutions in order to detect traffic jams and obstacles in traffic and thus *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)

- Lagercrantz ensures that **everyone** in the Group is afforded the same opportunities to develop and the same mandate to take decisions, regardless of gender.

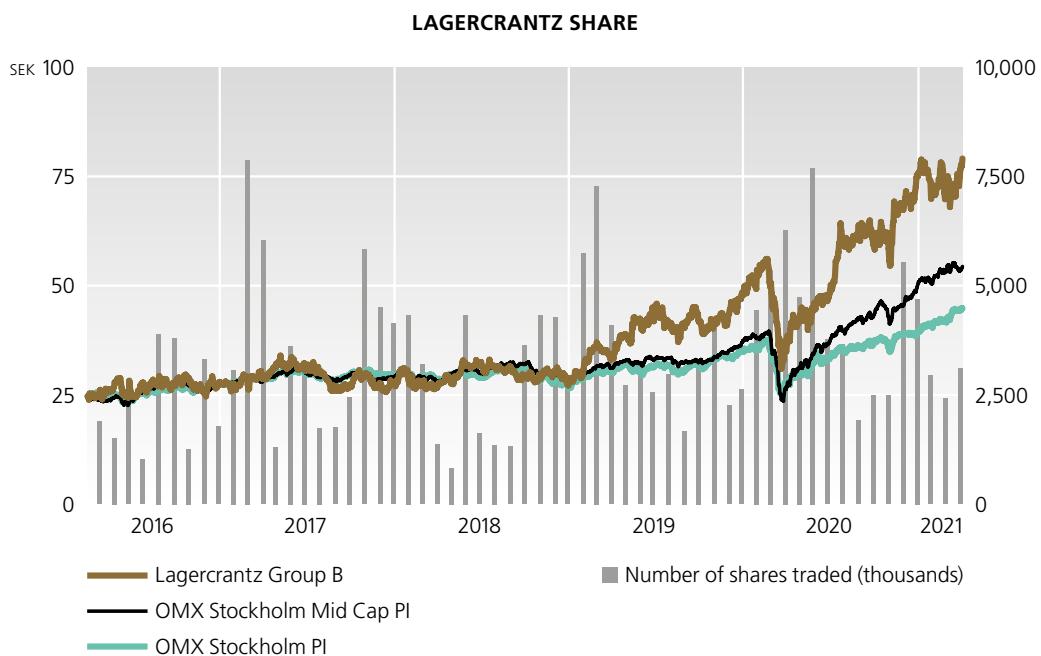
- Several of Lagercrantz's subsidiaries are actively working to promote renewable energy production through their products and solutions. **Elpress**, the cable companies (**EFC, Elfac, Kablageproduktion**), **Norwesco**, **Swedwire** contribute to helping energy companies *increase their share of renewable energy*. (7.2)
- **Vanpee Norway** and **Vanpee Denmark** provide intelligent and demand-controlled lighting control that deliver *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. (8.2, 12.5)
- 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 less handle force. (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)
- **Swedwire** shall reduce its material waste by 20% per comparable volume through process improvements. (12.5)
- **Vendig** has conveyor components, which among other things, are important components in *recycling facilities around the Nordic countries*. (12.4)
- Reduced material waste by 20 – 25% per comparable volume in **VP metall's** production. (12.5)

The Share



Over a five-year period between 1 April 2016 and 31 March 2021, the market price of the Lagercrantz share has appreciated by 221%. The broad OMX Stockholm Price Index rose by 81% during the same period, and the benchmark OMX Stockholm Mid Cap PI Index, which tracks the overall performance of medium-sized companies, rose by 127%.

The share data provided below is calculated after the 3:1 split, the previous year has been restated.

The market price of the share as of 31 March 2021 was SEK 79.10 (38.60). During the 2020/21 financial year (April – March), the market price of the share rose by 111%. During the same period, the OMX Stockholm Price Index rose by 63% and the OMX Stockholm Mid Cap PI Index rose by 99% (19). Lagercrantz Group had a market capitalisation of MSEK 16,091 (7,842) as of 31 March 2021, calculated based on the number of shares outstanding excluding repurchased shares.

SHARE DATA

Short name	LAGR B
ID	SSE14335
ISIN code	SE0014990966
Segment	Mid Cap
Sector	Industrial goods and services
ICB code	2700
Listed since	3 september 2001

PROPOSED DIVIDEND

The dividend proposed by the Board of Directors for the 2020/21 financial year means a dividend of SEK 1.00 (0.67) per share. The total dividend corresponds to MSEK 203 (135).

TRADING OF THE SHARE ON THE STOCK EXCHANGE

During the financial year, 45.5 million (41.6) shares, equivalent to a value of MSEK 2,656 (1,809) were traded. The turnover rate for the number of outstanding shares was 22% (20). The average number of transactions per trading day in the Lagercrantz share was 500 (339).

REPURCHASE OF OWN SHARES

The 2020 Annual General Meeting authorised the Board of Directors to repurchase shares. During the 2020/21 financial year, no own shares were repurchased. A total of 202,400 repurchased Class B shares were sold for a total of MSEK 8 during the financial year in connection with redemption of options. At the end of the period, Lagercrantz Group held 5,139,011 Class B shares, equivalent to 2.5% of the total number of shares and 1.7% of the votes in the Lagercrantz Group. The average cost of the repurchased shares amounts to SEK 10.75 per share (after 3:1 split).

LARGEST OWNERS IN LAGERCRANTZ GROUP, 31 MARCH 2021

Calculated after the 3:1 split 2020-10-08

Owner	Number of A shares	Number of B shares	Holding	Votes
Anders Börjesson & Tisenhult-gruppen	8,190,630	3,445,650	5.7%	29.3%
SEB Funds		30,567,445	15.0%	10.5%
Swedbank Robur Funds		25,817,019	12.7%	8.9%
Fidelity Investments (FMR)		12,337,552	6.1%	4.2%
Lannebo Funds		9,899,791	4.9%	3.4%
ODIN Funds		9,488,959	4.7%	3.3%
Didner & Gerge Funds		9,439,060	4.6%	3.2%
Jörgen Wigh	673,998	1,712,850	1.2%	2.9%
Handelsbanken Funds		7,885,163	3.9%	2.7%
Per Säve	180,000	3,945,000	2.0%	2.0%
Total 10 largest owners	9,044,628	114,538,489	60.8%	70.4%
Total other owners	746,778	79,090,875	39.2%	29.6%
Total excluding repurchased shares	9,791,406	193,629,364	100%	100%
Lagercrantz Group (repurchased)		5,139,011		
Total	9,791,406	198,768,375		

OWNERSHIP STRUCTURE IN LAGERCRANTZ GROUP, 31 MARCH 2021

Number of shares	Number of owners	Holding	Votes
1 – 4,500	7,028	2.0%	1.4%
4,501 – 9,000	438	1.5%	1.0%
9,001 – 90,000	460	6.0%	4.9%
90,001 – 450,000	59	6.0%	5.6%
450,001 – 900,000	11	4.1%	2.9%
900,001 –	27	76.7%	81.6%
Other owners	N/A	3.7%	2.6%
Total	8,023	100%	100%
Category	Number of owners	Holding	Votes
Swedish institutional owners	50	50.0%	35.2%
Swedish private individuals	7,566	20.7%	18.9%
Foreign institutional owners	41	17.9%	12.6%
Other owners	366	11.4%	33.3%
Total	8,023	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 2021.

Financial Performance in Summary

INCOME STATEMENT

Amounts in MSEK*	2020/21	2019/20	2018/19	2017/18	2016/17
Net revenue	4,091	4,180	3,932	3,410	3,096
Profit before depreciation and amortisation	774	717	575	486	452
Depreciation and amortisation, other non-current assets	-158	-152	-56	-50	-43
Operating profit (EBITA)	616	565	519	436	409
Amortisation of intangible assets that arose during acquisitions	-87	-82	-68	-58	-48
EBIT (profit before financial items)	529	483	451	378	361
Financial income and expenses	-27	-23	-20	-20	-10
Profit after financial items	502	460	431	358	351
Taxes	-114	-94	-89	-72	-77
Net profit for the year	388	366	342	286	274

*IFRS 16 Leases has affected depreciation (other non-current assets), operating costs and financial expenses during the 2019/20 financial year and the 2020/21 financial year.

BALANCE SHEET

Amounts in MSEK*	31 Mar 2021	31 Mar 2020	31 Mar 2019	31 Mar 2018	31 Mar 2017
Assets					
Intangible non-current assets	2,394	2,276	2,048	1,958	1,479
Property, plant and equipment	586	480	266	251	224
Financial assets	21	18	14	11	10
Other current assets	1,458	1,458	1,387	1,278	1,056
Cash and cash equivalents and investments in securities	151	117	139	134	122
Total assets	4,610	4,349	3,854	3,632	2,891
Equity and liabilities					
Equity	1,855	1,684	1,508	1,303	1,197
Interest-bearing provisions and liabilities	1,467	1,430	1,144	1,236	750
Non-interest-bearing provisions and liabilities	1,288	1,235	1,202	1,093	944
Total equity and liabilities	4,610	4,349	3,854	3,632	2,891
Pledged assets and contingent liabilities	51	22	38	53	52

*IFRS 16 Leases has affected the Group's property, plant and equipment, non-current and current interest-bearing liabilities and equity in the periods 31 March 2020 and 31 March 2021.

STATEMENT OF CASH FLOWS

Amounts in MSEK	2020/21	2019/20	2018/19	2017/18	2016/17
Profit after financial items	502	460	431	358	351
Adjustment for taxes paid and items not included in cash flow	144	143	11	-35	18
Cash flow before changes in working capital	646	603	442	323	369
Cash flow from changes in working capital	136	-96	20	-41	6
Cash flow from operating activities	782	507	462	282	375
Cash flow from investing activities	-415	-351	-215	-565	-255
Cash flow from operating activities and investing activities	367	156	247	-283	120
Cash flow from financing activities	-333	-178	-242	295	-65
Cash flow for the year	34	-22	5	12	55

KEY RATIOS

Amounts in MSEK unless otherwise stated	2020/21	2019/20	2018/19	2017/18	2016/17
Revenue	4,091	4,180	3,932	3,410	3,096
Change in revenue, %	-2.1	6.3	15.3	10.1	1.3
Operating profit (EBITA)	616	565	519	436	409
Operating margin (EBITA), %	15.1	13.5	13.2	12.8	13.2
EBIT	529	483	451	378	361
EBIT margin, %	12.9	11.6	11.5	11.1	11.7
Profit after financial items	502	460	431	358	351
Profit margin, %	12.3	11.0	10.7	10.5	11.3
Profit after taxes	388	366	342	286	274
Equity ratio, %	40	39	39	36	41
Operating profit (EBITA) / Working capital (P/WC), %	67	64	63	60	66
Return on capital employed, %	17	17	18	17	20
Return on equity, %	22	23	24	23	25
Net debt (+) / receivables (-) *	1,314	1,312	1,004	1,102	628
Net debt / equity ratio, times *	0.7	0.8	0.7	0.9	0.6
Operating debt (+) / receivables (-)	992	1,056	928	1,035	565
Operating net debt / equity ratio, times	0.5	0.6	0.6	0.8	0.5
Interest coverage ratio, times	12	13	15	14	22
Number of employees at year-end	1,626	1,532	1,450	1,387	1,247
Average number of employees	1,632	1,521	1,449	1,378	1,281
Revenue outside Sweden	2,650	2,706	2,491	2,151	1,940

* 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*

	2020/21	2019/20	2018/19	2017/18	2016/17
Number of shares at year-end after repurchases ('000)	203,421	203,178	203,061	202,968	203,956
Weighted number of shares after repurchases ('000)	203,307	203,151	203,046	203,604	203,823
Weighted number of shares after repurchases and dilution ('000)	203,673	203,616	203,046	203,772	204,291
Earnings per share, SEK	1.91	1.80	1.68	1.40	1.34
Earnings per share after dilution, SEK	1.91	1.80	1.68	1.40	1.34
Cash flow from operations per share after dilution, SEK	3.84	2.49	2.28	1.38	1.84
Dividend per share, SEK (dividend for the year as proposed)	1.00	0.67	0.83	0.67	0.67
Equity per share, SEK	9.12	8.29	7.43	6.42	5.87
Latest price paid per share, SEK	79.10	38.60	33.33	27.83	29.00

* Restatement has been made of previous years after 3:1 split.

DEFINITIONS**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 operating activities per share

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 the 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.

EBIT margin

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

Equity per share

Equity divided by the number of outstanding shares on the balance sheet date.

Equity ratio

Equity, plus non-controlling interests as a percentage of total assets. The equity portion of untaxed reserves is included in the parent company's calculation of the equity ratio.

Interest coverage ratio

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

Net debt/receivables

Interest-bearing provisions and liabilities including pension liabilities 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 liabilities related to financial leases according to IFRS 16, less cash and cash equivalents and investments in securities.

Operating margin

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

Operating net debt/equity ratio

Interest-bearing provisions and liabilities, excluding pensions and excluding effects of IFRS 16, less cash and cash equivalents and investments in securities, divided by equity plus non-controlling interests.

Operating net debt/receivables

Interest-bearing provisions and liabilities, excluding pensions and excluding liabilities related to financial leases according to IFRS 16, less cash and cash equivalents and investments in securities.

Operating profit (EBITA)

Operating profit before amortisation of intangible non-current assets that arose in connection with acquisitions.

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 balance 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 2020/21 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 60 companies, each one focused on a specific submarket – 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 2020/21 were organised in the four divisions Electronics, Mechatronics, Communications and Niche Products. The Report of the Board of Directors contains financial information per division according to the divisional structure that applied during the 2020/21 financial year.

NEW DIVISIONAL STRUCTURE

After the end of the financial year, a reorganisation was carried out with the aim of preparing the Group for continued growth with the vision of building a strong B2B TechGroup with leading businesses in different niches. The businesses were then divided into the five divisions Electrify, Control, TecSec, Niche Products and International. The new organisation clarifies the focus on attractive growth segments, which will create dynamism and clarity internally for employees and externally in relation to the stock market and the acquisition market. See Note 3 and page 84.

NET REVENUE AND PROFIT

Consolidated net revenue for the financial year amounted to MSEK 4,091 (4,180). The currency effect on net revenue was MSEK -71. Acquired businesses made a combined contribution to annual revenue of about MSEK 145. Net revenue in comparable units, measured in local currency, decreased by 4%.

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% of the business volume during the year, followed by Denmark at 15%, Norway at 9% and Finland at 6%. Exports outside the Nordic countries have increased in recent years and now represent about 35% of the business volume. In particular, sales in the rest of Europe and in the USA have developed well.

Operating profit before amortisation of intangible assets (EBITA) for the financial year increased by 9% to MSEK 616 (565), equivalent to an operating margin of 15.1% (13.5). The Group's larger exporting companies have generally reported a positive development during the year and acquired companies contributed profits in line with the expectations at the time of acquisition. However, a few units were negatively affected by the Covid-19 pandemic because of the shutdown of businesses and societies. In particular, units that had difficulties in visiting

customers, in carrying out installations and service were affected negatively. In the second half of the year, some recovery was noted, mainly in Europe but also in other export markets to a certain extent.

Consolidated profit before financial items increased by 10% and amounted to MSEK 529 (483). Profit after financial items increased by 9% and amounted to MSEK 502 (460). Total currency effects on the profit after financial items amounted to MSEK -7 (3).

Profit after taxes for the period amounted to MSEK 388 (366). Earnings per share after dilution for the 2020/21 financial year amounted to SEK 1.91 (1.80), calculated after the 3:1 split.

PROFITABILITY AND FINANCIAL POSITION

The return on equity for the latest 12-month period amounted to 22% (23) and the return on capital employed was 17% (17). The Group's metric for return on working capital (P/WC) was 67% (64).

The equity ratio was 40% (39).

Equity per share (after 3:1 split) totalled SEK 9.12 at the end of the period, compared to SEK 8.29 at the beginning of the financial year. Aside from profit, this metric was also affected by dividends paid, currency-related translation differences and redemption of options.

At the end of the period, operating net indebtedness amounted to MSEK 992 (1,056). The change between years was mainly related to acquisitions, dividends of MSEK 135 in September 2020 and the operating cash flow. The operating net debt equity ratio was 0.5 (0.6). Net indebtedness including pension liability and the IFRS 16 effect amounted to MSEK 1,314 (1,312). The pension liability amounted to MSEK 76 (76) at the end of the financial year and liabilities related to finance leases according to IFRS 16 amounted to MSEK 246 (180).

CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from operating activities during the financial year amounted to MSEK 782 (507), equivalent to SEK 3.84 (2.49) per share.

Cash flow from investments in businesses was affected by acquisitions by MSEK 325 (260). During the financial year, MSEK 45 (40) was paid in contingent consideration for previous acquisitions.

Investments in intangible non-current assets and property, plant and equipment amounted to MSEK 87 (96) during the financial year. Larger items included investment in production equipment in the larger manufacturing units.

For other information about the cash flow from financing activities (shares and options) refer to the section "Share distribution, repurchases and major shareholders", page 38.

NET REVENUE AND PROFIT BY DIVISION*

Electronics

Net revenue in the Electronics division for the 2020/21 financial year amounted to MSEK 973 (1,117). Operating profit (EBITA) amounted to MSEK 108 (113), equivalent to an operating margin of 11.1% (10.1).

As a consequence of the weaker earnings, far-reaching cost adjustments and restructurings were already initiated early in the financial year, for instance in Germany, Poland and Norway. The restructuring also included discontinuation of low margin businesses.

The shutdown of societies and businesses including in Germany and Denmark due to Covid-19 also impacted several of the division's businesses negatively during the year with lower business volumes as a result.

However, during autumn and winter 2020/2021, a gradual improvement was noted in the market situation, particularly in the German and Danish markets and restructurings and cost adjustments had a positive effect and impact on earnings. The division showed an improved operating margin quarter after quarter.

Mechtronics

Net revenue in the Mechatronics division for the 2020/21 financial year amounted to MSEK 1,249 (1,261). Operating profit (EBITA) increased by 10% to MSEK 212 (193), equivalent to an operating margin of 17.0% (15.3).

A positive performance in the wind power industry and the expansion of electrical infrastructure has contributed to a strong development in several of the division's companies, including for the division's and the Group's largest company Elpress, which continued to show strong growth and profitability. Larger units in the electrical and electrical infrastructure areas such as Norwesco, Elkapsling and Elfac, are continuing to generate strong growth. However, deferred international telecom projects during the year had a negative impact on the business volume.

In December 2020, the acquisitions were carried out of Esari, Finland and VP metall, Norway and the businesses have generated a positive contribution according to plan. The pandemic had a negative impact on Frictape, however, with security products for helidecks, on account of restricted access to helidecks.

Communications

Net revenue in the Communications division for the 2020/21 financial year amounted to MSEK 822 (897).

Operating profit (EBITA) amounted to MSEK 134 (140), equivalent to an operating margin of 16.3% (15.6).

The market situation was positive in most of the division's units early in the financial year and the division's largest unit, R-Con (infrastructure for sprinkler installations) displayed very strong organic growth and earnings during the entire financial year. However, the onset of the pandemic had negative consequences for Radonova, one of the division's largest units, where the opportunities to measure radon, particularly in apartment blocks, were restricted from spring 2020 and for the rest of the year.

Precimeter (flow measurement of metal flows) with a large share of export sales, contributed to strong growth and earnings with a strong performance during the second half of the year. During the financial year, a restructuring was carried out in Load Indicator, which impacted both volume and earnings.

Niche Products

Net revenue in the Niche Products division for the 2020/21 financial year increased by 16% to MSEK 1,047 (905). Operating profit (EBITA) amounted to MSEK 206 (153), corresponding to an operating margin of 19.7% (16.9).

Strong sales and earnings growth in several of the division's units explained the improvement in earnings. In particular, Tormek and Wapro reported strong volume growth and improvements in earnings. Nikodan and Thermod, which both implemented restructuring programmes, also showed good improvements in earnings.

Asept, within dispensing of liquid foods, was negatively

impacted by Covid-19, however, first and foremost due to the shutdown in the USA, where they have larger international customers operating in the restaurant and fast-food industry. SIB, with cassette brushes for snow clearance of runways, was also negatively impacted by the pandemic. In November, Sajas was acquired, a niche product company based in Finland and with manufacturing in Estonia. In December, Hovicon, Holland was acquired, as a supplementary acquisition for Asept. Proagria Miljø, Denmark, was acquired in March and will be a part of Wapro Group. The acquired businesses have generated a positive contribution according to plan.

** Companies were moved between divisions and comparative figures have been restated.*

PARENT COMPANY

The Parent Company's net revenue for the financial year amounted to MSEK 36 (37) and profit after net financial items and taxes amounted to MSEK 305 (407). The result includes exchange rate adjustments on intra-Group lending of MSEK -7 (7) and dividends from subsidiaries during 2020 of MSEK 222 (378). The Parent Company's equity ratio was 54% (52).

Non-current and current interest-bearing liabilities decreased from MSEK 1,162 to MSEK 1,126, mainly related to decreased utilisation of credit facilities.

EMPLOYEES

The number of employees at the end of the period amounted to 1,626, compared to 1,532 at the start of the financial year. During the year, 54 employees were added in existing businesses and 131 employees were added as a result of acquisitions. Restructuring measures, primarily connected to the pandemic, meant that the number of employees fell by 91, approx. 6% of employees at the start of the year.

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 2021 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 2021 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 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% of the fixed annual salary. In addition, an additional bonus of 20% 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% 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 healthcare 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 compensated 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 0.23.

Classes of shares were distributed as follows on 31 March 2021:

Classes of shares	Number of shares
A shares	9,791,406
B shares	198,768,375
Repurchased B shares	-5,139,011
Total	203,420,770

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 into Class B shares. During the financial year, 0 (0) shares were converted.

One shareholder held more than 10% of the votes as of 31 March 2021: Anders Börjesson & Tisenhultgruppen 29.3%. SEB Fonder, with 15.0% of the capital, was the largest owner in terms of the share of equity. Swedbank Robur Fonder is the second largest owner with 12.7% of the capital.

The 2020 Annual General Meeting authorised the Board of Directors to repurchase shares up to 10% 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 of Directors during the period until the next AGM, to carry out a new issue of up to 10% of the number of B shares in the company as a means of payment during acquisitions. At 31 March 2021, Lagercrantz Group held 5,139,011 own Class B shares, equivalent to 2.5% of the total number of shares and 1.7% 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 (restated after 3:1 split)	31 Mar 2021	31 Mar 2020
2017/20	–	703,500
2018/21	643,900	1,500,000
2019/22	1,253,700	1,253,700
2020/24	1,200,000	–
Total	3,097,600	3,457,200

In conjunction with redemption of options, repurchased own Class B shares were sold during the financial year for MSEK 8 in total. In addition, outstanding options in the 2017/20 programme and in the 2018/21 programme were repurchased for MSEK 25.

During the financial year, 1,200,000 options for B shares with a redemption price of SEK 78.20 were issued in accordance with the resolution of the 2020 AGM. These options were acquired by about 60 managers and senior executives in the Group for a total of MSEK 7.

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:

Nexlan AS

Lagercrantz subsidiary Direktronik AB acquired its Norwegian distributor Nexlan AS which sells products for communication in networks and that generates annual revenue of approx. MSEK 10. Nexlan is part of the Communications division.

Sajas Group

Sajas Group consists of the three companies Sajakorpi Oy, Saja GmbH and Sajas Group Estonia OÜ and is a leading supplier of brushes for road sweeping, airfield and railway cleaning. Sajas Group generates annual revenue of MEUR 10 and is part of the Niche Products division.

VP metall AS

The company is a market leader in systems for electrical connectors primarily for high voltage applications based on implosive connectors. The company has a strong market position in the Nordic countries but also exports to other parts of the world. VP metall's annual revenue is approximately MNOK 40 and the business is part of the Mechatronics division.

Hovicon International BV

Hovicon develops and manufactures dispensers for technical and personal hygiene products such as soap and hand disinfection. The company also offers dispensing solutions for fast-food restaurants and food manufacturing companies. Hovicon is based in the Netherlands and generates annual revenue of MEUR 6. Hovicon, as a subsidiary to Asept is part of the Niche Products division.

Oy Esari Ab

Esari is one of Finland's leading providers of equipment shelters and technical buildings. The customers are primarily telecommunications operators, the energy and technology industries as well as government agencies. Esari generates annual revenue of approximately MEUR 5. Esari cooperates with the Group's operations in Elkaplind and is part of the Mechatronics division.

Proagria Miljø A/S

Proagria develops and sells valves, gates used to control water flows as well as other components used by aquaculture (land-based fish farms). Proagria is based in Otterup on Fyn in Denmark and generates annual revenue of approximately MDKK 40 and is part of the Niche Products division.

Vibrerande hantering i Ängelholm AB (Vihab)

Lagercrantz subsidiary PST acquired Vihab that develops and sells customised machines for dosing, screening and packing materials through vibration technology. Vihab generates annual revenue of approximately MSEK 5 and is part of the Niche Products division.

The preliminary purchase price allocation for the acquired businesses is presented in Note 39 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.

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 situation-adapted quantitative goals in their environmental efforts. The Group conducts operations in six 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 earnings, 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 through sector diversification, niche focus and its decentralised structure. Sector diversification means that, seen across the entire Group, customers are in different phases of an economic cycle. As a consequence of its niche focus, the Group is less dependent on one or a few end markets for its growth and profitability. This means that a change in market conditions in one sector or country may have an impact on an individual company niched towards parts of this sector or geographical area, but it will 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 other ways 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 5% 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.

The Group works in a focused way on reducing 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 27 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.

IT risks/cyber attacks

Lagercrantz like all international players 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 41 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. The company complies with the Code in material aspects. In three respects (one of which is found in the section on the Election Committee, one in the section on the Audit Committee, and one in the section on incentive programmes) an explanation is provided for the deviations. The report also contains an account of the work of the Election Committee ahead of the 2021 Annual General Meeting (AGM).

Corporate governance structure

Lagercrantz Group is a Swedish public limited liability company with its registered office in Stockholm. The company, through its subsidiaries, conducts technology trading and has been listed on the Nasdaq Stockholm exchange since 2001, and on its Mid Cap list since January 2014. Governance and control of the company 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 Swedish Companies Act stipulates that there should be three decision-making bodies: the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer, in a hierachical 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 2021, the number of shareholders was 8,023, compared to 5,156 at the beginning of the financial year. The combined shareholding of the ten largest shareholders was 61% (60) of the shares outstanding and 70% (70) 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 32 – 33.

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. After the 3:1 share split there shall be a minimum of 112,500,000 shares and a maximum of 450,000,000 shares. 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 contain no 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 2020, see the company's website, the section Corporate governance/Articles of Association.

Notice for Annual General Meetings, and notice for Extraordinary General Meetings (EGMs), where an amendment of the Articles of Association will be on the agenda, shall be issued not more than six weeks and not less than four weeks before the Meeting. Notice for other EGMs shall be issued not more than six weeks and not less than two weeks before the Meeting. Notice convening a General Meeting shall be in the form of an announcement in the Swedish Official Gazette and on the company's website. It shall also be concurrently announced in 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 2020

The 2020 AGM was held on 25 August in Stockholm. Notice for the Meeting was announced in the form of a press release on 22 July 2020, and was published on the company's website on the same day. On the same date, it was also announced in the newspaper Dagens Industri that notice had been issued. The notice was also published in the Swedish Official Gazette. At the AGM, shareholders representing 39.1 million shares and 66.8 million votes, respectively, were present. This was equivalent to 56% (60) of the number of shares outstanding and 69% (72) of the votes in the company. Following a temporary change in the law, the Annual General Meeting was held with postal votes cast and a limited number of AGM participants on site.

Resolutions passed by the General Meeting included the following:

- A dividend of SEK 2.00 per share was declared in accordance with the proposal of the Board of Directors (SEK 0.67 after split 3:1).
- Discharge from liability was granted to the Board of Directors and the President for their administration during 2019/20.
- 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. Lennart Sjölund declined re-election, Anders Claeson 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 400,000 call options on repurchased Class B shares (after split 1,200,000 call options).

- 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% 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% of the shares in the company as a means of payment during acquisitions.
- Change of the articles of association for the purpose of adapting the articles of association in order to carry out a division of the company's shares (3:1 share split) and certain legislative changes.
- Division of the company's shares (3:1 share split), whereupon one existing share in the company is divided into three shares of the same class of shares.

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 2020/21 of seven ordinary members who together possess broad commercial, technical and public experience:

- Anders Börjesson, Chairman of the Board
- Ulf Södergren
- Anna Almlöf
- Fredrik Börjesson
- Anna Marsell
- Anders Claeson
- 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 82. 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 2020/21 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 two.

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 operations and other important information.

During 2020/21, the work of the Board was dominated by questions relating to acquisitions, market development and the business model and continual updates about the effects of Covid-19. 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 2021. 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 2020/21, including fees for the Remuneration Committee, amounted to SEK 2,550,000 (2,550,000). In accordance with an AGM resolution, the Chairman of the Board received SEK 700,000 (700,000), and the other ordinary members who are not employees of the company received SEK 350,000 (350,000) each. See also Note 6.

Remuneration Committee

From among its own members, the Board of Directors has appointed a Remuneration Committee tasked with 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 2020/21, 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 two meetings during the year. All members of the Committee were present at these meetings. 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 2020/21, 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 the 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 whose results are received by the company's auditors, and the extensive work that a traditional examination by the company's auditors would entail, the Board of Directors has chosen to deviate from the recommendation of the Swedish Corporate Governance Code calling for a review of the half-yearly report or the interim report for the third quarter.

Auditors

The registered auditing firm KPMG AB was elected to serve as auditor at the 2020 AGM. The audit firm appointed Håkan Olsson Reising, Authorised Public Accountant, to serve as auditor in charge.

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

Management

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

Lagercrantz Group's Group Management consists of the President & CEO, Executive Vice President, the Group's Chief Financial Officer and the Head of Business Development, four persons in total. The management team consists of Group Management and division heads/business area managers and the Group Controller – in total 13 persons who constitute the Group's senior executives. A detailed presentation can be found under Management on page 83.

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, acquisitions, earnings 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 information, and coordination and follow-up of safety, 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 2020 AGM and information about existing incentive programmes are presented in Note 7 of this annual report and are summarised below.

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

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

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

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

The Board's proposal to the 2021 Annual General Meeting means that the same guidelines for remuneration to senior executives are adopted. The proposal for guidelines is 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 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 according to guidelines established by each subsidiary's Board of Directors. Subsidiary presidents have profit responsibility for their respective companies, as well as responsibility to ensure growth and development in their companies. Allocation of investment capital in the Group is determined following a decision by the Parent Company Lagercrantz Group's Board of Directors in accordance with an annually updated capital expenditure policy.

Operational control in the Lagercrantz Group is defined by clear demands from Group Management and 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, disability, family circumstances or sexual orientation. By participating in the recruitment work, the Group's operational management 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 any other 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, the Chairman of the Board of Directors and auditors and to propose fees for Board members, the Chairman and auditors, so that the AGM can make well-founded decisions. At the AGM 2020, 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 2020, 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 Fonder)
- Marianne Nilsson (appointed by Swedbank Robur Fonder)
- Johan Lannebo (appointed by Lannebo Fonder)

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

In a deviation from the Swedish Corporate Governance Code, the Chairman of the Board of Directors, Anders Börjesson, has also held the post of Chairman of the Election Committee. The explanation for this deviation is that Anders Börjesson is the company's largest owner in terms of votes. Lagercrantz Group's strategic direction, as well as its business and governance model,

is based on aspects such as strong commitment from the company's principal owners. This approach pervades Lagercrantz Group's corporate culture and has proved to be vital for the Group's successful development.

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

Incentive programme

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 regarding the opportunities in the company's development. The programme also aims to motivate managers and senior executives to remain employed in the Group. The programmes consist of call options on repurchased Class B shares.

Options have been issued every year from 2006 – 2020, according to the resolution of the AGM each year. The 2018, 2019 and 2020 programmes are currently outstanding. Outstanding programmes 2018 and 2019 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. The 2020 programme has been changed in order to better follow the Corporate Governance Code and has been extended and with two redemption periods that mature after 3 years and 3.5 years. A complete description of the outstanding incentive programmes is provided in Note 7.

POST-BALANCE SHEET EVENTS

Two acquisitions were carried out after the end of the financial year. In April 2021, CW Lundberg AB was acquired with wholly-owned subsidiaries in Sweden, Norway and Poland. CWL generates annual revenue of approximately MSEK 185. During May 2021, 75% of the Norwegian company Libra-Plast AS was acquired with subsidiaries in Norway and Latvia and an associated company in Vietnam. Libra generates annual revenue of approximately MNOK 177. Otherwise, no significant events for the company have occurred after the balance sheet date on 31 March 2021.

COVID-19 EFFECTS

The Group's different businesses were impacted to a varying degree by the Covid-19 pandemic during the financial year, but all in all, the Group's operations could be conducted without larger disruptions. Situation-adapted measures have been implemented in the subsidiaries where it was required to meet the challenges resulting from the pandemic but also to take advantage of future growth opportunities. The Group has also analysed the conditions for government support and applied for support where the criteria were considered to be met. No material impairment losses or bad debt losses have occurred during the financial year.

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.

The Group is preparing for continued expansion through the "Lagercrantz towards one billion" programme with the vision to be a sustainable provider of value-creating technology based on market-leading positions in expansive niches, through an organisational change (from four to five divisions), increased capacity in M&A and greater focus on sustainability.

DIVIDEND

The Board of Directors proposes a dividend of SEK 1.00 (0.67) per share. The dividend is equivalent to a total of MSEK 203 (135) and constitutes 52% (37) of the previous year's profit. The size of the dividend is based on a balance between the Group's capital structure and future opportunities for expansion. The Board of Directors is of the opinion that the proposed dividend 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 1,881,628 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders SEK 1.00 SEK x 203,420,770 shares *	203,421
To be carried forward	1,678,207
Total	1,881,628

*Based on the total number of shares outstanding as of 31 March 2021. 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 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 24 August 2021. 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, 7 July 2021

Anders Börjesson
Chairman of the Board

Ulf Södergren
Board member

Anna Marsell
Board member

Anna Almlöf
Board member

Fredrik Börjesson
Board member

Anders Claeson
Board member

Jörgen Wigh
President and Board member

Our audit report was submitted on 7 July 2021

KPMG AB

Håkan Olsson Reising
Authorised Public Accountant
Auditor in charge

Alexander Tistam
Authorised Public Accountant

Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	2020/21	2019/20
Net revenue	3, 4	4,091	4,180
Cost of goods sold		-2,513	-2,618
Gross profit		1,578	1,562
Other operating income	8	54	53
Selling expenses		-722	-769
Administrative expenses		-349	-341
Other operating expenses	9	-32	-22
Profit before net financial items (EBIT)	3, 5, 6, 10, 11, 14	529	483
<i>Profit from financial items</i>			
Financial income	12	18	14
Financial expenses	13	-45	-37
Profit before taxes	14	502	460
Taxes	15	-114	-94
Net profit for the year attributable to the parent company's shareholders		388	366
Earnings per share after dilution, SEK	40	1.91	1.80
Earnings per share, SEK	40	1.91	1.80
Number of shares after repurchases during the period ('000)		203,307	203,151
Weighted number of shares after repurchases during the period, adjusted after dilution ('000)		203,673	203,616
Weighted number of shares after repurchases during the period ('000)		203,421	203,178
Proposed dividend per share, SEK		1.00	0.67

Other Consolidated Comprehensive Income

Amounts in MSEK	Note	2020/21	2019/20
Net profit for the year		388	366
Other comprehensive income			
<i>Items transferred or that may be transferred to net profit</i>			
Translation differences for the year	-51	-4	
Debt instruments measured at fair value	-18	-	
<i>Items that may not be transferred to profit/loss for the year</i>			
Actuarial effects on pensions	-2	-2	
Taxes attributable to actuarial effects	0	0	
Comprehensive income for the year		317	360

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2021	31 Mar 2020
ASSETS	3		
Non-current assets			
<i>Intangible non-current assets</i>			
Goodwill	16	1,609	1,518
Trademarks	17	297	281
Other intangible assets	18	488	477
		2,394	2,276
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	19	89	88
Costs incurred in leasehold property	20	12	8
Plant and machinery	21	169	136
Equipment, tools, fixtures and fittings	22	70	69
Rights of use	11	246	179
		586	480
<i>Financial assets</i>			
Other non-current receivables	25, 34	6	4
		6	4
<i>Deferred tax assets</i>			
Deferred tax assets	32	15	14
		15	14
Total non-current assets		3,001	2,774
Current assets			
<i>Inventories etc.</i>	26		
Raw materials and consumables		244	196
Work in progress		44	32
Finished goods and goods for resale		367	334
		655	562
<i>Current receivables</i>	34		
Trade receivables	27	635	682
Contract assets	28	37	34
Tax receivables		53	92
Other receivables		36	44
Prepaid expenses and accrued income	29	42	44
		803	896
Cash and cash equivalents	34	151	117
Total current assets		1,609	1,575
TOTAL ASSETS		4,610	4,349

Consolidated Statement of Financial Position

Amounts in MSEK	Note	31 Mar 2021	31 Mar 2020
EQUITY AND LIABILITIES			
Equity	30		
Share capital		49	49
Other paid-up capital		345	345
Reserves		-88	-19
Retained earnings including net profit for the year		1,549	1,309
Total equity attributable to the parent company's shareholders		1,855	1,684
Non-current liabilities	3, 34, 35		
<i>Non-current interest-bearing liabilities</i>			
Provisions for pensions	31	76	76
Liabilities to credit institutions	35	707	700
Non-current lease liabilities	11	150	97
Other non-current interest-bearing liabilities		1	1
		934	874
<i>Non-interest-bearing liabilities, non-current</i>			
Deferred tax liabilities	32	218	211
Non-interest-bearing liabilities, non-current		3	3
Other provisions	33	17	14
		238	228
Total non-current liabilities		1,172	1,102
Current liabilities	3, 34, 35		
<i>Current interest-bearing liabilities</i>			
Committed credit facilities	35	130	166
Liabilities to credit institutions	35	307	307
Current lease liabilities	11	96	83
		533	556
<i>Non-interest-bearing liabilities, current</i>			
Advance payments from customers		16	14
Trade payables		366	329
Tax liabilities		71	105
Contract liabilities	28	36	37
Other liabilities		282	299
Accrued expenses and deferred income	36	256	220
Provisions	33	23	3
		1,050	1,007
Total current liabilities		1,583	1,563
TOTAL EQUITY AND LIABILITIES		4,610	4,349

Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings incl. net profit for the year	Total equity
31 Mar 2021					
Opening balance	49	345	-19	1,309	1,684
COMPREHENSIVE INCOME					
Net profit for the year				388	388
Actuarial effects on pensions				-2	-2
Taxes attributable to actuarial effects				0	0
Translation effect for the year			-51		-51
Debt instruments measured at fair value			-18	-	-18
Comprehensive income for the year			-69	386	317
Transactions with owners					
Dividend				-135	-135
Dividend to minority shareholders in subsidiaries				-5	-5
Shareholders' contribution from minority				3	3
Sale of own shares *				9	9
Repurchased options				-25	-25
Issued options				7	7
Closing balance	49	345	-88	1,549	1,855

Amounts in MSEK	Share capital	Other paid-up capital	Translation reserve	Retained earnings incl. net profit for the year	Total equity
31 Mar 2020					
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

Note 29 contains further information regarding equity.

*Refers to redemption of options.

Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2020/21	2019/20
Operating activities			
Profit after financial items		502	460
Adjustments for items not included in the cash flow etc.	38	264	222
		766	682
Taxes paid		-120	-79
Cash flow from operating activities before changes in working capital		646	603
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in inventories		-2	3
Increase (-) / Decrease (+) in operating receivables		126	11
Increase (+) / Decrease (-) in operating liabilities		12	-110
Cash flow from operating activities		782	507
Investing activities			
Investments in operations	39	-325	-260
Sold subsidiaries	39	-	-
Investments in intangible non-current assets		-19	-15
Purchase of property, plant and equipment		-68	-81
Disposal of property, plant and equipment		-3	5
Cash flow from investing activities		-415	-351
Financing activities			
Repurchase of own shares		-	-
Sale of own shares *		9	4
Repurchased options		-25	-26
Issued options		7	5
Dividends paid		-140	-179
Borrowings		-	100
Amortisation of loans		-	-
Change in committed credit facilities, liabilities to credit institutions and lease liabilities	35	-184	-82
Cash flow from financing activities		-333	-178
Cash flow for the year		34	-22
Cash and cash equivalents at beginning of the year		117	139
Exchange difference in cash and cash equivalents		-	-
Cash and cash equivalents at end of the year		151	117

* Within option programme.

CHANGE IN NET LOAN LIABILITIES / RECEIVABLES

Amounts in MSEK	Note	2020/21	2019/20
Net loan liabilities (+) / receivables (-) at start of the year		1,312	1,004
Change in interest-bearing liabilities		28	287
Interest-bearing liabilities in acquired operations		8	-
Changes in interest-bearing pension provisions		-	-
Cash and cash equivalents in acquired operations		27	32
Change in cash and cash equivalents, other		-61	-11
Net loan liabilities (+) / receivables (-) at end of the year		1,314	1,312

Parent Company Income Statement

Amounts in MSEK	Note	2020/21	2019/20
Net revenue	3	36	37
Gross profit		36	37
Administrative expenses		-76	-70
Other operating income and operating expenses		2	0
Operating profit	3, 6, 10, 11, 14	-38	-33
<i>Profit from financial items</i>			
Profit from participations in Group companies	12	419	462
Interest income and similar profit/loss items	12	9	17
Interest expenses and similar profit/loss items	13	-26	-17
Profit after financial items	14	364	429
<i>Appropriations</i>			
Change in untaxed reserves		-36	-14
Profit before taxes		328	415
Taxes	15	-23	-8
Net profit for the year		305	407

Other Comprehensive Income, Parent Company

Amounts in MSEK	Note	2020/21	2019/20
Net profit for the year		305	407
Other comprehensive income		-	-
Comprehensive income for the year		305	407

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2021	31 Mar 2020
ASSETS			
Non-current assets			
Equipment, tools, fixtures and fittings	22	0	1
		0	1
<i>Financial assets</i>			
Participations in Group companies	23	2,718	2,617
Receivables from Group companies	24	107	115
Deferred tax assets	32	3	2
		2,828	2,734
Total non-current assets		2,828	2,735
Current assets			
<i>Current receivables</i>			
Receivables from Group companies	34	873	679
Tax receivables		1	1
Other receivables		–	–
Prepaid expenses and accrued income	29	2	4
		876	684
Cash and bank balances	34	–	–
Total current assets		876	684
TOTAL ASSETS		3,704	3,419

Parent Company Balance Sheet

Amounts in MSEK	Note	31 Mar 2021	31 Mar 2020
EQUITY AND LIABILITIES			
Equity	30		
Share capital		49	49
Legal reserve		13	13
Restricted equity		62	62
Retained earnings		1,577	1,315
Net profit for the year		305	407
Non-restricted equity		1,882	1,722
Total equity		1,944	1,784
Untaxed reserves		49	14
Provisions			
Provisions for pensions	31	18	19
Non-current liabilities	34, 35		
<i>Non-current interest-bearing liabilities</i>			
Liabilities to credit institutions	35	700	700
Liabilities to Group companies		1	1
Total non-current liabilities		719	720
Current liabilities	34, 35		
<i>Current interest-bearing liabilities</i>			
Committed credit facilities	35	126	162
Liabilities to credit institutions	35	300	300
		426	462
<i>Non-interest-bearing liabilities, current</i>			
Trade payables		2	2
Liabilities to Group companies		452	308
Tax liabilities		17	–
Other liabilities		74	113
Accrued expenses and deferred income	36	21	16
		566	439
Total current liabilities		992	901
TOTAL EQUITY AND LIABILITIES		3,704	3,419

Statement of Changes in Parent Company's Equity

Amounts in MSEK	Share capital	Legal reserve	Retained earnings incl. net profit for the year	Total equity
31 Mar 2021				
Opening balance	49	13	1,722	1,784
COMPREHENSIVE INCOME				
Net profit for the year			305	305
Other comprehensive income			-	-
Comprehensive income for the year			305	305
Transactions with owners				
Dividend			-135	-135
Repurchase of own shares			-	-
Sale of own shares *			9	9
Repurchased options			-25	-25
Issued options			7	7
Other			-1	-1
Closing balance	49	13	1,882	1,944

Amounts in MSEK	Share capital	Legal reserve	Retained earnings incl. net profit for the year	Total equity
31 Mar 2020				
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

Note 29 contains further information regarding equity.

*Refers to redemption of options.

Parent Company Statement of Cash Flows

Amounts in MSEK	Note	2020/21	2019/20
Operating activities			
Profit after financial items		364	429
Adjustments for items not included in cash flow etc.	38	-208	-84
		156	345
Taxes paid		-5	-
Cash flow from operating activities before changes in working capital		151	345
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) in operating receivables		-65	-70
Increase (+) / Decrease (-) in operating liabilities		169	35
Cash flow from operating activities		255	310
Investing activities			
Investments in operations		-148	-228
Purchase of property, plant and equipment		-	-
Disposal of/decrease in financial assets		0	-5
Cash flow from investing activities		-148	-233
Financing activities			
Repurchase of own shares		-	-
Sale of own shares		9	4
Repurchased options		-25	-26
Issued options		7	5
Redemption of options		-	-
Dividends paid		-135	-169
Received/provided Group contributions		74	-
Borrowings		-	100
Amortisation of loans		-	-
Change in committed credit facilities, liabilities to credit institutions	38	-37	9
Cash flow from financing activities		-107	-77
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 the 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 25 June 2021. 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 24 August 2021.

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.

Judgments made by management in the application of IFRS, which have a 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 2020/21

No new or amended IFRS standards have had a material impact on the consolidated financial statements. None of the newly issued IFRS standards or interpretations have been early adopted.

New and revised IFRS that apply after the financial year 2020/21

None of the new or amended IFRS standards, which have not yet been adopted by the EU, are expected to have any material impact on the consolidated financial statements.

(c) Operating segment reporting

An operating segment is a part of the Group that conducts business from which it can generate income and incur costs and for which independent financial information is available. Operating segments are reported in a manner 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 current liabilities in the Parent Company and the Group essentially consist only of amounts that are expected to be recovered or paid within twelve months of the end of the reporting period.

(e) Basis of consolidation

(i) Subsidiaries

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

Subsidiaries are recognised in accordance with the acquisition method. This method means that the acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The acquisition cost to the Group is determined by a purchase price allocation in conjunction with the acquisition. The analysis establishes 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. Translation differences arising on such translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historical cost are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the rate of exchange that prevailed at the time of fair value measurement.

(ii) Financial statements of foreign operations

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

(g) Revenue

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 financial income and expenses*(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

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

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

Borrowing costs are recognised in 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 recognised 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 through 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. Trade payables and other operating liabilities are not discounted, since it does not have a material effect.

Financial liabilities measured at fair value

Liabilities for contingent considerations arising in business combinations are measured at fair value through profit or loss. Liabilities for call options arising in business combinations are measured at fair value through comprehensive income. 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

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(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 profit, 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 is 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

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.

(iii) Additional expenditure

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

(iv) Depreciation methods

Assets are depreciated on a straight-line basis over their estimated useful life. Land is not depreciated. The Group applies component depreciation, which means that the components' estimated useful life forms the basis for depreciation.

Estimated useful lives:

■ Buildings, 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 the liabilities and contingent liabilities assumed. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is distributed to cash-generating units and tests are performed on an annual basis or as soon as there are indications the asset in question has suffered an impairment loss (Refer to Accounting policies n).

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

(ii) Research and development

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

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

is calculated 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 Alesta. Alesta does not provide the information necessary to recognise these obligations as a defined benefit plan. These pensions secured by insurance in Alesta are therefore recognised as defined contribution plans (under UFR10). The collective consolidation level is defined as the market value of Alesta's assets as a percentage of the insurance commitments calculated in accordance with Alesta's actuarial calculation assumptions. Alesta's surplus can be distributed to the policyholders and/or the insured.

(iii) Remuneration upon termination of employment

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

(iv) Employee share option plan

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

(q) Provisions

A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of past events, and it is probable that an outflow

of financial resources will be required to settle the obligation and the amount can be reliably estimated. In cases where the effect of payment timing is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money, and if applicable, the risks specific to the obligation.

(i) Warranties

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

(ii) Restructuring

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

(iii) Onerous contracts

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

(r) Taxes

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

Current tax is tax that shall be paid or refunded in respect of the current year, using the tax rates which are enacted or which in practice are enacted at the end of the reporting period. 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 supplements 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.

Note

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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 of 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.

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 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 2 Critical estimates and judgments

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

Impairment testing of goodwill

Each year, the Group tests if any impairment of goodwill has occurred. The recoverable amount of the cash-generating units is determined through a calculation of the value in use. This calculation is based on the 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). See also Note 16.

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 41.

Pension assumptions

Pension assumptions are an important element of the actuarial methods used to measure pension obligations and they can have an effect on the recognised pension liability and the annual 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 based on follow-up of earnings, cash flows and the return generated by the Group's goods and services. This follow-up is the basis for 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 (financial year 2020/21):

- **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 2020/21	2019/20	Mechatronics 2020/21	2019/20	Communications 2020/21	2019/20	Niche Products 2020/21	2019/20
Revenue								
External sales	973	1,117	1,249	1,261	822	897	1,047	905
Internal sales	3	3	14	14	2	0	5	5
Total revenue	976	1,120	1,263	1,275	824	897	1,052	910
Operating profit (EBITA)								
Amortisation of intangible assets that arose during acquisitions	-19	-17	-21	-21	-18	-18	-29	-26
EBIT (profit before financial items)	89	96	191	172	116	122	177	127
Parent Company, central functions and eliminations								
							Total	2019/20
Revenue								
External sales					–	–	4,091	4,180
Internal sales					-24	-22	–	–
Total revenue					-24	-22	4,091	4,180
Earnings								
EBIT (profit before financial items)					-44	-34	529	483
Financial income							18	14
Financial expenses							-45	-37
Profit before taxes								
Taxes							502	460
Net profit							388	366

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

Other information by operating segment

	Electronics 2020/21	2019/20	Mechatronics 2020/21	2019/20	Communications 2020/21	2019/20	Niche Products 2020/21	2019/20
Assets								
Assets	953	1,084	1,415	1,315	775	757	1,441	1,142
Undistributed assets	–	–	–	–	–	–	–	–
Total assets	953	1,084	1,415	1,315	775	757	1,441	1,142
Liabilities								
Liabilities	236	285	338	312	217	262	294	241
Undistributed liabilities	–	–	–	–	–	–	–	–
Total liabilities	236	285	338	312	217	262	294	241
Capital expenditures	12	18	23	35	30	20	22	23
Depreciation and amortisation	59	60	68	67	49	48	65	55
Parent Company, central functions and eliminations								
							Total	2019/20
Assets					10	14	4,594	4,312
Undistributed assets					–	–	16	37
Total assets					10	14	4,610	4,349
Liabilities					1,129	1,159	2,214	2,259
Undistributed liabilities					–	–	541	406
Total liabilities					1,129	1,159	2,755	2,665
Capital expenditures					–	–	87	96
Depreciation and amortisation					4	4	245	234

Note 3 continued

External sales by geographical market

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

	2020/21	2019/20
Sweden	1,440	1,474
Denmark	608	640
Norway	351	392
Finland	263	258
UK	98	85
Germany	293	294
Poland	113	119
Rest of Europe	402	384
Asia	239	208
Rest of the world	284	326
	4,091	4,180

Capital expenditures and non-current assets by geographical market

	Capital expenditures		Non-current assets	
	2020/21	2019/20	31 Mar 2021	31 Mar 2020
Sweden	64	67	1,757	1,731
Denmark	12	13	460	468
Norway	1	2	229	128
Finland	2	8	263	224
Germany	1	1	180	188
Poland	1	4	20	25
Rest of Europe	–	–	90	8
Rest of the world	1	1	2	2
Undistributed assets	–	–	–	–
	82	96	3,001	2,774

Parent Company, central functions and eliminations

	2020/21	2019/20
Internal net revenue by operating segment		
Electronics	12	12
Mechtronics	13	12
Communications	10	11
Niche Products	13	11
	48	46
Internal net revenue by geographical market		
Sweden	29	27
Denmark	9	9
Norway	3	3
Finland	3	3
Germany	2	2
Other countries	2	2
	48	46

Note 4 Distribution of net revenue**Net revenue by product category**

	2020/21	2019/20
Group		
Trading	808	938
Niche production	364	396
Proprietary products	2,679	2,544
System integration	131	180
Service and other	109	122
	4,091	4,180

In the case of other types of revenue, dividends and interest income are recognised in net financial items. See Note 12. Also see Note 3, regarding net revenue by segment.

Note 5 Operating costs allocated by type of cost

	2020/21	2019/20
Group		
Cost of goods sold	1,975	2,096
Compensation-related personnel costs	970	986
Depreciation and amortisation	245	234
Other operating expenses	426	434
Total operating expenses	3,616	3,750

During the financial year, operating expenses were reduced by MSEK 24.1 (0) related to government support relating to Covid-19. Reclassification has occurred between compensation-related personnel costs and other operating expenses in the previous period.

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

	2020/21	of whom men	2019/20	of whom men
Parent Company				
Sweden	14	57%	13	54%
Other Group companies				
Sweden	868	78%	861	78%
Denmark	275	63%	273	63%
Norway	71	77%	55	80%
Finland	211	64%	149	47%
Germany	54	67%	52	63%
Poland	68	82%	78	87%
Other countries	71	80%	40	78%
Total in Group companies	1,618	73%	1,508	72%
Group total	1,632	73%	1,521	72%

Salaries, other remuneration and social security expenses

	2020/21		2019/20	
	Salaries and re-muneration	Social security expenses	Salaries and re-muneration	Social security expenses
Parent Company	25	20	31	18
(of which, pension expense)		(8) ¹⁾		(7) ¹⁾
Other Group companies	683	241	689	248
(of which pension expense)		(72)		(72)
Group total	708	262	720	266
(of which pension expense)		(80) ²⁾		(79) 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 16 (13) 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

	2020/21		2019/20	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Sweden				
Parent Company	12	13	15	16
(of which, bonus etc.)	(2)	(3)	(2)	(1)
Other Group companies in Sweden	26	325	36	327
(of which, bonus etc.)	(3)	(9)	(5)	(13)
Sweden total	38	338	51	343
	(5)	(12)	(7)	(14)
Outside Sweden				
Denmark	22	147	20	154
(of which, bonus etc.)	(2)	(5)	(1)	(5)
Norway	4	33	4	34
(of which, bonus etc.)	(0)	(1)	(0)	(0)
Finland	9	47	5	48
(of which, bonus etc.)	(1)	(1)	(0)	(–)
Germany	3	26	2	25
(of which, bonus etc.)	(0)	(1)	(–)	(0)
Poland	1	10	2	13
(of which, bonus etc.)	(–)	(1)	(–)	(–)
Other countries	3	26	4	16
(of which, bonus etc.)	(0)	(2)	(–)	(1)
Group companies outside Sweden total	42	289	37	290
(of which, bonus etc.)	(3)	(11)	(1)	(6)
Group total	80	627	88	633
(of which, bonus etc.)	(8)	(23)	(8)	(20)

The group Board of Directors and Presidents includes directors, presidents and executive vice presidents. Adjustment of comparative figures has been made in view of changed internal follow-up and classification of personnel-related costs. This is aimed at providing a fairer view of changes between financial years.

Gender distribution in company managements

	31 Mar 2021 Proportion of women	31 Mar 2020 Proportion of women
Parent Company		
Board of Directors	29%	25%
Other senior executives	25%	23%
Group total		
Board of Directors	9%	10%
Other senior executives	4%	6%

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 portion of the compensation should also be based on outcome relative to set goals and on individual performance.

The retirement age shall be 60 – 65 years and in addition to an ITP plan, only defined contribution pension plans will normally be offered. In the case of termination of employment, termination benefits equivalent to a maximum of one annual salary may be offered, in addition to salary during the period of notice. 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 2021 AGM is set out in the Report of the Board of Directors.

Remuneration Board members

SEK '000	2020/21	2019/20
Chairman of the Board (incl. fee Remuneration Committee)	750	750
Other Board members (incl. fee Remuneration Committee)	1,800	1,800
Total	2,550	2,550

Remuneration and other benefits to senior executives 2020/2021

SEK '000	Basic salary	Bonus*	Other remuneration	Other benefits	Pension expense	Total
Chief Executive Officer	5,674	1,690	533	127	1,623	9,647
Executive Vice President	3,277	978	474	114	906	5,749
Other senior executives						
11 persons	19,871	3,883	777	1,395	3,814	29,740
Total	28,822	6,551	1,784	1,636	6,343	45,136

* Bonus is based 80% on earnings targets and 20% on return on equity target (P/WC). During the year, the outcome was 100% (62%).

Remuneration and other benefits to senior executives 2019/2020

SEK '000	Basic salary	Bonus	Other remuneration	Other benefits	Pension expense	Total
Chief Executive Officer	5,617	1,032	459	132	1,711	8,951
Executive Vice President	3,244	597	581	108	957	5,487
Other senior executives						
11 persons*	18,456	3,113	1,246	1,205	4,102	28,122
Total	27,317	4,742	2,286	1,445	6,770	42,560

* Personnel-related costs relating to other senior executives have been adjusted for the previous year for improved comparability.

Change in remuneration and the company's profit during the past five financial years

	2020/21 vs 2019/20	2019/20 vs 2018/19	2018/19 vs 2017/18	2017/18 vs 2016/17	2016/17 vs 2015/16
Remuneration to President & CEO¹⁾					
Annual change in total remuneration (%)	8%	-3%	17%	-2%	30%
Remuneration to Executive Vice President¹⁾					
Annual change in total remuneration (%)	5%	1%	18%	-1%	21%
The company's earnings trend					
Annual change in Net profit for the year after taxes (%), Group	6%	7%	20%	4%	14%
Remuneration to employees²⁾					
Annual change in total remuneration (%), Sweden	-2%	-7%	13%	-3%	-5%

¹⁾ The remuneration refers to the sum of all compensation components that are reported in the table below.

²⁾ Calculated on average number of employees based on full-time equivalents in Group companies in Sweden. The number of employees in the Parent Company, excluding Group management, is considered to be too small to constitute a relevant basis for comparison.

Total remuneration to the President & CEO and Executive Vice President during 2020/21

SEK '000 / Proportion of total remuneration	Basic salary	One-year variable remuneration	Multi-year variable remuneration ¹⁾	Benefits ²⁾	Occupational pension ³⁾	Total remuneration
President & CEO	5,674 / 59%	1,690 / 17%	533 / 6%	127 / 1%	1,623 / 17%	9,647
Executive Vice President	3,277 / 57%	978 / 17%	474 / 8%	114 / 2%	906 / 16%	5,749

¹⁾ The year's expense for subvention of the incentive programme, which is described in Note 7. During 2020/21, SEK 533,000 was paid out for the President & CEO and SEK 474,000 to the Executive Vice President.

²⁾ Mainly refers to car and fuel.

³⁾ Pension is only payable on the basic salary.

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Note 6 continued

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, no persons resigned from or joined the company. Remuneration to this group, a total of 13 (13) persons in 2020/21, was covered by the resolution at the 2020 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 event of termination at the member's own request. 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.

Audit fees and reimbursements

	Group 2020/21	Parent Company 2019/20	Group 2020/21	Parent Company 2019/20
KPMG				
Audit assignments	4	4	1	1
Tax advisory assignments	0	0	–	–
Other assignments	1	0	–	0
Other auditors				
Audit assignments	1	1	–	–
Tax advisory assignments	–	0	–	–
Other assignments	1	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 Incentive programme

The 2020 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. The programme has been changed in order to better comply with the Swedish Corporate Governance Code and has thus been extended and has two redemption dates that expire after 3 years and 3.5 years, respectively. Redemption can take place during two time periods: (i) during a two week period from the day after the company publishes its Interim Report for the period 1 April 2023 – 30 September 2023, (ii) after the company has published its Year-end Report for the period 1 April 2023 – 31 March 2024 (probably the period 20 – 31 May 2024). 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 125% 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 2018 AGM comprised 50 persons and a total of 500,000 call options (1,500,000 after split). Allocations varied between 500 – 75,000 options per person. The measurement period to determine the average share price, which was SEK 87.80 (before split), 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 before split (SEK 35.07 after split) and was restated in October 2020 to SEK 35.30. The market value of the call options was set at SEK 7.10 per option (before split) by an independent valuation institution. Options programme 2018/21 extends to 19 November 2021.

The allocation resolved by the 2019 AGM for 2019 comprised 60 persons and a total of 500,000 call options (1,500,000 after split), of which 417,900 were subscribed for. The allocation varied between 1,000 – 50,000 options per person. The measurement period to determine the average share price, which was SEK 130.94 (before split), 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 before split (SEK 51.47 after split) and was restated in October 2020 to SEK 52.10. The market value of the call options was set at SEK 11.50 per option (before split) by an independent valuation institution. Options programme 2019/22 extends to 18 November 2022.

The allocation resolved by the 2020 AGM for 2020 comprised 63 persons and a total of 400,000 call options (1,200,000 after split), and the programme was fully subscribed. Allocations varied between 500 – 41,400 options per person (before split). The measurement period to determine the average share price, which was SEK 186.70 (before split), was 7 – 11 September 2020. The redemption price for the call options, which was resolved to be 125% of the average price was set at SEK 234.50 (before split) and was restated to SEK 78.20 after split. The market value of the call options was set at SEK 17.00 per option (before split) by an independent valuation institution. Options programme 2020/24 extends to 30 May 2024.

In addition to this, redemption of options relating to the 2017 and 2018 programmes meant an increase in equity of MSEK 9, in connection with the Parent Company's sale of repurchased Class B shares to the option holders.

Option programme*	31 Mar 2021		31 Mar 2020	
	SEK/option	Number	SEK/option	Number
2017/20	–	–	32.00	703,500
2018/21	35.30	643,900	35.10	1,500,000
2019/22	52.10	1,253,700	51.50	1,235,700
2020/24	78.20	1,200,000	–	–
Total number of outstanding options	3,097,600		3,457,200	

Holding on 31 Mar 2021*	President & CEO		Executive Vice President	
	Subscribed	Number remaining	Subscribed	Number remaining
2017/20	199,500	0	174,000	0
2018/21	225,000	100,000	150,000	75,000
2019/22	150,000	150,000	90,000	90,000
2020/24	124,200	124,200	75,000	75,000
Total number of options	374,200		240,000	

* Restated after 3:1 split.

Note 8 Other operating income

	2020/21	2019/20
Group		
Other remuneration and contributions	14	1
Exchange gains on receivables/liabilities of an operating character	18	23
Reversal of contingent consideration previous acquisitions	6	22
Other	16	7
	54	53

Note 9 Other operating expenses

	2020/21	2019/20
Group		
Exchange losses on receivables/liabilities of an operating character	-26	-12
Reversal of contingent consideration previous acquisitions	-1	-6
Other expenses	-5	-4
	-32	-22

Note 10 Depreciation and amortisation of property, plant and equipment and intangible assets

	2020/21	2019/20
Group		
<i>Depreciation and amortisation according to plan allocated by asset</i>		
Intangible assets	-105	-98
Land and buildings	-4	-4
Costs incurred in leasehold property	-2	-1
Plant and machinery	-29	-25
Equipment, tools, fixtures and fittings	-16	-16
Right-of-use assets	-89	-90
	-245	-234
<i>Depreciation and amortisation according to plan allocated by function</i>		
Cost of goods sold	-64	-56
Selling expenses	-141	-136
Administrative expenses	-40	-42
	-245	-234
Parent Company		
<i>Depreciation and amortisation according to plan allocated by asset</i>		
Equipment, tools, fixtures and fittings	0	0
	0	0
<i>Depreciation and amortisation according to plan allocated by function</i>		
Administrative expenses	0	0
	0	0

Note 11 Leases

	31 Mar 2021	31 Mar 2020
Maturity structure lease liabilities		
Within one year	97	83
1–2 years	64	51
2–5 years	76	49
Later than 5 years	18	2
Expected future payments, undiscounted	255	185
Recognised amount, discounted	246	180
	2020/21	2019/20
Costs from leases		
Depreciation of right-of-use assets	89	90
Interest on lease liabilities	4	3
Costs for short-term leases	2	4
Costs for leased assets of low value	1	1
Lease expenses	96	98
	31 Mar 2021	31 Mar 2020
The recognised right-of-use assets are distributed as follows:		
Properties	196	128
Vehicles	40	42
Other	10	9
Total right-of-use assets	246	179

Opening lease liability according to IFRS 16 at the beginning of the 2020/21 financial year amounted to MSEK 180. At the end of the 2020/21 financial year, the lease liability amounted to MSEK 246, of which MSEK 96 was current and MSEK 150 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 10 Depreciation and amortisation.

Note 12 Financial income

	2020/21	2019/20
Group		
Interest income	1	1
Exchange gains	17	12
Other financial income	0	1
	18	14

Parent Company

Result from participations in Group companies

Interest income from Group companies	8	10
Group contributions received	197	84
Dividends	222	378
	427	472

Other interest income and similar profit/loss items

Exchange gains	1	7
Other	–	–
	1	7
Total financial income	428	479

Note 13 Financial expenses

	2020/21	2019/20
Group		
Interest expenses pensions	-1	-1
Interest expenses lease liabilities	-4	-3
Other interest expenses	-19	-18
Exchange losses	-18	-15
Other	-3	–
	-45	-37

Parent Company

Result from participations in Group companies

Interest expenses to Group companies	–	–
Exchange losses	–	–
Impairment losses	–	–
	–	–
Total financial expenses in the Parent Company	-26	-17

Note 14 Exchange differences that affected profit

	2020/21	2019/20
Group		
Exchange differences affecting operating profit	-8	11
Financial exchange differences	-3	-3
	-11	8
Parent Company		
Financial exchange differences	-7	7
	-7	7

Note 15 Tax on net profit for the year

	2020/21	2019/20
Group		
Current tax expense (-) / tax revenue (+)		
Tax for the period	-129	-113
Adjustment of tax pertaining to prior years	-2	2
	-131	-111
Deferred tax expense (-) / tax revenue (+)		
Deferred tax related to temporary differences	17	17
Change in deferred tax related to change in capitalised tax value of loss carryforwards	-	-
	17	17
Total recognised tax expense / tax revenue in the Group	-114	-94

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

	2020/21	2019/20
Group		
Profit before taxes	502	460
Tax according to tax rate for the Parent Company, 21.4%	-107	-92
Effect of other tax rates in Group companies outside Sweden	-7	-6
Non-deductible expenses	-2	-2
Non-taxable income	1	4
Tax pertaining to prior years	-2	2
Other	3	0
Recognised effective tax	-114	-94

2020/21 **2019/20**

	2020/21	2019/20
Parent Company		
Current tax expense (-) / tax revenue (+)		
Tax expense for the period	-23	-8
	-23	-8
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	-23	-8

	2020/21	2019/20
Parent Company		
Profit before taxes	328	415
Tax according to current tax rate, 21.4%	-70	-89
Dividends from Group companies	47	81
Non-deductible expenses	0	0
Recognised effective tax	-23	-8

Note 16 Goodwill

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	1,518	1,327
New purchases	127	163
Remeasurements	-1	15
Reclassification	0	-1
Amortisation for the year	-1	0
Exchange difference	-34	14
Carrying amount at end of the period	1,609	1,518
<i>Goodwill allocated by division and cluster</i>		
Electronics	285	304
Mechtronics	489	442
Communications	309	308
Niche Products	526	464
Total goodwill	1,609	1,518

Impairment testing of goodwill

The Group's recognised goodwill amounts to MSEK 1,609 (1,518). 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 2021. 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 8.7% before taxes and 6.8% after taxes (8.8 and 7.0% 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 17 Trademarks

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	281	250
New purchases	0	4
New purchases via new companies	27	36
Reclassification	-	1
Amortisation for the year	-9	-8
Exchange difference	-2	-2
Carrying amount at the end of the period	297	281
<i>Trademarks allocated by division and cluster</i>		
Electronics	64	68
Mechtronics	80	74
Communications	64	65
Niche Products	89	74
Total trademarks	297	281

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.

Note 18 Other intangible assets

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	985	855
New purchases	19	25
Purchases via new companies	99	88
Transferred from construction in progress	5	–
Disposals	-3	-1
Reclassifications	–	3
Exchange difference	-26	15
	1,079	985
Accumulated amortisation according to plan		
Opening balance	-508	-384
Amortisation for the year according to plan	-95	-90
Disposals	1	–
Exchange difference	11	-34
	-591	-508
Carrying amount at end of the period	488	477

Other intangible assets mainly consist of patents, client relations, capitalised development costs and software. Of the total carrying amount, MSEK 47 (50) refers to internally developed intangible assets, mainly proprietary software.

Note 19 Buildings, land and land improvements

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	122	117
New purchases	–	1
Purchases via new companies	2	–
Transferred from construction in progress	3	3
Exchange difference	-2	1
	¹⁾ 125	122
Accumulated depreciation according to plan		
Opening balance	-34	-30
Depreciation for the year according to plan	-4	-4
Exchange difference	2	–
	-36	-34
Carrying amount at end of the period	89	88

¹⁾ No capitalised interest is included in the cost.

Note 20 Costs incurred in leasehold property

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	18	13
New purchases	2	3
Purchases via new companies	5	–
Reclassification	–	2
Exchange difference	-1	0
	24	18
Accumulated depreciation according to plan		
Opening balance	-10	-9
Depreciation for the year according to plan	-2	-1
	-12	-10
Carrying amount at the end of the period	12	8

Note 21 Plant and machinery

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	404	352
New purchases	31	24
Purchases via new companies	22	2
Transferred from construction in progress	12	20
Reclassifications	-1	4
Disposals and retirements	-6	-3
Exchange difference	-8	5
	454	404
Accumulated depreciation according to plan		
Opening balance	-268	-242
Reclassifications	1	–
Disposals and retirements	4	3
Depreciation for the year according to plan	-29	-25
Exchange difference	7	-4
	-285	-268
Carrying amount at the end of the period	169	136

Note 22 Equipment, tools, fixtures and fittings

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance (including construction in progress)	222	202
New purchases	35	53
Purchases via new companies	6	2
Disposals and retirements	-2	-4
Reclassifications from construction in progress	-21	-23
Other reclassifications	0	-9
Exchange difference	-4	1
	236	222
Accumulated depreciation according to plan		
Opening balance	-153	-137
Disposals and retirements	2	2
Reclassifications	-2	–
Depreciation for the year according to plan	-16	-16
Exchange difference	3	-2
	-166	-153
Carrying amount at the end of the period	70	69

Parent Company

Accumulated cost		
Opening balance	2	2
New purchases	0	0
Accumulated depreciation according to plan		
Opening balance	-1	-1
Depreciation for the year according to plan	-1	0
	-2	-1
Carrying amount at end of the period	0	1

Note 23 Participations in Group companies

	31 Mar 2021	31 Mar 2020
Parent Company		
Accumulated cost		
Opening balance	2,753	2,597
External acquisitions	88	83
Divestment to Group companies	–	-135
Shareholders' contribution paid	13	229
Adjustment of contingent consideration	0	-21
	2,854	2,753
Accumulated impairment losses		
Opening balance	-136	-136
Impairment losses for the year	–	–
	-136	-136
Carrying amount at end of the period	2,718	2,617

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

Group company¹⁾ / Corp. ID. no. / Registered office	Number of participations	Participation as %²⁾	Carrying amount	31 Mar 2021	31 Mar 2020
ACTE Solutions AB, 556600-8032, Stockholm	500	100.0	13	13	13
ACTE Components Ltd, 4209447, Hampshire, UK	49,999	100.0	0	0	0
ACTE AS, 923 148 442, Oslo, Norway	5,000	100.0	44	44	44
Ampol Serwis Sp Z o.o., 9950050690, Grodzisk Wielkopolski, Poland	160	100.0	16	16	16
Thermel Polska Sp Z o.o., 9950209469, Grodzisk Wielkopolski, Poland	100	100.0	—	—	—
Asept International AB, 556057-9962, Lund	25,000	100.0	81	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 Berelia B.V, Bedum, Netherlands	40	100.0	—	—	—
Hovicon International B.V., 34071265, Vijfhuizen, Netherlands	400	100.0	—	—	—
COBS AB, 556524-3789, Gothenburg	3,000	100.0	21	21	21
Cue Dee AB, 556244-8000, Sikeå	2,000	100.0	227	227	227
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, USA	100,000	100.0	—	—	—
Direktronik AB, 556281-9663, Nynäshamn	3,000	100.0	24	24	24
Nexian AS, 986 767 215, Kokstad, Norway	600	100.0	—	—	—
Dooman Teknik AB, 556153-3794, Västra Frölunda	500	100.0	24	24	24
Dorotea Mekaniska AB, 556407-7823, Dorotea	2,500	100.0	93	93	93
Elkapsling AB, 551713-9240, Ånge	15,000	100.0	81	81	81
Elpress AB, 556031-5607, Kramfors	80,000	100.0	99	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	—	—	—
Excidor AB, 556429-7850, Bollnäs	1,000	100.0	47	47	47
GasIQ AB, 556650-3461, Stenkullen	10,000	100.0	51	51	51
GasIQ Fastighetsförvaltning AB, 556867-3023, Stenkullen	500	100.0	—	—	—
HPG Nordia AB, 556854-0271, Stenkullen	500	100.0	—	—	—
Idesco AB, 556742-3008, Stockholm	1,000	100.0	0	0	0
ISG Nordic AB, 556318-0032, Solna ³⁾	38,300	100.0	48	30	30
Kablageproduktion i Västerås AB, 556509-1096, Västerås	5,000	100.0	20	20	20
Kondator AB, 556500-1947, Tyresö	2,000	100.0	71	71	71
Lager CC AB, 556260-2127, Solna	1,000	100.0	3	3	3
Laurea Teknisk Säkerhet AB, 559115-2904, Norrköping	45,500	91.0	176	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	51
Load Indicator AB, 556081-3569, Hisings Backa	1,000	100.0	35	35	35
Norwesco AB, 556038-4090, Täby	15,000	100.0	61	61	61
Plåt och Spiralteknik i Torsås AB, 556682-9197, Torsås	10,000	100.0	46	46	46
Vibrerande hantering i Ängelholm AB, 556979-7532, Ängelholm	500	100.0	—	—	—
Precimeter Control AB, 556511-8980, Höönö	10,000	100.0	36	36	36
Precimeter Inc, 20-0110568, Phoenix, USA	100	100.0	—	—	—
Precimeter GmbH, 212/5752/0032, Wiehl, Germany	1	100.0	13	13	13
Profsafe AB, 556722-2459, Anderstorp	4,000	100.0	67	67	67
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	66
Radonova, Inc, 70206544, Chicago, USA	100	100.0	—	—	—
Schmitztechnik GmbH, HRB 956, Mönchengladbach, Germany	135,015	90.0	122	122	122
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65,000	100.0	16	16	16
Stelo AB, 556842-6000, Värnamo	100,000	100.0	32	32	32
Svenska Industriborstar i Västerås AB, 556109-2221, Västerås	5,000	100.0	42	42	42
SwedWire AB, 556297-0060, Varberg	100,000	100.0	95	95	95
Thermod AB, 556683-7125, Klässbol	1,000	100.0	47	47	47
Tormek AB, 556586-5788, Lindesberg	960	96.0	180	180	180
Tormek Inc., 352653923, Westmont, USA	100	100.0	—	—	—
Unitronic GmbH, HRB 40042, Düsseldorf, Germany	153,600	100.0	28	28	28
Vanpee AB, 556213-2406, Stockholm	50,000	100.0	20	20	20
Vanpee Norge AS, 976 286 324, Oslo, Norway	100	100.0	113	45	45
Vendig AB, 556626-7976, Skara	5,000	100.0	29	29	29
VP Ledbelysning AB, 556084-5975, Nyköping	4,000	100.0	2	2	2
VP metall AS, 982 082 048, Raufoss, Norway	600	100.0	88	—	—
Wapro AB, 556352-1466, Karlshamn	1,000	100.0	54	54	54
Wapro Inc., Chicago, USA	100	100.0	—	—	—
Lagercrantz A/S, 81 74 67 10, Copenhagen, Denmark	6	100.0	131	131	131
ACTE A/S, 71 28 89 19, Copenhagen, Denmark	2	100.0	—	—	—
Lagercrantz Asia Ltd, Hong Kong, China	20,000	100.0	—	—	—
ACTE Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100.0	—	—	—
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	—	—	—
Nikodan Conveyor Systems A/S, 13 47 38 03, Snede, Denmark	555,334	80.0	—	—	—

Group company ¹⁾ / Corp. ID. no. / Registered office	Number of participations	Participation as % ²⁾	Carrying amount	
			31 Mar 2021	31 Mar 2020
NST A/S, 25844998, Odense, Denmark	600,000	100.0	—	—
Proagria Miljø A/S, 27443745, Otterup, Denmark	1,000,000	100.0	—	—
Projectspine A/S, 36 55 76 80, Brøndby, Denmark	500,000	100.0	—	—
Skomø A/S, 11801978, Ebeltoft, Denmark	500,000	100.0	—	—
Vanpée A/S, 25 69 58 01, Copenhagen, Denmark	500	100.0	—	—
Lagercrantz Holding Oy, 3010692-2, Vasa, Finland	100	100.0	205	230
EFC Finland Oy, 1750567-0, Korsholm, Finland	1,550	100.0	—	—
EFC Estonia OÜ, Estonia	1	100.0	—	—
Enkom Active Oy, 239 992, Helsinki, Finland	300	100.0	—	—
Exilight Oy, 1865741-4, Tampere, Finland	8,000	100.0	—	—
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	—	—
Oy Esari Ab, 1599414-0, Kaustinen, Finland	93	100.0	—	—
Sajakorpi Oy, 0154773-7, Ylöjärvi, Finland	5,000	100.0	—	—
Saja GmbH, 110696, Hagen, Germany	1	100.0	—	—
Sajas Group Estonia OÜ, 10570900, Jüri, Estonia	1	100.0	—	—
			2,718	2,617

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.³⁾ ISG Systems AB was merged on 29 March 2021 with Nordic Alarm AB, which in connection with this changed name to ISG Nordic AB.

Note 24 Receivables from Group companies

	31 Mar 2021	31 Mar 2020
Parent Company		
Accumulated cost		
Opening balance	115	109
Additional receivables	4	24
Settled receivables	-3	-25
Exchange difference	-9	7
Carrying amount at the end of the period	107	115

Note 25 Other non-current receivables

	31 Mar 2021	31 Mar 2020
Group		
Accumulated cost		
Opening balance	4	3
Additional receivables	2	1
Settled receivables	—	—
Carrying amount at the end of the year	6	4

Note 26 Inventories

During the year, impairments losses of MSEK 3 (0) on the inventory value were recognised.

Note 27 Trade receivables

Age analysis, not impaired trade receivables due	31 Mar 2021	31 Mar 2020
Group		
Trade receivables not due	579	614
Trade receivables due 0 – 30 days	43	53
Trade receivables due > 30 – 90 days	8	11
Trade receivables due > 90 – 180 days	2	3
Trade receivables due > 180 days	3	1
Total	635	682

Provision account for bad debt losses	31 Mar 2021	31 Mar 2020
Group		
Opening balance	2	2
Reversal of previously recognised impairment losses	-1	0
Impairment losses for the year	0	0
Exchange difference	0	0
Closing balance	1	2

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

Note 28 Contract balances

Contract assets	31 Mar 2021	31 Mar 2020
Group		
Opening balance	34	48
New companies	2	—
New contracts and increase in existing contracts	148	130
Reclassification of contract assets to trade receivables	-147	-144
Closing balance	37	34

Contract liabilities	31 Mar 2021	31 Mar 2020
Group		
Opening balance	37	32
Increase in contract liabilities during the year	36	57
Contracts taken up as income included in contract liabilities at the beginning of the period	-37	-52
Closing balance	36	37

Contract assets primarily relate to the Group's right to 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 37 recognised as a contract liability at the beginning of the period, MSEK 37 was recognised as revenue.

Note 29 Prepaid expenses and accrued income

	31 Mar 2021	31 Mar 2020
Group		
Prepaid rent	9	10
Prepaid insurance premiums	2	2
Other items	31	32
	42	44
Parent Company		
Prepaid rent	1	1
Other items	1	3
	2	4

Note 30 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	9,791,406	97,914,060
B shares, 1 vote per share	198,768,375	198,768,375
The company's repurchased B shares	-5,139,011	-5,139,011
Total	203,420,770	291,543,424
	A shares	B shares
Number of outstanding shares at start of period	3,263,802	66,256,125
3:1 share split	6,527,604	132,512,250
Number of outstanding shares at the end of period	9,791,406	198,768,375
Number of repurchased shares		
At the start of the period	-	1,794,137
3:1 share split	-	3,588,274
Shares used during redemption of options	-	-243,400
At the end of the period	-	5,139,011

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 0.23.

The options programmes described in Note 7 are secured by shares repurchased at an average cost of SEK 10.75.

When the call options are exercised at a redemption price of SEK 35.30, 52.10 and SEK 78.20, respectively, per share, the number of outstanding shares may increase by the number of call options redeemed, or a total of 5,139,011 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 legal 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 2020/21 financial year, the return was 22% (23). Profit amounted to MSEK 388 (366) and average equity during the year amounted to MSEK 1,770 (1,596). Profit increased more than the equity, among other reasons due to the year's paid dividend of MSEK 135.

The Group's policy is to pay a dividend of 30 – 50% of the net profit for the year with cash flow and capital expenditure needs taken into account. Ahead of the 2021 AGM, the Board of Directors has proposed a dividend of MSEK 1.00 (0,67) per share. The proposed dividend is equivalent to a dividend payout ratio of 52% (37) and corresponds to 11% (8) of consolidated equity on the balance sheet date.

The Group's Board of Directors has a mandate from the 2020 Annual General Meeting to repurchase shares. No shares were repurchased during the financial 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 the AGM. The Board of Directors is again proposing that the 2021 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 31 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 2021 31 Mar 2020

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 2021 31 Mar 2020

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 assumption, or when assumptions are changed.

Pension expense

2020/21 2019/20

Group

<i>Defined benefit plans</i>		
Cost of pensions earned during the year	0	0
Change payroll tax	1	1
Interest expense	-1	-1
Cost of defined benefit plans	0	0
Cost of defined contribution plans	-80	-79
Total cost of payments, post-employment	-80	-79

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). The pension expense for defined contribution plans amounted to MSEK 80 (79). The total pension expense for defined benefit and defined contribution plans amounted to MSEK 80 (79).

The forecast for the period 2021/22 is that the pension expense will be in line with 2020/21, 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:

	2020/21	2019/20
Opening balance: Present value of obligation	76	76
Cost of defined benefit plans	–	–
Payments disbursed	-2	-3
Changes in actuarial gains/losses	2	2
Exchange differences	0	1
Closing balance: Present value of obligation	76	76

Net amount in statement of financial position, closing balance

Actuarial assumptions

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

(weighted average values)	31 Mar 2021	31 Mar 2020
Discount rate	1.2%	1.4%
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 2021/22 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%	6.3
Discount rate, increase of 0.5%	-5.7
Inflation, decrease of 0.5%	-5.4
Inflation, increase of 0.5%	6.0
Life expectancy, increase of 1 year	3.9
Life expectancy, decrease of 1 year	-3.8

31 Mar 2021 31 Mar 2020

Parent Company

Provision for pensions	18	19
	18	19

Pledged assets for pension obligations

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

Note 32 Deferred tax

31 Mar 2021	Deferred tax asset	Deferred tax liability	Net
Group			
Other non-current assets	6	-155	-149
Other provisions	4	–	4
Untaxed reserves	–	-64	-64
Other	5	1	6
	15	-218	-203

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

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	Recognised via other comprehensive income	Change	
				via acquisitions	Closing balance
Group					
Other non-current assets	-148	22	4	-27	-149
Other provisions	–	4	–	–	4
Untaxed reserves	-59	-5	–	–	-64
Other	6	–	–	–	6
Loss carryforwards	4	-4	–	–	0
	-197	17	4	-27	-203

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 3 (2).

Note 33 Other provisions

31 Mar 2021 31 Mar 2020

Group

Other provisions such as non-current liabilities

Guarantee reserve	12	7
Other	5	7
	17	14

Other provisions such as current liabilities

Costs for restructuring measures	3	3
Other provisions	20	–
	23	3

Carrying amount at start of the period

Provisions in acquired subsidiaries	1	–
Provisions made during the period	38	16
Amounts claimed during the period	-15	-9
Unutilised amount reversed during the period	-1	-2
Carrying amount at end of the period	40	17

Restructuring

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

Note 34 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 2021 and 2020, there were outstanding derivatives.

Group

	Financial assets measured at amortised cost	Financial assets measured at fair value via profit or loss	Total
31 Mar 2021			
<i>Assets in statement of financial position</i>			
Non-current receivables	6	–	6
Trade receivables	635	–	635
Other receivables	36	–	36
Cash and cash equivalents	151	–	151
Total	828	–	828

All financial assets of MSEK 828 (847) are measured at amortised cost.

	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value via profit or loss	Total
31 Mar 2021			
<i>Liabilities in statement of financial position</i>			
Current liabilities to credit institutions	437	–	437
Non-current liabilities to credit institutions	707	–	707
Trades payables	366	–	366
Other current receivables	282	175	457
Total	1,792	175	1,967

There were derivatives of MSEK 0.2 as of the balance sheet date. Contingent consideration payments are recognised of MSEK 175. Of these, MSEK 49 fall due within one year. Contingent considerations are measured at fair value via profit or loss and call options are measured via comprehensive income. The year's restatement of call options recognised over comprehensive income amounted to MSEK -18 (0).

Other financial liabilities of MSEK 1,792 (1,599) are measured at amortised cost. Financial liabilities are mostly payable within 24 months. Other items are non-financial.

	Financial assets measured at amortised cost	Financial assets measured at fair value via profit or loss	Total
31 Mar 2020			
<i>Assets in statement of financial position</i>			
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 as of 31 March 2020.

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

There were derivatives of MSEK 2.8 as of the balance sheet 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.

Change in contingent considerations including call options (category 3)

	2020/21	2019/20
Opening balance	199	185
Additional liabilities during the year	41	76
Settled liabilities	-70	-47
Remeasured liabilities	10	-14
Exchange difference	-5	-1
Carrying amount at the end of the period	175	199

Contingent considerations are measured at fair value via profit or loss and call options are measured via comprehensive income. The year's restatement of call options recognised over comprehensive income amounted to MSEK -18.

Parent Company

	Loans and Contingent receivables	consideration	Total
31 Mar 2021			
<i>Assets in the balance sheet</i>			
Non-current receivables from subsidiaries	107	–	107
Other current receivables	873	–	873
Cash and cash equivalents	0	–	0
Total	980	–	980

	Other liabilities	Contingent consideration	Total
31 Mar 2021			
<i>Liabilities in the balance sheet</i>			
Non-current liabilities to Group companies	–	–	–
Current liabilities to credit institutions	426	–	426
Non-current liabilities to credit institutions	700	–	700
Trade payables	2	–	2
Other current liabilities	452	35	487
Total	1,580	35	1,615

Contingent consideration payments are recognised of MSEK 35 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.

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

	Other liabilities	Contingent consideration	Total
31 Mar 2020			
<i>Liabilities in the balance sheet</i>			
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.

Note 35 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 707 (700), Current liabilities to credit institutions MSEK 307 (307) and Other non-current liabilities MSEK 1 (1). Total MSEK 1,221 (1,249). 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 31.

Credit terms on trade payables in the Group follow normal industry practice. 30 days payment terms. Nominal values of interest-bearing liabilities and provisions essentially correspond to carrying amounts.

Liabilities to credit institutions

	31 Mar 2021	31 Mar 2020
Group		
Short-term portion	307	307
Maturity date, 1–2 years from the balance sheet date	701	700
Maturity date, 3–5 years from the balance sheet date	2	–
Maturity date, more than five years from the balance sheet date	4	–
	1,014	1,007
Parent Company		
Short-term portion	300	300
Maturity date, 1–2 years from the balance sheet date	700	700
Maturity date, 3–5 years from the balance sheet date	–	–
Maturity date, more than 5 years from the balance sheet date	–	–
	1,000	1,000

Committed credit facilities

	31 Mar 2021	31 Mar 2020
Group		
Approved credit limit	511	509
Unutilised portion	-381	-343
Utilised credit amount	130	166

Credit limits on committed credit facilities are extended annually.

Parent Company

Approved credit limit	500	500
Unutilised portion	-374	-338
Utilised credit amount	126	162

The credit limit on committed credit facilities is extended annually.

Pledged assets for committed credit facilities

	31 Mar 2021	31 Mar 2020
Group		
Chattel mortgages	16	16
	16	16

Note 36 Accrued expenses and deferred income

	31 Mar 2021	31 Mar 2020
Group		
Personnel expenses	164	143
Other items	92	77
	256	220
Parent Company		
Personnel expenses	5	4
Other items	16	12
	21	16

Note 37 Interest paid and received

	2020/21	2019/20
Group		
Interest received	0	–
Interest paid	-19	-18
Parent Company		
Interest received	8	9
Interest paid	-17	-15

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Note 38 Cash flow**Reconciliation of liabilities arising from financing activities**

	Opening balance 31 Mar 2020	Changes not affecting cash flow			Leases	Closing balance 31 Mar 2021	
		Cash flows	Exchange rate	Acquisition of subsidiaries			
Group							
Committed credit facilities	166	-36	–	–	–	130	
Liabilities to credit institutions	1,007	-2	1	8	–	1,014	
Liability relating to leases	180	-88	–	70	84	246	
Total liabilities arising from financing activities	1,353	-126	1	78	84	1,390	
	Opening balance 31 Mar 2019	Changes not affecting cash flow			Leases	Closing balance 31 Mar 2020	
		Cash flows	Exchange rate	Acquisition of subsidiaries			
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 2020	Cash flows			Closing balance 31 Mar 2021		
Parent Company							
Committed credit facilities	162			-36		126	
Liabilities to credit institutions	1,000			–		1,000	
Total liabilities arising from financing activities	1,162			-36		1,126	
	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	
Adjustment for non-cash items							
					2020/21	2019/20	
Group							
Depreciation and amortisation				245		234	
Other provisions				26		-4	
Reversal contingent consideration				-7		-9	
Other items				0		1	
				264		222	
Parent Company							
Depreciation and amortisation				0		0	
Group contributions not yet received				-212		-84	
Unpaid Group contributions				5		–	
Other items				-1		0	
				-208		-84	

Note 39 Investments in businesses

Acquisition	Country	Date of acquisition	Estimated annual net revenue (MSEK)	Division
Nexlan AS	Norway	October 2020	10	Communications
Sajas Group	Finland, Estonia and Germany	November 2020	100	Niche Products
VP metall AS	Norway	December 2020	40	Mechtronics
Oy Esari Ab	Finland	December 2020	50	Mechtronics
Hovicon International B.V.	Netherlands	December 2020	60	Niche Products
Vibrerande hantering i Ängelholm AB (Vihab)	Sweden	February 2021	5	Niche Products
Proagria Miljø A/S	Denmark	March 2021	55	Niche Products

During the financial year Nexlan, Sajas Group, VP metall, Esari, Hovicon, Vihab and Proagria were acquired.

Specification of acquisition

- Nexlan supplies products for communication in networks.
- Sajas Group is a leading provider of brushes for road sweeping, airfield and railway cleaning, oil decontamination and for various industrial applications.
- VP Metall is a market leader in electrical connection systems primarily for high-voltage applications based on so-called implosive connectors.
- Esari is one of Finland's leading providers of equipment shelters and technical buildings.
- Hovicon develops and manufactures dispensers for technical and personal hygiene products.
- Vihab develops and sells customised machines for dosing, transporting, screening, unloading and packing materials through vibration technology.
- Proagria develops and manufactures valves, gates and other components used to control water flows.

After the end of the financial year, all the shares in CWL Group AB were acquired with wholly-owned subsidiaries in Sweden, Norway and Poland. CW Lundberg is a leader in safety products for roofs. The Norwegian company Libra-Plast AS was also acquired after the end of the financial year with subsidiaries in Norway and Latvia and an associated company in Vietnam. Libra is a market leader in premium quality doors, hatches and storage units for the marine industry.

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 41, which represents 58% of the maximum outcome.

During the financial year, MSEK 45 (40) 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	7	124	131
Other non-current assets	35	–	35
Inventories	77	–	77
Other current assets	104	–	104
Interest-bearing liabilities	-8	–	-8
Other liabilities	-105	-27	-132
Net identifiable assets/liabilities	110	97	207
Goodwill			122
Estimated consideration			329

Net assets of acquired companies at the time of acquisition

	2020/21	2019/20
Net identifiable assets/liabilities	207	159
Goodwill	122	163
Estimated consideration	329	322

Cash flow effect

	2020/21	2019/20
Group		
Intangible non-current assets	-253	-287
Property, plant and equipment	-35	-4
Inventories	-77	-43
Other current assets	-104	-62
Provisions	27	29
Non-current liabilities	8	–
Current liabilities	105	45
Total consideration	-329	-322
Cash and cash equivalents in the acquired businesses	27	32
Impact on the Group's cash and cash equivalents from acquisitions during the year	-302	-290
Adjustment of estimated contingent consideration in older acquisitions	-64	-46
Amortisation/increase of liabilities relating to acquired businesses	41	76
Cash flow related to investments in businesses	-325	-260

Distribution of intangible assets in connection with acquisitions

	2020/21	2019/20
Goodwill	127	163
Trademarks	27	36
Other intangible assets	99	88
Total intangible assets via acquisitions	253	287

Contribution of the acquired entities to Group revenue and earnings

	2020/21	2019/20
Revenue	97	153
Profit contribution before acquisition costs	13	28
Transaction costs	-3	-3
Amortisation of surplus value	-2	-7
Profit contribution after acquisition costs	8	18
Financing costs	-2	-6
Profit contribution after financing costs	6	12

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

	2020/21	2019/20
Revenue	276	228
Profit contribution before acquisition costs	41	60
Transaction costs	-3	-3
Amortisation of surplus value	-9	-11
Profit contribution after acquisition costs	29	46
Financing costs	-7	-8
Profit contribution after financing costs	22	38

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

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Note 40 Earnings per share

	2020/21	2019/21
Earnings per share, SEK	1.91	1.80
Earnings per share after dilution, SEK	1.91	1.80

The calculation of earnings per share for 2020/21 is based on profit for the year attributable to the Parent Company's shareholders amounting to MSEK 388 (366) and a weighted average number of shares outstanding during 2020/21 of 203,306,597 (203,151,051) in total. The weighted number of shares outstanding including dilution is 203,672,986 (203,616,369).

Instruments that may generate future dilutive effects

The company had three outstanding call option programmes during 2020/21 which have resulted in dilutive effects in all quarterly reports. For a description of the options programmes refer to Note 7. Repurchased shares are used as a hedge for these programmes.

Note 41 Risk management

Financial risks

It is essential for Lagercrantz Group to have an efficient and systematic risk assessment of financial as well as business risks. Lagercrantz Group's risk management model for business risks 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 1,999 and MSEK 3,349, respectively.

Purchasing/sales in important currencies

Amounts in MSEK	Purchasing	Sales
USD	659	352
EUR	896	2,047
GBP	36	15
DKK	264	491
NOK	22	226
JPY	54	44
PLN	64	69
CNY	4	105
Group total	1,999	3,349

Cash and cash equivalents per currency

Amounts in MSEK	31 Mar 2021	31 Mar 2020
SEK	2	4
USD	27	14
EUR	62	47
CNY	31	33
DKK	4	6
NOK	18	5
Other currencies	7	8
Group total	151	117

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 of plus or minus 5% is estimated to change Lagercrantz Group's operating profit by plus or minus MSEK 49, 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 2, respectively. A change in the US dollar exchange rate of plus or minus 5%, would give an effect of plus or minus MSEK 16, 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 change.
- 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 three to 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 9 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 1.6% (1.32) for the Group and to 1.32% (1.29) 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 27 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 Interest-bearing liabilities and provisions. 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 1,500, to be renewed in July 2022.
- A Term Loan of MSEK 300, to be renewed in November 2022.

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 42 Related parties**Related parties**

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

Transactions with related parties

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

Note 43 Post balance sheet events

Apart from the acquisitions that are described above, no significant events for the company have occurred after the balance sheet date on 31 March 2021.

Note 44 Covid-19 effects

The Group's different businesses were impacted to a varying degree by the Covid-19 pandemic during the financial year, but all in all, the Group's operations could be conducted without larger disruptions.

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Note 45 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 46 Pledged assets and contingent liabilities

	31 Mar 2021	31 Mar 2020
Group		
<i>Pledged assets</i>		
Chattel mortgages	16	16
	16	16
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	1	1
Other guarantees	10	5
	11	6
Parent Company		
<i>Pledged assets</i>	None	None
<i>Contingent liabilities</i>		
Guarantee commitments, FPG/PRI	28	28
Other guarantees	–	–
	28	28

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

Note 47 Appropriation of profits

The Board of Directors proposes that the following profits, SEK 1,881,628 thousand, at the disposal of the Annual General Meeting shall be allocated as follows:

Dividend to the shareholders SEK 1.00 x 203,420,770 shares *	203,421
To be carried forward	1,678,207
Total	1,881,628

* Based on the total number of shares outstanding as of 31 March 2021.

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 Aktiebolag for the financial year 2020-04-01 – 2021-03-31, except for the corporate governance statement on pages 41 – 44, 82 – 87 and the sustainability report on pages 26 – 31. The annual accounts and consolidated accounts of the company are included on pages 26 – 31, 36 – 78 and 82 – 87 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 2021 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 2021 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 41 – 44, 82 – 87 and sustainability report on pages 26 – 31. 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 group.

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

Basis for Opinions

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

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

Key Audit Matters

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

Valuation of acquired intangible assets

and parent company's shares in subsidiaries

See disclosure 16, 17 and 18 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 2,394 million SEK as of 31 March 2021, which represents 52% of total assets. Goodwill and trademarks amounted to 1,906 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 2,718 million SEK as at 31 March 2021, which represents 73% of total assets. If the book value of the shares exceeds the equity in a given Group company, a similar type of impairment test is performed using the same methodology and assumptions as is done in respect of goodwill in the Group.

Response in the audit

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

In addition, we have assessed the reasonableness of future cash flows and discount rates by obtaining and evaluating the Group's written documentation and plans. We have also performed retrospective review over prior period estimates. An important part of our work has been to evaluate the methodology used and the discount rate applied, and also how changes in assumptions may affect the valuation by obtaining and assessing the Group's sensitivity test.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2 – 25, 32 – 35, 41 – 44 and 82 – 87. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information

is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or 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 Aktiebolag for the financial year 2020-04-01 – 2021-03-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit

procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41 – 44 and 82 – 87 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 RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 26 – 31, 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 Aktiebolag by the general meeting of the shareholders on the 25 August 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2001/2002.

Stockholm, 7 July 2021

KPMG AB

KPMG AB

Håkan Olsson Reising
Authorised Public Accountant
Auditor in charge

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
Tisenhult-gruppen AB.
Holding: 183,600 B shares (family)
and 8,190,630 A shares and
3,445,650 B shares
(via Tisenhult-gruppen).
Elected 2001.



Anna Almlöf

Board member
Born: 1967.
Edu: Bachelor of Science (Econ.).
CEO of Dala Vatten och Avfall AB.
Holding: 5,057 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: 64,000 B shares (family)
and 8,190,630 A shares and
3,445,650 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: 2,859 B shares.
Elected 2018.



Anders Claeson

Board member
Born: 1956.
Edu: Master of Science.
Holding: 15,000 B shares.
Elected 2020.



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: 30,000 B shares.
Elected 2019.



Jörgen Wigh

President and CEO
Born: 1965.
Edu: Bachelor of Science (Econ.).
Chairman of
Bergman & Beving AB.
Holding: 673,998 A shares,
1,742,850 B shares and
274,200 call options on B shares.
Elected 2006.

Auditors

Auditors appointed by the 2020 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 2021.

Group Management



Jörgen Wigh
President and CEO
Born: 1965.



Kristina Elfström Mackintosh
Chief Financial Officer
Born: 1964.



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



Jonas Ahlberg
Executive Vice President
and Head of Division
Niche Products
Born: 1966.
Appointed EVP
as of 1 May 2021.

Magnus Söderlind
EVP and Head of Business Development
Left the Group 30 April 2021 for new assignment.

Management Team



Andreas Heder
VP Business
Development and M&A
Born: 1972.
As of 1 June 2021.



Peter Baaske
Head of Division
Electrify
Born: 1975.



Urban Lindskog
Head of Division
Control
Born: 1965.



Martin Sirvell
Head of Division
TecSec
Born: 1974.



Jonas Ahlberg
Executive Vice President
and Head of Division
Niche Products
Born: 1966.
Appointed EVP
as of 1 May 2021.



Lars-Ola Lundkvist
Head of Division
International
Born: 1961.

Division and Business Area Management until 31 March 2021

Electronics	Lars-Ola Lundkvist and Bo Rasmussen
Mechatronics	Peter Baaske and Marcus Käld
Communications	Urban Lindskog and Martin Sirvell
Niche Products	Jonas Ahlberg and Caroline Reuterskiöld
Group Controller	Carina Nordlöf

New company structure

Companies moved from previous to new structure as of 1 April 2021

ELECTRONICS Moved to new division

ACTE A/S (DK)	International
ACTE AS (NO)	International
ACTE Sp.o o. z. (PL)	International
ACTE Solutions AB	International
CAD Kompagniet A/S	International
E-Tech Components Ltd	International
G9 A/S	International
Idesco Oy	TecSec
ISIC A/S	International
NST DK A/S	International
Schmitztechnik GmbH	International
Skomø A/S	International
Unitronic AG	International
Vanpee A/S (DK)	Control
Vanpee AB	Control
Vanpee AS (NO)	Control

MECHATRONICS Moved to new division

Cue Dee AB	Electrify
EFC Finland Oy	Electrify
Elfac A/S	Electrify
Elkapsling AB	Electrify
Elpress AB	Electrify
Enkom Active Oy	Electrify
Esari Oy (Oy Esari Ab)	Electrify
Exilight Oy	Electrify
Frictape Net Oy	TecSec
Kablageproduktion AB	Electrify
Norwesco AB	Electrify
Steelo AB	Electrify
Swedwire AB	Electrify
VP metall AS	Electrify

COMMUNICATIONS Moved to new division

COBS AB	TecSec
Direktronik AB	Control
Excidor AB	Control
Gasiq AB	Control
ISG Nordic AB (ISG + Nordic Alarm)	TecSec
Leteng AS	Control
Load Indicator AB	Control
Precimeter AB	Control
Radonova Laboratories AB	Control
R-Contracting AB	TecSec
STV AB	TecSec

NICHE PRODUCTS Moved to new division

Asept International AB	Niche Products
Dooman AB	Electrify
Dorotea Mekaniska AB	Niche Products
Hovicon International B.V.	Niche Products
Kondator AB	Niche Products
Nikodan A/S	Niche Products
Proagria Miljø A/S	Niche Products
Profsafe AB	Niche Products
Plåt & Spiral Teknik AB	Niche Products
Sajas Group	Niche Products
Svenska Industriborstar AB	Niche Products
Thermod AB	Niche Products
Tormek AB	Niche Products
Wapro AB	Niche Products
Vendig AB	Niche Products

Addresses

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www.exilight.fi

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Tel: +46 278 136 70
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Enebakkveien 117
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www.leteng.no

Load Indicator AB

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

Precimeter Control AB

Ruskvädersgatan 22
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Tel: +46 31 764 5520
www.precimeter.com

Radonova Laboratories AB

Rapsgatan 25
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Vanpee AB

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Vanpee A/S

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DENMARK
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CAD-Kompagniet A/S Lyskaer 8 A DK-2730 Herlev DENMARK Tel: +45 70 22 22 17 www.cad-komp.dk	Asept International AB Traktorvägen 17 SE-226 60 Lund SWEDEN Tel: +46 46 329 700 www.asept.com
	Dorotea Mekaniska AB Östra Polarvägen 10 SE-917 32 Dorotea SWEDEN Tel: +46 942 258 80 www.doroteamekaniska.se
	Hovicon International B.V. Vijfhuizerdijk 21 NL-2141 BA Vijfhuizen THE NETHERLANDS Tel: +31 23 55 81 988 www.hovicon.com
	Kondator AB Energivägen 8 P.O. Box 121 SE-135 23 Tyresö SWEDEN Tel: +46 8 556 595 00 www.kondator.se
	Nikodan Process Equipment A/S Fællesvej 9 DK-8766 Nr. Snede DENMARK Tel: +45 39 304 316 www.nikodan.dk
	Proagria Miljø A/S Aggershushusvej 7 DK-5450 Otterup DENMARK Tel: +45 64 82 40 00 www.proagria.dk
	Plåt & Spiralteknik i Torsås AB Ramsåggatan 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
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