

CONSOLIDATED INCOME STATEMENT

SEKm	NOTE	2017/2018	2016/2017
Net sales	4, 5	8,022	7,178
Cost of sales		-5,522	-4,939
GROSS PROFIT		2,500	2,239
Selling expenses		-1,364	-1,241
Administrative expenses		-455	-432
Other operating income	9	59	48
Other operating expenses	9	-42	-12
Income from associated companies		3	2
OPERATING PROFIT	3-10, 16	701	604
Finance income	11	4	2
Finance costs	11	-40	-26
NET FINANCIAL ITEMS		-36	-24
PROFIT BEFORE TAX		665	580
Income tax expense	13	-139	-130
PROFIT FOR THE YEAR		526	450
Attributable to:			
Equity holders of the Parent Company		514	440
Non-controlling interests		12	10
Earnings per share before dilution (EPS), (SEK)	30	7.70	6.60
Earnings per share after dilution (EPS), (SEK)	30	7.65	6.55
Average number of shares after repurchases ('000s)		66,950	66,824
Number of shares at end of period after repurchases ('000s)		66,992	66,824

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	NOTE	2017/2018	2016/2017
Profit for the year		526	450
<i>Components that will be reclassified to profit of the year</i>			
Cash flow hedges		0	1
Foreign currency translation differences for the period		115	52
Tax attributable to items that can later be reversed in profit or loss		0	0
<i>Components that will not be reclassified to profit of the year</i>			
Revaluations of defined benefit pension plans		-9	-13
Tax attributable to items not to be reversed in profit or loss		2	3
OTHER COMPREHENSIVE INCOME		108	43
COMPREHENSIVE INCOME FOR THE YEAR		634	493
Attributable to:			
Equity holders of the Parent Company		619	482
Non-controlling interests		15	11

CONSOLIDATED BALANCE SHEET

SEKm	NOTE	2017/2018	2016/2017
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	2,463	1,892
Property, plant and equipment	15	207	190
Deferred tax assets	13	15	8
Other financial assets		17	19
TOTAL NON-CURRENT ASSETS		2,702	2,109
CURRENT ASSETS			
Inventories	18	1,118	942
Tax assets		1	10
Accounts receivable	3	1,360	1,170
Prepaid expenses and accrued income	19	93	68
Other receivables		53	38
Cash and cash equivalents		192	178
TOTAL CURRENT ASSETS		2,817	2,406
TOTAL ASSETS		5,519	4,515
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	20		
Share capital		51	51
Other contributed capital		344	344
Reserves		87	-25
Retained earnings, including profit for the year		1,603	1,331
Equity attributable to equity holders of the Parent Company		2,085	1,701
Non-controlling interests		46	40
TOTAL SHAREHOLDERS' EQUITY		2,131	1,741
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	24	411	69
Provisions for pensions	22	229	210
Deferred tax liabilities	13	322	278
Non-Interest-bearing long-term liabilities		11	18
Total non-current liabilities		973	575
CURRENT LIABILITIES			
Current interest-bearing liabilities	25	958	910
Accounts payable		694	622
Tax liabilities		61	45
Other liabilities		304	273
Accrued expenses and deferred income	26	367	323
Provisions	23	31	26
Total current liabilities		2,415	2,199
TOTAL LIABILITIES		3,388	2,774
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,519	4,515

For information about contingent liabilities and pledged assets, see Note 27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	2017/2018						
	Share capital	Other contributed capital	Reserves	Retained earnings, including profit for the year	Total, equity holders of the Parent Company	Non-controlling interests	Total equity
EQUITY, OPENING BALANCE 2017-04-01	51	344	-25	1,331	1,701	40	1,741
<i>Profit for the year</i>	-	-	-	514	514	12	526
Cash flow hedges	-	-	0	-	0	-	0
Foreign currency translation differences	-	-	112	-	112	3	115
Revaluations of defined benefit pension plans	-	-	-	-9	-9	-	-9
Tax attributable to other comprehensive income	-	-	-	2	2	-	2
Other comprehensive income	-	-	112	-7	105	3	108
Total comprehensive income	-	-	112	507	619	15	634
Call options issued	-	-	-	3	3	-	3
Call options exercised	-	-	-	33	33	-	33
Call options repurchased	-	-	-	-5	-5	-	-5
Repurchase of treasury shares	-	-	-	-31	-31	-	-31
Dividend	-	-	-	-235	-235	-9	-244
EQUITY, CLOSING BALANCE 2018-03-31	51	344	87	1,603	2,085	46	2,131

SEKm	2016/2017						
	Share capital	Other contributed capital	Reserves	Retained earnings, including profit for the year	Total, equity holders of the Parent Company	Non-controlling interests	Total equity
EQUITY, OPENING BALANCE 2016-04-01	51	344	-77	1,161	1,479	35	1,514
<i>Profit for the year</i>	-	-	-	440	440	10	450
Cash flow hedges	-	-	1	-	1	-	1
Foreign currency translation differences	-	-	51	-	51	1	52
Revaluations of defined benefit pension plans	-	-	-	-13	-13	-	-13
Tax attributable to other comprehensive income	-	-	-	3	3	-	3
Other comprehensive income	-	-	52	-10	42	1	43
Total comprehensive income	-	-	52	430	482	11	493
Call options issued	-	-	-	4	4	-	4
Call options exercised	-	-	-	14	14	-	14
Call options repurchased	-	-	-	-6	-6	-	-6
Repurchase of treasury shares	-	-	-	-40	-40	-	-40
Dividend	-	-	-	-218	-218	-8	-226
Option debt, acquisition	-	-	-	-9	-9	-	-9
Distribution of AddLife	-	-	-	-5	-5	0	-5
Change in non-controlling interests	-	-	-	-	-	2	2
EQUITY, CLOSING BALANCE 2017-03-31	51	344	-25	1,331	1,701	40	1,741

SEK	2017/2018	2016/2017
Dividend per share	4.00 ¹⁾	3.50

¹⁾ As proposed by the Board of Directors.

CONSOLIDATED CASH FLOW STATEMENT

SEKm	NOTE	2017/2018	2016/2017
OPERATING ACTIVITIES			
Profit after financial items		665	580
Adjustment for items not included in cash flow	28	159	134
Income tax paid		-169	-123
Cash flow from operating activities before changes in working capital		655	591
Cash flow from changes in working capital			
Changes in inventories		-106	-7
Changes in operating receivables		-37	-104
Changes in operating liabilities		27	71
CASH FLOW FROM OPERATING ACTIVITIES		539	551
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-46	-58
Disposal of property, plant and equipment		3	4
Acquisition of intangible non-current assets		-5	-10
Acquisition of operations, net liquidity effect	28	-510	-336
Disposal of operations, net liquidity effect	28	33	1
Change in financial assets		5	4
CASH FLOW FROM INVESTING ACTIVITIES		-520	-395
FINANCING ACTIVITIES			
Repurchase of treasury shares		-31	-40
Exercised and issued call options		31	12
Borrowings	28	241	462
Repayments on loans	28	-7	-332
Other financing		-2	-2
Dividend paid to equity holders of the Parent Company		-235	-218
Dividend paid to non-controlling interests		-9	-8
CASH FLOW FROM FINANCING ACTIVITIES		-12	-126
CASH FLOW FOR THE YEAR		7	30
Cash and cash equivalents at beginning of year			
		178	140
Exchange differences on cash and cash equivalents			
		7	8
CASH AND CASH EQUIVALENTS AT YEAR-END		192	178

PARENT COMPANY INCOME STATEMENT

SEKm	NOTE	2017/2018	2016/2017
Net sales		58	54
Administrative expenses		-71	-63
OPERATING PROFIT/LOSS	6–8, 16	-13	-9
Profit from interests in Group companies	11	258	318
Profit from non-current financial assets	11	17	15
Interest income and similar items	11	1	7
Interest expense and similar items	11	-16	-19
PROFIT AFTER FINANCIAL ITEMS		247	312
Year-end appropriations	12	-14	-42
PROFIT BEFORE TAX		233	270
Income tax expense	13	-52	-60
PROFIT FOR THE YEAR		181	210

PARENT COMPANY COMPREHENSIVE INCOME

SEKm	NOTE	2017/2018	2016/2017
Profit for the year		181	210
<i>Items that subsequently can be reversed to the income statement</i>			
Fair value adjustment of hedge instruments		0	0
Tax attributable to fair value adjustment		0	0
OTHER COMPREHENSIVE INCOME		0	0
COMPREHENSIVE INCOME FOR THE YEAR		181	210

PARENT COMPANY BALANCE SHEET

SEKm	NOTE	2017/2018	2016/2017
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	–	–
Property, plant and equipment	15	2	3
Non-current financial assets			
Interests in Group companies	17	1,004	1,004
Receivables from Group companies	17	1,692	1,478
Total non-current financial assets		2,696	2,482
TOTAL NON-CURRENT ASSETS		2,698	2,485
CURRENT ASSETS			
Receivables from Group companies		449	406
Other receivables		3	2
Prepaid expenses and accrued income	19	9	8
Total current receivables		461	416
Cash and bank balances		–	–
TOTAL CURRENT ASSETS		461	416
TOTAL ASSETS		3,159	2,901
EQUITY AND LIABILITIES			
	20		
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital		51	51
Legal reserve		18	18
Unrestricted equity			
Retained earnings		491	516
Profit for the year		181	210
TOTAL SHAREHOLDERS' EQUITY		741	795
UNTAXED RESERVES	21	431	417
PROVISIONS			
Provisions for pensions and similar obligations	22	15	15
LIABILITIES			
Liabilities to Group companies	24	291	278
Liabilities to credit institutions	24	300	–
Total non-current liabilities		591	278
Liabilities to credit institutions	25	821	861
Accounts payable		3	1
Liabilities to Group companies		524	500
Tax liabilities		8	16
Other liabilities		5	2
Accrued expenses and deferred income	26	20	16
Total current liabilities		1,381	1,396
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,159	2,901

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	2017/2018				Total equity
	Restricted equity		Unrestricted equity		
	Share capital	Legal reserve	Retained earnings, including profit for the year		
EQUITY, OPENING BALANCE 2017-04-01	51	18	726	795	
Profit for the year	–	–	181	181	
Comprehensive income for the year	–	–	181	181	
Dividend	–	–	-235	-235	
Call options issued	–	–	3	3	
Call options exercised	–	–	33	33	
Repurchase call options	–	–	-5	-5	
Repurchase of treasury shares	–	–	-31	-31	
EQUITY, CLOSING BALANCE 2018-03-31	51	18	672	741	

SEKm	2016/2017				Total equity
	Restricted equity		Unrestricted equity		
	Share capital	Legal reserve	Retained earnings, including profit for the year		
EQUITY, OPENING BALANCE 2016-04-01	51	18	767	836	
Profit for the year	–	–	210	210	
Comprehensive income for the year	–	–	210	210	
Dividend	–	–	-218	-218	
Distribution of AddLife	–	–	-5	-5	
Call options issued	–	–	4	4	
Call options exercised	–	–	14	14	
Repurchase call options	–	–	-6	-6	
Repurchase of treasury shares	–	–	-40	-40	
EQUITY, CLOSING BALANCE 2017-03-31	51	18	726	795	

For comments on shareholders' equity, refer to Note 20.

PARENT COMPANY CASH FLOW STATEMENT

SEKm	NOTE	2017/2018	2016/2017
OPERATING ACTIVITIES			
Profit after financial items		247	312
Adjustment for items not included in cash flow	28	-254	-317
Income tax paid		-61	-35
Cash flow from operating activities before changes in working capital		-68	-40
Cash flow from changes in working capital			
Changes in operating receivables		0	0
Changes in operating liabilities		6	-8
CASH FLOW FROM OPERATING ACTIVITIES		-62	-48
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible non-current assets		0	0
CASH FLOW FROM INVESTING ACTIVITIES		0	0
FINANCING ACTIVITIES			
Repurchase of treasury shares		-31	-40
Exercised and issued call options		31	12
Change in loans	28	300	474
Repayment of loans	28	-40	-300
Change in receivables from Group companies		-318	-31
Change in liabilities to Group companies		37	-34
Dividend paid		-235	-218
Group contributions		318	190
Other financing activities		-	-5
CASH FLOW FROM FINANCING ACTIVITIES		62	48
CASH FLOW FOR THE YEAR		0	0
Cash and cash equivalents at beginning of year		0	0
CASH AND CASH EQUIVALENTS AT YEAR-END		0	0

NOTES

NOTE 1

ACCOUNTING AND VALUATION POLICIES

GENERAL ACCOUNTING POLICIES

The consolidated annual accounts were prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Union (EU). Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied.

The annual accounts of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

The Parent Company's and the Group's accounting policies are consistent with each other, except in the case of reporting pensions, untaxed reserves and appropriations. See also "Accounting policies of the Parent Company".

The Board approved the Parent Company's annual report and the Group's consolidated financial statements for publication on 26 June 2018. The Parent Company's and Group's respective income statements and balance sheets will be submitted for adoption to the Annual General Meeting on 30 August 2018.

PRESENTATION OF THE ANNUAL REPORT

The financial reports are stated in million Swedish kronor (SEK million) unless otherwise specified. The Parent Company's functional currency is the Swedish krona, as is the presentation currency for the Parent Company and the Group. Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are measured at fair value. Assets held for sale are recognised at the lower of the previous carrying amount and fair value, less selling expenses.

Preparing financial reports according to IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and numerous other factors deemed reasonable under the circumstances at the time. Estimates and assumptions are reviewed periodically.

The annual accounts were prepared in compliance with IAS 1 Presentation of Financial Statements, such that separate income statements and balance sheets, as well as statements of other comprehensive income, financial position, changes in shareholders' equity and cash flow, are prepared and notes are provided that detail the accounting policies and disclosures applied.

Receivables and liabilities, as well as income and expenses, are offset only if required or if expressly permitted according to IFRS.

New or amended IFRSs issued but not yet in force

A number of new standards and interpretations will enter into force for Addtech for the 2018/2019 financial year or later and have not been applied in preparing this financial report. Below is an assessment of the effects of the standards deemed to be relevant to the Group:

IFRS 9 Financial instruments

IFRS 9 addresses classification, measurement and recognition of financial assets and liabilities, and introduces new rules for hedge accounting. The standard has been adopted by the EU. The Group will begin to apply IFRS 9 in the financial year beginning in 2018/2019. The Group will not restate comparative figures, as allowed under the standard's transition rules.

The provisions of IFRS 9 regarding classification and measurement of the Group's financial instruments will not significantly affect the Group's financial position at the transition date, so the regulations will not change the valuation of the financial instruments contained in the consolidated balance sheet at this time. IFRS 9 introduces a new impairment model based on expected loan losses, which takes into account forward-looking information. The new impairment model is not expected to have a material impact on the Group's financial position based on historical information regarding doubtful receivables. Because the Group does not use hedge accounting, the relevant parts of IFRS 9 do not affect Addtech's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 entails new requirements for recognition of revenue and replaces IAS 18 Revenue, IAS 11 Construction contracts and several related interpretations. The new standard provides more detailed guidance in many areas not previously covered by the applicable IFRS, including recognition procedures for contracts with one or more parts, variable pricing, customers' right of return, etc. The standard has been adopted by the EU. The Group will apply IFRS 15 for the 2018/2019 financial year. The Group has elected to apply the standard from 1 April 2018, using the forward-looking retroactive transition method under IFRS 15.

The Group has analysed the effects of IFRS 15 by identifying all revenue flows by business area, namely Components, Energy, Industrial Process and Power Solutions. Implementation of IFRS 15 will not have any material impact on the Group or the Parent Company. The Group's revenue is generated above all from the sale of goods and standardised products, and the contracts are generally short. Any variable parameters that may exist, such as discounts, are already treated as a revenue reduction at the transaction date. Revenue is recognised when the Group fulfils a performance commitment by transferring a promised product and the customer is given control over the asset. This usually occurs at the time of delivery according to the applicable delivery terms. For certain activities, revenue is recognised over time. The date of revenue recognition, both at a point in time and over time, complies with the current accounting principle. However, the Group may be affected by the expanded disclosure requirements under IFRS 15, which will affect both interim reports and annual reports in 2018/2019.

Our view is that ultimately implementation of IFRS 15 will not have any material impact on the Group's financial performance and position. Consequently, application of IFRS 15 as at 1 April 2018 will not have any impact on the Group.

IFRS 16 Leases

IFRS 16 Leases was published in January 2016 by the IASB. The standard has been adopted by the EU and will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires assets and liabilities arising from all leases, with the exception

NOTE 1

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of short-term leases or low-value asset leases, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. Consequently, the majority of the Group's existing operating leases will be recognised in the balance sheet beginning in 2019/2020.

The Group is preparing a full review of all leases, where the information is gathered and compiled as a basis for calculations and quantifications in conjunction with the conversion to IFRS 16, though quantification has not yet been carried out. The Group has yet to decide which transition rule it will apply; either full retroactive application or partial retroactive application (which means that comparative figures do not need to be restated).

No other IFRSs or IFRS Interpretations Committee interpretations that have not yet gone into effect are expected to have any significant impact on the Group.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the annual accounts for the Parent Company and those companies that are under controlling influence of the Parent Company. Controlling influence exists if the Parent Company has influence over the object of investment, is exposed or entitled to variable yield from its involvement and can exert its influence over the investment to affect the yield. In the assessment of whether controlling influence exists, potential shares with an entitlement to vote are considered and whether de facto control exists. Shareholdings in Group companies are eliminated using the acquisition method. In brief, this means that identifiable assets, liabilities and contingent liabilities in the company acquired are measured and recognised in the consolidated financial statements as if they had been acquired directly by purchase and not indirectly by acquisition of the company's shares. The valuation is based on fair values. If the value of the net assets is less than the acquisition price, consolidated goodwill arises. If the opposite occurs, the difference is recognised directly in profit or loss. Goodwill is determined in local currency and is recognised at cost, less any impairment losses. Consolidated equity includes the Parent Company's equity and the portion of subsidiaries' equity earned after the time of acquisition. Companies acquired or disposed of are consolidated or deconsolidated, respectively, from the date of acquisition or disposal.

Contingent considerations are measured at fair value at the time of the transaction and are subsequently revalued on each reporting occasion. Effects of the revaluation are recognised as income or expense in consolidated profit or loss. Transaction costs in conjunction with acquisitions are expensed. It is possible for a holding that is not a controlling interest to be measured at fair value upon acquisition, which means that goodwill is included in non-controlling interests. Alternatively, non-controlling interests constitute part of net assets. The choice is determined individually for each acquisition.

Intra-Group receivables and liabilities and transactions between companies in the Group, as well as related unrealised gains, are wholly eliminated. Unrealised losses are eliminated in the same way as unrealised gains, except in the case of impairment.

EXCHANGE RATE EFFECTS

Translation of the financial reports of foreign Group companies

Assets and liabilities in foreign operations, including goodwill and other surpluses and deficits on consolidation, are converted to Swedish kronor using the exchange rate prevailing at the end of the reporting

period. Income and expenses in foreign businesses are converted to Swedish kronor using the average rate, which is an approximation of the rates prevailing at the time of each transaction. Translation differences resulting from the conversion of foreign operations' accounts are recognised through other comprehensive income in the foreign currency translation reserve in equity.

Transactions denominated in foreign currencies

A transaction denominated in a foreign currency is converted to the functional currency at the rate of exchange on the transaction date. Monetary assets and liabilities in foreign currency are converted to the functional currency using the rate prevailing at the end of the reporting period. Non-monetary assets and liabilities recognised at historical cost are converted using the exchange rate at the time of the transaction. Exchange differences that arise in conversion are recognised in profit or loss. Exchange differences on operating receivables and operating liabilities are included in operating profit or loss, while exchange differences on financial receivables and liabilities are recognised among financial items.

FINANCIAL ASSETS AND LIABILITIES, RECOGNITION AND DERECOGNITION

Financial instruments recognised in the balance sheet primarily include, on the assets side, cash and cash equivalents, accounts receivable and derivatives. The liabilities include accounts payable, loans payable, contingent considerations and derivatives. A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. A financial asset (or part thereof) is removed from the balance sheet when the rights in the contract are realised or expire or the Company loses control over them. A financial liability (or part thereof) is removed from the balance sheet when the obligation in the contract is fulfilled or in some other way ceases to exist. A financial asset and a financial liability are only offset and recognised at the net amount in the balance sheet when the Company is legally entitled to offset their amounts and the Company intends to settle the items with a net amount or simultaneously realise the asset and settle the liability.

FINANCIAL ASSETS AND LIABILITIES, MEASUREMENT AND CLASSIFICATION

A financial instrument that is not a derivative is initially recognised at cost, equivalent to the instrument's fair value plus transaction costs; this applies to all financial instruments except those in the category of financial assets measured at fair value through profit or loss. At initial recognition, a financial instrument is classified based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Financial instruments measured at fair value are classified in a hierarchy based on the origin of the inputs used in the evaluation. At level 1 are financial instruments with a price quoted in an active market. Level 2 comprises financial instruments whose value is determined based on observable market data, though not prices quoted in an active market. Level 3 includes using inputs, such as cash flow analyses, not based on observable market data.

Financial assets and liabilities measured at fair value through profit or loss

This category consists of two subgroups: financial assets and liabilities held for trading, and other financial assets and liabilities that the Company initially chose to place in this category. The first group in-

cludes derivatives unless they are designated hedging instruments. The other group contains contingent considerations in conjunction with acquisitions of subsidiaries.

Accounts receivable and loan receivables

Loan receivables and accounts receivable are financial assets that are not derivatives, with fixed payments or with payments that can be determined, and that are not quoted on an active market. Assets in this category are measured at amortised cost.

Accounts receivable are recognised at the amount expected to be recovered, after deduction for doubtful receivables, assessed individually. The expected maturities of accounts receivable are short, so they are recognised at nominal amounts without discounting. Impairment losses on accounts receivable are recognised in operating expenses.

Cash and cash equivalents

Cash and cash equivalents consists of cash and funds immediately available in banks and equivalent institutions, as well as short-term liquid investments that mature within three months of the time of acquisition and are subject to only a negligible risk of fluctuation in value.

Unlisted equity instruments carried at cost

A holding of unlisted shares in housing companies, whose fair value cannot be reliably calculated, is measured at cost and tested for impairment when an indication of impairment is observed.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. These liabilities are measured at amortised cost. Accounts payable are measured at nominal amounts without discounting.

Derivatives and hedge accounting

Derivative instruments include currency clauses, forward foreign exchange contracts, currency options and currency swaps used to cover the risk of foreign exchange rate fluctuations. An embedded derivative, for example a currency clause, is disclosed separately unless closely related to its host contract. Hedge accounting is not used. Derivatives are initially recognised at fair value, with the result that transaction costs are charged to profit or loss for the period. After the initial recognition, the derivative instrument is measured at fair value via income statement.

Increases and decreases in the value of such derivatives are recognised as income and expense, respectively, in operating profit or loss or in net financial items, based on the intended use of the derivative and whether or not its use is related to an operating item or a financial item.

ASSETS AND LIABILITIES, CLASSIFICATION

Current assets consist of assets expected to be realised within one year or the company's normal business cycle. Other assets are non-current assets. A liability is classified as non-current if, at the end of the reporting period, the entity has an unconditional right to defer settlement for at least twelve months after the reporting period and if it is not an operating debt expected to be settled within the entity's normal business cycle. Other liabilities are classified as current.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, less accumulated depreciation and any impairment losses. The cost comprises the purchase price, including customs and excise duties, as well as costs directly attributable to the asset to bring it to the location in such condition that it can be used as intended by the acquisition. Discounts and the like are deducted from the purchase price. Examples of directly attributable costs included in the cost are shipping and handling, in-

stallation, legal ratification and consulting services.

Borrowing costs are also capitalised in the cost of qualifying assets. The Group does not normally have qualifying assets.

Additional expenditure for an item of property, plant and equipment is only added to the cost if it increases the future economic benefits. All other expenditure, such as expenditure for repair and maintenance, is expensed on a current basis. A decisive factor as to when an incremental expenditure should be added to the cost is whether the expenditure refers to the replacement of identified components or parts thereof, in which case the expenditure is capitalised. Also, if a new component has been created, the expenditure is added to the cost. Any undepreciated carrying amounts for replaced components, or parts of components, are retired and expensed in conjunction with the replacement.

Depreciation is effected on a straight-line basis over the estimated useful life and taking account of any residual value at the end of that period.

Property, plant and equipment comprising parts that have different useful lives are treated as separate components.

The carrying amount of an item of property, plant and equipment is removed from the balance sheet upon retirement or disposal of the asset, or when no future economic benefits are expected to be derived from its use. Gains or losses realised upon the disposal or retirement of an asset consist of the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains or losses are recognised as other operating income or other operating expense.

Property, plant and equipment	Useful life
Buildings	15–100 years
Leasehold improvements	3–5 years
Equipment	3–5 years
Land improvements	20 years
Machinery	3–10 years

LEASES

Distinction is made between finance and operating leases. A finance lease is characterised by the lessee assuming, in all essential respects, the economic benefits and risks associated with ownership of the asset. If that is not the case, the lease is regarded as an operating lease.

The Group for the most part uses operating leases, such that lease payments are charged as an operating expense on a straight-line basis over the term of the lease.

INTANGIBLE NON-CURRENT ASSETS

An intangible asset is an identifiable non-monetary asset, without physical substance, that is used for marketing, producing or supplying goods or services, or for rental and administration. To be recognised as an asset, it must be probable that the future economic benefits attributable to the asset will benefit the Company and that the (acquisition) cost can be calculated reliably.

Additional expenditure for an intangible asset is only added to the cost if it increases future economic benefits beyond the original assessment and if the expenditure can be calculated reliably. All other expenditure is expensed as it is incurred.

Goodwill represents the difference between the acquisition cost of a business combination and the fair value of identifiable assets acquired, liabilities assumed and contingent liabilities.

Goodwill and intangible non-current assets with indefinable useful lives (trademarks) are measured at acquisition cost, less any accumulated impairment losses. Goodwill and trademarks are allocated among cash-generating units or groups of cash-generating units and are not amortised but annually tested for impairment.

NOTE 1

CONT.

Intangible assets aside from goodwill and trademarks are recognised at their original acquisition cost, less accumulated amortisation and impairment losses.

Borrowing costs are also capitalised in the cost of qualifying assets. The Group does not normally have qualifying assets.

Amortisation is charged on a straight-line basis and is based on the useful lives of the assets, which are reviewed on an annual basis. An asset's useful life is based on historical experience of use of similar assets, areas of application and other specific features of the asset.

Amortisation is included in cost of sales, selling expenses or administrative expenses, depending on where in the business the assets are used.

Expenditure for development, in which the results of research or other knowledge are applied to achieve new or improved products or processes, is recognised as an asset in the balance sheet if the product is technically and commercially viable and the Company has sufficient resources to complete development and subsequently use or sell the intangible asset. Other development expenditure is expensed as it is incurred.

Expenditure for internally generated goodwill and trademarks is recognised in profit or loss as an expense as it is incurred.

Intangible non-current assets	Useful life
Capitalised development projects	3-5 years
Customer relationships	5-10 years
Supplier relationships	5-30 years
Software for IT operations	3-5 years
Technology	5-10 years
Trademarks	indeterminable

IMPAIRMENT LOSSES

Property, plant and equipment, intangible assets and interests in subsidiaries and associates

The carrying amounts of Group assets are tested as soon as there is an indication that the asset in question has decreased in value. If such indication exists, impairment is determined after calculating the recoverable amount of the asset, which is the higher of an asset's value in use and its fair value. Impairment loss is recognised if the recoverable amount is less than the carrying amount. The value in use is calculated as the present value of future payments that the Company is expected to receive by using the asset. The estimated residual value at the end of the useful life is included in the value in use. If the recoverable amount of an individual asset cannot be determined, the recoverable amount is set at the recoverable amount for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that give rises to continuous payment inflows that are independent of other assets or groups of assets. Goodwill on consolidation is attributed to the business areas (which accord with the Group's operating segments) to which the goodwill is linked. Impairment losses are reversed when the impairment, wholly or partly, no longer exists. However, this does not apply to goodwill or intangible non-current assets with indefinable useful lives.

For goodwill, other intangible assets with an indeterminable useful life and intangible assets not yet ready for use, the recoverable amount is calculated annually, in addition to the above.

Financial assets

When accounts are prepared for reporting, the Company assesses whether there is objective evidence that any financial asset or group of assets is impaired. The recoverable amount of loan receivables and accounts receivable recognised at amortised cost is calculated as the present value of future cash flows discounted by the effective interest rate prevailing when the asset was first recognised. Assets with short maturities are not discounted. Impairment losses are charged to the income statement.

INVENTORIES

Inventories, that is, raw materials and finished goods for resale, are carried at the lower of cost and net realisable value, hence taking into account the risk of obsolescence. The cost is calculated using the first in, first out (FIFO) principle or weighted average prices.

In the case of finished and semi-finished goods manufactured in-house, the cost consists of direct manufacturing costs and a reasonable portion of indirect manufacturing costs. Normal capacity utilisation is taken into account in valuation.

CAPITAL

No expressed measure related to shareholders' equity is used internally. Externally, Addtech's objective is to have a robust equity ratio.

Shareholders' equity

Addtech's dividend policy 2017/2018 involves a pay-out ratio exceeding 30 percent of consolidated average profit after tax over a business cycle.

Repurchasing treasury shares occurs, and the Board normally proposes obtaining a mandate to repurchase treasury shares, which involves acquiring an amount of shares such that Addtech's own holding at no time exceeds 10 percent of all shares in the Company. The purpose of the repurchase is to provide the Board with increased scope for action in its work with the Company's capital structure, to enable the use of repurchased shares as payment in acquisitions, and to secure the Company's commitments in existing incentive programmes.

When treasury shares are repurchased, the entire consideration reduces retained earnings. Proceeds from the disposal of equity instruments are recognised as an increase in retained earnings, as are any transaction costs.

EMPLOYEE BENEFITS

Employee benefits after termination of employment, pension obligations

Addtech has defined-contribution pensions and defined-benefit pension plans in Sweden and Norway. The plans cover a large number of employees. The defined-benefit pension plans are based mainly on the individual's final salary. Subsidiaries in other countries in the Group mainly have defined contribution pension plans.

In defined contribution plans, the Company pays stipulated fees to a separate legal entity and has no obligation to pay additional fees. Costs are charged to the Group's profit or loss at the rate at which the benefits are earned. In defined benefit pension plans, benefits are paid to current and former employees based on their salary upon retirement and the number of years of service. The Group bears the risk for payment of promised benefits.

The Group's net obligation to defined benefit plans is calculated individually for each plan by estimating future benefits that employees have earned through employment in current and previous periods.

These benefits are discounted to a present value. Any unreported costs related to service in previous periods and the fair value of any plan assets are deducted.

Defined benefit pension plans are both funded and unfunded. When a plan is funded, its assets have been separated into plan assets. These plan assets can only be used for payments of benefits as

per the pension agreements. The net value of the estimated present value of the obligations and the fair value of plan assets is recognised in the balance sheet, either as a provision or as a non-current financial receivable. When a surplus in a plan cannot be fully utilised, only the portion of the surplus that the Company can recover through reduced future fees or repayments is recognised.

A surplus in one plan is only offset by a deficit in another plan if the Company is entitled to utilise a surplus in one plan to settle a deficit in another plan, or if the obligations are intended to be settled on a net basis.

The pension cost and pension obligation for defined benefit pension plans are calculated using the Projected Unit Credit Method. This method distributes the cost of pensions at the rate at which employees perform services for the Company that increase their rights to future benefits. The aim is to expense expected future pension pay-outs in a manner that provides an even cost over the employee's period of employment. This calculation takes into account anticipated future salary increases and anticipated inflation. The Company's obligation is calculated annually by independent actuaries. The discount rate used is equivalent to the interest rate on high-quality corporate bonds or mortgage bonds with a maturity equivalent to the average maturity of the obligation and currency. For Swedish pension liabilities, the interest rate for Swedish housing bonds is used as a basis and for Norwegian pension liabilities, the interest rate for Norwegian corporate bonds is used.

Revaluations may arise when establishing the obligation's present value and fair value on plan assets. These may arise either because the actual outcome differs from previously made assumptions (known as experienced-based adjustments), or because assumptions were changed. Such revaluations are recognised in the balance sheet and in profit or loss under other comprehensive income. The net present value of the defined benefit obligation is established by means of discounting estimated future cash flows. The discount rate used is equivalent to the interest rate on high-quality corporate bonds or government bonds with a maturity equivalent to the average maturity of the obligation and currency.

A portion of the Group's defined benefit pension obligations has been financed through premiums to Alecta. The required information cannot be obtained from Alecta, so these pension obligations are reported as a defined contribution pension plan.

The special employer's contribution constitutes part of the actuarial assumptions and is therefore recognised as part of the net obligation/asset. To make it simpler, the part of the special employer's contribution that is calculated based on the Swedish Act on Safeguarding Pension Obligations in legal entities is recognised as an accrued expense instead of as part of the net obligation/asset.

Policyholder tax is recognised on an ongoing basis for the period to which the tax relates and is therefore not included in the calculation of liabilities. In the case of funded plans, the tax is on the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded plans, the tax is levied on profit for the year. When the cost of a pension is determined differently in a legal entity than in the Group, a provision or claim for taxes on pension costs is recognised, such as a special employer's contribution for Swedish companies based on this difference. The present value for the provision or claim is not calculated.

Benefits upon termination of employment

A cost for benefits in conjunction with termination of employment is recognised only if there is a formal, detailed plan to terminate employment prior to the normal date.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognised as an expense when the related services are performed.

A provision for the expected costs of bonus disbursements is recognised when the Group has a valid legal or informal obligation to make

such payments as a result of services received from employees and where the obligation can be calculated reliably.

Share-based incentive programmes

The Group's share-based incentive programmes make it possible for Group management to purchase shares in the Company. The employees have paid a market premium for call options on Class B shares. The programme includes a subsidy so that the employee receives the same sum as the option premium paid in the form of cash payment, i.e. salary. This subsidy shall be paid two years after the issue decision, providing that the option holder is still employed in the Group and owns call options at that time. The subsidy, and related social security costs, is distributed as employee benefits expense over the vesting period. Addtech has no obligation to repurchase the options when an employee terminates employment. The holder can redeem the options irrespective of future employment at the Group. See also Note 6.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised in the balance sheet when the Company has a formal or informal obligation as a result of a transpired event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, the provision is based on a present value calculation.

Provisions are made for future costs resulting from warranty undertakings. The calculation is based on expenditure during the financial year for similar undertakings or the estimated costs for each undertaking.

Provisions for restructuring costs are recognised when a detailed restructuring plan has been adopted and the restructuring has either begun or been announced.

Contingent liabilities are recognised when a possible undertaking exists stemming from past events and the existence of the undertaking is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the Company's control. Other obligations are also recognised as contingent liabilities if they result from past events but are not recognised as a liability or provision because it is unlikely that an outflow of resources will be required to settle the undertaking or because the size of the undertaking cannot be determined with sufficient accuracy.

REVENUE RECOGNITION

The fair value of what has been received, or what will be received, is recognised as sales revenue. Deductions are made for value-added tax, returns, discounts and price reductions. Revenue from sales of goods is recognised when certain requirements have been met. These requirements are that material risks and benefits associated with ownership of the goods have been transferred to the purchaser, that the selling company does not retain any involvement in ongoing administration nor does it exert any real control over the goods sold, that the revenue can be calculated reliably, that it is likely that the economic benefits that the Company will obtain from the transaction will accrue to the Company, and that the expenses that have arisen or are expected to arise as a result of the transaction can be calculated reliably.

Revenue from projects in progress is recognised in increments as projects are completed. The degree of completion is determined on the basis of accumulated project expenses at the end of the period as a proportion of estimated total project expenses. If future costs to complete a project are estimated to exceed remaining revenue, a provision is made for estimated losses.

FINANCE INCOME AND EXPENSES

Interest income on receivables and interest expense on liabilities are computed using the effective interest method. The effective interest rate is the rate that makes the present value of all future incoming and

NOTE 1 CONT.

outgoing payments during the term equal to the carrying amount of the receivable or liability. Interest income includes accrued rebates, premiums and other differences between the original value of the receivable and the amount received upon maturity. Interest and dividends are recognised as income when it is probable that the economic benefits associated with the transaction will accrue to the Company and that the income can be calculated reliably.

INCOME TAXES

Tax expense/income is recognised in the income statement, except when the underlying transaction is recognised in other comprehensive income or directly in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity. Current tax refers to tax that is to be paid or refunded for the current year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated using the liability method based on temporary differences between carrying amounts and tax bases of assets and liabilities. The amounts are calculated depending on how the temporary differences are expected to be settled and by applying the tax rates and tax rules enacted or announced at the end of the reporting period. Temporary differences are not taken into account in Group goodwill, nor in differences attributable to interests in subsidiaries or associates owned by Group companies outside Sweden that are not expected to be taxed in the foreseeable future. In the consolidated financial statements, untaxed reserves are allocated to deferred tax liability and equity. Deferred tax assets related to deductible temporary differences and tax loss carry-forwards are only recognised to the extent it is likely they will reduce tax payments in the future.

SEGMENT REPORTING

Assets and liabilities as well as income and expenses are attributed to the operating segment where they are used, earned and consumed, respectively. The operating segment's earnings are monitored by the highest executive decision-maker, i.e. the CEO of Addtech.

The division into operating segments is based on the business area organisation, by which the Group's operations are managed and monitored. These are Components, Energy, Industrial Process and Power Solutions. Operations that do not belong to these areas of operation are included under the heading Parent Company and Group items.

EARNINGS PER SHARE

Addtech discloses earnings per share (EPS) in direct connection with the income statement. Calculation of EPS is based on consolidated profit or loss for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. To calculate diluted EPS, the average number of shares is adjusted to take into account the effect of potentially dilutive ordinary shares that, during the periods reported, result from options awarded to employees.

CASH FLOW STATEMENT

In preparing the cash flow statement, the indirect method was applied as per IAS 7 Statement of Cash Flows. In addition to flows of cash and bank funds, current investments maturing within three months of the acquisition date that can be converted into bank deposits at an amount known beforehand are classified as cash and cash equivalents.

EVENTS AFTER THE REPORTING PERIOD

Events that occurred after the reporting period but whose circumstances were identifiable at the end of the reporting period are included in the reporting. If significant events occurred after the reporting period but did not affect the recognised results of operations or financial position, the event is disclosed under a separate heading in the administration report and in note 33.

RELATED PARTY DISCLOSURES

Where appropriate, information will be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement.

CHANGES IN ACCOUNTING POLICIES

When there is a change in accounting policy, the current period, previous period and accumulated amount per the opening of the comparative period are restated, unless otherwise prescribed by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. If a change in accounting policy affects equity, the effect is recognised on a separate line in the statement of changes in equity.

ALTERNATIVE KEY FIGURES

The company presents certain financial measures in the annual report that are not defined in accordance with IFRS. The company believes that these measures provide valuable supplementary information to investors and the company's management as they enable the evaluation of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures should therefore not be seen as compensation for measures that are defined in accordance with IFRS. For definitions of the keywords that Addtech uses, see page 102.

GOVERNMENT GRANTS

Government grants refers to support from the government in the form of transfers of resources to a company in exchange for the company fulfilling (in the past or future) certain conditions regarding its operations.

The Group is active in areas where government grants are insignificant in scope.

PERSONNEL INFORMATION

The Swedish Annual Accounts Act requires more information than IFRS, including information about the gender of the Board of Directors and Group management.

Data on gender distribution refer to the situation at the end of the reporting period. 'Members of the Board of Directors' are directors, elected by a general meeting of shareholders, in the Parent Company and in Group companies. 'Members of senior management' are people in Group management, Managing Directors and vice MDs at Group companies.

ACCOUNTING POLICIES OF THE PARENT COMPANY

The Parent Company applies the same accounting policies as the Group, except where the Swedish Annual Accounts Act and the Swedish Act on Safeguarding Pension Obligations prescribe different procedures, or if the connection to taxation gives rise to other reporting.

The Parent Company prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities, from the Swedish Financial Reporting Board. RFR 2 prescribes that, in the annual accounts for its legal entity, the Parent Company shall apply all EU-approved

IFRSs and standard interpretations to the greatest extent possible within the scope of the Annual Accounts Act and taking account of the relationship between reporting and taxation. The recommendation specifies which exceptions from and additions to IFRSs must be made.

Interests in Group companies are recognised in the Parent Company using the cost method, which means that transaction costs are included in the carrying amount for holdings in subsidiaries. Any changes in liabilities for contingent consideration are added to or reduce the (acquisition) cost. In the Group, transaction costs are expensed and changes in liabilities for contingent considerations are entered as income or expense.

Instead of IAS 19, the Swedish Act on Safeguarding Pension Obligations is applied in the Parent Company when calculating defined benefit pension plans. The most significant differences compared to IAS 19 are the method for determining the discount rate, that the defined benefit obligation is calculated based on current salaries without assuming future salary increases and that all actuarial gains and losses are recognised in profit or loss as they occur.

The Parent Company recognises untaxed reserves including deferred tax liabilities, rather than dividing them into deferred tax liabilities and equity as is done for the Group.

Group contributions are recognised in the Parent Company in accordance with the alternative rule. A Group contribution received from a subsidiary is recognised in the Parent Company as a financial income item, while a Group contribution paid from a Parent Company to a subsidiary is recognised as a financial expense. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in the contributor's shares and interests, insofar as no impairment is required. As provided for in the Swedish Financial Reporting Board's standard RFR 2, the Company has elected not to apply IAS 39 (Financial Instruments: Recognition and Measurement) to financial instruments and financial guarantee contracts.

NOTE 2

CRITICAL ESTIMATES AND ASSUMPTIONS

The carrying amounts of certain assets and liabilities are based in part on estimates and assumptions. This applies particularly to impairment testing of goodwill (Note 14) and to defined benefit pension obligations (Note 22). Assumptions and estimates are continually evaluated and are based on historical experience and expectations regarding future events deemed reasonable under prevailing circumstances.

Tests are performed each year to determine if goodwill is impaired. The recoverable amount for cash-generating units has been determined by calculating values in use. For these calculations, certain estimates must be made.

A large part of the Group's pension obligations for salaried employees is on a defined benefit basis and is covered by collective policies with Alecta. Currently, it is impossible to obtain data from Alecta on the Group's share of obligations and plan assets, so the pension plan with Alecta must be recognised as a defined contribution plan. The consolidation ratio reported by Alecta does not indicate any deficit, but it is not possible to obtain detailed information from Alecta about the size of the pension obligation.

The present value of pension obligations recognised as defined benefit plans depends on multiple factors determined on an actuarial basis using a number of assumptions. In establishing these assumptions, Addtech consults with actuaries, and for the Norwegian pension liabilities Addtech complies with the guidelines issued by The Norwegian Accounting Standards Board. The assumptions used to determine the present value of the obligation include the discount rate and salary increases. Each change in these assumptions will affect the carrying amount of pension obligations. See also Note 22.

NOTE 3

FINANCIAL RISKS AND RISK MANAGEMENT

GOALS AND POLICY FOR RISK MANAGEMENT

Addtech strives for structured and efficient management of the financial risks that arise in operations, which is manifest in the financial policy adopted by the Board of Directors. The financial operations are not conducted as a separate line of the business; they are merely intended to constitute support for the business and reduce risks in the financial operations. The policy stipulates goals and risks in the financial operations, and how they are to be managed. The financial policy expresses the goal of minimising and controlling financial risks. The policy defines and identifies the financial risks that arise at Addtech and how responsibility for managing these risks is distributed in the organisation. The financial risks defined in the financial policy are transaction exposure, translation exposure, refinancing risk, interest rate risk, margin risk, liquidity risk and issuer/borrower risk. Operational risks, that is, financial risks related to operating activities, are managed by each subsidiary's management according to principles in the financial policy and subordinate process descriptions approved by the Group's Board of Directors and management. Risks such as translation exposure, refinancing risk and interest rate risk are managed by the Parent Company, Addtech AB. Financial derivatives with external counterparties may only be entered by Addtech AB. The subsidiaries hedge their risk via Addtech AB which, in turn, obtains hedges on the external market.

CURRENCY RISK

The Addtech Group conducts extensive trade abroad and a material currency exposure therefore arises in the Group, which must be managed in such a way as to minimise the impact on earnings ensuing from exchange rate fluctuations.

The Group applies decentralised responsibility for currency risk management. This involves risk identification and risk hedging occurring at subsidiary level. It is important to capitalise on the size of the Group and natural conditions to match flows, and the subsidiaries must therefore hedge their risk via the Parent Company which, in turn, obtains hedges on the external market.

For Addtech, currency risk arises 1) as a result of future payment flows in foreign currency, known as transaction exposure, and 2) because parts of the Group's equity comprise net assets in foreign subsidiaries, known as translation exposure. Monetary financial assets and liabilities in currencies other than each Group company's functional currency occur to a limited extent.

Transaction exposure

Transaction exposure comprises all future contracted and forecast ingoing and outgoing payments in foreign currency. The Group's currency flows usually pertain to flows in foreign currency from purchases, sales and dividends. Transaction exposure also comprises financial transactions and balances. During the year, the Group's payment flows in foreign currencies were distributed as follows:

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CONT.

	Currency flows, gross 2017/2018		Currency flows, net	
	Inflows	Outflows	2017/2018	2016/2017
EUR	1,750	2,150	-400	-577
USD	691	779	-88	-50
NOK	56	35	21	25
JPY	60	86	-26	-26
DKK	41	110	-69	-62
GBP	14	72	-58	-42
CHF	20	74	-54	-50

The effects of exchange rate fluctuations are reduced by buying and selling in the same currency, through currency clauses in customer contracts and, to a certain degree, by forward purchases or sales of foreign currency. Currency clauses are a common method in the industry for handling uncertainty associated with future cash flows. A currency clause means that compensation will be paid for any changes in the exchange rate that exceed a certain predefined level during the contract period. If these thresholds are not reached, for example when the exchange rate changes by less than 2 percentage points, no compensation is paid. The currency clauses adjust the exchange rate change between the time the order is placed and the invoice date. Currency clauses are symmetrically designed, which means that compensation is charged or credited when the exchange rate rises or declines beyond the predefined thresholds.

Of Group net sales, currency clauses cover about 14 percent (13) and sales in the purchasing currency make up about 36 percent (33). In certain transactions, there is a direct link between the customer's order and the associated purchase order, which is a good basis for effective currency risk management. However, in many cases the dates of the orders do not coincide, which may reduce the effectiveness of these measures. The subsidiaries have reduced their currency exposure by using forward foreign exchange contracts. At the end of the financial year, there were outstanding forward foreign exchange contracts in a gross amount of SEK 165 million (155), of which EUR equalled SEK 97 million (102), JPY SEK 14 million (16), USD SEK 38 million (15), CHF SEK 1 million (1), PLN SEK 7 million (15) and DKK SEK 8 million (8). Out of the total contracts, SEK 119 million (110) matures within six months, SEK 45 million (45) within 12 months and SEK 1 million (0) within 18 months. Hedge accounting does not apply to forward foreign exchange contracts and they are classified as a financial asset measured at fair value held for trading. Hedge accounting applies to embedded derivatives consisting of currency clauses, and they are classified as derivatives used in hedge accounting. The cash flow effect from embedded derivatives normally occurs within six months.

The Group has a net exposure in several currencies. If each separate currency pair changes by 5 percent, the aggregate effect on profit would total about SEK 38 million (36), all else being equal. Inflows and outflows in the same currency mean that the Group's exposure is relatively limited. Currency flows in the Parent Company are mainly in Swedish kronor (SEK). To the extent that internal and external loans and investments in the Parent Company are in foreign currency, 100 percent of the capital amount is hedged.

Translation exposure

The translation exposure of the Addtech Group is currently not hedged. The Group's net assets are divided among foreign currencies as follows:

Net investments	2018-03-31		2017-03-31	
	SEKm	Sensitivity analysis ¹⁾	SEKm	Sensitivity analysis ²⁾
NOK	748.0	37.4	736.0	36.8
EUR	614.0	30.7	450.0	22.5
DKK	687.0	34.4	358.0	17.9
PLZ	6.0	0.3	52.0	2.6
TTD	22.0	1.1	28.0	1.4
GBP	337.0	16.8	155.0	7.8
HKD	35.0	1.7	14.0	0.7

¹⁾ Impact of +/-5% in exchange rate on Group equity

²⁾ Circumstances in the previous year

When translating the income statement of units with a functional currency other than SEK, a translation effect arises when exchange rates vary. With the present distribution of Group companies' different functional currencies, a change of 1 percentage point in the exchange rates would have an effect of SEK +/- 48 million (41) on net sales and SEK +/- 3 million (3) on operating profit.

The exchange rates used in the financial statements are shown in the following table:

Exchange rate	Average rate		Closing day rate	
	2017/2018	2016/2017	2018-03-31	2017-03-31
CHF 1	8.59	8.78	8.73	8.92
CNY 100	125.85	128.88	132.76	129.44
DKK 100	131.05	127.88	137.99	128.16
EUR 1	9.75	9.51	10.28	9.53
GBP 1	11.05	11.32	11.75	11.14
HKD 1	1.07	1.12	1.06	1.15
JPY 1000	75.20	80.20	78.40	79.70
NOK 100	102.77	103.93	106.28	103.97
PLZ 1	2.31	2.19	2.44	2.26
TRY 1	2.27	2.72	2.10	2.45
TTD 1	1.22	1.32	1.23	1.34
TWD 1	0.28	0.28	0.29	0.30
USD 1	8.34	8.68	8.35	8.92

FINANCING AND LIQUIDITY

The overall objective of Addtech's financing and debt management is to secure financing for the operations in both the long and short term, and to minimise borrowing costs. The capital requirement is to be secured through an active and professional borrowing procedure comprising overdraft and other credit facilities. Raising of external financing is centralised at Addtech AB. Adequate payment capacity is to be achieved through contractual credit facilities. Surplus liquidity is primarily used to pay down outstanding credits. The Parent Company is responsible for the Group's long-term financing as well as its supply of liquidity. The Parent Company provides an internal bank which lends to and borrows from the subsidiaries. The Group's and Parent Company's non-current and current interest-bearing liabilities are shown in Notes 24 and 25.

To manage surpluses and deficits in different currencies, Addtech uses currency swaps from time to time. This allows the Group to reduce its financing costs and the Company's liquid funds to be used in an efficient manner.

Refinancing risk

The refinancing risk is the risk of Addtech not having access to sufficient financing on each occasion. The refinancing risk increases if Addtech's credit rating deteriorates or if Addtech becomes too dependent on one source of financing. If all or a large part of the debt portfolio matures on a single or a few occasions, this could involve the turnover or refinancing of a large proportion of the loan volume having to occur on disadvantageous interest and borrowing terms.

In order to limit the refinancing risk, the procurement of long-term credit facilities is commenced no later than nine months before the credit facility matures. On 31 March 2018, the Group's credit facilities amounted to SEK 1,501 million (1,502), represented by bank overdraft facilities of SEK 1,101 million (1,102) and other agreed credit facilities of SEK 400 million (400). During the year credit facilities decreased by SEK 1 million (100) while overdraft facilities have stayed unchanged (SEK 100 million). At 31 March 2017, the Group had utilised SEK 821 million (361) of the bank overdraft facilities and SEK 300 million (0) of the other credit facilities. Unutilised bank overdraft facilities and credit facilities amounted to SEK 379 million (641). The Group's credit facilities are contingent upon loan covenants, the conditions of which are fulfilled with a wide margin. For covenants, Addtech uses two ratios: EBITDA/net financial items and equity/assets.

INTEREST RATE RISK

The interest rate risk is regulated by ensuring that the average fixed interest term of the debt portfolio varies between 0-3 years. The debt portfolio consists of bank overdraft facilities and outstanding external loans. The interest rate at 31 March 2018 was variable, that is, 0-3 months. Addtech's main exposure to interest rate risk is in its debt portfolio. Aside from the pension liability, interest-bearing external debt totals SEK 1,369 million (979).

With the current net financial debt, the impact on the Group's net financial items is SEK +/- 9 million if interest rates change by 1 percentage point.

ISSUER/BORROWER RISK AND CREDIT RISK

Issuer/borrower risk and credit risk are defined as the risk of Addtech's counterparties failing to fulfil their contractual obligations. Addtech is exposed to credit risk in its financial transactions, that is, in investing its surplus liquidity and executing forward foreign exchange transactions, and in its commercial operations in connection with accounts receivable and advance payments to suppliers. Maximum credit risk exposure from financial assets is consistent with the carrying amount of those assets.

Addtech's financial function at the Parent Company is responsible for assessing and managing issuer/borrower risk. The financial policy prescribes that surplus liquidity only be invested with counterparties that have a very high credit rating. As in prior years, in 2017/2018 surplus funds were not invested with any counterparties other than Swedish banks, aside from the Group's normal bank contacts.

To utilise its subsidiaries' detailed knowledge of Addtech's customers and suppliers, Addtech has each company assess the credit risk in its commercial transactions. New customers are assessed before credit is granted, and credit limits set are strictly enforced. Short credit periods are the goal, and avoiding excessive concentration of business with individual customers and with specific sectors helps minimise risks. No individual customer accounts for more than 4 percent (2) of total credit exposure during a one-year period. The equivalent figure for the ten largest customers is about 13 percent (13). Exposure per customer segment and geographic market is presented in Note 5. Bad debt losses totalled SEK 6 million (1) during the year, equal to 0 percent (0) of net sales.

Accounts receivable, SEKm	2018-03-31	2017-03-31
Carrying amount	1,360	1,170
Impairment losses	-10	-9
Cost	1,350	1,161

Change in impaired accounts receivable	2017/2018	2016/2017
Amount at start of year	-9	-5
Corporate acquisitions	0	-1
Year's impairment losses/reversals	-1	-4
Settled impairment losses	1	1
Translation effects	-1	0
Total	-10	-9

Time analysis of accounts receivable that are overdue but not impaired	2018-03-31	2017-03-31
≤ 30 days	145	96
31-60 days	29	16
> 60 days	27	23
Total	201	135

NOTE 4 NET SALES BY REVENUE TYPE

Group	2017/2018	2016/2017
OEM		
Components	4,732	4,086
Products for end users		
Components	2,667	2,502
Machinery/Instruments	379	345
Materials	168	170
Services	76	75
Total	8,022	7,178

OEM components are built into the products that Addtech's customers produce. OEM stands for 'original equipment manufacturer'. Products for end users comprise all other uses. Regarding other revenue types, dividends and interest income are recognised in financial items, see Note 11.

NOTE 4 CONT.

Components	2017/2018	2016/2017
OEM		
Components	2,300	1,731
Products for end users		
Components	569	480
Machinery/Instruments	70	74
Materials	44	52
Services	18	18
Total	3,001	2,355

Energy	2017/2018	2016/2017
OEM		
Components	685	665
Products for end users		
Components	1,064	1,058
Machinery/Instruments	72	62
Materials	19	17
Services	6	5
Total	1,846	1,807

Industrial Process	2017/2018	2016/2017
OEM		
Components	662	621
Products for end users		
Components	635	623
Machinery/Instruments	236	206
Materials	95	88
Services	49	47
Total	1,677	1,585

Power Solutions	2017/2018	2016/2017
OEM		
Components	1,096	1,084
Products for end users		
Components	395	335
Machinery/Instruments	3	2
Materials	13	13
Services	3	5
Total	1,510	1,439

NOTE 5 SEGMENT REPORTING

The division into business areas reflects Addtech's internal organisation and reporting system. Addtech reports its business areas as operating segments. Addtech is organised into four business areas: Components, Energy, Industrial Process and Power Solutions.

Components

Components markets and sells components and sub-systems in mechanics, electromechanics, hydraulics and electronics as well as automation solutions. Its customers are mainly in the manufacturing industry.

Energy

Energy markets and sells products for the transmission and distribution of electricity and products in electrical safety, electrical installation and connection technology (circuitry). Its customers mainly operate in the energy and electrical installation market via specifiers and electricity wholesalers.

Industrial Process

Industrial Process markets and sells solutions, sub-systems and components, often under own brand, which help to optimise industrial processes and flows. Customers are found in about 15 countries, with an emphasis on industry in Northern Europe.

Power Solutions

Power Solutions develops, markets and sells components and system solutions that ensure power supply, as well as operation and control of movements or energy flows, such as battery solutions and products used in the interaction between humans and machines. The business area's customers mainly work with special vehicles, telecoms, environmental technology and medical technology.

DATA BY OPERATING SEGMENT	2017/2018			2016/2017		
	External	Internal	Total	External	Internal	Total
Net sales						
Components	2,997	4	3,001	2,354	1	2,355
Energy	1,845	1	1,846	1,806	1	1,807
Industrial Process	1,671	6	1,677	1,580	5	1,585
Power Solutions	1,509	1	1,510	1,438	1	1,439
Parent Company and Group items	–	-12	-12	–	-8	-8
Total	8,022	0	8,022	7,178	0	7,178

Operating profit/loss, assets and liabilities	2017/2018			2016/2017		
	Operating profit/loss	Assets ¹⁾	Liabilities ¹⁾	Operating profit/loss	Assets ¹⁾	Liabilities ¹⁾
Components	232	2,008	461	153	1,429	407
Energy	174	1,213	296	183	1,129	292
Industrial Process	127	914	309	110	858	264
Power Solutions	170	1,007	215	170	759	239
Parent Company and Group items	-2	377	2,107	-12	340	1,572
Operating profit/loss, assets and liabilities	701	5,519	3,388	604	4,515	2,774
Finance income and expenses	-36			-24		
Profit after financial items	665			580		

¹⁾ Does not include balances in Group accounts or financial transactions with Group companies.

Investments in non-current assets	2017/2018			2016/2017		
	Intangible ¹⁾	Property, plant and equipment ¹⁾	Total	Intangible ¹⁾	Property, plant and equipment ¹⁾	Total
Components	3	14	17	1	18	19
Energy	1	11	12	0	12	12
Industrial Solutions	1	9	10	1	20	21
Power Solutions	0	13	13	7	7	14
Parent Company and Group Items	0	1	1	0	1	1
Total	5	48	53	9	58	67

¹⁾ The amounts do not include the effects from acquisitions.

Depreciation/amortisation of non-current assets	2017/2018			2016/2017		
	Intangible	Property, plant and equipment	Total	Intangible	Property, plant and equipment	Total
Components	-52	-11	-63	-35	-10	-45
Energy	-42	-10	-52	-43	-10	-53
Industrial Solutions	-15	-12	-27	-16	-11	-27
Power Solutions	-27	-8	-35	-17	-6	-23
Parent Company and Group Items	-1	-2	-3	-1	-2	-3
Total	-137	-43	-180	-112	-39	-151

Significant profit or loss items, other than depreciation or amortisation, not matched by payments in 2017/2018	2017/2018		2016/2017		Total
	Capital gains	Change in pension liability	Other items	Other items	
Components	0	2	8		10
Energy	-1	0	-10		-11
Industrial Solutions	0	0	-2		-2
Power Solutions	0	1	-6		-5
Parent Company and Group Items	-30	-1	18		-13
Total	-31	2	8		-21

Data by country	2017/2018			2016/2017		
	Net sales, external	Assets ¹⁾	Of which non-current assets	Net sales, external	Assets ¹⁾	Of which non-current assets
Sweden	2,694	2,170	1,071	2,581	2,035	972
Denmark	1,247	964	446	1,048	573	213
Finland	985	623	252	903	539	230
Norway	1,137	908	511	1,098	831	511
Other countries	1,959	744	392	1,548	400	157
Parent Company, Group items and unallocated assets	-	110	-2	-	137	-1
Total	8,022	5,519	2,670	7,178	4,515	2,082

¹⁾ Does not include Group account balances and financial assets. External net sales are based on the customers' location, and the carrying amounts of assets are based on where the assets are located.

NOTE 5 CONT.

Investments in non-current assets	2017/2018			2016/2017		
	Intangible	Property, plant and equipment	Total	Intangible	Property, plant and equipment	Total
Sweden	2	26	28	3	19	22
Denmark	1	3	4	1	9	10
Finland	2	5	7	0	14	14
Norway	0	4	4	0	4	4
Other countries	0	10	10	5	12	17
Total	5	48	53	9	58	67

The Group has no single customer whose revenues account for 10 percent of total revenue, for which reason there is no related reporting.

NOTE 6 EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Average number of employees	2017/2018			2016/2017		
	Men	Women	Total	Men	Women	Total
Sweden						
Parent Company	6	4	10	6	5	11
Other companies	628	191	819	633	190	823
Denmark	210	94	304	200	95	295
Finland	195	68	263	184	61	245
Norway	229	79	308	225	73	298
Other countries	425	154	579	344	117	461
Total	1,693	590	2,283	1,592	541	2,133

Salaries and remuneration	2017/2018			2016/2017		
	Senior management	of which profit-related remuneration	Other employees	Senior management	of which profit-related remuneration	Other employees
Sweden						
Parent Company	28	6	3	21	4	4
Other companies	48	7	383	47	5	362
Denmark	28	3	201	23	3	184
Finland	21	3	120	16	2	121
Norway	24	3	182	23	1	176
Other countries	17	2	111	15	2	85
Total	166	24	1,000	145	17	932

Senior management is defined as Group management, Managing Directors and vice MD's in Group subsidiaries.

Salaries, remuneration and social security costs	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Salaries and other remuneration	1,166	1,077	30	25
Contractually agreed pensions for senior management	20	19	4	4
Contractual pensions to others	93	81	1	1
Other social security costs	217	200	10	10
Total	1,496	1,377	45	40

At year-end, outstanding pension commitments to senior management totalled SEK 8 million (9) for the Group and SEK 0 million (2) for the Parent Company. Different accounting policies are applied to pension costs in the Parent Company and the Group (see Note 1 Accounting Policies).

Proportion of women	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Board of Directors (not including alternates)	4%	4%	29%	29%
Other members of senior management	14%	14%	17%	17%

PREPARATION AND DECISION-MAKING PROCESS FOR REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND GROUP MANAGEMENT

The guidelines applied in the 2017/2018 financial year for remuneration to senior management correspond to those in the proposal for the coming year included in the administration report. The principle for remuneration to the Board of Directors, Chief Executive Officer (CEO) and Group management is that remuneration should be competitive. The nomination committee proposes Board fees to the Annual General Meeting (AGM). Board fees are paid based on a resolution of the AGM. No separate fees are paid for committee work.

For remuneration to the CEO, members of Group management and other members of senior management in the Group, the Board of Directors has appointed a remuneration committee consisting of the Chairman and Vice Chairman of the Board, with the CEO as the reporting member. A fixed salary, variable remuneration and conventional employment benefits are paid to the CEO, Group management and other members of senior management. In addition, pension benefits and incentive programmes apply, as described below. The remuneration committee adheres to the guidelines for remuneration to senior management approved by Addtech AB's AGM.

PERSONNEL OPTIONS FOR MEMBERS OF SENIOR MANAGEMENT Background and reasons for long-term incentive schemes

The purpose of long-term incentive schemes is to give management personnel within the Addtech Group the opportunity to learn about and work towards an increase in the value of the Company's shares through their own investment. The schemes are also expected to create improved conditions for retaining and recruiting skilled personnel for the Addtech Group, to provide competitive remuneration and to unite the interests of the shareholders and the management personnel. The intention of the schemes is to contribute towards senior executives increasing their shareholdings in Addtech in the long term. Those members of management personnel included in the schemes are the group who, in an otherwise heavily decentralised organisation, are able to have a positive impact on profits through cooperation between the Group's subsidiaries. The share-related incentive schemes approved by the AGM do not involve any net charge to the Company's equity.

Similar call option schemes for senior management and a selected number of senior executives in the Addtech Group were resolved by the AGMs from 2009 to 2017. Members of the Board of Directors have not had the right to purchase call options, with the exception of the CEO.

The schemes consist of call options for shares repurchased by Addtech, where each call option carries the right to acquire a repurchased Class B share. The call options are freely transferable as financial instruments. In order to encourage participation in the scheme, a subsidy will be paid corresponding to the premium paid for each call option. This subsidy will be paid two years following the AGM, providing that the option holder's employment with the Group has not been terminated and that the call options have not been disposed of prior to this point. Scheme expenses consist of the subsidy plus social se-

curity costs. The subsidy corresponds to the option premium that the Company receives on transferring the call options, for which reason the scheme will not involve any net charge to the Company's equity.

The Company is entitled to buy back call options from the holder if the holder does not wish to exercise all call options acquired. Options are to be acquired at a price that at any one time corresponds to the highest market value. Shares may not, however, be bought back during any such period when trading in the Company's shares is forbidden.

At the end of the financial year Addtech has four outstanding call option programmes totalling 1,250,178 B shares.

Scheme 2017/2021

The allotment as resolved by the 2017 Annual General Meeting included 24 senior executives and a total of 300,000 call options, corresponding to 0.4 percent of the total number of shares and approximately 0.3 percent of the total number of votes in the Company. The allotment varied between 7,000 – 25,500 options per person. The Chief Executive Officer acquired 25,500 and the others in Group Management 115,000.

The options carry the right to the purchase of repurchased Class B shares between 14 September 2020 and 4 June 2021. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 1 September 2017 and 14 September 2017. If, at the time of subscription, the share price of class B shares in the Company exceeds 200 percent of the average price during the period 1 September 2017 until 14 September 2017, the exercise price will be increased in increments of SEK 1 by the amount that exceeds 200 percent. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 8 September 2017 and 14 September 2017.

The strike price for the call options was set at SEK 178.50. The market value of the call options was set at SEK 10.80.

The costs of the scheme consist of the subsidy paid during September 2019 as detailed above and the social security fees payable on this subsidy. The total cost of the subsidy, including social security fees, has been estimated at approximately SEK 3.5 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues over the vesting period.

Scheme 2016/2020

The allotment as resolved by the 2016 Annual General Meeting included 20 senior executives and a total of 300,000 call options, corresponding to 0.4 percent of the total number of shares and approximately 0.3 percent of the total number of votes in the Company. The allotment varied between 7,500 – 37,500 options per person. The Chief Executive Officer acquired 31,500 and the others in Group Management 135,000.

The options carry the right to the purchase of repurchased Class B shares between 16 September 2019 and 5 June 2020. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 1 September 2016 and 14 September 2016. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 8 September 2016 and 14 September 2016.

The strike price for the call options was set at SEK 159.00. The market value of the call options was set at SEK 11.80.

The costs of the scheme consist of the subsidy paid during September 2018 as detailed above and the social security fees payable

NOTE 6 CONT.

on this subsidy. The total cost of the subsidy, including social security fees, has been estimated at approximately SEK 3.6 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues over the vesting period.

Scheme 2015/2019

The allotment as resolved by the 2015 Annual General Meeting included 24 senior executives and a total of 350,000 call options, corresponding to 0.5 percent of the total number of shares and approximately 0.4 percent of the total number of votes in the Company. The allotment varied between 4,000 – 30,000 options per person. The Chief Executive Officer acquired 30,000 and the others in Group Management 150,000.

The options carry the right to the purchase of repurchased Class B shares between 17 September 2018 and 3 June 2019. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 31 August 2015 and 11 September 2015. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 7 September 2015 and 11 September 2015.

The strike price for the call options was set at SEK 154.50. The market value of the call options was set at SEK 10.20. According to terms resolved by the Annual General Meeting, the scheme will be recalculated following the Group's distribution of AddLife. The exercise price for the call options was established, after recalculation, at SEK 125.10, entitling the holder to 1.23 shares per option.

The costs of the scheme consist of the subsidy paid in 2017 including social security charges, which amount to approximately SEK 3.5 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues over the vesting period.

Scheme 2014/2018

The allotment as resolved by the 2014 Annual General Meeting for 2014 included 25 people and a total of 350,000 call options, corresponding to approximately 0.5 percent of the total number of shares and approximately 0.4 percent of the total number of votes in the Company. The allotment varied between 3,900 – 30,000 options per person. The Chief Executive Officer acquired 30,000 and the others in Group Management 140,000.

The options carry the right to the purchase of repurchased Class B shares between 17 September 2017 and 1 June 2018. The purchase price for shares on exercising options will correspond to 120 percent of the volume-weighted average of the price paid for the Company's B shares on NASDAQ Stockholm between 29 August 2014 and 11 September 2014. The premium for the call options will correspond to the market value of the call options as per an external independent valuation, in accordance with the Black & Scholes model. The measuring period for calculating the option premium will be based on the volume-weighted average of the price paid for the Company's Class B shares on NASDAQ Stockholm between 5 September 2014 and 11 September 2014.

The strike price for the call options was set at SEK 116.70. The market value of the call options was set at SEK 6.40. According to terms resolved by the Annual General Meeting, the scheme will be recalculated following the Group's distribution of AddLife. The exercise price for the call options was established, after recalculation, at SEK 125.10, entitling the holder to 1.23 shares per option.

The costs of the scheme consist of the subsidy paid in 2016 including social security charges, which amount to approximately SEK 3 million after corporation tax. The subsidy corresponds to the option premium that the Company receives on transferring the call options. The personnel cost accrues over the vesting period.

Between 17 September 2017 and 31 March 2018, 45,500 options were repurchased under current market conditions, based on an independent external valuation using the Black & Scholes model. During the corresponding period 125,900 options were exercised, corresponding to 154,857 shares.

BOARD OF DIRECTORS

The Board fees of SEK 2,025 thousand (1,880) set by the AGM are distributed, as per the AGM's decision, among those Board Directors who are not employed by the Parent Company.

PARENT COMPANY'S CEO

Johan Sjö, Parent Company CEO, received a fixed salary of SEK 5,181 thousand (4,196) and SEK 2,131 thousand (2,097) in variable pay. Variable remuneration includes SEK 331 thousand regarding the year's cost for a subsidy for participation in the Group's incentive programme. Taxable benefits totalling SEK 101 thousand (94) are additional. From age 65, the CEO is covered by a defined contribution pension, the size of which depends on the outcome of pension insurance agreements. During 2017/2018, a total of SEK 1,700 thousand (1,600) in pension premiums, determined annually by the remuneration committee, were paid for the CEO. Variable salary is not pensionable income.

Variable remuneration based on Group earnings may be payable in an amount up to 30 percent of fixed salary. In addition, a further premium of 20 percent may be payable of the variable remuneration received used in acquisition of shares in Addtech AB.

The period of notice is of 12 months when the Company terminates the employment contract and six months when the CEO does so. In the case of termination on the initiative of the Company, the CEO is entitled to a severance payment equivalent to one year's salary in addition to salary during the period of notice. No severance package is payable if the employee terminates the employment contract.

OTHER MEMBERS OF GROUP MANAGEMENT

Other members of Group management were paid a total of SEK 12,875 thousand (8,843) in fixed salaries and SEK 4,486 thousand (3,561) in variable remuneration. Variable remuneration includes SEK 1,135 thousand (930) regarding the year's cost for a subsidy for participation in the Group's incentive programme. This variable remuneration was expensed during the 2016/2017 financial year and was paid during 2017/2018. Taxable benefits totalling SEK 439 thousand (402) are additional. Persons in Group management are covered from age 65 by pension entitlements based on individual agreements. Existing pension schemes consist of defined contribution schemes, in which the pension amount depends on the outcome of pension insurance agreements, as well as defined benefit schemes.

The cost of the defined benefit pensions and the defined contribution schemes is basically equivalent to the ITP plan (supplementary pension scheme for salaried employees). During 2017/2018, a total of SEK 2,883 thousand (2,553) in pension premiums was paid for the group 'Other members of Group management'.

Variable remuneration based on Group earnings may be payable in an amount up to 30 percent of fixed salary. In addition, a further premium of 20 percent may be payable of the variable remuneration received used in acquisition of shares in Addtech AB.

The period of notice is 12 months when the Company terminates the employment contract and six months when the employee does so. Severance pay is payable upon termination of employment equivalent to no more than one year's salary. No severance package is payable if the employee terminates the employment contract.

Remuneration and other benefits 2017/2018	Basic salary/ Board fees	Variable remuneration ¹⁾	Other benefits	Pension costs	Total
Chairman of the Board	0.6	–	–	–	0.6
Other members of the Board	1.4	–	–	–	1.4
Chief Executive Officer	5.2	2.1	0.2	1.7	9.2
Other members of Group management ²⁾	12.9	4.5	0.6	2.9	20.9
Total	20.1	6.6	0.8	4.6	32.1

¹⁾ Including remuneration to group management participating in incentive programmes.

²⁾ During the year, other members of Group Management consisted of five people, including one woman and four men.

Remuneration and other benefits 2016/2017	Basic salary/ Board fees	Variable remuneration ¹⁾	Other benefits	Pension costs	Total
Chairman of the Board	0.5	–	–	–	0.5
Other members of the Board	1.4	–	–	–	1.4
Chief Executive Officer	5.0	1.7	0.2	1.6	8.5
Other members of Group management ²⁾	8.8	3.6	0.5	2.6	15.5
Total	15.7	5.3	0.7	4.2	25.9

¹⁾ Including remuneration to group management participating in incentive programmes.

²⁾ During the year, other members of Group Management consisted of five people, including one woman and four men.

BOARD FEES, SEK '000s		2017/2018	2016/2017
Name	Position	Fee	Fee
Anders Börjesson ¹⁾	Chairman of the Board, Chairman of the Remuneration Committee	600	500
Tom Hedelius	Vice Chairman of the Board	–	380
Eva Elmstedt ¹⁾	Member of the Board, member of the Remuneration Committee	325	250
Kent Eriksson	Member of the Board	275	250
Henrik Hedelius	Member of the Board	275	–
Ulf Mattsson	Member of the Board	275	250
Malin Nordesjö	Member of the Board	275	250
Johan Sjö	Member of the Board	–	–
Total		2,025	1,880

¹⁾ The amounts include remuneration in accordance with termination agreement. During the 2017/2018 financial year, a fee of SEK 50,000 was paid to each member of the remuneration committee.

NOTE 7

REMUNERATION TO AUDITORS

	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
KPMG				
Audit assignment	7	5	1	0
Tax consultation	0	1	0	0
Other assignments	2	2	0	1
Total remuneration to KPMG	9	8	1	1
Other auditors				
Audit assignment	1	1	–	–
Tax consultation	0	0	–	–
Other assignments	0	0	–	–
Total remuneration to other auditors	1	1	–	–
TOTAL REMUNERATION TO AUDITORS	10	9	1	1

NOTE 8 DEPRECIATION AND AMORTISATION

Depreciation and amortisation, by function	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Cost of sales	-22	-20	-	-
Selling expenses	-148	-121	-	-
Administrative expenses	-10	-10	-1	-1
Total	-180	-151	-1	-1

Depreciation and amortisation, by type of asset	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Intangible assets	-137	-112	-	0
Buildings and land	-4	-3	-	-
Leasehold improvements	-2	-2	-1	-1
Machinery	-15	-14	-	-
Equipment	-22	-20	0	0
Total	-180	-151	-1	-1

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Group	2017/2018	2016/2017
Other operating income		
Rental revenue	2	2
Gain on sale of operations and non-current assets	32	2
Change in value of derivatives	0	1
Exchange gains, net	-	7
Revaluation of contingent considerations	16	21
Other	9	15
Total	59	48
Other operating expenses		
Property costs	-2	1
Loss on sale of operations and non-current assets	-1	-1
Exchange losses, net	-13	-
Revaluation of contingent considerations	-7	-8
Other	-19	-5
Total	-42	-12

NOTE 10 OPERATING EXPENSES

Group	2017/2018	2016/2017
Inventories, raw materials and consumables	4,921	4,379
Employee benefits expense	1,548	1,424
Depreciation/amortisation	180	151
Impairment of inventories	9	13
Impairment of doubtful accounts receivable	6	4
Other operating expenses	718	653
Total	7,382	6,624

NOTE 11 FINANCE INCOME AND COSTS

Group	2017/2018	2016/2017
Interest income on bank balances	3	2
Dividends	0	0
Exchange rate changes, net	0	0
Other finance income	1	0
Finance income	4	2
Interest expense on financial liabilities measured at amortised cost	-8	-6
Interest expense on financial liabilities measured at fair value	-8	-4
Interest expense on pension liability	-6	-5
Changes in value from revaluation of financial assets/liabilities, net	-9	-1
Other finance costs	-9	-10
Finance costs	-40	-26
Net financial items	-36	-24

Parent Company	2017/2018	2016/2017
Group contribution	258	318
Profit from interests in Group companies	258	318
Interest income:		
Group companies	17	15
Profit from non-current financial assets	17	15
Interest income, etc:		
Group companies	1	0
Other interest income, change in value of derivatives and exchange rate differences	0	7
Interest income and similar items	1	7
Interest expense, etc:		
Group companies	0	-1
Other interest expense, change in value of derivatives, exchange rate differences and banking fees	-16	-18
Interest expense and similar items	-16	-19
Finance income and costs	260	321

NOTE 12

YEAR-END APPROPRIATIONS - PARENT COMPANY

	2017/2018	2016/2017
Reversal of tax allocation reserve	61	49
Provision made to tax allocation reserve	-75	-91
Excess amortisation/depreciation	0	0
Total	-14	-42

Had the Parent Company reported deferred tax on year-end appropriations as per the policies applied in the consolidated financial statements, the deferred tax expense would have totalled SEK 3 million (9).

NOTE 13
TAXES

	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Current tax for the period	-176.5	-147.6	-52.5	-60.5
Adjustment from previous years	0.3	0.3	0.5	-
Total current tax expense	-176.2	-147.3	-52.0	-60.5
Deferred tax	37.3	17.2	0.6	0.0
Total recognised tax expense	-138.9	-130.1	-51.4	-60.5

Group	2017/2018	%	2016/2017	%
Profit before tax	665.1		579.6	
Weighted average tax based on national tax rates	-144	21.7	-125.9	21.7
Tax effects of				
Non-deductible costs	-5.3	0.8	-5.4	0.9
Non-taxable income	8.6	-1.3	1.9	-0.3
Transaction costs, revaluation contingent considerations acquisitions	-1.2	0.2	1.1	-0.2
Changed tax rates/rules	3.0	-0.5	-1.8	0.3
Recognised tax expense	-138.9	20.9	-130.1	22.4

Parent Company	2017/2018	%	2016/2017	%
Profit before tax	232.7		270.1	
Tax based on current tax rate for parent company	-51.2	22.0	-59.4	22.0
Tax effects of				
Standard interest on tax allocation reserves	-0.3	0.1	-0.2	0.0
Non-deductible costs	-0.4	0.2	-1.0	0.4
Other	0.5	-0.2	0.1	0.0
Recognised tax expense	-51.4	22.1	-60.5	22.4

NOTE 13

CONT.

DEFERRED TAXES, NET, AT YEAR-END

Group	2018-03-31			2017-03-31		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Non-current assets	3	-233	-230	1	-186	-185
Untaxed reserves	-	-115	-115	-	-113	-113
Pension provisions	18	0	18	15	0	15
Other	20	0	20	13	0	13
Net recognised	-26	26	0	-21	21	0
Deferred taxes, net, at year-end	15	-322	-307	8	-278	-270

Group	2018-03-31					
	Amount at start of year	Recognised in profit or loss	Acquisitions and disposals	Recognised in other comprehensive income	Translation effects	Amount at year-end
Non-current assets	-184.8	31.7	-74.0	0.3	-3.3	-230.1
Untaxed reserves	-113.4	-0.4	-1	0	-	-114.8
Pension provisions	15.4	-0.2	1.0	1.4	0.0	17.6
Other	12.5	6.2	-0.4	0.8	0.9	20.0
Deferred taxes, net	-270.3	37.3	-74.4	2.5	-2.4	-307.3

Group	2017-03-31					
	Amount at start of year including discontinued operations	Recognised in profit or loss	Acquisitions and disposals	Recognised in other comprehensive income	Translation effects	Amount at year-end
Non-current assets	-154.9	23.5	-49.5	0.3	-4.2	-184.8
Untaxed reserves	-102.8	-7.1	-4.2	0.7	0.0	-113.4
Pension provisions	13.9	-1.1	-	2.6	0.0	15.4
Other	8.1	1.9	2.3	-0.2	0.4	12.5
Deferred taxes, net	-235.7	17.2	-51.4	3.4	-3.8	-270.3

Parent Company	2018-03-31			2017-03-31		
	Amount at start of year	Recognised in profit or loss	Amount at year-end	Amount at start of year	Recognised in profit or loss	Amount at year-end
Financial instruments	-0.1	0.6	0.5	-0.1	0	-0.1
Deferred taxes, net	-0.1	0.6	0.5	-0.1	0	-0.1

The Group has tax loss carryforwards of SEK 81 (51) that have not been capitalised.

NOTE 14

INTANGIBLE NON-CURRENT ASSETS

Group	2017/2018							Total
	Intangible assets acquired						Intangible assets developed in the Group	
	Goodwill	Supplier relationships, customer relationships and technology	Trademarks	Capitalised R&D expenses	Leases (rental) and similar rights	Software	Software	
Accumulated cost								
Opening balance	1,101	1,268	22	18	0	65	4	2,478
Acquisition of companies	315	321	–	–	–	2	–	638
Investments	–	2	–	1	–	2	–	5
Disposals and retirement of assets	-1	-3	–	–	–	0	–	-4
Translation effect for the year	41	45	–	0	0	1	–	87
Closing balance	1,456	1,633	22	19	0	70	4	3,204
Accumulated amortisation								
Opening balance	–	-507	0	-15	0	-60	-4	-586
Acquisition of companies	–	–	–	–	–	-2	–	–
Amortisation	–	-134	–	-1	0	-2	–	-137
Disposals and retirement of assets	–	2	–	–	–	0	–	2
Translation effect for the year	–	-17	–	0	0	-1	–	-18
Closing balance	–	-656	0	-16	0	-65	-4	-741
Carrying amount at year-end	1,456	977	22	3	0	5	0	2,463
Carrying amount at start of year	1,101	761	22	3	0	5	0	1,892

Group	2016/2017							Total
	Intangible assets acquired						Intangible assets developed in the Group	
	Goodwill	Supplier relationships, customer relationships and technology	Trademarks	Capitalised R&D expenses	Leases (rental) and similar rights	Software	Software	
Accumulated cost								
Opening balance	856	1,001	22	17	2	61	4	1,963
Acquisition of companies	226	242	–	–	–	–	–	468
Investments	–	1	–	1	–	2	–	4
Reclassifications	–	–	–	–	-1	–	–	-1
Translation effect for the year	19	24	–	0	-1	2	–	44
Closing balance	1,101	1,268	22	18	0	65	4	2,478
Accumulated amortisation								
Opening balance	–	-390	0	-14	-1	-56	-4	-465
Amortisation	–	-108	–	-1	0	-3	–	-112
Reclassifications	–	–	–	–	1	–	–	1
Translation effect for the year	–	-9	–	0	0	-1	–	-10
Closing balance	–	-507	0	-15	0	-60	-4	-586
Carrying amount at year-end	1,101	761	22	3	0	5	0	1,892
Carrying amount at start of year	856	611	22	3	1	5	0	1,498

NOTE 14
CONT.

Parent Company	2018-03-31		2017-03-31	
	Software	Total	Software	Total
Accumulated cost				
Opening balance	2.8	2.8	2.8	2.8
Closing balance	2.8	2.8	2.8	2.8
Accumulated amortisation				
Opening balance	-2.8	-2.8	-2.8	-2.8
Amortisation	-	-	0	0
Closing balance	-2.8	-2.8	-2.8	-2.8
Carrying amount at year-end	0.0	0.0	0.0	0.0
Carrying amount at start of year	0.0	0.0	0.0	0.0

Goodwill distributed by business area	Group	
	2018-03-31	2017-03-31
Components	639	429
Energy	380	358
Industrial Process	170	165
Power Solutions	267	149
Total	1,456	1,101

IMPAIRMENT TESTING OF GOODWILL

The Group's recognised goodwill amounts to SEK 1,456 million (1,101), allocated as above to the units where impairment testing is performed. Goodwill is not monitored internally at a level lower than the business areas, and impairment testing is therefore performed at that level. The business areas accord with the Group's operating segments. Impairment testing took place most recently in March 2018.

The recoverable amount was based on value in use, calculated from a current estimate of cash flows in the year ahead. Forecast earnings and investments in working capital and non-current assets for the next financial year, 2018/2019, are based on previous outcomes and experiences. The forecast is produced on the basis of a relatively detailed budgeting process for the various parts of Group. The major components of the cash flow are sales, the various operating costs and investments in working capital and non-current assets.

The sales forecast is based on judgements taking into account factors such as order bookings, the general economy and the market situation. The forecast for operating costs is based on current pay agreements and previous years' levels of gross margins and overheads, adapted to expectations for the year ahead taking into account factors as referred to for the sales forecast. Anticipated investments in working capital and non-current assets are linked to the growth in sales.

Since the businesses are deemed to be in a phase that is representative of the long-term perspective, the cash flow from the first forecast year is extrapolated by a long-term growth rate of 2 percent (2) per year for all business areas. Cash flows were discounted using a weighted cost of capital corresponding to roughly 10 percent (10) before tax. The key assumptions that have the greatest effect on the recoverable amount are gross margin, discount rate and long-term growth rate, where gross margin is most important. Neither a 1-percent increase in the discount rate, a 1-percentage point decrease in long-term growth, nor a 1-percent decrease in the margin shows a need for impairment. These calculations show that value in use significantly exceeds the carrying amount. Consequently, impairment testing indicated no impairment. The margin for impairment is considerable for all business areas and it is not judged that any possible changes in important assumptions that may reasonably be expected to lead to impairment.

OTHER IMPAIRMENT TESTING

Each year, trademarks are tested for impairment, applying the same policies as for goodwill. No events or changes in circumstances were identified that would motivate impairment testing for other intangible non-current assets that are amortised.

NOTE 15

PROPERTY, PLANT AND EQUIPMENT

Group	2018-03-31					Total
	Buildings and land	Leasehold improvements	Machinery	Equipment	Construction in progress	
Accumulated cost						
Opening balance	128	30	250	278	3	689
Acquisition of companies	7	–	1	32	–	40
Investments	1	0	22	24	1	48
Disposals and retirement of assets	–	0	-4	-11	0	-15
Reclassifications	1	0	3	1	-2	3
Translation effect for the year	6	2	11	8	0	27
Closing balance	143	32	283	332	2	792
Accumulated depreciation and impairment losses						
Opening balance	-61	-21	-194	-222	-1	-499
Acquisition of companies	-5	–	-1	-25	–	-31
Depreciation	-4	-2	-15	-22	0	-43
Disposals and retirement of assets	–	0	3	9	–	12
Reclassifications	-1	0	-1	-1	–	-3
Translation effect for the year	-4	-1	-8	-8	0	-21
Closing balance	-75	-24	-216	-269	-1	-585
Carrying amount at year-end	68	8	67	63	1	207
Carrying amount at start of year	67	9	56	56	2	190

Group	2017-03-31					Total
	Buildings and land	Leasehold improvements	Machinery	Equipment	Construction in progress	
Accumulated cost						
Opening balance	121	25	232	244	3	625
Acquisition of companies	0	0	–	8	–	8
Investments	5	5	17	29	1	57
Disposals and retirement of assets	-1	-2	-4	-8	–	-15
Reclassifications	–	1	1	0	-1	1
Translation effect for the year	3	1	4	5	0	13
Closing balance	128	30	250	278	3	689
Accumulated depreciation and impairment losses						
Opening balance	-58	-19	-180	-199	-1	-457
Acquisition of companies	0	0	–	-5	–	-5
Depreciation	-3	-2	-14	-20	–	-39
Disposals and retirement of assets	1	1	4	6	–	12
Reclassifications	–	-1	–	–	–	-1
Translation effect for the year	-1	0	-4	-4	0	-9
Closing balance	-61	-21	-194	-222	-1	-499
Carrying amount at year-end	67	9	56	56	2	190
Carrying amount at start of year	63	6	52	45	2	168

NOTE 15 CONT.

Parent Company	2018-03-31			2017-03-31		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Accumulated cost						
Opening balance	4	3	7	4	3	7
Investments	–	0	0	–	0	0
Disposals and retirement of assets	–	–	–	–	0	0
Closing balance	4	3	7	4	3	7
Accumulated depreciation according to plan						
Opening balance	-2	-2	-4	-2	-1	-3
Depreciation	-1	0	-1	0	-1	-1
Disposals and retirement of assets	–	–	–	–	0	0
Closing balance	-3	-2	-5	-2	-2	-4
Carrying amount at year-end	1	1	2	2	1	3
Carrying amount at start of year	2	1	3	2	2	4

NOTE 16 LEASING

Operating leases Addtech as lessee	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Lease payments				
Lease payments made during the financial year	121	196	5	5
of which variable payments	1	1	–	–
Future minimum lease payments under non-cancellable contracts fall due as follows:				
Within one year	88	93	5	5
Later than one year and within five years	197	188	9	8
5 years or later	25	19	–	–
Total	310	300	14	13

Significant operating leases primarily constitute rental contracts for premises in which the Group conducts business.

Addtech as lessor

At present there are no significant operating lease revenue in the Group.

Finance leases

At present there are no significant finance leases in the Group.

NOTE 17

FINANCIAL ASSETS AND LIABILITIES

Receivables from Group companies	Parent Company	
	2018-03-31	2017-03-31
Opening balance	1,478	1,442
Increase during the year	291	138
Decrease during the year	-77	-102
Carrying amount at year-end	1,692	1,478

Specification of interests in Group companies	Country	Number of shares	Quotient value	Holding %	Parent Company	
					Carrying amount 2018-03-31	Carrying amount 2017-03-31
Addtech Nordic AB, 556236-3076, Stockholm	Sweden	1,750	100	100	1,004	1,004
Total					1,004	1,004

A complete statutory specification is included as an annex to the annual accounts submitted to the Swedish Companies Registration Office. The specification can be obtained from Addtech AB.

Interests in Group companies	Parent Company	
	2018-03-31	2017-03-31
Accumulated cost		
Opening balance	1,119	1,119
Closing balance	1,119	1,119
Accumulated impairment losses		
Opening balance	-115	-115
Closing balance	-115	-115
Carrying amount at year-end	1,004	1,004
Carrying amount at start of year	1,004	1,004

Carrying amounts and financial instruments are recognised in the balance sheet according to the following tables.

Group	2018-03-31					
	Measured at fair value through profit	Derivatives used in hedge accounting	Unlisted equity instruments reported at cost	Accounts receivable and loan receivables	Other liabilities	Total carrying amount
Other financial assets	–	–	4	–	–	4
Non-current receivables	–	–	–	6	–	6
Accounts receivable	–	–	–	1,360	–	1,360
Other receivables	2	2	–	49	–	53
Cash and cash equivalents	–	–	–	192	–	192
Non-current interest-bearing liabilities	103	–	–	–	308	411
Current interest-bearing liabilities	112	–	–	–	846	958
Accounts payable	–	–	–	–	694	694
Other liabilities	5	0	–	–	–	5
Total	222	2	4	1,607	1,848	3,683

NOTES

Group	2017-03-31					
	Measured at fair value through profit	Derivatives used in hedge accounting	Unlisted equity instruments reported at cost	Accounts receivable and loan receivables	Other liabilities	Total carrying amount
Other financial assets	–	–	7	–	–	7
Non-current receivables	–	–	–	3	–	3
Accounts receivable	–	–	–	1,170	–	1,170
Other receivables	2	1	–	35	–	38
Cash and cash equivalents	–	–	–	178	–	178
Non-current interest-bearing liabilities	67	–	–	–	2	69
Current interest-bearing liabilities	38	–	–	–	872	910
Accounts payable	–	–	–	–	622	622
Other liabilities	1	0	–	–	–	1
Total	108	1	7	1,386	1,496	2,998

Current and non-current loans are carried at amortised cost. The difference between carrying amount and fair value is marginal for these items. The same applies to other financial instrument for larger amounts, since maturity is short. Interest bearing liabilities measured at fair value in the income statement refer to additional consideration.

Financial instruments measured at fair value, SEKm	2018-03-31			2017-03-31		
	Carrying amount	Level 2	Level 3	Carrying amount	Level 2	Level 3
Derivatives used in hedge accounting	2	2	–	1	1	–
Derivatives held for trading purposes	2	2	–	2	2	–
Total financial assets at fair value per level	4	4	–	3	3	–
Derivatives used in hedge accounting	0	0	–	0	0	–
Derivatives held for trading purposes	5	5	–	1	1	–
Contingent considerations	215	–	215	105	–	105
Total financial liabilities at fair value per level	220	5	215	106	1	105

Fair value and carrying amount are recognised in the balance sheet according to the table above.

Level 1 refers to when fair value is determined based on quoted prices in an active market. At the end of the reporting period, the Group had no items in this category.

Level 2 refers to when fair value is determined based on either directly or indirectly observable market data not included in level 1. This is done for foreign currency accounts and embedded derivatives.

Level 3 is not observable in the market. A cash flow-based valuation is carried out for the Group's contingent considerations. For the Group's other financial assets and liabilities, fair value is estimated to be equal to the carrying amount.

Contingent considerations	2017/2018	2016/2017	Impact of financial instruments on net earnings	2017/2018	2016/2017
Carrying amount, opening balance	105	55	Assets and liabilities measured at fair value through profit or loss	-8	-4
Acquisitions during the year	152	86	Derivatives used in hedge accounting	0	0
Reversed through profit or loss	-9	-12	Accounts receivable and loan receivables	-6	-5
Consideration paid	-49	-27	Available-for-sale financial assets	0	0
Interest expenses	8	3	Other liabilities	-7	-7
Exchange differences	8	0	Total	-21	-16
Carrying amount, closing balance	215	105			

NOTE 18 INVENTORIES

Group	2018-03-31	2017-03-31
Raw materials and consumables	125	86
Work in progress	59	50
Finished goods	934	806
Total	1,118	942

The cost of sales for the Group includes impairment losses of SEK 9 million (13) on inventories. No significant reversals of prior impairment losses were made in 2017/2018 or 2016/2017.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Rent	15	15	1	1
Insurance premiums	8	7	2	2
Pension costs	8	4	1	1
Lease payments	4	4	0	0
Other prepaid expenses	31	28	5	4
Other accrued income	27	10	0	0
Total	93	68	9	8

NOTE 20 SHAREHOLDERS' EQUITY

GROUP

OTHER CONTRIBUTED CAPITAL

Refers to equity contributed by shareholders.

Reserves ¹⁾	Group	
	2017/2018	2016/2017
Foreign currency translation reserve		
Opening translation reserve	-25	-76
Translation effect for the year	112	51
Closing translation reserve	87	-25
Hedging reserve²⁾		
Opening hedging reserve	0	-1
Revaluations recognised via other comprehensive income	0	1
Recognised in profit or loss upon disposal (other operating income/expenses)	0	0
Taxes attributable to the year's revaluations	0	0
Taxes attributable to disposals	0	0
Closing hedging reserve	0	0
Total reserves	87	-25

¹⁾ Refers to reserves attributable to equity holders of the Parent Company.

²⁾ Relates to cash flow hedges, consisting of currency clauses in customer contracts.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve includes all exchange differences that arise in translating financial reports of foreign operations prepared in a currency other than the Group's presentation currency for financial reports. The Parent Company and Group present their financial reports in Swedish kronor (SEK).

HEDGING RESERVE

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

RETAINED EARNINGS, INCLUDING PROFIT FOR THE YEAR

Retained earnings including profit for the year include earnings in the Parent Company and its subsidiaries. Prior provisions to the legal reserve are included in this equity item.

REPURCHASED SHARES

Repurchased shares includes the acquisition cost of own shares held in treasury by the Parent Company (known as treasury shares). At the end of the reporting period, the Group's holding of treasury shares was 1,206,145 (1,374,721).

DIVIDEND

After the reporting period, the Board of Directors proposed a dividend of SEK 4.00 per share. The dividend is subject to approval by the Annual General Meeting on 30 August 2018.

NOTES

Proposed allocation of earnings 2017/2018	
Retained earnings	491 SEKm
Profit for the year	181 SEKm
	672 SEKm

The Board of Directors and the CEO propose that the funds available for distribution be allocated as follows:

A dividend paid to shareholders of SEK 4.00 per share ¹⁾	268 SEKm
To be carried forward	404 SEKm
	672 SEKm

¹⁾ Based on the number of shares outstanding at 31 May 2018. The total dividend payout may change if the number of treasury shares repurchased changes prior to the proposed dividend record date of 3 September 2018.

PARENT COMPANY

RESTRICTED RESERVES

Restricted reserves are funds that cannot be paid out as dividends.

STATUTORY RESERVE

The purpose of the statutory reserve is to save a portion of net profit that will not be used to cover a loss carried forward.

RETAINED EARNINGS

Retained earnings comprises the previous year's unrestricted equity, less any provision to the statutory reserve and less any dividend paid. Together with profit for the year and any fair value reserve, retained earnings constitute the sum of unrestricted equity, that is, the amount available to be paid as dividends to shareholders.

NUMBER OF SHARES

The number of shares at 31 March 2018 consisted of 3,229,500 Class A shares, entitling the holders to 10 votes per share, and 64,968,996 Class B shares, entitling the holders to one vote per share. The quotient value of the share is SEK 0.75. The Company has repurchased 1,206,145 Class B shares, in the framework of the Company's ongoing repurchase programme. After subtracting repurchased shares, the number of Class B shares is 63,762,851.

Number of shares outstanding	2018-03-31		
	Class A shares	Class B shares	All share classes
At start of year	3,237,564	63,586,211	66,823,775
Exercised call options	–	368,576	368,576
Repurchase of treasury shares	–	-200,000	-200,000
Conversion of Class A shares to Class B shares	-8064	8,064	–
At year-end	3,229,500	63,762,851	66,992,351

Number of shares outstanding	2017-03-31		
	Class A shares	Class B shares	All share classes
At start of year	3,237,672	63,720,824	66,958,496
Exercised call options	–	165,279	165,279
Repurchase of treasury shares	–	-300,000	-300,000
Conversion of Class A shares to Class B shares	-108	108	–
At year-end	3,237,564	63,586,211	66,823,775

NOTE 21 UNTAXED RESERVES

Parent Company	2018-03-31	2017-03-31
Tax allocation reserve, 2011/2012	–	61
Tax allocation reserve, 2012/2013	67	67
Tax allocation reserve, 2013/2014	67	67
Tax allocation reserve, 2014/2015	75	75
Tax allocation reserve, 2015/2016	55	55
Tax allocation reserve, 2016/2017	91	91
Tax allocation reserve, 2017/2018	75	–
Accumulated excess depreciation/amortisation	1	1
Closing balance	431	417

SEK 95 million of the Parent Company's total untaxed reserves of SEK 431 million represent deferred tax included in the deferred tax line item in the consolidated balance sheet.

NOTE 22 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Addtech has defined contribution and defined benefit pension plans in Sweden, Norway and Great Britain. The plans cover a large number of employees. Subsidiaries in other countries mainly have defined contribution pension plans. The Parent Company's data on pensions are reported in accordance with the Swedish Act on Safeguarding Pension Obligations.

DEFINED CONTRIBUTIONS

These plans are mainly retirement pension plans, disability pensions and family pensions. Premiums are paid on an ongoing basis during the year by each Group company and the size of the premium is based on the salary. The pension cost for the period is included in profit or loss.

Obligations for retirement pensions and family pensions for salaried employees in Sweden are secured by insurance in Alecta. According to statement UFR 3 of the Swedish Financial Reporting Board, this is a defined benefit plan covering multiple employers. For the 2017/2018 financial year, the Company did not have access to information enabling it to report this plan as a defined benefit plan. Thus the pension plan according to ITP2 and secured by insurance in Alecta is recognised as a defined contribution plan. The year's fees for pension insurance with Alecta totalled SEK 26 million (24). Fees for the next financial year are considered to be in line with those for the latest year. The collective consolidation level for Alecta was 152 percent (152) in March 2018. The pension plan according to ITP1 is recognised as a defined- contribution plan.

DEFINED BENEFIT PLANS

These pension plans primarily comprise retirement pensions. Each employer generally has an obligation to pay a lifelong pension and vesting is based on the number of years of employment. The employee must subscribe to the plan for a certain number of years to be fully entitled to retirement benefits. Each year increases the employee's entitlement to retirement benefits, which is recognised as pension earned during the period and as an increase in pension obligations.

Both funded and unfunded pension plans apply in Great Britain, Norway and Sweden. The funded pension obligations are secured by plan assets that are managed by insurance companies. The Group estimates that SEK 0 million (0) will be paid in 2018/2019 to the funded defined-benefit plans. The total number of commitments of 911 (677) included in the obligation consists of 74 active (77), 525 paid-up policy holders (355) and 312 pensioners (245).

Obligations for employee benefits, defined benefit pension plans

Pension liability as per balance sheet	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Pension liability PRI	221	206	15	15
Other pension obligations	8	4	–	–
Total cost of defined benefit plans	229	210	15	15

Obligations for defined benefits and the value of plan assets	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Funded obligations:				
Present value of funded defined benefit obligations	51	27	–	–
Fair value of plan assets	-44	-23	–	–
Net debt, funded obligations	7	4	–	–
Present value of unfunded defined benefit obligations	222	206	15	15
Net amount in the balance sheet (obligation +, asset –)	229	210	15	15
Pension obligations and plan assets per country:				
Sweden				
Pension obligations	248	232	15	15
Plan assets	-23	-23	–	–
Net amount in Sweden	225	209	15	15
Norway				
Pension obligations	1	2	–	–
Plan assets	-1	-1	–	–
Net amount in Norway	0	1	–	–
Great Britain				
Pension obligations	24	–	–	–
Plan assets	-20	–	–	–
Net amount in Great Britain	4	–	–	–
Net amount in the balance sheet (obligation +, asset –)	229	210	15	15

NOTE 22

CONT.

Reconciliation of net amount for pensions in the balance sheet	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Opening balance	210	199	15	16
Cost defined benefit plans	8	4	1	0
Payment of pension benefits	-6	-6	-1	-1
Funds contributed by employer	-	-1	-	-
Acquisition of companies	8	-	-	-
Translation effects	0	1	-	-
Revaluations	9	13	-	-
Net amount in balance sheet (obligation +, asset -)	229	210	15	15

Changes in the obligation for defined benefit plans recognised in the balance sheet	Group	
	2017/2018	2016/2017
Opening balance	234	237
Pensions earned during the period	2	5
Pensions earned prior periods, vested	-	-6
Interest on plan assets	7	6
Benefits paid	-6	-6
Revaluations:		
Gain (-)/loss (+) resulting from demographic assumptions	-	11
Gain (-)/loss (+) resulting from financial assumptions	10	4
Experienced-based gains (-)/losses (+)	-2	-2
Acquisition of companies	27	-
Translation effects	1	2
Gains and losses from settlements	-	-17
Present value of pension obligations	273	234

Changes in plan assets	Group	
	2017/2018	2016/2017
Opening balance	24	38
Funds contributed by employer	-	1
Benefits paid	0	0
Interest income recognised in profit or loss	1	1
Return on plan assets, excluding interest income	-1	0
Acquisition of companies	19	-
Translation effects	1	1
Gains and losses from settlements	-	-17
Fair value of plan assets	44	24

Pension costs	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Defined-benefit pension plans				
Cost for pensions earned during the year	2	5	–	–
Revenue for pensions earned in prior periods	–	-6	–	–
Interest on obligations	7	6	1	0
Interest income recognised in profit or loss	-1	-1	–	–
Total cost of defined benefit plans	8	4	1	0
Total cost of defined contribution plans	111	99	5	5
Social security costs on pension costs	16	15	1	2
Total cost of benefits after termination of employment	135	118	7	7

Allocation of pension costs in the income statement	Group	
	2017/2018	2016/2017
Cost of sales	23	20
Selling and administrative expenses	106	93
Net financial items	6	5
Total pension costs	135	118

Actuarial assumptions	2017/2018			2016/2017		
	Sweden	Norway	Great Britain	Sweden	Norway	Great Britain
The following material actuarial assumptions were applied in calculating obligations:						
Discount rate, 1 April, %	2.75	2.40	–	2.70	2.40	–
Discount rate, 31 March, %	2.55	2.40	3.08	2.75	2.40	–
Future salary increases, %	2.75	2.50	–	2.8	2.50	–
Future increases in pensions (change in income base amount), %	2.75	–	2.83	2.8	–	–
Employee turnover, %	10.0	2.00-5.00	–	10.0	2.00-5.00	–
Expected 'G regulation', %	–	2.25	–	–	2.25	–
Mortality table	DUS14	K2013 B.E	S2P, CMI 2016	DUS14	K2013 B.E	–

Sensitivity of pension obligations to changes in assumptions	Sweden	Norway	Great Britain	Total
Defined benefit pension obligations at 31 March 2017	248	1	24	273
The discount rate increases by 0.5%	-26	-1	-2	-29
The discount rate decreases by 0.5%	27	1	2	30
Expected life expectancy increases by 1 year	10	1	1	12
Expected life expectancy decreases by 1 year	-12	-1	-1	-14

The discount rate used is equivalent to the interest rate on high-quality corporate bonds or mortgage bonds with a maturity equivalent to the average maturity of the obligation and currency.

Swedish pension liabilities are based on the interest rate for Swedish housing bonds while pension liabilities in Great Britain and Norway are based on the interest rate for corporate bonds. The weighted average maturity for the commitment is around 18 years (18), which is used as a basis on which to determine the discount rate. Future increases in pensions are based on inflation assumptions. Remaining period of employment (life expectancy) is based on statistical tables prepared by Insurance Sweden and Försäkringssällskapet (the Insurance Society), in Sweden DUS14, in Norway K2013 B.E., and in Great Britain S2P, CMI 2016. The anticipated basic pension adjustment, corresponding to Sweden's income base amount, is used for the calculations in Norway.

The sensitivity analyses are based on a change in an assumption, while all other assumptions are held constant. The same method, the projected unit credit method, is used to calculate the sensitivity in the defined benefit obligation as to calculate the pension obligation recognised in the balance sheet.

NOTE 23

PROVISIONS

Group 2017/2018	Premises	Personnel	Warranties	Other	Total
Carrying amount at start of period	4	2	15	5	26
Provisions made during the period	1	3	31	1	36
Amounts utilised during the period	-4	-3	-25	-	-32
Unutilised amounts reversed	-	-	0	-	0
Translation effects	0	0	1	0	1
Carrying amount at end of period	1	2	22	6	31

Group 2016/2017	Premises	Personnel	Warranties	Other	Total
Carrying amount at start of period	0	1	2	10	13
Acquisitions	-	-	3	-	3
Provisions made during the period	4	2	11	0	17
Amounts utilised during the period	-	-1	0	-5	-6
Unutilised amounts reversed	-	-	-1	-	-1
Translation effects	0	-	0	-	0
Carrying amount at end of period	4	2	15	5	26

PREMISES

The provision for premises refers to premises that the Group has vacated and cannot sublet or use during the remainder of the lease.

PERSONNEL

The provision refers to costs of personnel, including estimated remuneration upon termination of employment in connection with changes in operations. A provision is made when there is an approved restructuring plan and the restructuring has been announced.

WARRANTIES

Recognised provisions for warranties associated with products and services are based on calculations performed based on historical data or, in specific cases, on an individual assessment.

OTHER

Other includes provisions not classified under premises, personnel or warranties, such as equipment that cannot be used due to changes in operations. All provisions are classified as short-term and are expected to lead to an outflow of resources within 12 months of the end of the reporting period.

NOTE 24

NON-CURRENT INTEREST-BEARING LIABILITIES

	Group	
	2018-03-31	2017-03-31
Liabilities to credit institutions:		
Maturing within 2 years	302	-
Maturing within 3-5 years	1	0
Maturing in 5 years or later	-	-
Total non-current liabilities to credit institutions	303	0
Other interest-bearing liabilities:		
Maturing within 2 years	89	44
Maturing within 3 years	19	18
Maturing within 4-5 years	-	7
Maturing in 5 years or later	-	-
Total other non-current interest-bearing liabilities	108	69
Total	411	69

The non-current interest-bearing liabilities in the Parent Company at 31 March 2018 was 300 (-). Other interest-bearing liabilities largely consist of additional contingent considerations with estimated interest of 5.0 percent.

The Addtech Group's non-current liabilities to credit institutions are divided among currencies as follows:

Currency	2018-03-31		2017-03-31	
	Local currency	SEKm	Local currency	SEKm
SEK	300	300	–	–
Other	0	3	0	0
Total		303		0

	Parent Company	
	2018-03-31	2017-03-31
Liabilities to credit institutions:		
Maturing within 2 years	300	–
Maturing within 3-5 years	–	–
Maturing in 5 years or later	–	–
Total non-current liabilities to credit institutions	300	–
Liabilities to Group companies	291	278
Total	591	278

The Parent Company's liabilities to Group companies have no fixed maturity dates.

NOTE 25 CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Credit facilities				
Approved overdraft facility	1,101	1,102	1,100	1,100
Approved other liabilities to credit institutions	400	400	400	400
Unutilised portion	-680	-641	-679	-639
Credit amount utilised	821	861	821	861
Other liabilities to credit institutions	12	10	–	–
Other interest-bearing liabilities	125	39	–	–
Total	958	910	821	861

Other interest-bearing liabilities largely consist of additional contingent considerations with estimated interest of 5.0 percent.

The Addtech Group's current liabilities to credit institutions are divided among currencies as follows:

Currency	2018-03-31		2017-03-31	
	Local currency	SEKm	Local currency	SEKm
CNY	8	10	8	10
EUR	0	2	–	–
Total		12		10

The Group's financing is primarily managed by the Parent Company Addtech AB.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Other deferred income	1	1	–	–
Salaries and holiday pay	228	209	12	8
Social security costs and pensions	76	74	4	6
Other accrued expenses ¹⁾	62	39	4	2
Total	367	323	20	16

¹⁾ Other accrued expenses mainly consist of overhead accruals.

NOTE 27

PLEGDED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2018-03-31	2017-03-31	2018-03-31	2017-03-31
Pledged assets for liabilities to credit institutions				
Real estate and site leasehold mortgages	29	25	–	–
Floating charges	14	19	–	–
Other pledged assets	5	5	–	–
Total	48	49	–	–
Contingent liabilities				
Guarantees and other contingent liabilities	45	20	0	0
Guarantees for subsidiaries ¹⁾	–	–	127	122
Total	45	20	127	122

¹⁾ Relates to PRI liabilities.

NOTE 28

CASH FLOW STATEMENT

Adjustment for items not included in cash flow	Group		Parent Company	
	2017/2018	2016/2017	2017/2018	2016/2017
Depreciation/amortisation	180	151	1	1
Gain/loss on sale of operations and non-current assets	-31	-1	–	–
Change in pension liability	2	-3	0	0
Group contributions/dividends not paid	–	–	-258	-318
Change in other provisions and accrued items	4	5	–	–
Other	4	-18	3	0
Total	159	134	-254	-317

For the Group, interest received during the year totalled SEK 3 million (2), and interest paid was SEK 7 million (7). For the Parent Company, interest received during the year was SEK 19 million (16), and interest paid was SEK 6 million (6).

The following adjustments were made as a result of the value of assets and liabilities in companies acquired during the year, together with adjustments such as contingent considerations paid for acquisitions made in previous years:

	2017/2018	2016/2017
Non-current assets	646	468
Inventories	66	38
Receivables	148	87
Cash and cash equivalents	50	141
Total	910	734
Interest-bearing liabilities and provisions	-207	-152
Non-interest-bearing liabilities and provisions	-208	-123
Total	-415	-275
Total adjustments of assets and liabilities	495	459
Consideration paid	-495	-459
Total adjustments of assets and liabilities	-65	-18
Cash and cash equivalents in acquired companies	50	141
Effect on the Group's cash and cash equivalents	-510	-336

All businesses acquired during the year were consolidated in the accounts using the acquisition method.

The following adjustments have been made as a result of the valuation of assets and liabilities in this year's divested company Batterunion Järfälla AB.

	2017/2018	2016/2017
Non-current assets	1	–
Inventories	15	–
Receivables	19	–
Cash and cash equivalents	16	–
Non-interest-bearing liabilities and provisions	-33	–
Divested net assets	18	–
Total	31	–
Consideration paid incl. contingent consideration	49	–
Cash and cash equivalents in acquired companies	-16	–
Effect on the Group's cash and cash equivalents	33	–

Cash and cash equivalents in the cash flow statement consist of cash and bank balances. The same definition applied to determine cash and cash equivalents in the balance sheet was applied in the cash flow statement.

RECONCILIATION OF DEBTS ARISING FROM FINANCING ACTIVITIES

Group	2017-04-01	Cash flows	Non-cash flow affecting changes			2018-03-31
			Acquisition of DC	Changes of fair value	Exchange rate differences	
Credit facilities	861	-51	10			820
Liabilities to credit institutions	10	293	12			315
Other longterm interest-bearing liabilities	108	-8	111	14	8	233
Total interest bearing liabilities	979	234	133	14	8	1,368

Parent Company	2017-04-01	Cash flows	2018-03-31
Credit facilities	861	-40	821
Liabilities to credit institutions	-	300	300
Other longterm interest-bearing liabilities	-	-	-
Total interest bearing liabilities	861	260	1,121

NOTE 29

ACQUISITIONS OF COMPANIES

Acquisitions completed as of the 2016/2017 financial year are distributed among the Group's business areas as follows:

Acquisitions	Country	Date of acquisition	Net sales, SEKm*	Number of employees*	Business area
Sammet Dampers Oy	Finland	April, 2016	45	12	Industrial Process
Poryan China Company Ltd	China	April, 2016	50	22	Power Solutions
E.T.S. Portsmouth Ltd	UK	April, 2016	100	35	Energy
Elektro-Tukku Oy	Finland	May, 2016	8	3	Components
Penlink AB	Sweden	October, 2016	25	5	Components
Itek AS	Norway	November, 2016	65	13	Industrial Process
Carmac Inc (assets and liabilities)	USA	December, 2016	10	2	Power Solutions
Sensorbolagen	Sweden	January, 2017	160	30	Components
Vallentin Elektronik A/S	Denmark	January, 2017	20	4	Components
EX-Tekniikka Oy	Finland	March, 2017	20	3	Components
Dovitech A/S	Denmark	April, 2017	100	5	Components
Craig & Derricott Holdings Ltd	UK	April, 2017	110	90	Power Solutions
Altitech A/S	Denmark	June, 2017	15	5	Components
Mobile Control Systems-bolagen	Belgium	October, 2017	50	17	Power Solutions
Ingenjörfirma Pulsteknik AB	Sweden	November, 2017	50	10	Components
Sensor ECS A/S	Denmark	November, 2017	155	9	Components
Fintronic Oy (assets and liabilities)	Finland	December, 2017	7	1	Components
STIGAB Stig Ödlund AB	Sweden	December, 2017	115	12	Components
Finn-Jiit Oy	Finland	January, 2018	40	10	Components
2 Wave Systems AB	Sweden	January, 2018	16	2	Components
IPAS AS	Norway	January, 2018	40	10	Energy
SyntheCS-gruppen	Netherlands	April, 2018	145	50	Components
Xi Instrument AB	Sweden	April, 2018	13	2	Energy
KRV AS	Norway	April, 2018	55	27	Industrial Process
Scanwill Fluid Power ApS & Willtech ApS	Denmark	April, 2018	15	4	Components

* Refers to assessed condition at the time of acquisition on a full-year basis.

NOTE 29

CONT.

The value of assets and liabilities included in the acquisitions during the 2016/2017 financial year was as follows. There has been no change in the acquired values. According to the preliminary acquisition analyses, the assets and liabilities included in the acquisitions for the year were as follows:

	2017/2018			2016/2017		
	Carrying amount at acquisition date	Adjustment to fair value	Fair value	Carrying amount at acquisition date	Adjustment to fair value	Fair value
Intangible non-current assets	0	323	323	0	242	242
Other non-current assets	10	–	10	6	–	6
Inventories	67	–	67	37	–	37
Other current assets	198	–	198	229	–	229
Deferred tax liability/tax asset	-1	-69	-70	2	-50	-48
Other liabilities	-166	-8.0	-174	-119	–	-119
Acquired net assets	108	246	354	155	192	347
Goodwill			314			220
Non-controlling interests			–			-2
Consideration ¹⁾			668			565
Less: cash and cash equivalents in acquired businesses			-50			-141
Less: consideration not yet paid			-170			-108
Effect on the Group's cash and cash equivalents			448			316

¹⁾ The consideration is stated excluding acquisition expenses.

The combined consideration for the year's acquisition was SEK 668 million, of which SEK 637 million, according to preliminary acquisition analyses, was allocated to goodwill and other intangible assets. Had the acquisitions been completed on 1 April 2017, their impact would have been an estimated SEK 700 million on Group net sales, about SEK 62 million on operating profit and about SEK 47 million on profit after tax.

Addtech uses an acquisition structure with a base purchase price and conditional purchase price. The outcome of conditional purchase terms is dependent on future results achieved in the companies and has a set maximum level. Of the not yet paid conditional purchase consideration for acquisitions during the period, the discounted value amounts to 149 MSEK. The conditional purchase price is lapsed within three years and the result may not exceed SEK 182 million. If the conditions are not met, the outcome may be in the range of 0-182 MSEK.

For acquisitions that resulted in ownership transfer during the financial year, transaction costs totalled SEK 6 million (7) and are recognised in selling expenses.

During the financial year contingent consideration was net revalued to SEK 9 million (12). The impact on profits is recognised in other operating income and other operating expenses, respectively. No material changes in acquisition analyses were made in the financial year with regard to acquisitions carried out in the year or in previous years.

The Group's goodwill at the time of the acquisition, regarding the expected future sales trend and profitability, is the amount by which the acquisition value exceeds the fair value of net assets acquired. As of 31 March 2018 goodwill, non-taxable, amounted to SEK 1,456 million, to be compared with SEK 1,101 million as of 31 March 2017. The change is attributable to acquisitions, the distribution of AddLife and exchange differences. The change is attributable to acquisitions and exchange rate differences. The Group's goodwill is assessed annually for impairment, and no needs for impairment have been identified.

The values allocated to intangible non-current assets, such as supplier relationships, customer relationships, technology and trademarks, were assessed at the discounted value of future cash flows. The amortisation period is determined by estimating the annual decrease in sales attributable to each asset. Supplier relationships are generally amortised over a period of 5-30 years customer relationships and technology are amortised over 5-10 years. Trademarks are not amortised but are tested annually (for impairment) as per IAS 36. Annual calculated amortisation regarding intangible non-current assets for the year's acquisitions amounts to about SEK 32 million.

NOTE 30

EARNINGS PER SHARE (EPS) BEFORE AND AFTER DILUTION

	2017/2018	2016/2017
Earnings per share before and after dilution (EPS), SEK*		
Earnings per share before dilution	7.70	6.60
Earnings per share after dilution	7.65	6.55

See Note 1 for the method of calculation.

The numerators and denominators used to calculate the above EPS are derived as stated below.

EARNINGS PER SHARE BEFORE DILUTION

The calculation of earnings per share for 2017/2018 is based on profit for the year attributable to Parent Company shareholders, totalling SEK 514 million (440), and a weighted average number of shares outstanding during 2017/2018 of 66,950 thousand (66,824). The two components were calculated in the following manner:

	2017/2018	2016/2017
Profit for the year attributable to the equity holders of the Parent Company, before dilution (SEKm)	514	440

Weighted average number of shares outstanding, before dilution

In thousands of shares	2017/2018	2016/2017
Total number of shares 1 April	66,824	66,958
Effect of treasury shares held	126	-134
Weighted average number of shares during the year, before dilution	66,950	66,824

EARNINGS PER SHARE AFTER DILUTION

The calculation of diluted EPS for 2017/2018 is based on profit attributable to Parent Company shareholders, totalling SEK 514 million (440), and a weighted average number of shares outstanding during 2017/2018 of 67,178 thousand (67,008). The two components were calculated in the following manner:

	2017/2018	2016/2017
Profit for the year attributable to the equity holders of the Parent Company, after dilution (SEKm)	514	440

Weighted average number of shares outstanding, after dilution

In thousands of shares	2017/2018	2016/2017
Weighted average number of shares during the year, before dilution	66,950	66,824
Effect of share options issued	228	184
Weighted average number of shares during the year, after dilution	67,178	67,008

NOTE 31**DISCLOSURES ABOUT PARENT COMPANY**

Addtech AB, corporate ID number 556302-9726, is the Parent Company of the Group. The Company's registered office is in Stockholm, Stockholm County, and according to Swedish law Addtech AB is a limited liability company.

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NOTE 32**RELATED PARTY DISCLOSURES**

For the Addtech Group, related parties mainly comprise members of senior management. Information about personnel costs is provided in Note 6 Employees and employee benefits expense.

NOTE 33**EVENTS AFTER THE REPORTING PERIOD**

On 3 April 2018, SyntheCS Group, Netherlands, was acquired to become part of the Components business area. The group provides automation components and systems in the field of sensors, machine vision, industrial PC's, PLC's etc. to the industrial sector in the Benelux. The company has sales of around EUR 14 million and 50 employees.

On 3 April 2018, Addtech acquired Xi Instrument AB, Sweden, to become part of the Energy Business Area. Xi Instrument imports electronic devices primarily for use in equipment for locating underground utilities. The company has sales of about SEK 13 million and two employees.

On 9 April 2018, KRV AS, Norway, was acquired to become part of the Industrial Process business area. KRV is a leading supplier and installer of sprinkler systems in Norway. The company has sales of about NOK 50 million and 27 employees.

On 9 April 2018, Scanwill Fluid Power ApS and Willtech ApS, Denmark, were acquired to become part of the Components Business Area. Scanwill designs and manufactures hydraulic pressure boosters, while Willtech produces expansion plugs for permanently sealing drilled holes in metal. The companies are being merged under the name of ScanWill and have sales of about DKK 13 million. The companies have four employees.

On 31 May 2018 Malin Enarson was appointed to serve as the new CFO of Addtech. In conjunction with this appointment former CFO Christina Kassberg will leave the Company.

On 19 June 2018, an agreement to acquire Duelco A/S, Denmark, to become part of the Energy business area, was signed. Duelco has strong positions within the product segments cable attachment, cable entry systems, office solutions, ward panels, machine safety and equipment cabinets for signaling systems. The company has sales of around DKK 110 million, and 30 employees. The closing is estimated to take effect in July 2018.

ASSURANCE OF THE BOARD OF DIRECTORS

The Board of Directors and the Chief Executive Officer deem the consolidated financial statements and annual accounts to be prepared in accordance with IFRS, as adopted by the EU, and with generally accepted accounting principles, and that they provide a true and fair overview of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair overview of the Group's and the Parent Company's operating activities, financial position and results of operations and describes significant risks and uncertainties to which the Parent Company and the companies that comprise the Group are exposed. The other aspects of the results of operations and financial position of the Group and the Parent Company are shown in the income statements, balance sheets, cash flow statements and notes to the financial statements.

Stockholm, 26 June 2018

Anders Börjesson
CHAIRMAN OF THE BOARD

Eva Elmstedt
DIRECTOR

Kent Eriksson
DIRECTOR

Henrik Hedelius
DIRECTOR

Ulf Mattsson
DIRECTOR

Malin Nordesjö
DIRECTOR

Johan Sjö
DIRECTOR AND CEO

We submitted our auditor's report on 26 June 2018

KPMG AB

Joakim Thilstedt
AUTHORISED PUBLIC ACCOUNTANT
AUDITOR IN CHARGE

Jonas Eriksson
AUTHORISED PUBLIC ACCOUNTANT

AUDITOR'S REPORT

To the general meeting of the shareholders of Addtech AB (publ.), corp. id 556302-9726

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Addtech AB (publ.) for the financial year 2017-04-01—2018-03-31, except for the sustainability report on pages 22-31. The annual accounts and consolidated accounts of the company are included on pages 22-31 and 35-96 in this document.

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

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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 Board of directors 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 the parent company's interests in group companies.

See notes 14 and 17 in addition to the accounting principles on pages 63-64 and 66-67 of the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The book value of acquired intangible assets, consisting of goodwill, supplier relationships, technology etc., amount to 2 463 MSEK as at 31 March 2018, representing 45 % of total assets.

Goodwill and intangible assets with an indefinite useful life should be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified.

Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.

The parent company's interests in group companies amount to 1 004 MSEK as at 31 March 2018. If the book value of the interests exceeds the equity in the respective group company, an impairment test is performed following the same methodology and using the same assumptions as for goodwill valuations.

Response in the audit

We have obtained and assessed the group's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.

Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome.

An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis.

We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information that the annual accounts and consolidated accounts and is found on pages 2-21, 32-34 and 100-102. 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.

AUDITOR'S RESPONSIBILITY

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

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

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

BASIS FOR OPINIONS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

The Board of Directors is responsible for the company's organisation 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 organisation 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 OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the sustainability report on pages 22-31 and 39-40, 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 Addtech AB (publ.) by the general meeting of the shareholders on the 31 August 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1997.

Stockholm

KPMG AB
Joakim Thilstedt
 AUTHORISED PUBLIC ACCOUNTANT
 AUDITOR IN CHARGE

KPMG AB
Jonas Eriksson
 AUTHORISED PUBLIC ACCOUNTANT