2017
ANNUAL REPORT

LATOUR

Contents

Q1

ACQUISITION of the Irish company Safegard Systems Ltd. via the Swegon business area. The company is a provider of intelligent control and monitoring systems for smoke and fire dampers. It generates annual sales of EUR 8 m.

ACQUISITION of Puvab AB via the Hultafors Group business area. The Swedish company Puvab is a specialist in protective clothing for workers in energy and utility markets, and has an annual turnover of SEK 42 m.

INCREASED SHAREHOLDING in listed TOMRA, from 25.9 per cent to 26.1 per cent of the capital after the acquisition of 340,000 shares.

INCREASED SHAREHOLDING in Diamorph, from 26.4 per cent to 28.2 per cent.

Q2

ACQUISITION of AAT via the Latour Industries business area. The German company AAT is a leading supplier of powered stair climbing solutions and add-on drive products to the European mobility rehab market, and has an annual turnover of EUR 18 m.

ACQUISITION of VIMEC via the Latour Industries business area. The Italian company VIMEC is a leading manufacturer of platform lifts and stair lifts in southern Europe, and has an annual turnover of EUR 45 m.

INCREASED SHAREHOLDING in TOMRA from 26.1 per cent to 26.3 per cent after the acquisition of 349,000 shares.

Q3

ACQUISITION of 26.7 per cent of listed Alimak Group, making Latour the principal owner of the company. The Swedish Alimak Group is a global leader in vertical transportation systems for the construction and industrial sectors.

Q4

ACQUISITION of the Finnish company Hakaser Oy via Latour Industries. Hakaser specialises in the repair and maintenance of industrial valves for process-related industries in the Finnish market, and has an annual turnover of EUR 1.4 m.

ACQUISITION via the Latour Industries business area of the Swedish saw blade manufacturer Micor AB, with an annual turnover of SEK 27 m.

ACQUISITION of the remaining shares in NODA, with an annual turnover of SEK 5 m, also via the Latour Industries business area.

Highlights of the year

INDUSTRIAL OPERATIONS

- Net sales increased to SEK 9,748 m (8,199 m), representing an overall increase of 19 per cent.
- Organic growth was 6 per cent for comparable entities when adjusted for foreign exchange effects.
- The operating profit increased to SEK 1,181 m (1,052 m).

INVESTMENT PORTFOLIO

- The value rose 11.9 per cent (10.2), adjusted for dividends.
- The dividends to Latour rose 14 per cent for the comparable portfolio to SEK 1,013 m (863 m).

NET ASSET VALUE

- Latour's estimated net asset value reached SEK 95 (87) per share at the close of 2017, representing an increase of 11.6 per cent, adjusted for paid dividends.

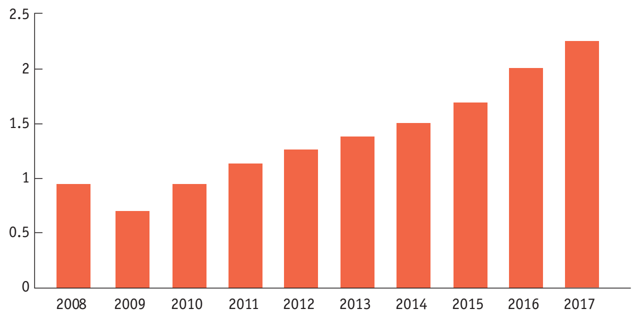
TOTAL RETURN

- The total return on the Latour share for 2017 was 20.3 per cent (12.2), and 268.3 per cent for the 2013–2017 period.

DIVIDENDS

- The Board of Directors proposes a dividend of SEK 2.25 (2.00) per share for the 2017 financial year.

Dividend growth, SEK/share



19%

TOTAL GROWTH OF THE INDUSTRIAL OPERATIONS

11.9%

INCREASE IN VALUE OF THE INVESTMENT PORTFOLIO

SEK 95

NET ASSET VALUE PER SHARE

20.3%

TOTAL RETURN ON THE SHARE

SEK 2.25

PROPOSED DIVIDEND PER SHARE

This is Latour

VISION

Latour's vision is to be an attractive choice for long-term investors that want good returns. Latour creates added value in its holdings by being an active and steadfast owner that, with financial strength and solid industrial know-how, contributes to the sustainable development of the companies.

LATOUR'S MAIN BUSINESS CONCEPT

Latour's main business concept is to invest in sound companies with proprietary products, strong growth potential supported by global mega-trends and with good prospects for the future. The long-term vision is to create growth and added value in these holdings through active ownership. In turn, this should be reflected in the company's share.

CORE VALUES

Latour's core values are:

- Long-term perspective
- Professionalism
- Development

The operations are managed by a clearly delegated decision-making structure. This means that each holding has a unique company culture and its own strategic process. However, Latour's three core values permeate all holdings.

A SUSTAINABLE STRATEGY

Sustainability is an integral part of Latour's investment strategy. Long-term values are created by developing sustainable operations. Latour has its greatest impact on sustainability by being an active and responsible owner. Through the work of Boards, Latour places high expectations on and drives the sustainable development of the holdings. Caring about the environment and fellow human beings is seen as essential to the positive development of Latour and the wider community.

ACTIVE OWNERSHIP

Latour's operations are primarily carried out in two business lines; wholly-owned industrial operations and a portfolio of listed holdings. In addition, Latour owns a number of part-owned unlisted operations with good future prospects.

Latour is an active principal owner in the companies, regardless of whether the holdings are listed, wholly-owned or part-owned, where the work of the Board is an important platform for the creation of value.

Leadership plays a central role in the corporate governance. Senior executives in the Group must maintain high integrity, act as role models and assume accountability for the performance, sustainable value creation and well-being of the organisations.

LATOUR	
WHOLLY-OWNED OPERATIONS	INVESTMENT PORTFOLIO
HULTAFORS GROUP	ALIMAK GROUP
LATOUR INDUSTRIES	ASSA ABLOY
NORD-LOCK GROUP	FAGERHULT
SWEGON	HMS NETWORKS
	LOOMIS
PART-OWNED OPERATIONS	NEDERMAN
DIAMORPH	SECURITAS
NEUFFER	SWECO
OXEON	TOMRA
TERRATECH	TROAX

LOW NET DEBT

Latour's total net debt cap is set at 10 per cent of the investment portfolio's value and 2.5 times the wholly-owned industrial operations' EBITDA, measured as an average for the last three years and adjusted for acquisitions and disposals.

GOOD VALUE CORPORATE GOVERNANCE

Latour's shareholders are offered active governance for a management fee of approximately 0.1 per cent of the managed market value.

FINANCIAL TARGETS FOR WHOLLY-OWNED INDUSTRIAL OPERATIONS

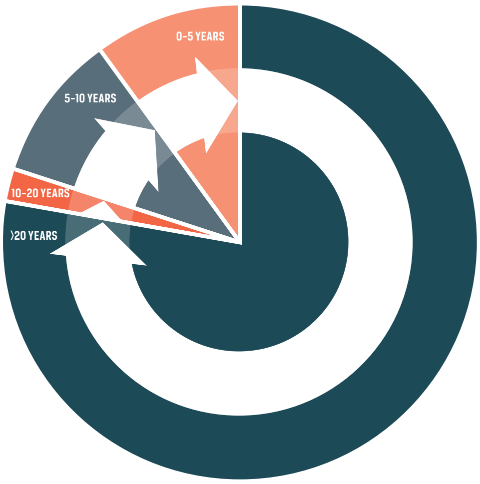
Average annual growth over a business cycle	>10 per cent
Operating margin over a business cycle	>10 per cent
Return on operating capital over a business cycle	15–20 per cent

DIVIDEND POLICY

Further payment of dividend received from the investment portfolio and part-owned holdings	100 per cent
Share of post-tax profit from wholly-owned companies	40–60 per cent

CREATION OF LONG-TERM VALUE

Latour is a long-term investor. The diagram shows that 78 per cent of the total net asset value comes from companies that have been in the portfolio for more than 20 years.



>20 years
Securitas
Loomis
Hultafors Group
ASSA ABLOY
Fagerhult
Swegon
Nord-Lock Group
Sweco

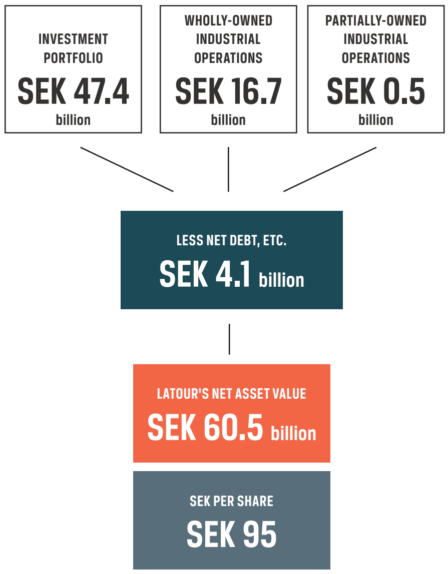
10–20 years
Nobia
Oxeon
Nederman

5–10 years
HMS Networks
TOMRA

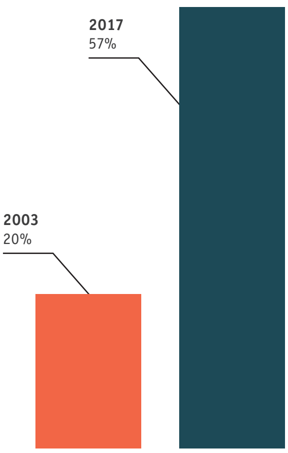
0–5 years
Latour Industries
Alimak Group
Troax
Diamorph
Terratech
Neuffer

THE NET ASSET VALUE AND ITS COMPONENTS

Latour's net asset value is dominated by the portfolio companies and the wholly-owned industrial operations. A description of the method used to calculate the value of the wholly-owned industrial operations can be found on page 21.

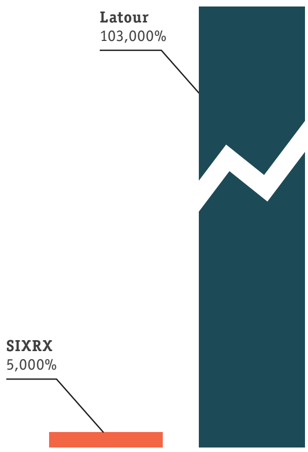


These figures as at 31 December 2017.



GROWING INTERNATIONALLY

Latour's holdings have a solid foundation on which to grow with their own products and through international expansion. The wholly-owned operations' sales outside the Nordic countries have increased from 20 per cent in 2003, when the new strategy was adopted, to 57 per cent in 2017.



103,000 PER CENT TOTAL RETURN

Since the start in 1985, the Latour share has had a total return of approximately 103,000 per cent. This can be compared with 5,000 per cent for the SIXRX. Latour's market value was SEK 64.6 billion (54.7 billion) at the close of 2017.

Latour reports **continued strong** growth

Our strategy to be a long-term, active owner of the holdings continues to yield results. During the year, our net asset value increased by 11.6 per cent, the total return on the investment portfolio exceeded that of the Stockholm Stock Exchange, and the industrial operations' growth and profitability outperformed the record highs of 2016 by a clear margin.

We can report a robust performance in our wholly-owned industrial operations and in the investment portfolio throughout the year, which led to a 11.6 per cent increase in Latour's net asset value and offers further scope for stable dividend growth. Total operating profit in the wholly-owned industrial operations reached SEK 1,181 billion, and organic growth accounted for 6 per cent of the 19 per cent sales increase.

The total return on the investment portfolio was 12 per cent, which once again was better than that of the Stockholm Stock Exchange's total return index (SIXRX). We became a new, long-term principal owner of Alimak Group during the year through our acquisition of a 26.7 per cent shareholding, representing an investment of almost SEK 2 billion.

LONG-TERM AND ACTIVE OWNER

Our strategy to be an active owner working towards long-term, profitable growth in our holdings continues to produce results. Our portfolio comprises 19 holdings, 8 of which have been held for more than 20 years and today account for 78 per cent of the net asset value.

We always take a long-term view with respect to new product development, technologies and investment in sales and new markets. The management teams make the decisions that are most important for creating long-term value, whether they concern development strategies to improve organic growth or decisions on growth through acquisitions. The acquisitions that are undertaken also bring new know-how and products into our business and help us to expand into new markets or segments.

ACQUISITIONS FOR HIGHER GROWTH

The acquisitions in 2017 were no exception, but we refrained from purchasing in several cases due to inflated prices. Acquisitions in the industrial operations that have been undertaken have, however, resulted in additional sales of SEK 750 m.

Hultafors Group has complemented its range of workwear with the acquisition of the Swedish company Puvab. In addition, the Solid Gear and Toe Guard safety footwear brands, acquired in 2015, have continued to develop successfully, reporting 44 per cent sales growth in 2017.

Swegon is accelerating its growth in the fire safety sector in the UK and Irish markets through the acquisition of the Irish company Safegard, which complements the acquisition of the British company Ruskin Air Management in 2016.

Latour Industries continues to invest in the areas of Mobility and Accessibility in Europe through the acquisitions of the Italian company VIMEC, which manufactures platform lifts, and the German company AAT, a leading supplier of powered stair climbing solutions and add-on drive products. As a result of these acquisitions and the previous acquisitions of Aritco Group and REAC, Mobility and Accessibility now account for more than 50 per cent of Latour Industries' sales, and are driven by strong, long-term global trends, such as a rapidly ageing population with increased demands for improved accessibility and mobility.

Nord-Lock Group did not make any acquisitions in 2017, but is now realising significant gains from its acquisition of the Swedish company Expander in 2016.

In spring 2017, Nord-Lock Group was first in the world to introduce a lifetime warranty across all of its technologies.

In the investment portfolio, Nederman acquired the Norwegian company NEO Monitors, which is a key addition to the operations of Digital Solutions. Fagerhult finalised the acquisition of the German company WE-EF, thereby enhancing its position in the market for professional outdoor lighting. TOMRA Systems further expanded its global operations through acquisitions in New Zealand.

INTERNATIONAL EXPANSION

A key criterion when investing in acquisitions is that they exhibit the potential to expand outside the Nordic region. In 2017, 57 per cent of sales in the industrial operations came from markets outside the Nordic region. On the other hand, non-European markets accounted for just 14 per cent of sales.

Our exposure in Europe has been positive for development during the year but, in the long term, it is inevitable that both North America and Asia will become increasingly important parts of our business. Furthermore, most of the companies in the investment portfolio are active worldwide. TOMRA Systems' powerful international expansion in the waste recycling and sorting sector over the past year is, for example, the result of a long-term presence and activity in different regions. As the market-leading company for deposit return and recycling systems, TOMRA has become a go-to provider, now that more and more countries are rapidly planning for deposit return schemes.

Nord-Lock Group is an excellent example in the industrial operations of how important international expansion is for long-term growth. 88 per cent of its sales are generated outside the Nordic region today, and it has been delivering steady year-on-year sales growth in Asia and North America.

STRONG INCREASE IN INVESTMENT PORTFOLIO VALUE

International expansion is a major factor in the listed companies' continued success in creating long-term, sustainable, profitable growth, which was confirmed by the performance in 2017. This development was further reflected in the continuing strong growth in value of the portfolio, with 7 of the 10 holdings outperforming our benchmark index.

During the year, we made a major acquisition that gave us 26.7 per cent of the voting rights and capital in Alimak Group. Alimak Group is a world-leading provider of vertical access solutions for the construction and industrial sectors. As its principal owner, we will help the company continue it successful growth in the future. Furthermore, we increased our shareholding in TOMRA Systems.

With a portfolio of companies that are at the forefront of so many areas, it is difficult not to remain positive about the opportunities that are available to us.

The strong earnings performance in the portfolio as a whole means that we get a continuation of good dividend growth from the companies. This allows us to continue raising the dividend that we pay to our shareholders, this time by 12.5 per cent to SEK 2.25 (2.00) per share.

HIGH TOTAL RETURN

In 2017, the total return on the Latour share was 20 per cent, which was significantly better than that of the Stock Exchange. The higher level of profitability in the industrial operations is getting even more important for Latour.

While our focus on generating organic growth is yielding results, we are continuing to expand by acquiring businesses that add value. I think the fact that the Latour share continued to trade above or close to the net asset value during the year is a consequence of our determined and focused work, our low administrative costs, and that we have been very transparent for many years about how we evaluate our wholly-owned companies.

A SUSTAINABLE STRATEGY

Sustainability issues have always played a central role in the analysis of our investments, whether it has been stated or not. The set of investment criteria that we operate, with a strong focus on responding to long-term, global trends, basically makes it impossible for us not to be sustainable.

Along with the management teams in our companies, we have to think and act in a sustainable manner all the time if we are to be able to implement our strategy and achieve our goals. Our sustainability practices form an integral part of the companies' and our standard operating procedures and are fundamental to driving long-term, value-creating work that offers benefits to all stakeholders.

LEADERSHIP FOR FUTURE SUCCESS

It is largely thanks to our management teams that our companies are at the forefront of their fields. We operate with a clear delegation of operational responsibilities across all our companies and the leaders that we attract are often drawn to us by this philosophy.

The opportunity to act independently and operate with a long-term perspective, imbued with a spirit of entrepreneurship and supported by an active, professional board, has brought us some of the top leaders from the Swedish business community. I'm thinking of leaders who have accomplished so much during their tenure, such as Johan Mohlin in his twelve years or more with ASSA ABLOY, and Alf Göransson in his eleven years with Securitas. It has been fantastic to follow every step of these two journeys. I am sorry that they have decided to leave their positions, but would like to take this opportunity to thank them for those amazing years and wish them every success for the future.

The same thanks and wishes go to Tomas Carlsson after his five successful years with Sweco. At the same time, we continue to attract highly-talented leaders and, with our current portfolio management teams and healthy income statements, I remain very confident about the growth performance of all our holdings.

Göteborg, 2018

Jan Svensson, President and CEO

Underlying profit 2017

81 per cent is distributed to the shareholders

This page shows the holdings' earnings performance in 2017 and how this can be linked to the proposed dividend to Latour's shareholders after the end of the financial year.

DEVELOPMENTS IN OPERATIONS

UNDERLYING OPERATING PROFIT IN THE WHOLLY-OWNED BUSINESS AREAS

UNDERLYING PROFIT ROSE

13%

EXPECTED DIVIDENDS FROM THE INVESTMENT PORTFOLIO AND PART-OWNED HOLDINGS

THE DIVIDENDS FROM THE HOLDINGS ARE EXPECTED TO INCREASE BY

14%

IN COMPARABLE HOLDINGS IN THE SPRING OF 2018

LATOUR'S ACTUAL INCOME STATEMENT

	2017	2016
Business areas		
Operating profit for business areas	1,181	1,052
Result from purchase/sale of companies	–30	–21
Other items	–26	–10
Investment portfolio etc.		
Dividends from the investment portfolio and associated companies	1,013	863
Capital gains in the investment portfolio	0	860
Other equity investment/short-term trading	–4	89
Other items	–18	–16
Net financial items for the Latour Group	–54	–28
Reported tax expense	–281	–267
Total underlying operating profit, net financial items and tax	1,781	2,522

COMMENTS: In the above table, remeasured items, shares in associates and similar items are excluded.

The table is based on considerable simplification of accounting and does not claim to be exact. Its goal is to make it easier to understand Latour's profit and loss.

The dividends presented in the table for 2017 are proposed to be distributed to Latour in the spring of 2018 as these dividends reflect the performance of the investment portfolio in 2017.

EFFECT FOR SHAREHOLDERS

DIVIDEND POLICY

Latour shall distribute 100 per cent of incoming dividends from the investment portfolio and part-owned holdings as well as 40–60 per cent of the net profit in the wholly-owned industrial operations.

	SEK m spring 2018	SEK m spring 2017	SEK/share spring 2018	SEK/share spring 2017
Dividends from industrial operations	424	374		
Per cent of underlying profit, %	52	50		
Dividends from the investment portfolio/ associated companies	1,013	863		
Per cent of underlying profit, %	100	100		
Total ordinary dividends as stated in the policy	1,437	1,237	2.25	2.00
Per cent of underlying profit, % (excluding capital gains)	81	74		

External developments and trends **influence acquisitions**

Latour's acquisition process is centred on long-term assumptions about which technologies and companies have the best prospects, based on the overall trends that are expected to lead to new and growing needs.

Demographic challenges
The need for effective health and medical care to maintain a high quality of life is increasing as the population ages and more people are suffering from lifestyle illnesses.

INVESTMENT CRITERIA

PROSPECTS FOR THE NICHE

- Addresses identified trends
- The industry is showing profitable growth
- Favourable position in the value chain

POTENTIAL IN THE COMPANIES

- Next wave of development has begun
- Potential for geographic expansion
- Latour adds value

THE COMPANIES MUST ALSO SATISFY THE FOLLOWING CRITERIA

- Development, manufacture and marketing of proprietary products under their own brands.
- Products with high added value which offer a benefit that customers are willing to pay for.
- The company must not be dependent on a handful of suppliers or customers.

Latour's business is based on identifying the best opportunities for creating long-term value and avoiding risks that might lead to diminished value. These opportunities and risks can be viewed on two levels – company-specific and market-related. Latour takes the company-specific opportunities and risks into account in its investment strategy and active corporate governance.

STRONG TRENDS

The market-related opportunities and risks build on general trends that have an impact on the long-term development of entire industries and niches. Consequently, they form the basis for attractive investment opportunities.

Latour uses a number of trends in its analysis, including demographic development, urbanisation, globalisation, sustainability and digitisation. It is becoming increasingly obvious that the trends are interrelated and shape one another. An aging population increases the demand for healthcare and medical services, and puts pressure on finding ways of enabling people to remain in their own homes and have easy access to local facilities, which pose additional challenges for rapidly expanding cities around the world. The cities are also the hubs of the globalisation trend that is shaping different consumer behaviours and competition between companies. Efficiency throughout the entire value chain is a key element in this and digitisation plays a major role in cutting costs and reaching all end consumers in a simple way.

Long-term, sustainable solutions are needed to tackle environmental and social challenges, regardless of area or geographic location. Several of the acquisitions that Latour made in 2017 are clearly related to the demographic developments with a need for greater mobility and accessibility for the growing number of elderly people in cities around the world.

Latour's acquisition process creates **long-term value**

Latour continued its acquisition activity at a consistent level in 2017. The size of the acquisitions varied greatly but they all address important global trends and contribute to Latour's international expansion agenda.

The 7 acquisitions made in the wholly-owned industrial operations add approximately SEK 750 m in annual sales, representing just over 7.5 per cent growth on an annual basis. In addition, 26.7 per cent of the listed company Alimak was acquired for almost SEK 2 billion, making Latour the principal owner of the company. All acquisitions in the wholly-owned industrial operations and the investment portfolio are based on a proven and systematic process that aims to create long-term value.

"The companies that we acquire have a number of common denominators. They must have a range of strong proprietary products that are attractive in the market. They must be efficiently-run with a strong management team and there must be an opportunity for Latour to contribute, often by promoting and accelerating the growth process," says Jens Eriksson who, along with Mikael Johnsson, is responsible for acquisition processes and business development at Latour.

KEY TRENDS

It is crucial that the companies meet and take advantage of the strong global trends that Latour has identified as key to its business operations. The acquisition of Alimak is an excellent illustration of this. The company is a global leader in vertical transportation systems for the construction and industrial sectors, with customers whose development is supported by urbanisation and a greater focus on safety and environmentally-friendly energy production.

"We have seen the global trends grow much stronger during the year and they feel right and relevant to Latour's companies. As well as globalisation being a driving force, we are also seeing an increase in regionalisation, driven by improved opportunities to produce profitably at a regional level bearing in mind automation, increasing global concern, and risks and costs related to global logistics. A focus on sustainable solutions is another trend that has made a far greater impact in 2017, at all levels and in all sectors and industries," says Mikael Johnsson.

LONG-TERM APPROACH

For Latour, it goes without saying that sustainability is also an integral part of the acquisition process. Industrial thinking is applied to each new acquisition. What is essential is developing the operations, not creating value through financial structures. There is always a clear plan for the companies that Latour acquires. This plan is decided by the management team and owners before the acquisition process moves forward.

"Latour's long-term perspective is naturally a strength in acquisition talks and I believe it is clearly evident from our aggregate net asset value just how serious we really are. More than three quarters of it come from companies that have featured in Latour's portfolio for more than two decades and have, under the direction of Latour, delivered growth, both organically and through acquisitions," says Jens.

A successful and seamless integration process is key to this development. Latour's integration programme involves a specific agenda with frequent reviews in the first 100 days for each new company in the Group, regardless of its size or focus. This process is based on Latour's many years of experience, where the specific needs of each acquired business are given high priority.

COMPLEMENTARY ACQUISITIONS

The acquisition process also involves generating a list of potential acquisition targets with which a dialogue is usually established. Latour is generally interested in companies of a sufficient size to be capable of developing and managing on their own. However, there are exceptions to this. The majority of its acquisitions, counted in numbers, are made to supplement existing holdings. When this type of acquisition is made, the focus is on how the company complements the original activities of the business. In 2017, 6 of the acquisitions were of this type.

"The acquisition of the Swedish company Micor helps strengthen LSAB's offering and international customer base in the saw blade sector. Swegon's acquisition of the Irish company Safegard System has a natural link to and consolidates the business of the previously acquired British company Swegon Air Management (former Ruskin Air Management) in the field of fire and smoke control. And then, of course, we have the acquisition of the Italian company VIMEC, which is the next step in our venture to build a leading international platform and home lifts business that complements the 2016 acquisition of the industry leader Aritco," says Mikael.

NUMBER OF ACQUISITIONS 2003–2017
85

NUMBER OF DISPOSALS 2003–2017
29

NET CONTRIBUTION SALES SEK BILLION
2.9

Aritco works collaboratively with renowned designers to develop lifts for the home that blend in or enhance the living environment. In 2017, Aritco HomeLift, designed by Alexander Lervik, won the prestigious Red Dot Award 2017 and was one of five products nominated for the Wallpaper Design Award 2017.

Global expansion in a **rapidly growing** segment

Latour continues to expand in markets outside the Nordic region. This area of sales has increased steadily in the wholly-owned industrial operations to reach 57 per cent. The ability to identify acquisitions that can take advantage of strong, global trends is a key reason for the growth.

In 2016, Latour Industries acquired Aritco Group, a leading Swedish manufacturer of platform lifts for homes and public spaces. The acquisition is in line with Latour's ambition to invest in strong companies which have their own products with clear, long-term potential for international growth, this time linked to strong trends like demographic growth and urbanisation.

"We are seeing a rapid increase in the number of elderly people around the world, and this group of people is in a stronger financial position than previous generations. We are also seeing the construction of taller buildings in rapidly expanding cities and towns, where space is often limited. Three or four-storey single-family homes are not unusual these days," says Martin Idbrant, CEO of Aritco since May 2017.

KEY PARTNERS

Aritco was founded in 1995 with a simple idea: to manufacture and sell lifts that improve accessibility everywhere. With a strong focus on quality, its own production and technologies, Aritco became a leading manufacturer of platform lifts in Europe. In 2012, the company entered the domestic market with the launch of comfortable, elegant home lifts. Aritco's lifts are installed in more than 30,000 buildings and private homes around the world today. But its growth targets remain high.

"We see great potential for our public lifts and home lifts in all our regions. A key success factor for expansion is its close relationships with local lift suppliers and installers, which manage sales to end customers. When we enter a new market, it is essential to find the right partners for our products so that we can work together to reach customers," Martin goes on to say.

COMPLIANCE DRIVES DEMAND

Aritco's platform lifts are installed in schools, shops, workplaces and other public settings. Basically, they aim to improve accessibility and meet the construction standards of each country. The Nordic countries and the UK have come furthest in this respect. Penetration is high in these regions and Aritco has approximately 25 per cent of the market. The trend is shifting towards increased regulation in the rest of Europe and other part of the world, including Asia, too.

"It is difficult to increase the pace of growth in the Nordic countries, but when the same construction requirements are gradually introduced into the rest of Europe, the potential for growth is exponential. In a slightly longer perspective, the countries in Asia and the Middle East will also probably introduce more stringent requirements for accessibility in buildings, which means that the long-term global demand for lifts in public spaces looks extremely bright," says Martin.

CREATION OF NEW MARKET

Asia, with China at the forefront, and the Middle East are otherwise Aritco's largest home lift markets. Demand is being driven by two customer groups. There are those who need to adapt their homes to enable them to carry on living at home. In this area, Aritco's high-end products face competition from alternatives, such as chair-lifts and stair-lifts. And there are those who want to install a lift in their home for enhanced comfort.

"This is actually new for us. We are creating a market that originally did not exist. That is why our marketing looks different to other segments. We focus strongly on digital channels, exhibit at home and interior trade fairs, and build showrooms at our partners. We want to show the customers how our lifts work and how well they blend in and add a feeling of comfort to the home," Martin goes on to say.

In Asia and the Middle East, it is common to show that you can afford comfort-enhancing features and the demand for Aritco's home lifts has risen dramatically in these markets. Martin believes that increasing numbers of homes in Europe will have lifts in the future. One reason for this is urbanisation. Where a scarcity of land makes vertical housing a necessity, a lift is a natural way to increase comfort when moving from one floor to the next. Another reason is the increasing number of 50–80 year olds and people wanting and able to carry on living at home.

PLATFORM FOR EXPANSION

Just a few years ago, Aritco was a small-scale business. Today, it is on the brink of becoming a major player in the market. A more industrialised approach to production and distribution is required to manage this phase of growth and global expansion. It is therefore relocating its production facilities to premises that are twice the size in 2018. This will enable it to manage larger volumes and establish a production process with better structure and flows.

"Our sales grew by more than 20 per cent to almost SEK 500 m in 2017 and we are seeing opportunities for dramatic growth in both our product areas in all markets where we have a presence. Quite simply, we have a strong offering in a market that is just picking up speed. So, it feels particularly good to be part of Latour with its long-term strategy and focus on growth through acquisitions and international expansion," says Martin in closing.

Latour's **approach to sustainability**

Sustainability is an integral part of Latour's investment strategy and sustainability issues have always played a central role in the analysis of investments, whether it has been stated or not. A long-term perspective, which is one of Latour's three core values, means that sustainability is one of the basic pillars of the company's business.

Latour's sustainability report shall document the sustainability practices that have been embedded in the company for many years. Latour has its greatest impact on sustainability by being an active and responsible owner, where all holdings drive their own sustainability programmes. There are ten employees at the head office and some 400,000 in the holdings. The head office's direct influence in the area of sustainability is therefore limited compared with the holdings, but through the active work of boards, Latour drives and has high expectations for the sustainable development of the holdings. Long-term values are created by developing sustainable operations and Latour is confident that a commitment across the organisation to the environment and people is essential for Latour and its market to develop in a positive direction. The holdings have different challenges and offer internationally leading products in the fields of energy efficiency, safety, recycling, sustainable construction, workplace health and safety and so on.

Latour introduced a Code of Conduct and an Environmental Policy in 2012 with guidelines and policies for all wholly-owned companies and their employees. The guidelines and policies make up the minimum requirements with which all holdings must comply. For the companies that are part of Latour's investment portfolio, this is

Latour wants to develop and engage every single employee, care for the environment and conduct its business responsibly with the highest standards of ethical business practice.

accomplished by their Boards proactively ensuring that they have their own codes of conduct and policies that meet Latour's requirements in this area.

A SUSTAINABLE HEAD OFFICE

For Latour, it is important to clearly set a healthy example from the Head Office and work proactively to be a responsible owner and good role models. The Head Office focuses on the following areas in Latour's sustainability perspective:

EMPLOYEES

- Create a safe and healthy workplace and focus on long-term health promotion programmes.
- Emphasise the importance of maintaining a balance between professional and private life.
- Offer regular performance appraisals and invest in skills development.

THE ENVIRONMENT

- Only use renewable energy at the office.
- Impose restrictions on company cars and their emissions.
- Avoid all unnecessary business travel.

BUSINESS ETHICS

- Business ethics are one of Latour's three core values.
- Characterised by being reliable and professional with a high level of transparency.
- The Code of Conduct is complied with in every respect and the employees at Head Office receive training in the Code every second year.

SUSTAINABILITY REPORT'S STRUCTURE

Sustainability reporting legislation requires companies to disclose the consequences of the company's business operations in the areas of Environment, Social Conditions, Personnel, Respect for Human Rights, and Anti-Corruption Measures. Latour divides its sustainability report into three sustainability perspectives which together encompass the reporting for the five mandatory areas.

Latour's reporting:	**The law requires:**
Environmental perspective	The environment
Employee perspective	Social conditions
	Personnel
Business ethics perspective	Respect for human rights
	Anti-corruption measures

The sustainability report is largely a report on how the wholly-owned operations work to achieve sustainable development and how Latour as an active owner works for long-term sustainable growth and development. All key performance indicators are a compilation of values reported from the Group's four business areas, along with corresponding KPIs from the parent company. Latour's business model for the wholly-owned industrial operations and the portfolio holdings is presented on pages 2–3. The auditor's opinion on the statutory sustainability report is presented on page 107.

Employees

Attractive workplaces

An organisation's value is created by its employees. For Latour to be able to reach its growth target, it is therefore essential to have the right employees in the right place. The companies in the Group should be attractive workplaces that create opportunities for recruiting and retaining the right skills and individuals.

Latour's wholly-owned industrial operations employ just over 4,800 employees around the world. The responsibility, which rests with the companies' management teams, is thus considerable. Latour exercises influence through its active ownership and by establishing central codes of conduct and policies.

Leadership is an integral part of Latour's corporate governance and all senior executives in the Group shall serve as role models for employees. It is necessary for top management to set the tone that enables a healthy culture to be created throughout the company, based on a long-term perspective, professionalism and development, which are Latour's core values. Each business area has its own, unique corporate culture which is clearly imbued with the Latour spirit.

RETAINING THE RIGHT SKILLS

The question of how to create the best conditions to retain the right employees and hire the right skills is a constant priority at management level. Being part of the Latour Group should open up career opportunities within the organisation, help improve skills and expertise, and enable professional development. Employees are regularly recruited internally across the business areas. The fact that employees move within the Group is seen as evidence of job satisfaction and enhances an individual's opportunities for career growth.

Latour is also investing in building skills. In 2017, an initiative was launched in collaboration with the Gothenburg School of Business, Economics and Law to provide a one-year tailored skills development programme for selected employees of the wholly-owned industrial operations aimed at preparing established leaders in the Group to take on greater responsibilities in the future. The programme will leave them better equipped to eventually take on greater responsibilities in the Group and will strengthen Latour's ability to retain key talent. The Latour Executive Program, as it is called, is in English and combines an academic base with a high degree of practical relevance. It covers areas such as driving forces in the global economy, business model innovation, sustainability, risk management, pricing, corporate culture, communication and change management. The plans are to run a new Latour Executive Program every second year. The programme's first 16 participants are managers from Sweden, Finland and Italy.

SAFE AND HEALTHY WORKPLACES

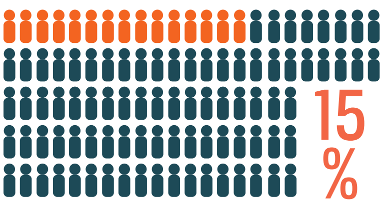
Job satisfaction and good health contribute to a happy workplace and are very important for the individual's and the company's long-term development. Most of the Latour companies perform annual surveys asking employees about goal achievement, personal development, interaction and job satisfaction to measure employee well-being. These surveys are followed up and action is taken as necessary.

A priority for Latour is the prevention of workplace accidents and it has a vision of zero accidents at work. In 2017, 51 workplace accidents that resulted in at least one day's absence were reported at 36 production facilities

WORKPLACE ACCIDENTS THAT HAVE RESULTED IN AT LEAST ONE DAY'S ABSENCE IN 2017

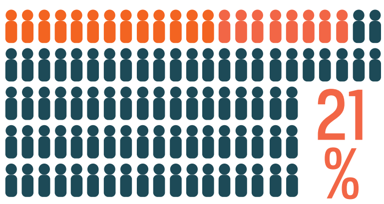
Target: Zero accidents vision

RATIO WOMEN/MEN GROUP AND BUSINESS AREA MANAGEMENT



Target: Higher percentage of women annually

RATIO WOMEN/MEN ENTIRE WORKFORCE



Target: Higher percentage of women annually around the world. In other words, an average of 1.4 workplace accidents per production facility. Preventive actions are continuously taken by the companies and production sites to minimise accidents. Key components of such actions are root cause analyses, safety inspections and risk reporting.

As well as good, safe workplaces, Latour encourages local initiatives linked to employee health and ergonomics that promote a healthier workforce.

EQUALITY AND DIVERSITY

A diversity of experience and backgrounds in the workforce promotes a stimulating and equal environment at work. Latour's business areas all have an equal opportunities and diversity policy that is carefully complied with.

Equal opportunities in terms of gender ratios present a challenge in the Latour Group. The manufacturing industry is traditionally male-dominated and there are more men than women in the management teams and boards of the companies. Latour is actively committed to recruiting women to its workplaces at all levels in the companies to ensure that a better gender balance is eventually achieved.

ANNA BERGGREN
CFO of Kabona in Latour Industries
Chosen to participate in the Latour Executive Program

"The Latour Executive Program offers me the chance to learn more about sustainability, globalisation, change management and other areas. I see the programme as an opportunity for reflection, and an eye-opener to the challenges and possibilities that our companies are facing and the changes that will be required of younger generations in the future both as customers and employees. The Latour Executive Program gives me good tools for proactive improvement activities and I'm looking forward to being able to use the skills I learn from the academy."

JONAS DAVIDSSON
Group Controller at Investment AB Latour
Working at Latour

"We are a small team at Latour's Head Office, but as Group Controller I have contact with a lot of employees in the Group, which gives a sense of greater connectedness. I have been working for Latour for 20 years and a great deal has happened during that time. Latour is made up of skilled and friendly employees who are not afraid of changes and developments. I am proud to work at Latour and to be part of its values and working practices."

OLLE SVENSSON
Working at Swegon
Employee representative to the Board

"Latour-Gruppen is a central company that owns the wholly-owned industrial operation. Its Board comprises Latour's President and CFO and an HR manager, and an employee team with trade union representatives from the various companies in Latour's wholly-owned industrial operations also participates. I have been an employee representative since 2004 and feel it offers a good forum for cross-functional interactions in the Group. At each meeting, we look at finances, investments, current acquisition issues, HR issues and we discuss policies. I would say that these meetings are appreciated from both sides."

The environment

The products contribute most

Latour is committed to continuously finding ways to reduce its environmental footprint and places high demands on the holdings to do likewise. The largest part of the environmental impact is positive, however, and is through the use of the companies' products.

Caring about the environment is part of Latour's company culture. All companies in Latour are committed to continuously finding ways to minimise their impact on the environment in their manufacturing and distribution processes. At the same time, Latour believes that the use of the companies' products creates a positive impact that far outweighs the negative impact. Thanks to sustainability having been an integral part of Latour's investment strategy for many years, the majority of the holdings of operations with sustainable products, i.e. products that make a positive contribution to the environment compared with the alternatives available in the market.

SUSTAINABLE PRODUCT DEVELOPMENT

Product development, where environmental considerations have always been of paramount importance, is a key area for Latour. If products are developed that help reduce the environmental impact and increase customer profitability throughout the entire life cycle, this generates more sales and higher profitability.

Hultafors Group has created a checklist for sustainability in product development to ensure awareness of what it means from the environmental perspective. One of the most important parameters in Swegon's product development process is to improve the energy efficiency of the products so they have a positive impact on the end user's energy consumption. It is also vital that the chemical content of the products complies with legislation, and the aim is to phase out all substances that pose a hazard to the environment and human health.

ENVIRONMENTALLY-FRIENDLY PROCESSES

Latour strives to develop all processes in a way that promotes efficient use of energy and resources, and minimises waste and by-products. All companies have agreements with certified waste recycling companies to deal with waste, which ranges from electrical and metal scrap to waste generated from packaging materials.

A good control tool is a set of specific targets for reducing environmental impacts in the operations. Since Latour's holdings are made up of many operations with different requirements, operating in different geographic markets, Latour has set a handful of group-wide targets that serve as minimum targets. In most cases, the companies have also their own, more stringent and more relevant targets for their operations.

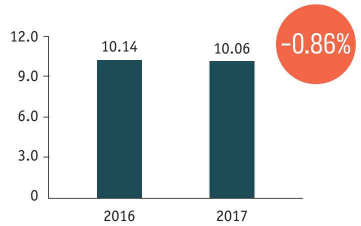
LOWER CARBON DIOXIDE EMISSIONS

In the Group, Latour's holdings account for the greatest impacts on the environment and climate. Latour has a central environmental policy with which all holdings comply. Most of Latour's holdings also have their own environmental policy adapted to their specific operations.

As the owner, Latour supports the companies in their environmental activities. The Group purchases electricity centrally from renewable sources. Latour can therefore be certain that all the electricity used by the Swedish operations has as little impact on the environment as possible.

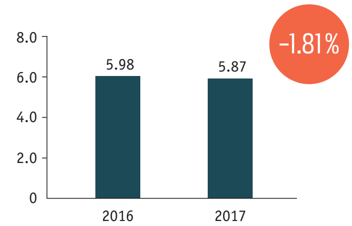
The companies also strive to minimise their consumption of energy for heating, production and in other areas. The findings of energy analyses conducted at many of the larger entities in Sweden in recent years show that the companies' factories are highly energy-efficient. For example, Swegon's 2017 energy analysis found that all of the company's Swedish production units were carbon neutral.

ENERGY CONSUMPTION OF THE PRODUCTION UNITS:
CONSUMED MWH IN RELATION TO ADDED VALUE (SEK M)



Target: 5% annual decrease in relative consumption

ENERGY CONSUMPTION OF THE PRODUCTION UNITS:
CONSUMED MWH IN RELATION TO SALES (SEK M)



Target: 5% annual decrease in relative consumption

RENEWABLE ENERGY:
PERCENTAGE OF TOTAL ENERGY CONSUMPTION

Target: At least 75% by 2020

IMPROVED AIR QUALITY AT A LOWER COST FOR THE ENVIRONMENT

Huge amounts of energy are used to cool and heat buildings and homes around the world. It is crucial to achieve more efficient use of energy to minimise the impact on the environment, health and climate. Swegon's WISE system, a new, innovative control platform for regulating the indoor climate according to need, aims to deliver the best possible indoor climate at the lowest possible life cycle cost. The WISE system is based on a unique, patented radio technology that enables wireless communication and thus simplifies installation and commissioning of the system.

Sensors that wirelessly communicate are used to register parameters that the WISE system interprets and uses for regulation purposes. This allows the air quality and temperatures in each rom to be regulated according to actual need in the room. The system can be updated easily with new sensors and features thanks to its wireless design and radio communication. This makes Swegon and the WISE system reliable partners that offer customers new means of saving energy into the future. Since remote upgrading and monitoring are also possible, it means less travel and enables planning for preventive maintenance. The WISE system makes it possible to reduce and adapt the energy consumption for the building's indoor climate based on actual needs. Reduced energy consumption generally leaves a smaller environmental footprint.

Business ethics

Responsible ownership for sustainable development

Latour's basic business concept is to invest in sound companies and create added value in these holdings. It is essential to be a credible and responsible owner with strong values of integrity to be able to do business and invest.

Latour has a long tradition of accountability, with operations based on credibility and trust derived from responsible actions. This is underscored by Latour's corporate governance in which the delegated decision-making structure is deeply rooted. In turn, this means that leadership has a central position in Latour's corporate governance. Senior executives in the Group must exhibit strong values of integrity, be role models and take responsibility for sustainable creation of value in their own companies.

LATOUR'S CODE OF CONDUCT

In 2012, a Code of Conduct was established to emphasise the principles that govern Latour's relationship with its employees, business partners and other stakeholders. The Code is approved by Latour's Board and applies to all employees in the Group. The document is available externally on latour.se and on the intranets of the wholly-owned companies.

The Code of Conduct is comprehensive yet also easy to understand and follow. The Code sets out the minimum requirements for the Group's investments with a stated requirement that all holdings must establish their own guidelines and policies with specific targets that are relevant for their own operations. All operations comply with this requirement.

ANTI-CORRUPTION PRACTICES

Latour's wholly-owned industrial operations are continuously expanding in markets outside of Sweden and the other Nordic countries. As the global presence increases, the companies face new challenges, including the problems associated with corruption, which can be more prevalent in certain regions of the world. In 2012, Latour introduced a central anti-corruption policy over and above its Code of Conduct. An important aspect of the policy is Latour's standpoint that employees should not engage in any business transaction where the grounds are dubious. All holdings comply with the policy and with local legislation and generally accepted rules in the areas in which they operate.

To maintain a high level of expertise in the companies and ensure compliance with policies and principles, all employees in management teams and in sales and purchasing positions attend a training course every other year to keep their knowledge up-to-date. The most recent training was held in the autumn of 2017. All of the wholly-owned holdings have reported that all employees who are expected to complete the course have done so.

RESPECT FOR HUMAN RIGHTS

Latour supports and respects the protection of human rights and guarantees that it is not involved in crimes against human rights. When subcontractors are hired, it must be ascertained that no child labour is used. The Code of Conduct serves as an important guide in the supplier assessment process.

SUPPLIER ASSESSMENT

Suppliers, retailers, consultants and other business partners are encouraged to apply the principles of Latour's Code of Conduct. We use the principles in the Code when evaluating potential and existing suppliers. A good example is Swegon, which has produced a purchasing manual that contains all aspects relating to anti-corruption and which specific procedures must be followed. This is then used in the assessment of each individual supplier and can determine whether a supplier wins a contract or not.

There were no incidents reported of the Code of Conduct being breached during the year. Nor have any of the holdings been fined or made the subject of sanctions as a result of a breach of laws or regulations.

The full version of Latour's Code of Conduct is available for viewing at www.latour.se

NEW SUPPLIER ASSESSMENT SYSTEM

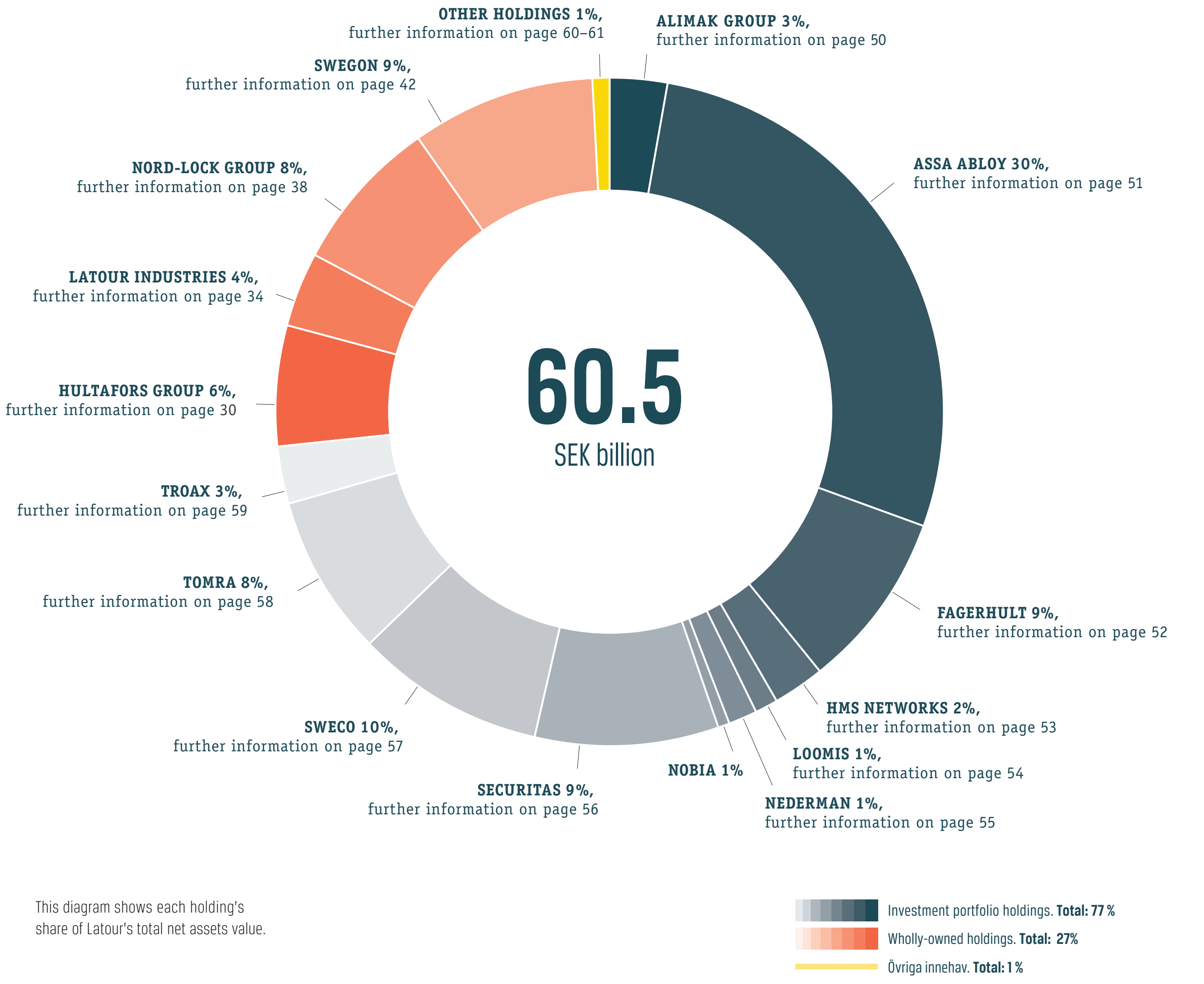
Hultafors Group has initiated a process of structuring its assessment and dialogue procedures with the company's suppliers based on the internationally accepted Kodiak Rating system. As a first step, the system is being implemented for the Snickers Workwear and Hultafors Tools brands with an initial assessment of a handful of suppliers. The system provides clear evaluations and ratings of the suppliers. It creates support for a more in-depth analysis and effective proposals for improvement and, not least, a uniform approach in the dialogue with the various suppliers. In the long term, this leads to an improvement of the suppliers' performance and transparency in the supplier chain. It is hoped that the system will gradually be implemented for the other Hultafors Group brands.

Latour's net asset value
continues to increase more than the index

Latour's net asset value increased from SEK 87 to 95 per share in 2017, which is an increase in value of 11.6 per cent, adjusted for dividend payments. This can be compared against the total return for Nasdaq OMX Stockholm (SIXRX), whose value increased by 9.5 per cent.

Latour primarily consists of two parts; the wholly-owned industrial operations and the investment portfolio. The market value of the listed holdings is simple to calculate since there is a stipulated market price available. Determining the value of the wholly-owned operations is much more difficult. This is because the market value, the price that potential buyers are willing to pay for the operations, is not as clearly defined.
A description of the method that Latour uses to calculate the value of these operations can be found to the right.

Latour's largest holdings, based on net asset value, are ASSA ABLOY, Sweco, Swegon, Securitas and Fagerhult. The wholly-owned industrial operations account for 28 per cent of the consolidated net asset value, if using the value derived through the chosen calculation method.



This diagram shows each holding's share of Latour's total net assets value.

In addition to the assets presented above the net loan debt is -7%.

The net asset value – our method

1 IDENTIFICATION OF COMPARATORS

Latour identifies listed companies operating in industries related to its wholly-owned industrial operations.

2 CALCULATION OF EBIT MULTIPLES

When comparators are identified, the companies' EBIT multiples are reviewed. An EBIT multiple is based on the company's EV (Enterprise Value). The EV is calculated by taking the market value and increasing it by the company's net debt (see Definitions on page 102). The EV is then divided by the operating profit (EBIT). A company with a market value of SEK 90 m, a net debt of SEK 10 m and an operating profit of SEK 10 m will have an EBIT multiple of 10.

3 CONVERSION TO MULTIPLE RANGES

When an EBIT multiple has been calculated for each company, they are weighted by group to obtain a multiple range for each business area. The range is due to variations in the values of the listed companies. If, for example, there are two comparators for Swegon, where one has a multiple of 6 and the other has a multiple of 10, then the EBIT multiple, used to calculate the value of the Swegon business area, falls into the 6 to 10 range. The multiples may be adjusted if the range is too large in order to avoid unreasonable values.

4 COMBINING THE NET ASSET VALUE OF THE WHOLLY-OWNED OPERATIONS

When the ranges for the EBIT multiples have been established, the value of each business area is measured by first calculating a trailing 12 month operating profit (EBIT) for each business area, based on the company structure at the end of the period of comparison. This figure is then multiplied by the EBIT multiple. Let us say that Swegon shows a trailing 12 month operating profit (EBIT) of SEK 100 m. If the EBIT multiple 6–10 is applied to the profit, the value becomes SEK 0.6–1.0 billion. When these calculations have been made for all the business areas, the result is combined to obtain a total value in the form of one range.

5 COMBINED WITH THE VALUE OF THE LISTED HOLDINGS

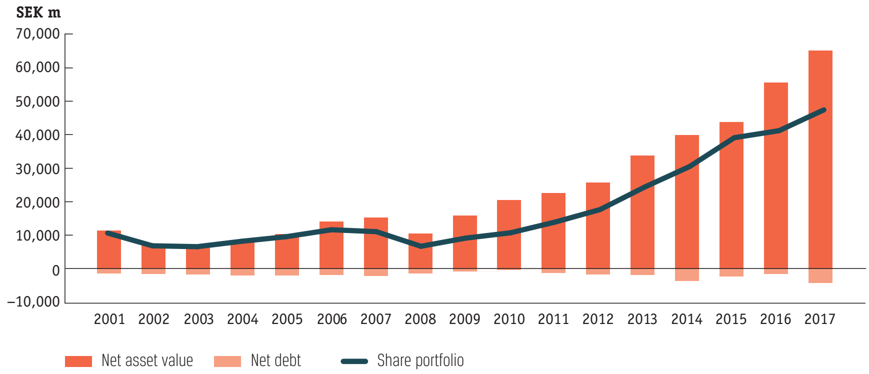
The share price is first established for each individual holding at the end of the period in order to obtain a net asset value for the listed holdings. The share price is multiplied by the number of shares held in each listed company, which gives a net asset value for the investment portfolio. This is combined with the net asset value of the wholly-owned operations, according to steps 1–4. After adding other assets and deducting net debt, the total is a net asset value for Latour, which is also in a range.

NET ASSET VALUE AT 31 DECEMBER 2017

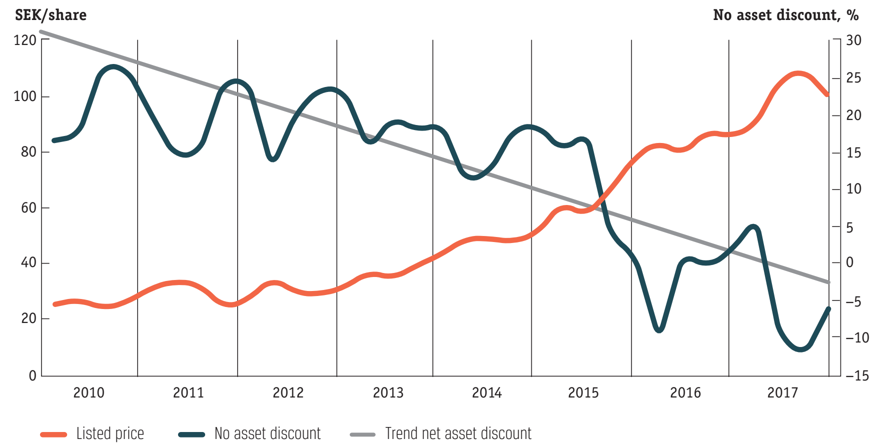
SEK m	Net sales[1]	EBIT[1]	EBIT multiple or EV/sales multiple Range	Valuation SEK m[2] Range	Valuation[2] average	Valuation SEK/share[3] Range
Hultafors Group	1,908	287	11–15	3,157–4,305	3,731	5–7
Latour Industries	2,556	175	12–16	2,100–2,800	2,450	3–4
Nord-Lock Group	1,114	340	12–16	4,080–5,440	4,760	6–9
Swegon	4,386	382	13–17	4,966–6,494	5,730	8–10
	9,964	1,184		14,303–19,039	16,671	22–30
Listed shares (see table on page 49)					47,446	74
Unlisted part-owned holdings					503	1
Other items					–15	0
Net borrowings					–4,084	–6
Estimated value					60,521	95
					(58,153–62,889)	(91–98)

[1] Trailing 12 months for current company structure.
[2] EBIT and EV/SALES restated based on the listed share price at 31 December 2017 for comparable companies in each business area.
[3] Calculated on the number of outstanding shares.

NET ASSET VALUE IN RELATION TO NET DEBT



NET ASSET DISCOUNT RELATIVE TO LISTED PRICE



The diagram shows the net asset discount on the last day of trading of every quarter. The net asset discount shows a certain seasonal variation and the trend is a declining discount.

The Latour share

Continued price increase

Latour's share is listed on the Nasdaq OMX Stockholm Large Cap list that includes companies with a market value in excess of EUR 1 billion.

TOTAL RETURN IN THE LAST FIVE YEARS:

268%

(COMP. SIXRX 96%)

The Stockholm Stock Exchange once again showed an upswing in 2017. The growth of the Latour share was 17.9 per cent, compared against OMXSPI (Nasdaq OMX Stockholm) which rose 6.4 per cent in the same period. In the last year, the highest price the stock achieved was SEK 117.00 on 31 October and the lowest was SEK 80.43 on 19 January. The final price paid on 29 December was SEK 100.90.

In 2017, the total return (share development including reinvested dividends) for Latour's class B share was 20.3 per cent, compared against SIXRX which increased by 9.5 per cent in the same period.

MARKET VALUE

Latour's total market value, calculated on the number of issued shares, amounted to SEK 64.6 billion. This makes Latour the 26th largest of the 322 companies registered on the Nasdaq OMX Stockholm market.

TRADING

Latour shares were traded for a value of over SEK 4.5 billion in the last year. This is an increase of SEK 0.2 billion over 2016.

SHARE CAPITAL

At 31 December 2017, the company's share capital was unchanged and amounted to SEK 133,300,000. A 4-for-1 share split was implemented on 21 June.

Class A shares totalled 47,642,448 and class B shares 592,197,552. The number of voting rights was 1,068,622,032.

REPURCHASE OF OWN SHARES

The total number of shares at 31 December 2017 was 639,840,000, including repurchased shares. At 31 December 2017, the total number of repurchased shares was 992,000.

SHAREHOLDERS

The number of shareholders increased in 2017 from 21,062 to 31,204. Holdings of foreign investors amounted to 2.8 per cent (2.7) at the end of the year.

DIVIDENDS

The Board of Directors proposes an ordinary dividend payout of SEK 2.25 (2.00) per share for the 2017 financial year. The dividend yield is 2.2 per cent based on the final share price at the end of the year.

ANALYSTS

The following analysts were following Latour at the end of 2017:

Derek Laliberte, ABG Sundal Collier
Mikael Löfdahl, Carnegie
Johan Sjöberg, Danske Bank Markets
Joachim Gunell, DNB
Magnus Råman, Handelsbanken
Elias Porse, Nordea Markets
Marie Scheja, Nordea Markets
Gustav Österberg, Pareto Securities

INVESTOR MEETINGS

Each year, Latour participates in a number of investor meetings in Sweden. These provide opportunities for Latour to present its business operations in more detail.

"We place great value on this type of meeting with interested investors from all over the country. We know from experience that the commitment is mutual. We have long had many loyal shareholders. Afterwards, a lot of them come and discuss with us or simply comment on some of the activities or industrial development journeys that most of our holdings are taking right now," says Latour's CFO, Anders Mörck.

IR CONTACT

If you have any questions you are welcome to contact:
Anders Mörck, CFO:
tel: +46 31 89 17 90 or
email: anders.morck@latour.se

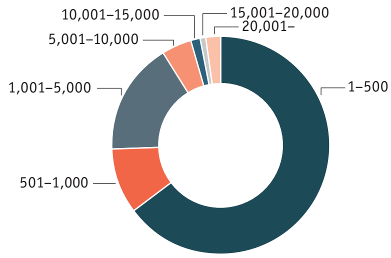
SHAREHOLDER FACTS

- The number of shareholders increased to 31,204 (21,062).
- 77.5 per cent of the capital is owned by the principal shareholder with family and companies.
- Other Board members own 0.6 per cent.
- Foreign ownership accounts for 2.8 per cent.

SUBSTANTIAL SHAREHOLDINGS AT 31 DECEMBER 2017

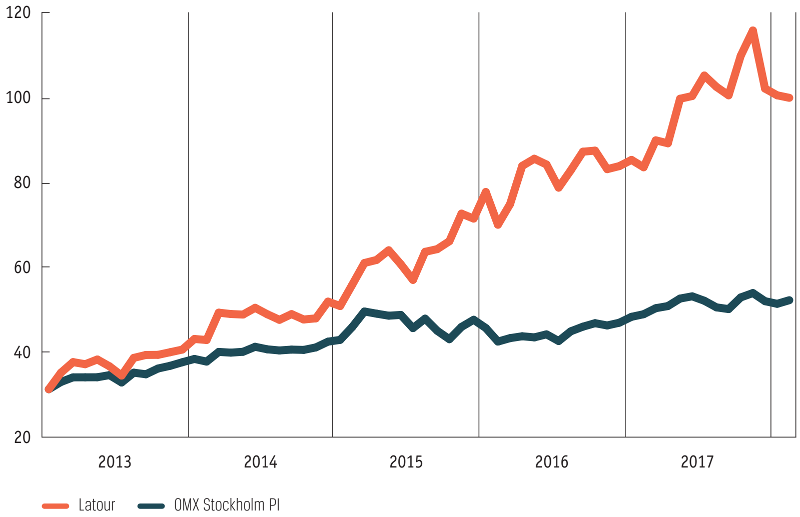
Shareholders	Number of A shares, thousands	Number of B shares, thousands	% of share capital	% of voting rights
Gustaf Douglas, family and companies	39,740	456,302	77.5	80.0
Fredrik Palmstierna, family and companies	6,409	7,705	2.2	6.7
Bertil Svensson, family and companies		6,770	1.1	0.6
SEB Investment Management		6,446	1.0	0.6
Lannebo Funds		5,433	0.8	0.5
Spiltan Fonder		3,667	0.6	0.3
Odin Funds		3,056	0.5	0.3
Skirner AB	800	1,696	0.4	0.9
Handelsbanken Funds		2,237	0.3	0.2
JPM Chase		2,100	0.3	0.2
Other	694	95,794	15.1	9.6
Investment AB Latour, repurchased shares		992	0.2	–
	47,642	592,198	100.0	100.0

DISTRIBUTION OF SHAREHOLDING

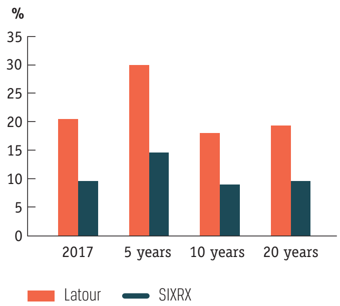


Distribution of shareholders in size categories.

LATOUR SHARE PRICE DEVELOPMENT



AVERAGE TOTAL RETURN, LATOUR COMPARED AGAINST SIXRX

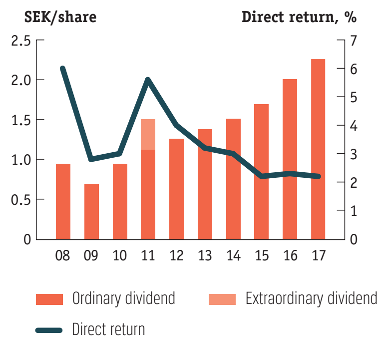


TYPE OF SHARE

	Number of shares	%	Number of votes	%
Class A (10 votes)	47,642,448	7.4	476,424,480	44.6
Class B (1 vote)	592,197,552	92.6	592,197,552	55.4
Total number of shares	639,840,000	100.0	1,068,622,032[1)]	100.0

[1)] Including 992,000 repurchased non-voting class B shares.

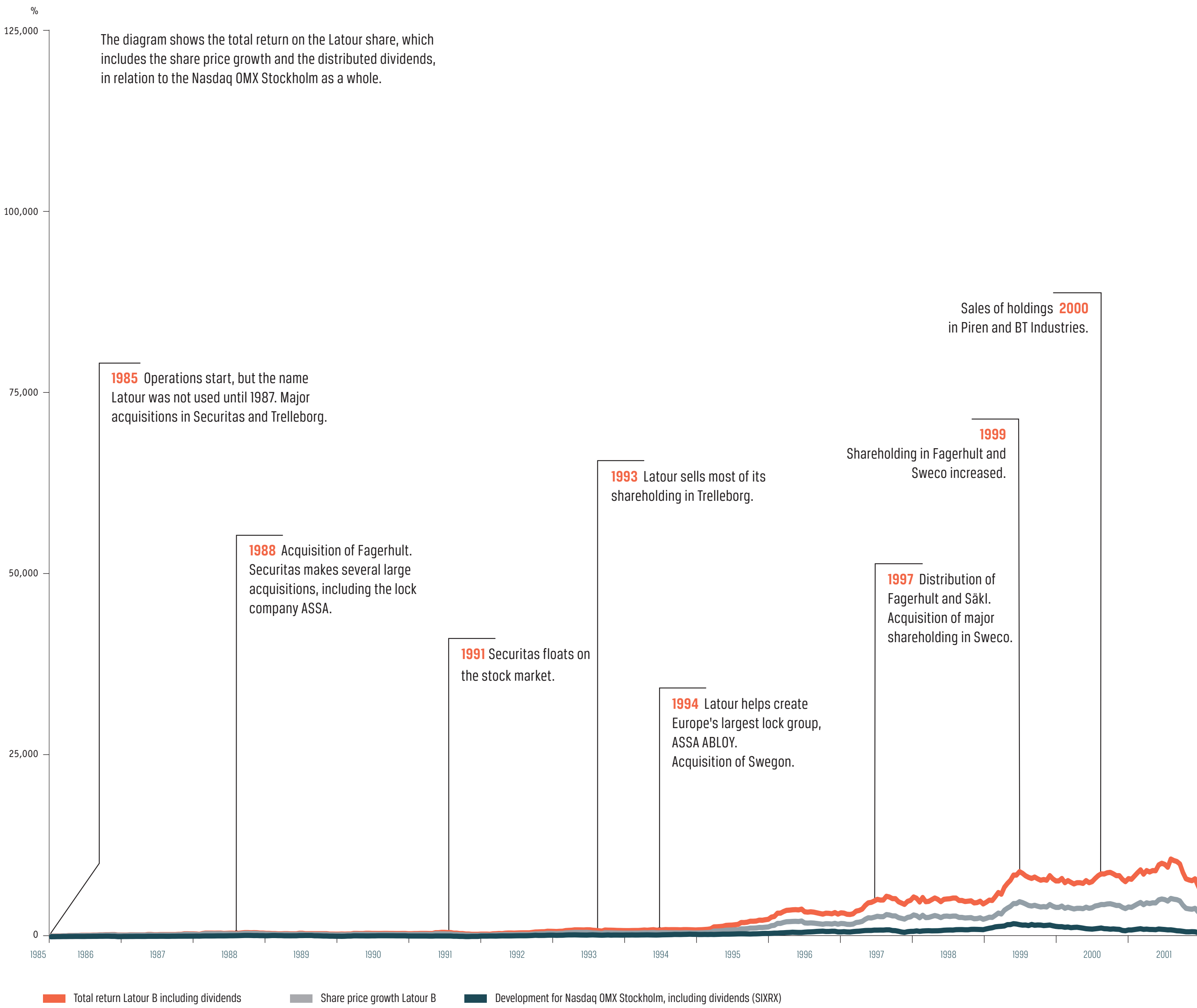
DIVIDENDS THE LAST 10 YEARS

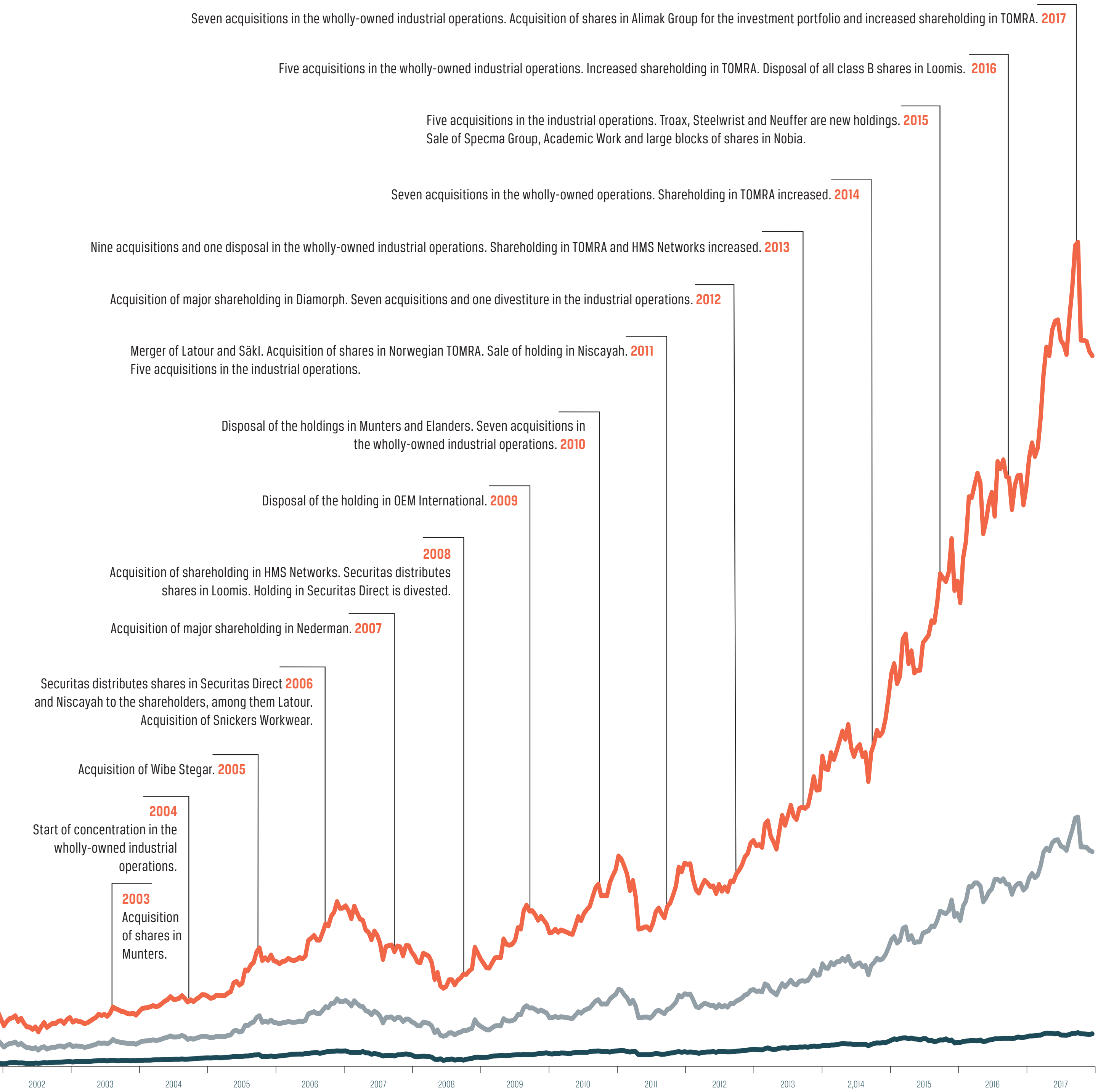


Total return

103,000 per cent since the start in 1985

Latour's history stretches back to the end of 1985. Since then the total return, including share price growth and dividends, has reached 103,000 per cent. This means SEK 10,000 invested in Latour at start-up would give a total return of almost SEK 10.3 m at the end of 2017.




Seven acquisitions in the wholly-owned industrial operations. Acquisition of shares in Alimak Group for the investment portfolio and increased shareholding in TOMRA. 2017
Five acquisitions in the wholly-owned industrial operations. Increased shareholding in TOMRA. Disposal of all class B shares in Loomis. 2016
Five acquisitions in the industrial operations. Troax, Steelwrist and Neuffer are new holdings. 2015 Sale of Specma Group, Academic Work and large blocks of shares in Nobia.
Seven acquisitions in the wholly-owned operations. Shareholding in TOMRA increased. 2014
Nine acquisitions and one disposal in the wholly-owned industrial operations. Shareholding in TOMRA and HMS Networks increased. 2013
Acquisition of major shareholding in Diamorph. Seven acquisitions and one divestiture in the industrial operations. 2012
Merger of Latour and Säkl. Acquisition of shares in Norwegian TOMRA. Sale of holding in Niscayah. 2011 Five acquisitions in the industrial operations.
Disposal of the holdings in Munters and Elanders. Seven acquisitions in the wholly-owned industrial operations. 2010
Disposal of the holding in OEM International. 2009
2008 Acquisition of shareholding in HMS Networks. Securitas distributes shares in Loomis. Holding in Securitas Direct is divested.
Acquisition of major shareholding in Nederman. 2007
Securitas distributes shares in Securitas Direct 2006 and Niscayah to the shareholders, among them Latour. Acquisition of Snickers Workwear.
Acquisition of Wibe Stegar. 2005
2004 Start of concentration in the wholly-owned industrial operations.
2003 Acquisition of shares in Munters.
2002
2003
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2,014
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2017

INDUSTRIAL OPERATIONS

Significant events in 2017

» Focus remains on growth of holdings with support from acquisitions, organic growth and product development.

» Net sales rose 19 per cent and organic growth for comparable units rose 6 per cent when adjusted for exchange rate fluctuations.

» Continued international growth. Sales generated outside the Nordic region increased from 54 to 57 per cent.

» The operating profit rose 12 per cent and the operating margin reached 12.1 per cent (12.8).

» Seven businesses were acquired. These contribute annual sales of approximately SEK 750 m.

Increased growth
through consolidation and further acquisitions

Latour's wholly-owned industrial operations, with four business areas and a total of about 100 companies, continued its profitable growth in 2017. Including acquisitions, sales growth amounted to 19 per cent in total, and the operating margin remained at a high level at 12.1 per cent.

There has been a clear consolidation of activities in Latour's wholly-owned industrial operations over the last decade. Following the sale of the Specma Group business area in early 2016 and a focus on complementary acquisitions that bring greater strength to the core activities of the continuing business areas, there is now a solid base on which to build and forge ahead with profitable growth. The four business areas are strongly positioned in their respective niche segments with companies that develop, manufacture and market their own products in customer segments that represent considerable, growing international demand.

Despite 36 per cent growth in the past two years, the high ambitions remain undiminished with a focus on growth being achieved both organically and through acquisitions. In 2017, organic growth totalled 6 per cent. In order to grow at a faster rate than the general development of the economy, the operations work systematically to enhance their product portfolios, increase their international presence and gain market share in existing markets. In 2017, sales generated outside the Nordic region increased from 54 to 57 per cent of total sales. Although the international share of sales has almost tripled since 2003, there is still considerable potential for growth. The acquisitions in the industrial operations made in 2017 contributes annual net sales of SEK 750 m, of which 89 per cent are generated outside the Nordic region.

The operations' financial targets are to achieve a minimum of 10 per cent average annual growth and operating margin and 15 to 20 per cent return on operating capital over a business cycle. All financial targets have been reached in the last two years.

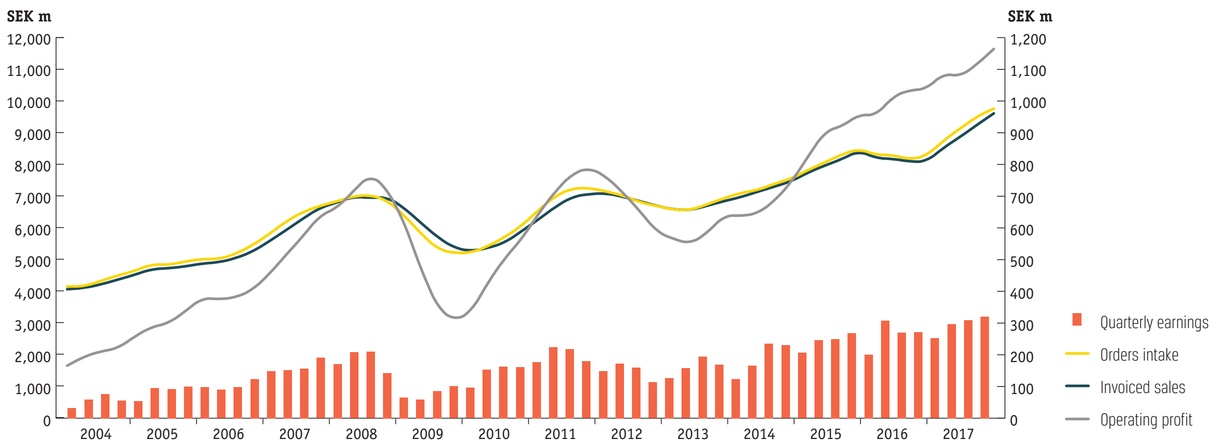
All operations are at the forefront of product development, which is critical to the achievement of key competitive advantages in the future too.

THE INDUSTRIAL OPERATIONS' NET SALES GREW BY

19%

DURING THE YEAR, INCLUDING ACQUISITIONS

GROUP – TRAILING 12 MONTHS



PROFIT/LOSS BUSINESS AREAS

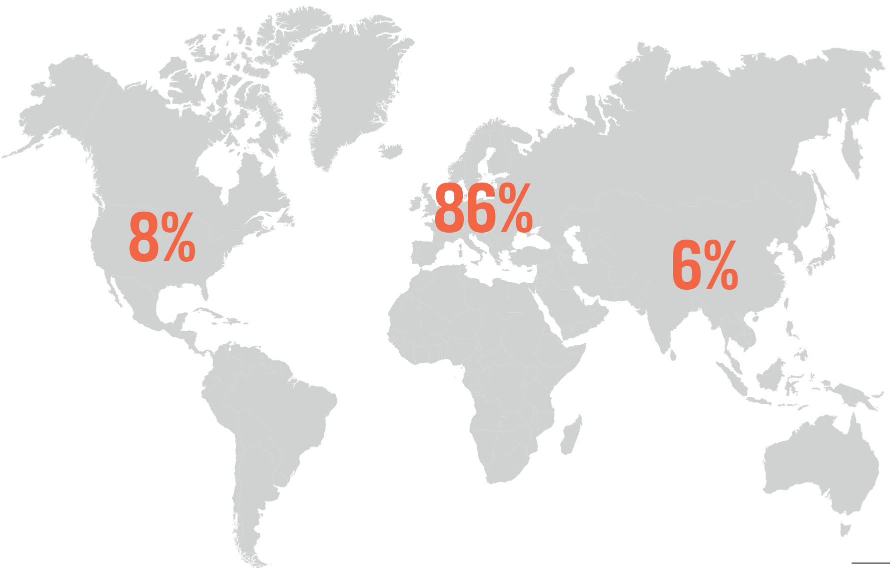
	Net sales		Operating profit		Operating margin %	
SEK m	2017 Full year	2016 Full year	2017 Full year	2016 Full year	2017 Full year	2016 Full year
Hultafors Group	1,901	1,698	287	264	15.1	15.6
Latour Industries	2,357	1,671	173	167	7.4	10.0
Nord-Lock Group	1,114	927	340	270	30.5	29.2
Swegon	4,378	3,913	381	351	8.7	9.0
Eliminations	-2	-10	–	–	–	–
	9,748	8,199	1,181	1,052	12.1	12.8
Result from purchase/sale of companies	–	–	-30	-21		
Other companies and items	–	–	-26	-10		
	9,748	8,199	1,125	1,021		

	Operating capital[1]		Return on operating capital %[2]		Growth in net sales %		
SEK m	2017 TTM	2016 TTM	2017 Full year	2016 Full year	2017	Of which acquisitions	Of which currency
Hultafors Group	1,256	1,230	22.8	21.5	11.9	2.1	0.3
Latour Industries	2,697	1,901	6.4	8.8	41.1	32.2	0.7
Nord-Lock Group	950	877	35.8	30.8	20.2	4.4	-0.3
Swegon	2,903	2,510	13.1	14.0	11.9	7.9	0.6
Total	7,806	6,518	15.1	16.1	18.9	11.3	0.5

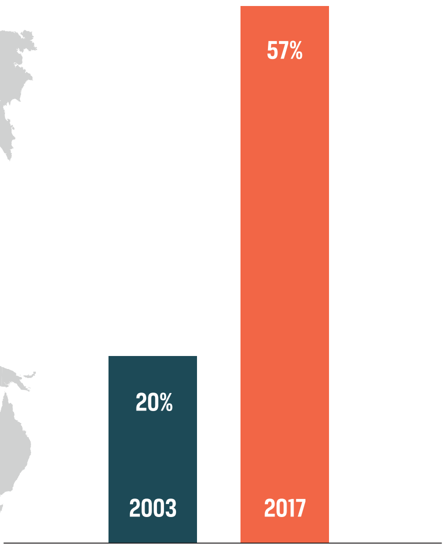
[1] Calculated as total assets less cash and cash equivalents and other interest-bearing assets and less non-interest-bearing liabilities. Calculated on the average for the past 12 months.
[2] Operating profit as a percentage of average operating capital.

FIVE YEAR OVERVIEW

	2017	2016	2015	2,014	2013
Net sales	9,748	8,199	7,186	7,581	6,944
(of which export)	7,209	5,877	5,081	5,073	4,389
Operating profit	1,140	1,027	904	746	621
Average operating capital	7,806	6,518	5,462	4,612	3,780
Total assets	13,002	11,311	8,905	8,415	7,063
Number of employees	4,897	4,211	3,808	4,184	3,908
Return on operating capital (%)	15.1	16.1	16.5	16.4	17.2
Operating margin (%)	12.1	12.8	12.5	10.0	9.4



Breakdown of net sales between Europe, North America and Asia. Europe still dominates, but the industrial operations showed good growth in both North America and Asia in 2017.



International growth. Sales outside the Nordic region have almost tripled since 2003, reported as a percentage of total sales.

Hultafors Group

Hultafors Group offers a portfolio of leading brands for professional users who demand the very best when it comes to performance, safety and productivity.

HULTAFORS GROUP AT A GLANCE

Hultafors Group is one of Europe's largest companies supplying professional tradespeople with workwear, safety footwear, hand tools, ladders and scaffolding. The products are developed, manufactured and sold through its own brands, which are available through distributors in about 40 markets, with an emphasis on the Nordic region and the rest of Europe.

IMPORTANT EVENTS IN 2017

- Strong organic growth with increased demand across most product areas and markets. Strong earnings as a consequence of the robust growth.
- Increased market investments and expanded partnerships with distributors.
- Acquisition of the Swedish company Puvab AB, a specialist in protective workwear for workers in the energy and utility markets.
- Strong sales growth for safety footwear in Europe under the Solid Gear and Toe Guard brands.

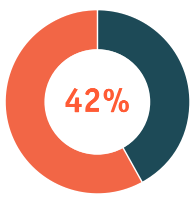
TARGET ACHIEVEMENT

Systematic investment in product development and marketing as well as international expansion have led to increased sales. Coupled with a strong focus on continual improvements and cost control, this resulted in targets for revenue and profitability being exceeded.

STRATEGY FOR PROFITABLE GROWTH

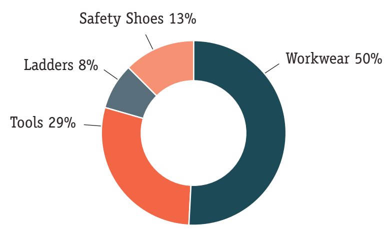
- Create organic growth through expanded product lines, more efficient use of sales and distribution channels, increased investment in marketing and stronger relationships with end-users.
- Make complementary acquisitions of brands with strong positions among distributors and end-users.

DEGREE OF INTERNATIONALISATION

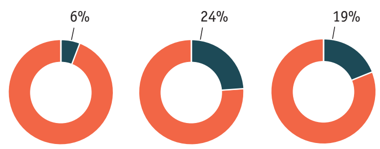


Sales outside the Nordic region accounted for 42 per cent of total sales in 2017 , compared with 43 per cent in 2016.

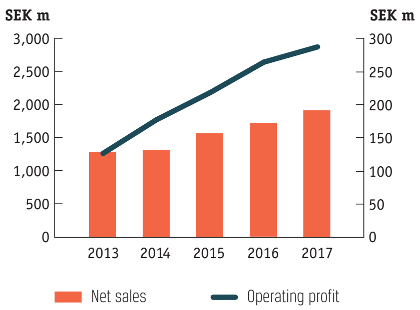
BREAKDOWN OF SALES BY BUSINESS UNIT



PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



SALES AND EARNINGS



SALES AND EARNINGS

SEK m	2017	2016	2015	2014	2013	Latour's minimum targets
Net sales	1,901	1,698	1,549	1,306	1,208	>10%
(of which outside of Sweden)	1,298	1,182	1,081	938	867	
Operating profit	287	264	218	177	126[1)]	
Operating capital[2)]	1,256	1,230	1,212	1,103	784	
Operating margin, %	15.1	15.6	14.1	13.6	10.4	>10%
Return on operating capital %	22.8	21.5	19.0	21.0	16.0	15–20%
Investments	9	20	11	9	11	
Number of employees	696	685	658	617	642	

[1)] After restructuring costs
[2)] Average

"Profitable international expansion with leading brands"

Good organic growth and strong demand in all product groups and all markets produced new record levels in sales and earnings in 2017. With the acquisition of the Swedish company Puvab AB, Hultafors Group complements its offering and meets new, important customer needs in the market.

2017 began with Ole Kristian Jødahl joining Hultafors Group as its new CEO. Ole has worked for the SKF Group in leading, international roles in the areas of production, sales and service. Hultafors Group continued its strong growth in 2017. Sales rose 12 per cent with a sustained high level of profitability with all brands contributing to the growth. Sales of Solid Gear and Toe Guard safety footwear rose by an impressive 44 per cent. In 2017, the offering was expanded through the acquisition of the Swedish company Puvab AB with a leading range of protective workwear.

Ole Kristian Jødahl, CEO of Hultafors Group

”We will continue to develop the brand portfolio to meet the day-to-day challenges facing end-users in different sectors,” says Ole Kristian Jødahl, CEO of Hultafors Group.

Strong trends like sustainability and a growing focus on health and safety are driving demand for Hultafors Group's professional workwear, safety footwear, hand tools, ladders and scaffolding. The products are sold under various brands that are, or have the potential to become, number one or two in their respective markets. The brands are grouped into three segments: Personal Protection Equipment, Tools and Access Solutions.

PERSONAL PROTECTION EQUIPMENT

The professional workwear brands in the Personal Protection Equipment segment are Snickers Workwear, Dunderdon and Puvab's protective workwear range, which includes the Eripio Wear brand with its protective workwear for the ambulance and emergency services sector. Snickers Workwear is a leading European brand of advanced workwear. A comprehensive launch of a workwear concept has been rolled out in recent years, divided into four distinct families designed for different work environments: RuffWork, FlexiWork, LiteWork and AllroundWork. The launch of a fifth family collection, ProtecWork, is scheduled for 2018.

“We are always looking for opportunities to add more members to our successful family collection. ProtecWork is based on the protective workwear developed by Puvab, which we have acquired, and is designed for tradesmen who need protection from electrical hazards and heat,” says Ole.

Hultafors Group's brands are well-positioned to gain further market share.

The Swedish company Tradeport was acquired a few years ago with the Dunderdon workwear brand and the Solid Gear and Toe Guard protective footwear brands. Since then, Hultafors Group's existing sales organisation has executed a comprehensive and successful launch of both the footwear brands in Europe. Sales have risen dramatically in a short space of time, but there is still considerable potential for further growth. The protective footwear market is as large as the market for workwear.

The possibility of offering Dunderdon brand products, which are already sold internationally, to a broader audience is being evaluated. Combined with Snickers Workwear, this would bring competitive advantages in Europe and in markets where Hultafors Group is less well-established today.

Strong trends like sustainability and a growing focus on health and safety are driving demand for Hultafors Group's professional workwear, safety footwear, hand tools, ladders and scaffolding. The products are sold under various brands that are, or have the potential to become, number one or two in their respective markets.

TOOLS AND ACCESS SOLUTIONS

The segment Tools consists of Hultafors Tools which is a leading brand in the Nordic market for hand tools, primarily for professional tradespeople who rely on functional, superior-quality tools. A number of saws were added to the range during the year, making Hultafors Tools an end-to-end provider of saws, plus several new universal knives and blades that strengthen the company's position as the only provider in the market of all kinds of craftsmen knives. The range now also includes a toolholder and a 2.4 m folding rule.

"Professional tradespeople in the Nordic countries and Europe appreciate the quality and dependability of these products. We are now focusing on expanding Hultafors Tools across the European market," says Ole.

The Access Solutions segment includes ladders and scaffolding sold under the Wibe Ladders brand and offers optimal systems for working at heights that comply with European and local standards. The launch of working platforms during the year has strengthened Wibe Ladders' position in this category. The products have protective guardrails on all sides to meet ever increasing safety demands from contractors.

CLOSE RELATIONSHIPS

Hultafors Group brands are on sale at some 10,000 outlets in almost 40 countries worldwide, with an emphasis on Europe and the Nordic region. The company has its own sales offices in 14 key markets in Europe and other markets are covered by importers. The competitive edge provided by the extensive distribution network enables new products and brands to be launched swiftly and effectively. Hultafors Group sees itself as a partner to the distributors and by marketing the brands among end-users creates pressure on demand, which is attractive to the distributors. In 2017, Hultafors Group developed its own e-commerce portal based in Germany. The goal is to roll out e-commerce solutions on all of the company's markets in the next few years.

"Our e-commerce system complements the existing distributor network by strengthening communications about our brands and driving end-user demand. We have also stepped up investments in upgrading and developing our social medial channel content. We believe this to be a key tool in our dialogues with everyone who uses our products on a daily basis," Ole comments.

INTERNATIONAL EXPANSION

E-commerce will also make it easier to launch products in markets where Hultafors Group does not currently have a presence, but where there is good potential for sales. 2017 saw sales outside the Nordic region continuing to grow impressively. Snickers Workwear is the most internationalised of the Hultafors Group's brands, but the company's safety footwear is hot on its heels. Both of the product groups are capable of taking the lead in developments in their respective market segment. The brands also benefit from the exacting standards for safety, performance and quality set by users, businesses and public authorities in the Nordic region. This has given the products a natural advantage with regard to quality over international alternatives, globally too.

"Europe is our main market and continues to offer good growth potential, but we are seeing opportunities in other markets too. First and foremost, we are looking at North America. But to achieve long-term growth in this massive market, we first need to establish a presence through the acquisition of a complementary business," says Ole.

LEADING APPROACH

Being a large company with leading brands affords excellent opportunities for driving development in terms of product innovation and customer preferences. Hultafors Group is also of a sufficient size to maximise the efficiency of its operations, which the organisation has been prioritising in order to continue to grow and deliver good profitability. Focus areas are the development of IT systems, and increased efficiencies in production, logistics and sales through digitisation of internal and external processes. Lean has been introduced with great success at the company's production facilities and an initiative has been undertaken to introduce Lean across the service organisation too. Completed and planned activities have led to greater control, lower costs, improved lead times and a higher level of service.

SUSTAINABLE OFFERING

Hultafors Group sees sustainable development as essential for creating long-term profitability and credibility. First and foremost, this comprises a range of high-quality products offering distinct advantages from a life-cycle perspective for both users and the environment. Sustainability-related issues are integrated into the daily activities and include the provision of support to suppliers, distributors and end-users in their sustainability practices.

"We are seeing a greater focus on sustainability issues from our customers and our employees. With our portfolio of durable, recyclable products as our base, we will continue to develop our organisation in a sustainable direction. This also includes the work begun in 2017 of structuring our process of evaluation and dialogue with our suppliers," says Ole.

FOCUS IN 2018

Hultafors Group's brands are well-positioned to gain further market share. The focus in 2018 will be on continuing to grow organically and maintaining profitability. This will be supported by the roll-out of the e-commerce system, investments in communication and marketing, the launch of ProtecWork, and the integration and development of Puvab's other offerings.

"We are also focusing on accelerating our product development process to bring new, updated products to the market more quickly. Since proximity to customers is an increasingly key success factor, we will also be examining our options for increased production in Europe. Finally, we are interested in further opportunities to acquire new brands in all three of our segments," says Ole in closing.

Latour Industries

Latour Industries can be described as a miniature Latour, in which active and careful ownership will result in stable and independent development of the holdings.

LATOUR INDUSTRIES AT A GLANCE

Latour Industries consists of eleven holdings with proprietary products with high technology content and major potential for growth.

Each one has its own business concept and business model. The vision is to develop independent entities that will eventually be able to become established as separate business areas within Latour.

IMPORTANT EVENTS IN 2017

- Continued sales growth, mainly driven by acquisitions.
- Further expansion in the Accessibility and Mobility segment with the acquisition of VIMEC in Italy, a leading manufacturer of platform lifts and stair lifts, and with REAC's acquisition of the German company AAT, a leading supplier of equipment for the mobility rehab market.
- Three more acquisitions were made. LSAB acquired MICOR, a Swedish manufacturer of saw blades, Bemsiq acquired NODA, a Swedish company specialising in the optimisation of district heating networks, and DENSIQ acquired Hakaser, a Finnish company providing valve maintenance and repairs services.
- Disposal of AVT to management.

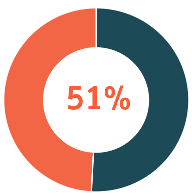
TARGET ACHIEVEMENT

Sales increased significantly primarily due to the acquisitions of VIMEC and AAT, and the full-year effect of the acquisition of Aritco Group in 2016. Forward-looking investment initiatives led to a slight fall in profitability.

STRATEGY FOR PROFITABLE GROWTH

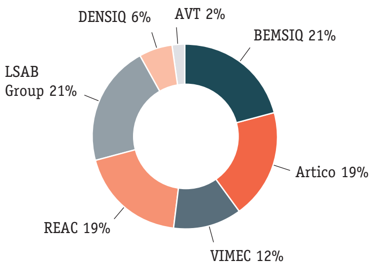
- Drive expansion in current holdings by strengthening sales organisations, escalating product development and complementary acquisitions that further bolster the strategic position.
- Continue to implement new platform acquisitions in line with Latour's criteria for investment.

DEGREE OF INTERNATIONALISATION

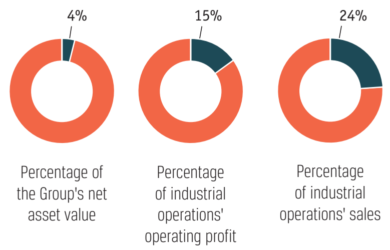


Sales outside the Nordic countries accounted for 51 per cent of total sales in 2017 compared with 36 per cent in 2016.

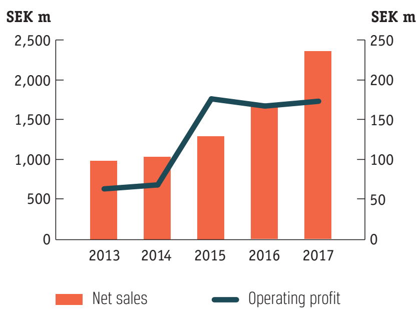
BREAKDOWN OF SALES BY BUSINESS UNIT



PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



SALES AND EARNINGS



SALES AND EARNINGS

SEK m	2017	2016	2015	2014	2013	Latour's minimum targets
Net sales	2,357	1,671	1,289	1,034	982	>10%
(of which outside of Sweden)	1,503	865	527	393	329	
Operating profit	173	167	176	68	63[1]	
Operating capital[2]	2,697	1,901	1,377	965	735	
Operating margin, %	7.4	10.0	13.7	6.5	6.5	>10%
Return on operating capital %	6.4	8.8	14.0	8.0	9.0	15-20%
Investments	37	26	17	10	10	
Number of employees	1,422	1,143	938	733	642	

[1] After restructuring costs
[2] Average

"More acquisitions in Accessibility and Mobility"

Latour Industries' sales increased significantly in 2017. The increase is primarily due to the acquisitions of VIMEC srl and AAT GmbH and the full-year effect of the acquisition of Aritco Group in 2016. Otherwise, the year was marked by further investment in strengthening the companies' sales organisations and development departments.

During the spring, Latour Industries acquired the German company AAT GmbH through its subsidiary REAC AB. AAT supplies electrical drive systems for manual wheelchairs and powered stair climbing solutions for the European mobility rehab market. The acquisition expands REAC's range of products and creates an excellent base for further growth in this interesting market.

Björn Lenander, CEO Latour Industries

In the summer of 2017, Latour Industries acquired VIMEC srl, a leading Italian manufacturer of chair lifts, platform lifts and stair lifts for enhanced accessibility in private homes and public spaces. The acquisition is in line with Latour's ambition to invest in strong companies which have their own products with long-term potential for international growth. VIMEC is also an excellent complement to Aritco Group, a holding acquired by Latour Industries in 2016, both geographically and with a more comprehensive product portfolio.

"More than 50 per cent of our turnover now comes from the Accessibility and Mobility areas following our acquisition of AAT and VIMEC. Both of these market segments are driven by the same, long-term global trends, an ageing population and increased demands for improved accessibility and mobility. We are confident that the market for products and solutions in this market segment are of long-term interest and we will continue our search for suitable acquisition targets in this industry," states Björn Lenander, CEO of Latour Industries.

AVT was sold during the autumn to the company's management, and three smaller add-on acquisitions were made for existing holdings. NODA AB was acquired by Bemsiq AB, Micor AB was acquired by LSAB and the Finnish company Hakaser was acquired by Densiq.

CONSCIENTIOUS OWNER

Latour Industries takes a long-term perspective towards its holdings. The goal is to develop the companies into independent business areas in Latour's wholly-owned industrial operations.

Latour Industries drives the development of the company through proactive, careful ownership, based on years of industrial experience that encourages entrepreneurship in the acquired companies.

"It's a systematic process that involves ensuring transparency of the operations, giving support to management and providing financial resources to facilitate expansion," Björn explains.

We will continue the development and expansion of our existing holdings and will be focusing on improving profitability in all the companies in 2018.

ARITCO

Aritco, with its head office in Kungsängen, develops, manufactures and sells platform lifts and home lifts. The lifts are supplied to private, commercial and public markets around the world and are sold, installed and serviced by local partners. The company has a focus on international growth and most of its sales take place outside the Nordic region.

VIMEC

VIMEC, with its head office in Luzarra, Italy, develops, produces and sells chair lifts, platform lifts and stair lifts for enhanced accessibility in private homes and public spaces. The company has its own sales and installation operations in

Following acquisitions in 2017, the Accessibility and Mobility areas now account for more than 50 per cent of Latour Industries' sales. One of the acquisitions was AAT GmbH which supplies electrical drive systems for manual wheelchairs and powered stair climbing solutions for the European mobility rehab market.

Italy. Sales and installation in other countries are managed through local partners. Its main customer base is in Europe.

REAC GROUP

REAC, with its head office in Gothenburg, develops, manufactures and sells mobility systems and electrical drive systems to the global mobility rehab market. The Group works with two brands. REAC, which is a subcontractor of mobility systems for many of the major global manufacturers of electric wheelchairs, and AAT, which sells electrical drive systems to, for example, manual wheelchairs. Manufacturing facilities are located in Åmål in Sweden, in two locations in Poland and in Albstadt in Germany.

LSAB GROUP

LSAB, with its head office in Gothenburg, develops, manufactures and sells services and tool solutions for chip removal processes mainly for the woodworking and metal industries. From its base in northern Europe, products are exported to a global market.

LSAB has its own operations in Scandinavia, the Baltic states and Russia and reaches its customers under its brands Micor (saw blades for all materials), Fortiva (metal sector) and LSAB (woodworking sector).

DENSIQ

DENSIQ, with is head office in Gothenburg, is an end-to-end supplier in the area of advanced sealing technology and works primarily with the processing industry and its subcontractors. The company provides total solutions based on services, products, technical consultation and training, which ensures safe systems with long operating times. The company is represented with its own staff in Sweden, Norway, Denmark and Finland.

BEMSIQ

Over the past five years, Latour Industries has built up a portfolio of companies in the fields of building automation and energy efficiency, comprising six companies (Bastec, Ecopilot, Elvaco, Kabona, NODA and Produal). The remaining shares in NODA were acquired during the year and the company is now a wholly-owned entity in Bemsiq. The companies operate as independent entities with a focus on growth in the domestic market and through international expansion. The purpose of the business unit is to offer greater opportunities for coordinated activities between the companies and is a natural step in the process of creating a new business area within Latour.

Bastec has its head office in Malmö. This expanding Swedish company develops and markets building automation systems. Its main product is BAS2, which is primarily used to control and monitor ventilation, heating, cooling and other technical systems in more than 3,000 buildings. BAS2 is based on proprietary hardware and software. The products are sold via a nationwide network of distributors and through its own automation projects in the Malmö region.

Ecopilot, which has its head office in Gothenburg, develops and markets the Ecopilot software which makes it possible to achieve 25–50 per cent energy efficiency by optimizing the systems installed in the building and taking into account its thermal storage capacity, weather forecasts, indoor temperatures and air quality. The software is sold mainly through partners in Sweden and other countries.

Elvaco has its head office in Kungsbacka in Sweden. The company develops and markets communication equipment and software for the collection, processing and presentation of metrics data in the energy sector. Typical customers are utility companies, such as electricity and district heating companies, with metres spread over a wide geographic area, or real estate companies that want to measure the electricity, heating, water and temperature in a property stock.

Kabona, with its head office in Borås in central Sweden, is one of the leading Swedish companies in sales, design and installation of control systems for buildings. The company produces ingenious energy-saving products for the building automation market with the Ecopilot software as a central component to optimise energy consumption.

NODA, with its head office in Karlshamn, develops and provides solutions for optimisation of district heating systems and for improving energy efficiency in buildings. NODA's "Smart Heat Grid" system enables a district heating provider to reduce peak load demand and optimise the balance by acting as a virtual heat storage tank. NODA became a wholly-owned subsidiary of Bemsiq in October 2017.

Produal, with its head office in Kotka, Finland, develops and sells measurement and room control products for use in building automation. Its product range includes temperature sensors, pressure transmitters, room controllers, transducers and other accessories. Its products are sold through subsidiaries in Finland, Sweden, Denmark and France, and partners in other European countries and branches in Poland, Italy and Spain. The company has a focus on continued international expansion and growth and maintained product leadership through investments in product development.

LUMENRADIO (PART-OWNED)

LumenRadio develops, manufactures and sells equipment for wireless radio communication. The products are based on a number of patents where the idea is basically to enable reliable communication without interference in a world where frequency space is becoming increasingly limited. LumenRadio's technology is based on "Cognitive Coexistence" where the units scan the frequency spectrum continuously to locate and use free channels. Latour Industries owns 25 per cent of the shares in LumenRadio.

FOCUS IN 2018

"We will continue the development and expansion of our existing holdings and will be focusing on improving profitability in all the companies in 2018," Björn states.

When it comes to acquisitions, we are primarily looking for companies that can add strategic value to existing holdings by creating greater product breadth and access to new markets. Latour Industries is moreover constantly on the lookout for new operations that meet Latour's criteria for investment.

Nord-Lock Group

Nord-Lock Group is a world leader in secure bolting solutions. Thanks to its innovative products and extensive expertise, Nord-Lock Group has been contributing to safe, reliable and effective bolting solutions for over 35 years.

NORD-LOCK GROUP AT A GLANCE

Nord-Lock Group secures critical bolted joints and maximises efficiencies for its customers. Over 90 per cent of production is exported. Sales are conducted through its own companies and through a global network of distributors.

IMPORTANT EVENTS IN 2017

- Continued robust sales growth with sustained profitability. Sales exceeded the SEK 1 billion mark in 2017.
- Very strong growth in Asia Pacific with 23 per cent and in the Americas with 25 per cent.
- Very positive response to Nord-Lock Group's Lifetime Warranty concept.
- Marketing communication and information provision via digital channels continues to increase.

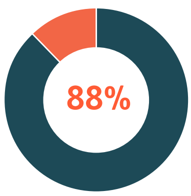
TARGET ACHIEVEMENT

All of the financial targets were achieved in 2017. High demand, successful marketing activities and strong productivity growth made positive contributions.

STRATEGY FOR PROFITABLE GROWTH

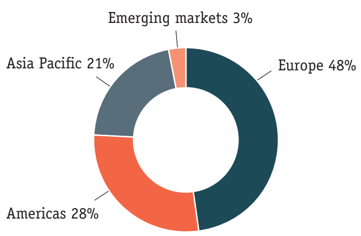
- Conduct innovative product development to further strengthen Nord-Lock Group's leading position in the niche of secure bolting solutions.
- Own sales companies in key markets.
- Further development of capacity and efficiency in production and logistics processes to meet demand in a cost-effective manner.
- Enhance current product portfolios through acquisitions and partnerships.

DEGREE OF INTERNATIONALISATION

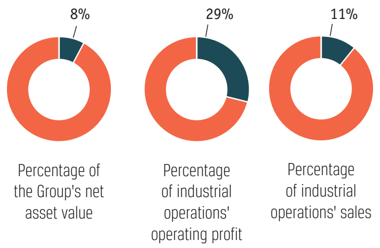


Sales outside the Nordic countries accounted for 88 per cent of total sales in 2017 compared with 90 per cent in 2016.

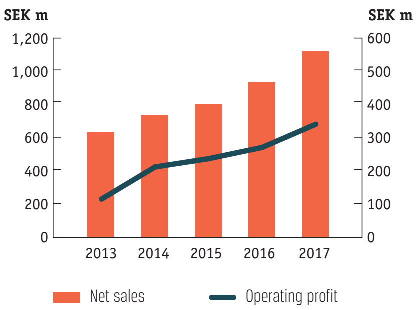
BREAKDOWN OF SALES BY MARKET



PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



SALES AND EARNINGS



SALES AND EARNINGS

SEK m	2017	2016	2015	2014	2013	Latour's minimum targets
Net sales	1,114	927	797	722	624	>10%
(of which outside of Sweden)	1,054	893	763	689	591	
Operating profit	340	270	236	211	114[1]	
Operating capital[2]	950	877	806	590	527	
Operating margin, %	30.5	29.2	29.6	29.3	18.3	>10%
Return on operating capital %	35.8	30.8	34.0	38.0	22.0	15–20%
Investments	27	44	24	20	18	
Number of employees	488	426	372	367	382	

[1] After restructuring costs
[2] Average

"Dynamic expansion for a safer world"

Nord-Lock Group's sales were up 20 per cent in 2017 with a sustained high level of profitability. A strong industrial economy, gains from previous acquisitions, further expansion of the product range and a growing customer base in established and new markets alike all contributed to the robust performance.

Over the last four years, Nord-Lock Group has transformed from an engineering company producing fasteners into an innovative technology company with a portfolio of world-leading brands of secure bolting solutions. During that period, sales have risen 54 per cent and stood at SEK 1.1 billion in 2017. A key reason behind Nord-Lock Group's successful growth is its ability to be first in the market with ground-breaking innovations, like its wedge-locking washers, MJT tensioners and pivot axles that prevent pivot wear. In 2017, Nord-Lock Group was the first in the world to introduce a lifetime warranty across all of its technologies.

"A lifetime warranty shows that we trust fully in our technologies and it underscores the outstanding quality of our products," says Ola Ringdahl, CEO of Nord-Lock Group.

Ola Ringdahl, CEO of Nord-Lock Group.

LEADING SAFETY TECHNOLOGIES

The lifetime warranty concept means that all of the company's technologies are covered by the most comprehensive warranties in each market. Nord-Lock Group's portfolio comprises four world-leading brands within their respective product categories: Nord-Lock, Superbolt, Boltight and Expander.

Nord-Lock's world-leading wedge-locking washers are known globally for their ability to secure bolted joints that are subjected to excessive vibrations or dynamic loads. It is not possible for the system to accidentally come loose, because a wedge-locking effect is created underneath the bolt head or the nut. Moreover, the washers are quickly and easily assembled and disassembled using standard tools.

Powerful, patented, multi-jackbolt tensioners (MJTs) are manufactured and marketed under the Superbolt brand and replace hex nuts, capsule nuts, screws, etc. MJTs are safe, secure and easy to use. The flexibility of the tensioner along with the extreme clamping strength that can be generated ensures a superior joint. MJTs also only require hand tools to tighten large nuts and bolts.

The Boltight brand offers an array of innovative hydraulic bolt-tightening tools. These cost-efficient solutions have been developed for industrial applications in collaboration with customers. Boltight has been at the forefront of the hydraulic bolt tensioning industry for many years and its products make huge differences with respect to efficiency and precision in sectors such as the global power industry.

We now have a very competitive offering of highly-advanced secure bolting solutions.

Expander was added to the portfolio in 2016 and specialises in the design, manufacture and marketing of the Expander System. Its innovative pivot pin system is designed for heavy machinery and equipment within mining, building and construction, forestry, process industry and oil and gas. The technology provides a permanent, cost-effective solution for a specific problem and complements Nord-Lock Group's other portfolios of secure bolting solutions.

"Our expectations for Expander have been greatly exceeded. Its successful performance is the result of a conscientious, long-term approach and being part of a larger organisation with a

Nord-Lock Group is an innovative technology company with a portfolio of four world-leading brands of secure bolting solutions: Nord-Lock, Superbolt, Boltight and Expander. In 2017, Nord-Lock Group was the first in the world to introduce a lifetime warranty across all of its technologies.

completely different framework for marketing, sales and other activities. Our presence in markets with major mining industries, such as Chile, will further support Expander's growth," Ola says.

GLOBAL, CUSTOMER-CENTRIC SALES ORGANISATION

Nord-Lock Group's global sales organisation continued to grow in 2017. At the end of the year, it had over 25 sales companies in the key industrial markets around the world and was also represented in more than 50 countries through distributors and authorised resellers.

"We set up our first sales company in India in 2017 and are adding more employees to our established organisation in all the major markets. The sales organisation has a 200-strong workforce today," says Ola.

88 per cent of Nord-Lock Group's sales take place outside the Nordic region today. Europe is its largest market, followed by the Americas and Asia Pacific. All regions experienced a powerful increase in sales in absolute terms in 2017. As a percentage, sales grew fastest in the Asia Pacific market, which is also where the organisation is expanding the most. The first employees in Taiwan, Indonesia and Chile were recruited in 2017. A number of new sales offices are scheduled to open in 2018. Each sales company comprises up to 25 sales engineers who work with and train major industrial companies in each market.

"Our sales organisation gives us a great competitive advantage and we are always building up each company with local talent. Nord-Lock Group is well-known in the industry and is an attractive employer," says Ola.

NORD-LOCK GROUP CREATES NEW MARKET

Nord-Lock Group's technologies are sold around the world to customer segments where safety is a priority for the application. Most of the major, global, industrial companies are customers and Nord-Lock Group works with all kinds of critical structures, such as trains, bridges, wind turbines, heavy-duty vehicles, high masts, workshop machinery and power turbines. Demand was particularly strong from customers in the wind power, mining and transport sectors in 2017.

"The strong industrial economy had a positive effect on demand, of course, but our sales successes stem mainly from our ability to demonstrate how the technologies contribute to enhanced safety. Our greatest challenge is ignorance and our greatest competitor is a lingering acceptance of many traditional but inadequate solutions. Quite simply, we need to focus on our position as a "knowledge leader" and teach others about the importance of secure bolting solutions. There are tremendous opportunities for us to influence the size of our potential market," says Ola.

IMPORTANT DIGITAL CHANNELS

The company's major investment in digital marketing is one reason for the growing global interest in and awareness of Nord-Lock Group's leading portfolio. Short videos, produced by the company, and other content are published on various social medial channels and spread quickly among those working in the industry and potential customers. A constant presence on channels like YouTube, Instagram and Facebook is enabled by Nord-Lock Group's international and service-oriented organisation. Questions and comments on video clips are swiftly answered and the organisation is fluent in many languages.

"Videos are a very dynamic way of explaining the often complex solutions that we offer in a way that is easily understood. We therefore place considerable focus on the content of the videos to continue educating the market and present the benefits that can be gained from our products and expertise. This helps our local sales teams identify new customers and build engagement with existing customers," Ola says.

BROADER OFFERING

Nord-Lock Group works closely alongside its customers and gives priority to effective innovation and product development in order to consolidate its position as a global market leader. In 2017, the offering in each technology was expanded in order to engage with more applications and further broaden the customer base. Customer support for Nord-Lock's wedge-locking solutions has been expanded, for example, with an app in which customers can enter the parameters of a joint, select a method of calculation and instantly get the recommended torque. It is a good complement to the personal advice available to customers worldwide. Several products have been added to the Superbolt range (HyFit, EzFit and VersaTite). The Expander range has also been extended and now includes solutions for a variety of machine joints.

"Most of the world's largest and leading technology and industrial companies are on our customer list. This requires us to have extensive knowledge of all areas of the industries in which our customers operate, not just the application itself. For instance, our Superbolt technology is being used in the construction of the world's largest nuclear fusion plant, ITER in France, and Nord-Lock's wedge-locking washers secure the critical bolted joints in and around high-speed trains around the world," says Ola.

Safety aspects are a vital factor in all customer markets. Nord-Lock Group's products are certified to provide excellent performance for the most demanding applications, offering customers greater assurance and creating a competitive advantage for Nord-Lock Group.

FOCUS IN 2018

Nord-Lock Group is continuing its path of dynamic expansion. Its sales organisation will grow in established and new countries, with a strong focus on Asia Pacific. It will be making investments to expand production capacity to keep pace with demand. There will also be a focus on recruiting new talent to provide more support to Nord-Lock Group's successful customer base.

"We will maintain a strong focus on creating relevant content across our digital channels to spread bolting knowledge and information about our market-leading technologies as widely as possible. In four years, we have transformed from an engineering company into a technology company leading the way in secure bolting solutions. Our highly-skilled 500-strong workforce provides for significant opportunities to continue to grow, both organically and through acquisitions, and to make our world a safer place," says Ola in closing.

Swegon

Swegon maintains a clear focus on the building users, creating indoor climates with pleasant temperatures and good air quality that promote well-being and comfort.

SWEGON AT A GLANCE

Swegon supplies the market with products and efficient system solutions that promote a healthy indoor climate and contribute to lower life-cycle costs for all types of buildings. Sales and marketing activities are conducted through its own sales companies in 17 countries and through distributors in other markets. Swegon has production units in Europe, North America and India.

IMPORTANT EVENTS IN 2017

- Strong increase in sales due to acquisitions and organic growth.
- Positive growth in Europe and North America, but some markets were affected by a lack of capacity in the construction sector.
- Continued investment in product development, marketing activities and digitisation.
- Acquisition of Safegard Systems Ltd., a leading provider in the UK and Ireland of intelligent control and monitoring systems for smoke and fire dampers.

TARGET ACHIEVEMENT

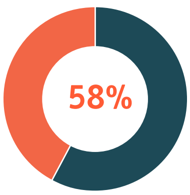
The sales target was achieved as a result of acquisitions and focused investment in product development and marketing. The year closed with the highest order backlog ever.

Profitability was affected by on-going, major, long-term investment in IT, commercial software and R&D, but is at a good level in terms of industry.

STRATEGY FOR PROFITABLE GROWTH

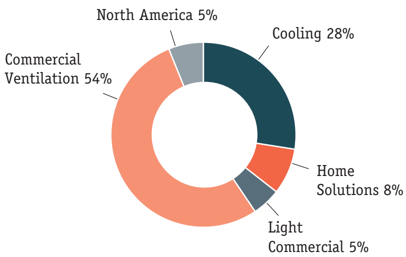
- Differentiate the offering through market-leading, innovative system solutions for the indoor climate sector.
- Continue to develop its strong position in the domestic Nordic markets.
- Create strong positions in key European markets through acquisitions and development of existing operations.
- Continue to develop its presence in North America.

DEGREE OF INTERNATIONALISATION

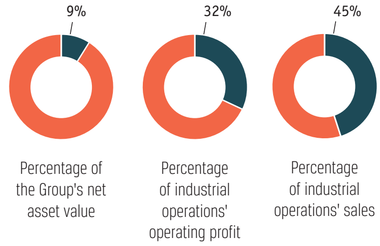


Sales outside the Nordic countries accounted for 58 per cent of total sales in 2017 compared with 55 per cent in 2016.

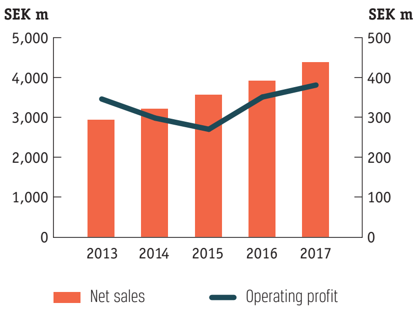
BREAKDOWN OF SALES BY BUSINESS UNIT



PERCENTAGE OF NET ASSET VALUE, OPERATING PROFIT AND SALES



SALES AND EARNINGS



SALES AND EARNINGS

SEK m	2017	2016	2015	2014	2013	Latour's minimum targets
Net sales	4,378	3,913	3,559	3,209	2,936	>10%
(of which outside of Sweden)	3,356	2,933	2,712	2,498	2,152	
Operating profit	381	351	270	298	346	
Operating capital[1]	2,903	2,510	2,242	2,363	1,177	
Operating margin, %	8.7	9.0	7.6	9.3	11.8	>10%
Return on operating capital %	13.1	14.0	11.0	17.0	30.0	15–20%
Investments	62	70	53	65	56	
Number of employees	2,228	1,958	1,840	1,674	1,461	

[1] Average

"Continued expansion and development of the offering"

Swegon continues to grow and develop leading, innovative indoor climate products and systems to bring added value to customers. In 2017, sales rose 12 per cent driven by acquisitions and investments in selected markets and product areas.

Since 2014, Swegon has radically transformed its operations. It has invested in making processes and tools more efficient to improve its competitive edge, and has expanded greatly through acquisitions in prioritised markets and product areas. Sales have almost doubled in five years and the operations are grouped into five business areas today to reflect and respond to specific and important customer needs.

"We are now entering the next phase which is to create an even better experience for our customers. This will be achieved by developing software and technologies to make business even simpler for our various customer groups," says Hannu Saastamoinen, CEO of Swegon.

Hannu Saastamoinen, CEO of Swegon

GOOD MARKET POTENTIAL

Swegon's organic growth reached 3 per cent in 2017. The growth was partly held back by a lack of capacity among customers in the Nordic region, Germany and elsewhere, which has meant projects have been postponed to later dates. The long-term outlook for the ventilation and indoor climate systems market remains positive. Demand is being driven by the need to reduce carbon emissions, enhance well-being by improving indoor climates and respond to property owners' calls for lower running costs. The fact that properties account for approximately 40 per cent of annual energy consumption in Europe means that Swegon's energy-efficient solutions have great potential to deliver environmental and economic benefits. Above all, it is the growing realisation of the effects of good air quality and a pleasant indoor climate that creates the best opportunities.

"We are seeing an obvious trend in which all aspects that have an impact on the indoor climate, such as air, sound and lighting, need to be developed for enhanced well-being. We focus greatly on healthy indoor environments in our offering at Swegon and are at the forefront of product developments, for example, with our new WISE system," says Hannu.

DEEP CUSTOMER INSIGHT

Swegon is involved at every stage of the value chain in a project and meets all the stakeholders who are affected by the company's solution, but their needs differ. The consultants that specify the projects want top-quality, highly innovative products that are safe and easy to understand. The installers are looking for simple, straightforward products

Swegon will continue to grow organically in its key markets and ensure continued growth in its recently acquired companies.

that are easily and quickly available. The end users who will be occupying and using the properties where Swegon's products and systems are installed want a healthy indoor climate with good air quality. Finally, the property owners want value for their investment and appreciate it if Swegon's products add something extra to the interior of the buildings and lower net running costs. Naturally, such a complex value chain presents us with challenges, but also provides greater opportunities for Swegon to develop solutions with higher overall value.

"Customer Empathy" is one of Swegon's core values that everyone in the company lives by. We want to know how

Swegon is "The indoor climate company" – with a strong focus on healthy indoor environments in its offering and on being at the forefront of product developments. By linking different "intelligent" products together, Swegon has developed system concepts that have helped set a new standard in the industry.

our customers think and what their needs are today and tomorrow, so that we can develop the right kind of solutions to meet these needs," Hannu says.

HIGH PACE OF INNOVATION

Swegon's product portfolio contains industry-leading air handling units, water and air borne climate systems, data cooling products, chillers, heat pumps, fire and smoke dampers, and flow control and acoustics products for all kinds of buildings. The pace of innovation is high and by linking different "intelligent" products together, Swegon has developed system concepts that have helped set a new standard in the industry.

"The systems help optimise operations, energy consumption and the indoor climate of offices, hotels, retail premises, etc. They are also based on a targeted product development with a focus on digitisation and smart, wireless communication," says Hannu.

One example is WISE for demand-controlled ventilation that uses wireless communication technology that delivers significant savings in installation and running costs and optimises the indoor climate. Blueye is a system developed for cooling applications and wirelessly integrates service, operational efficiency and other types of services. Swegon's offering also includes the Swegon Connect cloud service that enables simple, remote monitoring of the systems. Products for data centres constitute another growing area. Today, this segment globally uses as much energy as the whole of the UK and this is forecast to double within four years. Since cooling is the key to the safe running of the servers that store data, the cooling systems need to be extremely efficient to keep energy consumption down.

"We provide market-leading, innovative solutions in this area. In 2017, we launched Xenon, an ultra-efficient chiller with indirect evaporative cooling that lowers energy consumption drastically compared with traditional chillers," says Hannu.

GROWTH STRATEGY

Swegon's strategy is intact. The focus is on so-called strongholds – individual markets and segments where Swegon has great growth potential. Swegon has used innovative product development and strategic acquisitions to build up the expertise, step by step, in the selected markets in which the company has a presence today. The key to success is to respond to the needs of the different customer groups in each market. For example, acquisitions in recent years of companies operating in the fire and smoke control sector in the UK and Ireland have produced a strong and innovative product portfolio in a fast-growth segment. Similar positions have been built up in other major HVAC markets in which Swegon has an established presence.

"We have created stable platforms on which to base our operations in all of our markets and the potential for growth remains strong. Through product development and acquisitions, we meet the need for optimal indoor climates in both Commercial and Residential areas," say Hannu.

INCREASED INTERNATIONALISATION

Swegon's geographic exposure has changed dramatically since 2013, from a focus on the Nordic market to investments in prioritised markets and segments in Europe. Furthermore, it is making a long-term commitment in the North American market. This is made possible by continuing to build on Vibro-Acoustics, the Canadian company it acquired, in the region and by launching innovative solutions for growth segments, such as the passive house segment in which Swegon's air handling concept GOLD is gaining market share. Markets outside the Nordic region accounted for 58 per cent of Swegon's sales in 2017, and increased over the previous year as a result of the acquisition of the Irish company Safegard Ltd. Safegard is an advanced supplier of fire and smoke control systems for ventilations systems in hospitals, airports, apartment blocks and other buildings.

"As a long-standing partner of recently acquired Swegon Air Management (former Ruskin Air Management), the acquisition of Safegard consolidates our position as a fire protection system provider in the UK and Ireland. We have witnessed a dramatic increase in volumes in the region in the last year and our customer base is expanding. It seems like our position is seriously starting to move forward," says Hannu.

Swegon is also making major investments to integrate the organisation and further improve efficiencies. A new ERP system will be rolled out in all countries. The investments will have a short-term negative impact on profitability but will promote long-term, profitable expansion.

IMPORTANT EMPLOYEE DEVELOPMENT

Just as in Swegon's customers' industries, competition for talent is stiff in the HVAC industry. Swegon works conscientiously to create a stimulating workplace environment and to ensure that relevant expertise is available to maintain profitable growth. It has a dedicated focus on skills development aimed at enabling it to attract, retain and develop the best talent. Courses are regularly held at the Swegon Knowledge Center, where Swegon works to secure key expertise in the area. The company's values form the foundation for the work of building Swegon's long-term success as The Indoor Climate Company.

"Alongside our acquisition and expansion activities, we have established a strong set of values in which our Customer Empathy and Trust & Commitment values help to bond employees together and ensure that all new people and cultures are embraced," says Hannu.

FOCUS IN 2018

Swegon will continue to grow organically in its key markets and ensure continued growth in its recently acquired companies. The focus is also on realising significant gains from previous major product launches, such as the new WISE, the next generation of GOLD and a broader range of air handling units for the global "light commercial" segments.

"We will also initiate the next stage in our dialogue with customers, where the aim is to make their experience of using our solutions even more positive. This will include the development of software that simplifies management and builds an even closer relationship between us and our customers," say Hannu in closing.

INVESTMENT PORTFOLIO

Significant events in 2017

- The investment portfolio had a market value of SEK 47.4 billion (41.1 billion) at year-end.
- The total return on the investment portfolio was 11.9 per cent. This can be compared with 9.5 per cent for the SIXRX.
- Income from equity investment in 2017 totalled SEK 1,998 m (2,761 m).
- The dividends from the investment portfolio companies in the spring of 2018 are expected to total SEK 1,013 m (863 m).
- Acquisition of 26.7 per cent of the shares in Alimak Group for a value of SEK 1,942 m. Alimak Group is a global leader in vertical transportation systems for the construction and industrial sectors.
- Acquisition of an additional 689,000 TOMRA shares increased Latour's ownership stake to 26.3 per cent of the capital.

Active principal owner in **ten** companies

in a portfolio worth more than SEK 47 billion

Latour's investment portfolio consists of ten companies where Latour is the principal owner, or one of the principal owners, and where it has a voting power of at least 10 per cent. Just like in the wholly-owned industrial operations, the work of the Board is a platform for Latour's creation of value. Regardless of the ownership stake, a structured approach is applied in the work of the Board, acquisition processes and integration processes. Latour operates as a transparent principal owner committed to initiatives that realise sustainable growth and profitability. Its performance over the past years bears witness to the success of its strategy.

MARKET VALUE AND TOTAL RETURN

At the close of 2017, the market value of the investment portfolio was SEK 47.4 billion.

The return was 11.9 per cent in 2017, adjusted for dividends and net investments. This can be compared with 9.5 per cent for Nasdaq OMX Stockholm (SIXRX).

PROFIT OF SEK 2.0 BILLION

Income from equity investment in 2017 totalled SEK 1,998 m (2,761 m). The majority of the income comes from the portfolio companies' profit shares.

NEW RECORD LEVEL DIVIDENDS

The dividends from the investment portfolio companies in the spring of 2018 are expected to total SEK 1,013 m, in accordance with the proposals of each respective board. This is an increase of 14 per cent for comparable portfolios.

CHANGES IN THE PORTFOLIO

During the year, 26.7 per cent of the voting rights and capital in Alimak Group were acquired for SEK 1,942 m. The company is a global leader in vertical transportation systems for the construction and industrial sectors, which is supported by trends such as urbanisation and environmentally-friendly energy production. In addition, the shareholding in the Norwegian recycling group TOMRA was increased to 26.3 per cent of the capital.

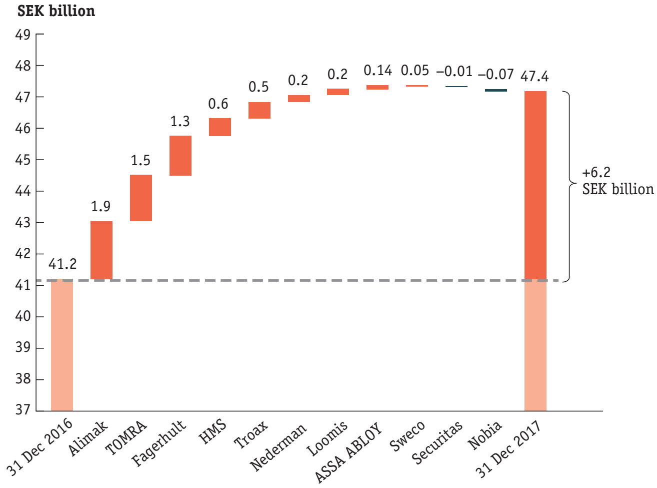
THE INVESTMENT PORTFOLIO INCREASED DURING THE YEAR BY

11.9%

TOTAL RETURN OF THE PORTFOLIO COMPANIES FOR 2017

The total return, including share price growth and dividend, for each portfolio company compared with the SIXRX benchmark index in 2017.

CHANGES IN INVESTMENT PORTFOLIO VALUE FOR 2017



Changes in investment portfolio value in 2017 (SEK billion). These figures do not include dividend payments.
Changes in value also reflect transactions during the year.

INVESTMENT PORTFOLIO

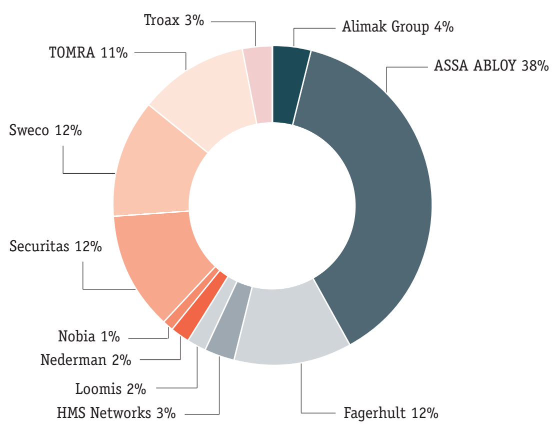
Share[1]	Number	Market value[2] SEK m	Listed price[2] SEK		Cost SEK m	Dividend SEK m	Share of voting rights[3] %	Share of equity[4] %
Alimak Group	14,461,809	1,851	128		1,942	0	26.7	26.7
ASSA ABLOY[5]	105,495,729	17,976	170		1,697	317	29.5	9.5
Fagerhult	55,861,200	5,614	101		571	84	48.8	48.3
HMS Networks	12,109,288	1,501	124		250	12	25.9	25.9
Loomis[5]	2,528,520	871	345		44	20	23.8	3.4
Nederman	3,512,829	878	250		306	19	30.0	30.0
Nobia[6]	4,649,894	323	69		94	14	2.8	2.7
Securitas[5]	39,732,600	5,690	143		1,081	149	29.6	10.9
Sweco[5]	32,622,480	5,931	182		445[7]	140	21.0	26.8
TOMRA[8]	39,000,000	5,134	132	(NOK)	2,000	84	26.4	26.3
Troax	6,020,000	1,677	279		397	23	30.1	30.1
Total		47,446			8,827			

[1] All holdings except for Nobia are recognised as associated companies in the balance sheet.
[2] The last price paid is used as the listed price.
[3] Percentage of voting rights, not including repurchased shares.
[4] Percentage of equity calculated on total number of issued shares.
[5] Due to limited trading in class A shares in Sweco, and because ASSA ABLOY, Loomis and Securitas class A shares are unlisted, they have been given the same listed price as the company's class B shares.
In those cases where the holding consists of both class A and class B shares, they are reported in the table as an entity.
[6] The majority of the Nobia shareholding was sold in December 2015, which means that Latour is no longer the principal owner.
[7] The cost of the class B shares in the Group are SEK 34 m higher than in the parent company through the exercise of call options.
[8] At the end of the report period, the listed share price was NOK 131.50, which has been translated to SEK at the exchange rate prevailing at the balance sheet date.

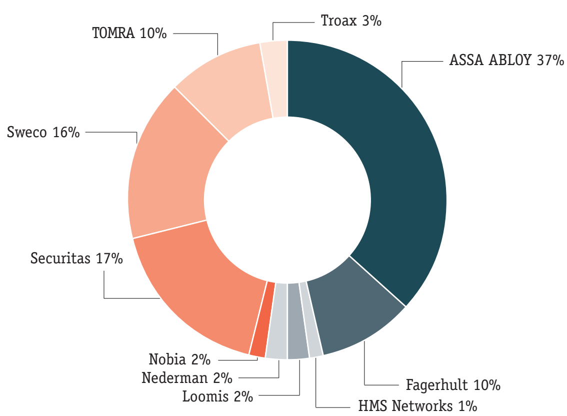
NET CHANGE IN LATOUR'S INVESTMENT PORTFOLIO IN 2017

Share	Number 1 Jan 2017	Purchase	Sale	Number 31 Dec 2017
Alimak Group	0	14,461,809	–	14,461,809
TOMRA	38,311,000	689,000	–	39,000,000

BREAKDOWN OF INVESTMENT PORTFOLIO'S VALUE



PERCENTAGE OF RECEIVED DIVIDENDS



Alimak Group

Alimak is a market-leading Group in vertical transportation systems for the construction and industrial sectors. It focuses strongly on improving customer safety, productivity and profitability. The Group has been a pioneer and leader in the sector of rack-and-pinion lifts and work platforms for almost 70 years. Its portfolio includes standardised and customised vertical transportation systems, such as lifts, platforms, service lifts and building maintenance units (BMU). Alimak Group has more than 2,400 employees and sales in over 100 countries.

2017 AT A GLANCE

Alimak Group's revenue increased by 95 per cent to SEK 4,001 m (2,049 m) in 2017. Organic growth was 9 per cent (1). At the beginning of 2017, the acquired companies Avanti Wind Systems and Facade Access Group were consolidated.

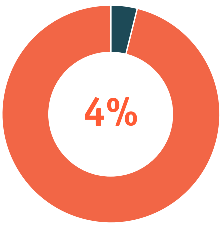
The four business areas all reported organic growth. Construction Equipment and Industrial Equipment had the strongest performance with organic growth of 17 and 8 per cent respectively.

The adjusted EBITA margin fell to 12.8 per cent (16.1).

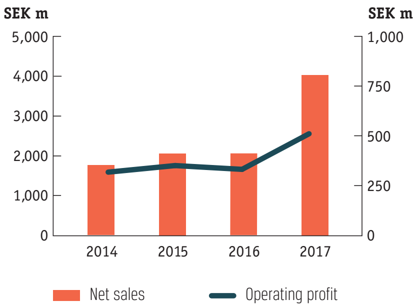
The Board of Directors proposes a dividend payout of SEK 2.30 per share for the 2017 financial year. This is an increase of 44 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **3%**

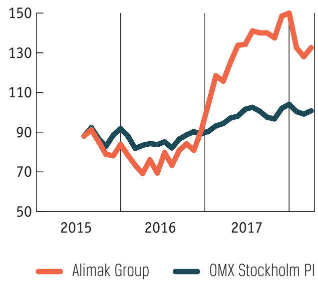
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH ALIMAK



KEY RATIOS

ALIMAK GROUP	Full year 2017	Full year 2016
Net sales, SEK m	4,001	2,049
Operating profit[1], SEK m	510	331
Operating margin[1], %	12.8	16.1
Profit after net financial items, SEK m	389	281
Earnings per share, SEK	5.58	4.10
Equity ratio, %	55.6	67.2
Dividend per share[2], SEK	2.30	1.60
Equity per share, SEK	57.23	50.83
Market value at 31 December, SEK m	6,932	5,600

[1] Adjusted EBITA.
[2] Proposed dividend for 2017.

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	2.0
EV/EBIT	15.4
P/E ratio	18.0
Net debt/EBIT	1.8

[3] Calculation based on final share price at 26 February 2018. Excluding items impacting comparability.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	14,501,809	26.8	26.8
Lannebo Funds	5,668,884	10.5	10.5
Swedbank Robur Funds	4,152,955	7.7	7.7
Peder Pråhl	2,902,543	5.4	5.4
Handelsbanken Funds	2,786,375	5.1	5.1
Lazard	2,157,128	4.0	4.0
York Capital Management LLC	1,625,932	3.0	3.0
Enter Fonder	1,119,098	2.1	2.1
C WorldWide Asset Management	1,013,859	1.9	1.9
BlackRock	948,321	1.8	1.8
Other shareholders	17,280,957	31.9	31.9
Repurchased shares	0	0	–
Total	54,157,861	100.0	100.0

Chairman of the Board: Anders Jonsson
President and CEO: Tormod Gunleiksrud
Board members connected to Latour: Jan Svensson
www.alimakgroup.com

ASSA ABLOY

ASSA ABLOY is the world's largest supplier of intelligent lock and security solutions. State-of-the-art technologies and tried-and-tested methods are used to develop innovative solutions that create added value for the customers through enhanced security, reliability and user-friendliness in both mature and new markets.

Since its foundation in 1994, ASSA ABLOY has grown from a regional company into an international Group with approximately 47,500 employees. ASSA ABLOY is represented all over the world and has leading positions across most of Europe, North and South America, Asia and Oceania.

2017 AT A GLANCE

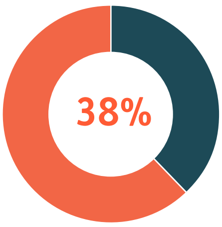
ASSA ABLOY's sales rose 7 per cent (6) in 2017 to SEK 76.1 billion. Organic growth was 4 per cent (2). Operating profit and earnings per share increased by 10 per cent (2). In 2017, 16 acquisitions were consolidated and one business was sold. Net consolidated sales increased by SEK 1,753 m, or 2 per cent, from acquisitions and disposals.

Division Global Technologies posted the strongest organic growth of the year with a successful expansion of digital and mobile solutions.

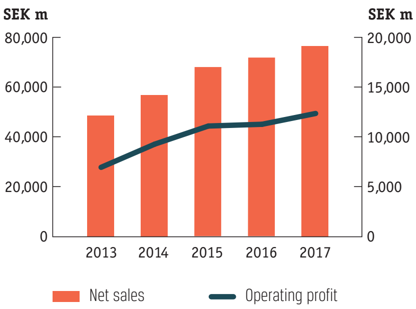
The Board of Directors proposes a dividend payout of SEK 3.30 per share for the 2017 financial year. This is an increase of 10 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **30%**

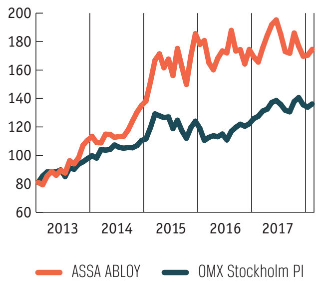
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH ASSA ABLOY



KEY RATIOS

ASSA ABLOY	Full year 2017	Full year 2016
Net sales, SEK m	76,137	71,293
Operating profit[1], SEK m	12,341	11,254
Operating margin[1], %	16.2	15.8
Profit after net financial items, SEK m	11,673	10,549
Earnings per share, SEK	7.77	7.09
Equity ratio, %	50.9	49.6
Dividend per share[2], SEK	3.30	3.00
Equity per share, SEK	45.61	42.51
Market value at 31 December, SEK m	189,583	188,137

[1] Adjusted EBITA.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	A	B	Number Total	% of shares	% of voting rights
Investment AB Latour	41,595,729	63,900,000	105,495,729	9.5	29.5
Melker Schörling AB	15,930,240	26,882,608	42,812,848	3.8	11.4
Capital Group Funds		58,269,593	58,269,593	5.2	3.6
BlackRock Inc.		53,719,714	53,719,714	4.8	3.3
Government of Singapore		46,309,071	46,309,071	4.2	2.8
Fidelity		34,324,352	34,324,352	3.1	2.1
Swedbank Robur Funds		31,882,299	31,882,299	2.9	2.0
Vanguard		26,081,393	26,081,393	2.3	1.6
Norges Bank		25,361,931	25,361,931	2.3	1.6
Alecta Pensionsförsäkring		24,495,000	24,495,000	2.2	1.5
Other shareholders		662,024,404	662,024,404	59.5	40.7
Repurchased shares		1,800,000	1,800,000	0.2	–
Total	57,525,969	1,055,050,365	1,112,576,334	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	3.0
EV/EBIT	18.7
P/E ratio	23.7
Net debt/EBIT	2.0

[3] Calculation based on final share price at 26 February 2018.

Chairman of the Board: Lars Renström

President and CEO: Johan Molin

Board members connected to Latour: Carl Douglas, Jan Svensson

www.assaabloy.com

Fagerhult

Fagerhult is one of Europe's leading lighting companies with subsidiaries in more than 20 countries in four geographic business areas. The company develops, manufactures and markets innovative and energy-efficient lighting solutions for professional settings in three main products areas – Indoor, Retail and Outdoor. The store, brands and customers are usually local and the operations are therefore conducted locally through a number of companies with robust brands. Products are also sold via agents and distributors. Along with local activities, this gives access to about 40 markets. Manufacturing is based in facilities in Europe, Africa, Asia and Australia.

2017 AT A GLANCE

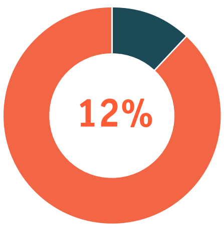
Fagerhult continued its strong growth in 2017. Net sales rose 15.1 per cent to SEK 5,170 m. Organic growth reached 2.6 per cent. The operating profit increased by 29.3 per cent to SEK 677.9 m, which is equivalent to an operating margin of 13.1 per cent (11.7).

The business areas all reported higher net sales and improved operating margins during the year. The West & South Europe business area reported 60 per cent growth, due primarily to the consolidation of previous acquisitions in the Outdoor product area.

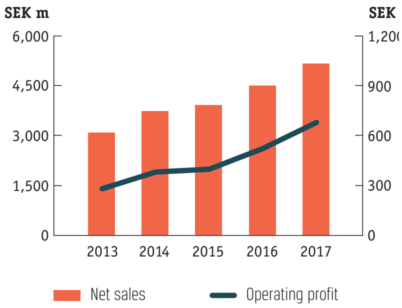
The Board of Directors proposes a dividend payout of SEK 2.00 per share for the 2017 financial year. This is an increase of 33 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **9%**

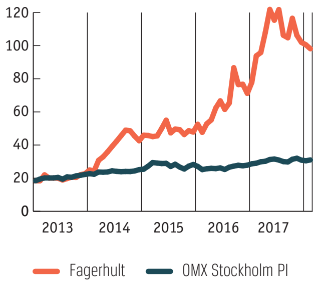
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH FAGERHULT



KEY RATIOS FAGERHULT

	Full year 2017	Full year 2016
Net sales, SEK m	5,170	4,491
Operating profit[1], SEK m	678	524
Operating margin[1], %	13.1	11.7
Profit after net financial items, SEK m	653	515
Earnings per share, SEK	4.32	3.35
Equity ratio, %	31.0	33.8
Dividend per share[2], SEK	2.00	1.50
Equity per share, SEK	16.51	14.30
Market value at 31 December, SEK m	11,623	9,001

[1] EBIT.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	55,861,200	48.3	48.7
SSB CL Omnibus AC	9,758,859	8.4	8.5
Fam Svensson, Family, foundation and companies	7,944,557	6.9	6.9
Lannebo Funds	7,595,314	6.6	6.6
Swedbank Fonder	5,076,126	4.4	4.4
Palmstierna Family	3,018,600	2.6	2.6
Nordea Fonder	2,404,217	2.1	2.1
SEB Funds	2,020,131	1.7	1.8
NTC Fidelity Funds	1,325,439	1.1	1.2
La Financière de lx{2019}Echiquier (FR)	1,275,000	1.1	1.1
Other shareholders	18,212,779	15.7	16.0
Repurchased shares	1,157,778	1.0	–
Total	115,650,000	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	2.6
EV/EBIT	20.2
P/E ratio	23.8
Net debt/EBIT	2.7

[3] Calculation based on final share price at 26 February 2018.

Chairman of the Board: Jan Svensson
President and CEO: Johan Hjertonsson
Board members connected to Latour: Eric Douglas, Jan Svensson
www.fagerhultgroup.com

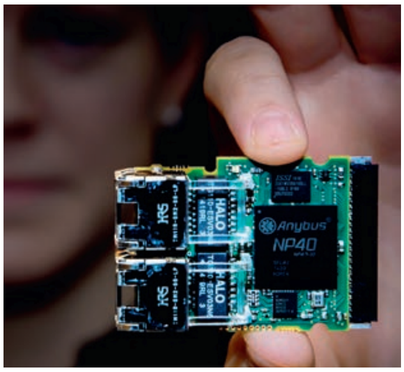
HMS Networks

HMS Networks is a world-leading supplier of software and hardware for industrial communication and Industrial Internet of Things (IIoT). More than 90 per cent of its sales are outside of Sweden to some 60 countries in all. Its head office is in Halmstad in Sweden. It has sales offices in Japan, China, Germany, the USA, Italy, France, India, the UK, Switzerland and Finland. HMS Networks markets network cards and gateways under the Anybus® and IXXAT® brands as well as products for remote surveillance under the eWon® brand. It had a workforce of about 500 in 2017.

2017 AT A GLANCE

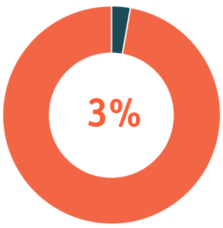
It continued to report strong sales growth in 2017, with a 24 per cent increase to SEK 1,183 m. The operating margin rose 18 per cent (16). HMS Network's long-term targets are annual growth of 20 per cent and an operating margin above 20 per cent. In 2017, all brands and the subsidiary Intesis reported product growth in line with or above target. Growth remained good in the number of new deals during the year for the products sold under the Design-Win business model.

The Board of Directors proposes a dividend payout of SEK 1.50 per share for the 2017 financial year. This is an increase of 50 per cent.

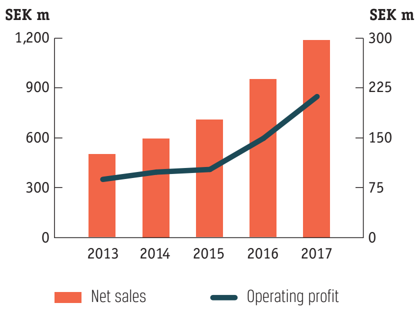


SHARE OF LATOUR'S TOTAL NET ASSET VALUE **2%**

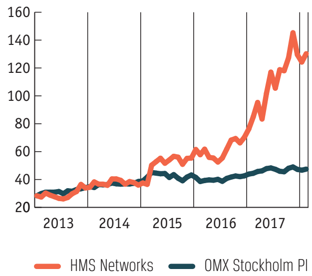
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH HMS



KEY RATIOS

HMS	Full year 2017	Full year 2016
Net sales, SEK m	1,183	952
Operating profit[1], SEK m	212	149
Operating margin[1], %	17.9	15.7
Profit after net financial items, SEK m	195	140
Earnings per share, SEK	3.06	2.16
Equity ratio, %	50.2	45.3
Dividend per share[2], SEK	1.50	1.00
Equity per share, SEK	14.65	12.09
Market value at 31 December, SEK m	5,806	3,558

[1] EBIT.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	12,109,288	25.9	26.1
Staffan Dahlström with companies	6,468,292	13.8	13.9
Swedbank Robur Funds	4,356,776	9.3	9.4
SEB Funds	3,859,322	8.2	8.3
Lannebo Funds	3,015,037	6.4	6.5
AP4	1,752,990	3.7	3.8
AMF Försäkring & Fonder	925,656	2.0	2.0
Fosielund Holding	910,000	1.9	2.0
Serge Bassem, Pierre Crokaert	784,482	1.7	1.7
State Street Bank	563,987	1.2	1.2
Other shareholders	11,711,306	25.0	25.2
Repurchased shares	361,732	0.8	–
Total	46,818,868	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	5.1
EV/EBIT	28.2
P/E ratio	39.6
Net debt/EBIT	1.4

[3] Calculation based on final share price at 26 February 2018.

Chairman of the Board: Charlotte Brogren

President and CEO: Staffan Dahlström

Board members connected to Latour: Anders Mörck

www.hms.se

Loomis

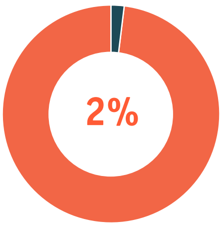
Loomis offers secure and efficient end-to-end solutions for the distribution, management, storage and recycling of cash and other valuables.
Its customers are mainly banks and retailers. It offers service solutions for cash in transit, cash management and international valuables logistics. Cash in transit remains its main source of income, but revenue from cash management services is rapidly growing. Loomis has a strong international presence, with approximately 400 local offices in over 20 countries and the company employs about 23,000 people.

2017 AT A GLANCE

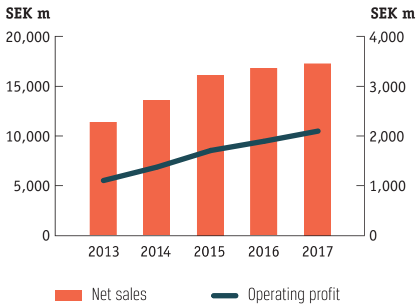
Sales rose 3 per cent to SEK 17.2 billion and thereby met the target of SEK 17 billion in sales by 2017. The operating margin improved to 12.1 per cent (11.2), which is above the target range of 10–12 per cent. New financial targets and sustainability targets for the 2018–2021 strategy period were presented in September. Sales should reach SEK 24 billion by 2021, the operating margin should reach the target range 12–14 per cent and carbon emissions and use of plastics should fall by 30 per cent. The Board of Directors proposes a dividend payout of SEK 9.00 per share for the 2017 financial year. This is an increase of 12.5 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **1%**

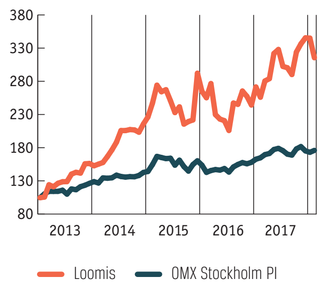
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH LOOMIS



KEY RATIOS LOOMIS

	Full year 2017	Full year 2016
Net sales, SEK m	17,228	16,800
Operating profit[1], SEK m	2,093	1,890
Operating margin[1], %	12.1	11.2
Profit after net financial items, SEK m	1,882	1,735
Earnings per share, SEK	18.99	16.73
Equity ratio, %	46.4	44.7
Dividend per share[2], SEK	9.00	8.00
Equity per share, SEK	93.55	88.36
Market value at 31 December, SEK m	25,941	20,408

[1] Adjusted EBITA.
[2] Proposed dividend for 2017.

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	1.5
EV/EBIT	12.7
P/E ratio	15.1
Net debt/EBIT	1.8

[3] Calculation based on final share price at 26 February 2018. Excluding items impacting comparability.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	A	B	Number Total	% of shares	% of voting rights
Investment AB Latour	2,528,520		2,528,520	3.4	23.8
BlackRock		7,548,188	7,548,188	10.0	7.1
SEB Funds		4,681,299	4,681,299	6.2	4.4
Capital Group		3,698,042	3,698,042	4.9	3.5
Didner & Gerge Fonder Aktiebolag		3,293,934	3,293,934	4.4	3.1
Swedbank Robur Funds		3,040,142	3,040,142	4.0	2.9
Norges Bank		2,315,082	2,315,082	3.1	2.2
Vanguard		2,240,310	2,240,310	3.0	2.1
Fidelity		1,692,367	1,692,367	2.2	1.6
Mawer Investment Management		1,586,868	1,586,868	2.1	1.5
Other shareholders	900,000	41,701,280	42,601,280	56.6	47.8
Repurchased shares		53,797	53,797	0.1	–
Total	3,428,520	71,851,309	75,279,829	100.0	100.0

Chairman of the Board: Alf Göransson
President and CEO: Patrik Andersson
Board members connected to Latour: Jan Svensson
www.loomis.com

Nederman

Nederman is a world-leading supplier of environmental technology products and systems with a focus on air filtering and recycling. Its solutions help reduce environmental impacts from industrial production, create a clean and safe work environment and improve production efficiency. Its offering includes everything from planning to installation, commissioning and service. Its products are marketed through its own subsidiaries in 30 countries and distributors in a further 30 countries or so. Development and production activities are conducted in its own manufacturing and assembly facilities in Europe, North America and Asia. Nederman has about 1,800 employees.

2017 AT A GLANCE

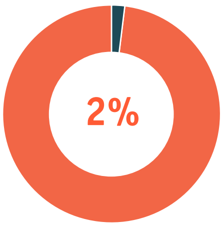
The Group's profitability improved in 2017. The adjusted operating profit increased to SEK 285.8 m to give an adjusted operating margin of 9.1 per cent (8.1). Earnings per share were up 8 per cent to SEK 15.93. The APAC operating segment posted a profit again after a few years of losses, and other operating segments continued to perform well.

Sales remained unchanged at SEK 3.1 billion in 2017. The order intake, on the other hand, achieved 4.6 per cent organic growth during the year.

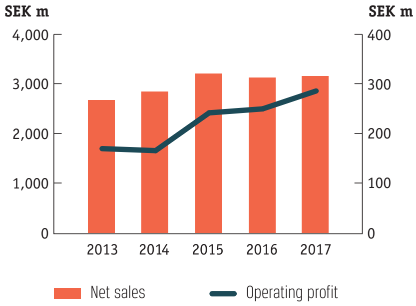
The Board of Directors proposes a dividend payout of SEK 6.00 per share for the 2017 financial year. This is an increase of 10 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **1%**

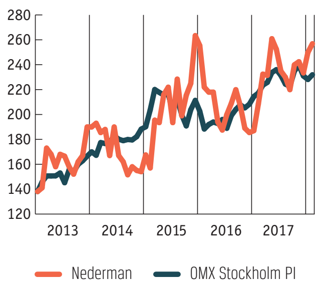
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH NEDERMAN



KEY RATIOS NEDERMAN

	Full year 2017	Full year 2016
Net sales, SEK m	3,149	3,107
Operating profit[1], SEK m	286	250
Operating margin[1], %	9.1	8.1
Profit after net financial items, SEK m	260	232
Earnings per share, SEK	15.9	14.7
Equity ratio, %	36.2	37.0
Dividend per share[2], SEK	6.00	5.50
Equity per share, SEK	91.98	84.08
Market value at 31 December, SEK m	2,929	2,191

[1] Adjusted EBIT.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	3,512,829	30.0	30.0
Lannebo Funds	1,520,692	13.0	13.0
Ernström Kapitalpartner	1,175,000	10.0	10.0
IF Skadeförsäkringar AB	1,160,400	9.9	9.9
Swedbank Robur Funds	877,643	7.5	7.5
AP4	595,842	5.1	5.1
Fondita Nordic Micro Cap	400,000	3.4	3.4
Handelsbanken Funds	265,939	2.3	2.3
UN Joint Staff	239,605	2.0	2.0
AP3 Fund	224,218	1.9	1.9
Other shareholders	1,724,083	14.7	14.7
Repurchased shares	19,089	0.2	–
Total	11,715,340	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	1.1
EV/EBIT	12.6
P/E ratio	15.7
Net debt/EBIT	2.1

[3] Calculation based on final share price at 26 February 2018.

Chairman of the Board: Jan Svensson
President and CEO: Sven Kristensson
Board members connected to Latour: Jan Svensson
www.nederman.se

Securitas

Securitas is a leading company in the security sector with operations in North America, Europe, Latin America, the Middle East, Asia and Africa. The organisation is flat and decentralised and has more than 335,000 employees in 56 countries.

Today, Securitas has a broad and expanding range of security services, including increasingly technology-based systems. Security solutions based on customer-specific needs are created using different combinations of stationary, mobile and remote monitoring, electronic security, fire protection and risk management.

2017 AT A GLANCE

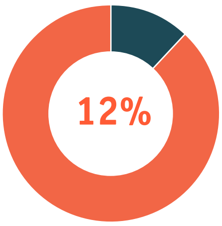
Securitas' sales rose 5 per cent to SEK 92.2 billion and organic sales growth was 5 per cent (7). The operating profit before depreciation and amortisation increased by 2.7 per cent and the operating margin reached 5.1 per cent (5.2).

Sales in the strategically important area of security solutions and technologies increased by 19 per cent (38) and represented 18 per cent (16) of total sales in 2017.

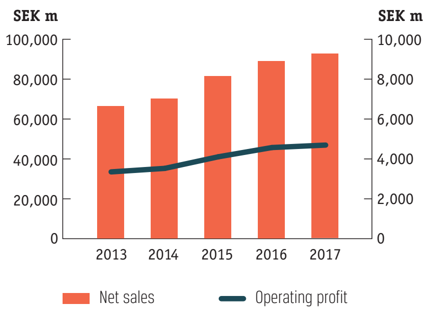
The Board of Directors proposes a dividend payout of SEK 4.00 per share for the 2017 financial year. This is an increase of 7 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **9%**

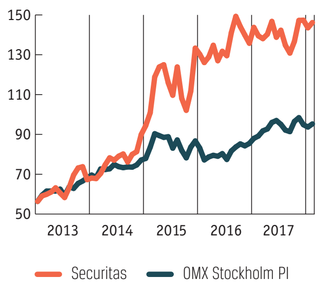
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH SECURITAS



KEY RATIOS SECURITAS

	Full year 2017	Full year 2016
Net sales, SEK m	92,197	88,162
Operating profit[1], SEK m	4,677	4,554
Operating margin[1], %	5.1	5.2
Profit after net financial items, SEK m	3,998	3,764
Earnings per share, SEK	7.83	7.24
Equity ratio, %	31.0	30.0
Dividend per share[2], SEK	4.00	3.75
Equity per share, SEK	41.77	39.74
Market value at 31 December, SEK m	52,276	52,349

[1] Adjusted EBITA.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	A	B	Number Total	% of shares	% of voting rights
Investment AB Latour	12,642,600	27,190,000	39,832,600	10.9	29.6
Melker Schörling with companies and family	4,500,000	15,234,600	19,734,600	5.4	11.6
AMF Försäkring & Fonder		14,719,117	14,719,117	4.0	2.8
Lannebo Funds		11,471,092	11,471,092	3.1	2.2
Swedbank Robur Funds		11,316,545	11,316,545	3.1	2.2
Prudential assurance Co Ltd.		9,869,238	9,869,238	2.7	1.9
SEB Investment Management		8,330,609	8,330,609	2.3	1.6
Livförsäkringsbolaget Skandia		6,557,945	6,557,945	1.8	1.3
Banque Internationale, Luxembourg SA		6,121,000	6,121,000	1.7	1.2
JPM Chase NA		4,966,959	4,966,959	1.4	1.0
Other shareholders		232,139,192	232,139,192	63.6	44.7
Repurchased shares		0	0	0.0	–
Total	17,142,600	347,916,297	365,058,897	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	0.7
EV/EBIT	13.8
P/E ratio	17.7
Net debt/EBIT	2.6

[3] Calculation based on final share price at 26 February 2018. Excluding items impacting comparability.

Chairman of the Board: Marie Ehrling

President and CEO: Alf Göransson

Board members connected to Latour: Carl Douglas, Anders Böös

www.securitas.com

Sweco

Sweco plans and designs the communities and cities of the future. Its work produces sustainable buildings, efficient infrastructure and access to electricity and clean water.

With 14,500 employees in Europe, Sweco offers its customers the right expertise for every situation. The company carries out projects in 70 countries annually.

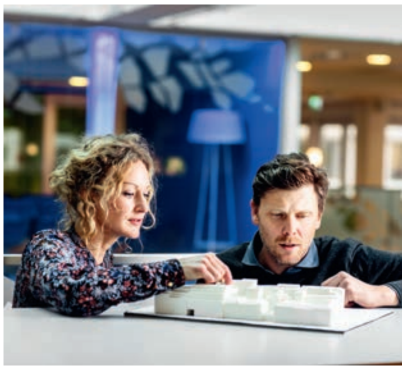
Sweco is Europe's leading engineering and architecture consultancy.

2017 AT A GLANCE

Net sales rose 2 per cent to SEK 16.9 billion. Acquired growth was 1 per cent. Operating profit (EBITA) reached SEK 1,492 m (1,336 m), resulting in an 8.8 per cent (8.1) margin.

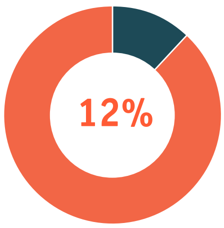
The market for Sweco's services was generally good in 2017. The acquisition of five businesses during the year adds SEK 208 m in annual net sales to its books.

The Board of Directors proposes a dividend payout of SEK 5.00 per share for the 2017 financial year. This is an increase of 16 per cent.

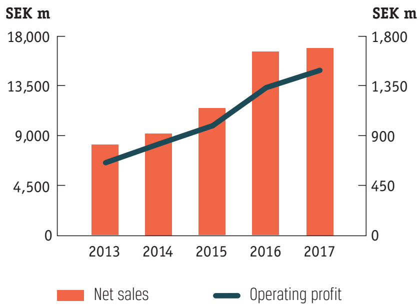


SHARE OF LATOUR'S TOTAL NET ASSET VALUE **10%**

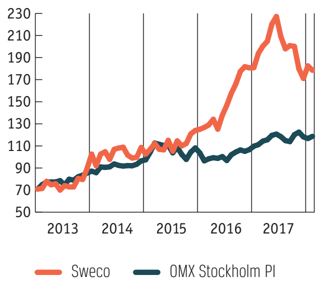
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH SWECO



KEY RATIOS

SWECO	Full year 2017	Full year 2016
Net sales, SEK m	16,887	16,531
Operating profit[1], SEK m	1,492	1,336
Operating margin[1], %	8.8	8.1
Profit after net financial items, SEK m	1,377	1,216
Earnings per share, SEK	10.23	7.78
Equity ratio, %	41.9	39.3
Dividend per share[2], SEK	5.00	4.30
Equity per share, SEK	50.09	45.37
Market value at 31 December, SEK m	22,104	21,981

[1] Adjusted EBITA.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	A	B	C	Number Total	% of shares	% of voting rights
Nordström family with companies	5,948,808	10,728,778		16,677,586	13.7	32.8
Investment AB Latour	1,375,605	31,246,875		32,622,480	26.8	21.0
J. G. Richert Foundation	1,991,260	67,832		2,059,092	1.7	9.3
NN Group		6,149,644		6,149,644	5.1	2.9
Odin Funds		4,883,997		4,883,997	4.0	2.3
Swedbank Robur Funds		4,161,924		4,161,924	3.4	1.9
SEB Investment Management		3,460,861		3,460,861	2.8	1.6
Lannebo Funds		3,331,375		3,331,375	2.7	1.6
JPMorgan Chase		2,285,748		2,285,748	1.9	1.1
Anders Öhman	200,000	200,000		400,000	0.3	1.0
Other shareholders	1,018,058	42,073,831		43,091,889	35.4	24.4
Repurchased shares		1,959,223	500,000	2,459,223	2.0	–
Total	10,533,731	110,550,088	500,000	121,583,819	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	1.4
EV/EBIT	15.8
P/E ratio	16.8
Net debt/EBIT	1.1

[3] Calculation based on final share price at 26 February 2018. Excluding items impacting comparability.

Chairman of the Board: Johan Nordström
President and CEO: Tomas Carlsson
Board members connected to Latour: Anders G. Carlberg
www.swecogroup.com

TOMRA

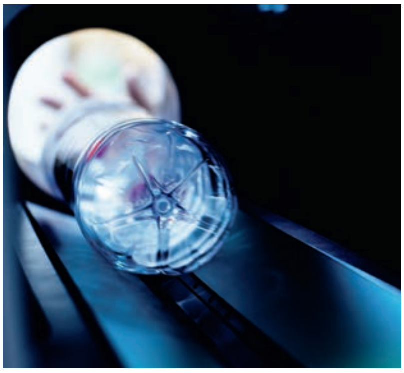
TOMRA is a world-leading company in sorting and recycling technologies. The company was founded in Norway in 1972. Today it has about 3,500 employees and operations in 80 countries all over the world. TOMRA's products and services are offered in two main business areas: TOMRA Collection Solutions and TOMRA Sorting Solutions.

TOMRA Collection Solutions comprise solutions for automated collection of deposit bottles. TOMRA Sorting Solutions offers sensor-based technology for efficient sorting processes, for example in the food industry, mining industry and for recycling purposes.

2017 AT A GLANCE

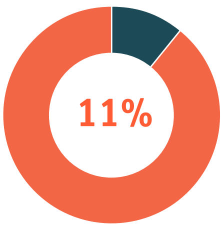
TOMRA'S net sales rose 12 per cent to NOK 7,432 m. TOMRA Collection Solutions' sales growth was –5 per cent (7), and TOMRA Sorting Solutions' sales increased by 40 per cent (9). Growth was –5 and 9 per cent respectively when adjusted for foreign exchange effects and acquisitions. TOMRA Sorting Solutions' figures include the New Zealand company Compac Holding, acquired in late 2016, with annual sales of approximately NOK 900 m. EBITA reached NOK 1,068 m and the EBITA margin stood at 14 per cent (17).

The Board of Directors proposes a dividend payout of NOK 2.35 per share for the 2017 financial year. This is an increase of 12 per cent.

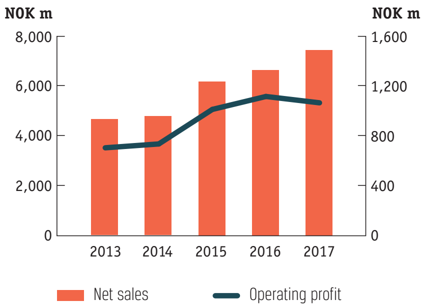


SHARE OF LATOUR'S TOTAL NET ASSET VALUE **8%**

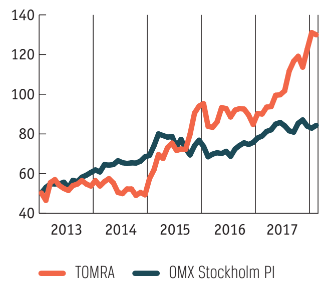
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH TOMRA



KEY RATIOS

TOMRA	Full year 2017	Full year 2016
Net sales, NOK m	7,432	6,610
Operating profit[1], NOK m	1,068	1,119
Operating margin[1], %	14.4	16.9
Profit after net financial items, NOK m	887	1,008
Earnings per share, NOK	4.14	4.68
Equity ratio, %	54.5	58.9
Dividend per share[2], NOK	2.35	2.10
Equity per share, NOK	31.13	28.42
Market value at 31 December, SEK m	19,484	14,119

[1] EBITA.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	39,000,000	26.3	26.4
Folketrygdfondet	8,679,393	5.9	5.9
The Bank of New York	7,845,000	5.3	5.3
Goldman Sachs & Co.	4,298,374	2.9	2.9
SEB Investment Management	3,361,769	2.3	2.3
Clearstream Banking	2,585,774	1.7	1.8
Danske Capital AS	2,195,030	1.5	1.5
Nordea Nordic Small	2,149,276	1.5	1.5
Odin Norge	2,040,771	1.4	1.4
BNP Paribas Securities	1,995,070	1.3	1.4
Other shareholders	73,413,281	49.6	49.8
Repurchased shares	456,340	0.3	–
Total	148,020,078	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	2.9
EV/EBIT	20.0
P/E ratio	28.6
Net debt/EBIT	0.5

[3] Calculation based on final share price at 26 February 2018. Excluding items impacting comparability.

Chairman of the Board: Jan Svensson
President and CEO: Stefan Ranstrand
Board members connected to Latour: Jan Svensson
www.tomra.com

Troax

Troax is the leading global supplier of indoor perimeter protection. Troax produces high-quality, innovative, metal-based mesh panel solutions for the market areas of machine protection, storage and warehousing, and for the protection of people, property and processes.

Troax has a global organisation with an unparalleled sales force and efficient logistics set-up, enabling local presence and short delivery times in 36 countries. The Group had almost 670 employees in 2017. Its head office is in Hillerstorp in Sweden.

2017 AT A GLANCE

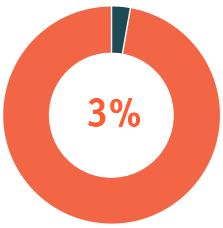
Net sales rose 31 per cent during the year. The increase was 17 per cent when adjusted for foreign exchange effects and acquisitions. Operating profit rose to EUR 30.6 m, resulting in an operating margin of 20.1 per cent (21.8).

Troax has four market segments and growth was particularly strong in the Continental Europe and Nordic segment. Folding Guard in the USA, acquired in late 2016, reported increased sales during the year.

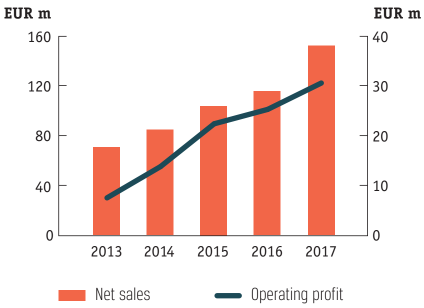
The Board of Directors proposes a dividend payout of SEK 4.25 per share for the 2017 financial year. This is an increase of 13 per cent.

SHARE OF LATOUR'S TOTAL NET ASSET VALUE **3%**

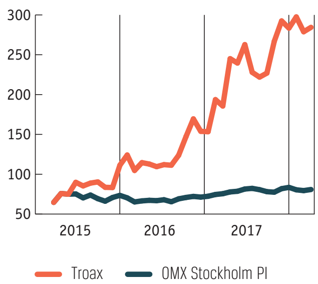
PERCENTAGE OF LATOUR'S PORTFOLIO OF LISTED SHARES



SALES AND EARNINGS



SHARE PRICE GROWTH TROAX



KEY RATIOS TROAX

	Full year 2017	Full year 2016
Net sales, EUR m	152.1	115.8
Operating profit[1], EUR m	30.6	25.3
Operating margin[1], %	20.1	21.8
Profit after net financial items, EUR m	25.4	21.4
Earnings per share, EUR	0.86	0.82
Equity ratio, %	40.1	38.2
Dividend per share[2], SEK	4.25	3.75
Equity per share, EUR	3.46	3.30
Market value at 31 December, SEK m	5,570	3,880

[1] EBIT.
[2] Proposed dividend for 2017.

PRINCIPAL OWNERS AT 31 DECEMBER 2017

	Number Total	% of shares	% of voting rights
Investment AB Latour	6,020,000	30.1	30.1
Nordea Investment Funds	1,924,989	9.6	9.6
Svolder AB	1,300,000	6.5	6.5
Thomas Widstrand	1,149,260	5.7	5.7
Spiltan Fonder AB	880,320	4.4	4.4
Catella Fondförvaltning	875,381	4.4	4.4
Ola Österberg	537,871	2.7	2.7
KBC Equity Funds	357,566	1.8	1.8
BNYMSANV RE BNYMSANVLUX RE SLI	351,104	1.8	1.8
State Street Bank and Trust Client	319,692	1.6	1.6
Other shareholders	6,283,817	31.4	31.4
Repurchased shares	0	0	–
Total	20,000,000	100.0	100.0

KEY RATIOS FOR MEASUREMENT AND RISK[3]

EV/sales	3.7
EV/EBIT	18.3
P/E ratio	29.4
Net debt/EBIT	1.8

[3] Calculation based on final share price at 26 February 2018.

Chairman of the Board: Jan Svensson
President and CEO: Thomas Widstrand
Board members connected to Latour: Jan Svensson
www.troax.com

Part-owned holdings

In addition to the wholly-owned industrial operations and the investment portfolio, Latour has interests in a number of unlisted companies. However, the holdings account for only about 1 per cent of Latour's net asset value.

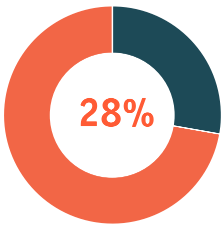
Over the years, a part-owned line of business has developed where Latour is one of the principal owners in unlisted companies in which a wholly-owned ownership structure has not been possible for various reasons. The companies have often the same attributes as many of Latour's major holdings, i.e. companies with a significant element of product development and with good products in interesting niches.

Diamorph

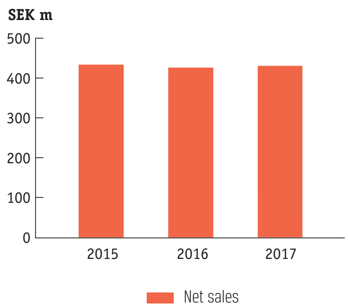
Advanced material for demanding applications

Diamorph supplies advanced material solutions for especially demanding industrial applications. The Diamorph Group has a global customer base in more than 60 countries and almost 300 production and sales employees at two facilities in the UK and the Czech Republic. It also has sales teams in Sweden, the USA, Germany, France and Italy. Diamorph's advanced material is used in trains, submarines, hydro-electric power stations and buildings around the world.

LATOUR'S PERCENTAGE OF DIAMORPH'S CAPITAL AND VOTING RIGHTS



NET SALES

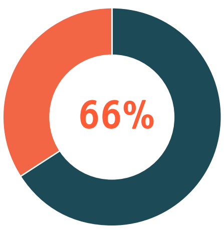


Neuffer

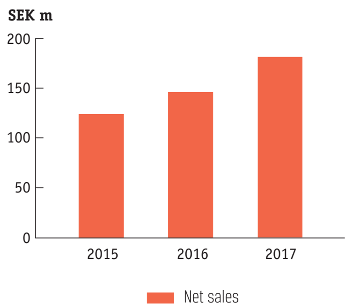
Leading online player in the window and exterior door market

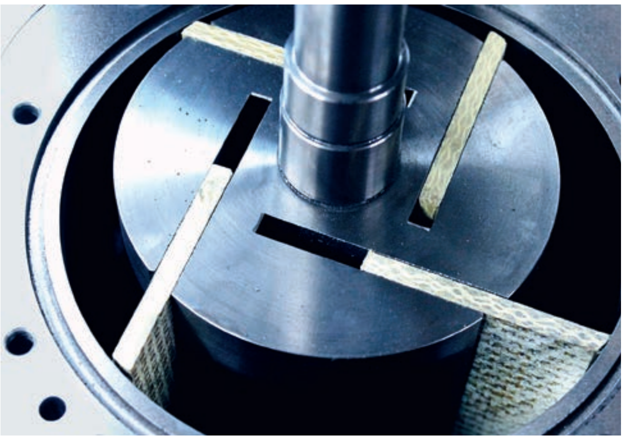
Neuffer Fenster + Türen sells and markets windows and exterior doors via its established online sales sites.
The market for building materials that are sold online is growing steadily and Neuffer has established a strong position in the window and door segment in Germany and France. The company has some 50 employees and its head office is in Stuttgart. It is in a phase of strong growth with a focus on international expansion.

LATOUR'S PERCENTAGE OF NEUFFER'S CAPITAL AND VOTING RIGHTS



NET SALES





Diamorph's advanced material solutions are sold to customers in more than 60 countries.

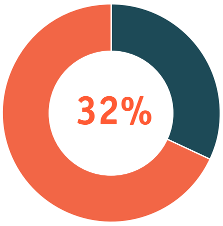
Terratech provides intelligent, safe and efficient products for tool carriers.

Oxeon

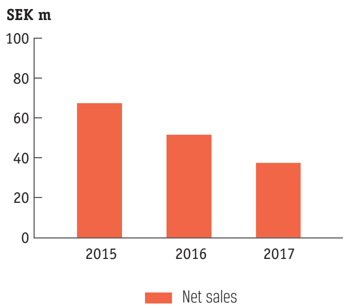
Material that creates unique benefits for the users

Oxeon develops, manufactures and markets a spread tow fabric that consists of carbon fibre tows instead of threads. The company, founded in 2003, has four patents in this field. Oxeon's reinforced fabric is marketed under the brand TeXtreme® and is offered to customers in the composite industry who really need to reduce the weight of their products. Customers who use TeXtreme® have been able to reduce the weight of their products by as much as 25 to 30 per cent and still maintain, or improve, mechanical performance.

LATOUR'S PERCENTAGE OF OXEON'S CAPITAL AND VOTING RIGHTS



NET SALES

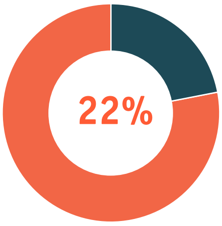


Terratech

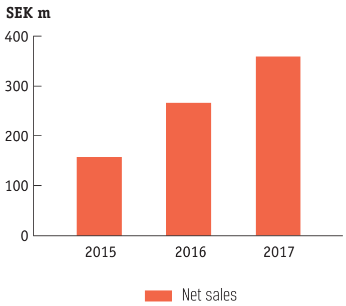
Intelligent products for excavators and tool carriers

Terratech is an expanding industrial group focused on providing intelligent, safe and efficient products and services for excavators and other tool carriers. The Group consists of two companies, Steelwrist and SVAB Hydraulik, with a combined workforce of 150. Steelwrist develops, manufactures and sells tools which increase excavator efficiency and safety. SVAB develops hydraulic products and solutions, control electronics and ergonomic designs for different types of working vehicles.

LATOUR'S PERCENTAGE OF TERRATECH'S CAPITAL AND VOTING RIGHTS



NET SALES



ANNUAL REPORT 2017

The Board of Directors and the Chief Executive Officer of Investment AB Latour (publ) herewith present the Annual Report and consolidated financial statements for 2017.

Directors' report

THE GROUP

Investment AB Latour is a mixed investment company. Latour's investments mainly consist of a wholly-owned industrial operation grouped into four business areas and an investment portfolio containing ten holdings in which Latour is the principal owner or one of the principal owners. At 31 December 2017, the market value of the investment portfolio was SEK 47.4 billion. In addition to the above two business lines, Latour owns a smaller portfolio of part-owned holdings.

Group operations are run by Latour's subsidiary Nordiska Industri AB and Latour-Gruppen AB. The subsidiary Karpalunds Ångbryggeri AB trades in shares and other securities and the subsidiary Latour Förvaltning AB specialises in the management of securities.

Changes to industrial operations

Latour's aim is at least 10 per cent annual growth of its industrial operations over a business cycle through a combination of organic growth and acquisitions. The goal is to own stable industrial companies with proprietary products and favourable conditions for international expansion.

In 2017, seven acquisitions were made in the business areas. The acquisitions in aggregate contributed almost SEK 750 m to sales, of which approximately SEK 484 m is included in the net sales for 2017.

Latour Industries completed five acquisitions during the year.

In April, the German company ATT was acquired through the subsidiary REAC. AAT is a leading supplier of powered stair climbing solutions and add-on drive products to the European mobility rehab market. The acquisition enhances REAC's product range, which provides a good base for further growth within interesting market segments. AAT generates annual sales of approximately EUR 18 m and has 72 employees. VIMEC in Italy, a leading manufacturer of platform lifts and stair lifts, was acquired in May The acquisition of VIMEC was a natural next step for Latour Industries after the acquisition of the Swedish lift manufacturer Aritco in the spring of 2016. VIMEC generates annual sales of approximately EUR 45 m and has 166 employees. Two smaller business operations were acquired in October. Its subsidiary LSAB acquired the saw blade manufacturer Micor, based in Laholm. Micor has 19 employees and annual sales of approximately SEK 27 m. The subsidiary BEMSIQ acquired remaining shares in NODA, a company that specialises in energy optimisation for district heating grids. Its business model is based on recurring license fees. The company has 15 employees and annual sales of approximately SEK 5 m. Finally, Latour Industries acquired the Finnish company Hakaser Oy in December via the subsidiary DENSIQ. Hakaser specialises in the repair and maintenance of industrial valves for process-related industries in the Finnish market. The acquisition was part of DENSIQ's strategy to bolster its position as an end-to-end service provider of sealing technology solutions and to enhance its geographic coverage in the Nordic region. Hakaser generates sales of EUR 1.4 m and has 8 employees.

Swegon made one acquisition during the year. The Irish company Safegard Systems Ltd. was acquired in February. Safegard is the leading provider in the UK and Ireland of intelligent control and monitoring systems for smoke and fire dampers. Safegard's systems are used to contain and extract smoke within the ducted ventilation systems of commercial buildings such as hospitals, airports and multi-storey office blocks. The acquisition has a natural link to Swegon's previous acquisition of the smoke and fire damper manufacturer Swegon Air Management in the UK (former Ruskin Air Management). Safegard has an annual turnover of EUR 8 m and 24 employees.

Finally, in March, Hultafors Group acquired Puvab AB, a Swedish company specialising in protective wear for the energy and utility sector. It also manufactures flame-resistant protective clothing for other industries. It produces high-quality, certified garments with an innovative design for work in demanding conditions. Puvab AB has an annual turnover of SEK 42 m and 49 employees.

Further information about company acquisitions and sales is presented in Note 45.

Changes to the investment portfolio

During the year, the acquisition of 689,000 shares increased the share of equity in Tomra Systems ASA to 26.3 per cent. In the third quarter, Latour became the largest shareholder in Alimak Group with the acquisition of 14,461,809 shares, representing 26.7 per cent of voting rights and capital.

Changes to other holdings

A smaller additional investment was made in part-owned companies during the year when Latour-Gruppen increased its shareholding in Diamorph in the first quarter from 26.4 per cent at the start of the year to 28.2 per cent at the close of the year.

Events after the reporting period

In February, Latour established a Medium Term Note (MTN) programme for the issue of bonds with a budget of SEK 4 billion. In a subsequent issue in early March, three bonds were issued with a total value of SEK 2.5 billion, which was used to amortise borrowing from existing lines of credit.

Otherwise, there were no material events subsequent to the end of the reporting period.

Results and financial position

The Group's profit after financial items was SEK 3,069 m (3,754 m). Of this figure, SEK 6 m (890 m) is capital gains. Profit after tax was SEK 2,788 m (3,670 m), which is equivalent to SEK 4.37 (5.75) per share. Of this figure, SEK 0.01 (1.68) per share is capital gains. The Group's cash in hand and liquid investments reached SEK 626 m (1,307 m). Interest-bearing debt, excluding pension liabilities, totalled SEK 4,667 m (2,738 m). The Group's net debt, including pension liabilities, was SEK 4,084 m (1,446 m). The equity ratio was 88 per cent (90) calculated on reported equity in relation to total assets, including undisclosed surpluses in associated companies. For further information, see the ten-year overview on page 115.

Investments
During the period, SEK 268 m (263 m) was invested in property, plant and equipment, of which SEK 145 m (193 m) was machinery and equipment, SEK 29 m (22 m) vehicles, and SEK 94 m (48 m) buildings. Out of total investments for the year, SEK 103 m (79 m) refers to fixed assets in new acquisitions.

PARENT COMPANY
The parent company's profit after financial items was SEK 1,078 m (1,986 m). The parent company's equity ratio was 100 per cent (100).

The Latour share
A 4-for-1 share split was implemented on 21 June. Not including repurchased shares, the number of outstanding shares at 31 December 2017 amounted to 638,848,000. The share option scheme from 2013 expired in 2017 and 302,000 repurchased shares, adjusted for the split, were sold through redemption of call options, after which Latour has a total holding of 992,000 class B shares. Remaining options from the share option scheme from 2013 were redeemed at market value. At 31 December 2017, the number of call options issued to senior executives was 1,062,000, which give the right to purchase 2,439,000 shares. 617,500 of the call options were issued during the year according to the resolution of the 2017 Annual General Meeting. 26,584 class A shares were converted to class B shares in December. After this, the allocation of issued shares is 47,642,448 class A shares and 592,197,552 class B shares. Further share information can be found on pages 22 and 23 and in Note 35.

Personnel
The average number of employees in the Group was 4,902 (4,244). Of these, 3,108 (2,479) were employed abroad. Information about salaries and remuneration and a breakdown of the number of employees are presented in Note 9.

Currency exposure
The subsidiaries' sales and purchases in foreign currencies are balanced through the Group's joint finance function. At the balance sheet date, sales covered by forward exchange contracts totalled SEK 355 m. Currency hedging amounted to SEK 105 m, not including hedging through currency clauses in major import deals. There is a relatively good balance between purchases and sales in foreign currencies, with the exception of net sales in NOK, GBP and EUR and net purchases in USD. For further information, see Note 34.

Risks in industrial operations
As an owner of diversified industrial operations and an investment portfolio with ten holdings, Latour automatically has a relatively good diversification of risks. The Group has customers in a range of industries with a preponderance in the construction industry. Sales in the construction industry are well distributed between new construction and repairs and maintenance. Moreover, there is a relative balance between commercial premises, public premises and housing. The Board conducts an annual risk analysis to assess and evaluate Latour's risk exposure.

Financial risks
Information concerning financial instruments and risk exposure is presented in Note 34.

Related party transactions
The Group did not enter into any related party transactions that had a material effect on its performance and financial position, except for dividend payments.

Board of Directors
Latour's Board of Directors consists of eight members, including the Chief Executive Officer. There are no deputies. All members are elected for a one-year term. Except for the Chief Executive Officer, no members have an operational role in the Group. The secretary of the Board is the Chief Financial Officer of the Group. Olle Nordström was elected Chairman of the Board by the 2017 Annual General Meeting.

Members of the Board represent 80 per cent of the company's voting power and 77 per cent of its share capital. Employees are represented in the subsidiary Latour-Gruppen AB, which is the parent company of the wholly-owned companies in the industrial operations. They are therefore not represented in the investment company's board.

Each year, the Board establishes written rules of procedure that regulate the Board's meetings, the business of these meetings, the division of responsibilities among Board members and the Chief Executive Officer and certain other matters. The Board issues instructions for the Chief Executive Officer that regulate his work tasks and reporting obligation to the Board of Directors.

The Board has had four ordinary meetings during the year to date, not including the inaugural Board meeting and five additional Board meetings. Two of the Board members were unable to attend on one occasion and one of the Board members was unable to attend on three occasions. Otherwise there has been full attendance.

The company's auditor attended two Board meetings and presented reports and observations from the audits performed.

Matters dealt with by the Board include strategic changes in portfolio investments, acquisitions and sales of subsidiaries, the company's risk exposure, budgets and forecasts for the subsidiaries as well as a financial review of operations.

Under the direction of the Chairman, the Board has evaluated its work and all Board members have presented their views.

The Corporate Governance Statement can be found on pages 108–110.

Guidelines for remuneration to senior executives

The following guidelines were approved at the 2017 Annual General Meeting: Remuneration to the Chief Executive Officer and other senior executives consists of basic salary, variable remuneration and pension.

Other senior executives are the members of Executive management and business area managers. Variable remuneration is based on the achievement of targets and can amount to 0 to 100 per cent of the basic salary. To promote a long-term perspective, the Board may decide on compensation, in addition to the annual variable remuneration, related to the long-term development of the business area's value over a period of three years, capped at one-third of the basic salary per year over a three-year period.

The retirement age for the Chief Executive Officer is 62, after which pension makes up 60 per cent of the basic salary for three years. The retirement age for all other senior executives is 65.

The Board may also allow a supplemental remuneration to company management in the form of share-related incentive schemes, for example a call option programme, provided that they promote long-term commitment to the business and they are on market-based terms.

The Board's proposed guidelines for the period up to the next Annual General Meeting will be presented in the summons to the 2018 Annual General Meeting. The proposed guidelines entail a clarification and a minor change to the guidelines approved at the 2017 Annual General Meeting. The CEO is entitled to 60 per cent of his basic salary on retirement from the age of 62, with related pension premiums which will continue to be paid out if employment continues with full salary. It is proposed that the Board of Directors may waive the guidelines approved at the Annual General Meeting should there be particular reason for doing so in any individual case.

Sustainability report

Sustainability issues have always played a central role for Latour, whether it has been stated or not. In 2017, sustainability commitments have continued and are reported in Latour's sustainability report on pages 12–19. The auditor's opinion on the statutory sustainability report is presented on page 107.

Environmental impact

The Latour Group's wholly-owned companies run operations requiring licensing and registration under the Swedish Environmental Code. In Sweden, two of the Group's subsidiaries are required to have licences and eight of the subsidiaries are required to register under the Code. The companies that are required to be licensed and registered have production operations in the engineering industry. The environmental impact is emissions to air and discharge into municipal treatment plants.

All of these companies have the necessary permits and have complied with the current requirements for their operations.

Proposed dividends and allocation of profits

The Board of Directors proposes that the Annual General Meeting approve an increase in the ordinary dividend to SEK 2.25 (2.00) per share, which in absolute terms equates to a payout of SEK 1,437 m.

The Board's proposal for the allocation of profits is presented in full on page 103.

Prospects for 2018

Demand was stable and organic growth was good throughout 2017. Market growth in Europe has been good and especially strong in the Nordic region. While market growth has been good, we should remind ourselves that this strong growth has been supported by expansionary monetary policies from major banks and ECB for a number of years.

Latour's performance has been good and the measures and acquisitions undertaken provide favourable conditions for a continuation of the positive earnings trend.

No forecast is given for 2018.

Consolidated income statement

SEK m	Note	2017	2016
Net sales	3, 4	9,930	8,344
Cost of goods sold		–5,885	–4,859
Gross profit		**4,045**	**3,485**
Sales costs		–1,856	–1,615
Administrative costs		–837	–663
Research and development costs		–286	–229
Other operating income	12	141	106
Other operating expenses	12	–82	–63
Operating profit	5–11	**1,125**	**1,021**
Income from interests in associates	13	2,006	2,676
Income from equity investment	14	10	101
Management costs		–18	–16
Profit before financial items		**3,123**	**3,782**
Finance income	15	137	83
Finance expense	16	–191	–111
Profit after financial items		**3,069**	**3,754**
Taxes	17	–281	–267
Profit for the year from continuing operations		**2,788**	**3,487**
Earnings from disposal groups held for sale and discontinued operations		0	183
Profit for the year		**2,788**	**3,670**
Attributable to:			
Parent company shareholders		2,793	3,673
Non-controlling interests		–5	–3
Earnings per share, based on earnings from continuing operations attributable to shareholders of the parent company	35		
Basic share		SEK 4.37	SEK 5.46
Diluted share		SEK 4.36	SEK 5.44
Earnings per share, based on earnings attributable to shareholders of the parent company	35		
Basic share		SEK 4.37	SEK 23.01
Diluted share		SEK 4.36	SEK 22.93

Statement of comprehensive income

SEK m		2017	2016
Profit for the year		**2,788**	**3,670**
Other comprehensive income:			
Items that will not be recycled to the income statement			
Restatement of net pension obligations		–7	2
		–7	2
Items that may subsequently be recycled to the income statement			
Translation differences		72	134
Change in fair value reserve for the year		–72	–98
Change in hedging reserve for the year		–34	–59
Reversal of provision for fund and dividend shares		0	5
Share of other comprehensive income from associates		–436	565
		–470	**547**
Other comprehensive income, net after tax	38	**–477**	**549**
Comprehensive income for the year		**2,311**	**4,219**
Attributable to:			
Parent company shareholders		2,316	4,222
Non-controlling interests		–5	–3

Consolidated balance sheet

SEK m	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	18	6,006	5,243
Property, plant and equipment			
Buildings	19	378	313
Land and land improvements	20	18	18
Machinery	21	279	268
Equipment	22	190	183
Construction work in progress and advances	23	20	29
Financial assets			
Interests in associates	25	16,043	13,277
Listed shares	26	323	394
Other long-term securities holdings	27	9	0
Other long-term receivables	28	32	24
Deferred tax asset	38	101	88
		23,399	19,837
Current assets			
Inventories etc.	29		
Raw materials and consumables		549	375
Work-in-progress		96	104
Finished work and goods for resale		764	640
Advance payments to suppliers		6	5
Listed shares – trading	30	40	40
Current receivables			
Accounts receivable	31	1,637	1,412
Current tax asset		125	103
Derivative instruments	32	–	25
Other current receivables		113	84
Prepaid expenses and accrued income		102	116
Cash and cash equivalents	33	*626*	*1,307*
		4,058	4,211
Total assets		27,457	24,048

Consolidated balance sheet

SEK m	Note	2017	2016
EQUITY			
Capital and reserves attributable to parent company shareholders	35		
Share capital		133	133
Repurchased shares		–72	–72
Reserves		357	394
Profit brought forward		19,827	18,757
		20,245	19,212
Non-controlling interests		102	107
Total equity		20,347	19,319
LIABILITIES			
Long-term liabilities			
Retirement benefit obligations	37	74	39
Deferred tax liability	38	270	246
Other provisions	39	121	101
Interest-bearing liabilities	40	521	696
		986	1,082
Current liabilities			
Bank overdraft facilities	41	151	52
Debts to credit institutions	34	3,995	1,990
Advances from customers		94	56
Accounts payable		807	616
Current tax liability		160	133
Other provisions	39	12	14
Derivative instruments	32	20	20
Other liabilities		224	186
Accrued expenses and deferred income	42	661	580
		6,124	3,647
Total liabilities		7,110	4,729
Total equity and liabilities		27,457	24,048

Consolidated cash flow statement

SEK m	Note	2017	2016
Operating profit		1,125	1,021
Depreciation/amortisation		194	167
Capital gains		2	14
Other adjustments to non-cash items		–37	–9
Paid tax		–253	–250
Operating cash flows before movements in working capital		1,031	943
Movements in working capital			
Inventories		–185	–52
Accounts receivable		–115	–151
Current receivables		19	–33
Current operating liabilities		177	108
		–104	–128
Operating cash flows		927	815
Investments			
Acquisition of subsidiaries	45	–662	–1,098
Sale of subsidiaries		7	0
Acquisition of fixed assets		–218	–207
Sale of fixed assets		27	6
Investing cash flows		–846	–1,299
Equity investment			
Dividends received		862	741
Management costs etc.		–18	–24
Purchase of listed shares etc.		–68	–250
Purchase of shares in associates		–2,018	–261
Sale of listed shares		68	343
Sales of shares in associates		0	1,240
Cash flows from equity investment		–1,174	1,789
Cash flows after investments and equity investment		–1,093	1,305
Financial payments			
Interest received		133	18
Interest paid		–190	–50
Net change in borrowings	36	1,733	–420
Dividends paid		–1,277	–1,077
Exercise of call options		–9	–19
Issued call options		6	5
Cash flows from financial payments		396	–1,543
Cash flows from disposal groups held for sale		0	658
Change in cash and cash equivalents		–697	420
Cash and cash equivalents at beginning of the year		1,307	859
Exchange rate difference in cash and cash equivalents		16	28
Cash and cash equivalents at end of the year	33	626	1,307

Change in consolidated equity

	Note	Attributable to parent company shareholders				Non-controlling interests	Total
		Share capital	Repurchased shares	Reserves	Profit brought forward		
Opening equity 1 Jan 2016	35	133	–58	417	15,588	0	16,080
Total comprehensive income				–23	4,245	–3	4,219
Change in non-controlling interests						110	110
Exercise of call options			29		–4		25
Issued call options					5		5
Repurchased shares			–43				–43
Dividends					–1,077		–1,077
Closing balance 31 Dec 2016		133	–72	394	18,757	107	19,319
Opening balance 1 Jan 2017	35	133	–72	394	18,757	107	19,319
Total comprehensive income				–37	2,350	–2	2,311
Change in non-controlling interests					–1	–3	–4
Exercise of call options			37		–9		28
Issued call options					7		7
Repurchased shares			–37				–37
Dividends					–1,277		–1,277
Closing equity 31 Dec 2017		133	–72	357	19,827	102	20,347

Change in consolidated interest-bearing net debt

SEK m	31 Dec 2016	Change in cash and cash equivalents	Change in loans	Other changes	31 Dec 2017
Receivables	24			8	32
Cash and cash equivalents	1,307	–681			626
Retirement benefit obligations	–39			–36	–75
Long-term liabilities	–696		175		–521
Utilised bank overdraft facilities	–52		–99		–151
Current liabilities	–1,990		–2,005		–3,995
Interest-bearing net debt	–1,446	–681	–1,929	–28	–4,084

Parent company's income statement

SEK m	Note	2017	2016
Income from interests in Group companies – dividends		425	–
Income from interests in associates	13	666	1,996
Income from equity investment		–	1
Management costs		–13	–10
Profit before financial items		1,078	1,987
Interest income and similar items		–	–
Interest expense and similar items	16	–	–1
Profit after financial items		1,078	1,986
Taxes	17	–	–
Profit for the year		1,078	1,986

Parent company statement of comprehensive income

SEK m	Note	2017	2016
Profit for the year		1,078	1,986
Other comprehensive income:			
Items that may subsequently be recycled to the income statement			
Change in fair value reserve for the year		–	–
Other comprehensive income, net after tax		0	0
Comprehensive income for the year		1,078	1,986

Parent company's balance sheet

SEK m	Note	2017	2016
ASSETS			
Fixed assets			
Financial assets			
Interests in subsidiaries	24	2,246	2,246
Interests in associates	25	7,414	5,405
Receivables from Group companies		448	2,653
		10,108	10,304
Current assets			
Current receivables			
Receivables from Group companies			
Prepaid expenses and accrued income		2	2
Cash and cash equivalents		0	5
		2	7
Total assets		10,110	10,311
EQUITY AND LIABILITIES			
Equity	35		
Restricted equity			
Share capital		133	133
Other funds		96	96
Non-restricted equity			
Profit brought forward		8,800	8,093
Profit for the year		1,078	1,986
		10,107	10,308
Provisions			
Retirement benefit obligations		–	–
		0	0
Long-term liabilities			
Debts to credit institutions		–	–
Other non-interest-bearing liabilities		–	–
		0	0
Current liabilities			
Debts to Group companies		–	–
Other liabilities		3	3
		3	3
Total equity and liabilities		10,110	10,311

Parent company cash flow statement

SEK m	Note	2017	2016
Current receivables		0	0
Current operating liabilities		1	–1
Operating cash flows		1	–1
Equity investment			
Dividends received		665	565
Management costs etc.		–12	–9
Purchase of listed shares etc.		–2,009	–138
Sale of listed shares		0	1,497
Cash flows from equity investment		–1,356	1,915
Cash flows after investments and equity investment		–1,355	1,914
Financial payments			
Interest received		0	0
Interest paid		0	–1
New borrowings		2,205	178
Dividends received from subsidiaries		425	–
Shareholder contribution made		0	–1,000
Repurchase of own shares		–9	–19
Dividends paid		–1,277	–1,077
Issued call options		6	5
Cash flows from financial payments		1,350	–1,914
Change in cash and cash equivalents		–5	0
Cash and cash equivalents at beginning of the year		5	5
Cash and cash equivalents at end of the year		0	5

Parent company's statement of changes in equity

			Other funds			
SEK m	Note	Share capital	Reserve fund	Fair value fund	Profit brought forward	Total
Closing balance 31 Dec 2015	35	133	96	0	9,178	9,407
Total comprehensive income					1,986	1,986
Dividends paid					–1,077	–1,077
Redemption of provision for fund and dividend shares					5	5
Repurchase of own shares					–43	–43
Exercise of call options					25	25
Issued call options					5	5
Closing balance 31 Dec 2016	35	133	96	0	10,079	10,308
Total comprehensive income					1,078	1,078
Dividends paid					–1,277	–1,277
Repurchase of own shares					–37	–37
Exercise of call options					28	28
Issued call options					7	7
Closing balance 31 Dec 2017		133	96	0	9,878	10,107

Notes to the financial statements

(All amounts are in SEK m unless stated otherwise)

NOTE 1 General information

Investment AB Latour (publ), corporate registration number 556026-3237, is a mixed investment company with wholly-owned industrial operations and an investment portfolio, which consists of ten substantial holdings.

The parent company is a limited company registered in Gothenburg. The head office address is J A Wettergrens gata 7, Box 336, SE-401 25 Gothenburg, Sweden. The parent company is listed on the Nasdaq OMX Stockholm Large Cap list.

The Board of Directors and the Chief Executive Officer have approved these consolidated financial statements for publication on 16 March 2018. The Annual Report and consolidated financial statements will be presented to the Annual General Meeting on 9 May 2018 for approval.

NOTE 2 Accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements for Investment AB Latour have been prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standard Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the EU. Furthermore, the Group has applied the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The consolidated financial statements have been prepared using the cost method except for revaluations of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) measured at fair value through the income statement.

The preparation of statements in conformity with the IFRS requires the use of certain estimates for accounting purposes. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas that involve a significant degree of estimation that are complex, or where assumptions and estimates are critical to the consolidated financial statements, are set out in Note 48.

The parent company applies the same accounting policies as the Group, except in the cases presented below in "The Parent Company's Accounting Policies". The differences between the parent company's and the Group's policies are due to limitations in the ability to apply the IFRS in the parent company because of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and also, in some cases, because of tax reasons.

New and amended accounting policies

New and amended standards are mandatory for the first time for the financial year beginning 1 January 2017.

None of the new accounting policies that became effective on 1 January 2017 have had a material impact on the financial performance or position of Investment AB Latour.

New standards, amendments and interpretations of existing standards that have not yet come into effect and will not be applied in advance.

A number of new standards and interpretations are effective for annual reporting periods starting after 1 January 2017 and have not been adopted for the preparation of these financial statements. None of these standards and interpretations are expected to have a material impact on the Group's financial statements with the exception of the following:

IFRS 9 Financial Instruments includes requirements for classification, measurement and presentation of financial assets and liabilities. This replaces the sections of IAS 39 relating to classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies it in some respects. There will be three measurement categories for financial assets, amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 also introduces a new model for the calculation of amounts arising from expected credit losses. The standard does not change the classification and measurement of financial liabilities except when a liability is recognised at fair value through profit or loss under the fair value option. IFRS 9 relaxes the requirements for hedge accounting. The mandatory effective date for the standard will be for periods beginning on or after 1 January 2018. Latour's reporting of financial instruments is only marginally affected by this new accounting standard. No impact has been identified relating to the classification and measurement requirements. With regard to impairment, the impact of the impairment model for expected credit losses is likely to be immaterial. No impact has been identified relating to the hedge accounting requirements. Since the impacts are immaterial, the transition to the 2018 opening balance is not affected.

IFRS 15 Revenue from Contracts with Customers specifies how revenue shall be recognised. The objective of IFRS 15 is to establish the principles that an entity is required to apply to report useful information to users about the entity's revenue. Under the new disclosure requirements, an entity must report information about the nature, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity should recognise revenue when the control of the sold good or service is transferred to the customer and the customer can use or benefit from the good or service. Early adoption is permitted. Latour has opted to use the prospective approach, which means that prior-year comparatives will not have to be restated. Our analysis of the effects of the transition to IFRS 15 shows that there will be no material changes regarding the identification of the performance obligations or allocation of the transaction price to the performance obligations, or regarding the timing of revenue recognition when the performance obligations have been met. This means that the IFRS 15 standard will not have a significant impact on revenue recognition compared with current revenue recognition standards.

IFRS 16 Leases requires that assets and liabilities arising under all leases, with a few exceptions, are recognised in the balance sheet. This reporting is based on the consideration that the lessee has the right to use an asset for a specific period of time and also an obligation to pay for that right. The reporting requirement for the lessor will largely remain unchanged. The standard applies to financial periods beginning on or after 1 January 2019. Early adoption is permitted. The Group will be assessing the impact of the standard during the spring of 2018.

None of the other IFRS or IFRIC interpretations not yet in effect are expected to have any significant effect on the Group.

Consolidated financial statements

Subsidiaries

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Business combinations are accounted for using the acquisition method. This method means that equity, including the capital portion of untaxed reserves in the subsidiary at the acquisition date, is entirely eliminated. Consequently, only profit generated after the acquisition date is included in Group equity.

The purchase price for the acquisition of a subsidiary is the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price includes the fair value of all assets or liabilities resulting from an agreement on conditional consideration. If the group-wise cost of the shares exceeds the book value of the company's net assets in the acquisition analysis, the difference is recognised as goodwill in the consolidated statement. If the acquisition cost is lower than the fair value of the acquired subsidiary's net assets and any contingent liabilities,

Cont.

Note 2 cont.

the difference is recognised directly in the income statement. Acquisition-related costs are expensed as they occur. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value at the acquisition date. The Group determines, for each acquisition, whether all the non-controlling interests in the acquired entity will be valued at fair value or the proportional share of the acquired entity's net assets.

Companies acquired during the year are included in the consolidated financial statements with amounts relating to the post-acquisition period Profits from companies sold during the year have been included in the consolidated income statement for the period up to the disposal date.

The assets and liabilities of Latour's foreign Group companies are translated at the exchange rate prevailing at the balance sheet date. All items in the income statement are translated at the average exchange rate for the year. Translation differences are recognised directly in Group equity.

Internal Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated. Gains and losses arising from internal Group transactions reported under assets are also eliminated.

Associated companies

Associates are entities over which the Group exercises significant influence, but not control. As a rule, significant influence exists when the Group holds between 20 per cent and 50 per cent of the voting rights.

Latour holds shares in AB Fagerhult representing 49 per cent of the voting rights. Management has concluded that Latour does not have a controlling influence over Fagerhult and the holding is therefore regarded as an associated company. This is based on the following factors:

Even though Latour has a significant ownership interest, there are several other large shareholders, the three largest of which (apart from Latour) have approximately 21 per cent. Moreover, 2 of these shareholders are represented in the Nomination Committee. Fagerhult's Board operates as a professional board with a majority of members with no relationship to Latour. Fagerhult is operated as a wholly independent company and not as an integrated company. The companies' management functions are completely separate from one another and there is no exchange or other practical circumstances whatsoever to suggest that Fagerhult's management reports to Latour.

Investment in associates is accounted for using the equity method. This method entails that the book value of shares in associated companies in the Group's accounts corresponds to the Group's participation in associated companies' equity and any residual value in group-wise surplus and deficits. The Group's share of the profit after tax of its associates, with any adjustment for amortisation or reversal of acquired surpluses or deficits, is recognised in the Group's income statement as "Income from interests in associates".

When the Group no longer has a controlling or significant influence, each remaining holding is revalued at fair value and the change in carrying amount is recognised in the income statement. The fair value is used as the first carrying amount and forms the basis for further reporting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the divested entity previously reported in other comprehensive income are reported as if the Group had directly sold the associated assets or liabilities. This may result in amounts that were previously reported in other comprehensive income being reclassified to the income statement.

If the ownership stake in an associated company is reduced, but a significant influence is retained, only a proportional share of the amounts previously reported in other comprehensive income are, where relevant, reclassified to the income statement.

Net sales

Net sales are made up of invoiced sales, excluding value-added taxes and after deduction of discounts on goods and similar income reductions but before deductions for delivery expenses. Sales are recognised when the Group has transferred the significant risks and rewards connected with ownership of the sold goods to the buyer and no longer retains either continuing managerial involvement or effective control over the goods. Revenue arising from the rendering of services is recognised when the service has been performed. Where appropriate, the Group uses the percentage-of-completion method (see below). Group sales are primarily product sales.

Work in progress

For income and expenses arising from the rendering of services and contracting activities respectively, revenue and costs should be recognised by reference to the stage of completion of the transaction at the balance sheet date (the percentage-of-completion method). The stage of completion of a transaction is determined by comparing the costs incurred at the balance sheet date with estimated total costs. If the outcome of a transaction involving the rendering of services or a contract activity cannot be measured reliably, revenue is recognised only to the extent that it is probable that the costs incurred are recoverable from the client. An expected loss from a transaction is recognised as an expense immediately.

Other operating income and operating expenses

Other operating income and operating expenses include income and expenses from activities outside ordinary operations. See Note 12.

Finance income and expenses

Finance income and finance expenses comprise interest income and interest costs, income from dividends and realised and unrealised foreign exchange losses and gains.

Interest income on receivables and interest costs on liabilities are calculated using the effective interest rate method. Interest costs are recognised in the period they occur regardless of how the borrowed funds are used. Interest costs include transaction costs for loans which have been recorded over the term of the contract, which is also valid for any difference between received funds and repayment amounts. Interest from dividends is recorded when the dividend has been adopted and distribution is assured.

Borrowing costs

Borrowing costs that are directly attributable to the production of an asset for which borrowing costs can be included as part of the cost shall be capitalised during the period of time that it takes to complete the work and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method or the weighted average cost method if this is a good estimate of FIFO. The net realisable value is the estimated sales price in the operating activities, with a deduction for applicable variable sales costs. The value of finished goods and work-in-progress includes raw materials, direct work, other direct costs and production-related overheads. Obsolescence is depreciated separately. When assessing net realisable values, consideration is given to the age and turnover rate for the items in question. The change between the opening and closing provision for obsolescence for the year affects operating profit in its entirety.

Translation of foreign currencies

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Swedish crowns (SEK), which is the parent company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance date exchange rates are recognised in the income statement. The exception to this is when the transactions relate to qualifying cash flow hedges and qualifying net investment hedges, in which case gains/losses are recognised in equity.

Translation differences for non-monetary items, such as shares that are valued at fair value through the income statement, are recognised as part of the fair value gain/loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in fair value reserves in equity.

Note 2 cont.

Group companies
The results and financial position of all Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. On disposal of a foreign operation, the exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of that operation and are translated at the balance sheet rate.

Property, plant and equipment
Land and buildings largely comprise factories, warehouses and offices. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of assets is calculated using the straight line method over the following estimated useful economic lives:

Buildings	25–50 years
Land improvements	10–20 years
Machinery	5–10 years
Vehicles and computers	3–5 years
Other inventories	5–10 years

The residual values and useful lives of the assets are reviewed, and adjusted if necessary, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the income statement.

Intangible assets
Goodwill
Goodwill is the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's or associated company's identifiable net assets on the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in the value of holdings in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Trademarks and licenses
Trademarks and licenses are reported at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of trademarks and licenses is calculated using the straight line method to spread the cost over their estimated useful lives (5–20 years).

Impairment
Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses recognised in prior years for assets, with the exception of financial assets and goodwill, are reviewed at each balance sheet date to determine whether they should be recovered.

Research and development
Research expenditure is expensed as incurred. Development expenditure is capitalised if it is expected to yield economic benefits in the future. The carrying amount includes expenditure for materials, direct costs for wages and salaries and indirect expenditure attributable to the asset in a reasonable and consistent manner. Other development expenditure is expensed to the income statement as incurred.

Financial instruments
Financial instruments recognised in the balance sheet comprise accounts receivable, securities, loan receivables and derivatives. Accounts payable, any issued debt or equity instruments, loan liabilities and derivatives are recorded as liabilities and equity.

Financial instruments are initially recognised at cost equal to the fair value of the instrument including transaction costs for all financial instruments except those categorised as Financial assets recognised at fair value through the income statement. Recognition then takes place on the basis of classification as specified below.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when an item has been delivered and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised, mature or the company loses control over them. The same holds true for part of a financial asset. A financial liability is derecognised from the balance sheet when the commitment in the contract is met or otherwise extinguished. The same holds true for part of a financial liability.

Acquisitions and disposals of financial assets are recognised on the transaction date. This is the date on which the company pledges to acquire or dispose of the asset.

Fair value of listed financial assets is the equivalent of the asset's listed purchase price at the balance sheet date. The basis of fair value for unlisted financial assets is determined using valuation techniques, such as recent transactions, the price of comparable instruments or discounted cash flows. See Note 34 for further information.

Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written down. In the case of equity instruments classified as Available-for-sale financial assets, there must be a significant or prolonged decline in the fair value of an instrument below its cost before it can be written-down. When an asset classified as available-for-sale is impaired, the cumulative amount of any fair value adjustments previously recognised directly in other comprehensive income are transferred to the income statement. Impairment losses on equity instruments recognised in the income statement are not subsequently reversed in the income statement.

Financial instruments are grouped into categories based on how the company intends to use the acquired financial instrument. Executive management determines classification at the original acquisition date.

The categories are as follows:
Financial assets valued at fair value via profit and loss
This category has two subgroups; financial assets held for trading and those that the company chose initially to designate to this category. A financial asset is classified in this category if the intention is to sell in

Cont.

Note 2 cont.

the short term (for example listed shares, trading, see Note 30). Derivatives are classified as financial assets held for trading if they are not used for hedge accounting. Assets in this category are continuously revalued to fair value, with changes in fair value being recognised in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when the company provides money, goods and services directly to a customer without any intention to conduct trading in the receivables. This category also includes acquired receivables. Assets in this category are measured at amortised cost. Amortised cost is determined using the effective interest rate calculated at the date of acquisition.

Available-for-sales financial assets
This category includes financial assets that are not classified in any other category or financial assets designated on initial recognition as available for sale (for example, listed shares and other long-term securities holdings). Assets in this category are valued at their current fair value and changes in value are recognised in other comprehensive income . The cumulative gain or loss that was previously recognised in equity is recognised in the income statement when an available-for-sale financial asset is derecognised.

Other financial liabilities
Financial liabilities not held for trading are initially valued at fair value, net after transaction costs, and thereafter at amortised cost. Amortised cost is determined using the effective interest rate calculated when the liability was recognised. This means that surpluses or deficits as well as direct issue costs are distributed over the lifespan of the liability.

Derivatives used in hedge accounting
Derivative instruments are recognised in the balance sheet on the contract date and are valued at fair value, both initially and in subsequent remeasurements. The method of recognising the resulting gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item hedged. The Group identifies certain derivatives as either: a hedge of a very probable forecast transaction (cash flow hedge); or a hedge of a net investment in a foreign operation.

When a transaction is entered into, the Group documents the relationship between the hedge instrument and the hedged item as well as the purpose of the risk management and strategy in order to take various hedging measures. The Group also documents its assessment when initiating the hedge and continuously thereafter to see if the derivative instruments used in hedging transactions are effective as an offset to changes in the fair value or cash flows of hedged items.

Cash flow hedges
The effective portion of changes in fair value of derivative instruments identified as cash flow hedges, and which qualify for hedge accounting, are recognised in other comprehensive income and become a part of equity.

The gain or loss associated with the ineffective portion is recognised directly in the income statement.

The cumulative profit or loss in equity is recycled into the income statement in the same period in which the hedged item affects profit or loss (e.g. when the forecast hedged sale takes place).

When a hedging instrument matures or is sold or when the hedge no longer qualifies for hedge accounting and cumulative profits or losses relating to the hedge are recognised in equity, these profits/losses remain in equity and are recorded as income/costs at the same time as the forecast transaction is finally recorded in the income statement. When a forecast transaction is no longer assessed as probable, the cumulative profit or loss recognised in equity is transferred directly to the income statement.

Hedge of net investment
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Gains or losses attributable to the hedging instrument associated with the effective portion of the hedge are recognised in equity. Gains or loss associated with the ineffective portion are transferred directly to the income statement.

Cumulative gains and losses in equity are recognised in the income statement when the foreign operations are sold.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in fair values of derivative instruments that do not qualify for hedge accounting are recognised directly in the income statement as Other income or Other expenses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, and immediately available balances in banks and similar institutions, and short-term liquid investments with an original maturity of three months or less which are subject to insignificant risk of changes in value.

Long-term receivables and other current receivables
Long-term receivables and other current receivables are receivables that arise when the company supplies money without intending to trade on the receivable rights. If the expected holding time of the receivable is longer than one year it is a long-term receivable and if it is shorter it is another receivable. These receivables belong to the category Loans and receivables.

Income taxes
Recognised income taxes comprise tax that is payable or receivable for the current year, adjustment of tax attributable to previous years and changes in deferred taxes.

All tax liabilities and assets are measured at nominal amounts using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Tax is reported in the income statement except when the underlying transaction is recognised directly in equity, in which case the related tax effect is also recognised in equity.

Deferred tax is calculated using the balance sheet method, based on all temporary differences arising between the carrying amounts and tax bases of assets and liabilities.

Deferred tax assets relating to future tax deductions are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

In legal entities, untaxed reserves are reported including deferred tax liabilities.

Deferred tax is not recognised if arising from temporary differences associated with interests in subsidiaries and associates if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the reversal will not occur in the foreseeable future.

Cash flow statement
The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions involving inflows and outflows of cash. Cash and cash equivalents comprise, besides bank and cash balances, short-term financial investments with maturities of three months or less.

Leases
A lease is classified either as a finance lease or as an operating lease in the consolidated financial statements. Leased fixed assets, where the Group essentially has the same risks and rewards as direct ownership, are classified as finance leases. The leased asset is then reported as a fixed asset and future lease payments as interest-bearing debts. A leased asset is classified as an operating lease if the lessor essentially retains ownership of the asset and the rental is charged on a straight-line basis over the lease term. The parent company classifies all leases as operating leases.

Government grants
Government grants are reported in the income statement and balance sheet when it is reasonably certain that the conditions associated with the grant will be satisfied and it is likely that the grant will be obtained. Grants are systematically distributed in the same manner and over the same periods as the costs such grants are intended to compensate. Grants pertaining to investments in property, plant and equipment have reduced the carrying amounts of the assets in question.

Note 2 cont.

Provisions
A provision is recognised when the Group/company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for warranties are based on the previous years' actual costs.

Pensions
The Group has several defined contribution and defined benefit pension plans. In Sweden, Norway, Germany, Switzerland and Italy, employees are covered by defined benefit, alternatively defined contribution, pension plans. In other countries they are covered by defined contribution plans.

In defined contribution plans, the company pays fixed fees to a separate legal entity and has no obligation to pay any additional fees. Costs are expensed to the consolidated income statement as the benefits are earned.

In defined benefit plans, remuneration to employees and ex-employees is paid on the basis of salary at the point of retirement and the number of years of service. The Group bears the risk for payment of the pledged remuneration.

The liability recognised in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

The pension cost and the pension obligation of defined benefit plans are calculated using the Projected Unit Credit Method. The method allocates the cost for pensions at the same rate as employees carry out services for the company which increase their right to future remuneration. The calculation is made annually by independent actuaries.

The company's obligations are valued at the present value of anticipated future payments by using a discount rate. The Group primarily determines this rate using the interest rate for high-quality government bonds measured in the currency in which the benefits are to be paid. For obligations in Sweden, the Group uses the interest rate for 12-year mortgage bonds which are then extrapolated with the growth rate estimate for the 23-year government bond rate to correspond to the remaining maturity period for the obligations in question.

The principal actuarial assumptions are set out in Note 35.

The net interest amount is calculated by applying the discount rate to the defined benefit plans and to the fair values of plan assets. This cost is recognised as personnel costs in the income statement.

Prior service costs are recognised directly in the income statement. Other pension expense items are charged to comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

Contingent liabilities
A contingent liability is reported when an obligation may result from events that have occurred and its existence is only confirmed by one or several uncertain future events or when an obligation is not recorded as a liability or provision because it is improbable that an expenditure of resources will be required to regulate it.

Segment reporting
The Group's operations are managed and grouped into Industrial operations and Equity investment. Industrial operations are in turn divided into four business areas. Together with equity investment, these business lines make up the Group's operating segments. Income, operating profit, assets and liabilities pertaining to the segments include directly attributable items together with items that can be allocated to the respective segment in a reliable way. Non-allocated items generally comprise interest-bearing assets and liabilities, interest income, interest expenses, costs common to the Group and taxes.

Non-current assets (or disposal groups) held for sale and discontinued operations
Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. This measurement requirement does not apply to deferred tax assets, assets arising from employee benefits, financial assets, management properties and contractual rights under insurance contracts.

Assets within a disposal group classified as held for sale are recognised separately from other assets in the balance sheet. Liabilities associated with a disposal group classified as held for sale are recognised separately from other liabilities in the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business. The profit or loss of discontinued operations is recognised separately in the income statement.

Parent company accounting policies
The parent company complies with the requirements of the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. RFR 2 requires the parent company to follow IFRS/IAS as far as possible. Differences between parent company and Group accounting policies are primarily due to the Swedish Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and, in certain cases, special tax regulations. In the following cases, the parent company's accounting policies are not consistent with the IFRS.

Associated companies
The parent company recognises associated companies using the cost method.

Payments to employees/defined benefit pensions
The parent company's defined benefit pension plans have been calculated according to the Pension Obligations Vesting Act (Tryggandelagen) and the Swedish Financial Supervisory Authority's regulations since this is a prerequisite for fiscal deductions.

Income taxes
From a fiscal perspective, Investment AB Latour is an investment company. Profits on sales of shares are not liable to tax and losses are not deductible. The company must however declare 1.5 per cent of the market value of all shareholdings at the beginning of the year as standard taxable income. However this is only valid for listed shares where the share of votes is under 10 per cent. Dividends received are taxable and dividends paid are deductible. Interest income is taxable while administration costs and interest expenses are deductible.

NOTE 3 Segment reporting

DEVELOPMENT BY BUSINESS AREA 1 JAN 2017–31 DEC 2017

	Industrial operations						
SEK m	Hultafors Group	Latour Industries	Nord-Lock Group	Swegon	Other	Equity investment	Total
REVENUE							
External sales	1,901	2,355	1,114	4,378	182		9,930
Internal sales		2					2
INCOME							
Operating profit	287	173	340	381	–56		1,125
Income from equity investment						1,998	1,998
Finance income							137
Finance expense							–191
Taxes							–281
Profit for the year							**2,788**
OTHER DISCLOSURES							
Assets	1,621	3,629	1,195	3,916	443	16,090	26,894
Unallocated assets							563
Total assets							**27,457**
Liabilities	297	631	159	879	68	6	2,040
Unallocated liabilities							5,070
Total liabilities							**7,110**
Investments in:							
property, plant and equipment	9	136	27	65	31		268
intangible assets	20	646	6	175			847
Depreciation/amortisation	14	51	29	81	19		194

DEVELOPMENT BY BUSINESS AREA 1 JAN 2016 – 31 DEC 2016

	Industrial operations						
SEK m	Hultafors Group	Latour Industries	Nord-Lock Group	Swegon	Other	Equity investment	Total
REVENUE							
External sales	1,698	1,662	927	3,912	145		8,344
Internal sales		9		1			10
INCOME							
Operating profit	264	167	270	351	–31		1,021
Income from equity investment						2,761	2,761
Finance income							83
Finance expense							–111
Taxes							–267
Earnings from disposal groups held for sale							183
Profit for the year							**3,670**
OTHER DISCLOSURES							
Assets	1,535	2,713	1,265	3,728	1,019	13,424	23,684
Unallocated assets							364
Total assets							**24,048**
Liabilities	258	382	140	813	44	4	1,641
Unallocated liabilities							3,088
Total liabilities							**4,729**
Investments in:							
property, plant and equipment	20	72	59	88	24		263
intangible assets		762	66	252	285		1,365
Depreciation/amortisation	15	33	25	76	18		167

Executive management has determined the operating segments based on the reports reviewed by Latour's Board of Directors that are used to make strategic decisions. The Board primarily assesses the business areas from an operational perspective but also on the basis of geographic area of interest.

The operations can be divided into two main areas: wholly-owned industrial operations and equity investment. The industrial operations are grouped into four business areas: Hultafors Group, Latour Industries, Nord-Lock Group and Swegon.

Equity investment primarily consists of portfolio management of long-term holdings where Latour owns at least 10 per cent of the votes.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable and reliable basis. Segment assets and liabilities do not include tax assets and tax liabilities (deferred and current), nor do they include interest-bearing assets and liabilities. Segment investments in property, plant and equipment and intangible assets include all investments, except for those in expendable equipment and low-value equipment.

NOTE 4 Geographic markets

Breakdown of sales by geographic markets:

	2017	2016
Sweden	2,539	2,329
Nordic countries, excluding Sweden	1,690	1,546
Europe, excluding Nordic countries	4,303	3,373
Other markets	1,398	1,096
Total	9,930	8,344

Breakdown of assets by geographic markets:

	2017	2016
Sweden	24,052	21,079
Nordic countries, excluding Sweden	976	938
Europe, excluding Nordic countries	2,122	1,759
Other markets	307	272
Total	27,457	24,048

Breakdown of investments by geographic markets:

	2017	2016
Sweden	254	943
Nordic countries, excluding Sweden	27	61
Europe, excluding Nordic countries	800	600
Other markets	34	24
Total	1,115	1,628

Historically, the Group's domestic market has been the Nordic countries, with the majority of production located in Sweden. Today, the Group's main area of expansion is Europe although it is expanding in other parts of the world too. Based on the size criteria, no specific countries are deemed large enough to be reported separately.

NOTE 5 Related party transactions

The Douglas family has a controlling influence over Investment AB Latour. Privately and through companies, the Douglas family controls 80.0 per cent of the voting rights in Latour. During the year, the Douglas family increased its shareholding by 800,000 class B shares. Two members of the family each received Board fees of SEK 500,000, i.e. a total of SEK 1,000,000.

A 4-for-1 share split was implemented in June 2017. Investment AB Latour already holds 323,500 repurchased shares following the share split, equivalent to 1,294,000. Adjusted for the share split, 672,000 of these shares were sold in 2017 and a further 370,000 shares were repurchased. Investment AB Latour thus has a holding of 992,000 shares at the close of the period. The total number of call options issued to senior executives in the Latour Group is 1,062,000, which give the right to purchase 2,439,000 shares. The Board was authorised by the Annual General Meeting on 2 May 2017 to resolve on the repurchase and transfer of the company's own shares. The options are based on market-competitive terms. For information concerning salaries and other remuneration to the Board, the Chief Executive Officer and other senior executives, see Note 9.

Purchasing and sales for the year between Group companies in the Latour Group total SEK 4,376 m (3,367 m). There were no purchases or sales with the parent company.

There have been no transactions with other related parties or other companies during the year.

NOTE 6 Breakdown of expenses by type of cost

THE GROUP	2017	2016
Change in the stock	4,695	3,865
Remuneration to personnel	2,740	2,326
Depreciation/amortisation	194	167
Other expenses	1,176	965
Total	8,805	7,323

NOTE 7 Exchange rate differences

Operating profit includes exchange rate differences relating to operating receivables and liabilities as follows:

THE GROUP	2017	2016
Net sales	–5	11
Cost of goods sold	–7	–2
Sales costs	2	–
Other operating expenses	–	–3
Total	–10	6

NOTE 8 Remuneration to auditors

THE GROUP	2017	2016
PwC		
Audit assignment	7	6
of which to PriceWaterhouseCoopers AB	3	2
Audit-related activities	0	0
Tax advisory services	1	1
of which to PriceWaterhouseCoopers AB	1	1
Other services	1	4
of which to PriceWaterhouseCoopers AB	0	3
Total	9	11
Audit fees to others	4	3
Total	13	14

Remuneration to auditors for auditing services in the parent company amounted to SEK 90,000 (88,000) and for other services SEK 0,000 (116,000).

NOTE 9 Personnel

Salaries, other remuneration and social costs

	2017		2016	
	Salaries and other remuneration	Social costs (of which pension costs)	Salaries and other remuneration	Social costs (of which pension costs)
Parent company	4	1	4	1
Subsidiaries	2,121	543	1,787	543
The Group	2,125	544	1,791	544

Of the Group's pension costs, SEK 26 m (16 m) relate to boards and managing directors.

Breakdown of salaries and other remuneration by country and between board members and others, and employees:

	2017		2016	
	Board and CEO		Board and CEO	
	(of which bonus)	Other employees	(of which bonus)	Other employees
Parent company				
Sweden	4 (0)	–	4 (0)	–
Subsidiaries				
Sweden	57 (11)	816	41 (11)	737
Italy	7 (0)	134	7 (0)	93
Finland	5 (1)	96	4 (0)	90
Germany	9 (1)	198	7 (0)	148
UK	10 (2)	180	7 (2)	115
Norway	2 (0)	73	3 (0)	67
USA	4 (1)	105	2 (0)	90
Switzerland	5 (1)	44	4 (1)	45
Denmark	3 (1)	39	3 (1)	41
Poland	2 (2)	51	2 (2)	38
France	1 (0)	27	0 (0)	26
The Netherlands	1 (0)	9	1 (0)	9
Belgium	7 (0)	58	7 (0)	59
Ireland	1 (0)	7	1 (0)	5
Other countries	5 (0)	145	5 (2)	112
Group total	123 (20)	1,982	98 (19)	1,675

Periods of notice within the Group are, depending on age and position, between 3 and 24 months.

Remuneration to senior executives
Policies
The Chairman of the Board and Board members receive the remuneration decided by the Annual General Meeting. They are not paid extra for committee work.

Remuneration to the Chief Executive Officer and other senior executives is comprised of basic salary, variable remuneration, other benefits and pension. Other senior executives are the members of Group management and business area managers, who report directly to the Chief Executive Officer.

The variable remuneration to the Chief Executive Officer is based on goals achieved during the year and was capped at 84 per cent of basic salary in 2017. Variable remuneration for other senior executives is based on profits and return on operating capital. Under current agreements for the annual variable remuneration, the remuneration is capped at between 20 and 50 per cent of basic salary. To promote a long-term perspective, the Board may decide on compensation, in addition to the annual variable remuneration, that is connected to the business areas' long-term value development over a three-year period.

The Board also has the right to approve additional remuneration to the company management in the form of share-related incentive schemes (e.g. a call option programme) provided that they promote long-term commitment to the organisation and they are provided on market-related terms.

2017 Remuneration and other benefits during the year

(SEK 000)	Basic salary/Board fees	Variable remuneration[3]	Other benefits[2]	Pension costs	Total
Chairman of the Board	1,400	–	–	–	1,400
Other Board members (6 people)[1]	3,000	–	–	–	3,000
Chief Executive Officer[2]	5,094	3,895	45	2,100	11,134
– retirement pension as per agreement[4]				7,389[4]	7,389
Other senior executives (5 people)	14,076	5,160	717	4,513	24,466

[1] Other Board members have received SEK 500,000 each. [2] Other benefits relate mainly to car benefits. [3] Variable remuneration to the Chief Executive Officer was equal to 76 per cent of his basic salary and to other senior executives it ranged from 0–50 per cent of their basic salary.
[4] According to the original contract of employment, everyone in the company and the chief executive officer are entitled to retirement benefits from the age of 62, with the right to 60% of their final salary with related pension premiums up to the age of 65. On 26 October 2017, it was announced that Jan Svensson will serve as CEO through 31 August 2019. A provision for pension costs has been recognised (calculated for the period from September 2019 to Jan Svensson's 65th birthday).

Note 9 cont.

2016 Remuneration and other benefits during the year

(SEK 000)	Basic salary/Board fees	Variable remuneration[3]	Other benefits[2]	Pension costs	Total
Chairman of the Board	1,200	–	–	–	1,200
Other Board members (6 people)[1]	2,400	–	–	–	2,400
Chief Executive Officer	5,001	3,672	131	1,689	10,439
Other senior executives (5 people)	12,049	5,106	402	3,835	21,392

[1] Other Board members have received SEK 400,000 each. [2] Other benefits relate mainly to car benefits. [3] Variable remuneration to the Chief Executive Officer was equal to 73 per cent of his basic salary and to other senior executives it ranged from 0–50 per cent of their basic salary.

Pensions

The Chief Executive Officer may retire at the age of 62, whereupon a pension of 60 per cent of his basic salary is paid for 3 years.

The retirement age for other senior executives is 65, whereupon a pension is paid in accordance with the defined-benefit ITP pension scheme or the equivalent. Premiums are paid on an ongoing basis.

Call options

Share option schemes from 2013 matured during 2017 and 168,000 options were redeemed for shares at a redemption price of SEK 170. The table below shows the option schemes outstanding at year-end.

THE GROUP	No. issued options	Equivalent to the number of shares	Option price	Redemption price
2014/2018[1]	144,000	576,000	18.90	194.20
2015/2019[1]	149,500	598,000	25.00	258.90
2016/2020[1]	151,000	604,000	35.40	375.20
2016/2020[1]	3,000	12,000	34.80	358.30
2016/2020[1]	11,500	46,000	33.00	341.30
2017/2021	603,000	603,000	10.00	106.30

[1] As a consequence of the 4-to-1 share split in June 2017, each option entitles the holder to purchase 4 shares.

Severance payment

The period of notice between the company and Chief Executive Officer is 12 months. In the case of dismissal by the company, the Chief Executive Officer will receive severance pay amounting to 12 months' salaries. Severance pay is not set off against any other income. The Chief Executive Officer must give 6 months' notice and does not receive severance pay.

The period of notice between the company and other senior executives varies from 6 to 12 months. In the case of dismissal by the company, the senior executives receive their salary during their notice period. Senior executives must give 6 months' notice and do not receive severance pay.

Preparation and decision process

The policies for remuneration to senior executives are decided by the Annual General Meeting. The Chief Executive Officer's salary and employment terms are set by the Board. The Board has given the Chairman the task of reaching an agreement with the Chief Executive Officer after contact with the Remuneration Committee. The Board is then informed of the outcome of the negotiations.

Remuneration to other senior executives is determined by the Chief Executive Officer in consultation with the Chairman of the Board.

Gender split in the Board and senior management

	2017		2016	
	Men %	Women %	Men %	Women %
Board members	75	25	75	25
Group management	100	0	100	0

Average number of employees

	2017		2016	
PARENT COMPANY	Number of employees	Of which men %	Number of employees	Of which men %
Sweden	–	–	–	–
SUBSIDIARIES				
Sweden	1,794	83	1,765	83
Italy	425	84	242	84
UK	521	70	321	70
Germany	414	73	277	74
Poland	223	77	377	78
USA	194	93	109	83
Finland	213	81	196	81
Norway	123	76	125	78
Romania	104	38	109	41
Switzerland	59	73	43	77
Other countries	832	77	649	82
Total in subsidiaries	4,902	79	4,244	78
Total	4,902	79	4,244	78

OPERATING AREAS	2017	2016
Industrial operations	4,901	4,243
Equity investment	1	1
Total	4,902	4,244

NOTE 10 Depreciation/amortisation

Amortisation of intangible fixed assets in the Group amounts to SEK 35 m (23 m) and depreciation of property, plant and equipment amounts to SEK 159 m (144 m). A breakdown of depreciation/amortisation by function in the income statement is shown below:

THE GROUP	2017	2016
Trademarks, licenses		
Cost of goods sold	2	3
Sales costs	5	9
Administrative costs	12	5
Research and development costs	16	6
Total	35	23
Buildings		
Cost of goods sold	16	14
Sales costs	1	2
Administrative costs	3	3
Research and development costs	2	–
Total	22	19
Land and land improvements		
Cost of goods sold	–	–
Total	0	0
Machinery		
Cost of goods sold	63	57
Sales costs	1	5
Administrative costs	3	1
Research and development costs	2	2
Other operating expenses	0	0
Total	69	65
Equipment		
Cost of goods sold	24	16
Sales costs	13	13
Administrative costs	29	29
Research and development costs	2	2
Total	68	60
Total depreciation	194	167

NOTE 11 Leases

Lease costs for premises, machinery, computers and office equipment for the Group were SEK 105 m (89 m).

Future minimum lease payments in the Group for non-cancellable operating leases fall due as follows:

Year	Future minimum lease payments
2018	98
2019-2022	204
2023-	21
Total	323

The Group leases a building under a finance lease. This is recognised as a fixed asset at a book value of SEK 80 m (82 m). Future lease payments on this building are recognised as interest-bearing debt amounting to SEK 64 m (65 m). The term is until 2027. See Note 19. Finance lease payments of SEK 4 m (4 m) have been recognised in the income statement. Minimum lease payments are grouped into < 1 year, SEK 4 m, 1–5 years, SEK 16 m and >5 years, SEK 44 m.

NOTE 12 Operating income and operating expenses

Other operating income

THE GROUP	2017	2016
Capital gains on sales	8	2
Share of earnings in associated companies[1]	22	21
Exchange rate differences	0	0
Adjustment of additional purchase price	38	23
Other income	73	60
Total	141	106

Other operating expenses

THE GROUP	2017	2016
Acquisition costs	-20	-21
Impairment of goodwill	-31	-24
Exchange rate differences	0	-3
Other expenses	-30	–15
Total	-82	-63

[1] Relates to share of earnings from Oxeon at SEK –4 m (–18 m), Diamorph at SEK 25 m (33 m), Terratech at SEK 5 m (13 m), Brickpack at SEK 0 m (–4 m) and other companies at SEK –4 m (–3 m).

NOTE 13 Income from interests in associates

THE GROUP	2017	2016
Income from interests after tax	1,980	1,756
Dilutive effect	26	30
Profit on sale of interests	–	890
Total	2,006	2,676

Individual holdings have affected results as follows:

	2017	2016
Alimak Group	19	661
ASSA ABLOY	776	661
Fagerhult	239	199
HMS Networks	37	47
Loomis	45	932
Nederman	55	55
Securitas	310	290
Sweco	285	220
TOMRA	180	222
Troax	60	50
Total	2,006	2,676

Since Latour normally cannot wait for the income statements from each associated company, Latour applies the principle of basing each company's quarterly financial report on the outcome of the previous quarter and then extrapolating an estimated outcome. The companies' results vary which means the reported profit share can deviate from the recorded outcome but this is corrected in the next quarterly financial report. The book value of interests in associates is compared with the market value, which is adjusted for impairment if necessary.

PARENT COMPANY

In the parent company, the dividend income from associates comprises SEK 666 m (565 m) and capital gains SEK 0 m (1,431 m).

NOTE 14 Income from equity investment

THE GROUP	2017	2016
Income from fixed assets		
Dividends	14	12
Capital gains	–	–
	14	12
Income from current assets		
Dividends	1	4
Capital gains	-5	85
Revaluation, booked in the income statement	–	–
	-4	89
Total equity investment	10	101

NOTE 15 Finance income

THE GROUP	2017	2016
Interest income	6	14
Exchange gains	120	65
Other finance income	11	4
Total	137	83

NOTE 16 Finance expense

THE GROUP	2017	2016
Other cost interest	-54	-49
Exchange losses	-133	-58
Other finance expense	-4	-4
Total	-191	-111
PARENT COMPANY		
Interest expenses to Group companies	–	-1
Total	0	-1

NOTE 17 Tax on profit for the year

THE GROUP	2017	2016
Current tax expense for the period	-258	-236
Deferred tax attributable to changes in temporary differences		
Deferred tax income	16	17
Deferred tax expense	-39	-48
Total	-281	-267

SEK +9 m (+16 m) of deferred tax is included in consolidated comprehensive income in Change in hedging reserve for the year SEK –34 m (–59 m)

Difference between actual tax expense and tax expense based on the effective tax rate

THE GROUP	2017	2016
Profit before tax	3,069	3,754
Tax according to effective tax rate, 22%	-675	-826
Tax effect of special taxation rules for investment companies	143	437
Effect of associated company accounts	298	151
Tax effect of non-deductible costs	-55	-42
Tax effect of previous year adjustments	2	-12
Tax effect of non-taxable income	0	20
Other tax effects	6	5
Tax on profit for the year according to the income statement	-281	-267

PARENT COMPANY	2017	2016
Profit before tax	1,078	1,986
Tax according to effective tax rate, 22%	-237	-437
Tax effect of special taxation rules for investment companies	237	437
Tax on profit for the year according to the income statement	0	0

The effective tax rate for the Group and the parent company is 22 per cent. Investment companies are allowed a tax deduction for the dividend approved at the subsequent Annual General Meeting. Capital gains are not taxable while capital losses are not deductible. Investment companies are taxed on a standardised basis. See Note 38.

NOTE 18 Intangible assets

THE GROUP	Goodwill	Trade-marks, licenses	Total
Accumulated cost			
Opening balance 1 Jan 2016	3,749	249	3,998
Opening cost from acquisitions	–	55	55
Acquisitions for the year	1,291	22	1,313
Translation difference	131	8	139
Closing balance 31 Dec 2016	5,171	334	5,505
Opening balance 1 Jan 2017	5,171	334	5,505
Opening cost from acquisitions	0	17	17
Acquisitions for the year	778	52	830
Sales for the year	-6	0	-6
Reclassification	–	4	4
Translation difference	53	0	53
Closing balance 31 Dec 2017	5,996	407	6,403
Accumulated depreciation			
Opening balance 1 Jan 2016	0	-135	-135
Depreciation for the year	–	-23	-23
Sales for the year	–	0	0
Translation difference	–	-4	-4
Closing balance 31 Dec 2016	0	-162	-162
Opening balance 1 Jan 2017	0	-162	-162
Depreciation for the year	–	-34	-34
Sales for the year	–	0	0
Translation difference	–	-1	-1
Closing balance 31 Dec 2017	0	-197	-197
Accumulated impairment losses			
Opening balance 1 Jan 2016	-47	0	-47
Impairment for the year	-53	–	-53
Closing balance 31 Dec 2016	-100	0	-100
Opening balance 1 Jan 2017	-100	0	-100
Impairment for the year	-100	–	-100
Closing balance 31 Dec 2017	-200	0	-200
Book value	5,796	210	6,006
Carrying amounts			
At 1 Jan 2016	3,702	114	3,816
At 31 Dec 2016	5,071	172	5,243
At 1 Jan 2017	5,071	172	5,243
At 31 Dec 2017	5,796	210	6,006

The effect of depreciation on results is detailed in Note 10.
All goodwill refers to the segment Industrial operations. An impairment test on goodwill for 2017 resulted in a SEK 100 m write-down.

Testing goodwill for impairment
Certain valuation assumptions, which are the basis of the evaluation, have been given for the Group's most significant goodwill items.

A breakdown of the Group's value of goodwill by business area is shown below.

THE GROUP	Book value, SEK m
Hultafors Group	635
Latour Industries	2,354
Nord-Lock Group	558
Swegon	1,945
Neuffer	304
	5,796

Cont.

Note 18 cont.

Assumptions for the Group's significant goodwill items are given below

31 Dec 2017	Book value, SEK m	Growth assumption (forecast)	Margin assumption (forecast)
Snickers Workwear	366	3–8%	16.0–17.4%
Tradeport	217	2–15%	7.8–15.0%
Reac	433	6–13%	11.8–12.0%
Aritco	630	6–19%	5.1–15.5%
Vimec	312	6–7%	7.3–11.5%
Produal	389	8–10%	14.9–22.0%
Nord-Lock Group	558	3–8%	27.0–30.9%
Light Commercial Swegon	678	10–20%	21.9–27.0%
Cooling Swegon	538	2–10%	5.4–10.0%
Neuffer	303	2–66%	-6.2–8%

31 Dec 2017	Discount rate (before tax)	Growth assumption (terminal)	Margin assumption (terminal)
Snickers Workwear	11.1%	2%	16.0%
Tradeport	11.9%	2%	15.0%
Reac	10.7%	2%	12.0%
Aritco	9.7%	2%	15.5%
Vimec	11.1%	2%	11.5%
Produal	11.7%	2%	22.0%
Nord-Lock Group	11.1%	2%	27.0%
Light Commercial Swegon	9.8%	2%	27.0%
Cooling Swegon	9.6%	2%	10.0%
Neuffer	10.4%	2%	8.0%

31 Dec 2016	Book value, SEK m	Growth assumption (forecast)	Margin assumption (forecast)
Snickers Workwear	366	3–5%	16.0–18.0%
Tradeport	217	5–27%	13.3–15.0%
Reac	213	4%	13.0–14.3%
Aritco	645	6–24%	11.2–18.0%
Neuffer	295	2–50%	0.0–8.0%
Nord-Lock Group	579	3–9%	26.0–28.5%
Produal	379	8–13%	19.6–22.0%
Light Commercial Swegon	687	2–15%	23.7–27.0%
Cooling Swegon	525	2–7%	5.4–10.0%
North America Swegon	176	2–23%	4.8–11.0%

31 Dec 2016	Discount rate (before tax)	Growth assumption (terminal)	Margin assumption (terminal)
Snickers Workwear	11.3%	2%	16.0%
Tradeport	12.3%	2%	15.0%
Reac	11.1%	2%	13.0%
Aritco	12.3%	2%	18.0%
Neuffer	11.2%	2%	8.0%
Nord-Lock Group	11.2%	2%	26.0%
Produal	11.2%	2%	22.0%
Light Commercial Swegon	9.9%	2%	27.0%
Cooling Swegon	9.6%	2%	10.0%
North America Swegon	11.0%	2%	11.0%

All Group goodwill items have been evaluated, as required by IAS 36, in order to determine the individual recoverable amount for all of the smallest cash-generating units. The valuations are not market value. Individual assumptions about growth, profit margins, tied-up capital, investment needs and risk premiums have been made for each of the Group's goodwill items. The risk premium increment that has been added to the risk-free interest level is made up of a general risk premium for company investments and of a specific risk premium for individual operations based on their circumstances.

Key assumptions

Impairment tests were performed with forecasts for five years (one or more years following individual testing). Future cash flows have been estimated on the basis of the assets' existing structure and do not include future acquisitions. The required return after tax varies from 9.1 per cent to 12.0 per cent (9.5 to 12.2). The higher part of the interval has been used in most of the tests.

Market, growth and margin

The forecasts are based on previous experience and external sources of information.

Personnel expenses

The forecast for personnel expenses is based on anticipated inflation, a certain real wage increase (historical average) and planned rationalisations in company production. The forecast concurs with previous experience and external sources of information.

Exchange rates

Exchange rate forecasts are based on current listed exchange rates and forward rates. The forecast concurs with external sources of information.

Exchange rate CAD	6.6
Exchange rate CHF	8.2
Exchange rate DKK	1.26
Exchange rate EUR	9.40
Exchange rate GBP	10.6
Exchange rate NOK	1.02
Exchange rate PLN	2.20
Exchange rate USD	8.10

The recoverable amount for the Group's most important units exceeds the carrying amounts by a clear margin. The effect of a minor change to a key assumption is not so great that the recoverable amount could fall below its carrying amount. This applies to all cash-generating units where significant value is created. However, the risk is greater for some of the smallest goodwill items because the margin is smaller. Yet they have no significant impact on the Latour Group. The greatest risk of the occurrence of impairment is when disruptive changes in an industry radically alter the position of a company in the market. Each company conducts a comprehensive risk analysis every year to review and modify its operations in the light of such risks.

NOTE 19 Buildings

THE GROUP	2017	2016
Opening cost	554	514
Opening cost from acquisitions	85	38
Purchases	9	9
Sale	-18	-18
Reclassification	-3	0
Translation differences	8	11
Closing cost	*635*	*554*
Opening depreciation	-241	-229
Sale	9	10
Depreciation for the year	-22	-18
Translation differences	-3	-4
Closing depreciation	*-257*	*-241*
Opening impairment	0	0
Impairment for the year		–
Sales and reversals	0	–
Closing impairment	*0*	*0*
Book value	378	313

Depreciation for the year, see Note 10.

The item buildings includes a property owned by the Group through a finance lease with the following amounts:

	2017	2016
Cost - capitalised finance lease	112	109
Accumulated depreciation	-32	-27
Carrying amount	80	82

NOTE 20 Land and land improvements

THE GROUP	2017	2016
Opening cost	26	24
Purchases	1	2
Sales and disposals	-1	–
Translation differences	0	0
Closing cost	*26*	*26*
Opening depreciation	-8	-8
Depreciation for the year	–	–
Sales and disposals	–	–
Translation differences	0	0
Closing depreciation	*-8*	*-8*
Book value	18	18

Depreciation for the year, see Note 10.

NOTE 21 Machinery

THE GROUP	2017	2016
Opening cost	1,083	1,009
Opening cost from acquisitions	8	20
Purchases	76	93
Sale	-52	-26
Reclassification	-3	-31
Translation differences	-7	18
Closing cost	*1,105*	*1,083*
Opening depreciation	-815	-792
Sale	48	22
Depreciation for the year	-69	-65
Reclassification	5	32
Translation differences	5	-12
Closing depreciation	*-826*	*-815*
Book value	279	268

Depreciation for the year, see Note 10.

NOTE 22 Equipment

THE GROUP	2017	2016
Opening cost	608	588
Opening cost from acquisitions	10	21
Purchases	80	81
Sale	-50	-86
Reclassification	-10	0
Translation differences	0	4
Closing cost	*638*	*608*
Opening depreciation	-425	-429
Sale	41	68
Depreciation for the year	-68	-60
Reclassification	4	
Translation differences	0	-4
Closing depreciation	*-448*	*-425*
Book value	190	183

Depreciation for the year, see Note 10.

NOTE 23 Construction work in progress and advances for property, plant and equipment

THE GROUP	2017	2016
Opening cost	29	27
Opening cost from acquisitions	0	4
Costs expended during the year	12	41
Completed facilities	-21	-43
Book value	20	29

Cont.

NOTE 24 Interests in subsidiaries

	2017	2016
Opening cost	2,246	1,246
Change for the year	–	1,000
Closing cost	2,246	2,246

Company name	CRN	Domicile	No. shares	Share of equity (%)	Book value (SEK m)
Karpalunds Ångbryggeri AB	556000-1439	Stockholm	3,600	100	1
Latour Förvaltning AB	556832-2209	Stockholm	500	100	1,005
Latour-Gruppen AB	556649-8647	Gothenburg	400,000	100	1,049
Hultafors Group AB	556365-0752	Bollebygd		100	
Hultafors AB	556023-7793	Bollebygd		100	
Hultafors Group Finland OY	0664406-9	Finland		100	
Hultafors Group Norge AS	983513328	Norway		100	
Hultafors Group Danmark AS	14252533	Denmark		100	
Hultafors UMI S.R.L.	J32/572/22.11.1996	Romania		100	
Hultafors Group Italy	1660130210	Italy		100	
Fisco Tools Ltd.	755735	UK		100	
Hultafors Group NL BV	8054149	The Netherlands		100	
Hultafors Group Sverige AB	556113-7760	Bollebygd		100	
Snickers Workwear Ltd.	01952599	UK		100	
Snickers Production SIA Latvia	40003077239	Latvia		100	
Hultafors Group Belgium NV	0444.346.706	Belgium		100	
Hultafors Group France SARL	529 004 046	France		100	
Hultafors Group Poland Sp. z o.o.	146309299	Poland		100	
Hultafors Group Switzerland AG	CH 036.3.044.124-4	Switzerland		100	
Hultafors Group Ireland Ltd.	65695194	Ireland		100	
Hultafors Group Germany GmbH	147860778	Germany		100	
Hultafors Group Austria GmbH	ATU 65856344	Austria		100	
Tradeport AB	556649-0230	Stockholm		100	
Puvab AB	556346-4600	Borås		100	
Latour Industries AB	556018-9754	Gothenburg		100	
LSAB Group AB	556655-6683	Hedemora		100	
Fortiva AB	556563-6742	Malmö		100	
Fortiva Danmark A/S	182650	Denmark		100	
Bergmans Chuck AB	556059-1736	Hässleholm		100	
LSAB Produktion AB	556456-8060	Laholm		100	
LSAB Norge AS	95882479	Norway		100	
LSAB Sverige Försäljning AB	556248-1936	Långshyttan		100	
LSAB Sverige Produktion AB	556222-1746	Hedemora		100	
LSAB Instrument Service	1089847103950	Russia		100	
LSAB Suomi OY	0140601-0	Finland		100	
LSAB Vändra AS	10120018	Estonia		100	
LSAB Latvia SIA	40003381260	Latvia		100	
LSAB Westlings AB	556442-0767	Vansbro		100	
MachToolRent	1107847394687	Russia		100	
Kabona AB	556609-1525	Borås		100	
Densiq AB	556198-5077	Gothenburg		100	
Densiq AS	997495365	Norway		100	
Specma Seals ApS	35645144	Denmark		100	
AVT Group AB	556863-5964	Gothenburg		100	
Elvaco AB	556248-6687	Kungsbacka		100	
Bastec AB	556346-6738	Malmö		100	
REAC AB	556520-2875	Åmål		100	
REAC A/S	19,353,508	Denmark		100	
REAC Poland Sp. z.o.o.	0000444016	Poland		100	
REAC Components Sp. z.o.o	0000551205	Poland		100	
Bemsiq AB	559013-7351	Gothenburg		100	
Produal Holding Oy	2497873-2	Finland		100	
Produal Oy	0680909-7	Finland		100	
Produal Sverige AB	556538-4236	Stockholm		100	
Produal A/S	33378203	Denmark		100	
Produal S.A.S.	75264028400010	France		100	
Noda Intelligent System AB	556681-1096	Karlshamn		100	
Aritco Group AB	556720-1131	Kungsängen		100	
Aritco Lift AB	556316-6114	Kungsängen		100	
Aritco DE GmbH	HRB 753033	Germany		100	
Artico Homelift Ltd.	91310000MA1GBK649Y	Shanghai		100	
Brunna fastighetsmiljö AB	556344-2911	Kungsängen		100	
Gartec Ltd.	02898632	UK		100	
Ecopilot AB	559080-5502	Gothenburg		100	
Vimec Srl	00758850358	Reggio Emilia		100	
Vimec Polska SpZoo	5252490288	Warsaw		100	
Vimec Accessibility Ltd.	GB 898121786	London		100	
Vimec Iberica Accesibilidad SL	ES B84584457	Madrid		100	
Vimec France Accessibilité Sarl	FR 08492484357	Avignon		100	

Note 24 cont.

Company name	CRN	Domicile	No. shares	Share of equity (%)	Book value (SEK m)
AAT GmbH	401006	Albstadt		100	
Densiq Oy	2494676-5	OULU		100	
Micor AB	556557-7862	Laholm		100	
Nord-Lock International AB	556610-5739	Gothenburg		100	
Nord-Lock AG	CH-320.3.028.873-7	Switzerland		100	
Nord-Lock ApS	33 878 605	Denmark		100	
Nord-Lock Co. Ltd.	310000400676819	China		100	
Nord-Lock AB	556137-1054	Åre		100	
Nord-Lock Inc.	38-3418590	USA		100	
Nord-Lock Australia Pty Ltd.	602531279	Australia		100	
Superbolt Inc.	25-1478791	USA		100	
Nord-Lock Benelux BV	2050318	The Netherlands		100	
Nord-Lock Ltd.	4117670	UK		100	
Nord-Lock Poland Sp. z o.o.	0000273881	Poland		100	
Nord-Lock France	439-251-901	France		100	
Nord-Lock Japan Co, Ltd.	1299-01-047553	Japan		100	
Nord-Lock OY	0893691-1	Finland		100	
Nord-Lock s.r.o.	27294714	The Czech Republic		100	
Nord-Lock Holding GmbH	HRB 175392	Germany		100	
Nord-Lock GmbH	HRB 510204	Germany		100	
Nord-Lock Switzerland GmbH	CH 020.4.041.709-1	Switzerland		100	
Nord-Lock AS	895,421,812	Norway		100	
Nord-Lock Italy s.r.l	2,464,160,015	Italy		100	
Nord-Lock PTE. LTD.	201110682R	Singapore		100	
Boltight Ltd.	03832926	UK		100	
Boltight Inc	814794151	USA		100	
Twin-Lock AB	559009-2614	Gothenburg		100	
Nord-Lock Korea Co Ltd.	606-86-01043	Korea		100	
Nord-Lock India Pvt. Ltd.	U28999MH2017FTC301839	Mumbai		100	
Expander System Sweden AB	556392-6442	Åtvidaberg		100	
Expander America Inc	0967510-8	USA		100	
Swegon Group AB	559078-3964	Gothenburg		100	
Swegon Operation AB	556077-8465	Gothenburg		100	
Swegon Sverige AB	559078-3931	Gothenburg		100	
Swegon GmbH	HRB209158	Germany		100	
Econdition GmbH	HRB152462	Germany		100	
Swegon Latvia SIA	40103622444	Latvia		100	
Swegon A/S	247231	Denmark		100	
Swegon Ltd.	1529960	UK		100	
Swegon Cooling Ltd.	01744381	UK		100	
Swegon Service Ltd.	03443661	UK		100	
Swegon Hire Ltd.	03284785	UK		100	
Swegon SARL	409-770-195	France		100	
Swegon SA	48-205-4517	Switzerland		100	
Swegon s.r.o.	275 90 071	The Czech Republic		100	
Swegon North America Inc	1916764	Canada		100	
Swegon Inc.	26-1934480	USA		100	
Swegon BVA System Inc	98-0149314	USA		100	
Swegon BVA System (Tennessee) Inc	98-0150566	USA		100	
Swegon BVA System (Texas) Inc	46-0524581	USA		100	
Swegon Eesti OU	11726958	Estonia		100	
Swegon Indoor Climate Systems Co. Ltd.	310000400676739	China		100	
Swegon AS	933-765-806	Norway		100	
OY Swegon AB	240.505	Finland		100	
Lewaco Trading AB	556343-3423	Vara		100	
Berguven 2AB	556935-7782	Vara		100	
Swegon Sp.z o.o.	632031333	Poland		100	
Swegon BV	24408522	The Netherlands		100	
Swegon Belgium S.A.	893.224.696	Belgium		100	
Swegon P Lemmens Group SA	829.386.721	Belgium		90[1]	
P Lemmens Company SA	429.188.970	Belgium		90[1]	
Safeguard Systems Ltd.	IE8213635D	Ireland		100	
Swegon ILTO OY	1615732-8	Finland		100	
Swegon BB s.r.l	03991770276	Italy		100	
Blue Box Group s.r.l	02481290282	Italy		100	
Blue Box Air	U74210MH2008FTC189149	India		100	
Swegon Lidköping AB	556640-0346	Lidköping		100	
Swegon Air Management	00738495	UK		100	
bluMartin GmbH	HRB 187767	Germany		100	
Neuffer Fenster + Türen GmbH	HRB 4339	Germany		66,1	
Skillers GmbH	HRB 755172	Germany		100	
FOV Fodervävnader i Borås AB	556057-3460	Gothenburg		100	
Nordiska Industri AB	556002-7335	Gothenburg	840,000	100	191
Total book value					2,246

[1] Consolidated to 100 per cent due to holdings of call options on remaining shares.

Smaller inactive subsidiaries are not included above.

NOTE 25 Interests in associates

THE GROUP	2017	2016
Opening book value	13,277	11,727
Acquisitions during the year	2,031	261
Sold during the year	–10	–349
Profit share for the year after tax	2,002	1,765
Dilutive effect	26	30
Dividends received	–848	–725
Impairment	0	–15
Net change in capital	–435	583
Closing value	16,043	13,277

PARENT COMPANY	2017	2016
Opening book value	5,405	5,332
Acquisitions during the year	2,009	138
Sold during the year	–	–65
Closing value	7,414	5,405
Alimak Group AB	1,943	–
ASSA ABLOY AB	1,199	1,199
AB Fagerhult	289	289
HMS Networks AB	250	250
Loomis AB	0	0
Nederman Holding AB	306	306
Securitas AB	585	585
Sweco AB	445	446
TOMRA Systems ASA	2,000	1,933
Troax Group AB	397	397
Closing value	7,414	5,405

THE GROUP	Description of business	Number of shares	Share of equity	Market value[1]	Cost	Share of equity (%)	Share of votes (%)
Alimak Group (CRN 556714-1857. Stockholm)[2]	See page 50	14,461,809	1,962	1,851	1,943	27	27
ASSA ABLOY AB (CRN 556059-3575. Stockholm)[2]	See page 51	105,495,729	5,329	17,976	1,697	10	29
AB Fagerhult (CRN 556110-6203. Domicile Habo)	See page 52	55,861,200	1,209	5,614	571	49	49
HMS Networks AB (CRN 556661-8954. Halmstad)	See page 53	12,109,288	369	1,502	250	26	26
Loomis AB (CRN 556620-8095. Stockholm)[2]	See page 54	2,528,520	225	871	44	3	24
Nederman Holding AB (CRN 556576-4205. Domicile Helsingborg)	See page 55	3,512,829	486	878	306	30	30
Securitas AB (CRN 556302-7241. Stockholm)[2]	See page 56	39,732,600	1,619	5,690	1,081	11	30
Sweco AB (CRN 556542-9841. Domicile Stockholm)	See page 57	32,622,480	1,628	5,931	480[3]	27	21
TOMRA Systems ASA (CRN 556542-9841. Domicile Stockholm)	See page 58	39,000,000	2,399	5,134	2,000	26	26
Troax Group AB (CRN 556916-4030. Domicile Hillerstorp)	See page 59	6,020,000	497	1,677	397	30	30
Diamorph AB (CRN 556647-5371. Domicile Stockholm)	See pages 60–61	14,923,571	240	246	189	28	28
Oxeon AB (CRN 556614-1197. Domicile Borås)	See pages 60–61	314,684	10	15	15	32	32
Terratech AB (CRN 556932-5102. Domicile Stockholm)	See pages 60–61	1,128,967	52	49	45	22	22
LumenRadio AB (CRN 556761-7492. Domicile Gothenburg)	See pages 60–61	246,000	17	20	20	25	25
Other smaller holdings			1	1	1		
			16,043	47,455	9,039		

[1] Listed holdings at purchase price. Unlisted holdings firstly at the last valuation, secondly at the last traded price and thirdly the acquisition price.
[2] Class A shares in ASSA ABLOY, Loomis and Securitas are unlisted. In this table they have been given the same listed price as corresponding class B shares.
[3] The cost of Sweco B is SEK 34 m higher in the Group due to the exercise of a call option.

Note 25 cont.

Summary of balance sheet information

2017	Fixed assets	Current assets	Total assets	Long-term liabilities	Current liabilities	Total liabilities	Net assets
Alimak Group AB	3,360	2,217	5,577	1,587	891	2,478	3,099
ASSA ABLOY AB	73,299	26,145	99,444	24,293	24,494	48,787	50,657
AB Fagerhult	3,449	2,648	6,097	3,220	987	4,206	1,891
HMS Networks AB	1,072	366	1,438	474	243	717	721
Loomis AB	11,311	3,852	15,163	5,376	2,751	8,127	7,036
Nederman Holding AB	1,471	1,500	2,971	1,126	769	1,895	1,076
Securitas AB	26,788	22,344	49,132	16,347	17,535	33,882	15,250
Sweco AB	7,546	6,733	14,279	2,988	5,313	8,301	5,978
TOMRA Systems ASA	4,759	3,678	8,437	1,394	2,305	3,700	4,737
Troax Group AB	1,010	410	1,419	635	193	828	591
Diamorph AB	758	154	912	373	70	443	469
Oxeon AB	21	9	30	0	10	10	20
Terratech AB	107	172	279	13	126	139	140
LumenRadio AB	8	25	33	1	5	6	27
2016							
ASSA ABLOY AB	69,257	26,025	95,282	25,945	22,112	48,057	47,225
AB Fagerhult	2,550	2,264	4,814	2,190	997	3,187	1,627
HMS Networks AB	1,073	329	1,402	522	244	766	636
Loomis AB	11,245	3,624	14,869	4,701	3,521	8,222	6,647
Nederman Holding AB	1,158	1,496	2,653	840	831	1,671	982
Securitas AB	27,549	20,853	48,401	16,231	17,662	33,893	14,508
Sweco AB	7,279	6,542	13,821	2,348	6,038	8,386	5,435
TOMRA Systems ASA	3,893	3,222	7,115	857	1,888	2,745	4,370
Troax Group AB	1,163	488	1,651	763	257	1,020	631
Diamorph AB	751	317	1,068	551	81	632	435
Oxeon AB	24	8	32	0	13	13	19
Terratech AB	102	125	227	26	60	85	141
LumenRadio AB	6	32	38	2	4	5	32

The following table summarises information from income and comprehensive income

2017	Income	Profit/loss	Other comprehensive income	Total comprehensive income	Dividends received
Alimak Group AB	4,001	291.6	–83.2	208	0
ASSA ABLOY AB	76,137	8,635	–1,839	6,796	316
AB Fagerhult	5,170	494	–108	387	84
HMS Networks AB	1,183	143	20	163	12
Loomis AB	17,228	1,428	–435	993	20
Nederman Holding AB	3,149	186	–28	158	19
Securitas AB	92,197	2,737	–607	2,130	149
Sweco AB	16,887	1,223	26	1,249	140
TOMRA Systems ASA	7,432	658	–174	484	84
Troax Group AB	1,498	168	–60	108	23
Diamorph AB	429	77	–143	–66	0
Oxeon AB	37	–14	0	–14	0
Terratech AB	360	9	0	9	0
LumenRadio AB	31	–6	0	–6	0
2016					
ASSA ABLOY AB	71,293	6,653	1,975	8,628	280
AB Fagerhult	4,491	381	–61	320	65
HMS Networks AB	952	100	14	114	8
Loomis AB	16,800	1,258	61	1,319	18
Nederman Holding AB	3,107	172	31	203	18
Securitas AB	88,162	2,646	625	3,271	139
Sweco AB	16,531	931	9	940	114
TOMRA Systems ASA	6,610	738	–178	560	66
Troax Group AB	1,097	154	–37	117	18
Diamorph AB	424	112	–145	–33	0
Oxeon AB	51	–11	0	–11	0
Terratech AB	263	15	0	15	0
LumenRadio AB	23	–6	0	–6	0

Cont.

Note 25 cont.

Summarised reconciliation of financial information[1]

2017	Opening net assets	Profit/loss	Changes in equity	Dividends	Closing net assets	Holdings in associates	Goodwill	Book value
Alimak Group AB	2,963	70	1	0	3,034	810	1,152	1,962
ASSA ABLOY AB	47,224	8,350	–2,845	–3,332	49,397	4,692	637	5,329
AB Fagerhult	1,627	463	–40	–171	1,879	917	292	1,209
HMS Networks AB	637	153	–6	–47	737	191	178	369
Loomis AB	6,647	1,343	–462	–602	6,926	225	0	225
Nederman Holding AB	982	163	–35	–64	1,046	314	172	486
Securitas AB	14,508	2,793	–1,036	–1,369	14,896	1,619	0	1,619
Sweco AB	5,435	943	–240	–513	5,625	1,541	87	1,628
TOMRA Systems ASA	4,606	720	–311	–310		1,242	1,157	2,399
Troax Group AB	631	173	–2	–75	727	219	278	497
Diamorph AB	461	91	–53	0	499	141	99	240
Oxeon AB	19	–14	15	0	20	7	4	11
Terratech AB	143	27	–3	0	167	36	16	52
LumenRadio AB	32	–3	0	0	29	7	10	17
2016								
ASSA ABLOY AB	41,579	6,836	564	–2,944	46,035	4,372	637	5,009
AB Fagerhult	1,437	398	–34	–132	1,669	821	292	1,113
HMS Networks AB	455	100	109	–29	635	165	178	343
Loomis AB	5,843	1,266	–306	–527	6,276	203	0	203
Nederman Holding AB	837	151	14	–58	944	284	172	456
Securitas AB	12,530	2,592	101	–1,278	13,945	1,515	0	1,515
Sweco AB	4,907	835	–4	–419	5,319	1,451	87	1,538
TOMRA Systems ASA	3,925	807	91	–273	4,550	1,180	1,172	2,352
Troax Group AB	548	129	–17	–60	600	181	270	451
Diamorph AB	515	113	–173	0	455	118	91	209
Oxeon AB	30	–11	0	0	19	6	4	10
Terratech AB	134	13	0	0	147	32	16	48
LumenRadio AB	38	–6	0	0	32	8	10	18

[1] The carrying amounts are estimated full-year values, based on each company's Q3 report, which may include some differences from the actual results presented in previous tables (Summary of information from the balance sheet, income and comprehensive income statements).

NOTE 26 Listed shares

THE GROUP	2017	2016
Opening cost	94	94
Purchases	–	–
Sale	–	–
Closing cost	*94*	*94*
Opening fair value reserve	300	399
Disposal recognised in the income statement	–	–
Revaluation recognised in equity	-71	-99
Closing fair value reserve	*229*	*300*
Book value	323	394

Specification of listed shares

Share	Number	Market value, SEK m	Listed price, SEK	Cost, SEK m	Share of votes, %	Share of equity, %
Nobia	4,649,894	323	69	94	3	3
Total		323		94		

NOTE 27 Other securities owned

THE GROUP	2017	2016
Opening cost	1	25
Purchases	9	–
Reclassification	–	-24
Closing cost	*10*	*1*
Opening impairment	-1	-1
Impairment for the year	–	–
Closing impairment	*-1*	*-1*
Book value	9	0

NOTE 28 Long-term receivables

THE GROUP	2017	2016
Opening cost	24	202
Increase for the year	8	1
Decrease for the year	–	-179
Book value	32	24

The Group's interest-bearing receivables have an average interest rate of 0 per cent and run for an average period of 12 months.

NOTE 29 Inventories

The value of goods pledged as security for loans or other obligations is SEK 0 (0).

Inventory value:	2017	2016
At net realisable value		
Raw materials and consumables	51	57
Work-in-progress	6	3
Finished work and goods for resale	68	90
At cost		
Raw materials and consumables	498	318
Work-in-progress	90	101
Finished work and goods for resale	696	550
	1,409	1,119

NOTE 30 Listed shares – trading

THE GROUP	2017	2016
Book value at beginning of the year	40	46
Acquisitions for the year	68	250
Sales	-67	-256
Revaluation, booked in the income statement	-1	0
Book value at end of the year	40	40

THE GROUP	Number	Cost	Book value	Market value
Alimak Group	40,000	5	5	5
Axfood	40,000	6	6	6
H&M B	15,000	5	2	2
Investor	23,000	8	9	9
Netent	160,000	11	9	9
Nobia	70,000	5	5	5
INSR Insurance Group	493,025	13	4	4
		53	40	40

NOTE 31 Accounts receivable

THE GROUP	2017	2016
Nominal value	1,699	1,456
Provision for bad debts	-62	-44
Net accounts receivable	1,637	1,412
Reserve for bad debts		
Opening reserve	-44	-42
Opening reserve for acquired companies	-9	0
Provisions for bad debts for the year	-12	-2
Realised losses during the year	3	1
Reversed unutilised amount	1	1
Exchange rate differences	-1	-2
	-62	-44

Individually assessed accounts receivable that are considered uncollectable are written off by directly reducing the carrying amount. Other receivables are assessed collectively to determine whether there is objective evidence of impairment. For these receivables, the estimated impairment losses are recognised in a separate provision for doubtful debts. Objective evidence of impairment is considered to exist if any of the following indicators are present: a debtor has significant financial difficulties, default or delinquency in payments (more than 30 days), or a probability that the debtor will enter into bankruptcy or financial reorganisation. Receivables for which an impairment provision was previously recognised are written off against the provision when the Group is no longer expected to recover additional cash. Impairment losses are recognised in the income statement within other expenses. If, in a subsequent period, the amount of the impairment loss decreases, the amount of the reversal of the previously recognised impairment is recognised in the consolidated income statement.

Apart from impairment losses made, the credit risk is deemed to be small since the receivables relate to bona fide, paying customers.

Age analysis of accounts receivable	2017	2016
Not past due	1,247	1,074
Past due but not impaired at 31 December		
Due less than 3 months	345	303
Due 3 to 6 months	26	15
Due more than 6 months	19	20
	1,637	1,412

NOTE 32 Derivative instruments

THE GROUP	2017	2016
Assets		
Forward exchange contracts – cash flow hedging	–	25
Liabilities		
Forward exchange contracts – cash flow hedging	-7	–
Interest rate swaps	-13	-20
	-20	-20

Forward exchange contracts
The nominal amount of outstanding forward exchange contracts at 31 December was SEK 250 m (93 m). See Note 34.

It is considered that the cash flow hedges meet the terms for effective hedge accounting and the change is therefore recognised in its entirety in other comprehensive income. The impact from the hedging on other comprehensive income during the year was SEK –32 m (–42 m).

Hedges on net investments in foreign operations
Borrowing that has been identified as net investment hedging in Group subsidiaries is SEK 295 m (95 m) in Italy, SEK 364 m (354 m) in Belgium, and SEK 158 m (153 m) in Finland.

The change in exchange rate on translation of borrowing into Swedish krona is SEK –19 m (–27 m) at the close of the reporting period and is recognised in other comprehensive income.

Interest rate swaps
The fair value gain or loss associated with the effective portion of an interest rate swap that hedges variable-rate borrowing is recognised in other comprehensive income and was SEK 7 m (–6 m) in 2017.

NOTE 33 Cash and cash equivalents

Cash and cash equivalents comprise SEK 621 m (1,005 m) in bank balances and SEK 5 m (302 m) in short-term bank deposits. The Group receives interest on bank balances according to a floating interest rate based on the bank's daily rate.

NOTE 34 Financial instruments and financial risk management

Hedge accounting
Latour uses hedge accounting on forward exchange contracts. Changes in market values of cash flow hedges are recognised in other comprehensive income when they are considered effective, otherwise directly in the income statement. Latour also uses interest rate swaps on the Group's short-term borrowing by converting the interest rates from variable to fixed and, like forward exchange contracts, the change is recognised in the market value in other comprehensive income if efficiency is achieved. Accumulated amounts in other comprehensive income are recycled to the income statement during the periods the hedged item affects results. Unrealised gains or losses that arise from market valuation of derivative instruments attributable to hedges of net investments, and which are attributable to exchange rate fluctuations, are recognised in other comprehensive income.

Book value and fair value of financial assets and liabilities
The table below shows how fair value is determined for the financial instruments measured in the statement on financial position. Fair value is determined according to three different levels. There were no transfers between the different levels of the fair value hierarchy and there were no changes in the valuation techniques and/or principles used in 2017 compared with the 2016 annual accounts.

Group 2017

Financial assets	Available-for-sales financial assets	Financial assets valued at fair value via profit and loss	Derivatives used for hedging purposes	Loans and receivables, cash and cash equivalents	Other liabilities	Total fair value
Listed shares management	323[1)]					323
Other long-term securities holdings	9[2)]					9
Other long-term receivables				32[3)]		32
Listed shares – trading		40[1)]				40
Unrealised gains, currency derivatives			0[2)]			0
Other current receivables				1,750[3)]		1,750
Cash and cash equivalents				626[3)]		626
Total	332	40	0	2,408	–	2,780
Financial liabilities						
Long-term loans					522[3)]	522
Bank overdraft facilities					151[3)]	151
Current loans					3,995[3)]	3,995
Other current liabilities					1,125[3)]	1,125
Unrealised gains, currency derivatives			20[2)]			20
Total	–	–	20	–	5,793	5,813

[1)] Level 1 – fair value is measured using quoted prices in an active market for identical assets.
[2)] Level 2 – fair value is measured using inputs other than quoted market prices included within Level 1 that are observable for the assets and liabilities.
[3)] Level 3 – fair value is measured using inputs for the assets and liabilities that are not based on observable market inputs.

Group 2016

Financial assets	Available-for-sales financial assets	Financial assets valued at fair value via profit and loss	Derivatives used for hedging purposes	Loans and receivables, cash and cash equivalents	Other liabilities	Total fair value
Listed shares management	394[1)]					394
Other long-term securities holdings	0[2)]					0
Other long-term receivables				24[3)]		24
Listed shares – trading		40[1)]				40
Unrealised gains, currency derivatives			25[2)]			25
Other current receivables				1,496[3)]		1,496
Cash and cash equivalents				1,307[3)]		1,307
Total	394	40	25	2,827	–	3,286
Financial liabilities						
Long-term loans					696[3)]	696
Bank overdraft facilities					52[3)]	52
Current loans					1,990[3)]	1,990
Other current liabilities					858[3)]	858
Unrealised gains, currency derivatives			20[2)]			20
Total	–	–	20	–	3,596	3,616

[1)] Level 1 – fair value is measured using quoted prices in an active market for identical assets.
[2)] Level 2 – fair value is measured using inputs other than quoted market prices included within Level 1 that are observable for the assets and liabilities.
[3)] Level 3 – fair value is measured using inputs for the assets and liabilities that are not based on observable market inputs.

Note 34 cont.

The basis of fair value for listed financial assets is the quoted market price at the balance sheet date. The basis of fair value for unlisted financial assets is determined using valuation techniques, such as recent transactions, the price of comparable instruments or discounted cash flows.

Currency derivatives comprise forward exchange contracts and are included in level 2. Valuation at fair value of forward exchange contracts is based on forward rates established by banks on an active market.

The fair values of accounts receivable and other receivables, other current receivables, cash and other liquid funds, accounts payable and other liabilities, and long-term liabilities are estimated as being the same as their carrying amounts. The market interest rate for the interest-bearing long-term liabilities is not expected to deviate significantly from the discount rate. The carrying amounts are therefore assumed in essence to approximate their fair values.

The Group's valuation process is carried out by the Group finance and treasury department where a team works with valuation of the financial assets and liabilities held by the Group.

Financial risk management

The Group's financing operations and management of financial risks is primarily centralised to Group staff. Operations are run according to the finance policy adopted by the Board and are characterised by a low level of risk. The aim is to secure the Group's long-term financing, minimise the Group's capital expense and effectively manage and control the Group's financial risks.

Currency exposure

The Group's operations face currency exposure in the form of exchange rate fluctuations. The Group's currency exposure consists partly of transaction exposure relating to purchases and sales in foreign currency, and partly to translation exposure relating to net investments in foreign subsidiaries and exchange rate fluctuations when the results from foreign subsidiaries are translated into Swedish crowns.

Transaction exposure

The Group's goal for transaction exposure is to hedge 50 per cent of the coming 12 months' budgeted cash flows. The impact of hedging transactions on income was SEK –25 m (–33 m) and is recognised in other comprehensive income. See Note 35.

A breakdown of the net currency flows for Swedish entities for the year is shown below:

Currencies (amounts in SEK m)	2017	2016
NOK	378	313
DKK	116	–7
GBP	308	125
USD	–348	–335
EUR	–44	207
CHF	46	75
Total	455	378

+ = net inflow, – = net outflow

Assuming the same net transaction exposure as in 2017 and provided no hedging has been used, profit would have been positively impacted by SEK 5 m (4 m) if the Swedish crown had increased by one percentage point against all transaction currencies. The effect per currency would have been SEK 4 m in NOK, SEK 1 m in DKK, SEK 3 m in GBP, and SEK –3 m in USD.

A breakdown by currencies and due dates of the Group's outstanding forward foreign exchange contracts at 31 December 2017 is shown below:

Amount in SEK m	2018	2019	Total
Sell EUR	195	–	195
Sell NOK	31	–	31
Sell USD	30	–	30
Sell DKK	40	–	40
Sell GBP	48	–	48
Sell CHF	12	–	12
Sell total	*355*	*0*	*355*
Buy EUR	2	–	2
Buy USD	103	–	103
Buy total	*105*	*0*	*105*
Net	250	0	250

The measurement of fair value of forward foreign exchange contracts is accounted for as derivative instruments and totals SEK –7 m (25 m), which is recognised in the consolidated balance sheet.

Translation exposure

The need to hedge net assets in foreign subsidiaries is decided on a case-to-case basis and hedges are based on the group-wise value of the net assets. Hedging is conducted through loans in foreign currencies. Profit/loss from hedges in foreign operations is SEK –15 m (–21 m). The amount is reported in other comprehensive income and in reserves in equity. See Note 35.

A breakdown of the net assets of the foreign subsidiaries is shown below:

	2017		2016	
Currency	Amount in SEK m	%	Amount in SEK m	%
EUR	662	59	584	59
DKK	15	1	8	1
NOK	40	4	56	6
USD	177	16	164	16
GBP	–50	–4	–65	–7
RON	25	2	25	3
CAD	–29	–3	–27	–3
PLN	218	19	186	19
CHF	41	4	54	5
JPY	21	2	19	2
Other	1	0	–6	–1
Total	1,121	100	998	100

The exchange rate difference for the year arising on the translation of foreign net assets was SEK 69 m (134 m) and is reported in other comprehensive income and reserves in equity. See Note 35.

Financing risk and liquidity risk

The Group handles the more short-term liquidity risk within the framework of the financing risk. In a business like Latour's, where long-term financial resources are procured centrally, the short-term liquidity risk is automatically handled within long-term financing. Nonetheless, high demands are placed on the regular reporting of the cash flow situation in each of the individual business units.

In order to reduce the risk of difficulties in procuring capital in the future and refinancing of matured loans, the Group has the following contracted lines of credit:

		Of which has been used
Bank overdraft facility, etc.	200	151
Credits granted through 2018	1,306	1,121
Credits granted through 2019	1	0
Credits granted through 2020	1	0
Credits granted through 2021	1,565	1,416[1)]
Credits granted through 2022	2,535	1,514[1)]
	5,608	4,202

[1)] Promissory notes with maturities of up to 1 year are recognised in the balance sheet as current liabilities, even though they are included under long-term credit facilities.

At 31 December 2017, the Group's net financial liabilities, excluding shareholdings and other securities, was SEK 4,084 m. Most of the Group's loans are in SEK with a maturity period of less than one year, but within the framework for the long-term lines of credit presented above.

The non-current interest-bearing debts of SEK 521 m, due through 2020, are equivalent to a SEK 522 m cash outflow, of which SEK 1 m is accumulated interest.

Contracts for granted credits with terms longer than one year contain financial covenants, which state that net debt may not exceed a certain level in relation to the listed market price of the Group's listed securities. This condition was complied with in 2017.

Cont.

Note 34 cont.

Interest rate risk
The Latour Group's main sources of financing are cash flows from its operating activities and its equity investment, as well as from loans. The loans are interest-bearing and thus expose the Group to interest rate risk. The Group uses interest rate swaps to minimise the interest rate risk. See Note 32.

Interest rate risk relates to the possibility of change in the interest rate level having an adverse impact on the Group's net interest and/or cash flows. The Group's financing policy establishes guidelines for setting fixed rates and average loan periods for borrowings. The Group strives to achieve a balance between the estimated cost of servicing loans and the risk that major interest rate fluctuations might adversely affect profits. At the end of 2017, the average fixed loan period was about 6 months.

If the interest rate level had been one percentage point higher, profit/loss for the year would have been impacted by SEK –41 m (–25 m). No other effects on equity.

The average cost for outstanding long-term and short-term borrowing at the balance sheet date (see Note 40 for long-term liabilities):

	Debt in 2017		Debt in 2016	
	%	SEK m	%	SEK m
Long-term borrowing SEK	0.8	100	0.4	100
Long-term borrowing EUR	1.4	370	1.3	303
Long-term borrowing GBP	–	–	1.0	190
Long-term borrowing CAD	1.9	47	2.0	93
Long-term borrowing other	1.1	4	2.0	10
	1.3	521	1.2	696
Short-term borrowing SEK	0.8	2,804	1.2	1,079
Short-term borrowing EUR	1.1	998	1.1	778
Short-term borrowing USD	2.0	125	1.4	138
Short-term borrowing GBP	1.0	189	–	–
Short-term borrowing PLN	2.0	30	2.0	47
	1.2	4, 146	1.2	2,042

Capital management
The Group's long-term capital structure goals are to ensure that the Group is able to continue developing its operations, so that it can generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep capital expenses low. The Group is able to change the dividend that is paid to the shareholders or sell assets to reduce debt in order to maintain or adjust the capital structure. The Group assesses its capital adequacy by reference to its debt levels. Latour's Board of Directors has set limits on debt levels. The Group's debt cap is set at 10 per cent of the investment portfolio's value and 2.5 times the wholly-owned industrial operations' EBITDA, measured as an average for the last three years and adjusted for acquisitions and disposals. The debt has always been well below this threshold.

Credit risk
The Group has limited exposure to credit risks. These risks are primarily related to outstanding accounts receivable. Losses on accounts receivable arise when customers become insolvent or for other reasons fail to meet their payment obligations. The risks are limited through credit insurance policies. Certain businesses even require payment in advance. Group management is of the opinion that there is no significant credit risk concentration in relation to any specific customer or counterparty or in relation to any specific geographic region.

Price risk
The Group is exposed to a price risk concerning shares due to investments held by the Group and which, in the Group's balance sheet are classified either as available-for-sale financial instruments or assets valued at fair value via profit or loss. The price risk on shares consists of share price risks, liquidity risks and counterparty risks. Share price risk is the risk of value loss due to changes in prices on the stock market. This is the greatest risk in Latour's business and occurs primarily in the valuation of the investment portfolio companies. If the market value of holdings in the investment portfolio changed by 5 per cent, it would affect comprehensive income and equity by SEK 16 m (20 m). Share prices are regularly analysed and monitored by Latour's group management. Latour has an influence on the companies' strategies and decisions through its active ownership, exercised through board representation and in other ways. Liquidity risk can occur if a share, for example, is hard to sell. However, liquidity risk is limited. Counterparty risk is the risk that a party in a transaction with a financial instrument cannot fulfil its obligations and thereby creates a loss for the other party.

The Group is not exposed to any price risk concerning raw materials or commodities.

Operational risks
Operational risk is the risk of loss due to inadequate or failed internal processes and systems. A number of internal guidelines and regulations, as well as policies adopted by the Board, are the basis of Latour's risk management. Legal reviews of contracts and relations are performed regularly. The Group also has a system of continuous controls that regulate and ensure responsibility and authority in operating activities.

Insurance risks in the Group are managed according to the assessed need for insurance. Matters concerning confidentiality and information security are highly prioritised at Latour and are regulated by internal guidelines. Latour also continuously controls and develops its systems and procedures for IT security.

NOTE 35 Equity

Reserves THE GROUP	Hedging reserve	Translation reserve	Fair value reserve [1]	Total
Opening balance 1 Jan 2016	37	–17	397	417
Translation differences for the year		134		134
Available-for-sale financial assets:				
Revaluation recognised directly in other comprehensive income			–98	–98
Recognised in the income statement on disposal				0
Cash flow hedges	–33			–33
Interest rate swaps	–5			–5
Net asset hedge, currency effects	–21			–21
Closing other reserves 31 Dec 2016	–22	117	299	394
Opening balance 1 Jan 2017	–22	117	299	394
Translation differences for the year		69		69
Available-for-sale financial assets:				
Revaluation recognised directly in other comprehensive income			–72	–72
Recognised in the income statement on disposal				0
Cash flow hedges	–25			–25
Interest rate swaps	6			6
Net asset hedge, currency effects	–15			–15
Closing other reserves 31 Dec 2017	–56	186	227	357

[1] The investment portfolio has a fair value of SEK 227 m and issued call options have a fair value of SEK 0 m.

Note 35 cont.

Share capital
The parent company's share capital. The par value of each share is SEK 0.21.

Other contributed capital
Refers to equity contributed by the shareholders. Contributed capital is included here as a form of issue in kind and a new issue at a rate exceeding the par value.

Repurchased shares
Repurchased shares comprise the historic cost of the company's shares held by the parent company and are recognised as a deduction from equity. Proceeds from the sale of own shares are recognised as an increase in equity and transactions costs are recognised directly in equity.

Reserves
Translation reserve
The translation reserve includes all exchange rates differences arising when the currencies of the financial statements of foreign operations are translated into the presentation currency of the consolidated financial statements. The parent company and the Group present their financial statements in Swedish krona (SEK).

Hedging reserve
The hedging reserve consists of exchange rate differences arising when translating debts, derivatives classified as hedging instruments of net investments in a foreign operation and interest rate swaps.

Fair value reserve
The fair value reserve includes the accumulated net change of the fair value of available-for-sale financial assets until the asset is derecognised in the balance sheet.

Profit brought forward including part of comprehensive income for the year
Profit brought forward including part of comprehensive income for the year contains profits earned in the parent company, its subsidiaries and associates. Previous provisions to the statutory reserve, not including transferred share premium reserves, are incorporated in this equity item.

Non-controlling interests
Non-controlling interests comprise the share of equity not owned by the parent company.

Dividends
Dividends are proposed by the Board of Directors in accordance with the rules laid down by the Swedish Companies Act and are approved by the Annual General Meeting. The dividend proposed, but not as yet approved, for 2017 is SEK 1,437 m (SEK 2.25 per share). The amount has not been reported as a liability.

Earnings per share

THE GROUP	2017	2016
Profit for the year	2,793	3,673
Average number of shares outstanding basic share	638,719,595	638,414,600
Average number of shares outstanding diluted share	640,982,564	640,793,016

	2017	2016
Earnings per share related to profit attributable to parent company shareholders		
Basic share	SEK 4.37	SEK 5.75
Diluted share	SEK 4.36	SEK 5.73

Outstanding shares	Class A	Class B	Total
Number of shares at 1 January 2017	11,917,258	147,719,242	159,636,500
Repurchase		75,500	75,500
4:1 split	35,751,774	443,384,226	479,136,000
Conversion	–26,584	26,584	0
Total outstanding shares at 31 December 2017	47,642,448	591,205,552	638,848,000

Own shareholding	Class A	Class B	Total
Shares held at 1 January 2017	–	323,500	323,500
Repurchase during the year	–	92,500	92,500
Disposal	–	–168,000	–168,000
4:1 split	–	744,000	744,000
Total own shareholding at 31 December 2017	0	992,000	992,000
Total number of shares at 31 December 2017	47,642,448	592,197,552	639,840,000

The par value of own holdings that were repurchased was SEK 0.1 m at 31 December 2017. This represents 0.1 per cent of the share capital. The transaction costs relating to the repurchases are recognised as a deduction from equity. These costs have not affected recognised tax expenses. A repurchase of own shares has been performed to create added value for current shareholders in Latour. Call options have been issued to senior executives on all repurchased shares.

	2017		2016	
Own shareholding	Number	Expense	Number	Expense
Accumulated at beginning of the year	323,500	72	402,500	58
Repurchase during the year	92,500	37	122,000	43
Disposal	–168,000	–37	-201,000	–29
4:1 split	744,000	–	0	–
Accumulated at end of the year	992,000	72	323,500	72

NOTE 36 Reconciliation of loans related to financing activities

	31 Dec 2016	Cash flow	Changes with no cash-flow effects: Effect of movements in foreign exchange	Impairment	Interest	Acquisition company	31 Dec 2017
Interest-bearing receivables	24	-2				10	32
Pension provisions	-39	-25	-1			-10	-75
Long-term liabilities	-201	334	1			-197	-63
Additional purchase price	-434	-56		92	-9	-111	-518
Finance lease liabilities	-64		1				-63
Utilised bank overdraft facilities	-52	-99					-151
Interest-bearing current liabilities	-1,987	-1,888					-3,872
Net debts related to financing activities	-2,753	-1,733	1	92	-9	-308	-4,710

NOTE 37 Retirement benefit obligations

Nearly all employees in the Latour Group are covered by either defined benefit or defined contribution pension plans. Defined benefit pension plans mean that the employee is guaranteed a pension corresponding to a certain percentage of his or her salary. The pension plans comprise retirement pension, sickness pension and family pension. The pension obligations are secured through provisions in the balance sheet and through premiums to insurance companies which thereby assume the obligations towards the employees. The Group's employees outside of Sweden, Italy, Germany and Switzerland are covered by defined benefit pension plans. Payments for these plans normally constitute a percentage of the employee's salary.

Obligations for retirement and family pensions for white-collar workers in Sweden are largely secured through insurance with Alecta. Since Alecta cannot provide enough information to report the ITP plan as a defined benefit plan it is reported as a defined contribution plan. Payments for pension insurance policies with Alecta for the year are SEK 45 m. Alecta's surplus can be divided amongst the insurance policy holders and/or the insured. At the end of 2017, Alecta's surplus in the form of the collective consolidation level was 154 per cent. Pension plans for blue-collar workers in Sweden are defined contribution plans.

The company's costs and the value of outstanding obligations for defined benefit plans are calculated using actuarial calculations which aim to establish the present value of the obligations.

THE GROUP

Defined benefit obligations	2017	2016
Present value at the beginning of the periods	87	83
Reclassification	43	–
Acquisitions	11	5
Interest	0	0
Pension payments	-1	0
Actuarial gain/loss	7	-2
Translation difference	1	1
Closing balance	153	87
Plan assets		
Opening balance	48	51
Reclassification	29	–
Change in reserves	2	-3
Closing balance	79	48
Net defined benefit obligations	74	39

Defined benefit obligations by country	2017 Present value of obligations	Fair value of plan assets	Total
Sweden	21	0	21
Norway	27	-23	4
Switzerland	38	-26	12
Germany	43	-30	13
Italy	24	0	24
Total	153	-79	74

Defined benefit obligations by country	2016 Present value of obligations	Fair value of plan assets	Total
Sweden	6	0	6
Switzerland	36	-25	11
Germany	34	-23	11
Italy	11	0	11
Total	87	-48	39

At the last measurement date, the present value of the defined benefit obligation of approximately SEK 62 m was attributable to active employees and SEK 12 m to retired employees.

Amounts reported in the income statement	2017	2016
Interest on pension provision	0	0
Cost of defined benefit plans	0	0
Pension costs, defined contribution plans	168	127
Special employer's tax and taxes on return	22	19
Total pension costs	190	146

The actuarial calculation of pension obligations and pension costs is based on the following principal assumptions:

%	2017 Switzerland	Germany	Italy	Norway
Discount rate[1]	0.8	1.6	1.3	2.3
Inflation	1.0	1.8	1.0	2.3
Pay increases	2.0	2.5	–	2.5
Pension indexation	0.0	2.0	0.0	0.4

%	2016 Switzerland	Germany	Italy
Discount rate[1]	0.7	1.5	1.3
Inflation	1.0	1.8	1.0
Pay increases	1.0	2.5	–
Pension indexation	0.0	2.0	0.0

[1] See policies in Note 2 page 75.

If the discount rate is lowered by 0.5 per cent, the present value of the obligations increases by 6.3 per cent. If the interest rate is raised by 0.5 per cent, the present value of the obligations decreases by 5.8 per cent.

NOTE 38 Taxes

Deffered tax in the balance sheet
Temporary differences exist where the carrying amount and taxation value differ for a given asset or liability. Temporary differences have resulted in total deferred tax assets and deferred tax liabilities for the Group as follows:

THE GROUP	2017	2016
Deferred tax assets		
Intangible assets	5	5
Buildings and land	0	0
Machinery and equipment	4	3
Inventories	45	40
Current receivables	8	4
Provisions	18	16
Current liabilities	10	11
Other items	11	9
	101	88
Deferred tax liabilities		
Intangible assets	-43	-37
Buildings and land	-3	-4
Machinery and equipment	-3	-3
Inventories	0	0
Current receivables	0	-5
Untaxed reserves	-206	-194
Provisions	-15	-3
	-270	-246

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax system. Deferred tax recognised in other comprehensive income amounts to SEK 9 m (20 m).

No current tax is recognised in the Group's or the parent company's statement of comprehensive income.

The SEK 2,588 m (2,229 m) tax loss carry forward with an unlimited carry forward period in the parent company has not taken deferred tax into account.

NOTE 39 Other provisions

THE GROUP	Guarantee provisions	Other provisions	Total
Opening value 1 Jan 2016	48	18	66
Acquisition (company)	30	19	49
Provisions for the year	13	7	20
Amounts claimed during the year	-13	-8	-21
Exchange rate difference	1	–	1
Closing value 31 Dec 2016	73	36	115
Acquisition (company)	–	8	8
Provisions for the year	15	6	21
Amounts claimed during the year	-10	-3	-13
Exchange rate difference	1	1	2
Closing value 31 Dec 2017	85	48	133

The provisions consist of:	2017	2016
Long-term part	114	101
Current part	19	14
	133	115

Other provisions primarily consist of provisions for restructuring costs.

NOTE 40 Long-term liabilities

THE GROUP	2017	2016
Liabilities to credit institutions falling due in 1-5 years	461	634
Liabilities to credit institutions falling due in >5 years	–	1
Liabilities referring to finance leases	60	61
Other long-term liabilities	0	0
Total	521	696

For other details concerning long-term liabilities, see Note 34.

NOTE 41 Bank overdraft facilities

The bank overdraft facility available to the Group is SEK 200 m (200 m), of which SEK 151 m (52 m) has been used.

NOTE 42 Accrued expenses and deferred income

THE GROUP	2017	2016
Accrued interest expenses	2	1
Accrued social security fees	108	90
Accrued other pay-related costs	233	202
Other items	318	287
Total	661	580

NOTE 43 Pledged assets

THE GROUP	2017	2016
For own liabilities and provisions		
Relating to pension obligations		
- Floating costs	–	–
- Other securities	2	2
Shares as collateral for net loans[1]	2,718	3,034
Other		
- Floating costs	3	3
- Property mortgages	2	2
- Other securities	0	0
Total	2,725	3,041

PARENT COMPANY	2017	2016
For the Group's liabilities		
Shares as collateral for net loans[1]	516	590
Total collateral pledged	516	590

[1] As collateral for loans from credit institutions, 37,200,000 ASSA ABLOY class B and 20,600,000 Securitas class B shares have been pledged at a market value of SEK 9,289 m and a book value in the Group of SEK 2,718 m and in the company of SEK 516 m. The collateral is for the duration of the loan.

NOTE 44 Contingent liabilities

THE GROUP	2017	2016
Underwriting agreements	–	–
Other obligations	3	12
Total	3	12

PARENT COMPANY	2017	2016
Guarantees for subsidiaries	4,065	1,372
Total	4,065	1,372

The parent company has pledged to assume certain obligations that may befall Group companies.

NOTE 45 Business combinations

	2017	2016
Intangible assets	236	97
Property, plant and equipment	111	76
Financial assets	10	5
Inventories	122	65
Accounts receivable	117	132
Other current receivables	32	13
Cash	38	221
Deferred tax liability	0	-16
Long-term net borrowing	-192	-20
Current liabilities	-206	-162
Net identifiable assets and liabilities	268	411
Non-controlling interests	5	-105
Group goodwill	563	1,248
Total purchase price	836	1,554
Previously settled purchase price	-18	-179
Additional purchase price	-120	-77
Cash settlement purchase price	698	1,298
Acquisition of non-cash items	-1	21
Cash and cash equivalents in acquired companies	-35	-221
Effect on Group cash and cash equivalents	662	1,098

Safegard Systems Ltd.

On 13 February 2017, the Group acquired the entire shareholding of Safegard Systems Ltd. The acquired operations contributed SEK 43 m in revenues and a SEK 16 m net profit for the period 13 February to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 51 m and profit for the year would have been SEK 17 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as SEK 37 m. This sum has also been reserved. Goodwill is attributable to the earning capacity the company is expected to deliver. Transaction costs for this acquisition amounted to SEK 2 m.

Intangible assets	8
Inventories	3
Accounts receivable	13
Other receivables	1
Cash	9
Long-term net borrowing	-4
Current liabilities	-11
Net identifiable assets and liabilities	19
Group goodwill	141
Additional purchase price	-37
Cash and cash equivalents in acquired companies	-9
Change in Group cash and cash equivalents on acquisition	114

Puvab AB

On 8 March 2017, the Group acquired the entire shareholding of Puvab AB. The acquired operations contributed SEK 41 m in revenues and SEK 0 m in net profit for the period 8 March to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 48 m and profit for the year would have been SEK 0 m. An estimated additional purchase price has been reserved. The final price is based on performance over the next years and may amount to as much as SEK 3 m. This sum has also been reserved. Goodwill is attributable to the synergies that will be created when the manufacturing and sales organisation is merged with Hultafors Group's existing operations. Transaction costs for the acquisition, that were charged to the income statement for the period, amount to SEK 0.3 m.

Financial assets	1
Inventories	10
Accounts receivable	6
Other receivables	1
Long-term net borrowing	-2
Current liabilities	-12
Net identifiable assets and liabilities	4
Group goodwill	20
Cash settlement purchase price	24
Additional purchase price	-3
Acquisition of non-cash items	-1
Change in Group cash and cash equivalents on acquisition	20

AAT GmbH.

On 3 April 2017, the Group acquired the entire shareholding of AAT GmbH. The acquired operations contributed SEK 119 m in revenues and a SEK 12 m net profit for the period 3 April to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 164 m and profit for the year would have been SEK 17 m. Goodwill is attributable to the earning capacity the company is expected to deliver. Transaction costs for the acquisition, that were charged to the income statement for the period, amounted to SEK 6 m.

Property, plant and equipment	5
Financial assets	9
Inventories	45
Accounts receivable	9
Other receivables	10
Cash	6
Long-term net borrowing	-21
Current liabilities	-29
Net identifiable assets and liabilities	34
Group goodwill	204
Additional purchase price	-48
Cash settlement purchase price	190
Acquired cash	-6
Change in Group cash and cash equivalents on acquisition	184

Note 45 cont.

VIMEC S.R.L.
On 18 May 2017, the Group acquired the entire shareholding of VIMEC S.R.L. Apart from the parent company, the Vimec Group comprises Vimec Accessibility Ltd., Vimec France Accessibilité Sarl, Vimec Polska SpZoo and Vimec Iberica Accesibilidad SL. The acquired operations contributed SEK 275 m in revenues and a SEK 9 m net profit for the period 18 May to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 441 m and profit for the year would have been SEK 4 m. Goodwill is attributable to the earning capacity the company is expected to deliver. Transaction costs for the acquisition, that were charged to the income statement for the period, amounted to SEK 10 m.

Intangible assets	230
Property, plant and equipment	96
Inventories	59
Accounts receivable	80
Other receivables	19
Cash	19
Long-term net borrowing	–161
Current liabilities	–136
Net identifiable assets and liabilities	206
Group goodwill	91
Cash settlement purchase price	297
Acquired cash	–19
Change in Group cash and cash equivalents on acquisition	278

Noda Intelligent System AB
On 11 October 2017, the Group acquired the entire shareholding of Noda Intelligent System AB. The acquired operations contributed SEK 2 m in revenues and a SEK –2 m net loss for the period 11 October to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 10 m and loss for the year would have been SEK –13 m. Goodwill is attributable to the earning capacity the company is expected to deliver.

Intangible assets	6
Inventories	1
Accounts receivable	1
Cash	1
Long-term net borrowing	–4
Current liabilities	–9
Net identifiable assets and liabilities	–4
Group goodwill	84
Total purchase price	80
Previously settled purchase price	–18
Additional purchase price	–27
Cash settlement purchase price	35
Acquired cash	–1
Change in Group cash and cash equivalents on acquisition	34

Micor AB
On 12 October 2017, the Group acquired the entire shareholding of Micor AB. The acquired operations contributed SEK 4 m in revenues and a SEK 0 m net profit for the period 12 October to 31 December 2017. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 27 m and profit for the year would have been SEK 2 m. Goodwill is attributable to the earning capacity the company is expected to deliver.

Property, plant and equipment	1
Inventories	4
Accounts receivable	5
Other receivables	1
Current liabilities	–6
Net identifiable assets and liabilities	5
Group goodwill	9
Change in Group cash and cash equivalents on acquisition	14

Hakaser Oy
On 19 December 2017, the Group acquired the entire shareholding of Hakaser Oy. The acquired operation did not contribute any revenues or profit. If the acquisition had been made on 1 January 2017, the company's revenues would have been SEK 1 m and profit for the year would have been SEK 0 m. Goodwill is attributable to the earning capacity the company is expected to deliver.

Property, plant and equipment	1
Accounts receivable	3
Cash	3
Current liabilities	–3
Net identifiable assets and liabilities	4
Group goodwill	14
Additional purchase price	–5
Cash settlement purchase price	13

The Director's Report on page 64 provides further details about business combinations.
All acquired goodwill relates to Group goodwill on acquisition which is non tax-deductible.

NOTE 46 Government grants

Government grants have affected the Group's income statement and balance sheet as follows:

THE GROUP	2017	2016
Grants that affected income for the year	6	2
Grants that affected assets	6	5

Grants consist primarily of development and investment aid.

NOTE 47 Events after the reporting period

In February, Latour established a Medium Term Note (MTN) programme for the issue of bonds with a budget of SEK 4 billion. In a subsequent issue in early March, three bonds were issued with a total value of SEK 2.5 billion, which was used to amortise borrowing from existing lines of credit.

Otherwise, there were no material events subsequent to the end of the reporting period.

NOTE 48 Significant estimates and judgements

To be able to prepare the financial statements in accordance with generally accepted accounting practice, executive management and the Board of Directors must make judgements and assumptions that affect the asset and liability items and the revenue and expense items reported in the annual accounts, as well as other disclosures, for example contingent liabilities. These judgements are based on historic experience and the various assumptions that the management and the Board of Directors consider reasonable in the current circumstances. In cases where it is not possible to ascertain the carrying amounts of assets and liabilities through information from other sources, these estimations and assumptions form the basis of the valuation. Actual outcomes could differ from these estimates if other assumptions are made or other circumstances arise.

The assumptions can have a significant effect on Latour's result and financial position especially in the areas of income accounting and uncertain receivables, measurement of intangible and fixed assets, restructuring measures, pension obligations, taxes, disputes and contingent liabilities (see each respective note).

Executive management and the audit committee have discussed the development, selection and disclosures concerning the Group's critical accounting policies and estimates and the application of these policies and estimates.

Cont.

Note 48 cont.

Goodwill impairment
Each year, the Group assesses whether goodwill has suffered any impairment loss, based on the accounting policy described in Note 2.

The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of certain estimates (Note 18).

Pension obligations
The present value of the pension obligations depends on a number of factors that are established on an actuarial basis using a number of assumptions. Discount interest is included in the assumptions used to determine the net cost (income) of pensions.

The Group establishes appropriate discount interest rates at the end of every year. This is the interest used to determine the present value of estimated future payments that are assumed necessary to pay for pension obligations. See Accounting Policies Note 2 for information on how the Group determines an appropriate discount rate.

Other principal actuarial assumptions for pension obligations are based in part on current market conditions. Further details are given in Note 37.

Warranties
The management of each subsidiary estimates necessary reserves to guarantee future warranty requirements based on information about past warranty requirements and current trends that indicate that the past information may differ from future requirements.

The factors that may affect the information about warranty requirements include the success of the Group's productivity and quality initiatives and the cost of labour and materials.

NOTE 49 Definitions

Return on equity	Net profit in the income statement as a percentage of average shareholders' equity.
Return on operating capital	Operating profit as a percentage of average operating capital.
Return on total capital	Profit/loss after net financial items plus financial costs in relation to the average balance sheet total.
Direct return	Dividends as a percentage of the share purchase price.
Operating profit (EBITDA)	Earnings before interest, tax, depreciation of property, plant and equipment and amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability.
Operating profit (EBITA)	Earnings before interest, tax, amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability.
Operating profit (EBIT)	Earnings before interest and taxes.
Operating margin (EBITA) %	Earnings before interest, tax, amortisation of acquisition-related intangible assets, acquisition-related costs and income, and items impacting comparability, as a percentage of net sales.
Operating margin (EBIT) %	Operating profit divided by net sales.
EBIT multiple	Operating profit in relation to market value adjusted for net debt.
EV (Enterprise Value)	The company's market value plus net debt.
Adjusted equity	Equity and the difference between book value and fair value in associated companies.
Adjusted equity ratio	Equity and the difference between book value and fair value in associated companies in relation to adjusted total assets.
Net debt/equity ratio	Interest-bearing liabilities and interest-bearing provisions less cash and cash equivalents in relation to adjusted equity.
Net borrowings	Interest-bearing liabilities plus interest-bearing provisions less cash and cash equivalents and interest-bearing receivables.
Operating capital	Total assets less cash and cash equivalents and other interest-bearing assets and non-interest-bearing liabilities.
Organic growth	Increase in revenue for the period, adjusted for acquisitions/disposals and exchange rate changes, as a percentage of the previous year's revenue adjusted for acquisitions and disposals.
P/E ratio	The share purchase price in relation to profit after paid tax.
Basic earnings per share	Profit for the period divided by the number of outstanding shares in the period. Calculations: Jan–Dec 2017: 2,793/638,719,595 x 1,000=4.37 Jan–Dec 2016: 3,673/638,414,600 x 1,000=5.75
Diluted earnings per share	Calculations: Jan–Dec 2017: 2,793/640,982,564 x 1,000=4.36 Jan–Dec 2016: 3,673/640,793,016 x 1,000=5.73 The call options issued on the closing date were taken into account in the calculation of diluted profit.
Equity ratio	Equity in relation to total assets.
Net asset value	The difference between the Group's assets and liabilities, when the investment portfolio (incl. associated companies) is recognised at market value and operative subsidiaries that are owned at the end of the period are recognised in an interval based on EBIT multiples for comparable listed companies in each business area.
Total growth	Increase in revenue for the period as a percentage of the previous year's revenue.
Currency-driven growth	Increase in revenue due to currency changes for the period as a percentage of the previous year's revenue.
Profit margin	Profit after net financial items plus finance expense as a percentage of invoiced sales.
Other	The amounts in tables and other charts have each been rounded off. There may therefore be minor differences in the totals due to rounding-off.

Proposed allocation of profits

SEK 0 m of parent company equity at the balance sheet date was attributable to assets and liabilities valued at fair value in accordance with Chapter 4 paragraph 14a of the Swedish Annual Accounts Act. Group equity includes changes in value for the net sum of SEK 227 m.

The following profits in the parent company are at the disposal of the Annual General Meeting:

Profit brought forward	SEK 8,800.1 m
Profit for the year	SEK 1,077.9 m
	SEK 9,878.0 m

At 16 March 2017, the number of shares entitling the holder to receive dividends was 638,848,000 after the exclusion of repurchased shares. The Board of Directors proposes the following allocation:

A total dividend of SEK 2.25 per share is paid to the shareholders.	SEK 1,437.4 m
To be carried forward	SEK 8,440.6 m
	SEK 9,878.0 m

The Board of Directors is of the opinion that the proposed dividend payment is justified in view of the demands that the operations place on the amount of equity, taking into consideration the scope and risks of the business and the company's and the Group's consolidation requirements, liquidity and overall position.
The income statement and balance sheet will be presented for approval by the Annual General Meeting on 9 May 2018.

The Board of Directors and the Chief Executive Officer declare that the consolidated financial reports have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and that they give a true and fair view of the Group's financial position and performance. The Annual Report has been prepared in line with generally accepted accounting practice in Sweden and gives a true and fair view of the parent company's financial position and performance. The Directors' Report for the Group and the parent company gives a true and fair view of the development of Group and parent company operations, financial positions and performance and describes the principal risks and uncertainties faced by the parent company and the Group's companies.

Gothenburg 16 March 2018

Olle Nordström
Chairman

Mariana Burenstam Linder
Board member

Anders G. Carlberg
Board member

Anders Böös
Board member

Jan Svensson
Chief Executive Officer

Carl Douglas
Board member

Eric Douglas
Board member

Lena Olving
Board member

Our independent Auditor's Report was given on 16 March 2018
Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Principal Auditor

Inger Kollberg
Authorised Public Accountant

Auditor's report

To the General Meeting of Shareholders of Investment AB Latour (publ), corporate registration number 556026-3237

STATEMENT ON THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have conducted an audit of the Annual Report and consolidated financial statements of Investment AB Latour (publ) for 2017. The company's Annual Report and consolidated financial statements are presented on pages 63–103 of this document.

In our opinion, the Annual Report has been prepared as required by the Swedish Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent company at 31 December 2017, and its financial performance and cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared as required by the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2017, and its financial performance and cash flows for the year, in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other sections of the Annual Report and the consolidated financial statements.

We therefore recommend that the General Meeting of Shareholders adopts the income statement and the balance sheet of the parent company and the Group.

Our opinion in this statement on the Annual Report and the consolidated financial statements is consistent with the content of the additional report presented to the parent company's and the Group's Audit Committee in accordance with Article 11 of Regulation (EU) No. 537/2014 on requirements regarding statutory audit of public-interest entities.

BASIS FOR OPINION

We conducted our audit in line with International Standards on Auditing (ISA) and generally accepted auditing practices in Sweden. Our responsibility under these standards is described in more detail in the section "Responsibilities of the auditors". We are independent from the parent company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise executed our audit responsibilities in compliance with professional ethics as required by these standards. This means that, to the best of our knowledge and belief, no prohibited non-audit services as referred to in Article 5.1 of the European Regulation on specific requirements regarding statutory audit of public interest entities (No. 537/2014) have been provided to the audited entity or, where applicable, to its parent company or its regulated entities within the EU.

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

OUR AUDIT

Scope and approach of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where the Chief Executive Officer and the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As with all audits, we also addressed the risk of the Board of Directors and the Chief Executive Officer overriding internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, accounting processes and controls, and the operations of the Group.

Investment AB Latour is an investment company that manages an investment portfolio and wholly-owned investments in industrial businesses that are grouped into four business areas. The Latour Group comprises a large number of companies. None of the individual companies have been individually assessed as significant for the Group audit. In addition to the local audit of each company, we have conducted an audit of consolidation as well as analytical assessments at Group level to obtain a reasonable basis for our Group audit. For the entities selected for Group auditing, we issued detailed instructions, obtained reports and followed up the review conducted by means of discussions and meetings with local teams to ensure that sufficient and appropriate audit evidence has been obtained to provide a basis for our opinion on the auditor's report.

MATERIALITY

The scope and approach of our audit was influenced by our application of materiality. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. They are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of the users of the financial statements.

Based on professional judgement, we set certain quantitative thresholds for materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of goodwill *For disclosures relating to this matter, see Note 18 in the Annual Report.* At 31 December 2017, the Group's intangible assets were SEK 6,006 m, of which SEK 5,796 m was goodwill. Under IFRS, the Group tests goodwill for impairment at least once a year by means of impairment tests. An impairment review requires assumptions to be made with a considerable element of subjective judgements, particularly those concerning the Group's expectations of market growth and the entity's ability to generate cash flows. Impairment review of goodwill is a key matter for our audit due to the material values represented by the assets and the inherent uncertainty in the estimates and assessments.	Our assessment and audit procedures for the impairment testing of goodwill includes the following areas of audit. We have assessed the Group's valuation models together with valuation and accounting experts and have determined that these are consistent with generally accepted valuation techniques. We have examined whether the assumptions used in the model are reasonable. These are described in Note 18. In our assessment of assumptions concerning future cash flows, we have compared these with business plans and other information about future developments. We have assessed the company's analysis of the sensitivity of estimates to changes in significant assumptions and the risk that changes could result in impairment. We have also independently undertaken a sensitivity analysis and evaluated the differences in this year's tests compared with last year's assumptions for comparable entities to confirm the accuracy of the Group's underlying data for the forecast period.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of inventories *The Group's principles for measurement of inventories and recognition of obsolescence are presented in Note 2 and Note 29 in the Annual Report.* At 31 December 2017, the Group reports inventories of SEK 1,409 m. Inventory valuation is significant to our audit because the valuation includes a number of estimates and judgements, and the inventories held have considerable value. Executive management's valuation of inventories needs to assess the ability of the Group to sell its products in stock at a price that exceeds acquisition cost and, in this context, take into account the risk of obsolescence. In order to identify and consistently calculate the risk of obsolescence, each business area management team has established a process to identify and calculate any obsolescence. The obsolescence process takes into account inventory content, which differs from one business area to the next, the length of time individual items are in inventory (slow-moving inventory), which together with actual and expected future sales volumes provide management with a basis for setting a reasonable obsolescence reserve.	Our audit procedures included an evaluation of the Group's processes to calculate inventory obsolescence. To assess the plausibility of the company's obsolescence reserve, we have instructed our entity auditors to examine and report back to the Group team on any deviations from the calculated obsolescence in accordance with the processes established for the business areas. We have held discussions with the management team and reviewed minutes of Board meetings and other important management meetings and reporting in order to identify forecasted changes in the company's sales that could result in inventory becoming obsolete. We have concluded that the Group describes its principles for valuation of inventory in a satisfactory manner in the Annual Report at 31 December 2017.

INFORMATION OTHER THAN THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

This document also contains other disclosures than the Annual Report and the consolidated financial statements and can be found on pages 1-62 and 112-116. In addition to other information in this document, the company produces its report “Latour at a glance 2017” each year. We expect to gain access to this after the date for this audit report. The Board of Directors and the Managing Director are responsible for the other disclosures.

Our opinion on the Annual Report and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Annual Report and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Report and consolidated financial statements. In this procedure, we also take into account the knowledge we have otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work we have performed, we 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 CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Annual Report and the consolidated financial statements and for ensuring that they give a fair presentation in accordance with the Swedish Annual Accounts Act and, concerning the consolidated financial statements, in accordance with the International Financial Reporting Standards (IFRS), as approved by the

European Union. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine necessary to enable preparation of an Annual Report and consolidated financial statements that are free from material misstatement, whether caused by fraud or error.

In preparing the Annual Report and the consolidated financial statements, the Board of Directors and the Chief Executive Officer 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 that can impact the ability to continue as a going concern and to use the going concern basis of accounting. The Board of Directors and the Chief Executive Officer cannot use the going concern basis of accounting, however, if they intend to liquidate the company, cease trading or have no realistic alternative but to do so.

The Board's Audit Committee must oversee the company's financial reporting activities, without it affecting the responsibilities and duties of the Board.

AUDITOR'S RESPONSIBILITY

The objectives of our audit are to obtain reasonable assurance that the Annual Report and the consolidated financial statements as a whole are free from material misstatement, whether caused by fraud or error, and to issue an auditor's report that includes our opinion. 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 they could, individually or collectively, reasonably be expected to influence the economic decisions of users taken on the basis of the Annual Report and the consolidated financial statements.

A more detailed description of our responsibilities for the audit of the Annual Report and the consolidated financial statements is available on the website of the Supervisory Board of Public Accountants: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the audit report.

STATEMENT ON OTHER LEGAL AND STATUTORY REQUIREMENTS

OPINION

In addition to our audit of the Annual Report and the consolidated financial statements, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Investment AB Latour (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend that the General Meeting of Shareholders appropriate the profit as proposed in the Directors' Report and grant the members of the Board and the Chief Executive Officer discharge from liability for the financial year.

BASIS FOR OPINION

We conducted the audit in line with generally accepted auditing practice in Sweden. Our responsibility under this practice is described in more detail in the section “Responsibilities of the auditors”. We are independent from the parent company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise executed our audit responsibilities in compliance with professional ethics as required by these standards.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. A proposal for a dividend payout includes an assessment of whether the dividend is justifiable considering the requirements placed by the company's and the Group's type of operations, scope and risks on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board is responsible for the company's organisation and management of the company's affairs. This involves regularly assessing the company's and the Group's financial situation and ensuring that the company's organisation is structured to allow satisfactory controls of its accounts, funds management and financial affairs in general. The Chief Executive Officer is in charge of day-to-day management in accordance with guidelines and instructions from the Board of Directors and is responsible for taking necessary measures to ensure that the company's accounts are prepared in accordance with legal requirements and that funds management is controlled in a satisfactory manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the management of the company's affairs, and thereby our opinion about discharge from liability, is to obtain audit evidence to ascertain, with a reasonable degree of assurance, whether any Board member or the Chief Executive Officer, in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company,
- in any other way has acted in non-compliance with the Swedish Companies Act, the Swedish 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 on this, is to ascertain, with a reasonable degree of assurance, whether the proposal is in accordance with the Swedish 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 Swedish Companies Act.

A more detailed description of our responsibilities for the audit of the management is available on the website of the Supervisory Board of Public Accountants: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the audit report.

Öhrlings PricewaterhouseCoopers AB was appointed as auditor to Investment AB Latour (publ) at the Annual General Meeting on 2 May 2017 and has been the company's auditor since before 1994.

Gothenburg 16 March 2018

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson *Authorised Public Accountant* *Principal Auditor*	Inger Kollberg *Authorised Public Accountant*

Auditor's opinion on the statutory sustainability report

To the General Meeting of Shareholders of Investment AB Latour (publ), corporate registration number 556026-3237

DUTIES AND RESPONSIBILITIES

The Board of Directors is responsible for the sustainability report for 2017 on pages 12–19 and for ensuring that it has been properly prepared in accordance with the Swedish Annual Accounts Act.

SCOPE AND APPROACH OF THE REVIEW

We conducted our review in accordance with FAR's auditing standard RevR 12 The auditor's opinion on the statutory sustainability report. This means that our review of the sustainability report has a different approach and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and Generally Accepted Auditing Practices in Sweden.
We believe that this review provides us with sufficient evidence on which to base our opinion.

OPINION

A sustainability report has been prepared.

Gothenburg 16 March 2018
Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Principal Auditor

Inger Kollberg
Authorised Public Accountant

Corporate Governance

Investment AB Latour (publ) is a Swedish public limited company whose shares are listed on the Nasdaq OMX Stockholm Large Cap list. Latour's corporate governance is based on laws, listing agreements, guidelines and best practice. This corporate governance statement has been prepared in accordance with the provisions of the Swedish Corporate Governance Code ("the Code"), and chapter 6, sections 6–9 of the Swedish Annual Accounts Act and chapter 9, section 31 of the Swedish Companies Act and is applicable to the 2017 financial year. The auditor is of the opinion that the corporate governance statement has been prepared and that disclosures according to chapter 6, paragraph 6 second paragraph 2–6 of the Swedish Annual Accounts Act (for example, the most important parts of the company's system for internal control and risk management pertaining to financial reporting) are consistent with other parts of the Annual Report.

Latour's Articles of Association and further information about Latour's corporate governance practices can be found on the website www.latour.se/en Corporate Governance.

ANNUAL GENERAL MEETING

The Annual General Meeting must be held within six months of the end of the financial year. The Annual General Meeting may be held in Gothenburg or Stockholm. All shareholders recorded in the registered list of shareholders before the Annual General Meeting who have announced their intention to attend have the right to participate and vote for their entire shareholdings.

The 2017 Annual General Meeting authorised the Board to decide on the acquisition of Latour shares on one or more occasions until the next Annual General Meeting. Both class A and class B shares may be acquired and the total number of shares may be such that, after acquisition, the company does not hold more than ten (10) per cent of all shares issued in the company.

NOMINATION COMMITTEE

At the Annual General Meeting, the Nomination Committee presents proposals for a chairperson for the meeting, the Chairperson and other members of the Board, remuneration to the Board and possible remuneration for committee work.

The Nomination Committee is appointed after the Chairman of the Board has ascertained which are the company' four largest shareholders, based on the number of voting rights and according to the shareholder statistics available on the last banking day in August prior to the Annual General Meeting. Representatives of the four largest shareholders make up the Nomination Committee and the names of these representatives shall be published on the company's website as soon as they are appointed and no later than six (6) months prior to the Annual General Meeting.

The following have been appointed to the Nomination Committee for the 2018 Annual General Meeting: Gustaf Douglas (chairman, principal owner), Fredrik Palmstierna (the Palmstierna family, including companies), Olle Nordström (Skirner AB) and Johan Strandberg (SEB Funds). The Nomination Committee's representatives have extensive experience of board and nomination committee work.

The Nomination Committee shall take into consideration at all times the applicable requirements and regulations of the Swedish Code of Corporate Governance.

The Nomination Committee is required to present proposals for members of the Board and in so doing shall ensure that the Board has an appropriate composition characterised by diversity and breadth in the expertise, experience and backgrounds of the elected members of the Board, and shall also strive to achieve a gender balance.

None of them has received any remuneration for their work in the Nomination Committee.

BOARD OF DIRECTORS

Latour's Board of Directors is comprised of eight members, including the Chief Executive Officer (see page 112). There are no deputies. All members are elected for a one-year term. The secretary of the Board is the Chief Financial Officer of the Group. Olle Nordström was elected Chairman of the Board by the 2017 Annual General Meeting. Two members of Latour's Board, Eric Douglas and Carl Douglas, are not independent from the company's principal owner. Together with the family, they control 80 per cent of the company's voting power and 77 per cent of its share capital. Employees are represented in the subsidiary Latour-Gruppen AB, which is the parent company of the wholly-owned companies in the industrial operations. They are therefore not represented in the investment company's board.

Each year, the Board establishes written rules of procedure that regulate the Board's meetings, the business of these meetings, the division of responsibilities among Board members and the Chief Executive Officer and certain other matters. The Board issues instructions for the Chief Executive Officer that regulate his work tasks and reporting obligation to the Board of Directors.

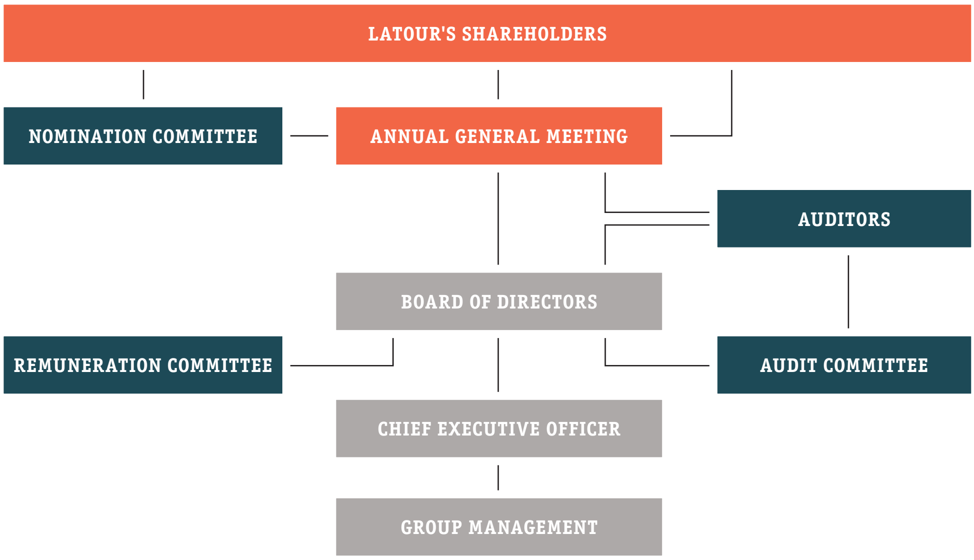
The present Board has had four ordinary meetings to date, not including the inaugural meeting and five additional Board meetings. Two of the Board members were unable to attend on one occasion and one of the Board members was unable to attend on three occasions. Otherwise there has been full attendance. The company's auditor attended two Board meetings and presented reports and observations from the audits performed.

Matters dealt with by the Board include strategic changes in the investment portfolio, acquisitions and sales of subsidiaries, the company's risk exposure, budgets and forecasts for the subsidiaries as well as a financial review of operations. Commitment to sustainability permeates all aspects of the Board's work.

THE COMPOSITION OF THE BOARD OF DIRECTORS, THE NUMBER OF MEETINGS AND ATTENDANCE TO DATE IN THE 2017/2018 FINANCIAL YEAR

Name	Board meetings[1]	Remuneration, SEK 000
Mariana Burenstam Linder	9 out of 10	500
Anders Böös	10 out of 10	500
Anders G. Carlberg	10 out of 10	500
Carl Douglas	7 out of 10	500
Eric Douglas	9 out of 10	500
Olle Nordström	10 out of 10	1,400
Lena Olving	10 out of 10	500
Jan Svensson	10 out of 10	0

[1] Of which one was the inaugural Board meeting.



Latour's corporate governance process from owner to Group management. The Annual General Meeting is the highest decision-making body in the Group where the company's Board of Directors is elected.

Under the direction of the Chairman, the Board has evaluated its work and all Board members have presented their views. The purpose of the evaluation is to develop the day-to-day work of the Board of Directors and establish the direction of its work in the future. It also acts as a check to ascertain that the Board has the requisite skills and competencies and to analyse its current set of skills. The Chairman has compiled the comments that were submitted and has reported them to the Board for discussion. The evaluation also serves as a basis for the Nomination Committee's task of proposing new Board members, which means that the results of the evaluation have been presented to the Nomination Committee.

COMMITTEES

The Board has appointed a Remuneration Committee and an Audit Committee. The Remuneration Committee consists of Olle Nordström (chairman), together with Anders G. Carlberg and Eric Douglas. Chief Executive Officer Jan Svensson participates as an additional member. The Audit Committee is comprised of the entire Board except the Chief Executive Officer.

The Remuneration Committee has held one meeting and all members were present. The Committee presents proposals to the Board concerning remuneration to the Chief Executive Officer and supports him in determining remuneration to the other senior executives. The Board then decides on these matters.

The Chief Executive Officer receives fixed and variable remuneration. Variable remuneration is based on the achievement of individual goals. Remuneration to other senior executives consists of a basic salary and variable remuneration based on a fixed key ratio. The variable remuneration is capped at a certain number of monthly salaries.

The Audit Committee has met twice. All members and the company's auditor were present. The business of the meetings has included the Group's financial risks and the focus of auditing. The auditor also presented observations made during the audit.

AUDITORS

The 2017 Annual General Meeting elected Öhrlings PricewaterhouseCoopers to serve as auditors. Bo Karlsson is the principal auditor. Bo Karlsson has worked at the auditing firm since 1991 and has served as the principal auditor for the audit of Latour's financial statements since 2015. Apart from Latour, he also performs auditing services for ASSA ABLOY, SKF and Scania.

The auditors presented oral and written reports at the Board meetings in December 2017 and March 2018 concerning auditing and internal control, to the extent that it is relevant to the Group's financial reporting.

GROUP MANAGEMENT

Latour's industrial operations are grouped into four business areas. The investment portfolio is managed by the parent company, Investment AB Latour, and the wholly-owned subsidiary Latour Förvaltning AB. The subsidiary Latour-Gruppen AB is the parent company for all the business areas that are part of the wholly-owned industrial operations.

The Group management consists of the Group's Chief Executive Officer and Chief Financial Officer. The business area managers lead operations in the operative parent companies that own shares in the underlying companies and are responsible for business areas' performance and management. The Group's business organisation is built on decentralisation of responsibilities and powers. The business areas are responsible for the respective operation's sustainable development and for meeting financial targets that include return on operating capital, tied-up capital, operating margins and growth.

INTERNAL CONTROL RELATING TO FINANCIAL REPORTING

Internal control relating to financial reporting is based on a control environment that includes the organisation, decision-making channels, authorisation and responsibilities documented and communicated in steering documents, such as the delegation of duties between the Board and the Chief Executive Officer, and instructions for authorisation, accounting and reporting. The risks identified concerning financial reporting are managed by the Group's control structure.

Steering documents have been distributed to the appropriate staff to support complete and correct financial reporting. Follow-up of efficiency and compliance is conducted through programmed controls and manual procedures. All reporting is done in the Group's common reporting system. The Group management conducts regular reviews of the subsidiaries' performance and growth. The financial review of their operations is an important part of this process. It also actively participates in the subsidiaries' boards where it reviews financial reporting.

The Board of Latour receives monthly financial reports and the Group's financial situation is discussed at every Board meeting.

A review of the Group's internal control of essential processes has been carried out. The majority of the companies have presented a self-assessment concerning the reliability of their procedures. The inadequacies that were noted did not affect the reliability of control over reporting but necessary measures are being taken. This is followed up throughout the year.

The above information concerning internal control has not been reviewed by an auditor.

STRUCTURED PROCESS FOR RISK MANAGEMENT

Latour makes an annual structured analysis of the risk exposure in the company and the aggregate investment portfolio. This analysis assesses each business area on the basis of a number of external and internal factors. External factors are business cycles, environmental impact and political decisions. Internal factors are financial risk and risks connected to IT structure and management as well as customer, competition and supplier trends and developments, and analysis of alternative technologies that may pose a risk in the future.

Latour's investment portfolio companies are analysed from financial, industrial and geographic perspectives. When both of the portfolios have been analysed, a balanced risk assessment is performed for Latour's total portfolio.

An important risk exposure that was identified from an investment portfolio perspective is the fact that many holdings have customers in construction-related sectors. However, construction-related sectors have multiple dimensions as described in the Directors' Report.

From a financial perspective, another potential risk is the need for new share issues in the larger listed holdings. However, the risk for defensive new share issues or crisis issues is considered low at present. Offensive new share issues for expansion are not considered a risk. They are considered the same as any other investment opportunity.

An account of how Latour manages financial risks is presented in Note 34 on pages 94–96.

Latour's policy concerning wholly-owned industrial operations is that Latour will own high-quality companies with long-term, sound profitability, and minimise risks by investing in product development, focusing on quality in internal processes, maintaining cost awareness and ensuring access to competent employees and managers.

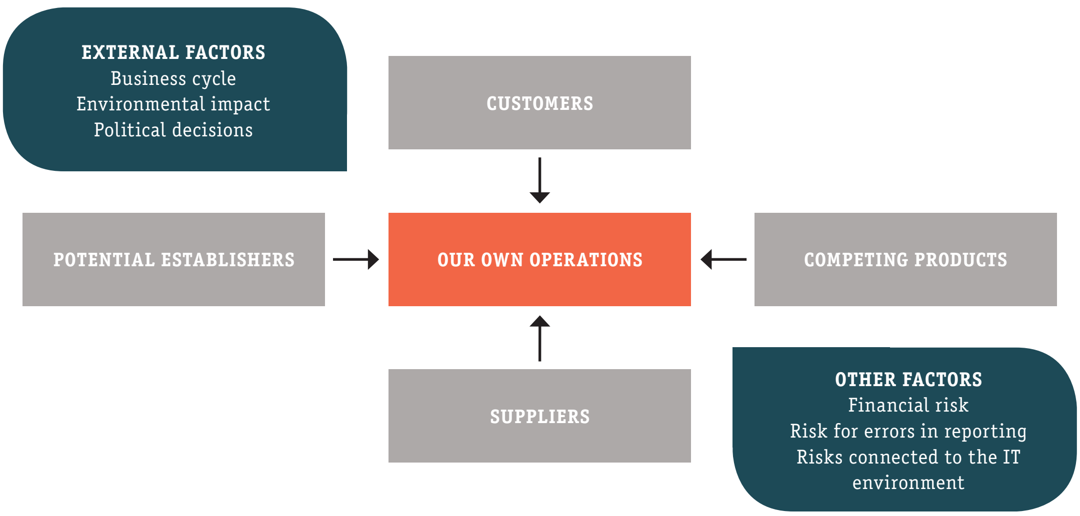
The Board is of the opinion that, from a business perspective, the Group has a well-balanced spread of risk in line with the comprehensive and communicated company policy.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Latour applies the Swedish Code of Corporate Governance with the following exceptions.

The special auditing function in the form of internal auditing does not exist in the Latour Group. Discussions with the company's external auditors concerning the focus of auditing, together with the controls performed by Group management and existing control functions in the various business areas, are considered to be of an acceptable level.

Gothenburg 16 March 2018
Board of Directors
Investment AB Latour (publ)



Latour analyses risk exposure in the company and the investment portfolio every year. The assessment of each business area is based on a number of critical factors shown in the diagram.

Auditor's opinion on the Corporate Governance Statement

To the Annual General Meeting of shareholders of Investment AB Latour (publ) Corporate identity number 556026-3237

DUTIES AND RESPONSIBILITIES

The Board of Directors is responsible for the Corporate Governance Statement for 2017 on pages 108–110 and for ensuring that it has been properly prepared in accordance with the Swedish Annual Accounts Act.

SCOPE AND APPROACH OF THE REVIEW

We conducted our review in accordance with FAR's auditing standard RevU 16 Review of the Corporate Governance Statement Performed by the Auditor. This means that our review of the Corporate Governance Statement has a different approach and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and Generally Accepted Auditing Practices in Sweden.

We believe that this review provides sufficient appropriate evidence on which to base our opinion.

OPINION

A Corporate Governance Statement has been prepared. Disclosures in accordance with Chapter 6 Section 6 Paragraph 2 Items 2–6 of the Swedish Annual Accounts Act and Chapter 7 Section 31 Paragraph 2 of the same Act are consistent with the Annual Report and the consolidated financial statements, and are in compliance with the Swedish Annual Accounts Act.

Gothenburg 16 March 2018
Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Principal Auditor

Inger Kollberg
Authorised Public Accountant

Board of Directors

From the left: Anders G. Carlberg, Jan Svensson, Lena Olving, Olle Nordström, Anders Böös, Carl Douglas, Mariana Burenstam Linder and Eric Douglas.

Olle Nordström born 1958. Chairman of the Board since 2016. Bachelor of Science (Econ.). Chairman of the boards of Besqab AB, Skirner AB and Skirner Förvaltning AB. Member of the boards of SaltX Technology Holding AB, Teletec Connect Aktiebolag and The Swedish Corporate Governance Board.
Shares in Latour*: 800,000 class A and 1,737,320 class B (with family and companies).

Mariana Burenstam Linder born 1957. Board member since 2011. Bachelor of Science (Econ.). Chairman of the board of the Sweden America Foundation. Member of the boards of BTS AB and Resurs AB.
Shares in Latour*: 69,844 class B.

Anders Böös born 1964. Board member since 2005.
Former CEO of H&Q AB and Drott AB and Chairman of the boards of IFS AB and Cision AB. Member of the boards of Securitas AB, Stronghold Invest AB and others.
Shares in Latour*: 120,000 class B (through companies).

Anders G. Carlberg born 1943. Board member since 2011. Bachelor of Science (Econ.). Chairman of the boards of Herenco AB and Gränges AB. Member of the boards of Axfast, Recipharm, Beijer-Alma and Sweco AB.
Shares in Latour*: 116,400 class B (with family).

Carl Douglas born 1965. Board member since 2008.
BA (Bachelor of Arts), D. Litt (h.c.) (Doctor of Letters).
Entrepreneur. Vice chairman of ASSA ABLOY AB and Securitas AB.
Shares in Latour*: 1,536,000 class B and through related companies: 39,740,000 class A and 444,538,000 class B.

Eric Douglas born 1968. Board member since 2002.
Economic college graduate and three years studies at the University of Lund in "Economy for Entrepreneurs".
Entrepreneur since 1992. Chairman of Pod Investment AB and Sparbössan Fastigheter AB. Vice chairman of AB Fagerhult.
Shares in Latour*: 1,816,000 class B and through related companies: 39,740,000 class A and 444,538,000 class B.

Lena Olving born 1956. Board member since 2016. M.Sc. Mechanical Engineering.
President and CEO of Mycronic AB. Member of the boards of Munters AB, Teknikföretagen and The Swedish Corporate Governance Board. Former Vice President and Operations Manager of SAAB (publ), executive positions in the management of Volvo Personvagnar AB, CEO of Samhall Högland AB.
Shares in Latour*: 1,200 class B.

Jan Svensson born 1956. Board member since 2003. Mechanical engineer and Bachelor of Science (Econ.).
President and CEO of Investment AB Latour.
Chairman of the boards of AB Fagerhult, Nederman Holding AB, TOMRA Systems ASA and Troax Group AB. Member of the boards of Alimak Group, ASSA ABLOY AB and Loomis AB.
Shares in Latour*: 931,000 class B and 130,000 call options class B that give the right to buy 310,000 class B shares (with family).

Except for Jan Svensson, everyone is independent from the company and the company management.
Except for Carl Douglas and Eric Douglas, everyone is independent from the company's major shareholders.

*Ownership at the end of 2017.

Latour

From the left: Jonas Davidsson (Group Controller), Maria Asterholm (Accountant), Torbjörn Carlén (Cash Manager), Jens Eriksson (Business Development), Jan Svensson (President and CEO), Katarina Rautenberg (Controller and Compliance Manager), Angelica Pavlic (Accountant), Anders Mörck (CFO), Gustav Samuelsson (Business Development), Mikael Johnsson (Business Development)

Just as Latour's principal owners are represented in Latour's Board, Latour is likewise an engaged principal owner in all of its investments. Corporate governance of the listed holdings is performed efficiently by its own representatives and a network of experienced Board members.

CLEAR AND DELEGATED RESPONSIBILITIES

The wholly-owned companies are managed with clear and delegated responsibilities. Leadership plays a central role in Latour's corporate governance and close collaboration with the management teams in the wholly-owned companies is of great importance. Latour's company culture is characterised by the fact that we are a small, flexible organisation with short decision-making channels. The parent company consists of ten employees and we want it to be an attractive work place that offers stimulating and developing duties.
The main functions in the parent company are business management, treasury and finance and business development. Group management has the overriding responsibility for management, business development, financial governance, follow-up of results and communication.

GOOD RELATIONSHIPS WITH STAKEHOLDERS

Latour is committed to maintaining good relationships with representatives in the company's network and other stakeholders with long-term, substantial influence on the company. External stakeholders should feel that the company's communication with the wider community is open and maintains a high standard of quality and that contact with Latour is easy and straight-forward.

GROUP MANAGEMENT

Jan Svensson born 1956
President and CEO since 2003.
Mechanical engineer and Bachelor of Science (Econ.).
Shares in Latour: 931,000 class B and 130,000 call options class B that give the right to buy 310,000 class B shares (with family).

Anders Mörck born 1963
CFO since 2008.
Bachelor of Science (Econ.).
Shares in Latour: 180,000 class B and 69,000 call options class B that give the right to buy 156,000 class B shares.

AUDITORS

Öhrlings PricewaterhouseCoopers AB
Bo Karlsson born 1966.
Authorised public accountant, Principal auditor.

Inger Kollberg born 1968.
Authorised Public Accountant.

Information by quarter

SEK m	2017 Full year	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Full year	2016 Q4	2016 Q3	2016 Q2	2016 Q1
INCOME STATEMENT										
Net sales	9,930	2,699	2,423	2,538	2,269	8,344	2,315	2,033	2,179	1,818
Cost of goods sold	–5,885	–1,600	–1,445	–1,512	–1,327	–4,859	–1,361	–1,182	–1,262	–1,055
Gross profit	4,045	1,099	978	1,026	942	3,485	954	851	917	763
Costs etc. for the operation	–2,920	–802	–669	–747	–702	–2,464	–723	–579	–606	–373
Operating profit	1,125	297	309	279	240	1,021	231	272	311	390
Total equity investment	1,998	506	514	597	381	2,761	526	579	385	1,271
Profit before financial items	3,123	803	823	876	621	3,782	757	851	696	1,661
Net financial items	–54	–22	–11	–11	–10	–28	–18	15	–13	–12
Profit after financial items	3,069	781	812	865	611	3,754	739	866	683	1,649
Taxes	–281	–83	–73	–68	–57	–267	–87	–72	–61	–47
Profit for the period	2,788	698	739	797	554	3,670	652	794	622	1,602
KEY RATIOS										
Earnings per share, SEK[1]	4.37	1.09	1.16	1.25	3.48	5.75	1.03	1.24	0.98	2.51
Cash flow for the period	–697	–60	–135	–241	–261	420	206	203	–895	905
Adjusted equity ratio, %	88	88	88	90	92	91	91	90	90	91
Adjusted equity	51,758	51,758	54,343	53,222	51,995	47,208	47,208	47,319	43,272	41,546
Net asset value	60,521	60,521	62,625	61,450	60,742	55,500	55,500	55,673	51,083	48,665
Net asset value per share[1]	95	95	98	96	95	87	87	87	80	76
Listed share price[1]	101	101	110	105	90	86	86	88	79	84
NET SALES										
Hultafors Group	1,901	542	454	460	444	1,698	498	395	422	383
Latour Industries	2,357	706	601	571	479	1,671	477	419	421	354
Nord-Lock Group	1,114	268	277	286	283	927	240	229	234	224
Swegon	4,378	1,130	1,043	1,177	1,029	3,913	1,063	947	1,070	833
	9,750	2,646	2,375	2,494	2,235	8,209	2,278	1,990	2,147	1,794
Other companies and items	180	53	49	44	34	135	37	43	32	24
	9,930	2,699	2,424	2,538	2,269	8,344	2,315	2,033	2,179	1,818
OPERATING PROFIT										
Hultafors Group	287	92	68	64	62	264	95	56	60	52
Latour Industries	173	55	49	36	33	167	35	45	51	36
Nord-Lock Group	340	76	88	86	89	270	61	69	72	68
Swegon	381	98	104	110	68	351	81	101	124	45
	1,181	321	309	297	252	1,052	272	271	307	201
Gain/loss from sale/purchase of businesses	–30	–10	–5	–10	–5	–21	–24	–4	–1	191
Other companies and items	–26	–14	5	–8	–7	–10	–17	5	5	–2
	1,125	297	309	279	240	1,021	231	272	311	390
OPERATING MARGIN (%)										
Hultafors Group	15.1	17.0	15.0	14.0	14.0	15.6	19.1	14.3	14.2	13.7
Latour Industries	7.4	7.8	8.2	6.3	6.9	10.0	7.2	10.7	12.2	10.3
Nord-Lock Group	30.5	28.3	31.8	30.2	31.5	29.2	25.6	30.1	30.9	30.1
Swegon	8.7	8.7	10.0	9.4	6.6	9.0	7.6	10.6	11.6	5.4
	12.1	12.1	13.1	11.9	11.3	12.8	11.9	13.6	14.4	11.3

[1] Comparative prior-year figures restated to take account of the 4:1 share split in June 2017.

Ten-year overview

SEK m	2017	2016	2015	2,014	2013	2012	2011	2010	2009	2008
PARENT COMPANY										
Dividends paid	1,437[1]	1,277	1,077	957	877	796	957	491	360	491
Adjusted equity ratio[2] (%)	100	100	99	95	95	96	96	100	98	98
GROUP[8]										
Dividends received	862	737	671	606	560	499	430	279	292	320
Return on equity (%)	14	21	28	15	13	13	18	6	6	16
Return on total capital (%)	13	17	22	13	12	12	17	6	6	14
Adjusted equity ratio[2] (%)	88	91	89	85	88	86	84	85	82	75
Adjusted equity[2]	51,758	47,208	43,161	33,015	26,830	20,223	16,709	13,783	11,051	8,524
Net debt/equity ratio[2] (%)	8	3	5	11	7	8	7	2	7	15
Net asset value[2]	60,521	55,500	50,572	39,859	33,799	25,726	22,653	20,536	15,850	10,527
DATA PER SHARE[8]										
Profit after tax[3]	4.37	5.75	6.45	2.94	2.33	2.12	3.53	1.34	1.05	2.79
Listed price 31 December	101	86	78	51	43	31	27	31	25	16
Net asset value per share[4]	95	87	79	63	53	41	36	39	31	20
Listed price as a percentage of net asset value[4] (%)	106	98	98	81	81	77	75	79	81	78
Basic earnings per share	4.37	5.75	6.45	2.94	2.33	2.12	3.53	1.34	1.05	2.79
Diluted earnings per share	4.36	5.73	6.43	2.93	2.32	2.11	3.53	1.34	1.05	2.79
Management cost as a percentage of portfolio value (%)	0.04	0.04	0.04	0.05	0.06	0.08	0.11	0.07	0.08	0.16
Operating cash flow per average number of shares	1.5	1.3	1.2	0.8	1.0	1.4	0.7	0.9	1.4	1.1
Equity[5]	32	30	25	21	18	17	17	24	19	15
Dividends paid	2.25[6]	2.00	1.69	1.50	1.38	5.00	1.50	0.94	0.69	0.94
Direct return (%)	2.2[7]	2.3	2.2	2.9	3.2	4	5.6	3	2.8	6
P/E ratio	23	15	12	17	18	15	8	23	24	6
Total outstanding shares (000)	638,848	638,544	638,232	637,972	637,512	637,052	638,000	524,000	524,000	524,000
Average number of shares outstanding	638,720	638,416	638,124	637,780	637,428	637,684	579,592	524,000	524,000	524,000
Average number of fully diluted shares outstanding	640,983	640,792	640,716	640,484	639,948	639,692	580,896	524,692	524,268	524,000
Repurchase of own shares (000)	992	1,292	1,612	1,868	2,328	2,788	1,840	1,840	1,840	1,840
Average number of repurchased shares	1,142	1,452	1,716	2,060	2,520	2,156	1,840	1,840	1,840	1,840

[1] Proposed dividend calculated on the number of shares outstanding at 15 February 2018.
[2] Incl. fair value gain in associates.
[3] Calculated on the average number of shares outstanding.
[4] Calculated on the average of the multiple span applied since 2006.
[5] Calculated on the number of shares outstanding at the balance sheet date.
[6] Proposed dividend.
[7] Calculated on the proposed dividend.
[8] Comparative prior-year figures restated to take account of the 4:1 share split in June 2017.

Shareholder information

ANNUAL GENERAL MEETING

DATE AND LOCATION

The Annual General Meeting will be held at 5.00 p.m. on Wednesday 9 May 2018 at the Radisson Blu Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden.

ATTENDANCE

Shareholders who wish to participate in the Annual General Meeting must be entered in the share register held by Euroclear Sweden AB by Thursday 3 May 2018, and must notify the company no later than 3.00 p.m. on Thursday 3 May 2018.

NOTICE OF ATTENDANCE

Shareholders may notify the company of their intention to attend either by telephone +46 31 89 17 90, or in writing to Investment AB Latour (publ), Box 336, SE-401 25 Gothenburg, Sweden, or via Latour's website www.latour.se/en.

REGISTRATION

Shareholders whose shares are registered in a nominee name must contact the nominee company well in advance of Thursday 3 May 2018 to ask for their shares to be temporarily re-registered in their own name to be entitled to attend and vote at the Annual General Meeting.

DIVIDENDS

The Board of Directors recommends that the Annual General Meeting of shareholders approve a dividend payment of SEK 2.25 per share and that Monday 14 May 2018 be set as the record date. Subject to shareholders approving this recommendation at the Annual General Meeting, the dividend is expected to be issued on Thursday 17 May 2018 by Euroclear Sweden AB to shareholders on the share register on the record date.

INFORMATION DATES

26 April 2018	Interim report at 31 March 2018
9 May 2018	Annual General Meeting
21 August 2018	Interim report at 30 June 2018
6 November 2018	Interim report at 30 September 2018
February 2019	Year-end report 2018
March 2019	Annual report 2018

All new shareholders are sent a printed annual report the year they become shareholders, without any need to register. After the first year, the annual report is distributed to those who notify the company that they wish to receive a printed copy. Please register for an electronic subscription to interim reports, year-end reports and press releases at www.latour.se. A hard copy of the Annual Report can be ordered via www.latour.se, by telephone +46 31 89 17 90, by email to info@latour.se, or upon request to Investment AB Latour (publ), Box 336, SE-401 25 Gothenburg, Sweden.

Latour is a mixed investment company that makes long-term investments in sound companies which have their own products that meet growing international demand. Its operations are primarily carried out in two business lines; a wholly-owned industrial operation and a portfolio of ten listed holdings of which Latour is the principal owner or one of the principal owners.

Investment AB Latour (publ)
Corporate ID no. 556026-3237
J A Wettergrens gata 7, Box 336, SE-401 25 Gothenburg, Sweden
Tel +46 31 89 17 90, Fax +46 31 45 60 63
info@latour.se, www.latour.se

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