

# LAGERCRANTZ GROUP AB (publ)

## Financial report for the year ended March 31, 2003

- Net revenues amounted to MSEK 1 463 (1 983).
- Operating income amounted to MSEK 27 (81).
- Cash flow from current operations amounted to MSEK 70 (158).
- The Group's financial position is strong and the equity ratio stands at 56 percent (53).
- After the period's repurchases of own shares, Lagercrantz owns 10 percent of the number of shares outstanding and 7.4 percent of the votes in the Company.
- Additional cost containment measures will have a positive effect on income for the current year.
- A dividend of SEK 0.90 is proposed (0.90).

### NET REVENUES AND RESULT

Net revenues amounted to MSEK 1 463 (1 983). Operating income was MSEK 27 (81), with a profit margin of 1.8 percent (4.1).

Income after financial items amounted to MSEK 16 (79). The declining trend in the USD/SEK exchange rate lowered the Group's net of financial items by MSEK 8.

Earnings per share were SEK 0.34 (1.96).

The market situation for the Group's operations was stable during the year. However, a low level of order

bookings in division Electronics had the effect of weak profitability for the Group. A new round of cost containment measures and efficiency-improvement actions will therefore be taken during the first quarter in Electronics. These measures are expected to lower costs by about MSEK 15 on an annual basis.

Positive effects of the Group's initiatives in the field of industrial communication (M2M) were noticeable during the latter part today. This area is expected to contribute significantly to the Group's future earnings

performance.

## **ELECTRONICS**

Net revenues amounted to MSEK 843 (1 261).

Operating income amounted to MSEK 3 (55), with an operating margin of 0.4 percent (4.4).

The market for the division's operations was stable during the year, but weak. The cost containment program initiated during the previous year was completed during the early part of the year. The year's program included personnel cutbacks by about 30 persons and a lowered cost level of MSEK 20 on an annual basis.

The process to improve profit continues. A weak economy with low demand had a negative effect on operations. Also structural changes, such as moving production from the Nordic Region, had a negative effect on earnings.

Efforts in the division for growth area industrial communication (M2M) continue. The year was marked by increased focus on total solutions, a stronger international presence and continuing streamlining of the Group's product offerings.

A significant increase in order bookings in the area of industrial communication during the latter part of the year has not yet been delivered. A positive effect on earnings of this development will be seen during the current year.

The division's level of results is not satisfactory, however, and during the first quarter of the current year additional cost containment measures will be taken in conjunction with a structural streamlining of the organization. These measures are expected to have a positive effect on the division's earnings for the current year.

It may also be noted that to indicate the division's shift of main focus, it changed its name at the end of the year from Components to Electronics.

## **PRODUCTION SERVICES**

Net revenues amounted to MSEK 183 (198) and operating income was MSEK 7 (9). The operating margin was 3.8 percent (4.5).

The cable harness operations, which makes customized cable harnesses, was stable during the year with good profitability.

The 2B Electronics operation that offers complete solutions for electronics applications had a negative result for the year.

This investment in the Group's ability to add value has been well received in the marketplace, however, and the 2B Electronics companies in Denmark and Hong Kong were transferred to division Electronics effective as of April 1, 2003.

We believe that the opportunities for developing customer synergies and new projects will increase by integrating the holistic concept of 2B Electronics in a broader sales organization.

## **COMMUNICATION**

Net revenues amounted to MSEK 437 (524).

Operating income was MSEK 14 (14) with a profit margin of 3.2 percent (2.7).

The operations of the division are organized in three areas: Security, Communication and Infrastructure, and Software and Consulting.

The Security area provides security solutions for large data networks. This business is established throughout the Nordic Region via the Heath Comm group and revenues amounted to about MSEK 90. A significant increase in revenue and income is expected for the current year.

The Communication and Infrastructure area offers products and solutions in the following areas: access and test, video and telecommunications. The area's revenues amount to MSEK 175. It enjoys a leading market position in the Swedish market.

Software and Consulting builds solutions for customer service and process management, and also provides consulting services and solutions in the area of design. Revenues amounted to about MSEK 175 and the profitability was good. This business saw a very positive development during the year and we are expecting more of the same for the current year.

## DIVISIONS

| MSEK                         | Net revenues<br>12 months |               | Operating income<br>12 months |               |
|------------------------------|---------------------------|---------------|-------------------------------|---------------|
|                              | 2002/<br>2003             | 2001/<br>2002 | 2002/<br>2003                 | 2001/<br>2002 |
| Electronics                  | 843                       | 1261          | 3                             | 55            |
| Production Services          | 183                       | 198           | 7                             | 9             |
| Communication                | 437                       | 524           | 14                            | 14            |
| Parent Company/consolidation | 0                         | 0             | 3                             | 3             |
| <b>GROUP TOTAL</b>           | <b>1463</b>               | <b>1983</b>   | <b>27</b>                     | <b>81</b>     |

| MSEK                          | Q 4       | Q 3      | Q 2      | Q 1       | Q 4      | Q 3       | Q 2       | Q 1       |
|-------------------------------|-----------|----------|----------|-----------|----------|-----------|-----------|-----------|
| Electronics*                  | 3         | 1        | 2        | -3        | 7        | 8         | 14        | 26        |
| Production Services           | 3         | 2        | 2        | 0         | 3        | -1        | 1         | 6         |
| Communication                 | 5         | 4        | 5        | 0         | 1        | 6         | 6         | 1         |
| Items affecting comparability | -         | -        | -        | -         | -6       | 0         | 1         | 5         |
| Parent Company/consolidation  | 1         | 1        | 0        | 1         | 0        | 2         | 0         | 1         |
| <b>GROUP TOTAL</b>            | <b>12</b> | <b>8</b> | <b>9</b> | <b>-2</b> | <b>5</b> | <b>15</b> | <b>22</b> | <b>39</b> |

\* Reclassified items previously reported as affecting comparability are included in Q 2 and Q 3 2002/2003 in an amount of MSEK 1 for each year.

| STATEMENT OF INCOME                             | 3 months    |             | Full year    |              |
|---|-------------|-------------|--------------|--------------|
|   | Jan./       | Jan./       | 2002/        | 2001/        |
|   | Mar.        | Mar.        | 2003         | 2002         |
| MSEK  |             |             |              |              |
| Net revenues                                    | 374         | 423         | 1463         | 1983         |
| Cost of goods sold                              | -273        | -311        | -1088        | -1489        |
| GROSS INCOME                                    | 101         | 112         | 375          | 494          |
| Other operating expenses                        | -89         | -101        | -348         | -413         |
| <i>(of which depreciation and amortization)</i> | <i>(-5)</i> | <i>(-6)</i> | <i>(-18)</i> | <i>(-22)</i> |
| Items affecting comparability                   | -           | -6          | -            | 0            |
| OPERATING INCOME                                | 12          | 5           | 27           | 81           |
| Financial income and expense                    | -2          | -2          | -11          | -2           |
| INCOME AFTER FINANCIAL ITEMS                    | 10          | 3           | 16           | 79           |
| Taxes   | -5          | 0           | -6           | -25          |
| Minority interest in the year's income          | -1          | 0           | -1           | 0            |
| INCOME FOR THE PERIOD                           | 4           | 3           | 9            | 54           |
| Earnings per share, SEK                         | 0,16        | 0,11        | 0,34         | 1,96         |
| Weighted number of shares outstanding after     | 25 639      | 26 941      | 26 561       | 27 609       |
| Number of shares outstanding after the period's | 25 078      | 26 941      | 25 078       | 26 941       |

## BALANCE SHEET

| MSEK                                       | 2003-03-31 | 2002-03-31 |
|--|------------|------------|
| ASSETS                                     |            |            |
| Intangible fixed assets                    | 23         | 0          |
| Tangible fixed assets                      | 106        | 111        |
| Financial assets                           | 42         | 57         |
| Inventories                                | 230        | 243        |
| Short-term receivables                     | 292        | 326        |
| Liquid funds                               | 110        | 172        |
| TOTAL ASSETS                               | 803        | 909        |
| SHAREHOLDERS EQUITY AND LIABILITIES        |            |            |
| Shareholders' equity                       | 442        | 484        |
| Minority interest                          | 11         | 0          |
| Provisions                                 | 77         | 80         |
| Long-term liabilities                      | 48         | 86         |
| Current liabilities                        | 225        | 259        |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 803        | 909        |

## STATEMENT OF CASHFLOW

| MSEK   | 2002/<br>2003 | 2001/<br>2002 |
|--|---------------|---------------|
| Current operations before changes in working capital | 23            | 38            |
| Changes in working capital                           | 47            | 120           |
| <b>Cash flow from current operations</b>             | <b>70</b>     | <b>158</b>    |
| Investments in subsidiaries and other business units | -9            | 0             |
| Investments in other fixed assets, net               | -15           | -12           |
| <b>Cash flow from investment operations</b>          | <b>-24</b>    | <b>-12</b>    |
| Dividend & repurchases of own shares                 | -58           | -21           |
| Financing operations                                 | -42           | -149          |
| <b>Cash flow from financing operations</b>           | <b>-100</b>   | <b>-170</b>   |
| <b>CASH FLOW FOR THE PERIOD</b>                      | <b>-54</b>    | <b>-24</b>    |
| Liquid funds at the beginning of the year            | 172           | 196           |
| Translation difference in liquid funds               | -8            | 0             |
| Liquid funds at end of period                        | 110           | 172           |

## Change in shareholders' equity

| MSEK                                 | Apr.-Mar.<br>2002-2003 |
|--------------------------------------|------------------------|
| Opening balance                      | 484                    |
| Period's translation difference      | 7                      |
| Dividend & repurchases of own shares | -58                    |
| Net income for the period            | 9                      |
| Closing balance                      | 442                    |

## KEY FINANCIAL INDICATORS

| SEK   | 12 mån tom     |                |
|---|----------------|----------------|
|   | 31-mar<br>2003 | 31-mar<br>2002 |
| <b>NUMBER OF SHARES OUTSTANDING IN THOUSANDS</b>            |                |                |
| Weighted number of shares outstanding after repurchases     | 26 561         | 27 609         |
| Number of shares outstanding after the period's repurchases | 25 078         | 26 941         |
| Number of shares repurchased                                | 2 786          | 924            |
| Return on capital employed, %                               | 5,6            | 14,8           |
| Return on equity, %   | 1,9            | 11,6           |

## PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

The return on capital employed for the most recent 12-month period was 5.6 percent, as compared with 14.8 percent for the preceding financial year. The corresponding data for return on equity were 1.9 percent and 11.6 percent.

The equity ratio at the end of the period was 56 percent, as compared with 53 percent at the beginning of the financial year.

Shareholders' equity per share amounted to SEK 17.60, as compared with SEK 18.00 at the beginning of the financial year.

Cash flow from current operations for the period amounted to MSEK 70 (158). The Group's financial net claim amounted to MSEK 19, as compared with MSEK 44 at the beginning of the financial year.

Investments in plant and equipment amounted to MSEK 18 (17).

## CORPORATE ACQUISITIONS

Lagercrantz acquired two businesses during the year with aggregate annual revenues of about MSEK 160.

In June 2002 an agreement was concluded for the acquisition of all shares outstanding in Unitronic AG, Germany. This company is a niche supplier of special components and modules with a focus on the area of industrial communication. Annual revenues amount to about MSEK 130.

In October 2002 Lagercrantz acquired the electronic component business in Datamatik AS, Norway. The component business has sales of about MSEK 30 and was integrated into ACTE AS.

In October 2002 Lagercrantz also acquired the remaining 25 percent of the shares outstanding in subsidiary Delphi OY.

## PARENT COMPANY

The Parent Company's internal net revenue amounted to MSEK 28 (31) and income after financial items was MSEK 1 (9). This result includes exchange rate gains on intra-Group lending in the amount of MSEK 4 (1).

Financing in the Parent Company consists of an approved committed credit facility in the amount of MSEK 250, the same credit as at the beginning of the financial year. MSEK 36 of this facility was utilized at year-end, as against MSEK 68 at the beginning of the financial year. There were also liquid funds in the amount of MSEK 13 at year-end, as against MSEK 0 at the beginning of the financial year.

## EMPLOYEES

At the end of the period the number of employees in the Group was 573, as compared to 652 at the beginning of the period.

## REPURCHASE OF OWN SHARES

A total of 1 862 723 own class B shares were repurchased during the year. These shares were repurchased at an average price of SEK 18.31 per share.

Lagercrantz thus holds 2 786 423 class B shares in treasury, which is equivalent to 10.0 percent of the number of shares outstanding and 7.4 percent of the votes in Lagercrantz.

## DISTRIBUTION OF SHARES

The share capital amounted to MSEK 55.7 at the end of the period. A total of 8 320 class A shares were converted to Class B during the period. The distribution on classes of shares thereafter is as follows:

| <u>Class of share</u>                  | <u>Shares outstanding</u> |
|--|---------------------------|
| Class A                                | 1 106 502                 |
| Class B                                | 26 757 730                |
| <u>Class B shares held in treasury</u> | <u>-2 786 423</u>         |
| <u>Total</u>                           | <u>25 077 809</u>         |

## AGM PROPOSALS

### Dividend

The Board of Directors proposes a dividend of SEK 0.90 per share. The aggregate dividend payment will then amount to MSEK 23.

### Cancellation of shares

The Board of Directors proposes cancellation of shares held in treasury at the end of the financial year (not to include the 798 000 shares that secure the Company's undertaking towards option holders). The maximum number of shares to be cancelled is proposed to be 1 950 000 shares.

### Repurchase of shares

The Board of Directors proposes to the regularly scheduled Annual General Meeting that the Board of Directors be granted a mandate to repurchase own shares. The proposal would give the Board of Directors a mandate to repurchase up to ten percent of the shares outstanding, the mandate to remain valid until the next following regularly scheduled Annual General Meeting. Repurchases shall be effected over the Stockholm Stock Exchange. The mandate to the Board of Directors is proposed to include the option of using repurchased shares as payment in conjunction with corporate acquisitions, or to sell shares in ways other than over the Stockholm Stock Exchange to finance corporate

acquisitions.

*This interim report has been prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. With the exception of the new recommendations of the Swedish Financial Accounting Standards Council applicable from 2002, which have no effect on the Group's reported income and financial position, the same accounting principles have been applied as in the Annual Report for the 2001/2002 financial year.*

Stockholm, May 13, 2003

Jan Friis  
President & CEO

#### AUDITORS STATEMENT

We have reviewed this year-end financial report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants. A review is significantly limited in comparison to an audit. Nothing has come to our attention that causes us to believe that the year-end financial report does not comply with the requirements of the Swedish Securities and Clearing Operations Act and the Swedish Annual Accounts Act.

Stockholm, May 13, 2003

George Pettersson  
Authorized Public Accountant

Thomas Thiel  
Authorized Public Accountant

An Interim Report for the period April 1 – June 30, 2003 will be presented August 26, 2003.

The Annual General Meeting will be held in Stockholm August 26, 2003.

The Group's Annual report will be distributed to the shareholders in mid-July 2003 and will be available at the Company's Web site at the same time.

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