

# LAGERCRANTZ GROUP AB (publ)

## Interim report April 1 – June 30, 2003 (3 months)

- Net revenues increased to MSEK 374 (360).
- Income after financial items improved to MSEK 3 (–6).
- Income after tax improved to MSEK 2 (–4).
- Earnings per share increased to SEK 0.08 (–0.15).
- The Group's financial position is strong. The equity ratio stands at 56 percent (56).
- The market situation is marked by continued weak demand.
- Further cost-containment action was implemented during the first quarter within division Electronics.

### NET REVENUES AND RESULT

Net revenues amounted to MSEK 374 (360).  
Operating income amounted to MSEK 4 (–2) with an operating margin of 1.1 percent (–0.6).

Income after financial items amounted to MSEK 3 (–6) for the period, and earnings per share were SEK 0.08 (–0.15).

The market situation for the Group's businesses was stable during the period.

The Group's three divisions have all improved their operating results compared to the equivalent year-ago period.

Additional cost-containment action was taken during the first quarter within division Electronics. The effect of these measures lowered the Group's cost level by about MSEK 15 on an annual basis.

## **ELECTRONICS**

Net revenues amounted to MSEK 229 (202). The operating result amounted to MSEK -2 (-3) with an operating margin of -0.8 percent (-1.5).

The market for the division's businesses continues to be stable but weak. New cost-containment action was taken during the first quarter. This savings program has involved a further personnel reduction by about 30 persons, lowering the cost level on an annual basis by about MSEK 15.

The organization has as a result of these measures further improved its efficiency and alignment with the market conditions.

Operations in the area of industrial communication (M2M) posted a satisfactory development. Even in this area, however, we are experiencing elements of inertia and delays of certain projects.

## **PRODUCTION SERVICES**

Net revenues amounted to MSEK 48 MSEK (46) and operating income was MSEK 3 (0). The operating margin was 6.3 percent (0).

Operations on customized cable products and niche products were stable during the period. Continued good earnings performance is expected.

Efforts to make the operations more efficient continue. Included are efforts through cooperation in areas such as purchasing and production planning.

## **COMMUNICATION**

Net revenues amounted to MSEK 97 (112). Operating income amounted to MSEK 2 (0) with an operating margin of 2.1 percent (0).

The business of the division is organized in three areas: Security, Communication and Infrastructure, and Software & Consulting.

The Security area, which primarily supplies security solutions for networks, did not develop according to expectations during the period. Order bookings failed to show an expected increase and sharper focus will be directed at the sales process during the second quarter.

The Communication and Infrastructure area, which among other things offers products and solutions in the areas of access, test and video, recorded a satisfactory development during the period. Prior cost reductions have adapted operations to current conditions.

Operations in Software and Consulting continued to develop well and positive earnings performance is expected.

## DIVISIONS

	Net revenues			Operating income		
	3 months	12 months		3 months	12 months	
MSEK	2003/ 2004	2002/ 2003	2002/ 2003	2003/ 2004	2002/ 2003	2002/ 2003
Electronics	229	202	843	-2	-3	3
Production Services	48	46	183	3	0	7
Communication	97	112	437	2	0	14
Parent Company/eliminations	0	0	0	1	1	3
<b>GROUP TOTAL</b>	<b>374</b>	<b>360</b>	<b>1463</b>	<b>4</b>	<b>-2</b>	<b>27</b>

### NET REVENUES – quarterly data

MSEK	2003/2004				2002/2003
	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	229	222	221	198	202
Production Services	48	47	46	44	46
Communication	97	105	112	108	112
Parent Company/eliminations	0	0	0	0	0
<b>GROUP TOTAL</b>	<b>374</b>	<b>374</b>	<b>379</b>	<b>350</b>	<b>360</b>

### OPERATING INCOME

MSEK	2003/2004				2002/2003
	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	-2	3	1	2	-3
Production Services	3	3	2	2	0
Communication	2	5	4	5	0
Parent Company/eliminations	1	1	1	0	1
<b>GROUP TOTAL</b>	<b>4</b>	<b>12</b>	<b>8</b>	<b>9</b>	<b>-2</b>

CONSOLIDATED STATEMENT OF INCOME	3 months		12 months ending	
	April/ June	April/ June	30-jun	31-mar
	2003/ 2004	2002/ 2003	2003	2003
MSEK				
Net revenues	374	360	1477	1463
Cost of goods sold	-281	-273	-1096	-1088
GROSS INCOME	93	87	381	375
Other operating expenses	-89	-89	-348	-348
<i>(of which depreciation)</i>	<i>(-5)</i>	<i>(-5)</i>	<i>(-18)</i>	<i>(-18)</i>
OPERATING INCOME	4	-2	33	27
Financial income and expense	-1	-4	-8	-11
INCOME AFTER FINANCIAL ITEMS	3	-6	25	16
Taxes	-1	2	-9	-6
Minority interest in the year's income	0	0	-1	-1
RESULT FOR THE PERIOD	2	-4	15	9
Earnings per share, SEK	0,08	-0,15	0,57	0,34
Weighted number of shares outstanding after repurchases ('000)	25 078	26 941	26 097	26 561
Number of shares outstanding after the period's repurchases ('000)	25 078	26 941	25 078	25 078

*Given the redemption price of the outstanding options and the market price of the share, there is no dilutive effect.*

#### CONSOLIDATED BALANCE SHEET

MSEK	2003-06-30	2002-06-30	2003-03-31
ASSETS			
Intangible fixed assets	35	0	23
Tangible fixed assets	102	108	106
Financial assets	41	58	42
Inventories	231	240	230
Short-term receivables	290	293	292
Liquid funds	86	188	110
TOTAL ASSETS	785	887	803
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	436	488	442
Minorit interest	0	0	11
Provisions	72	78	77
Long-term liabilities	64	78	48
Current liabilities	213	243	225
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	785	887	803

## CONSOLIDATED STATEMENT OF CASH FLOW

MSEK	3 months		Full year
	2003/ 2004	2002/ 2003	2002/ 2003
Current operations before changes in working capital	0	-1	23
Changes in working capital	-15	27	47
Cash flow from current operations	-15	26	70
Capital expenditures in subsidiaries and other business units	-23	-	-9
Capital expenditures in other fixed assets, net	-1	-2	-15
Cash flow from investment operations	-24	-2	-24
Dividend & repurchase of own shares	-	-	-58
Financing operations	16	-8	-42
Cash flow from financing operations	16	-8	-100
<b>CASH FLOW FOR THE PERIOD</b>	<b>-23</b>	<b>16</b>	<b>-54</b>
Liquid funds at beginning of year	110	172	172
Translation difference in liquid funds	-1	0	-8
Liquid funds at end of period	86	188	110

## Changes in shareholders' equity

MSEK	Apr.-Jun. 2003	Apr.-Jun. 2002
Opening balance	442	484
Period's translation difference	-8	8
Income for the period	2	-4
Closing balance	436	488

## KEY FINANCIAL INDICATORS

SEK	3 months		12 months ending	
	2003/ 2004	2002/ 2003	Jun. 30 2003	Mar. 31 2003
NUMBER OF SHARES OUTSTANDING IN THOUSAND				
Weighted number of shares outstanding after repurchases	25 078	26 941	26 097	26 561
Number of shares outstanding after period's repurchases	25 078	26 941	25 078	25 078
Number of own shares repurchased	2 786	923	2 786	2 786
Return on capital employed, %			7,0	5,6
Return on equity, %			3,2	1,9

## PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

The return on capital employed for the past 12-month period was 7.0 percent, as compared with 5.6 percent for the preceding financial year. The corresponding data for return on equity was 3.2 percent and 1.9 percent, respectively.

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

Shareholders' equity per share amounted to SEK 17.40, as compared with SEK 17.60 at the beginning of the year.

Cash flow from current operations amounted to MSEK -15 for the period (26). The negative cash flow is mainly due to seasonal variations. The Group's financial indebtedness amounted to MSEK 21 at the end of the period, as compared with a net claim of MSEK 19 at the beginning of the financial year.

Investments in fixed assets amounted to MSEK 1 (4).

### CORPORATE ACQUISITION

On April 30, 2003 possession was taken of the remaining 49 percent of the shares outstanding in electronics supplier Unitronic AG.

### PARENT COMPANY

The Parent Company's internal net revenues amounted to MSEK 6 (8) and income after financial items was MSEK 107 (7). This result includes currency adjustment of intra-Group lending in an amount of MSEK -4 (5) and dividends from subsidiaries in the amount of MSEK 111 (0).

Financing in the Parent Company consists of a committed credit facility in the amount of MSEK 250. Hereof MSEK 57 was utilized as compared with MSEK 36 at the beginning of the financial year. There were other liquid funds in the amount of MSEK 0 as compared with MSEK 13 at the beginning of the financial year.

### EMPLOYEES

The number of employees in the Group at the end of the period was 580, which can be compared to 573 at the beginning of the period.

### DISTRIBUTION OF SHARES AND REPURCHASES

The share capital at the end of the period amounted to MSEK 55.7. The distribution on classes of shares

is as follows:

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

Lagercrantz owns 2 786 423 of its own class B shares, which is equivalent to 10.0 percent of the number of shares outstanding and 7.4 percent of the votes in Lagercrantz. The average cost of repurchased shares amounts to SEK 19.88 per share.

The total cost for repurchased shares which has decreased unrestricted equity amounts to MSEK 55.

*This interim report has been prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. The same accounting principles and methods of calculation have been used in the interim report as were used in the Annual Report for 2002/2003, with the exception of the new recommendations for 2003 of the Swedish Financial Accounting Standards Council, which have no effect on the Group's reported result and financial position.*

Stockholm, August 26, 2003

Jan Friis  
President & CEO

This interim report has not been subject to examination by the Company's auditors.

An interim report for the period April 1 – September 30, 2003 will be presented November 12, 2003.

Lagercrantz Group AB (publ) • Box 3508 • Torsgatan 2 • SE-103 69 Stockholm, Sweden  
Telephone +46-8-700 66 70 • Fax +46-8-28 18 05 • info@lagercrantz.com • www.lagercrantz.com  
Organization number 556282-4556