

**Quarterly Report (6 months)**  
**1 April – 30 September 2006**

- Net revenues for the first six months increased by 15 percent to MSEK 887 (772). Revenues grew to MSEK 456 during the second quarter (385), equivalent to 18 percent.
- Result after financial items for the first six months increased by 39 percent to MSEK 39 (28). During the second quarter the result increased by 54 percent to MSEK 20 (13).
- Profit margin rose to 4.4 percent (3.6 percent) for the first six months.
- Income after taxes increased to MSEK 29 (19), MSEK 15 of which was earned during the second quarter (9).
- Return on equity was 12.6 percent for the last 12-month period (10.2 percent).
- Earnings per share increased to SEK 1.22 (0.79) for the first six months.
- K&K Active Oy and K&K Sales Oy were acquired after the end of the period under review.

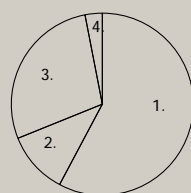
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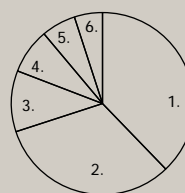
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Current reporting period  
1 Apr–30 Sep  
2006



Revenues by product category  
2006/07, 6 months

1. Special products and systems, 58%
2. Standard components, 11%
3. Own production, 28%
4. Service and consulting, 3%



Revenues by country 2006/07,  
6 months

1. Sweden, 38%
2. Denmark, 32%
3. Norway, 11%
4. Finland, 8%
5. Germany, 5%
6. Other, 6%

### GROUP STRUCTURE FROM 1 APRIL 2006

From financial year 2006/2007, which commenced 1 April 2006, the Group is organised in three divisions: Electronics, Mechatronics and Communications. Comparative data for the preceding year have been adjusted to account for this change.

### NET REVENUES AND RESULT

Net revenues of the Lagercrantz Group during the first six months of 2006/07 (1 April – 30 September 2006) increased by 15 percent to MSEK 887 (772). The revenue increase was mainly attributable to acquired businesses that contributed with MSEK 108. The rate of increase during the second quarter was 18 percent, when consolidated revenues increased to MSEK 456 (385), of which 67 MSEK was derived from acquired businesses.

All divisions recorded increased revenues for the first half of the year compared to the preceding year. The largest increases were seen in divisions Mechatronics and Communications.

Operating income during the first six months of the year increased by 45 percent to MSEK 42 (29), which is equivalent to an operating margin of 4.7 percent (3.8 percent). During the first quarter, a realisation gain of approximately MSEK 5 was recorded from a sale of real estate. Operating income during the second quarter amounted to MSEK 21 (14), equivalent to a margin of 4.6 percent (3.6 percent). Earnings improved during the second quarter in divisions Electronics and Mechatronics compared to the preceding year, while the result in division Communications was lower. Acquired businesses as well as existing businesses from prior periods contributed to the earnings improvement.

Income after financial items for the period April – September 2006 amounted to MSEK 39 (28), which is equivalent to a profit margin of 4.4 percent (3.6 percent). Changed foreign exchange rates affected consolidated income by approximately MSEK 0 (1) during the period.

Earnings per share increased to SEK 1.22 (0.79) during the first six months of the year.

Order bookings during the first six months increased compared to the preceding year. Order bookings during the second quarter declined slightly compared to the first quarter, primarily due to seasonal variations.

### PROFITABILITY, FINANCIAL POSITION & CAPITAL EXPENDITURES

The return on capital employed for the past 12-month period was 13.1 percent, compared to 13.4 percent for the 2005/06 financial year. The corresponding data for return on equity were 12.6 and 10.2 percent, respectively.

Cash flow from current operations amounted to MSEK –47 (3). The lower cash flow is due to an increase in working capital, especially due to higher accounts receivables, as a major portion of billing took place during the latter part of the period.

Corporate acquisitions were made during the first six months of the year for approximately MSEK 133. Other expenditure for non-current assets amounted to MSEK 23, gross (9). The higher rate of capital expenditures is due primarily to a number of investments in machinery made in division Mechatronics. The proceeds of a real estate sale accounted for during the first quarter were received during the second quarter. No shares were repurchased during the first half of the year.

The Group displayed net financial liabilities at the end of the period of MSEK 243, as compared with net receivables of MSEK 9 at the beginning of the financial year. The change is explained essentially by financing raised in connection with acquisitions and the higher working capital.

Shareholders' equity per share amounted to SEK 16.60, equivalent to the level at the beginning of the financial year. During the period, SEK 1 per share was paid out as dividend. The equity ratio at the end of the period was 38 percent, compared with 52 percent at the beginning of the financial year.

MSEK	Net revenues			Operating income		
	6 months Apr-Sep 2006/07	6 months Apr-Sep 2005/06	12 months 2005/06	6 months Apr-Sep 2006/07	6 months Apr-Sep 2005/06	12 months 2005/06
Electronics	369	363	745	12	6	22
Mechatronics	235	170	331	15	13	15
Communications	283	239	532	12	12	28
Parent company/Consolidation items	-	-	-	3	-2	-8
<b>GROUP TOTAL</b>	<b>887</b>	<b>772</b>	<b>1 608</b>	<b>42</b>	<b>29</b>	<b>57</b>

## Divisions



### **ELECTRONICS**

The division is a value-creating distributor of niche components and systems in electronics. Sales are based on customer-adapted solutions where components are designed into customers' products. The division's orientation is into two product areas: Wireless industrial communication (M2M) - where the division, among other things, is a leading distributor of GSM modules in northern Europe - and Embedded systems, where the division, among other things, is one of the leading in sales of industrial and marine PCs.

Net revenues for the second quarter increased by 6 percent to MSEK 186 (176).

Operating income increased to MSEK 8 during the quarter (0), equivalent to a margin of 4.3 percent (0). The primary reason for the increase in income is a more advantageous product mix for the companies in the division. This is the result of changes being made with an increased focus on two areas: Wireless Industrial Communication and Embedded Systems, both with a higher degree of solution sales and higher margins. The transformation work in the division is progressing with a clear focus to increase earnings and profitability.

### **MECHATRONICS**

The division is a leading manufacturer of customised cable harnesses and kindred products for customers primarily in the electric and manufacturing industries. The products are tailor-made to meet customers' stringent requirements. The division is also a leading producer of electric connection systems for the Nordic market. The division also deals in electromechanical and passive components, connectors and electrical components.

Net revenues for the second quarter increased by 62 percent to MSEK 136 (84). The largest part of the revenue increase is due to that the Elpress group was included for the entire quarter. Revenue also grew at the production units in Denmark and Finland, while revenues in Sweden were lower than last year. In terms of revenue, the division's trading operations were on a par with the preceding year.

Operating income for the quarter amounted to MSEK 10 (6), equivalent to an operating margin of 7.4 percent (7.1). The improvement in earnings is due to that the Elpress group is included.

### **COMMUNICATIONS**

The division offers products in the areas of digital image transmission/technical security, access products and software, either as a value-creating distributor or as a supplier of complete solutions. The division is a market-leader in several areas, among them video conferencing solutions in Sweden, and CAD software in Denmark and Norway. The division commands a strong position in camera based surveillance systems and other products for technical security, and in access products for telecom and broadband networks as well as data security.

Net revenues for the second quarter increased by 7 percent to MSEK 134 (125). The increase in revenues is due to acquired businesses. Revenues in comparable units decreased because of a low level of installation activity at the beginning of the quarter.

Operating income declined during the quarter to MSEK 6 (9), equivalent to an operating margin of 4.5 percent (7.2). The lower value is due to the low level of revenues at the beginning of the quarter.

K&K Active and K&K Sales are included in the division from 1 November 2006.

## Financial development in brief



### ACCOUNTING POLICIES AND COMMENTS

This interim report has been compiled in accordance with IAS 34 Interim Financial Reporting, which is in accordance with the requirements posed by recommendation RR31 Consolidated

interim reporting of the Swedish Financial Accounting Standards Council. The accounting policies applied are those presented in the Annual Report for 2005/2006.

### NET REVENUES

– quarterly data		2006/07				2005/06	
MSEK	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	
Electronics	186	183	196	186	176	187	
Mechatronics	136	99	83	78	84	86	
Communications	134	149	152	141	125	114	
Parent company/Consolidation items	-	-	-	-	-	-	
<b>GROUP TOTAL</b>	<b>456</b>	<b>431</b>	<b>431</b>	<b>405</b>	<b>385</b>	<b>387</b>	

### OPERATING INCOME

– quarterly data		2006/07				2005/06	
MSEK	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	
Electronics	8	4	13	3	0	6	
Mechatronics	10	5	-1	3	6	7	
Communications	6	6	9	7	9	3	
Parent company/Consolidation items	-3	6	-6	0	-1	-1	
<b>GROUP TOTAL</b>	<b>21</b>	<b>21</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>15</b>	

### CONSOLIDATED INCOME STATEMENT

MSEK	3 months Jul-Sep 2006/07	3 months Jul-Sep 2005/06	6 months Apr-Sep 2006/07	6 months Apr-Sep 2005/06	Roll 12 months Oct-Sep 2005/06	Financial year Apr-Mar 2005/06
Net revenues	456	385	887	772	1 723	1 608
Cost of goods sold	-343	-301	-670	-602	-1 335	-1 267
<b>Gross income</b>	<b>113</b>	<b>84</b>	<b>217</b>	<b>170</b>	<b>388</b>	<b>341</b>
Selling costs	-61	-44	-121	-93	-210	-182
Administrative expenses	-31	-28	-60	-52	-120	-112
Research and development	-3	-1	-4	-2	-8	-6
Other operating income	3	3	11	7	21	17
Other operating costs	0	0	-1	-1	-1	-1
<b>OPERATING RESULT</b>	<b>21</b>	<b>14</b>	<b>42</b>	<b>29</b>	<b>70</b>	<b>57</b>
<i>(of which depreciation)</i>	<i>(-5)</i>	<i>(-3)</i>	<i>(-10)</i>	<i>(-7)</i>	<i>(-18)</i>	<i>(-15)</i>
Financial income	1	1	2	2	4	4
Financial expenses	-2	-2	-5	-3	-8	-6
<b>RESULT AFTER FINANCIAL ITEMS</b>	<b>20</b>	<b>13</b>	<b>39</b>	<b>28</b>	<b>66</b>	<b>55</b>
Taxes	-5	-4	-10	-9	-17	-16
<b>RESULTAT FOR THE PERIOD</b>	<b>15</b>	<b>9</b>	<b>29</b>	<b>19</b>	<b>49</b>	<b>39</b>
Result attributable to:						
Parent company shareholders	15	9	29	19	49	39
Minority interest	0	0	0	0	0	0
Net result for the period	15	9	29	19	49	39
Earnings per share, SEK	0.63	0.37	1.22	0.79	2.07	1.63
Weighted number of shares outstanding after repurchases (thousands)	23 678	24 078	23 678	24 078	23 722	23 923
Number of shares outstanding after the period's repurchases (thousands)	23 678	24 078	23 678	24 078	23 678	23 678

## Financial development in brief



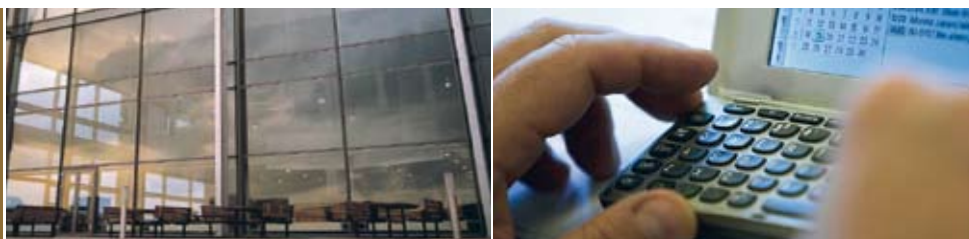
### CONSOLIDATED BALANCE SHEET

MSEK	2006 09 30	2005 09 30	2006 03 31
<b>ASSETS</b>			
Goodwill	98	37	38
Other intangible non-current assets	82	23	25
Tangible non-current assets	99	97	95
Financial non-current assets	44	43	38
Inventories	250	201	185
Short-term receivables	427	341	316
Cash and cash equivalents	46	61	55
<b>TOTAL ASSETS</b>	<b>1 046</b>	<b>803</b>	<b>752</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Equity attributable to the Parent Company's shareholders	392	384	393
Equity attributable to the minority	0	0	0
<i>Total shareholders' equity</i>	<i>392</i>	<i>384</i>	<i>393</i>
Long-term liabilities	309	73	76
Short-term liabilities	345	346	283
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 046</b>	<b>803</b>	<b>752</b>
Interest-bearing assets	46	61	55
Interest-bearing liabilities	289	115	46

### CONSOLIDATED CASH FLOW STATEMENT

MSEK	3 months Jul-Sep 2006/07	3 months Jul-Sep 2005/06	6 months Apr-Sep 2006/07	6 months Apr-Sep 2005/06	Financial year Apr-Mar 2005/06
<b>Current operations</b>					
Result after financial items	20	13	39	28	55
Adjustments for paid taxes, items not included in cash flow, etc.	1	-2	-5	0	-3
<b>Cash flow from current operations before changes in working capital</b>	<b>21</b>	<b>11</b>	<b>34</b>	<b>28</b>	<b>52</b>
<b>Cash flow from changes in working capital</b>					
Increase(-)/Decrease(+) in inventories	-18	-1	-20	1	17
Increase(-)/Decrease(+) in operating receivables	-43	-20	-65	-33	-7
Increase(+)/Decrease(-) in operating liabilities	18	8	4	7	24
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>-22</b>	<b>-2</b>	<b>-47</b>	<b>3</b>	<b>86</b>
<b>Investment operations</b>					
Investments in business units	-1	-	-131	-26	-28
Investments in other non-current assets, net	14	-4	-2	-9	-17
<b>CASH FLOW FROM INVESTMENT OPERATIONS</b>	<b>13</b>	<b>-4</b>	<b>-133</b>	<b>-35</b>	<b>-45</b>
<b>Financing operations</b>					
Dividends & repurchases of own shares	-24	-18	-24	-18	-28
Financing operations	32	19	196	33	-37
<b>CASH FLOW FROM FINANCING OPERATIONS</b>	<b>8</b>	<b>1</b>	<b>172</b>	<b>15</b>	<b>-65</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-1</b>	<b>-5</b>	<b>-8</b>	<b>-17</b>	<b>-24</b>
Liquid funds at beginning of period	47	67	55	78	78
Translation difference in liquid funds	0	-1	-1	0	1
Liquid funds at end of period	46	61	46	61	55

## Financial development in brief



### CHANGE IN SHAREHOLDERS' EQUITY

MSEK	Apr-Sep 2006/07	Apr-Sep 2005/06
Opening balance	393	374
Dividend	-24	-18
Period's translation difference	-6	9
Net result for the period	29	19
Closing balance	392	384

### KEY FINANCIAL INDICATORS

	6 months Apr-Sep 2006/07	6 months Apr-Sep 2005/06	2005/06	2004/05	2003/04	2002/03	Financial year 2001/02
Change in net revenues. %	14.9	0.3	5.9	-3.2	7.2	-26.2	-24.1
Operating margin. %	4.7	3.8	3.5	0.3	1.7	1.8	4.1
Profit margin. %	4.4	3.6	3.4	-0.1	1.5	1.1	4.0
Equity ratio. %	37.5	47.8	52.3	51.3	47.3	56.4	53.2
Debt equity ratio	0.7	0.3	0.1	0.2	0.3	0.2	0.3
Net debt equity ratio	0.6	0.1	0.0	0.0	0.0	0.0	-0.1
Interest coverage ratio	9	15	14	1	4	2	5
Net interest-bearing liabilities (+)/receivables (-). MSEK	243	54	-9	-5	2	-19	-44
Number of employees at end of period	728	543	543	512	585	573	652
Revenues outside Sweden. MSEK	621	511	1 053	941	1 071	936	1 302
<b>Per-share data</b>							
Number of shares outstanding at end of period after repurchases (thousands)	23 678	24 078	23 678	24 078	24 078	25 078	26 941
Weighted number of shares outstanding after repurchases (thousands)	23 678	24 078	23 923	24 078	24 696	26 561	27 609
Operating result per share. SEK	1.77	1.20	2.38	0.17	1.09	1.02	2.93
Result per share, SEK	1.22	0.79	1.63	0.21	0.57	0.34	1.96
Cash flow per share, SEK	-0.34	-0.71	-1.00	-2.45	1.21	-2.03	-0.87
Shareholders' equity per share, SEK	16.60	15.90	16.60	15.50	16.70	17.60	18.00
Latest market price paid per share, SEK	29.40	23.30	30.10	19.50	22.60	16.50	34.00

Definitions are found on page 27 of the most recent Annual Report. Year 2004/05 onwards are recalculated in accordance with IFRS. Prior years have not been recalculated.

## Other information



### PARENT COMPANY AND OTHER CONSOLIDATION ITEMS

The Parent Company's internal revenues amounted to MSEK 11 (10) and income after net financial items was MSEK 5 (6) for the first six months of the year. This result includes exchange rate adjustments on intra-Group lending in an amount of MSEK -1 (1). Dividends from subsidiaries amounted to MSEK 12 net (9).

The Parent Company has an approved committed credit facility of MSEK 250. MSEK 96 hereof was utilised, compared to MSEK 0 at the beginning of the financial year. The Parent Company also has a long-term acquisition credit in the amount of MSEK 98, raised in conjunction with the acquisition of Elpress. There were other liquid funds of MSEK 0 compared to MSEK 5 at the beginning of the financial year.

### EMPLOYEES

At the end of the period the number of employees in the Group was 728, which can be compared to 543 at the beginning of the period. The increase is explained by acquired businesses.

### SHARE DISTRIBUTION AND REPURCHASES

The share capital at the end of the period amounted to MSEK 48.8. The distribution on classes of shares is as follows:

Class of share	Shares outstanding
Class A shares	1 097 342
Class B shares	23 316 890
Repurchased class B shares	-736 423
<b>TOTAL</b>	<b>23 677 809</b>

Lagercrantz holds 736,423 class B shares in treasury, equivalent to 3.0 percent of the number of shares outstanding and 2.1 percent of the votes in Lagercrantz. The average cost of the repurchased shares amounts to SEK 23.12 per share. The quotient value per share is SEK 2.00.

### CORPORATE ACQUISITIONS

Acquired businesses have affected consolidated net revenues by approximately MSEK 108 and income before taxes by MSEK 5 during the first six months of the financial year. If all acquisitions had been consummated by the beginning of the financial year, the effect on consolidated net revenues and income is estimated to have been MSEK 140 and MSEK 6, respectively.

Companies K&K Active and K&K Sales in Finland were acquired after the end of the period under review. K&K Active is a value-adding distributor of systems and components in telecommunications and for access networks. The company has been active since

1994 and has for a long time displayed good earnings power and strong revenue growth. During 2005 the company had revenues of MEUR 4.3, with operating income of MEUR 1.0. The company has 11 employees. K&K Sales is active in sales of fibre-optic solutions. The company had sales of approximately MEUR 0.7 during 2005, with operating income of almost MEUR 0.2. The purchase money for the two businesses amounts to MEUR 3.35, plus compensation for the net cash position in the companies. Supplementary purchase money may be payable. The companies are part of division Communications from 1 November 2006.

### INCENTIVE PROGRAMME

The incentive programme resolved by the 2006 Annual Meeting for members of senior management in the Group, covering up to 255,000 call options for repurchased class B shares, was fully subscribed. The average cost of the repurchased shares used as hedge for the programme, amounts to SEK 23.12 per share. For 2006, 27 employees of the Group will be awarded options under the program.

The average market share price during the measuring period 31 August - 13 September 2006 was SEK 28.81. The redemption price of the call options thus amounts to SEK 36.00 (which is equivalent to 125 percent of the volume-weighted average paid price for Lagercrantz Group AB's share during the measuring period 31 August - 13 September 2006, inclusive). The redemption price is rounded to the nearest tenth of one SEK in accordance with the terms of the options. The redemption period is between 20 September and 20 December 2009, inclusive.

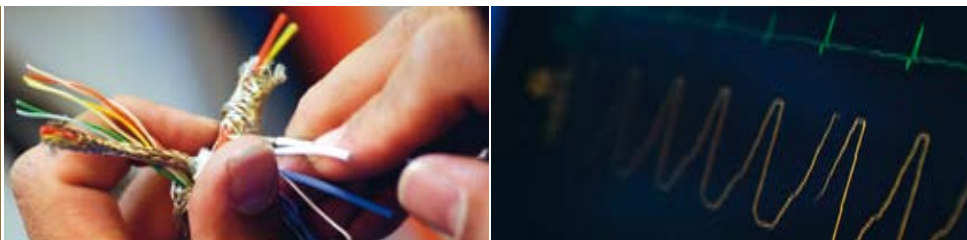
### EVENTS AFTER THE BALANCE SHEET DATE 30 SEPTEMBER 2006

No significant events beyond the above described acquisitions have occurred after the balance sheet date.

Stockholm, 7 November 2006

Jörgen Wigh  
President and CEO

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



#### **LAGERCRANTZ GROUP IN BRIEF**

Lagercrantz Group is a technology trading group in electronics, electrics, communication and adjacent areas. The Group operates in a decentralised mode with value-creating sales close to its customers in several expansive niches.

The business is organised in three divisions: Division Electronics is primarily involved in marketing solutions in wireless industrial communication and embedded systems. Division Mechatronics offers electric and electro-mechanical components as well as production of cable harnesses and electric connection systems. Division Communications provides solutions in digital image transmission/technical security, design software and access products. Customers are primarily manufacturing companies.

Lagercrantz is today active in eight countries in Northern Europe and in Hong Kong.

The Group had revenues of more than MSEK 1,600 in 2005/06 and has approximately 750 employees.

#### **CALENDAR**

- Quarterly report for the period 1 April – 31 December 2006 8 February 2007
- Year-end report for the period 1 April 2006 – 31 March 2007 9 May 2007
- Annual report 1 April 2006 – 31 March 2007 July 2007

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