

# Lagercrantz Group AB

*Year-end Report April – March 2006/07 (12 months)*

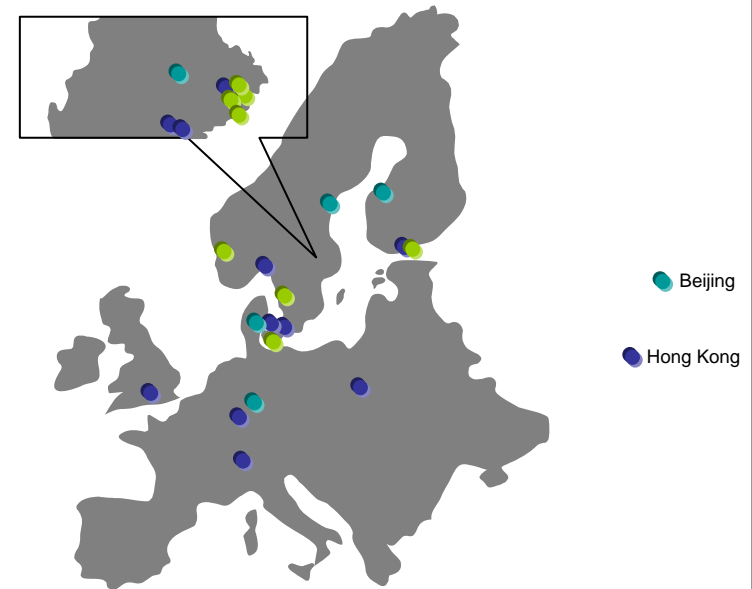
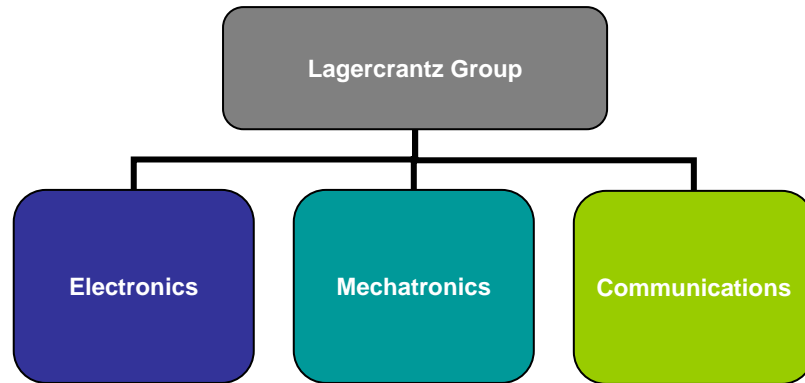
9 May 2007

Jörgen Wigh, CEO

Niklas Enmark, EVP, CFO

# Lagercrantz Group

Leader in value-creating technology trade positioned in several expansive niches



- Technology trading group in electronics, electric equipment, communication and adjacent areas with revenues of approximately SEK 2 billion. Listed since 2001 (now Information Technology on the SmallCap -list)
- Decentralised business (26 units) divided into 3 divisions
- The Group is active in Sweden, Denmark, Norway, Finland, Poland, Switzerland, Great Britain, Germany and China

# Lagercrantz Group Business

Division

## Electronics

- Value-adding distributor of niche components and systems in electronics



Division

## Mechatronics

- Customised cable harnesses
- Electrical connectivity systems
- Value-adding distributor av electro-mechanical, passive and connectors



Division

## Communications

- Videoconferencing, CCTV and technical security
- Niche distributor of CAD software
- Value-adding distributor of access products



# Summary

## Financial year 2006/07 and Q4 (1 January–31 March)

- Net revenues 2006/07 increased by 23 percent to MSEK 1,974 (1,608).
  - Net revenues during the fourth quarter increased by 29 percent to MSEK 557 (431).
  - Acquisitions contributed with MSEK 305 (2006/07) and MSEK 97 (Q4), respectively, organic growth 4 percent during 2006/07.
- Operating income 2006/07 increased by 74 percent to MSEK 99 (57).
  - During the fourth quarter income increased by 120 percent to MSEK 33 (15).
- The operating margin increased to 5.0 percent (3.5) during 2006/07.
  - 5.9 percent (3.5) during Q4.
- Income after financial items increased by MSEK 35 to MSEK 90 (55), with acquisitions accounting for MSEK 19 and organic for MSEK 16.
  - Capital gains of about MSEK +5 during Q1.

# Summary

Financial year 2006/07 and Q4 (1 January–31 March)

- Earnings per share for 2006/07 increased to SEK 2.75 (1.63).
- The return on equity was 16 percent (10).
  - Income after taxes MSEK 65 (39), closing shareholders' equity MSEK 432 (393).
- Cash flow from operations amounted to MSEK 76 (86).
- The proposed dividend is SEK 1.25 (1.00).
- Four acquisitions made during 2006/07. One additional company, Direktronik AB, acquired with the closing in April 2007.

Summary

## By division and quarter

NETTOOMSÄTTNING	2006/07				2005/06			
	MSEK	Kv 4	Kv 3	Kv 2	Kv 1	Kv 4	Kv 3	Kv 2
Electronics	207	175	186	183	196	186	176	187
Mechatronics	154	152	136	99	83	78	84	86
Communications	196	203	134	149	152	141	125	114
Moderbolaget/koncernposter	-	-	-	-	-	-	-	-
<b>KONCERNEN TOTALT</b>	<b>557</b>	<b>530</b>	<b>456</b>	<b>431</b>	<b>431</b>	<b>405</b>	<b>385</b>	<b>387</b>

RÖRELSERESULTAT	2006/07				2005/06			
	MSEK	Kv 4	Kv 3	Kv 2	Kv 1	Kv 4	Kv 3	Kv 2
Electronics	9	2	8	4	13	3	0	6
Mechatronics	11	9	10	5	-1	3	6	7
Communications	14	17	6	6	9	7	9	3
Moderbolaget/koncernposter	-1	-4	-3	6	-6	0	-1	-1
<b>KONCERNEN TOTALT</b>	<b>33</b>	<b>24</b>	<b>21</b>	<b>21</b>	<b>15</b>	<b>13</b>	<b>14</b>	<b>15</b>

RÖRELSEMARGINAL	2006/07				2005/06			
	%	Kv 4	Kv 3	Kv 2	Kv 1	Kv 4	Kv 3	Kv 2
Electronics	4,3	1,1	4,3	2,2	6,6	1,6	0,0	3,2
Mechatronics	7,1	5,9	7,4	5,1	-1,2	3,8	7,1	8,1
Communications	7,1	8,4	4,5	4,0	5,9	5,0	7,2	2,6
Moderbolaget/koncernposter	-	-	-	-	-	-	-	-
<b>KONCERNEN TOTALT</b>	<b>5,9</b>	<b>4,5</b>	<b>4,6</b>	<b>4,9</b>	<b>3,5</b>	<b>3,2</b>	<b>3,6</b>	<b>3,9</b>

# Four important reasons for the positive development of Lagercrantz

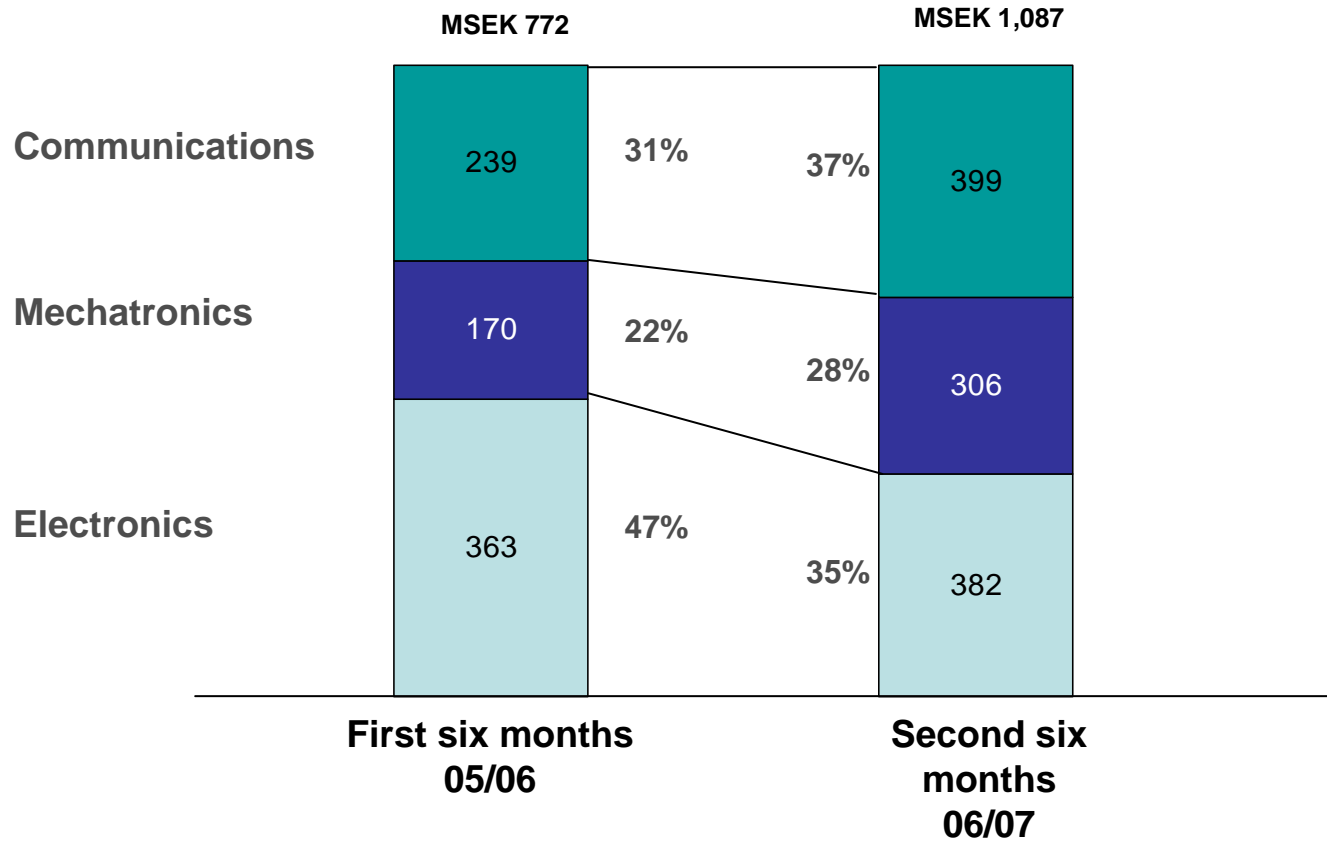
1. Build-up of three strong divisions
2. More pronounced decentralisation and management by objective
3. Focus on margins
4. Increased rate of acquisitions



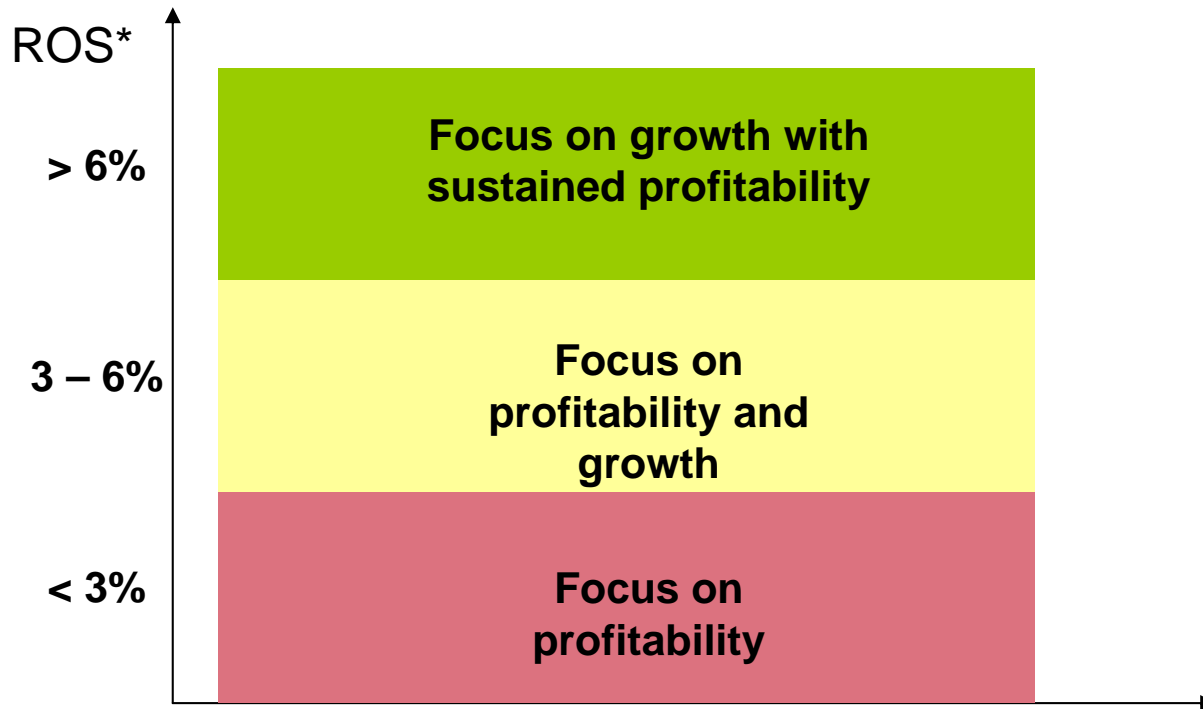
Build-up of three strong divisions

# Net revenues by division

MSEK and Percent



Intensified decentralisation and management by objective  
**Strategies/measures based on each  
 profit centre's local conditions**



Note: ROS= Return on sales = (Income after financial items/ Sales)

Intensified decentralisation and management by objective

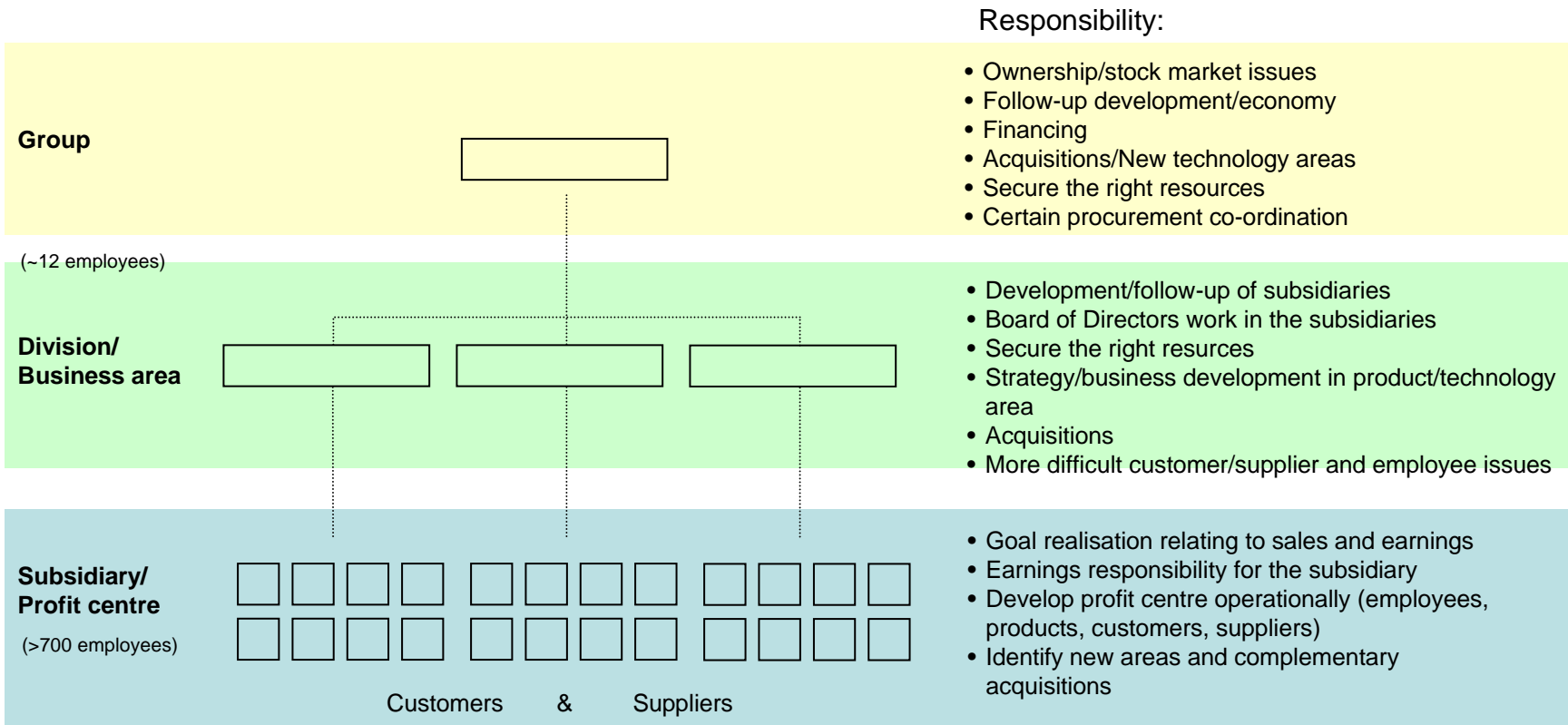
# Strong market positions in niches

Example

Area	Market position
Embedded systems	Leader in marine and industrial PC.
Industrial wireless communication	Market-leading distributor of GSM modules in the Nordic Region and Poland.
Cable harnesses	Market-leader in selected segments on customised cable harnesses.
Electric connectivity systems	Market leader in the Nordic Region.
Videoconferencing	Market leader in Sweden.
CCTV/Technical security	Leader in infrastructure CCTV and in technical security solutions for high-security objects.
CAD/CAM	Sole distributor in Denmark and Norway of the world-leading solution for design software.

# Intensified decentralisation and management by objective

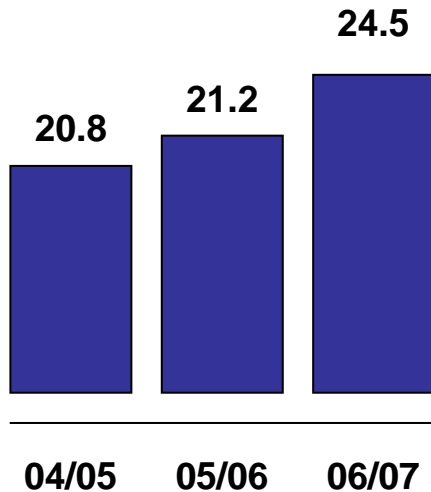
## Clarify the roles in the Group



Focus on margins

## Stronger gross margins during the year

Gross margin, %



- Strive to develop strong market positions in niches.
- Seek new technology areas and business models that allow good margins.
- Increased value creation towards customers and suppliers.
  - Customised products
  - Solution sales
  - In-design
  - Service
- Product line change, away from standard components with low margins.
- Projects with goal to strengthen margins.

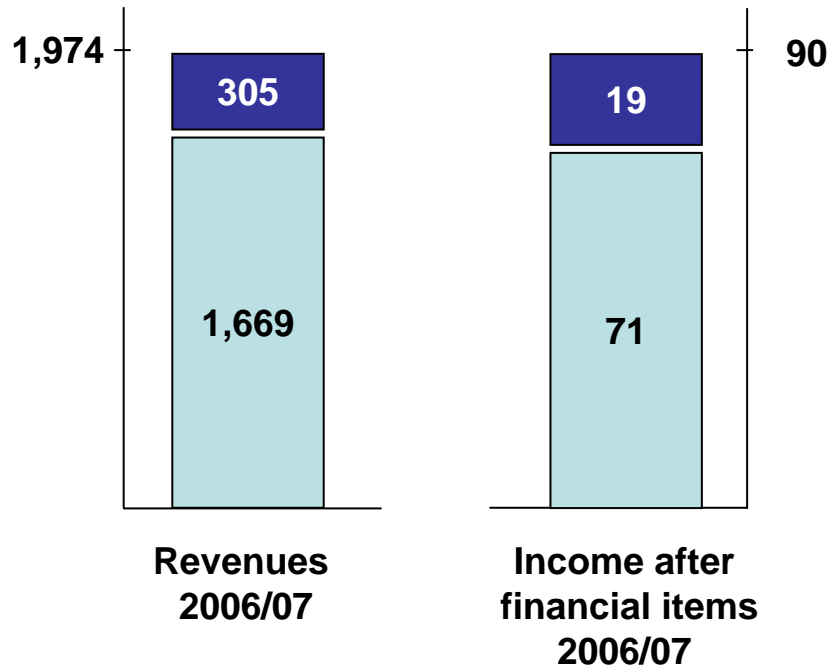
Increased rate of acquisitions

# Acquisitions have created growth over the years

- 1994**      Nordic Components acquired and integrated into Electronics.
- 1997**      Berendsen Components acquired and integrated into Electronics.
- 2000**      Elfac acquired (part of Mechatronics)
- 2001**      KablageProduktion i Västerås acquired (part of Mechatronics)  
Enkom acquired (part of Mechatronics)
- 2002**      Unitronic acquired (part of Electronics)
- 2003**      ISG Systems acquired (part of Communications)
- 2004**      Frontyard Communications acquired (integrated into STV Video Data)
- 2005**      ISIC acquired (part of Electronics)
- 2006**      Nordic Alarm acquired (part of Communications)  
Elpress group acquired (part of Mechatronics)  
K&K Active and K&K Sales (part of Communications)
- 2007**      Direktronik acquired (part of Communications)

Increased rate of acquisitions

## Successful acquisitions during 2006/07



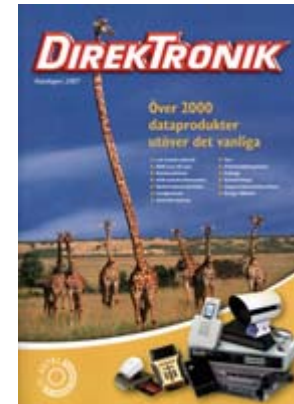
- Four acquisitions during 2006/07, all of which contributed to earnings per share.
- Added income due to the acquisitions \* equivalent to approximately SEK 0.60 per share
- One additional acquisition, Direktronik, which is included from 2007/08

\* after acquisition costs and standard taxes

Increased rate of acquisitions

# DIREKTRONIK

- Value-adding resellers of hardware for data and network communication
- Offers a niched product line, combined with high technical competence and good service.
- Products developed in-house in broadband access.
- Expansion plans for other Nordic countries.
- Direktronik had sales 2005/06 (Sep. – Aug.) of about MSEK 46 with a profit marginal of about 9 percent.
- Included in division Communications as of April 2007.
- The acquisition is expected to make a positive contribution to earnings per share during the 2007/08 financial year.



Future

# The Group's goals and strategies

## Goals

- Earnings growth of at least 15 percent per year
- Profitable with 25 percent return on equity

## Strategies

- Decentralisation and management by objective
- Strong corporate culture
- Business acumen
- Strong positions in niches
- Increased value creation
- Acquisitions

Future

# "Sight set at achieving also the second of the Group's two financial goals"

Return on equity, moving 12 month quarterly data



Future

# Two-pronged strategic focus

## 1. Increased profitability in existing business

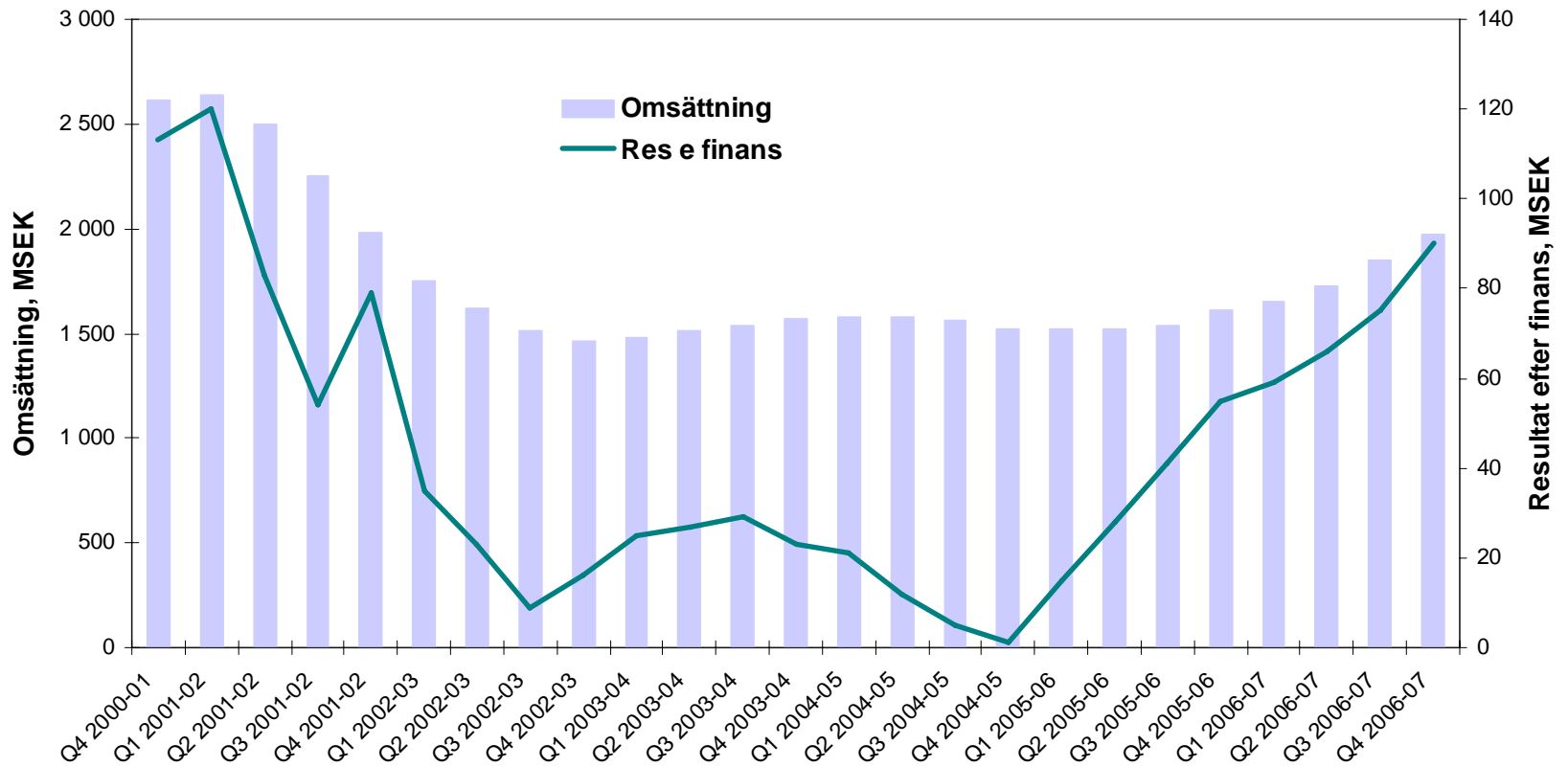
- Increased decentralisation and management by objective
- Restructure low-performing units
- Focus on gross margins
- Seek growth niches
- Strengthen the market position
- Increase value-added

## 2. Increased focus on growth, primarily through acquisitions

- Of developable, profitable businesses
- ...in electricity, electronics, communication and adjacent areas
- ...primarily in the Nordic Region and Northern Europe.

# Lagercrantz Group

Moving 12 month data until Q 4, 2006/07



# Lagercrantz Group AB

Thank you !

Jörgen Wigh, CEO  
Niklas Enmark, EVP, CFO

# Summary 2006/07

## KONCERNENS RESULTATRÄKNING

MSEK	3 mån	3 mån	Räkenskapsår	Räkenskapsår
	jan-mar 2006/07	jan-mar 2005/06	apr-mar 2006/07	apr-mar 2005/06
Nettoomsättning	557	431	1 974	1 608
Kostnad för sålda varor	-422	-346	-1 490	-1 267
<b>BRUTTORESULTAT</b>	<b>135</b>	<b>85</b>	<b>484</b>	<b>341</b>
Övriga rörelseintäkter	11	6	24	17
Försäljningskostnader	-83	-46	-275	-182
Administrationskostnader	-25	-29	-120	-112
Forsknings och utvecklingskostnader	-3	-1	-10	-6
Övriga rörelsekostnader	-2	0	-4	-1
<b>RÖRELSERESULTAT</b>	<b>33</b>	<b>15</b>	<b>99</b>	<b>57</b>
<i>(varav avskrivningar)</i>	<i>(-5)</i>	<i>(-4)</i>	<i>(-21)</i>	<i>(-15)</i>
Finansiella intäkter	1	1	4	4
Finansiella kostnader	-5	-2	-13	-6
<b>RESULTAT EFTER FINANSIELLA POSTER</b>	<b>29</b>	<b>14</b>	<b>90</b>	<b>55</b>
Skatter	-8	-4	-25	-16
<b>PERIODENS RESULTAT</b>	<b>21</b>	<b>10</b>	<b>65</b>	<b>39</b>
Resultat hänförligt till:				
Moderbolagets aktieägare	21	10	65	39
Minoritetsintresse	0	0	0	0
<b>Periodens resultat</b>	<b>21</b>	<b>10</b>	<b>65</b>	<b>39</b>
Resultat per aktie, SEK	0,89	0,42	2,75	1,63
Vägt antal aktier efter återköp ('000)	23 678	23 678	23 678	23 923
Antal aktier efter periodens återköp ('000)	23 678	23 678	23 678	23 678

# Summary 2006/07

## KONCERNENS BALANSRÄKNING

MSEK	2007 03 31	2006 03 31
<b>TILLGÅNGAR</b>		
Goodwill	128	38
Övriga immateriella anläggningstillgångar	97	25
Materiella anläggningstillgångar	83	95
Finansiella anläggningstillgångar	39	38
Varulager	234	185
Kortfristiga fordringar	444	316
Kassa och bank	94	55
<b>SUMMA TILLGÅNGAR</b>	<b>1 119</b>	<b>752</b>
<b>EGET KAPITAL OCH SKULDER</b>		
Eget kapital hänförligt till moderbolagets aktieägare	432	393
Eget kapital hänförligt till minoriteten	0	0
Summa eget kapital	432	393
Långfristiga skulder	189	76
Kortfristiga skulder	498	283
<b>SUMMA EGET KAPITAL OCH SKULDER</b>	<b>1 119</b>	<b>752</b>
Räntebärande tillgångar	94	55
Räntebärande skulder	255	46

# Summary 2006/07

## KONCERNENS KASSAFLÖDESANALYS

MSEK

	3 mån	3 mån	Räkenskapsår	Räkenskapsår
	jan-mar 2006/07	jan-mar 2005/06	apr-mar 2006/07	apr-mar 2005/06
<b>Den löpande verksamheten</b>				
Resultat efter finansiella poster	29	14	90	55
Justeringar för betald skatt, poster som inte ingår i kassaflödet, m.m.	-2	-4	3	-3
<b>Kassaflöde från den löpande verksamheten före förändringar i rörelsekapital</b>	<b>27</b>	<b>10</b>	<b>93</b>	<b>52</b>
<b>Kassaflöde från förändringar i rörelsekapital</b>				
Ökning(-)/Minskning(+) av varulager	3	25	0	17
Ökning(-)/Minskning(+) av rörelsefordringar	-1	1	-65	-7
Ökning(+)/Minskning(-) av rörelseskulder	40	-12	48	24
<b>Kassaflöde från den löpande verksamheten</b>	<b>69</b>	<b>24</b>	<b>76</b>	<b>86</b>
<b>Investeringsverksamheten</b>				
Investeringar i verksamheter	0	-	-160	-28
Investeringar i övriga anläggningstillgångar netto	-4	-4	-10	-17
<b>Kassaflöde från investeringsverksamheten</b>	<b>-4</b>	<b>-4</b>	<b>-170</b>	<b>-45</b>
<b>Finansieringsverksamheten</b>				
Utdelning & återköp av egna aktier	0	-	-24	-28
Finansieringsverksamheten	-33	-41	158	-37
<b>Kassaflöde från finansieringsverksamheten</b>	<b>-33</b>	<b>-41</b>	<b>134</b>	<b>-65</b>
<b>PERIODENS KASSAFLÖDE</b>	<b>32</b>	<b>-21</b>	<b>40</b>	<b>-24</b>
Likvida medel vid periodens början	63	76	55	78
Kursdifferens i likvida medel	-1	0	-1	1
Likvida medel vid periodens slut	94	55	94	55

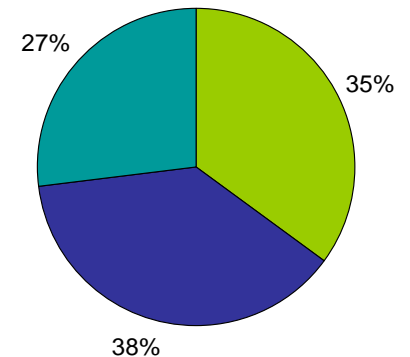
# Summary

Data by division 2006/07

	Net revenue		Operating income	
	12 months 2006/ 2007	12 months 2005/ 2006	12 months 2006/ 2007	12 months 2005/ 2006
MSEK				
Electronics	751	745	23	22
Operating margin	-	-	3.1%	3.0%
	-	-		
Mechatronics	541	331	35	15
Operating margin	-	-	6.5%	4.5%
	-	-		
Communications	682	532	43	28
Operating margin			6.3%	5.3%

Distribution of revenues 2006/07

■ Communications ■ Electronics ■ Mechatronics



- Earnings and revenue increased in all divisions during 2006/07

Division

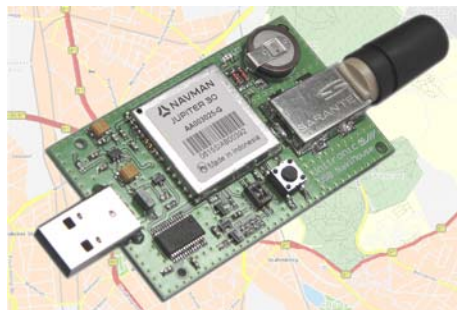
# Electronics

Value-adding distributor of nich components and systems in electronics. Sales are based on customised solutions where the components are designed into the customer's products.

<b>ELECTRONICS</b>	<b>Q 4</b>	<b>Q 4 2 months</b>	<b>12 months</b>	
MSEK	<b>2006/07</b>	2005/06	<b>2006/07</b>	2005/06
Net revenues	<b>207</b>	196	<b>751</b>	745
Operating income	<b>9</b>	13	<b>23</b>	22
Operating margin, %	<b>4.3%</b>	6.6%	<b>3.1%</b>	3.0%
Share of revenues	<b>37%</b>	45%	<b>38%</b>	46%

**Comments:**

- Transformation work during the year focused on strengthening product lines and increased value-adding.
- In industrial wireless communication the market position was strengthened in Germany, Poland and elsewhere.
- The product line was broadened in order to reduce the dependency products under pricing pressure.
- In embedded systems the product line was broadened and the offer was aimed at customer adaptation and, in certain cases, assembly.
- A few companies still show losses.
- The transformation work will continue during 2007/08.



USB navigator from Unitronic



Tracking unit for Aston Martin (UK)

Division

# Mechatronics

Customised cable harnesses for the electric and electronics industry in the Nordic Region, producer of electric connectivity systems and value-adding distributor of, among other things, electro-mechanical components.

<b>MECHATRONICS</b>	<b>Q4</b>	<b>Q4 2 months</b>	<b>12 months</b>	
MSEK	<b>2006/07</b>	2005/06	<b>2006/07</b>	2005/06
Net revenues	<b>154</b>	83	<b>541</b>	331
Operating result	<b>11</b>	-1	<b>35</b>	15
Operating marginal, %	<b>7.1%</b>	neg	<b>6.5%</b>	4.5%
Share of revenues	<b>28%</b>	19%	<b>27%</b>	21%

**Kommentarer:**

- The cable harness business in Denmark and Finland showed a positive development during the year.
- The Swedish cable harness business focused on broadening its customer base.
- Elpress contributed strongly to revenue and earnings growth.
- Positive development for trading operations in Finland
- Continued strong demand expected during 2007/08.



Strong demand from Finnish industrial customers, among them ABB.



Cable harnesses and enclosures for Sectra's Mammography equipment.

## Division

## Communications

Videoconferencing solutions and infrastructure CCTV and technical security, value-adding niche distributor of software and access & network products for telecom and broadband networks.

<b>COMMUNICATIONS</b>	<b>Q4</b>	<b>Q4 2 months</b>	<b>12 months</b>	
<b>MSEK</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>	
Net revenues	<b>196</b>	152	<b>682</b>	532
Rörelseresultat	<b>14</b>	9	<b>43</b>	28
Operating margin, %	<b>7.1%</b>	5.9%	<b>6.3%</b>	5.3%
Share of revenues	<b>35%</b>	35%	<b>35%</b>	33%



*Included from 1 April 2007*



*Continued successes in technical security for the Swedish Prison and Probation System.*

### Comments:

- Earnings and revenue increase in digital image/technical security and software.
- Acquisitions, in the form of K&K and Nordic Alarm, contributed to the division's successes during the year.
- In the access area transformation work is in progress with cost-containment and product line review.
- Continued good demand is expected during 2007/08.



- Leading systems integrator in technical security with special focus on high-risk projects.
- Equips the new high-security prison in Sala with its security systems. Order value approximately MSEK 40.
- Anticipated revenues MSEK 100 in 06/07.
- Part of Lagercrantz since 1 April 2006.

### Customer references:

Armed forces  
Prison and Probation System  
Nuclear power plants  
Sveriges Riksbank  
SEB  
Svenska Shell  
McDonald's  
Statoil  
Coop  
ICA

# ELPRESS

- Supplier of electric connectivity systems with a leading position in the Nordic Region.
- Expected revenues of MSEK 180 during 2006 and income after financial items, but before acquisition costs of MSEK 16.
- Part of Lagercrantz since June 2006.



# K&K Active and K&K Sales

- K&K Active is a value-adding distributor of systems and components in telecommunication and for access networks.
- During 2005 the company had revenues of MEUR 4.3 with operating income of MEUR 1.0. The company has 11 employees.
- Thanks to good product knowledge, strong suppliers, effective logistics and technical support K&K Active has built up a strong market position in selected niches
- Customers are comprised mostly of telecommunications and broadband operators.
- K&K Sales is active in sales of fibre-optic solutions. The company had 2005 revenues of about MEUR 0.7 with operating income of just under MEUR 0.2.

