

## Interim Report 2010/11 Q1

### 1 April–30 June 2010 (first quarter)

- Net revenue for the first quarter amounted to MSEK 454 (434).
- The business climate has noticeably improved during the quarter and market demand was stronger compared to the year before.
- Operating profit increased to MSEK 26 (13) and the operating margin was 5.7 percent (3.0).
- Profit after finance items amounted to MSEK 26 (10) and profit after taxes amounted to MSEK 20 (7).
- Earnings per share amounted to SEK 0.91 (0.32). For the most recent twelve-month period earnings per share amounted to SEK 2.50.
- Return on equity was 11 percent (11 percent) for the most recent twelve-month period and the equity ratio was 44 percent (52 percent) at the end of the period.
- Two companies, Norwesco AB and SwedWire AB, were acquired during the quarter. Leteng AS was acquired with the closing to take place after the end of the quarter.
- The Annual General Meeting will be held 31 August 2010. The Board of Directors proposes a dividend of SEK 1.50 (1.50) per share.

### Net revenue and profit

Lagercrantz Group's net revenue for the first quarter (1 April–30 June 2010) of the 2010/11 financial year amounted to MSEK 454 (434). Acquired entities contributed about MSEK 18 to revenue for the quarter. The business climate has noticeably improved during the quarter and market demand was stronger compared to the year before. Increased demand was especially noticeable from manufacturing companies and customers in power and electricity distribution.

Operating profit for the first quarter increased to MSEK 26 (13) and the operating margin was 5.7 percent (3.0). The improvement in profit is primarily the result of adaptation of the Group's businesses during the past year and due to volume growth. In addition, acquired units made a positive contribution to consolidated earnings. Foreign exchange effects on operating profit amounted to MSEK 0 (–2).

Profit after finance items amounted to MSEK 26 (10). The net of finance items was affected by foreign exchange effects in the amount of MSEK 1 (0).

The period's profit after taxes amounted to MSEK 20 (7), equivalent to earnings per share of SEK 0.91 (0.32). Earnings per share for the most recent twelve-month period amounted to SEK 2.50 compared to SEK 1.91 for the 2009/10 financial year.

### Profitability and financial position

The return on capital employed for the most recent twelve-month period was 12 percent, compared to 13 percent for the corresponding year-ago period. The corresponding figures for return on equity were 11 percent and 11 percent, respectively.

### Segment and group reconciliation

MSEK	Net revenue			Operating result		
	Q 1 2010/11	Q 1 2009/10	12 months 2009/10	Q 1 2010/11	Q 1 2009/10	12 months 2009/10
Electronics	133	149	552	6	3	17
Operating margin	-	-	-	4.5%	2.0%	3.1%
Mechatronics	171	118	511	15	5	30
Operating margin	-	-	-	8.8%	4.2%	5.9%
Communications	150	167	657	9	8	34
Operating margin	-	-	-	6.0%	4.8%	5.2%
Parent company/Consolidation items	-	-	-	-4	-3	-14
<b>Group total</b>	<b>454</b>	<b>434</b>	<b>1,720</b>	<b>26</b>	<b>13</b>	<b>67</b>
Operating margin				5.7%	3.0%	3.9%
Financial items				0	-3	-9
<b>PROFIT BEFORE TAXES</b>				<b>26</b>	<b>10</b>	<b>58</b>

Equity per share amounted to SEK 23.10, compared to SEK 22.50 at the beginning of the financial year. The equity ratio was 44 percent compared to 56 percent at the beginning of the financial year.

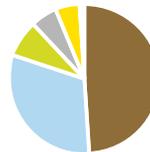
At the end of the period the Group's financial net liability stood at MSEK 218, including a pension liability of MSEK 49, compared to MSEK 38, including a pension liability of MSEK 49 at the beginning of the period. The change in net liability is primarily due to acquisitions made. The Group's net debt equity ratio was 0.4.

### Cash flow and capital expenditures

Cash flow from operating activities amounted to MSEK – 22 (–5) during the first quarter. Investments in non-current assets amounted to MSEK 4 (6), gross. Acquisition of businesses affected cash flow in the amount of MSEK 155 (1). No shares were repurchased during the quarter.

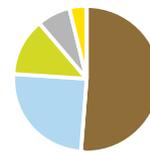
### Distribution of revenue

Revenue by country  
3 months 2010/11



- Sweden 49%
- Denmark 31%
- Finland 8%
- Norway 6%
- Germany 5%
- Other 1%

Revenue by business type  
3 months 2010/11



- Trading 51%
- Proprietary products 25%
- Niche production 13%
- System integration 7%
- Service 4%
- Other 0%

## Net revenue and profit by division – first quarter

### Electronics

Net revenue for the first quarter amounted to MSEK 133 (149). The decrease in revenue is a consequence of restructuring of businesses with low profitability during the preceding year and the move of the Finnish electronics business in Finland to the Finnish operations of division Mechatronics towards the end of last year. Taking this into account, sales volumes are stable or rising for the businesses in the division compared to the corresponding period one year ago.

Operating profit for the first quarter amounted to MSEK 6 (3), which is equivalent to an operating margin of 4.5 percent (2.0). The improvement is a consequence of adaptation of the businesses to current conditions.

### Mechatronics

Net revenue for the first quarter amounted to MSEK 171 (118). The increase in revenue is explained by an improvement in demand from an increasing number of the division's customers noted during recent quarters. Revenue was also affected in a positive direction by acquisition during the quarter of two companies, Norwesco AB and SwedWire AB.

Operating profit for the first quarter amounted to MSEK 15 (5), equivalent to an operating margin of 8.8 percent (4.2). The improvement is a consequence of volume increases, efforts to reduce costs and streamline operations and of acquisitions.

### Communications

Net revenue for the first quarter declined to MSEK 150 (167). The decrease is explained by lower revenue in the Access area, where market demand continued to be weak and due to the restructuring of low-profitability businesses in that area. The other parts of the division experienced an improved business climate and stronger demand.

Operating profit for the first quarter amounted to MSEK 9 (8), which is equivalent to a operating margin of 6.0 percent (4.8).

Leteng AS will be included in the division starting with the second quarter.

## Other financial information

### Parent Company and other consolidation items

The Parent Company's internal net revenue for the period amounted to MSEK 6 (6) and profit after finance items was MSEK 17 (55). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK 0 (1). Dividends from subsidiaries amounted to MSEK 20 (59). Investments in non-current assets were made in a net amount of MSEK 0 (0). The Parent Company has a credit facility of MSEK 250. Utilisation at the end of the period was MSEK 126 compared to MSEK 22 at the beginning of the financial year. The change is due to acquisitions. There were liquid funds in the amount of MSEK 0 at the end of the period as compared with MSEK 0 at the beginning of the financial year. The Parent Company's equity ratio stood at 61 percent at the end of the period compared to 76 percent at the beginning of the year.

### Employees

At the end of the period the number of employees in the Group was 663, as compared with 608 at the beginning of the financial year. The increase is the result of acquired businesses.

### Share distribution and repurchases

The share capital at the end of the period amounted to MSEK 48.9. The distribution on classes of shares is as follows:

Classes of shares	
Class A shares	1,094,654
Class B shares	22,078,655
Repurchased B shares	-1,195,500
<b>Total</b>	<b>21,977,809</b>

Lagercrantz owns 1,195,500 class B shares, equivalent to 5.2 percent of the number of shares outstanding and 3.6 percent of the votes in Lagercrantz. The average acquisition cost for repurchased shares amounts to SEK 25.57 per share. Shares held in treasury cover, inter alia, the Company's obligations under outstanding option programmes, where a total of 665,500 options have been acquired by managers and members of senior management (awards 2007, 2008 and 2009) with a strike price of SEK 44.40, SEK 36.80 and SEK 31.10, respectively, per call option. The quotient value per share is SEK 2.11.

### Acquisitions

Norwesco AB was acquired during May 2010. Norwesco develops, manufactures and markets a niche line of electromechanical products for the electronics and construction industries. Norwesco generated 2009 revenue of approximately MSEK 50 with good profitability. The company is headquartered in Täby and its production facilities are in Öregrund. Beginning in May, the company is a part of division Mechatronics.

During June 2010 SwedWire AB was acquired. SwedWire develops, manufactures and markets niched steel products such as roadside barriers and roadway guide wire, wire for reinforcement of marine cable and power transmission lines. SwedWire generated 2009 revenue of about MSEK 80 with good profitability. The company is a part of division Mechatronics since June.

Purchase money for acquired businesses amounted to MSEK 155. No additional purchase money has been agreed upon. Transaction costs for acquisitions consummated during the first quarter amounted to about MSEK 1 and are included in Administrative costs in the income statement.

Acquisitions have increased the Group's goodwill by MSEK 92 and other intangible non-current assets by MSEK 50. The latter item refers primarily to trademarks. The deferred tax liability amounts to MSEK 14.

The effect of acquisitions on the first quarter consolidated revenue is approximately MSEK 18 and on profit before taxes approximately MSEK 2 after acquisition costs. Had the acquired businesses been consolidated from 1 April 2010, the effect on revenue and profit before taxes, but after acquisition costs, would have been MSEK 37 and MSEK 3, respectively.

### Preliminary purchase price allocation

Acquired net assets at time of acquisition *	Book value in companies	Fair value adjustment	Fair value consolidated
Intangible non-current assets	0	50	50
Other non-current assets	17	2	19
Inventories and work in progress	23	0	23
Other short-term receivables	25	0	25
Interest-bearing liabilities	-26	0	-26
Other liabilities	-14	-14	-28
<b>Net of identified assets/liabilities</b>	<b>25</b>	<b>38</b>	<b>63</b>
Goodwill	-	-	92
<b>Purchase price</b>	<b>-</b>	<b>-</b>	<b>155</b>

\* Refers to the acquisitions of Norwesco AB and SwedWire AB

### Related party disclosures

Transactions between Lagercrantz and related parties that have had a significant effect on the Group's financial position and profit have not occurred.

### Annual General Meeting 2010

The 2010 Annual General Meeting will be held 31 August 2010 at 4:00 pm, at IVA conference centre, Grev Turegatan 16, Stockholm.

The Board of Directors proposes a dividend of SEK 1.50 (1.50) per share. The total amount of the dividend is MSEK 33 (33). More information about the Annual General Meeting is provided on the Lagercrantz website.

### Accounting policies

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The

interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which is accordance with the provisions of RFR 2.3 Accounting for legal entities. For the Group and the Parent Company the same accounting principles and calculation methods have been applied as in the most recent Annual Report, except for the changes described below.

Starting in 2010/11, the Group applies a revised IFRS 3 Business Combinations and a revised IAS 27 Consolidated and Separate Financial Statements. Inter alia, this has the following effects: the definition for business is changed, transaction expenditure in connection with acquisitions shall be expensed, conditional purchase money is valued at fair value at the time of acquisition and the effect of revaluation of liabilities related to conditional purchase money is to be reported as income or cost in the year year's profit. The new rules are applied to acquisitions consummated after 1 April

2010. The changes in IFRS 3 conflict with the Swedish Annual Accounts Act. Transaction costs will therefore also in the future be capitalised and included in the acquisition costs for shares in subsidiaries in the Parent Company.

**Events after the date of the statement of financial position**

On 1 July 2010, 95 percent of the shares outstanding in Leteng AS were acquired. Leteng is a value-creating distributor of audiovisual hardware, and data and network communications products. The company offers niched products in combination with high technical competence and service. Leteng had 2009 sales of MNOK 56 with good profitability. The company will be a part of division Communications. The acquisition is expected to generate a small, positive contribution to the Group's earnings per share during the 2010/11 financial year.

**Risks and uncertainty factors**

The risks of greatest importance for the Group are the state of the economy, structural changes in the market, dependency on suppliers and customers, the competitive situation and the development in foreign exchange markets.

The widespread general recession in recent years has prompted the Company to take a number of actions with respect to costs, working capital and capital expenditures. An improvement of the business climate in recent quarters has been seen and the future development is watched with great diligence. For further detail reference is made to the 2009/10 Annual Report. The Parent Company is affected by the aforementioned risks and uncertainty factors by virtue of its function as owner of the subsidiaries.

Stockholm, 21 July 2010

Jörgen Wigh  
President and Chief Executive Officer

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

*This information is published in accordance with the Swedish securities market act, the Swedish act on trading in financial instruments, or the body of regulations at Nasdaq OMX Stockholm. The information was submitted for publication at 8:30 a.m., 21 July 2010.*

## Segment information per quarter

NET REVENUE MSEK	2010/11		2009/10		
	Q1	Q4	Q3	Q2	Q1
Electronics	133	135	132	136	149
Mechatronics	171	124	149	120	118
Communications	150	176	167	147	167
Parent company/Consolidation items	0	-	-	0	0
<b>GROUP TOTAL</b>	<b>454</b>	<b>435</b>	<b>448</b>	<b>403</b>	<b>434</b>

OPERATING PROFIT MSEK	2010/11		2009/10		
	Q1	Q4	Q3	Q2	Q1
Electronics	6	7	5	2	3
Mechatronics	15	8	9	8	5
Communications	9	11	10	5	8
Parent company/Consolidation items	-4	-4	-4	-3	-3
<b>GROUP TOTAL</b>	<b>26</b>	<b>22</b>	<b>20</b>	<b>12</b>	<b>13</b>

## Consolidated income statement

MSEK	3 months	3 months	Moving 12	Financial
	Apr-Jun 2010/11	Apr-Jun 2009/10	months Jul-Jun 2009/10	year Apr-Mar 2009/10
Net revenue	454	434	1,740	1,720
Cost of goods sold	-326	-318	-1,273	-1,265
<b>GROSS PROFIT</b>	<b>128</b>	<b>116</b>	<b>467</b>	<b>455</b>
Selling costs	-68	-67	-258	-257
Administrative expenses	-30	-33	-117	-120
Research and development expenses	-4	-3	-14	-13
Other operating income and operating expenses	0	0	2	2
<b>OPERATING PROFIT</b>	<b>26</b>	<b>13</b>	<b>80</b>	<b>67</b>
<i>(of which depreciation)</i>	<i>(-7)</i>	<i>(-6)</i>	<i>(-26)</i>	<i>(-25)</i>
Net finance items	0	-3	-6	-9
<b>PROFIT AFTER FINANCE ITEMS</b>	<b>26</b>	<b>10</b>	<b>74</b>	<b>58</b>
Taxes	-6	-3	-19	-16
<b>NET PROFIT FOR THE PERIOD</b>	<b>20</b>	<b>7</b>	<b>55</b>	<b>42</b>
Earnings per share, SEK	0.91	0.32	2.50	1.91
Earnings per share after dilution, SEK	0.91	0.32	2.50	1.91
Number of shares outstanding after repurchases ('000)	21,978	21,978	21,978	22,287
Weighted number of shares outstanding after repurchases ('000)	21,978	21,978	21,978	22,287
Number of shares outstanding after period's repurchases ('000)	21,978	21,978	21,978	21,978

In view of the strike price on outstanding call options during the period (SEK 44.00, SEK 36.80 and SEK 31.60) and the average market price of the share (SEK 28.80) during the most recent twelve-month period when the option programmes were outstanding, there was no dilutive effect during the most recent twelve-month period. Nor was there any dilutive effect during the latest quarter as the average market price (SEK 30.90) was lower than the strike price.

## Consolidated statement of recognised income and expense

MSEK	3 months	3 months	Moving 12	Financial
	Apr-Jun 2010/11	Apr-Jun 2009/10	months Jul-Jun 2009/10	year Apr-Mar 2009/10
Net profit for the period	20	7	55	42
<b>Other total profit</b>				
Change in fair value of hedging reserve	1	1	1	1
Change in translation reserve	-7	-7	-34	-34
<b>RECOGNISED RESULT FOR THE PERIOD</b>	<b>14</b>	<b>1</b>	<b>22</b>	<b>9</b>

## Statement of consolidated financial position

MSEK	2010-06-30	2009-06-30	2010-03-31
<b>ASSETS</b>			
Goodwill	269	191	179
Other intangible non-current assets	151	112	104
Tangible non-current assets	69	58	51
Financial non-current assets	17	22	17
Inventories	218	231	177
Short-term receivables	374	323	326
Cash and cash equivalents	51	69	29
<b>TOTAL ASSETS</b>	<b>1,149</b>	<b>1,006</b>	<b>883</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	508	519	494
Long-term liabilities	173	156	81
Current liabilities	468	331	308
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,149</b>	<b>1,006</b>	<b>883</b>
Interest-bearing assets	51	69	29
Interest-bearing liabilities	269	159	67

## Consolidated cash flow statement

MSEK	3 months Apr-Jun 2010/11	3 months Apr-Jun 2009/10	Moving 12 months Jul-Jun 2009/10	Financial year Apr-Mar 2009/10
<b>Operating activities</b>				
Result after finance items	26	10	74	58
Adjustment for paid taxes, items not included in cash flow, etc.	2	-10	10	-2
<b>Cash flow from operating activities before changes in working capital</b>	<b>28</b>	<b>0</b>	<b>84</b>	<b>56</b>
<b>Cash flow from changes in working capital</b>				
Increase(-)/Decrease(+) in inventories	-18	8	28	54
Increase (-)/Decrease (+) in operating receivables	-31	37	-52	16
Increase (+)/Decrease (-) in operating liabilities	-1	-50	10	-39
<b>Cash flow from operating activities</b>	<b>-22</b>	<b>-5</b>	<b>70</b>	<b>87</b>
<b>Investing activities</b>				
Investments in businesses	-155	-1	-156	-2
Investment in/disposals of other non-current assets, net	-4	-6	-14	-16
<b>Cash flow from investing activities</b>	<b>-159</b>	<b>-7</b>	<b>-170</b>	<b>-18</b>
<b>Financing activities</b>				
Dividend & repurchase of own shares	-	-	-33	-33
Financing activities	202	22	114	-66
<b>Cash flow from financing activities</b>	<b>202</b>	<b>22</b>	<b>81</b>	<b>-99</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>21</b>	<b>10</b>	<b>-19</b>	<b>-30</b>
Cash and cash equivalents at the beginning of the period	29	60	69	60
Exchange rate differences in cash and cash equivalents	1	-1	1	-1
Cash and cash equivalents at the end of the period	51	69	51	29

## Consolidated statement of changes in equity

MSEK	Apr-Jun 2010/11	Apr-Jun 2009/10	Apr-Mar 2009/10
<b>Opening balance</b>	<b>494</b>	<b>518</b>	<b>518</b>
Dividend	-	-	-33
Recognised result for the period	14	1	9
<b>Closing balance</b>	<b>508</b>	<b>519</b>	<b>494</b>

## Key financial indicators

	Moving 12 months			Financial year	
	Jun-Jul 2009/10	2009/10	2008/09	2007/08	2006/07
Revenue	1,740	1,720	2,138	2,172	1,974
Change in revenue, %	-14.7	-19.6	-1.6	10.0	22.8
Profit after taxes	55	42	68	91	65
Operating margin, %	5.7	3.9	4.9	6.0	5.0
Profit margin, %	5.7	3.4	4.4	5.6	4.6
Equity ratio, %	44	56	49	44	39
Return on capital employed, %	12	11	17	21	18
Return on equity, %	11	8	14	21	16
Debt equity ratio	0.5	0.1	0.3	0.4	0.6
Net debt equity ratio	0.4	0.1	0.2	0.2	0.4
Times interest earned	8	6	7	9	9
Net interest-bearing liabilities (+)/receivables (-), MSEK	218	38	78	93	161
Number of employees at end of period	663	608	742	763	751
Revenue outside Sweden, MSEK	1,165	1,155	1,486	1,496	1,352

## Per-share data

	Moving 12 months			Financial year	
	Jun-Jul 2009/10	2009/10	2008/09	2007/08	2006/07
Number of shares outstanding end of period after repurchases ('000)	21,978	21,978	21,978	22,478	23,678
Weighted number of shares outstanding after repurchases ('000)	21,978	21,978	22,287	23,212	23,678
Weighted number of shares outstanding after repurchases & dilution ('000)	21,978	21,978	22,287	23,212	23,678
Operating profit per share, SEK	3.64	3.05	4.71	5.64	4.18
Earnings per share, SEK	2.50	1.91	3.05	3.92	2.75
Earnings per share after dilution, SEK	2.50	1.91	3.05	3.92	2.75
Cash flow from operations per share, SEK	3.19	3.96	6.15	5.17	3.21
Cash flow per share, SEK	-0.86	-1.37	-0.76	-0.60	1.69
Equity per share, SEK	23.10	22.50	23.60	20.40	18.20
Latest market price per share, SEK	29.80	31.50	23.50	28.80	33.50

Definitions will be found in the 2009/10 Annual Report.

## Parent company income statement

MSEK	3 months Apr-Jun 2010/11	3 months Apr-Jun 2009/10	Moving 12 months Jul-Jun 2009/10	Financial year Apr-Mar 2009/10
Net revenue	6	6	22	22
Administrative expenses	-8	-8	-34	-34
Other operating income and operating expense	0	0	0	0
<b>OPERATING RESULT</b>	<b>-2</b>	<b>-2</b>	<b>-12</b>	<b>-12</b>
Financial income	20	59	49	88
Financial expense	-1	-2	-15	-16
<b>PROFIT AFTER FINANCE ITEMS</b>	<b>17</b>	<b>55</b>	<b>22</b>	<b>60</b>
Change untaxed reserves	0	0	-2	-2
Taxes	1	1	5	5
<b>NET PROFIT FOR THE PERIOD</b>	<b>18</b>	<b>56</b>	<b>25</b>	<b>63</b>

## Parent company balance sheet

	2010-06-30	2009-06-30	2010-03-31
<b>ASSETS</b>			
Tangible non-current assets	0	0	0
Financial non-current assets	769	624	586
Short-term receivables	51	54	51
Cash and cash equivalents	0	0	0
<b>TOTAL ASSETS</b>	<b>820</b>	<b>678</b>	<b>637</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	502	491	485
Untaxed reserves	2	0	3
Long-term liabilities	98	105	39
Current liabilities	218	82	110
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>820</b>	<b>678</b>	<b>637</b>
Pledged assets and contingent liabilities	30	30	30

### Reporting schedule

31 August 2010	2010 Annual General Meeting
11 September 2010	Quarterly report Q2 for the period 1 April 2010–30 September 2010
8 February 2011	Quarterly report Q3 for the period 1 April 2010–31 December 2010

### For additional information, contact:

Jörgen Wigh, President, telephone +46 (0)8-700 66 70  
Niklas Enmark, CFO, telephone +46 (0)8-700 66 70

### Lagercrantz Group AB (publ)

Box 3508, 103 69 Stockholm, Sweden  
Telephone: +46 (0)8-700 66 70 • Fax: +46 (0)8-28 18 05  
Corporate identity number: 556282-4556  
[www.lagercrantz.com](http://www.lagercrantz.com)