

Interim Report 2011/12 Q1

1 April–30 June 2011

- Net revenue for the period grew by 22 percent to MSEK 555 (454).
- Operating profit increased by 73 percent to MSEK 45 (26). The operating margin was 8.1 percent (5.7).
- Demand was good during the beginning of the year, thus leading to increased revenue and profits. In addition, businesses acquired during the previous year contributed to the positive development.
- Profit after finance items increased to MSEK 42 (26). Profit after taxes grew to MSEK 31 (20).
- Earnings per share after dilution amounted to SEK 1.38 (0.91) and for the most recent twelve-month period to SEK 5.07 (SEK 4.61 for the 2010/11 financial year).
- Cash flow from operating activities amounted to MSEK 10 (–22) and for the most recent twelve-month period to SEK 6.73 per share after dilution (SEK 5.33 for the 2010/11 financial year).
- The return on equity for the most recent twelve-month period was 20 percent (11) and the equity ratio stood at 44 percent (44).
- The 2011 Annual General Meeting will be held 30 August 2011.

Net revenue and profit

Lagercrantz Group’s net revenue for the first quarter (1 April–30 June 2011) of the 2010/11 financial year amounted to MSEK 555 (454), equivalent to an increase of 22 percent. For comparable units growth was 8 percent and measured in local currency 10 percent.

The Group’s divisions experienced good demand during the period. Division Communications enjoyed strong demand in the software area and in the digital image transmission area a major project deal was landed. Division Mechatronics also noted an increase in demand, driven by export-oriented industrial customers and growth for the proprietary product companies within the division. Businesses acquired during the previous year also contributed to revenue growth for the quarter as they were included only for a part of the previous year.

Operating profit for the period increased by 73 percent to MSEK 45 (26). The operating margin increased to 8.1 percent (5.7) and the improvement is explained by higher revenue and contributions from acquisitions. Foreign exchange effects in the operating result amounted to MSEK –2 (0) during the quarter.

Profit after net financial items amounted to MSEK 42 (26). The net of finance items was impacted by foreign exchange effects of MSEK 0 (1).

Profit after tax amounted to MSEK 31 (20), equivalent to earnings per share after dilution of SEK 1.38 (0.91). Earnings per share after dilution for the most recent twelve-month period amounted to SEK 5.07 as against SEK 4.61 for the 2010/11 financial year.

Profitability and financial position

The return on capital employed for the most recent twelve-month period was 19 percent, as compared with 12 percent for the preceding year. The corresponding figure for return on equity was 20 percent and 11 percent, respectively.

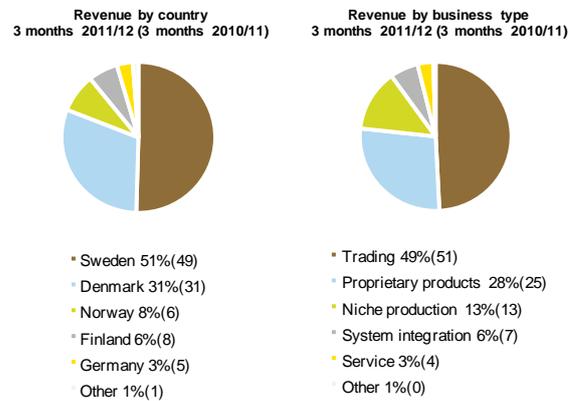
Equity per share amounted to SEK 26.40, as against SEK 24.60 at the beginning of the financial year. The equity ratio was 44 percent, as compared with 42 percent at the beginning of the financial year.

At the end of the period the financial net liability amounted to MSEK 226, including a pension liability of MSEK 50, compared to MSEK 243, including a pension liability of MSEK 50, at the beginning of the year. The Group’s net debt equity ratio was 0.4.

Cash flow and capital expenditures

Cash flow from operating activities amounted to MSEK 10 (–22) for the first quarter. Capital investments in non-current assets amounted to MSEK 4 (4), gross. No shares were repurchased during the financial year.

Distribution of revenue



Divisions

MSEK	Net revenue			Operating result		
	Q1 2011/12	Q1 2010/11	12 months 2010/11	Q1 2011/12	Q1 2010/11	12 months 2010/11
Electronics	149	133	586	10	6	30
<i>Operating margin</i>	-	-	-	6.7%	4.5%	5.1%
Mechatronics	227	171	740	29	15	77
<i>Operating margin</i>	-	-	-	12.8%	8.8%	10.4%
Communications	179	150	703	9	9	53
<i>Operating margin</i>	-	-	-	5.0%	6.0%	7.5%
Parent company/Consolidation items	-	-	-	-3	-4	-13
Group total	555	454	2,029	45	26	147
<i>Operating margin</i>	-	-	-	8.1%	5.7%	7.2%
Financial items	-	-	-	-3	0	-10
PROFIT BEFORE TAXES				42	26	137

Net revenue and profit by division, first quarter

Electronics

Net revenue for the first quarter increased to MSEK 149 (133). The increase was derived mainly from the businesses in Denmark and Norway. Contributions were also made by acquired business.

Stable demand was experienced during the period. Demand increased especially in embedded electronics, whereas the work of phasing out some standard products with lower profitability continued.

Operating profit for the quarter amounted to MSEK 10 (6). This is equivalent to an operating margin of 6.7 percent (4.5) and constitutes a continuing improvement of margins compared to the immediately preceding quarters.

Mechatronics

Net revenue for the fourth quarter amounted to MSEK 227 (171). Revenue growth was particularly distinguished in niche production and proprietary products. Business acquired during the past year also contributed to the strong revenue growth.

Market demand developed well, with the strongest increase among export-oriented industrial customers. The proportion of proprietary products in the division's offer increased during the quarter.

Operating profit for the quarter amounted to MSEK 29 (15), equivalent to an operating margin of 12.8 percent (8.8). This constitutes the highest margin achieved by the division during a single quarter.

Communications

Net revenue for the first quarter increased to MSEK 179 (150). A positive development was noted in the areas of software and access, where in the latter case business acquired during the previous year contributed to the increase.

Increased demand was experienced during the quarter, especially in the area of software and in the area of digital image transmission, where a major project stretching over several years was entered into during the quarter.

Operating profit for the quarter amounted to MSEK 9 (9), which is equivalent to an operating margin of 5.0 percent (6.0). The lower margin is explained by a lower result in the area of digital image transmission during the period.

Other financial information

Parent Company and other consolidation items

The Parent Company's internal net revenue for the period amounted to MSEK 7 (6) and the profit after net financial items was MSEK 3 (17). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK 1 (0) and dividends from subsidiaries in the amount of MSEK 9 (20). Changes in pension assumptions affected the result by MSEK -1. Investments in non-current assets were made in a net amount of MSEK 0 (0). Of the Parent Company's committed credit facility of MSEK 400, MSEK 150 was utilised at the end of the period (126). There were liquid funds in the amount of MSEK 0 (0). The Parent Company's equity ratio stood at 55 percent (61).

Employees

At the end of the period the number of employees in the Group was 741, which can be compared to 731 at the beginning of the financial year.

Share capital

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	-977,000
Total	22,196,309

Lagercrantz holds 977,000 class B shares in treasury, equivalent to 4.2 percent of the number of shares outstanding and 3.0 percent of the votes in Lagercrantz. The average acquisition cost of the 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 685,000 options have been acquired by members of senior management (awards 2008, 2009 and 2010) with a strike price of SEK 36.80, SEK 31.10, and SEK 42.00, respectively. Latest market price at the end of the period was SEK 63.00.

The quotient value per share is SEK 2.11.

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 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, with the exception of the changes described below.

PRI Pensionsgaranti [a provider of credit insurance and administrative services for occupational pension provisions] has decided to update its life expectancy assumptions, which means that companies which have a pension liability as per ITP 2 [a pension agreement for private sector salaried employees] under own management, will have an increase of about 7 percent in their pension liability in the legal entity.

Lagercrantz Group's assumptions are based on the Swedish Financial Supervisory Authority's regulations on life

expectancy assumptions in the calculation of pension liability according to IAS 19. This means that the pension liability at Group level does not change due to PRI's amended assumptions. However, the Parent Company applies the Swedish Act on Safeguarding Pension Obligations when calculating defined benefit pension plans instead of applying IAS 19. The Parent Company's pension liability has risen by SEK 1 million as a result of PRI's amended life expectancy assumptions.

2011 Annual General Meeting

The 2011 Annual General Meeting will be held 30 August 2011 at IVA konferenscenter, Grev Turegatan 16, Stockholm. The notice for the Meeting will be published 26 July 2011.

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.

Events after the end of the period

As previously announced Niklas Enmark, Chief Financial Officer and Executive Vice President of Lagercrantz Group, has chosen to leave his position at Lagercrantz taking up his duties outside the Group. The recruitment of a new Chief Financial Officer has commenced.

Risks and uncertainty factors

The most important risk factors for the Group are the state of the economy, structural changes in the market, supplier and customer dependence, the competitive situation and foreign exchange trends. In other respects reference is made to the 2010/11 Annual Report. The Parent Company is affected by the above mentioned risks and uncertainty factors by virtue of its function as owner of its subsidiaries.

Stockholm, 21 July 2011

Jörgen Wigh
President & CEO

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

Segment information per quarter

NET REVENUE	2011/12			2010/11	
	Q1	Q4	Q3	Q2	Q1
MSEK					
Electronics	149	166	149	138	133
Mechatronics	227	182	188	199	171
Communications	179	203	193	157	150
Parent company/Consolidation items	-	-	-	-	-
GROUP TOTAL	555	551	530	494	454
OPERATING PROFIT					
	2011/12			2010/11	
MSEK	Q1	Q4	Q3	Q2	Q1
Electronics	10	11	8	5	6
Mechatronics	29	20	19	23	15
Communications	9	17	16	11	9
Parent company/Consolidation items	-3	-3	-2	-4	-4
GROUP TOTAL	45	45	41	35	26

Consolidated income statement

MSEK	3 months	3 months	Moving 12	Financial
	Apr-Jun 2011/12	Apr-Jun 2010/11	months Jul-Jun 2010/11	year Apr-Mar 2010/11
Net revenue	555	454	2,130	2,029
Cost of goods sold	-393	-326	-1,528	-1,461
GROSS PROFIT	162	128	602	568
Selling costs	-80	-68	-292	-280
Administrative expenses	-31	-30	-130	-129
Research and development expenses	-5	-4	-18	-17
Other operating income and operating expenses	-1	0	4	5
OPERATING PROFIT	45	26	166	147
<i>(of which depreciation)</i>	<i>(-8)</i>	<i>(-7)</i>	<i>(-30)</i>	<i>(-29)</i>
Net finance items	-3	0	-13	-10
PROFIT AFTER FINANCE ITEMS	42	26	153	137
Taxes	-11	-6	-40	-35
NET PROFIT FOR THE PERIOD	31	20	113	102
Earnings per share, SEK	1.40	0.91	5.11	4.63
Earnings per share after dilution, SEK	1.38	0.91	5.07	4.61
Number of shares outstanding after repurchases ('000)	22,196	21,978	22,101	22,046
Weighted number of shares outstanding after repurchases ('000)	22,485	21,978	22,281	22,133
Number of shares outstanding after period's repurchases ('000)	22,196	21,978	22,196	22,196

In view of the strike price on outstanding call options during the period (SEK 36.80, SEK 31.10, and SEK 42.00) and the average market price of the share (SEK 49.75) during the most recent 12-month period when the option programmes were outstanding, there was a dilutive effect of 0.8 percent during the most recent 12-month period. For the last quarter there was a dilutive effect of 1.3 percent as the average market price of the share (SEK 63.40) was higher than the strike price for outstanding programmes.

Consolidated statement of recognised income and expense

MSEK	3 months	3 months	Moving 12	Financial
	Apr-Jun 2011/12	Apr-Jun 2010/11	months Jul-Jun 2010/11	year Apr-Mar 2010/11
Net profit for the period	31	20	113	102
Other total profit				
Change in fair value of hedging reserve	0	1	0	1
Change in translation reserve	10	-7	-12	-29
RECOGNISED RESULT FOR THE PERIOD	41	14	101	74

Statement of consolidated financial position

MSEK	2011-06-30	2010-06-30	2011-03-31
ASSETS			
Goodwill	322	269	320
Other intangible non-current assets	185	151	185
Tangible non-current assets	90	69	91
Financial non-current assets	13	17	11
Inventories	244	218	223
Short-term receivables	412	374	398
Cash and cash equivalents	60	51	56
TOTAL ASSETS	1,326	1,149	1,284
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	586	508	545
Long-term liabilities	188	173	186
Current liabilities	552	468	553
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,326	1,149	1,284
Interest-bearing assets	60	51	56
Interest-bearing liabilities	286	269	299

Consolidated cash flow statement

MSEK	3 months Apr-Jun 2011/12	3 months Apr-Jun 2010/11	Moving 12 months Jul-Jun 2010/11	Financial year Apr-Mar 2010/11
Operating activities				
Result after finance items	42	26	153	137
Adjustment for paid taxes, items not included in cash flow, etc.	0	2	9	11
Cash flow from operating activities before changes in working capital	42	28	162	148
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories	-19	-18	-9	-8
Increase (-)/Decrease (+) in operating receivables	-19	-31	-36	-48
Increase (+)/Decrease (-) in operating liabilities	6	-1	33	26
Cash flow from operating activities	10	-22	150	118
Investing activities				
Investments in businesses	-	-155	-123	-278
Investment in/disposals of other non-current assets, net	-4	-4	-19	-19
Cash flow from investing activities	-4	-159	-142	-297
Financing activities				
Dividend & repurchase of own shares	-	-	-33	-33
Financing activities	-2	202	35	239
Cash flow from financing activities	-2	202	2	206
CASH FLOW FOR THE PERIOD	4	21	10	27
Cash and cash equivalents at the beginning of the period	56	29	51	29
Exchange rate differences in cash and cash equivalents	0	1	-1	0
Cash and cash equivalents at the end of the period	60	51	60	56

Consolidated statement of changes in equity

MSEK	3 months Apr-Jun 2011/12	3 months Apr-Jun 2010/11	Financial year Apr-Mar 2010/11
Opening balance	545	494	494
Exercise of options on repurchased shares	-	-	10
Dividend	-	-	-33
Recognised result for the period	41	14	74
Closing balance	586	508	545

Key financial indicators

	Moving 12 months			Financial year	
	Jul-Jun 2010/11	2010/11	2009/10	2008/09	2007/08
Revenue	2,130	2,029	1,720	2,138	2,172
Change in revenue, %	22.4	18.0	-19.6	-1.6	10.0
Profit after taxes	113	102	42	68	91
Operating margin, %	7.8	7.2	3.9	4.9	6.0
Profit margin, %	7.2	6.8	3.4	4.4	5.6
Equity ratio, %	44	42	56	49	44
Return on capital employed, %	19	21	11	17	21
Return on equity, %	20	20	8	14	21
Debt equity ratio	0.5	0.5	0.1	0.3	0.4
Net debt equity ratio	0.4	0.4	0.1	0.2	0.2
Times interest earned	12	12	6	7	9
Net interest-bearing liabilities (+)/receivables (-), MSEK	226	243	38	78	93
Number of employees at end of period	741	731	608	742	763
Revenue outside Sweden, MSEK	1,407	1,355	1,155	1,486	1,496

Per-share data

	Moving 12 months			Financial year	
	Jul-Jun 2010/11	2010/11	2009/10	2008/09	2007/08
Number of shares outstanding end of period after repurchases ('000)	22,196	22,196	21,978	21,978	22,478
Weighted number of shares outstanding after repurchases ('000)	22,101	22,046	21,978	22,287	23,212
Weighted number of shares outstanding after repurchases & dilution ('000)	22,281	22,133	21,978	22,287	23,212
Operating profit per share after dilution, SEK	7.45	6.64	3.05	4.71	5.64
Earnings per share, SEK	5.11	4.63	1.91	3.05	3.92
Earnings per share after dilution, SEK	5.07	4.61	1.91	3.05	3.92
Cash flow from operations per share after dilution, SEK	6.73	5.33	3.96	6.15	5.17
Cash flow per share after dilution, SEK	0.45	1.22	-1.37	-0.76	-0.60
Equity per share, SEK	26.40	24.60	22.50	23.60	20.40
Latest market price per share, SEK	63.00	61.75	31.50	23.50	28.80

Definitions will be found in the 2010/11 Annual Report.

Parent company income statement

MSEK	3 months Apr-Jun 2011/12	3 months Apr-Jun 2010/11	Moving 12 months Jul-Jun 2010/11	Financial year Apr-Mar 2010/11
Net revenue	7	6	26	25
Administrative expenses	-11	-8	-38	-35
Other operating income and operating expense	0	0	0	0
OPERATING RESULT	-4	-2	-12	-10
Financial income	10	20	25	35
Financial expense	-3	-1	-19	-17
PROFIT AFTER FINANCE ITEMS	3	17	-6	8
Change untaxed reserves	0	0	1	1
Taxes	1	1	4	4
NET PROFIT FOR THE PERIOD	4	18	-1	13
Other in recognised result	-	-	-	-
RECOGNISED RESULT FOR THE PERIOD	4	18	-1	13

Parent company balance sheet

	2011-06-30	2010-06-30	2011-03-31
ASSETS			
Tangible non-current assets	0	0	0
Financial non-current assets	863	769	870
Short-term receivables	34	51	35
Cash and cash equivalents	0	0	0
TOTAL ASSETS	897	820	905
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	497	502	493
Untaxed reserves	2	2	2
Long-term liabilities	105	98	97
Current liabilities	293	218	313
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	897	820	905
Pledged assets and contingent liabilities	28	30	28

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 on 21 July 2011 at 08.15 CET.

Reporting schedule

30 August 2011 Annual General Meeting for the 2010/11 financial year
8 November 2011 Quarterly Report Q2 for the period 1 April 2011–30 September 2011
8 February 2012 Quarterly Report Q3 for the period 1 April 2011–31 December 2011
3 May 2012 Annual General Meeting for the 2011/12 financial year

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