

LAGERCRANTZ GROUP AB (publ)

Interim report April 1 – December 31, 2003 (9 months)

- Net revenues increased to MSEK 1 160 (1 089).
- Income after financial items improved to MSEK 19 (6).
- Income after taxes increased to MSEK 11 (5).
- Earnings per share increased to SEK 0.44 (0.19).
- The Group's equity ratio stands at 48 percent (57).
- Cash flow from current operations amounted to MSEK 68 (71).
- ISG Systems AB was acquired effective as of October 1, 2003.

NET REVENUES AND RESULT

Net revenues amounted to MSEK 1 160 (1 089). Operating income amounted to MSEK 23 (15), with an operating margin of 2.0 percent (1.4). The revenue increase is attributable primarily to contributions from Unitronic AG that was acquired September 1 of the preceding year.

The declining trend in the USD exchange rate has impacted the Group's revenue and income negatively during the third quarter.

Income after financial items amounted to MSEK 19 (6), and earnings per share were SEK 0.44 (0.19).

Cash flow from current operations during the nine-month period amounted to MSEK 68 (71).

The market situation for the Group's businesses is stable overall, but demand in the market for the business of division Electronics remains marked by low demand.

The Group still considers growth opportunities in the area of industrial communication to be good. Lagercrantz strengthened its position in this market during the year.

ELECTRONICS

Net revenues amounted to MSEK 706 (621). Operating income amounted to MSEK 7 (0) with an operating margin of 1.0 percent (0.0).

During the period cost-containment actions were taken primarily in Sweden and furthermore a process of concentration and focusing of the product range has been carried out.

Electronics established itself in industrial communication at an early stage and commands a strong position in the segment. The opportunities for future growth in this segment are considered to be good.

The division's deliveries of components for traffic measuring via the German subsidiary Unitronic AG contributed significantly to the division's improvement in earnings.

PRODUCTION SERVICES

Net revenues amounted to MSEK 145 (136) and operating income was MSEK 9 (4). The operating margin was 6.2 percent (2.9).

Operations in customized cable products and niche production is stable and continued good profitability is predicted.

COMMUNICATION

Net revenues amounted to MSEK 309 (332). Operating income amounted to MSEK 6 (9), with an operating margin of 1.9 percent (2.7).

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

As expected, income for the third quarter improved and satisfactory profitability is expected for the remainder of the financial year.

ISG Systems AB was acquired on October 1, 2003. This company designs and delivers unique systems solutions for digital image transmission. The acquisition of ISG Systems further strengthens Lagercrantz Group's position in the growth area of industrial communication.

DIVISIONS

	Net revenues			Operating income		
	9 months	12 months		9 months	12 months	
MSEK	2003/ 2004	2002/ 2003	2002/ 2003	2003/ 2004	2002/ 2003	2002/ 2003
Electronics	706	621	843	7	0	3
Production Services	145	136	183	9	4	7
Communication	309	332	437	6	9	14
Parent Company/consolidation elim	-	-	-	1	2	3
GROUP TOTAL	1 160	1 089	1 463	23	15	27

NET REVENUES – quarterly data

MSEK	2003/2004				2002/2003		
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	232	245	229	222	221	198	202
Production Services	49	48	48	47	46	44	46
Communication	122	90	97	105	112	108	112
Parent Company/consolidation elim	-	-	-	-	-	-	-
GROUP TOTAL	403	383	374	374	379	350	360

OPERATING INCOME

MSEK	2003/2004				2002/2003		
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	1	8	-2	3	1	2	-3
Production Services	3	3	3	3	2	2	0
Communication	4	0	2	5	4	5	0
Parent Company/Consolidation elim	1	-1	1	1	1	0	1
GROUP TOTAL	9	10	4	12	8	9	-2

CONSOLIDATED STATEMENT OF INCOME	3 months		9 months		12 months ending	
	Oct./	Oct.	April/	April/	Dec. 31	Mar. 31
	Dec.	Dec.	Dec.	Dec.	Dec. 31	Mar. 31
MSEK	2003/	2002/	2003/	2002/	2003	2003
	2004	2003	2004	2003		
Net revenues	403	379	1 160	1 089	1 534	1 463
Cost of goods sold	- 305	- 281	- 878	- 815	- 1 151	- 1 088
GROSS INCOME	98	98	282	274	383	375
Other operating expenses	- 89	- 90	- 259	- 259	- 348	- 348
(of which depreciation and amortization)	(-5)	(-4)	(-14)	(-13)	(-19)	(-18)
OPERATING INCOME	9	8	23	15	35	27
Financial income and expense	- 2	- 3	- 4	- 9	- 6	- 11
INCOME AFTER FINANCIAL ITEMS	7	5	19	6	29	16
Taxes	- 3	- 3	- 8	- 1	- 13	- 6
Minority interest in the year's income	0	0	0	0	- 1	- 1
RESULT FOR THE PERIOD	4	2	11	5	15	9
Income per share, SEK	0,16	0,07	0,44	0,19	0,60	0,34
Weighted number of shares outstanding after after period's repurchases ('000)	24 549	26 709	24 901	26 863	25 083	26 561
Number of shares outstanding after period's repurchases ('000)	24 078	26 307	24 078	26 307	24 078	25 078

In view of the strike price of SEK 32.80 and the current market price of the share, outstanding options have no dilutive effect.

CONSOLIDATED BALANCE SHEET

MSEK	Dec. 31, 2003	Dec. 31, 2002	Mar. 31, 2003
ASSETS			
Intangible fixed assets	49	19	23
Tangible fixed assets	96	106	106
Financial assets	39	27	42
Inventories	217	237	230
Short-term receivables	271	266	292
Liquid funds	143	185	110
TOTAL ASSETS	815	840	803
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	395	466	442
Minority interest	0	9	11
Provisions	72	49	77
Long-term liabilities	111	89	48
Current liabilities	237	227	225
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	815	840	803

CONSOLIDATED STATEMENT OF CASH FLOW

MSEK	9 months		Full year
	2003/ 2004	2002/ 2003	2002/ 2003
Current operations before changes in working capital	20	10	23
Changes in working capital	48	61	47
Cash flow from current operations	68	71	70
Investment in subsidiaries and other business units	-34	-9	-9
Investments in other fixed assets, net	0	-10	-15
Cash flow from investment operations	-34	-19	-24
Dividend & repurchases of own shares	-46	-36	-58
Financing operations	48	-3	-42
Cash flow from financing operations	2	-39	-100
PERIOD'S CASH FLOW	36	13	-54
Liquid funds at beginning of period	110	172	172
Exchange rate difference in liquid funds	-3	0	-8
Liquid funds at end of period	143	185	110

Change in shareholders' equity

MSEK	Apr-Dec 2003	Apr-Dec 2002
Balance at beginning of period	442	484
Period's translation difference	-12	13
Dividend & and repurchases of own shares	-46	-36
Period's income	11	5
Balance at end of period	395	466

KEY FINANCIAL INDICATORS

SEK	9 months		12 months ending	
	2003/ 2004	2002/ 2003	Dec. 31 2003	Mar. 31 2003
NUMBER OF SHARES OUTSTANDING, thousands				
Weighted number of shares outstanding after repurchases	24 901	26 863	25 083	26 561
Number of shares outstanding after period's repurchases	24 078	26 307	24 078	25 078
Number of shares held in treasury	1 836	1 557	1 836	2 786
Return on capital employed, %			7,2	5,6
Return on shareholders' equity, %			3,5	1,9

PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

The return on capital employed for the most recent 12-month period was 7.2 percent, as compared with 5.6 percent for the preceding financial year. The corresponding figures for return on equity were 3.5 percent and 1.9 percent.

The equity ratio stood at 48 percent, as compared with 56 percent at the beginning of the financial year.

Shareholders' equity per share amounted to SEK 16.40, as compared with SEK 17.60 at the beginning of the financial year.

Cash flow from current operations amounted to MSEK 68 (71) for the period. The Group's financial indebtedness was MSEK 11 at the end of the period, as compared with a net claim of MSEK 19 at the beginning of the financial year.

Capital expenditures in fixed assets amounted to

MSEK 6 (9).

ACQUISITIONS

Possession was taken April 1, 2003 of the remaining 49 percent of the outstanding shares in electronics supplier Unitronic AG.

Effective as of October 1, 2003 Lagercrantz acquired all shares outstanding in ISG Systems AB. ISG Systems acts as a systems integrator with a product range including customized solutions for traffic surveillance and process monitoring in seaports.

PARENT COMPANY

The Parent Company's internal net revenues amounted to MSEK 19 (21) and income after financial items was MSEK 117 (15). This result includes exchange rate adjustments on intra-Group lending in an amount of MSEK -7 (9) and dividends from subsidiaries in the amount of MSEK 123 (0).

The Parent Company has a committed credit facility of 250 MSEK. MSEK 94 of this facility was utilized as compared with MSEK 36 at the beginning of the financial year. There were other liquid funds in the amount of MSEK 9 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 581, 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 51.8. The distribution on classes of shares is as follows:

Classes of shares	Shares outstanding
Class A shares	1 104 498
Class B shares	24 809 734
Class B shares held in treasury	-1 836 423
Total	24 077 809

During September 2003 Lagercrantz cancelled 1 950 000 repurchased shares. During the month of November 2003 Lagercrantz purchased another 1 000 000 shares and the Company then holds 1 836 423 of its own Class B shares. This is equivalent to 7.1 percent of the number of shares outstanding and 5.1 percent of the votes in Lagercrantz.

The average cost of the shares held in treasury amounts to SEK 21.96.

NOMINATION COMMITTEE FOR ELECTION OF DIRECTORS

The regularly schedule Annual General Meeting held August 26, 2003 resolved to authorize the Chairman of the Board of Directors, together with representatives of major shareholders, to constitute a nomination committee for upcoming election of directors. In accordance herewith, the following persons have been appointed to be members of the nomination committee: Anders Börjesson, Chairman, Tom Hedelius, Marianne Nilsson, Robur, and Pär Stenberg.

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, February 10, 2004

Jan Friis, President & CEO

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

A financial report for the financial year April 1, 2003 – March 31, 2004 will be presented May 11, 2004.

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