ANNUAL REPORT 2003 / 2004

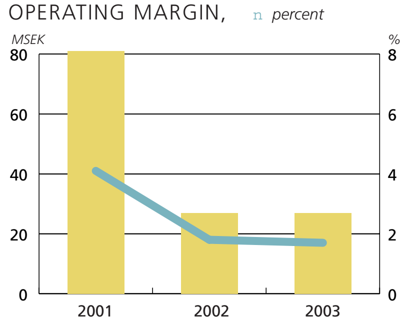
Lagercrantz Group

CONTENTS

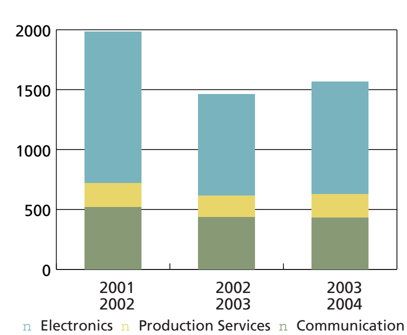
The Year in Brief

- Net revenues increased to MSEK 1 568 (1 463).
- Income after taxes increased to MSEK 14 (9).
- Earnings per share increased to SEK 0.57 (0.34)
- Cash flow from current operations amounted to MSEK 72 (70).
- The Swedish company ISG Systems, active in digital image transmission, was acquired.
- The market outlook for Lagercrantz improved.
- Jan Friis resigned as President and Chief Executive Officer in May 2004 and was replaced by Per Ikov.

OPERATING INCOME, *MSEK*
OPERATING MARGIN, *percent*

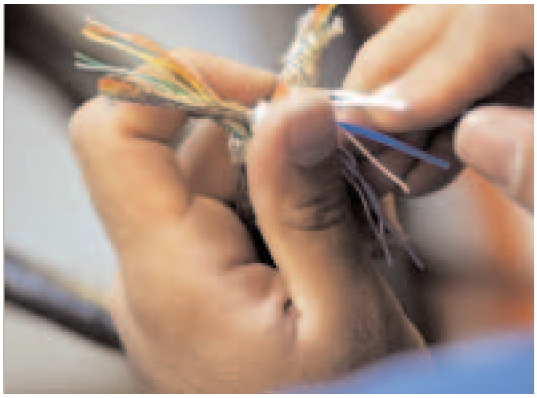
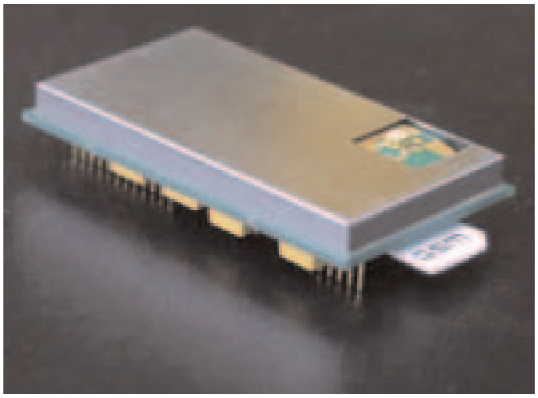


REVENUES BY DIVISION
net revenues, MSEK, 12 months



Lagercrantz in Brief

- Within well defined niches and in partnership with customers and producers, Lagercrantz Group offers products and solutions in electronics and communication that contribute to the competitiveness of customers.
- The Company markets special components and modules, among other things, has its own production of wiring harnesses and offers solutions in security and communication. The most important customers are manufacturing companies.
- Lagercrantz is a leading player on the Nordic market. Aside from in Denmark, Finland, Norway and Sweden, the Company also has operations in Poland, Switzerland, United Kingdom, Germany and Hong Kong.
- The Lagercrantz Group consists of the Parent Company, Lagercrantz Group AB with subsidiaries organized in three divisions, Electronics, Production Services and Communication.
- The Company is listed on the O-list of the Stockholm Stock Exchange since September 2001.


Lagercrantz offers a broad mix of products and services, "from component to solutions." The Company works with personal sales and therefore has extensive knowledge of the customer's needs. Decentralized business responsibility promotes an effective decision-making process and the business acumen of its employees. Lagercrantz is active in specific product segments and with a clear niche focus.

"On the broad electronics and communications market our success is highly dependent on our ability to identify and focus on a number of profitable growth niches to an even greater extent than before."

Per Ikov, President & CEO, Lagercrantz Group AB

PRESIDENT'S STATEMENT

A more focused Lagercrantz

When I entered upon my duties as chief executive of Lagercrantz in May 2004, it was eminently clear to me that the key word for the Group's continued development was focus. On the broad electronics and communications market our success is highly dependent on our ability to identify and focus on a number of profitable growth niches to an even greater extent than before.

THE YEAR THAT WAS

Lagercrantz became more efficient during the year. Thanks to organizational changes and streamlining, we managed to lower our costs by about MSEK 15 on an annual basis.

At the same time our market remained weak, even though the global semiconductor market turned up during 2003. But in Nordic export industry, where most of our customers are active, that positive trend was not discernible, in large part because of the declining dollar exchange rate.

The weak market notwithstanding, we managed to raise our revenues as well as our income after financial items. Revenues increased to MSEK 1 568 (1 463). Income after financial items amounted to MSEK 23 (16), an increase of 44 percent.

Two of our divisions, Communication and Production Services, reported relatively good results in view of the difficult market situation. In Division Electronics revenue and income increased slightly, primarily due to successes in Germany, but the divisions profitability was still unsatisfactory.

ORGANIZATION

An important measure during the year to improve profitability in division Electronics was to split the ACTE companies in Sweden and Norway into two parts: ACTE Supply, focusing on efficient distribution of standard components, and ACTE, that concentrates on special components and industrial communication.

This strengthens both businesses. For ACTE the change opens opportunities of focusing solely on industrial communication and special components, and developing this business further. At the same time ACTE Supply lowers its costs. With this solution we have found a sustainable business model that will provide good profitability also in the highly competitive market for standard components.

A new team of leaders took over division Electronics in May 2004. I am convinced that the new management will succeed in developing the division and improving its profitability.

GROWTH AREAS

The changes in division Electronics are in line with our strategy of focusing more on special components and industrial communication. A number of new leading agencies in industrial communication were added during the year. Important growth areas with this very orientation are wireless communication and digital image transmission. Growth in these areas was good during the year and I believe that the long-term growth prospects are excellent.

An important reason for my optimism is that it is largely a matter of utilizing existing technology in new areas. This will add value to existing applications. Using GSM technology to read electrical meters is just one of many examples. Growth is also driven from two directions: In part by the application companies, in part by mobile operators who are interested in attracting more traffic to their networks.

We are constantly striving to become more solutions-oriented, thereby adding value to our customers, gladly in cooperation with partners, such as consultants and software developers. We also have an ambition for our offer to have a higher content of our own products and solutions.

INTERNATIONAL

Our international business scored several important advances during the year. The German subsidiary Unitronic recorded good growth and profitability as expected. Thanks to a large order in industrial communication for truck tolls on the German freeways. With its clear industrial communication orientation, Unitronic impacts and inspires other companies in the Group. We also strengthened our footholds in Poland and the United Kingdom, and broadened our competence in these markets. In Poland, last year’s loss was turned into a positive result. A similar turnaround was achieved in the United Kingdom during the latter part of the year. In both cases an important reason was the sharp emphasis on industrial communication.

PERSONNEL

The solid competence of our employees is a real key factor for the success of Lagercrantz. Competence was further strengthened during the year by a number of broad training initiatives. One example is that division Electronics conducted training for chief executives and sales managers with a focus on selling ideas and solutions to decision-makers at a high level at our customers. A large number of sales representatives will be given the same training during the current year.

I wish to extend my heart-felt thanks to our employees, who in large measure have contributed with constructive initiatives during a year with weak demand and significant restructuring in parts of our business.

THE FUTURE

When I look ahead I see two clear principal tasks. First, we must lift the profitability in division Electronics. Second, we must sharpen our focus on growth, in terms of sales as well as income across the board.

As far as division Electronics is concerned, we are already underway. With new division management in place, the job of reorganizing and streamlining operations have been intensified. Cost-containment action will continue into the current year, not only in division Electronics, but also in all other parts of the Group.

The growth areas we are concentrating on in industrial communication are wireless communication and digital image transmission. Our ambition is not only to develop these businesses organically, but also to reach new customers with new applications of existing technology, as well as to grow by acquisition in these areas. Acquisitions may well be businesses with a greater incidence of new products and solutions. ISG Systems, acquired during the year, is a good example of the new type of acquisitions we strive to make.

Our international growth ambitions are in the first instance aimed at northern Europe. The bases we have established in Germany, United Kingdom and Poland make me optimistic that we will achieve further growth and capture market share on these large markets.

Our continued focus and streamlining efforts will have a positive effect on growth as well as results. I also believe that demand in the Group’s markets will increase during the current year.

Per Ikov
President & CEO

The Lagercrantz Share

The Lagercrantz Group's class B share is listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange) since September 3, 2001, at which time Lagercrantz was spun off from Bergman & Beving. As of March 31, 2004 the share capital amounted to SEK 51 828 464, divided into 1 101 810 class A shares and 24 812 422 class B shares. Each share has a nominal value of SEK 2. Class A shares entitle their holders to ten votes, while class B shares entitle their holders to one vote. Both classes of shares entitle their holders to the same rights with respect to the Company's assets and earnings. The Articles of Incorporation allow for conversion of class A shares to class B shares. During the period September 3, 2003 to March 31, 2004 4 692 class A shares were converted to class B shares.

THE SHARE'S PERFORMANCE

The market value of the Lagercrantz share rose from SEK 16.50 to SEK 22.50 during the financial year. This is equivalent to an increase of 36 percent. This can be compared with the SAX All Share index which gained 56 percent. The Lagercrantz share reached its lowest market price in early April 2003 and the highest market price, SEK 26.00, was reached in the beginning of February 2004.

TRADING VOLUME ON THE EXCHANGE

A total of 9.1 million (7.9) shares, equivalent to just short of MSEK 200 (150), changed hands during the year. About 36 000 (32 000) shares, for a total value of just under SEK 800 000, were traded on average each day. The rate of turnover of the average number of shares outstanding was 36 (30) percent on an annual basis. The average rate of turnover on the O-list of the Stockholm Stock Exchange during the 2003 calendar year was 78 (70) percent.

REPURCHASE OF OWN SHARES

In September 2003 Lagercrantz cancelled 1 950 000 of its repurchased shares held in treasury. During November 2003 1 000 000 class B shares were repurchased. Lagercrantz held 1 836 423 shares in treasury, equivalent to 7.1 percent of the number of shares outstanding and 5.1 percent of the votes at the end of the financial year. The average price of the shares held in treasury amounts to SEK 21.96 per share.

RENEWED REPURCHASE PROGRAM

The Board of Directors has decided to propose to the regularly scheduled Annual General Meeting to give the Board of Directors a mandate – such mandate to remain in effect until the next following regularly scheduled Annual General Meeting – to acquire own shares to such an extent that the Company's total holding of shares held in treasury at no time exceeds 10 percent of the shares outstanding in the Company. The proposed mandate applies to repurchases over Stockholmsbörsen. Under the proposal, the Board of Directors will have the opportunity of using repurchased shares for payment in connection with acquisitions, or to finance acquisitions in other ways than via the stock exchange.

INCENTIVE PROGRAM

Lagercrantz has in force an incentive program in the form of so-called personnel options. The program covers 24 members of senior management. The program covers a total of 798 000 options with a redemption price of SEK 32.80. The options can be utilized during the period July 19, 2004 – February 18, 2005. An extra general meeting of shareholders held December 17, 2001 resolved a transfer of up to 800 000 of previously repurchased class B shares in the Company in connection with the possible utilization of these options. If all outstanding personnel options are exercised in full, the number of shares outstanding increases by 3 percent.

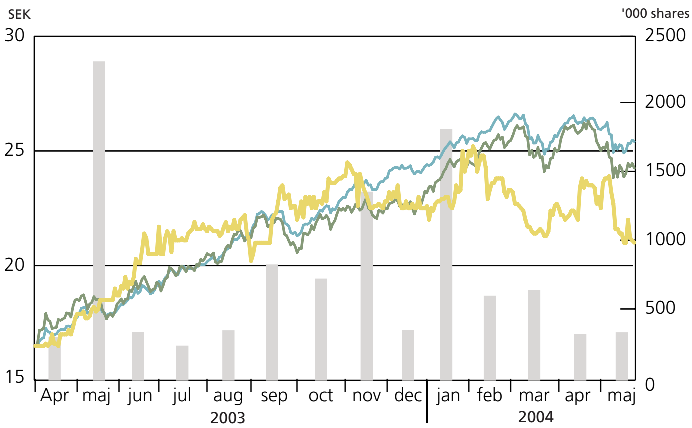
DIVIDEND

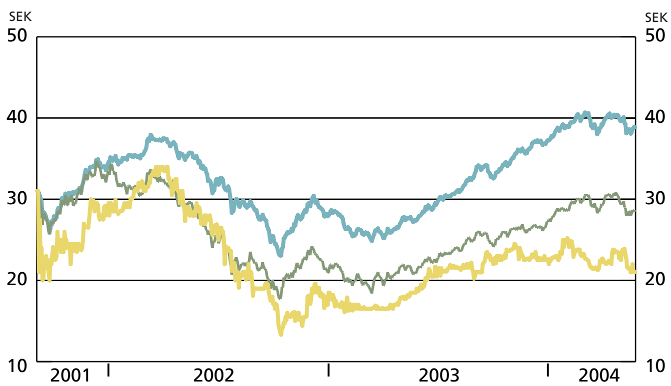
The Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.90 per share for the 2003/2004 financial year.

EVOLUTION OF SHARE CAPITAL

		Class A					Class B				
	Event	Change number	Number of shares	Proportion of share capital	Number of votes	Proportion of votes	Change number	Number of shares	Proportion of share capital	Number of votes	Proportion of votes
	Opening balance		1 840 286	7%	18 402 860	41%		26 023 946	93%	26 023 946	59%
2001/2002	Conversion of class A shares to class B shares	-725 464	1 114 822	4%	11 148 220	29%	+725 464	26 749 410	96%	26 749 410	71%
2002/2003	Conversion of class A shares to class B shares	-8 320	1 106 502	4%	11 065 020	29%	+8 320	26 757 730	96%	26 757 730	71%
2003/2004	Cancellation of repurchased shares		1 106 502	4%	11 065 020	31%	-1 950 000	24 807 730	96%	24 807 730	69%
2003/2004	Conversion of class A shares to class B shares	-4 692	1 101 810	4%	11 018 100	31%	+4 692	24 812 422	96%	24 812 422	69%

PRICE PERFORMANCE





Lagercrantz B
Carnegie Small Cap Index
SAX All Share Index
Number of shares traded per month

Source: SIX/Hallvarsson&Halvarsson

TABLE OF KEY FINANCIAL INDICATORS

	2003/2004
Earnings per share, SEK	0,57
P/E ratio	39
Dividend*, SEK	0,90
Dividend yield, %	4,0
Last bid price, SEK	22,50
Average number of shares outstanding after repurchases (Class A and B)	24 696 252
Number of shares outstanding at year-end (Class A and B)**	25 914 232
Number of shareholders at year-end	3 365

**As proposed by the Board of Directors*
***Including repurchased shares*

OWNERSHIP STRUCTURE

Major owners in Lagercrantz Group as of April 30, 2004

Shareholder	A shares	B shares	Capital	Votes
Robur fonder	0	4 028 697	16,7%	11,9%
Anders Börjesson and family	375 966	80 000	1,9%	11,3%
Tom Hedelius and family	360 966	5 400	1,5%	10,6%
Pär Stenberg	229 152	979 622	5,0%	9,6%
AMF	0	2 560 000	10,6%	7,5%
SEB funds	0	1 855 200	7,7%	5,5%
Carl T. Säve and family	30 000	1 094 252	4,7%	4,1%
Carnegie fonder	0	931 000	3,9%	2,7%
Alecta	0	710 240	2,9%	2,1%
Svenska Handelsbanken	0	630 000	2,6%	1,9%
AB Novestra	0	627 500	2,6%	1,8%
Riksbankens Jubileumsfond	0	558 600	2,3%	1,6%
Stiftelsen för kunskaps och kompetensutveckling	0	500 000	2,1%	1,5%
Didner & Gerge Aktiefond	0	443 100	1,8%	1,3%
SIF	0	380 000	1,6%	1,1%
Johan Rapp	0	370 539	1,5%	1,1%
Skandia	0	340 241	1,4%	1,0%
Fidelity	0	300 000	1,2%	0,9%
Torsten Fardell	15 000	153 000	0,7%	0,9%
Total 19 largest shareholders	**1 011 084**	**16 547 391**	**72,9%**	**78,4%**
Total other owners	**90 726**	**6 428 608**	**27,1%**	**21,6%**
Total not including repurchased shares	**1 101 810**	**22 975 999**	**100,0%**	**100,0%**
Lagercrantz Group AB (repurchases)	0	1 836 423		
Total	**1 101 810**	**24 812 422**		

Size classes

Number of shares			Number of owners	Capital	Votes
1	–	500	2 058	1,4%	1,0%
501	–	1 000	559	1,9%	1,3%
1 001	–	10 000	616	7,0%	6,6%
10 001	–	50 000	77	6,4%	6,1%
50 001	–	100 000	15	3,9%	2,8%
100 001	–		40	79,4%	82,0%
Total			**3 365**	**100,0%**	**100,0%**

Holding by category

	Number of owners	Capital	Votes
Legal entities	387	71,0%	53,4%
Private individuals	2 978	29,0%	46,6%
Total	**3 365**	**100,0%**	**100,0%**
Of which Swedish residents	3 253	96,0%	97,1%

Business Concept, Objectives and Strategies

VISION

Lagercrantz is to be a growth-oriented, profitable, international, knowledge-based company in the fields of electronics and communications solutions.

BUSINESS CONCEPT

Within well defined niches, and in partnership with customers and producers, Lagercrantz Group offers products and solutions in electronics and communication that contribute to the competitiveness of customers.

OBJECTIVES

Lagercrantz Group has three basic over-riding objectives:

Growth

Long-term earnings growth, expressed as income after financial items of at least 15 percent.

Profitability

The goal is for the return on equity to be at least 25 percent.

To achieve this goal, Lagercrantz measures profitability internally as income after financial items relative to working capital. This control measure is well suited to the nature of the operations, and is easy to use at all levels of the Company.

Development

As a complement to the financial goals, there is an operative development goal according to which the Company is to conduct development that supports growth and profitability. Goals for individual development projects are set internally and are followed up at division level at recurring development meetings.

STRATEGIES

To secure the goals with respect to growth, profitability and development, the Group has formulated a number of strategies:

Well-defined niches

Lagercrantz shall operate within specific product segments with a clear niche focus. Within these niches, Lagercrantz must have what it takes to achieve market leadership. As an element of offering more refined products and services, the proportion of products manufactured in-house has increased as well as the service content.

The Group consciously chooses to represent technologically eminent producers with a narrow and unique line of products. The high technology content makes it necessary to cooperate with a local partner with high technology competence. Lagercrantz is a refining link between producer and customer.

Clear expansion strategy

Lagercrantz is to expand in three different ways: through organic growth, through acquisitions in present markets and through acquisitions in new geographic markets.

Organic growth means to grow with existing customers, to cultivate markets actively to attract new customers, to coordinate the key agencies and work actively to get new agencies in selected product areas. An important way of creating growth is to offer customers solutions to a greater extent.

Acquisitions in existing markets will strengthen the market positions in attractive niches, and add technical competence in existing areas. Acquisitions can also be made to get into new, expansive niches with high added value. In both cases it is highly important for the acquired company to have well established customer relationships and that they represent attractive producers. Successful acquisitions add competent employees, suppliers and new customers.

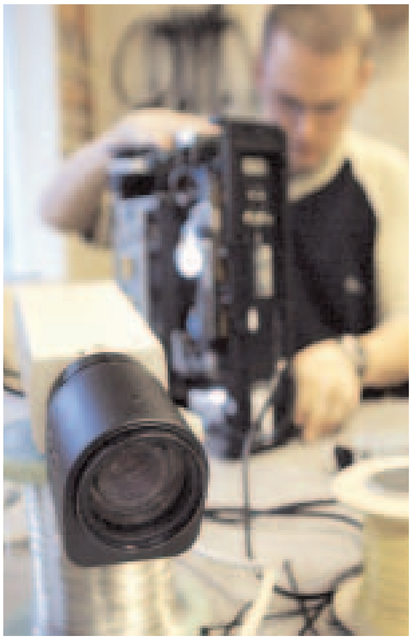
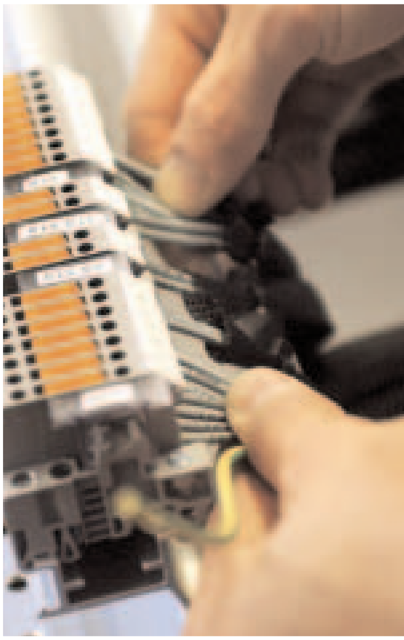
Our geographic expansion has its focus on Europe and Asia. This expansion can be by acquisition or by partnerships with companies with a similar strategy in new markets for Lagercrantz. The primary ambition is to grow in those international markets where Lagercrantz is already represented, however. Geographic expansion is important to maintain proximity to existing customers, who are expanding internationally, and to strengthen the relationships with our suppliers. A well developed network of contacts among producers in Asia is also an important strength when we offer our customers electronic solutions.

Personal sales

Personal sales are an important success factor. Through longstanding relationships, with competence and a flair for business, Lagercrantz has created a great deal of trust among our customers. These long-standing relationships often give the customer relationship the character of partnerships which makes it possible for the company to enter into the customer's development process at an early stage, thereby enabling it to offer tailor-made solutions. The aggregate breadth of the offerings from the different divisions, which can be summarized in the expression "From component to solutions," also makes it possible to offer unique solutions.

Lagercrantz conducts sales to several levels of the customers' organizations. As the emphasis increasingly shifts towards solutions and less standard components, sales increasingly get the character of idea sales aimed at customers' corporate management.

Coming in early in this process has several advantages. It is an effective way of creating long-term customer relationships

Long-standing customer relationships, that often have the character of partnerships, and the aggregate breadth of the offering in the different divisions, provides good opportunities to offer solutions. In time, the ambition is also to offer more in-house products.

and of laying a foundation for future sales. It also opens opportunities for giving advice about how products and services increase the customer's competitiveness.

Personal sales place high demands on credibility, competence and products, in combination with documented good references.

Decentralized business responsibility

The organization is distinguished by strong decentralization with autonomy for the subsidiaries. The Group sets the framework, but business decisions are made at the local level, where the greatest knowledge exists about customers, products and producers.

Short decision-making channels create favorable conditions for adapting to customer and market demands. All subsidiaries manage their operations in line with clear economic indicators and ratios. Each unit's involvement with customers is evaluated on the basis of the Group's profitability model, and profitability is followed up on a continuous basis.

A strong entrepreneurial spirit prevails among the subsidiaries, and personal involvement is encouraged. Each subsidiary operates under its own name, which strengthens both employee commitment and relations with the customers. The decentralized organization also contributes to helping acquired companies to be integrated successfully into the Group.

STRONG CORPORATE CULTURE

The corporate culture of the Lagercrantz Group can be summarized in five key concepts:

Simplicity means short decision-making channels, working in a well-planned and concentrated manner, and an ability to simplify the approach to problems to what is really important. The tools used to analyze the operations are also simple.

Efficiency is to do the right things and to do things right. It is matter of working in a focused and methodical manner, and to devote time to activities that generate a high degree of target fulfillment.

Willingness to change among the employees is important for success. In order to remain competitive, high demands are placed on the ability to adapt quickly to market conditions and to satisfy and exceed customer requirements.

Freedom and responsibility. Lagercrantz employees are innovative, creative and willing to assume responsibility. Each employee possesses a unique potential. Operations are based on the competence and motivation contributed by all employees.

Business acumen is all about building relationships, possessing a winner instinct and a willingness to work as part of a team. All employees in the Lagercrantz Group are regarded as sales personnel.

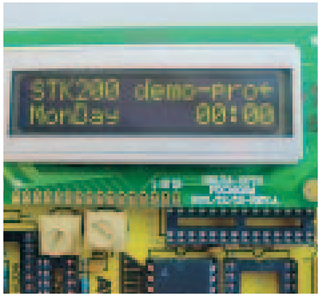
FROM COMPONENT TO SOLUTIONS

Friläggs mot grått

Friläggs mot grått

ELECTRONIC COMPONENTS

A broad range of special and standard components.

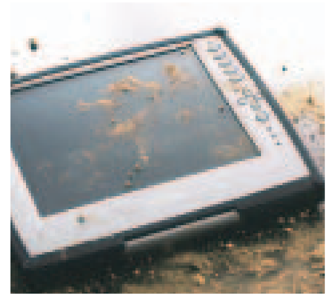


DISPLAYS

Different types of displays and LCD screens.

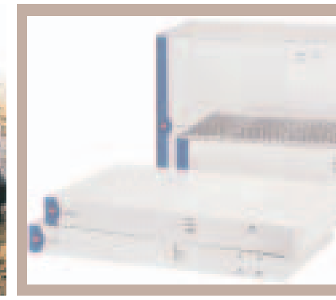
M2M MODULES

GSM modules for wireless industrial communication between machines.



INDUSTRIAL PC

Mobile PC computers for, among other things, rescue service and heavy industry.



ACCESS

Access solutions for telecom networks.

Market and Products

MARKET

Lagercrantz is active in the very broad market for electronics and communication. In this market Lagercrantz's focuses on a number of interesting niches in special components, communications products and electronic solutions. This niche strategy is deemed to provide the best opportunities for profitability as well as growth. Examples of such niches are displays and sensors in division Electronics, complex wiring harnesses in Production Services and equipment for video conferencing and solutions for design in Communication.

One growth area of the utmost importance is industrial communication, often called "machine-to-machine" (M2M), another is digital image transmission.

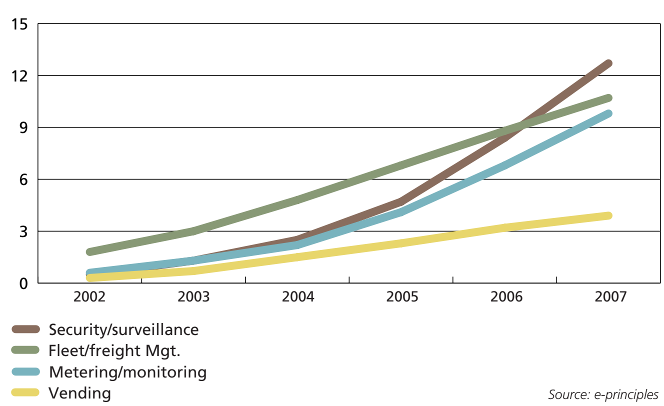
M2M

The GSM technology used in mobile telephones, and the GPS technology used for navigation and geographic positioning, are well-tried technologies, and still used only for a fraction of all conceivable applications. The growth potential is therefore immense. According to some estimates, there are today close to fifty billion "machines" where some form of M2M solution could be used.

Lagercrantz's focus on the segment is primarily in the fields of energy, measurement, security, positioning and medical technology. Examples of applications where the development is now just starting, include communicating electrical meters and vending machines. The same is true of applications for vehicles, such as navigation, toll road collection, traffic information and cargo scanning. The technology is also used for medical applications and industrial process control. Lagercrantz cooperates with a number of leading suppliers in the field of industrial communication.

Fractional markets prioritized by Lagercrantz in M2M are expected to have good prospects for growth (see diagram).

M2M UNITS, *million units*

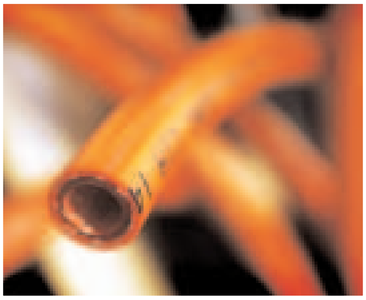


Source: e-principles

DIGITAL IMAGE TRANSMISSION

Traditionally, transmission of image data from camera to monitor has been via analog systems. In recent years, however, new standards for digital image transmission have gained terrain. Particularly IP-based systems for surveillance have gained in impor-

Friläggs mot grått

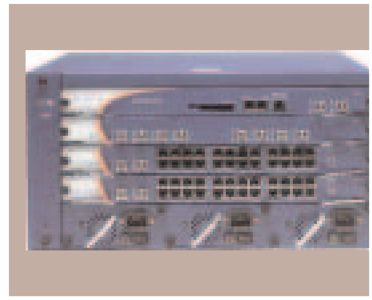


WIRING HARNESSES

Custom-built complex wiring harnesses for, among other things, industrial robots, wind power stations, trains and vending machines.

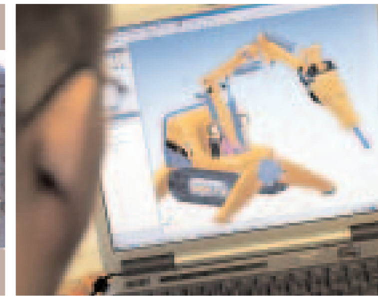
DIGITAL IMAGE TRANSMISSION

Complete IP-based surveillance systems.



DATA SECURITY

Security solutions for data Networks based on a combination of hardware and software.



CAD SOLUTIONS

Software for construction and design.

tance. There are several advantages with digital systems: image quality is better, the speed at which data is transmitted is higher and the flexibility is greater. There is no longer a need for a monitor to be placed close to the camera, since data can be transmitted by broadband. This creates enormous opportunities for applications such as surveillance.

The market for digital image transmission is growing rapidly, but is still only in its infancy. According to the paper Aktuell Säkerhet [Current Security] the fractional market of surveillance has more than doubled between 2002 and 2004 according to a rough estimate. What drives the market is primarily the fact that many customers are switching from analog to digital systems, since these have better performance and offer greater flexibility. They are also cost-efficient since they allow centralization of control functions. Many infrastructural projects at the planning stage, and increased demand for surveillance cameras, are also driving the market.

THE GROUP'S REVENUES BY CUSTOMER SEGMENT

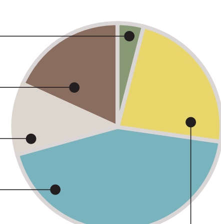
Medical industry, 4%

Other Industry, 18%

IT industry, 12%

Electronic and electric industry, 43%

Telecommunications industry, 23%



Lagercrantz is active in traffic surveillance, area surveillance as well as process control. Work is often performed in partnership with camera manufacturers, installation companies and large, project-oriented industrial companies.

PRODUCT AND SERVICE OFFERINGS

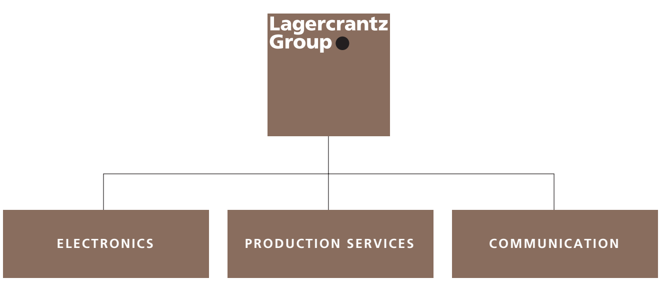
Lagercrantz is one of the leading suppliers of special components and modules in electronics in the Nordic Region. Examples of special components marketed by Lagercrantz include microprocessors, sensors and displays. Other examples of products are GSM modules for communication and GPS modules for navigation. Lagercrantz is also engaged in in-house production of complex wiring harnesses for, among other things, wind power stations and industrial robots.

Lagercrantz Group is increasingly working on providing solutions for its customers. Examples of this are in security for data networks. Other examples are solutions in satellite and video communication. Among other things, the Company delivers complete IP-based surveillance systems for industry, infrastructure and traffic projects. Other examples are further development of software for CAD systems used to develop drawings for companies in manufacturing and for other companies. Yet another example is remote control of apparatuses via mobile telephone by way of a simple SMS message. Most customers are manufacturing companies.

Organization and competence

ORGANIZATION

The Group's operations are divided into three divisions: Electronics, Production Services and Communication. The business conducted therein is described on pages 12–21.



In division **Electronics** two of the division's subsidiaries, ACTE Sweden and ACTE Norway, were split into two parts during the year: ACTE Supply which is focused on efficient distribution of standard components, and ACTE which focuses on special components and industrial communication. The purpose was to save costs, and also create a clearer focus on the two businesses. On April 1, 2004 ISG Systems, which is active in digital image transmission, was transferred to division Electronics from division Communication. The purpose is to enable the unit to better utilize synergies in customer cultivation and in technology and product development.

Production Services conducts niche production of wiring harnesses and kindred products. Operations were rendered more efficient during the year as the two production facilities in Västerås and Norberg were combined in a new joint plant in Västerås. Flexibility and proximity to the customer are key words in the business.

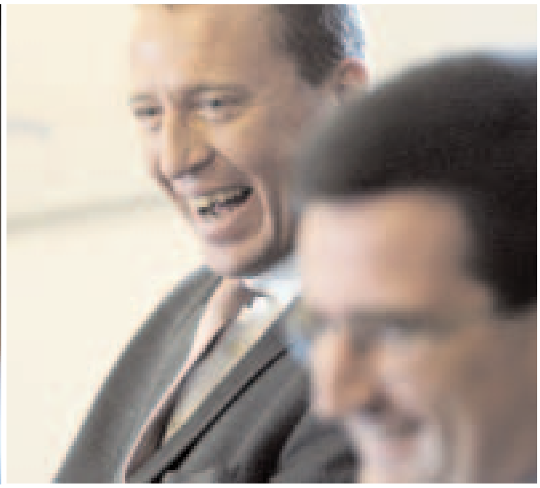
Communication is active in three areas: Security, Communication & Infrastructure and Software & Consulting. The operations in Heath Comm in Denmark was integrated into Betech Data during the year to create a more effective sales organization.

Each division is comprised of a number of companies. The Group consists of a total of 23 operating companies. All companies are active in well defined segments. Lagercrantz operates according to the concept "small scale operations on a large scale." The business requires decision-making close to the customers and the suppliers. Important business transactions are consummated by Lagercrantz employees in direct contact with customers and suppliers. In order for this to work, a decentralized organization is of the essence.

EMPLOYEES

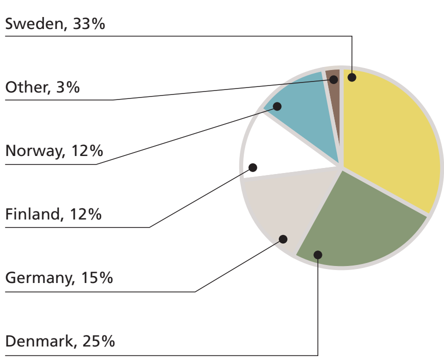
Lagercrantz employees possess a high degree of competence, both in terms of technology and business acumen. Together with depth of commitment, this competence is crucial to the continued success of the Group. Many Lagercrantz employees also have long-standing experience in the Group and have built up strong relationships with customers and suppliers.

A large majority of the sales representatives have solid technical educational backgrounds. Great importance is attached to further improvement of technical as well as business competence through continual competence development. New requirements are placed on the employees as the business changes. Sales work will increasingly include sales of ideas, concepts and solutions to management level counterparts at customer companies. A number of training programs were completed during the year to develop the competence of employees to meet these new requirements. One example is division Electronics, where all

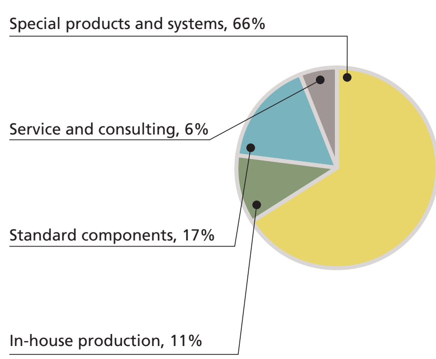


Lagercrantz has an ongoing program for training of its employees to strengthen their technical as well as their business competence. For example, division Electronics conducted customized training in which all chief executives and sales managers in the Nordic Region participated.

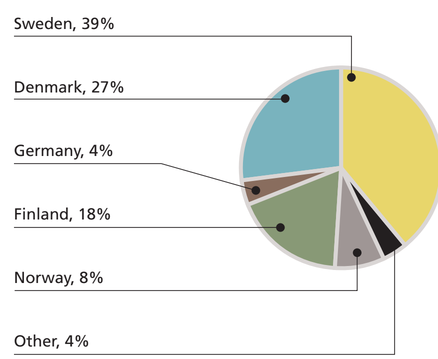
CONSOLIDATED REVENUES BY COUNTRY



CONSOLIDATED REVENUES BY PRODUCT CATEGORY



NUMBER OF EMPLOYEES IN THE GROUP BY COUNTRY



chief executives and sales managers in the Nordic Region received training of this type. The same training will be offered to a large number of sales representatives during the current financial year.

Lagercrantz strives for a good balance between female and male employees. During the year the proportion of women was 43 percent.

At the end of the period the number of employees was 585, an increase from 573 the year before. The increase is explained by the acquisition of ISG Systems.

QUALITY

The quest for high quality and constant improvements in all parts of the business is a central theme in the development of Lagercrantz. Decentralized business accountability is one of the Group's main strategies, and hence the responsibility for quality work is totally decentralized. A number of the Group's companies were upgraded during the year to EN ISO 9001:2000. The new ISO system is to a higher degree than before focused on customer benefit, customer satisfaction and the processes of operations. Upgrading to this system is in progress at a number of additional companies.

ENVIRONMENT

Lagercrantz assumes its share of the responsibility for improving the environment and contributing to a sustainable development. The precept of circulation and prudent use of natural resources are important elements of the Group's business activity. The environmental work is conducted within the framework of our business concept and is well integrated into the operative work. The direct environmental impact of the business is primarily through transportation and the use of packaging. In both of these areas Lagercrantz continually works to minimize the environmental effects. Environmental measures are taken to the extent technically feasible, reasonable from the viewpoint of business economics and environmentally warranted. Responsibility for day-to-day environmental work rests with each individual company in the Group.

Electronics

Division Electronics is one of Northern Europe's leading players in special components and solutions, and industrial communication.

MARKET AND CUSTOMERS

Division Electronics' broad product line was expanded with some ten new, leading agencies. The most important of these was an international distribution agreement with Siemens Wireless Modules. The agreement covers GSM and GPRS modules used for applications in industrial communication.

The division's customers are found mainly in areas such as telecommunication, medical technology, offshore, computing and industrial communication. Among major customers can be noted Ascom Tateco, Autoliv Electronics, Kirk Telecom, Thrane & Thrane, Kitron, Tomra, Ericsson, Nokia and Tellabs.

In standard components division Electronics competes with international suppliers, such as Arrow, Eurodis and Future Electronics. In special components the competitors are mainly local and regional niche players, such as Yleiseelektroniikka and Elektronikgruppen.

ORGANIZATION

Subsidiaries ACTE Sweden and ACTE Norway were split into two parts during the year: ACTE Supply, focusing on standard components, and ACTE, with a focus on special products and industrial communication. The ACTE Supply companies were integrated into one unit with its head office and central warehouse in Norrköping.

In May, 2004 the new management of the division assumed office. New division manager is Steen Alexander. The phasing-out of the division's 2B-Electronics subsidiary was started during the latter part of the year. Operations in the Far East will now be focused on distribution of components. Subsidiary ISG Systems was transferred to division Electronics from division Communication as of April 1, 2004.

2003/2004 OPERATING YEAR

Net revenues increased by 11 percent to MSEK 938 (843). Operating income increased to MSEK 7 (3).

Demand continued to be weak on the division's markets. An important reason for this was the declining dollar exchange rate, which had a negative effect on the ability of many customers to compete in international markets. Market conditions saw a positive development during the latter part of the year, however.

Further measures to improve efficiency were implemented. These measures affected ACTE Sweden in the first instance, and to a lesser degree ACTE Norway and ACTE Finland. In all, the division's headcount was reduced by approximately 20 persons. Together with other measures, such as coordination to a single central warehouse, this meant a reduction of the cost level by about MSEK 15 on an annual basis.

The development of the division's operations outside the Nordic Region was positive during the year. German subsidiary Unitronic generated a significant contribution to the improved earnings. In Poland, the preceding year's loss was turned into a positive result. A similar turnaround was achieved in the United Kingdom during the latter part of the year. Market positions were strengthened in both of these countries. Sales outside the Nordic Region increased by 34 percent (15) of the division's net revenues.

TRENDS AND THE FUTURE

After last year's cost reductions, the organization is better adapted to the current market situation. With new division management in place, the job of rendering the operations more efficient has been intensified. The organizational changes also mean improved opportunities to realize the long-term potential of the business. The market is believed to improve during the current year.

The growth potential in industrial communication is believed to be huge, even if growth in this market segment was somewhat weaker during the past year. Existing technology in GSM and GPS can be used for a very large number of industrial applications, and this development is still in its infancy.

Growth opportunities are attracting new actors to the market and this sharpens competition, although Lagercrantz has a strong market position based on competence and cooperation with leading suppliers.

Steen Alexander, Division Manager

FINANCIAL OVERVIEW

	03/04	02/03	01/02
Net revenues, MSEK	938	843	1 261
Operating income, MSEK	7	3	55
Number of employees at year-end	228	228	237

COMPANIES IN THE DIVISION

Company	President	Country
ACTE A/S	Peter Bjørnskov	Denmark
ACTE Oy	Pekka Uusiaho	Finland
ACTE AS	Jon Arne Kjærstad	Norway
ACTE Sp. z o.o.	Krzysztof Paramuszczak	Poland
SECOS GmbH	Gerhard Wilp	Switzerland
ACTE Ltd	Mike Collen	UK
ACTE AB	Ronny Skiöld	Sweden
ACTE Supply AB	Thomas Lundell	Sweden
ISG Systems AB	Matts Lilja	Sweden
Unitronic AG	Stefan Hauf	Germany
Lagercrantz Asia Co Ltd	Leo Lee	Hongkong

Demands are high on the industrial PCs that ACTE delivers to Kongsberg Maritime. They have to be compatible with a number of different systems, easy to install and be able to stand up to the special stresses encountered at sea.

ACTE NORWAY:

High demands on custom-made industrial PC

Kongsberg Maritime produces different types of electronic systems for marine use. One example is dynamic positioning, which makes it possible for a vessel to remain in a certain position unaffected by winds and currents. Many of the different systems include one or more industrial PCs.

Kongsberg wanted to offer its customers an upgrade by installing a new, higher performance industrial PC. The new PC had to be compatible with a number of different systems made from the 1980s and until now. It had to be possible to install the industrial PC in the vessels without major alterations to existing mechanics or electronics. And then there was the added problem of an environment that poses special demands, such as that the PC must be able to withstand shock, vibrations and high temperatures.

The cooperation between Lagercrantz's subsidiary ACTE and Kongsberg Maritime began by the customer specifying the requirements that had to be met.

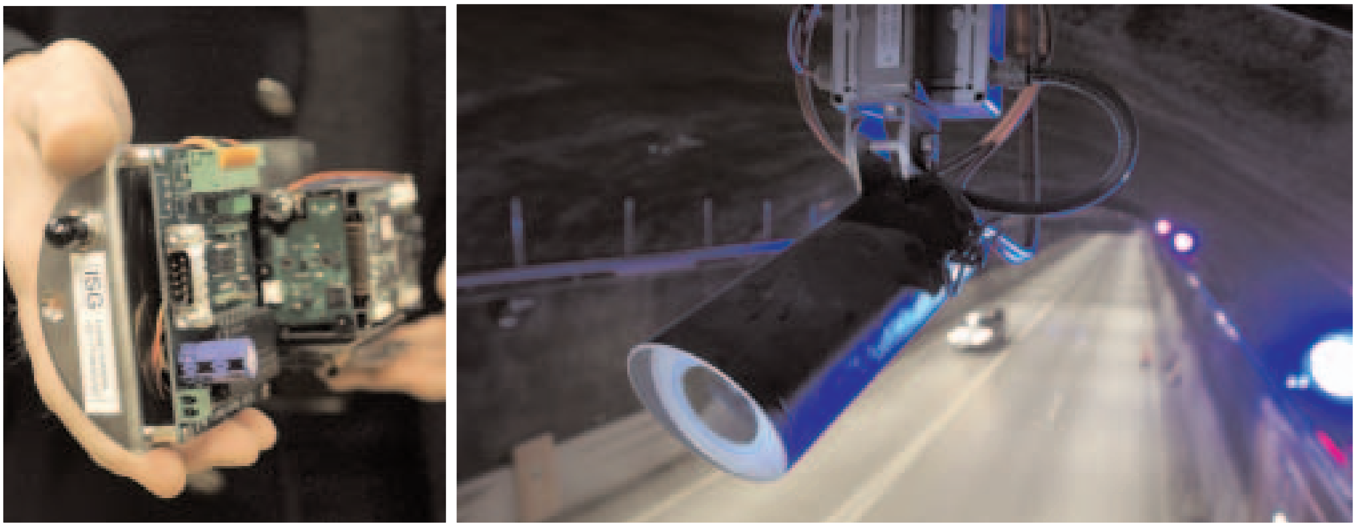
"It was up to us to link up with suppliers to find a solution. It was natural for us to use one of our existing suppliers, Innoscan Industrial Computing in Denmark," says Jon-Arne Kjaerstad, President of ACTE AS. "We embraced the entire process until the customer's problem was solved. That's the way we want to work with our customers."

The solution was an industrial PC from Innoscan that was modified and custom-made to meet Kongsberg Maritime's requirements. The system has been certified by Det Norske Veritas as well as by the American Bureau of Shipping. So far about 100 systems have been delivered.

"When we find solutions for our customers, it is normally not a matter of developing new technology. Our most important competence is instead the ability to combine and integrate existing products," says Jon-Arne Kjaerstad.

ACTE's organization was changed during the year to be based on market segments supported by expertise in a different technology areas. The objective is for the sales organization to become more customer-oriented. The PC systems for Kongsberg Maritime are included in Defence, Sea, Air & Space. Common for the customers in this area is their extremely high demands for quality, often combined with a long process for gaining approval. Many of the products are also custom-made.

FACTS ACTE NORWAY:
Number of employees: 18
Revenues: MSEK 138
President: Jon-Arne Kjaerstad
www.acte.no



ISG Systems has delivered a complete IP-based surveillance system with 500 cameras placed in the 17 kilometer long tunnel that is part of Södra Länken in Stockholm.

ISG SYSTEMS:

Surveillance of Södra Länken

ISG was acquired during the fall of 2003 to strengthen Lagercrantz's offer in digital image transmission, a rapidly growing segment in industrial communication. ISG is the market-leader in Sweden as supplier of IP-based camera surveillance systems.

The market for digital image transmission is expanding very rapidly. In recent years the market has grown by about 20 percent annually and there are no signs that the growth is about to weaken. On the contrary there is strong growth in digital image surveillance systems as older, analog systems are being replaced.

ISG delivers complete surveillance systems. This means that the company buys cameras from world-leading manufacturers, such as Sony and Panasonic, and integrate these in complete surveillance systems that the company then helps to install at the end customer.

The IP technology opens many opportunities since images can be transported in networks. This means that monitors no longer have to be in the proximity of surveillance cameras, which allows for far-reaching centralization of surveillance systems. It is, for example, today possible to control all bridges that can be opened in Sweden from a single control center. The potential for cost savings in other sectors, such as the process industry, is huge.

In recent years ISG has delivered systems to a number of large projects with end customers, such as the Civil Aviation Administration and the National Road Administration. Systems include surveillance for Arlanda airport and road projects in Göta-tunneln in Göteborg. Another project in which ISG has participated, is the construction of a camera surveillance system for the fully automated container port in Hamburg, a project where ISG worked in partnership with ABB.

ISG has also delivered a surveillance system for the Södra Länken tunnel system in Stockholm. The order, which is worth about MSEK 10, includes a complete video surveillance system consisting of 500 cameras placed in the 17 kilometer long tunnel.

”Our projects are often very long. Staying power is therefore of the essence. Södra Länken is a good example of this. Work there began as early as in 1999, but is not yet completely finished," says Matts Lilja, President and founder of ISG Systems.

Matts Lilja sees the advantages of having a large, stable owner such as Lagercrantz. A listed group can lend the legitimacy crucial to successful participation in large procurements. It is also good to belong to a company with a strong financial position.

"I look very positively on the future. Demand for our systems solutions is growing all the time. The greatest limitation for ISG's expansion, as we see it right now, is to find competent personnel," says Matts Lilja in closing.

FACTS ISG SYSTEMS:
Number of employees: 15
Revenues: MSEK 35
President: Matts Lilja
www.isg.se

ISG Systems integrates cameras from world-leading camera manufacturers in its complete surveillance systems. Tests have been performed on the world´s first mass-produced 360 degree camera developed by Sony.

Production Services

Production Services conducts niche production of wiring harnesses and kindred products for, among other, the electronics, telecommunication and other engineering industries. The products are customized for each respective customer and include wiring harnesses for robots, industrial elevators, wind power stations, trains and vending machines.

MARKET AND PRODUCTS

The operations of the division are distinguished by strong local ties, high flexibility and efficient production. Large and more complicated wiring harnesses are manufactured at the production facilities in Sweden, Denmark and Finland, while simpler production is placed with partners in Asia. Major customers include ABB, Bombardier, FKI Logistex, Crisplant, NEG Micon/Vestas and Thermo King.

Among competitors can be mentioned Teknoprod and Rimaster in Sweden, Ledkon in Denmark and Jotwire in Finland. A number of international companies are also established in the Nordic Region.

ORGANIZATION

The two production facilities in Västerås and Norberg were combined during the year into a new joint plant in Västerås. This resulted in lower costs, more efficient production and improved opportunities for future expansion. Subsidiary 2B-Electronics was transferred to division Electronics at the beginning of the financial year.

2003/2004 OPERATING YEAR

Net revenues amounted to MSEK 194 (183), which was an increase of 8 percent. Operating income before items affecting comparability increased to MSEK 11 (7).

The divisions market continued to be weak, but somewhat more stable than in the preceding financial year. A number of new customers were added, especially in Sweden and Denmark.

TRENDS AND THE FUTURE

Demand from customers wanting to outsource production that is not a part of their core operations is expected to be good on a long-term basis. The intention is to grow by offering existing services to new customers, and also to broaden the offer to existing customers. In the latter case it will be a matter of assuming responsibility for production in areas adjacent to the existing ones, for example in the form of apparatuses in direct association with wiring harnesses.

The division also has a continuing ambition to grow by acquisition, in the first instance in the Nordic Region, but other parts of Northern Europe may also be of interest. Suitable acquisition targets exist in production that is in close proximity to the existing business.

In an effort to further strengthen growth opportunities, the possibility of finding a partner in Eastern Europe is being investigated, where some production could be located.

Gunnar Almeling, Division Manager

FINANCIAL OVERVIEW

	03/04	02/03	00/01
Net revenues, MSEK	194	183	198
Operating income, MSEK	11	7	9
Number of employees at year-end	195	190	188

COMPANIES IN THE DIVISION

Company	President	Country
Elfac A/S	Kurt Schuster	Denmark
Enkom Oy	Marcus Käld	Finland
Finn-Crimp Oy	Marcus Käld	Finland
Kablageproduktion i Västerås AB	Mats Högback	Sweden

Kablageproduktion i Västerås manufactures wiring harnesses and complete electronic units. All products are custom-made to customer specifications.

KABLAGEPRODUKTION I VÄSTERÅS:

High flexibility and short lead times

"What makes us unique is our great flexibility. We can deliver complex cable harnesses with very short lead times. To achieve this we have to have good communications with, and knowledge about, the customer," says Mats Högback, President of Kablageproduktion i Västerås.

Kablageproduktion manufactures cable harnesses and complete electronic units where a wiring harness is a component. The production ranges from relatively simple to very complex units. All products are custom-made to customer specifications and lead times are short. The location in Västerås makes it natural that many ABB companies are among the customers.

One example of the production is interlocking cubicles for ABB in Ludvika. The basic design is similar, but no two cubicles are identical. Each is especially adapted to the facility of which it is going to be a component. Assembly can begin within 24 hours of receipt of a data file with specifications from the customer.

Kablageproduktion has 60 employees and sales of MSEK 85. The company previously had operations at two facilities in Västerås and Norberg. The two were combined into a new common plant in Västerås during the year. The new production facility means better utilization of available space, the ability to handle larger volumes and a more efficient flow of production. There are also opportunities for future expansion should the need arise.

Such a need will doubtlessly appear if growth continues at the same rate. Sales increased by about 40 percent during the year. An agreement with ABB Robotics contributed to this growth for production of process wiring harnesses for robots. Process wiring harnesses handle different types of content, such as electricity, coolant, signals in fiber cable and gas, all depending on the area of use of the robot in question.

"We made real headway during the year. Aside from new premises and new equipment creating physical prerequisites for growth, we also strengthened our competence by hiring a number of key individuals. We now have better opportunities of assuming total responsibility that includes logistics, design as well as development," says Mats Högback.

FAKTA KABLAGEPRODUKTION I VÄSTERÅS:
Number of employees: 60
Revenues: MSEK 85
President: Mats Högback
www.kablageproduktion.se

Communication

Division Communication is active in three areas:

- Security that focuses on delivery of hardware-based security solutions for large computer networks;
- Communication and Infrastructure that offers products and solutions in the access, testing, video and telecommunications areas;
- Software and Consulting that offers solutions for customer and process management, and design.

MARKET AND CUSTOMERS

Among the division's customers are both private and public players in a wide variety industries in the Nordic Region. There are telecom companies such as Ericsson, Telenor and TeliaSonera, industrial companies such as Scania and ABB, pharmaceutical companies such as Novo Nordisk and banks such as Svenska Handelsbanken and SEB. Customers also include public enterprises such as KTH, the Royal Institute of Technology, Posten, the Swedish postal authority, and the Municipality of Bergen.

Among suppliers are companies such as NetScreen, one of the world's foremost players in security solutions for data networks, RAD, that offers access solutions for telecom operators, and Polycom, a manufacturer of video communications systems. Also Satelcom, a maker of equipment for satellite communication. Autodesk, which is a world-leader in CAD programs, and Remedy, a supplier of customer service solutions, are also among the suppliers.

ORGANIZATION

Subsidiary ISG Systems, acquired during 2003, was transferred to division Electronics effective as of April 1, 2004.

The Heath Comm group continued its efforts during the year to become a leading pan-Nordic player in security solutions for computer networks. The companies in the group launched a joint Nordic offer for NetSreen products. Heath Comm in Denmark was integrated into Betech Data. A more effective sales organization was thereby created.

2003/2004 OPERATING YEAR

Net revenues, which amounted to MSEK 436 (437) were virtually unchanged from the year before. Operating income amounted to MSEK 10 (14).

Area Security improved its earnings slightly compared to the preceding year. Market demand for solutions for secure data transmission increased, at the same time as competition in the area mounted.

The development was unsatisfactory in Communication and Infrastructure. In part this was due to a weak market, in part to changes among suppliers.

Operations in Software and Consulting posted good performance during the year and this business contributed significantly to the division's earnings. One explanation is that the customized solutions provided simplify and streamline different types of processes, enabling customers to save money by investing in new solutions.

TRENDS AND THE FUTURE

The potential in Security continues to be good, even though competition in the field of secure data networks has increased, particularly from software-based systems. As abusive practices such as spamming increase, the requirements for secure data systems increase. More remote computing also generates increased demand.

Demand in Communication and Infrastructure is expected to increase as the telecom industry recovers and expansion of, for example, local broadband networks continues.

The future prospects for Software and Consulting are bright. The potential for customer-specific software solutions in engineering and design that improve the efficiency of customers is large.

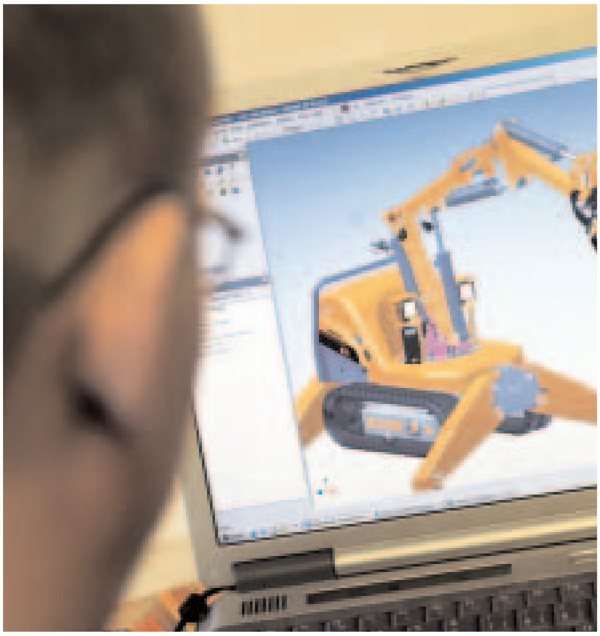
Per Ikov, Acting Division Manager

FINANCIAL OVERVIEW

	03/04	02/03	01/02
Net revenues, MSEK	436	437	524
Operating income, MSEK	10	14	14
Number of employees at year-end	153	145	170

COMPANIES IN THE DIVISION

Company	President	Country
Betech Data A/S	Stig Olsen	Denmark
Delphi Oy	Juhani Lamminmäki	Finland
Heath Comm Oy	Harri Joutvuo	Finland
Heath Comm AS	Per Dale	Norway
Heath Comm AB	Mikael Wretman	Sweden
Lagercrantz Communication AB	Gunnar Samuelsson	Sweden
STV Svenska Tele & Video Konsult AB	Kjell Eriksson	Sweden
Uniweb AB	Peter Stjernström	Sweden



Betech Data has delivered CAD solutions from Autodesk used in designing Copenhagen's new city library "the black diamond."

BETECH DATA:

Breakthrough for the intelligent CAD solution

Despite the recession, Betech Data increased its revenues as well as its earnings sharply during the year. The explanation is rather simple: Betech Data's CAD solutions save time and money for the customers.

Betech Data is a part of Lagercrantz's business area Communication, and has been a part of what is today Lagercrantz Group since 1997. The company is domiciled in Brøndby outside Copenhagen. Betech Data expanded geographically when a sales office was established in Norway and the company took over Techdata's Norwegian operations.

Betech Data's business is divided into two parts: CAD solutions from Autodesk, one of the world's foremost software developers, are developed and delivered; the other part delivers security solutions for large data networks. The focus is on the CAD solutions, however. More than 80 percent of the companies revenues are derived from this area.

"Betech's concept is a concept of our time. An increasing amount of work effort in companies is spent on focusing the operations. Much of what has previously been accomplished within the company, is now being outsourced, either to companies in the immediate vicinity, or to somewhere else in the world. Betech's CAD solutions help customers focus on their core operations," says Betech Data's President Stig Olsen.

A basic idea behind CAD solutions is that you can store information, such as drawings for instance, digitally. The stored information can then be reused and modified. With the CAD solutions that Betech Data offer, a customer in the Nordic Region who wants to locate its production in China can send a digital model of what is to be produced via e-mail rather than having to print out traditional drawings on paper that are then sent by mail to the manufacturer. This not only saves time, but also money, and sources of errors are minimized. The digital model transmitted can also be modified.

Betech Data has developed its own software, an "Inventor Product Configurator" (IPC) that is linked to the Autodesk solution and makes it even more efficient. The IPC will inform the user how many variants of the final product are possible in practice; it makes the CAD solution "intelligent." In the near future Betech Data expects to have a large number of test projects for this solution in Denmark and Norway. A commercial breakthrough is hoped for during 2004/2005.

"It is not surprising that Betech Data records such a strong result, despite the recession, since an investment in our CAD solutions saves money for the customer immediately," says Stig Olsen in closing.

Among Betech's customers are both companies and public institutions. Large customers include pharmaceutical company Novo Nordisk, industrial company Danfoss and architectural firm CF Møller.

FACTS BETECH DATA:
Number of employees: 20
Revenues: MSEK 138
President: Stig Olsen (from June 1, 2004)
www.betechdata.dk

HEATH COMM NORWAY:

Mobile telephony at sea

Heath Comm Norway was founded in 1984 in Bergen. The fact that the company is still in Bergen is not by chance. Bergen, which is a leading maritime city since Hansa times, has had a central role when the offshore industry evolved in Norway after oil was found in Norwegian waters in the 1970s. The offshore industry in its turn has been a driving force for development of satellite communication. Heath Comm, together with among others Telenor and Philips, have led the development of satellite-based communications solutions for the offshore industry.

Heath Comm has two legs: Area Access offers equipment for satellite communication and area Security delivers hardware-based security solutions for data networks. Access has reported good profitability in recent years, while the development in Security, which has been hurt by the recession, has not fared as well.

Common for both companies is that they deliver equipment with high technology content that requires high technical and entrepreneurial ability among the employees. Most employees are highly skilled and educated, often based on a three-year university degree in engineering. Then they receive further training in-house. A high level of technical competence among Heath Comm's employees is important since they constantly train the company's customers to make them better at using and documenting the equipment delivered by the company.

"Proximity has always been an important feature for Heath Comm. Bergen is close to the offshore industry, where important customers, such as Exxon and Stattkraft are. But also close to Telenor, with whom we develop satellite communication services. In all, this contributed to making us today into one of the leaders in satellite communication," says Per Dale, President of Heath Comm Norway.

Together with Telenor Satellite Services, Heath Comm has developed a solution for vessels to gain access to telephone and Internet services via satellite communication. With Satelcom's products as a base, and together with Telenor, Heath Comm has delivered data and total traffic solutions to about 300 vessels owned by ship-owners such as Stena Line, Silja Line, PO Line and Viking Line.

Heath Comm now takes one more step. Together with Telenor a project is being launched where vessels are equipped with base stations allowing people to use their regular mobile telephones when at sea. Expectations are that Heath Comm will get a breakthrough order in this area during the current financial year.

FACTS HEATH COMM NORWAY:
Number of employees: 15
Revenues: MSEK 47
President: Per Dale
www.heathcomm.no

Together with Telenor, Heath Comm is involved in a project where vessels are equipped with base stations allowing travelers to use their regular mobile telephones at sea.

Financial development in brief

The Lagercrantz Group was capitalized March 31, 2001. Certain data are therefore omitted. All comparative data for years 2000/2001 are presented on a pro forma basis based on the assumptions set forth in information in Lagercrantz Group AB's prospectus August 2001. The comparative data have also been adjusted for significant effects of application of new recommendations of the Swedish Financial Accounting Standards Council.

STATEMENT OF INCOME

Amounts in MSEK	2003/2004	2002/2003	2001/2002	*pro forma* 2000/2001
Net revenues	1 568	1 463	1 983	2 614
Operating income before depreciation and amortization	**46**	**46**	**103**	**142**
Depreciation and amortization	-19	-19	-22	-24
Operating income	**27**	**27**	**81**	**118**
Financial income and expense	-4	-11	-2	-5
Income after financial items	**23**	**16**	**79**	**113**
Taxes & minority interest	-9	-7	-25	-38
Net income for the year	**14**	**9**	**54**	**75**

BALANCE SHEET

Amounts in MSEK	2004-03-31	2003-03-31	2002-03-31	2001-03-31
ASSETS				
Tangible fixed assets	47	23	–	–
Intangible fixed assets	96	106	111	124
Financial fixed assets	40	42	57	36
Other current assets	528	522	569	879
Liquid funds and short-term investments	138	110	172	196
TOTAL ASSETS	**849**	**803**	**909**	**1 235**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity & minority interest	402	453	484	451
Interest-bearing provisions and liabilities	139	91	128	279
Non-interest-bearing provisions and liabilities	308	259	297	505
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**849**	**803**	**909**	**1 235**
Capital employed	541	544	612	730
Pledged assets and contingent liabilities	47	38	45	52

STATEMENT OF CASH FLOW

Amounts in MSEK	2003/2004	2002/2003	2001/2002	*pro forma* 2000/2001
Income after financial items	23	16	79	113
Adjustment for paid taxes & items not included in cash flow	12	7	-41	32
Cash flow before changes in working capital	**35**	**23**	**38**	**145**
Cash flow from changes in working capital	37	47	120	58
Cash flow from current operations	**72**	**70**	**158**	**203**
Cash flow from investment operations	-33	-24	-12	-108
Cash flow from current operations and investment operations	**39**	**46**	**146**	**95**
Cash flow from financing operations	-9	-100	-170	
Cash flow for the year	**30**	**-54**	**-24**	

KEY FINANCIAL INDICATORS

	2003/2004	2002/2003	2001/2002	2000/2001
Change in net revenues, %	7,2	-26,2	-24,1	17,6
Operating margin, %	1,7	1,8	4,1	4,5
Profit margin, %	1,5	1,1	4,0	4,3
Return on capital employed, %	5,9	5,6	14,8	18,1
Return on equity, %	3,3	1,9	11,6	16,6
Equity ratio, %	47,3	56,4	53,2	36,5
Debt equity ratio, times	0,3	0,2	0,3	0,6
Net debt equity ratio, times	0,0	0,0	-0,1	0,2
Times interest earned	4	2	5	7
Net interest-bearing liabilities (+) / receivables (–)	2	-19	-44	83
Number of employees at year-end	585	573	652	827
Average number of employees	595	602	738	714
Payroll expenses including social benefits	305	306	381	290
Revenues outside Sweden	1 071	936	1 302	1 767

PER-SHARE DATA

	2003/2004	2002/2003	2001/2002	2000/2001
Number of shares outstanding at year-end ('000)	24 078	25 078	26 941	27 864
Weighted number of shares outstanding after repurchases ('000)	24 696	26 561	27 609	27 864
Operating income per share, SEK	1,09	1,02	2,93	4,23
Earnings per share, SEK	0,57	0,34	1,96	2,69
Cash flow per share, SEK	1,21	-2,03	-0,87	
Dividend per share (Year's dividend as proposed)	0,90	0,90	0,90	
Shareholders' equity per share, SEK	16,70	17,60	18,00	16,16
Last market price paid per share, SEK	22,60	16,50	34,00	

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

DEFINITIONS

Average number of employees
Average number of annual employees during the year.

Cash flow per share
Cash flow in relation to weighted number of shares outstanding after repurchases.

Capital employed
Balance sheet total, less non-interest-bearing provisions and liabilities.

Change in net revenues
Change in net revenues in percent of previous year's net revenues.

Debt equity ratio
Interest-bearing provisions and liabilities in relation to shareholders' equity, plus minority interest.

Earnings per share
Net income for the year in relation to weighted number of shares outstanding after repurchases.

Equity ratio
Shareholders' equity, plus minority interest in percent of balance sheet total.

Net debt equity ratio
Interest-bearing provisions and liabilities, less liquid funds and short-term investments in relation to shareholders' equity, plus minority interest.

Net interest-bearing liabilities
Interest-bearing provisions and liabilities, less liquid funds and short-term investments.

Operating margin
Operating income in percent of net revenues.

Profit margin
Income after financial items, less share in affiliated company in percent of net revenues.

Return on capital employed
Income after financial items, plus financial expense in percent of net revenues.

Return on equity
Net income for the year in percent of average shareholders equity.

Shareholders' equity per share
Shareholders' equity in relation to the number of shares outstanding at year-end after repurchases.

Times interest earned
Income after financial items plus financial expense, minus financial expense divided by financial expense.

All measures of return have been computed based on equity as of March 31, 2001. The average of opening and closing equity has been used thereafter.

Administration Report April 1, 2003 – March 31, 2004

The Board of Directors and the President of Lagercrantz Group AB (publ), organization number 556282-4556, hereby submit their Annual Accounts and consolidated financial statements for the 2003/2004 operating year.

OPERATIONS

Lagercrantz Group AB (publ) and its subsidiaries is a trading group in electronics and communication. The Group's products are distinguished by their high technology content. The Group is active in specific product segments with a clear niche focus. Operations are conducted in three divisions: Electronics, Production Services and Communication.

NET REVENUES AND RESULT

Net revenues amounted to MSEK 1 568 (1 463). Operating income amounted to MSEK 27 (27), with an operating margin of 1.7 percent (1.8). The revenue increase is attributable primarily to division Electronics that acquired Unitronic AG during the preceding financial year. A charge of MSEK 3 was taken against fourth quarter earnings. This amount consists of costs incurred in restructuring the management of division Electronics. Income after financial items for the period amounted to MSEK 23 (16), and earnings per share were SEK 0.57 (0.34). The falling U.S. dollar exchange rate during the financial year had a negative effect on the Group's revenues and earnings. The Group's result was also impacted negatively by the continued weak market situation for the business in division Electronics. A new division management has been appointed and further cost-containment action will be taken during the first quarter of the current year. Despite one-time costs, a weak market and negative foreign exchange rate effects, the Group's income improved compared to the preceding year.

DIVISION ELECTRONICS

Net revenues amounted to MSEK 938 (843). Operating income increased to MSEK 7 (3), with an operating margin of 0.7 percent (0.4). The market conditions for the business in division Electronics, which had been marked by weak demand, have seen a positive development during the latter part of the financial year. In our opinion, the market will improve during the coming year. The process of improving the Group's profitability continued during the year. This work has entailed a structural streamlining of the business, where, among other things, local purchasing and storage services have been centralized in Sweden. These measures have lowered the cost level by about MSEK 15 on an annual basis. This process continues and in connection therewith further cost-containment action will be taken during the first quarter of the current year. These measures will lower the cost level on an annual basis by about MSEK 8. The businesses in the area of industrial communication, where the Company has a strong position, enjoyed a satisfactory development during the year. During the month of March, an international distribution agreement was concluded with Siemens Wireless Modules. This agreement strengthens Electronics' position in this market, where it is believed that the Group has excellent potential for growth. The company ISG Systems AB, which was acquired in the month of October 2003, was transferred from division Communication to division Electronics as of April 1, 2004 for the purpose of taking better advantage of synergies in customer cultivation, and technology and product development. A new division management was appointed with effect from the month of May 2004.

DIVISION PRODUCTION SERVICES

Net revenues amounted to MSEK 194 (183) and operating income increased to MSEK 11 (7). The operating margin was 5.7 percent (3.8). The business in customized cable harness products and niche production registered a good development during the year. The market situation for the business in Production Services is stable and profitability is expected to stay good for the current year.

DIVISION COMMUNICATION

Net revenues amounted to MSEK 436 (437). Operating income was MSEK 10 (14), with an operating margin of 2.3 percent (3.2). The division's business is organized in three areas: Security, Communication & Infrastructure, and Software & Consulting. Area Security improved its result slightly compared to the preceding year. Demand for solutions for secure data transfer is growing, at the same time as competition is mounting in the area. Area Communication & Infrastructure did not see a satisfactory development during the year. Demand in the telecom sector has begun to pick up speed, however, and a positive development of income is expected. The business in the Software & Consulting area recorded a positive development during the year and this business contributed meaningfully to the division's result. The market outlook for the current year is seen as continuing to be good and a favorable development of earnings is expected.

PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

The return on capital employed for the full year was 5.9 percent (5.6). The corresponding figures for return on equity were 3.3 percent (1.9). The equity ratio at the end of the period was 47 percent (56). Shareholders' equity per share amounted to SEK 16.70 (17.60). Cash flow from current operations for the period amounted to MSEK 72 (70).

The Group's financial net indebtedness was MSEK 2 at the end of the period, as compared with a net claim of MSEK 19 at the beginning of the financial year. Investments in fixed assets amounted to MSEK 8 (18).

RISK MANAGEMENT

Risk management in the Group is dealt with on page 32 of the Annual Report.

ACQUISITIONS

Possession was taken on April 1, 2003 of the remaining 49 percent of the shares in electronics supplier Unitronic AG. On October 1, 2003 Lagercrantz Group acquired all shares outstanding in ISG Systems AB. ISG Systems acts as systems integrator with a product range that includes customized solutions for traffic surveillance and process monitoring in seaports.

EMPLOYEES

The number of employees in the Group at the end of the period was 585 (573).

DISTRIBUTION OF SHARES AND REPURCHASES

The share capital at the end of the period amounted to MSEK 51.8. During the period under review 4 692 class A shares were converted to class B shares. The distribution on classes of shares is as follows thereafter:

Classes of shares	Shares outstanding
Class A shares	1,101,810
Class B shares	24,812,422
Class B shares held in treasury	-1,836,423
Total	**24,077,809**

In September 2003 Lagercrantz cancelled 1 950 000 repurchased own shares. During November 2003 a further 1 000 000 shares were repurchased and the Company now holds 1 836 423 own class B shares in treasury. This is equivalent of 7.1 percent of the capital and 5.1 percent of the votes in Lagercrantz. Of these repurchased shares, 798 000 are set aside for the committment to holders of options. The nominal value of each shares is SEK 2.00. The average cost of the shares held in treasury amounts to SEK 21.96.

FUTURE DEVELOPMENT

The two most important tasks for the Group for the period ahead is to lift the profitability of division Electronics and to increase the focus on growth, in terms of revenue as well as earnings in the entire Group.

ENVIRONMENTAL IMPACT

Responsibility for improving the environment and participation to promote a sustainable development are important startingpoints for the Group's business. The Group's companies are constantly working on finding ways to reduce the environmental impact of its operations based on the specific conditions of each company. The Group is not involved in any environmentally related disputes.

RESEARCH AND DEVELOPMENT

For the purpose of strengthening and developing Lagercrantz Group's position as one of the leading suppliers of solutions in industrial communication, the focus of the Group's resources is on development of various concepts for customers and cooperation partners and certain building of own brand names. Activities to this end during 2003/2004 include product development within the framework of the Group's own brands. Research and development expenses constitute less than one percent of revenues. No costs for research and development have been capitalized.

EVENTS AFTER THE PERIODEN UNDER REVIEW

Jan Friis resigned as President & CEO effective as of May 11, 2004. The Group's current CFO, Per Ikov, has been appointed new President & CEO by the Board of Directors. Per Ikov, age 43, holds a Bachelor of Science (Econ.) degree, and has longstanding experience as a leader in the Group. Jan Friis will be at the disposal of the Board of Directors and the new CEO until his retirement in April 2006. Niklas Enmark has been hired as the Group's new CFO. Niklas Enmark, who began his employment at the end of May, is 32 years old and holds a Bachelor of Science (Econ.) degree. His most recent position was with Investor as investment manager for Investor Growth Capital.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors of Lagercrantz consists of five Directors, including the Company's President. The Board of Directors held five regularly scheduled Board of Directors meetings, two telephone meetings and one per capsulam meeting during the 2003/2004 financial year. In addition hereto, strategy issues were discussed at a separate meeting. The Company's economic and financial position, and its capital expenditure activities, are discussed at each Board of Directors meeting. The Board of Directors is furnished with information in writing about the Company's business and other information of importance to the Company on a regular basis. The Board of Directors has rules of procedure that are confirmed on an annual basis at the statutory Board of Directors meeting immediately following the regularly scheduled Annual General Meeting of shareholders. The rules of procedure also contain instructions for the President and Chief Executive Officer.

Within the Board of Directors there is a compensation committee and an audit committee. The task of the compensation committee is to decide on compensation to members of senior management. Members of the compensation committee are Anders Börjesson, Chairman of the Board of Directors, Tom Hedelius, Vice Chairman of the Board of Directors, and Per Ikov, President and CEO. Per Ikov does not participate in decisions regarding compensation to the President and CEO. The audit committee consists of the aggregate Board of Directors and to assure that the needs for information to the Board of Directors with respect to the audit process are met, the Company's auditors report once per year on the findings of their audit and their assessments of the Group's internal controls.

According to the anthorization of the Annual General Meeting the chairman of the Board of Directors, Anders Börjesson, convened the nomination committee during the year. The committee consists of representatives from the largest shareholders and includes Marianne Nilsson (Robur Fonder), Pär Stenberg, Tom Hedelius and Anders Börjesson.

PARENT COMPANY

The Parent Company's internal net revenue amounted to MSEK 25 (28) and income after financial items was MSEK 105 (1). This result includes exchange rate adjustments on intra-Group lending in an amount of MSEK –5 (4), and dividend and write-down of subsidiary in a net amount of MSEK 113 (0). The Parent Company has a committed credit facility in the amount of MSEK 250. MSEK 86 (36) of this facility was utilized at the end of the financial year Liquid funds at the beginning of the year amounted to MSEK 0 (13). No substantial investments were made except for the above mentioned investments in subsidiaries.

TRANSITION TO IFRS

From the 2005/2006 financial year the Group will be reporting according to International Financial Reporting Standards (IFRS, the former IAS). The annual report for 2004/2005 will therefore be the last to be compiled in accordance with the recommendations of the Swedish Financial Accounting Standards Board. These recommendations have gradually been drawing closer to IFRS. However, there are still a number of differences between the recommendations of the council and IFRS. The differences widen with the changes IFRS is currently undergoing.

Based on what is known today, the more important changes between the Group's present accounting principles and the coming IFRS will be as follows:

- Reporting of financial instruments, which means that more types of instruments will reported at net realizable value.
- Goodwill and certain intangible assets, will no longer be amortized on a straight-line basis. An annual evaluation will be made as to whether a writedown requirement exists and will become mandatory.

The Group's financial reports will also be affected by changes in requirements for classification and disclosures according to IFRS. Lagercrantz began the job during the 2003/2004 financial year of surveying and preparing for the transition to IFRS. This work is being done with the aid of consultants and in dialogue with auditors. This will continue on an ongoing basis since new and revised recommendations are released continuously.

A survey of the pension liability according to RR 29 was performed during spring 2004 and the outcome will affect shareholders' equity in an amount of approximately MSEK –3. In Lagercrantz's opinion the new known recommendations will have no material effect on the financial reporting in other respects.

DIVIDEND

The Board of Directors proposes an unchanged dividend of SEK 0.90 per share. The aggregate dividend payment will then amount to MSEK 22 (23). The proposal of the Board of Directors for allocation of earnings is found on page 48.

Statements of Income

		GROUP		PARENT COMPANY	
Amounts in MSEK	Note	2003-04-01 -2004-03-31	2002-04-01 -2003-03-31	2003-04-01 -2004-03-31	2002-04-01 -2003-03-31
Net revenues	1,2	1,568	1,463	25	28
Cost of goods sold		-1,191	-1,088	–	–
Gross income		**377**	**375**	**25**	**28**
Selling costs		-262	-257	–	–
Administration costs		-99	-99	-31	-30
Other operating income	4	11	9	–	–
Other operating expense	5	0	-1	–	–
Operating income	1,5,6,7,11	**27**	**27**	**-6**	**-2**
Result from financial items					
Result from securities and receivables which are fixed assets	8	0	0	121	9
Interest income and similar items	9	5	6	0	0
Interest expense and similar items	10,11	-9	-17	-10	-6
Income after financial items		**23**	**16**	**105**	**1**
Year-end appropriations					
Change in untaxed reserves		–	–	3	-1
Income before taxes		**23**	**16**	**108**	**0**
Taxes on the year's result	12	-9	-6	1	-3
Minority interest		0	-1	–	–
NET INCOME FOR THE YEAR		**14**	**9**	**109**	**-3**
Earnings per share, SEK		0.57	0.34		
Number of shares outstanding after the year's repurchases ('000)		24,078	25,078		
Weighted number of shares outstanding after the year's repurchases ('000)		24,696	26,561		
In view of the redemption price of SEK 32.80 and the current share price, outstanding options have no dilutive effect.					
Proposed dividend per share, SEK		0.90	0.90		

Balance Sheets

		GROUP		PARENT COMPANY	
Amounts in MSEK	Note	2004-03-31	2003-03-31	2004-03-31	2003-03-31
ASSETS	1				
Fixed assets					
Intangible fixed assets					
Goodwill	13	44	21	–	–
Other intangible assets	14	3	2	–	–
		47	**23**	**–**	**–**
Tangible fixed assets					
Buildings, land & land improvements	15	71	75	–	–
Leasehold improvements	16	1	1	–	–
Plant and machinery	17	5	6	–	–
Equipment, tools, fixtures and fittings	18	19	24	0	1
		96	**106**	**0**	**1**
Financial assets					
Shares in Group companies	19	–	–	468	351
Due from Group companies	20	–	–	167	208
Other long-term securities holdings		1	0	–	–
Deferred tax claim	28	37	40	1	–
Other long-term receivables	21	2	2	–	–
		40	**42**	**636**	**559**
Total fixed assets		**183**	**171**	**636**	**560**
Current assets					
Inventories, etc.	22				
Raw materials and consumables		23	19	–	–
Work in progress		2	7	–	–
Finished products and goods for resale		197	203	–	–
Advance payments to suppliers		1	1	–	–
		223	**230**	**–**	**–**
Short-term receivables					
Accounts receivable		246	252	–	–
Due from Group companies		–	–	8	14
Earned but not invoiced revenue	23	5	–	–	–
Tax claims		24	14	1	–
Other receivables		9	8	0	2
Prepaid expenses and accrued income	24	21	18	1	1
		305	**292**	**10**	**17**
Short-term investments		0	0	0	–
Cash and bank balances		138	110	0	13
Total current assets		**666**	**632**	**10**	**30**
TOTAL ASSETS		**849**	**803**	**646**	**590**

Amounts in MSEK	Note	GROUP 2004-03-31	GROUP 2003-03-31	PARENT COMPANY 2004-03-31	PARENT COMPANY 2003-03-31
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	25				
Restricted equity					
Share capital		52	56	52	56
Restricted reserves		10	9	4	0
		62	**65**	**56**	**56**
Unrestricted equity					
Unrestricted reserves		326	368	217	265
Net income for the year		14	9	109	-3
		340	**377**	**326**	**262**
Total shareholders' equity		**402**	**442**	**382**	**318**
Minority interest		0	11	–	–
Untaxed reserves	26	–	–	–	3
Provisions	1				
Provisions for pensions and similar obligations	27	50	47	–	–
Deferred tax liability	28	20	23	–	–
Other provisions	29	6	7	3	–
Total provisions		**76**	**77**	**3**	**–**
Long-term liabilities	1,30				
Long-term interest-bearing liabilities					
Liabilities to credit institutions	32,33	6	5	–	–
Due to Group companies		–	–	92	107
Other long-term interest-bearing liabilities		1	1	–	–
		7	**6**	**92**	**107**
Long-term non-interest-bearing liabilities		0	0	–	–
Total long-term liabilities		**7**	**6**	**92**	**107**
Current liabilities	1,30				
Committed credit facility	31,33	87	42	86	36
Liabilities to credit institutions	33	3	1	–	–
Advance payments from customers		1	2	–	–
Accounts payable		146	102	1	1
Due to Group companies		–	–	68	115
Tax liabilities		10	–	–	3
Other liabilities		49	45	12	4
Accrued expenses and prepaid income	34	68	75	2	3
Total current liabilities		**364**	**267**	**169**	**162**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**849**	**803**	**646**	**590**
Pledged assets and contingent liabilities					
Pledged assets					
For own liabilities and provisions	33				
Real estate mortgages		–	1	–	–
Corporate mortgages		43	37	–	–
		43	**38**	**–**	**–**
Contingent liabilities					
Guaranty undertakings, FPG/PRI		1	0	45	42
Other guarantees		3	–	13	–
		4	**0**	**58**	**42**

The Group's contingent liabilities are intangible and will not impact its financial position.

The Parent Company guarantees the pension commitments of its subsidiaries via FPG/PRI.

Summary of changes in shareholders' equity

Group

Amounts in MSEK	Share capital	Legal reserve	Unrestricted reserves	Total shareholders' equity
2004-03-31				
Closing balance according to last year's balance sheet	56	9	377	442
Dividend			-23	-23
Purchase of own shares			-23	-23
Cancellation of class B shares	-4		4	–
Issuance of class C shares	4			4
Cancellation of class C shares	-4	4	-4	-4
Transfer between restricted and unrestricted equity		-4	4	–
Net income for the year			14	14
Year's exchange rate difference		1	-9	-8
Closing balance	**52**	**10**	**340**	**402**
2003-03-31				
Closing balance according to last year's balance sheet	56	2	426	484
Dividend			-24	-24
Purchase of own shares			-34	-34
Transfer between restricted and unrestricted equity		8	-8	–
Net income for the year			9	9
Year's exchange rate difference		-1	8	7
Closing balance	**56**	**9**	**377**	**442**

Parent Company

Belopp i MSEK	Share capital	Legal reserve	Unrestricted reserves	Total shareholders' equity
2004-03-31				
Closing balance according to last year's balance sheet	56	0	262	318
Dividend			-23	-23
Purchase of own shares			-23	-23
Cancellation of class B shares	-4		4	–
Issuance of class C shares	4			4
Cancellation of class C shares	-4	4	-4	-4
Group contributions			1	1
Tax effect of group contributions			0	0
Net income for the year			109	109
Closing balance	**52**	**4**	**326**	**382**
2003-03-31				
Closing balance according to last year's balance sheet	56	–	327	383
Dividend			-24	-24
Purchase of own shares			-34	-34
Allocation to legal reserve		0	0	–
Group contributions			-6	-6
Tax effect of group contributions			2	2
Net income for the year			-3	-3
Closing balance	**56**	**0**	**262**	**318**

Note 25 on page 41 contains additional information about shareholders' equity.

Statements of Cash Flow

		GROUP		PARENT COMPANY	
Amounts in MSEK	Note	2003-04-01 -2004-03-31	2002-04-01 -2003-03-31	2003-04-01 -2004-03-31	2002-04-01 -2003-03-31
Current operations					
Income after financial items	35	23	16	105	1
Adjustments not included in cash flow, etc.	36	23	35	74	8
		46	**51**	**179**	**9**
Current taxes		-11	-28	-3	0
Cash flow from current operations before changes in working capital		**35**	**23**	**176**	**9**
Cash flow from changes in working capital					
Increase(–)/Decrease(+) in inventories		8	26	–	–
Increase(–)/Decrease(+) in operating receivables		1	60	8	21
Increase(+)/Decrease–) in operating liabilities		28	-39	-42	28
Cash flow from current operations		**72**	**70**	**142**	**58**
Investment operations					
Acquisition of subsidiaries	37	-33	-9	-174	-97
Acquisition of tangible fixed asset		-8	-18	–	0
Disposal of tangible fixed asset		8	3	–	–
Disposal of/decrease in financial assets		0	–	42	142
Cash flow from investment operations		**-33**	**-24**	**-132**	**45**
Financing operations					
Repurchase of own shares		-23	-34	-23	-34
Dividend paid		-23	-24	-23	-24
Loans raised		42	–	50	–
Repayment of loan liabilities		-5	-42	-21	-32
Group contribution rendered		–	–	-6	–
Cash flow from financing operations		**-9**	**-100**	**-23**	**-90**
Cash flow for the year		30	-54	-13	13
Liquid funds at beginning of year	38	110	172	13	0
Exchange rate difference in liquid funds		-2	-8	–	–
Liquid funds at year-end		**138**	**110**	**0**	**13**

Change in net loan liability/claim		
Net loan liability (+)/claim (–) at beginning of year	-19	-44
Change in interest-bearing liabilities	39	-42
Interest-bearing liabilities in acquired companies	10	–
Change in interest-bearing provisions for pensions	0	5
Change in liquid funds	-28	62
Net loan liability (+)/claim (–) at end of year	**2**	**-19**

Risk management

Amounts in MSEK unless otherwise specifically stated

Operational risks

Economic cycles
Lagercrantz is affected by the overall economic development. The cyclical impact is strongest on the business in division Electronics and somewhat weaker in divisions Production Services and Communication. Lagercrantz meets cyclical changes in the economy by taking prompt and forceful action to adapt the organization and costs to changes in demand.

Suppliers/Distribution agreements
Aside from cyclical changes, the reliance on individual suppliers and distribution agreements is the most important operating risk in Lagercrantz. The Group has a large number of suppliers and distribution agreements and some 20 of these are of such economic significance that special action has to be taken if one or more of these were lost. A number of supplier agreements cease and are added each year in the normal course of business, however.

Financial risks

1. Goals and policy
Efficient and systematic risk evaluation of financial risks as well as business risks is essential to Lagercrantz. Lagercrantz's model for risk management does not involve avoidance of risk, but is rather aimed at identifying, managing and pricing these risks. The Board of Directors of Lagercrantz is responsible for adopting the finance policy that sets guidelines, goals and limits for financial management within the Group. The finance policy governs the distribution of responsibility between the Board of Directors of Lagercrantz, Group management and the subsidiaries. Group management has the operative responsibility to secure the Group's financing and to manage cash liquidity, financial assets and liabilities in an efficient manner.

2. Financial risks
General
The Group's financial policy is aimed at limiting the impact of financial risks on its earnings and financial position. Financial risks can be divided broadly into the following categories: interest risk, exchange rate risk, refinancing risk and credit risk.

Interest risk
The Group's financial policy states that borrowing and the term of fixed interest on borrowing should be up to the period during which a borrowing need is deemed to exist. The overarching policy is that up to 50 percent of the borrowing should be for a term of one to five years. Remaining borrowing should be on a fixed-interest basis for up to one year. Any existing real estate loans are exempt from this rule. Interest rate risk is defined as the potential negative impact of an instantaneous rise of the interest rate level across the board.

Refinancing risk
Refinancing risk is defined as the risk caused by a lack of liquidity or difficulties in raising or extending loans or other financing.

Foreign exchange risk
Despite the fact that Lagercrantz has an international presence, its operations are local in nature as far as foreign exchange risk is concerned. Currency exposure that arises is eliminated to the greatest extent possible by currency clauses and invoicing in the same currency as that in which purchases are made. Foreign exchange risk is defined as the risk of negative earnings impact caused by foreign exchange rate changes. This risk can be divided into transaction exposure. i.e. when sales and purchases are in different currencies, and translation exposure, i.e. when assets and liabilities, and earnings from subsidiaries, are in different currencies. The translation exposure that arises as a result of the fact that a portion of the Group's equity is invested on a long-term basis in foreign subsidiaries is not hedged. Net assets in foreign currency are hedged to the greatest extent possible by loans in the same currency. In practice, this situation arises only in cases where loans are raised when companies are acquired.

Credit risk
Credit and counterparty risk is defined as the risk to which the Group is exposed in cases when a counterparty fails to fulfill its contractual obligations to Lagercrantz. Financial credit and counterparty risk is identified, managed and reported within the framework defined in the Group's finance policy, risk policy and rules of attestation.

3. Valuation
Valuation method for financial instruments
Financial assets and liabilities are normally carried at cost. Financial liabilities where the acquisition cost differs from the nominal value are reported at accrued acquisition value, with any premium or discount distributed over the term on a straight-line basis. Receivables and liabilities in foreign currency are translated at the year-end rate of exchange in accordance with recommendation RR 8 of the Swedish Financial Accounting Standard Council. Lagercrantz may use currency clauses, foreign exchange futures, currency loans and currency options as hedges against foreign exchange rate fluctuations. Currency loans and foreign exchange options for hedging against translation exposure are translated at the year-end rate of exchange. Translation differences relating to increased investments in subsidiaries are reported giving due consideration to the tax effect the Group's equity. Any futures premiums are distributed over their term and are reported as interest income or expense.

Reported and net realizable value
The Group's net financial liability amounted to MSEK 2. A net claim of MSEK 19 was reported for the preceding financial year. The reported value essentially reflects its net realizable value. The use of forward exchange agreement was limited during the year and no contracts or material effects to report remain outstanding.

4. Financing
General
Established relations with the capital markets are essential to Lagercrantz's ability to finance its operations on favorable market terms on a long-term basis. Thanks to procured credit commitments Lagercrantz is well prepared to meet temporary fluctuations in the Group's need for liquidity.

Central credit facilities from banks
Lagercrantz's committed bank credit facilities consist of:
• Committed bank credit facility of MSEK 250
The interest rate on the above facility is variable and the mobility of interest rates affects the Group's income directly. Average utilization of this facility was MSEK 72 during the year and the average interest rate was 3.4 percent. The Group's goal is to have a suitable liquidity reserve available in the form of cash liquidity and committed credit facilities.

5. Risk management
Foreign exchange risk
Transaction exposure
The Group's purchases and sales in important foreign currencies during the year amounted to MSEK 1 108 and MSEK 1 342, respectively.

Purchases and sales in important currencies

Amounts in MSEK	Purchases	Sales
USD	432	306
EUR	537	489
GBP	33	35
DKK	84	347
NOK	22	165
Group total	**1,108**	**1,342**

The impact of the foreign exchange difference on income is shown in Note 11.

Translation exposure
Shareholders' equity in subsidiaries is normally not hedged since this is regarded as a long-term investment. There may be exceptions, however. For certain periods with sharp exchange rate fluctuations the translation difference in the Group's shareholders' equity may be significant. The largest exposures are in DKK, EUR and NOK. The impact of translation differences on shareholders' equity is shown in Note 25.

Credit and counterparty risk
The Group's credit and counterpart risk can be divided into two main categories, financial credit and counterparty risk and customer credit risk (credit risk in project and other business agreements).

Financial credit and counterparty risk
This is the risk to which the Group is exposed relative to its financial counterparties when surplus funds are deposited, bank account balances and when short-term investments are made. Financial credit and counterparty risk is identified, managed and reported in accordance with the framework set forth in the financial and risk policy. In connection with financing of projects and other business agreements Lagercrantz may in certain cases assume liability under bank guarantees in the form of parent company guarantees for the purpose securing financing provided by a third party for a limited period of time.

Customer credit risk
Lagercrantz's credit risk with respect to accounts receivable is highly diversified through a large number of projects and other business agreements of varying size and type, with a large number of customer categories in a large number of geographic markets. According to the finance policy the Group should strive to have as few credit counterparties as possible and they must always have the highest credit rating.

Insurable risks
Lagercrantz has the customary insurance programs for property and liability for the Group.

Notes *with Accounting Principles and Comments to the Financial Statements*

Amounts in MSEK unless otherwise specifically stated

General accounting principles

The Financial statements have been compiled in accordance with the Swedish Annual Accounts Act and in accordance with the recommendations of the Swedish Financial Accounting Standards Council and statements of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council.

Consolidated accounting

The consolidated financial statements include the Parent Company and all companies in which the Parent Company directly or indirectly owns more than 50 percent of the votes. The consolidated financial statements have been compiled in accordance with the recommendation of the Swedish Financial Accounting Standards Council (RR 1:00) on consolidated accounting and applying the purchase method of accounting. The use of this method means that the assets and liabilities of acquired subsidiaries are reported at market value in accordance with a concurrent acquisition analysis. If the cost of the shares in a subsidiary exceeds the estimated market value of the company's net assets according to the acquisition analysis, the difference is carried as goodwill. Consolidated equity includes the Parent Company's equity and that portion of equity in the subsidiaries which has been earned subsequent to the time of acquisition. Companies acquired during the year are included in the consolidated income statement with value from the time after the acquisition. Companies sold during the year are included for the period they have been part of the Group.

Translation of foreign subsidiaries or other foreign businesses

In compiling the consolidated financial statements, foreign subsidiaries are translated according to the current rate method. This means that assets and liabilities are translated using the year-end rate of exchange and all items in the income statement are translated using the year's average rate of exchange. Translation differences are carried directly to equity without affecting the year's income. When independent foreign units are sold the accumulated translation differences attributable to the business are realized in the consolidated statement of income.

Group contributions and shareholder contributions

The Company reports group contributions and shareholder contributions in accordance with the statement by Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholder contributions are carried directly to the recipient's equity and are capitalized in shares with the donor, to the extent a writedown is not required. Shareholder contributions are reported according to economic purport. This means that group contributions rendered to minimize the Group's total taxes are reported directly against retained earnings after a deduction for the effect of current taxes.

Exchange rate differences

Exchange rate differences attributable to loans in foreign currency raised for the purpose of hedging subsidiary net assets are reported – after deduction of taxes – directly against equity, where also the corresponding translation difference is reported. Similar reporting is applied to exchange rate differences on long-term loans to foreign subsidiaries, which are regarded as additional investment in the subsidiaries.

Reporting by segment

The primary basis for classification of the Group's segments is lines of business. The Group's internal reporting system is designed to facilitate follow-up of the returns from the Group's goods and services. Lines of business are therefore the primary basis for classification.

Classification, etc.

Fixed assets, long-term liabilities and provisions essentially consist only of amounts expected to be recovered after more than twelve months counted from the balance sheet date. Current assets and short-term liabilities essentially consist only of amounts expected to be recovered within twelve months counted for the balance sheet date. Where appropriate, any departure from these principles with respect to payment or recovery is shown in a note to the balance sheet item in question.

Revenue recognition

The Company records as sales revenue the actual value of what has been received or what will be received. The Company therefore reports revenue in accordance with invoice amount if the Company receives compensation directly in conjunction with delivery. Deductions are made for value added tax, returns, discounts and price reductions. Revenue from the Company's sales of goods is recognized when the following requirements have been satisfied: the significant risks and benefits associated with ownership of the goods have been transferred to the buyer, the Company retains no engagement in the current management, nor does it exercise any real control over the goods sold; revenue can be calculated in an accurate manner; it is probable that the economic benefits derived by the Company by the transaction will accrue to the benefit of the Company; and the expenses incurred, or expected to be incurred, as a result of the transaction can be calculated in an accurate manner. Interest, royalty and dividends are recognized as revenue when it is probable that the Company will obtain the economic benefit associated with the transaction, and that the revenue can be calculated in an accurate manner. Interest income is reported using the interest rate that generates an even stream of return for the asset in question. Royalty revenue is allocated to the proper period in accordance with the economic purport of the contract in question. Dividend income is reported when the shareholders' right to receive the dividend is regarded as certain. Sales revenue is recorded upon delivery of products and services according to the terms and conditions of each respective customer contract and is equivalent to the sales amount after deduction of value added tax, returns, discounts and rebates. Revenue from projects in progress is reported gradually as projects are completed. If the costs to complete such a contract are estimated to exceed remaining revenue, a provision is set aside to cover the estimated loss.

Year-end appropriations and untaxed reserves

The consolidated statement of income and balance sheet are reported without year-end appropriations and untaxed reserves. The year-end appropriations in individual companies have been allocated so that the tax portion is included in the Group's tax expense, while the remainder is included in consolidated net income for the year. Untaxed reserves have been allocated so that the deferred tax liability is reported as a provision, while the remainder is reported among restricted reserves. The deferred tax liability has been calculated individually for each company, as a rule using the local tax rate for the following year. If the rate of taxation is changed, the change in the tax liability is taken as a tax expense for the year.

Compensation to employees

Parent Company and Swedish subsidiaries

Fee-based pensions:

Lagercrantz's pension plans are essentially of the pre-determined fee variety, which means that the Company is obligated to pay a fee for each period and that the Company after having paid such fees does not have any further obligations with respect to pensions for the period. In consequence herewith, no actuarial assumptions are required in order to calculate the obligation or the cost and there are no opportunities for actuarial gains or losses. The ITP plan in Sweden is a plan with pre-determined benefits where a portion thereof is mainly secured by insurance from Alecta. This insurance covers several employers and sufficient information is not available to report these obligations as a plan with pre-determined benefits. For this reason pension secured by insurance in Alecta is therefore regarded as a plan with pre-determined fees.

Benefit-based pensions:

Pension obligations in the Swedish companies are reported as a provision in the balance sheet, to the extent permitted by law, under the heading "Provisions for pensions and similar commitments." Pensionsregistreringsinstitutet (PRI) calculates the amount of provisions that have to be made for the portion of the ITP plan lodged there. The portion of the capital value not carried as a liability is reported among contingent liabilities. The year's pension costs, including surplus provision/underestimated provision for pension purposes are charged to operating income. Interest on the capital value is reported among financial expenses.

Group

The Group's foreign subsidiaries apply generally accepted principles for reporting pensions in each respective country, meaning that earned pension rights are reported on a current basis as a cost. Thus estimated costs and provisions are entered in the consolidated reporting without further recalculation and are charged to operating income. Subsidiaries that report pensions with pre-determined benefits normally perform actuarial calculations on an annual basis and report actuarial gains and losses via the operating result and change in the provision for pensions, respectively.

Taxes

In the consolidated financial statements, taxes consist of current taxes as well as deferred taxes. Current taxes are calculated based on taxable income for the current period. Deferred taxes are calculated on the difference between amounts reported in the Group and taxable residual values. Deferred taxes are taxes calculated on temporary differences to be paid in the future. The calculation takes place without discounting to present value and using the applicable tax rate in each respective country. Due consideration is given to the value of tax loss carryforwards based on the extent to which they will result in lower tax payments in the future.

Financial income and expense

Interest income on receivables and interest expense on liabilities are calculated using the effective rate method. The effective interest rate is the interest rate that makes the present value of all future cash receipts and disbursements during the period of fixed interest equal to the recorded value of the receivable or liability. Issuing costs and similar direct transaction costs to raise loans are distributed over the term of the loan. Other interest expense is reported in the period to which it is attributable. The Group does not capitalize interest in the acquisition cost of assets. Interest income includes accrued amounts of any discounts, premiums and other differences between the original amount of the receivable and the amount received. Dividend income is recognized when the right to receive payment is deemed to be certain.

Inventories

Inventories are carried at the lower of cost and net sales value (market value) according to the first-in-first-out method (FIFO). Due consideration is given to the risk of obsolescence. In the case of semi-finished and finished goods manufactured in-house, cost consists of direct manufacturing costs and a reasonable markup for indirect manufacturing costs. Valuation is performed based on normal capacity utilization.

Financial assets and liabilities, and hedge accounting

A financial asset or financial liability is entered in the balance sheet when Lagercrantz becomes a party according to the terms and conditions of the instrument. Derivative instruments used to hedge contractual or prognosticated cash flows in the form of foreign currency are the exception to this rule. A financial asset is removed from the balance sheet when the rights according to the contract are realized, fall due or when the control over the asset is lost. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled, or extinguished in some other way.

Receivables

After individual assessment, operating receivables are valued at the lower of cost and net realizable value. By net realizable value is meant the amount expected to be received. Interest-bearing receivables are carried at accumulated acquisition cost. Any premiums, discounts or transaction costs are allocated to the proper period over the term of the asset. Assessment for writedown is performed individually against the recovery value.

Short-term investments and liquid funds

Liquid investments are valued in accordance with the Swedish Annual Accounts Act at the lower of cost and net realizable value.

Loans

Loans are initially reported at acquisition cost, equivalent to the actual value of what is received, less transaction costs. Loans are subsequently reported at accrued acquisition cost applying the effective rate method, with the value adjusted for any discounts, premiums and costs in connection with raising the loan allocated to the proper period over the term of the loan.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been translated using the year-end rate of exchange. Translation differences on operating receivables and operating liabilities are included in operating income, whereas the difference between financial receivables and liabilities are reported among financial items. To the extent receivables and liabilities are hedged by futures contracts, they are translated using the future rate of exchange. Foreign exchange forward contracts are sometimes used to hedge a receivable or liability in foreign currency against foreign exchange rate risk. The hedged receivable or liability is valued using the exchange rate prevailing on the day when the hedging is performed. The difference between the forward rate and the spot rate when the hedging is performed is distributed over the term of the forward contract. For forward contracts with a term of up to three months an agreed-upon forward rate is used instead for valuation of the hedged receivable or liability. Gains and losses attributable to hedging instruments are reported at the same time as gains and losses attributable to the hedged item.

Intangible assets

Costs for research and development

Expenditure for research aimed at obtaining new scientific or technical knowledge is expensed as incurred. Expenditure for development, where the research result or other knowledge is applied to produce new or improved products or processes, is reported as an asset in the balance sheet. The reported value includes expenditure for materials, direct expenses, for salaries and indirect expenses attributable to an asset in a reasonable and consistent manner. Expenditure relating to research and development is reported in accordance with RR 15 Intangible assets. This recommendation means, inter alia, that a tangible fixed asset is recorded only when the asset is identifiable, control is exerted over the asset and it is expected that it will generate future economic benefits. The Group's costs for research and development are expensed in the period during which they arise. In addition to the general requirements set forth above, the Group reports expenditure for development as an intangible asset only to the extent it is technically and financially possible to complete the asset, the intention is and the prerequisites exist for using the asset in the business, or it can be sold, and that its value can be determined in an accurate manner.

Other intangible assets

Intangible assets acquired by the Company are reported at cost less accumulated amortization and writedowns. Expenditure for internally generated goodwill and trademarks are reported as costs in the income statement as incurred.

Tangible assets

Tangible fixed assets are reported at cost less accumulated depreciation according to plan and any writedowns. The acquisition cost includes the purchase price including costs directly attributable to the asset to bring it to its location and prepare it to be used in accordance with the purpose of the acquisition.

Principles of depreciation of fixed assets

Depreciation according to plan is based on the cost of the fixed assets in question and their estimated useful life.

Useful life

The following useful-life periods are applied:	Group	Parent Company
Tangible fixed assets		
Buildings	15–100 years	N/A
Leasehold improvements	20 years	N/A
Plant and machinery	3–5 years	N/A
Equipment, tools, fixtures and fittings	3–5 years	3–5 years
Intangible fixed assets		
Goodwill	5–10 years	N/A
Other	5–10 years	N/A

The period of amortization of goodwill is determined following individual assessment. Amortization periods in excess of five years apply primarily to strategic acquisitions in new markets and where major synergy and market advantages are identified.

Writedowns

The reported values of the Group's assets are examined on each balance sheet date to determine if there are any indications of a need for writedown. Where such indications exist, the recovery value of the asset is calculated as the higher of the value in use and net sales value. A writedown is made if the recovery value is less than the reported value. A writedown is reversed where there has been a change in the calculations used to determine the recovery value. A writedown of goodwill is reversed only where the writedown is prompted by a specific external non-recurring event of exceptional nature and the recovery value is directly attributable to the reversal of the effect of the specific event.

Leasing

Recommendation RR 6:99 of the Swedish Financial Accounting Standards Council is applied. Leasing is classified in the consolidated financial statements either as financial or operational leasing. Financial leasing exists when the economic risks and benefits associated with ownership essentially are transferred to the lessee. If such is not the case it is a matter of operational leasing. Assets leased under financial leasing contracts are reported as assets in the consolidated balance sheet. The obligation to pay future leasing fees is reported as long-term and current liabilities. The leased assets are depreciated according to plan whereas the leasing payments are recorded as interest and repayment of liabilities. In the case of operational leasing the leasing fee is expensed over the term of the lease based on usage, which may differ from what has actually been paid in leasing fees during the year. The Group's leasing undertakings are reported according to the rules for operational leasing. Currently there are no significant financial leasing contracts. In the Parent Company all leasing contracts are reported according to the rules for operational leasing.

Provisions

Provisions are reported in accordance with RR16 Provisions, contingent liabilities and contingent assets where the Company has a formal or informal undertaking or obligation as a consequence of a transpired event and where it is probable that an outflow of resources will be required to settle the undertaking or obligation and an accurate assessment of the amount can be made. Present value computation is performed to account for the time effect for significant future payments.

Warranty costs

The estimated cost of product warranties is charged to operating costs in conjunction with the sale of the products.

Contingent liabilities

A contingent liability is reported as a memorandum item when there is a possible undertaking emanating from events that have occurred and the existence of which are confirmed only by the occurrence or non-occurrence of one or more future uncertain events that are not entirely within the Company's control. Alternatively when there is an undertaking emanating from events that have occurred but which are not reported as a liability or provision because it is unlikely that an outflow of resources will be required to settle the undertaking, or that the size of the undertaking cannot be determined with sufficient accuracy.

Application of the recommendations of the Swedish Financial Accounting Standards Council

From April 1, 2003 the following recommendations of the Swedish Financial Accounting Standards Council are applied: RR 2:02 Inventories, RR 22 Design of financial reports, RR 25 Reporting by segment – operating segments and geographic areas, RR 26 Events after financial year-end, RR 27 Financial instruments: Disclosures and classification and RR 28 Government grants. The overall effect of these recommendations on the Group's balance sheet and income statement is marginal.

RR 22 Design of financial reports

Data in the financial reports for the comparative year have been reworked to comply with the requirements in the recommendation. Among the effects are that the committed credit facility has been reclassified from long-term to current liability. Comments regarding the preceding period are provided when necessary for a clear understanding of the financial reports for the period in question.

RR 25 Reporting by segment – operating segments and geographic areas

Comparative data have been reworked according to RR 25.

RR 27 Financial instruments: Disclosures and classification

Comparative data for prior periods are not available. Comparative data for supplementary information are therefore not provided for prior periods. Comparative data in the statement of income and balance sheet have therefore not been recalculated in accordance with the new recommendation. The impact thereof on the income statement and balance sheet is deemed to be marginal, however.

Related parties

Related party relations involving a controlling influence

Neither the Group nor the Parent Company is under the controlling influence of related parties.

Related party disclosures

The Parent Company invoices its subsidiaries for intra-Group services. The Parent Company acquired three subsidiaries for subsidiaries during the year. There have been no other related-party transactions within the Group during the year. There have been no other purchases and sales between the Parent Company and its subsidiaries.

Events after the balance sheet date
Jan Friis resigned as President and Chief Executive Officer on May 11, 2004. The Board of Directors has appointed the Group's CFO up till now, Per Ikov, new President and Chief Executive Officer. Per Ikov, age 43 and a Bachelor of Science (Econ.), has long-standing experience as a leader in the Group. Jan Friis will be at the disposal of the Board of Directors and the new chief executive until his retirement in April 2006. Niklas Enmark has been hired as the Group's new CFO. Niklas Enmark, who began his employment at the end of May 2004, is 32 years old and a Bachelor of Science (Econ.). He was most recently employed by Investor, where he worked as an investment manager at Investor Growth Capital.

NOTE 1 INFORMATION ABOUT OPERATING SEGMENTS AND GEOGRAPHIC MARKETS

The Group is comprised of the following lines of business:
Division Electronics: Sells special components and solutions for electronic and industrial communication.
Division Production Services: Conducts niche production of cable harnesses and similar products.
Division Communication: IT-related operations in Security, Communication and Infrastructure, and Software and Consulting.
Lines of business is the Group's primary basis for classification.

Geographic areas
Geographic areas constitute the Group's secondary basis for classification. Information presented about line of business revenue refers to the geographic areas where grouped according to where the customers are located. Information about segment assets and the period's capital expenditures in tangible and intangible fixed assets is based on geographic areas grouped according to where the assets are located.

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Group		
External sales by line of business		
Electronics	938	843
Production Services	194	183
Communication	436	437
	1 568	**1 463**

	Electronics 2003/2004	Electronics 2002/2003	Production Services 2003/2004	Production Services 2002/2003	Communication 2003/2004	Communication 2002/2003
Revenue						
External sales	938	843	194	183	436	437
Internal sales	3	11	–	–	–	–
Total revenue	**941**	**854**	**194**	**183**	**436**	**437**
Income						
Income by line of business	7	3	11	7	10	14
Operating income	**7**	**3**	**11**	**7**	**10**	**14**

	Parent Company and eliminations 2003/2004	Parent Company and eliminations 2002/2003	Total 2003/2004	Total 2002/2003
Revenue				
External sales	–	0	1 568	1 463
Internal sales	-3	-11	–	–
Total revenue	**-3**	**-11**	**1 568**	**1 463**
Income				
Income by line of business	-1	3	27	27
Operating income	**-1**	**3**	**27**	**27**
Financial income			5	6
Financial expense			-9	-17
Income before taxes			**23**	**16**
Taxes and minority interest			-9	-7
Net income			**14**	**9**

Internal pricing between lines of business is on market terms.

	Electronics 2003/2004	Electronics 2002/2003	Production Services 2003/2004	Production Services 2002/2003	Communication 2003/2004	Communication 2002/2003
Other information						
Assets	423	396	88	102	183	164
Undistributed assets	–	–	–	–	–	–
Total assets	**423**	**396**	**88**	**102**	**183**	**164**
Liabilities and provisions	137	125	32	27	117	98
Undistributed liabilities and provisions	–	–	–	–	–	–
Total liabilities and provisions	**137**	**125**	**32**	**27**	**117**	**98**
Investeringar	19	21	3	4	14	11
Avskrivningar	9	8	3	3	5	5

	Parent Company 2003/2004	Parent Company 2002/2003	Total 2003/2004	Total 2002/2003
Other information				
Assets	2	17	696	679
Undistributed assets	–	–	153	124
Total assets	**2**	**17**	**849**	**803**
Liabilities and provisions	104	43	390	293
Undistributed liabilities and provisions	–	–	57	57
Total liabilities and provisions	**104**	**43**	**447**	**350**
Capital expenditures	0	1	36	37
Depreciation and amortization (Parent Company including companies not tied to any one division)	2	3	19	19

External sales by geographic market

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Sweden	497	527
Denmark	323	319
Norway	229	240
Finland	174	203
United Kingdom	30	32
Germany	121	60
Poland	22	16
Other Europe	135	36
Other world	37	30
	1 568	**1 463**

Capital expenditures and assets by geographic market

	Capital Expenditures 2003/2004	Capital Expenditures 2002/2003	Assets 2004-03-31	Assets 2003-03-31
Sweden	16	4	267	237
Denmark	2	7	197	214
Norway	1	4	86	117
Finland	1	6	92	98
United Kingdom	0	0	12	9
Germany	16	16	75	41
Poland	0	0	8	5
Other Europe	–	–	–	–
Other world	0	0	4	0
	36	**37**	**741**	**721**

Internal net revenues by line of business

	Apr. 1, 2004 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Parent company		
Electronics	13	13
Production Services	5	6
Communication	7	9
	25	**28**

NOTE 1 CONT'D

Internal net revenues by geographic market

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Sweden	9	11
Denmark	6	7
Norway	3	4
Finland	4	5
Germany	2	1
Other countries	1	0
	25	**28**

NOTE 2 DISTRIBUTION OF NET REVENUE

Net revenues by product category

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Group		
Special products and systems	1 031	871
Standard components	271	350
Service and consulting	88	90
In-house production	178	152
	1 568	**1 463**

With respect to other types of revenue, dividends and interest income are reported in net financial items. Refer to Notes 8 and 9. Lagercrantz earned no royalty revenue during 2003/2004 or 2002/2003.

NOTE 3 EMPLOYEES, PERSONNEL COSTS AND FEES TO THE BOARD OF DIRECTORS AND AUDITORS

Average number of employees

	Apr. 1, 2003 –Mar. 31, 2004	of whom men	Apr. 1, 2002 –Mar. 31, 2003	of whom men
Parent company				
Sweden	6	67%	6	67%
Subsidiaries				
Sweden	228	69%	228	65%
Denmark	160	43%	165	47%
Norway	45	67%	54	67%
Finland	107	49%	119	49%
United Kingdom	8	38%	8	75%
Germany	26	65%	11	55%
Poland	10	70%	11	64%
Hong Kong	5	60%	–	0%
Subsidiary total	**589**	**57%**	**596**	**57%**
Group total	**595**	**57%**	**602**	**57%**

Salaries, other compensation and social benefits

	4/1/2003 – 3/31/2004			4/1/2002 – 3/31/2003		
	Salaries and compensation	Social benefits	of which pension costs	Salaries and compensation	Social benefits	of which pension costs
Parent company	6	3	1[1]	5	3	1[1]
Subsidiaries	224	72	22	228	70	24
Group total	**230**	**75**	**23[2]**	**233**	**73**	**25[2]**

[1] *Of the Parent Company's pension costs 1 (1) refers to the group Board of Directors and President. There are no outstanding pension obligations.*

[2] *Of the Group's pension costs, 4 (4) refers to the group Board of Directors and President. The Group's pension obligations to this group amount to 0 (1).*

Salaries, other compensation by country and among directors, etc. and other employees

	4/1/2003 – 3/31/2004		4/1/2002 – 3/31/2003	
	Directors and President	Other employees	Directors and President	Other employees
Parent company				
Sweden	4 (–)	2 (–)	3 (–)	2 (–)
Subsidiaries				
in Sweden	5 (0)	72 (1)	6 (0)	71 (2)
Total Sweden	**9 (0)**	**74 (1)**	**9 (0)**	**73 (2)**
Outside Sweden				
Denmark	8 (0)	61 (1)	8 (0)	62 (1)
Norway	3 (–)	21 (0)	3 (–)	25 (0)
Finland	3 (–)	33 (1)	3 (0)	37 (1)
United Kingdom	1 (–)	2 (–)	1 (–)	2 (–)
Tyskland	3 (0)	11 (0)	2 (–)	6 (0)
Poland	0 (–)	1 (–)	1 (–)	1 (–)
Subsidiary total	**18 (0)**	**129 (2)**	**18 (0)**	**133 (2)**
Group total	**27 (0)**	**203 (3)**	**27 (0)**	**206 (4)**

In parentheses: (of which bonuses, etc.)

The group Board of Directors and President includes the President & CEO and Executive Vice Presidents.

The Parent Company's President & CEO received compensation in a Group company other than the Parent Company and is therefore reported among subsidiaries.

Reporting of distribution according to sex in management groups

	Mar. 31, 2004 Proportion of women	Mar. 31, 2003 Proportion of women
Parent Company		
Board of Directors	20%	20%
Other members of senior management	0%	0%
Group total		
Board of Directors	3%	3%
Other members of senior management	0%	0%

Absence due to illness *Data on the Swedish companies*

	Apr. 1, 2004 – Mar. 31, 2004
Total absence due to illness as a percentage of regular working hours	5%
Proportion of total absence due to illness relating to contiguous absence due to illness of 60 days or more	61%
Absence due to illness as a proportion of each group's regular working hours:	
Absence due to illness divided by sex:	
Men	3%
Women	8%
Absence due to illness divided by age category:	
29 years or younger	5%
30–49 years	5%
50 years or older	4%

Total absence due to illness was below 1 percent in the Parent Company.
Data on absence due to illness by category is not reported for reasons of integrity.

Compensation to members of senior management

Preparation and decision-making process

With respect to compensation to the President & CEO and other members of senior management the Board of Directors has appointed a compensation committee consisting of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors and the President & CEO. The President & CEO does not participate in proposals for his own compensation.

Principles

Fees are paid to the Chairman of the Board of Directors and to members of the Board of Directors according to resolution of the Annual General Meeting of shareholders. No separate fees are paid for committee work. Compensation to the President & CEO and other members of senior management consists of basic salary, variable compensation, other benefits, pension and financial instruments, etc. Other members of senior management are defined as the two persons who together with the President & CEO make up Group management. For the composition of Group management, refer to page 45. The distribution between basic salary and variable compensation will be in proportion to the officer's responsibility and authority. For the President & CEO the variable compensation is maximized to 20 percent of their basic salary. In addition thereto a further variable compensation may be payable up to 20 percent of the variable compensation awarded provided the amount received is used to acquire shares in Lagercrantz Group AB. For other members of senior management the variable compensation is maximized to 30 percent of the basic salary. In addition thereto a further variable compensation may be payable up to 20 percent of the variable compensation awarded provided the amount received is used to acquire shares in Lagercrantz Group AB. The variable compensation is based on the Company's income. Pension benefits and compensation in the form of financial instruments, etc. and other benefits to the President & CEO and other members of senior management are paid as a part of the total compensation. Group management enjoys only fee-based pension plans. Pension cost refers the cost that has affected the year's income. For more information about pensions, see below.

Compensation and other benefits during the year

A fee of SEK 750 000 (750 000) has been paid to the Board of Directors, of which the Chairman receives SEK 250 000 (250 000), the Vice Chairman 200 000 (200 000) and other members SEK 150 000 (150 000) each. No member of the Board of Directors has received compensation in addition to the Board of Directors fee. Compensation and other benefits, including social benefits to the former Chief Executive Officer Jan Friis, were paid in an amount of SEK 2 413 000 (2 407 000). In addition, the Company paid for a pension annuity in the amount of SEK 476 000 (456 000).

Compensation and other benefits 2004/2005 for the newly appointed President and CEO Per Ikov

Compensation is paid to the President & CEO in an amount of DKK 1 950, which is equivalent to approximately SEK 2 400 000. Other benefits to the President & CEO are additional in an amount of approximately SEK 150 000. Lagercrantz does not pay for a pension annuity. In addition hereto variable compensation may be paid according to the principles set forth above. Severance payment and periods of notice according to the principles set forth below. The retirement age for Per Ikov is 60.

Variable compensation

No variable compensation was paid to the President & CEO or other members of Group management, neither for the 2003/2004 or the 2002/2003 financial year. The principles for awarding variable compensations are set forth above.

Financial instruments, etc

In December 2001 the Board of Directors proposed to award 798 000 personnel options to 28 members of senior management in the Group. To make this possible, the extra general meeting of shareholders held December 17 resolved that the Company will convey up to 800 000 class B shares in the Company in connection with any redemption of these personnel options. The redemption price is set at SEK 32.80, equivalent to 110 percent of the average market price of the Lagercrantz share during the period December 3 – 7, 2001. These options can be exercised during the period July 19, 2004 – February 18, 2005. At the time of subscription an external valuation was made and the Board of Directors of Lagercrantz Group AB is of the opinion that the valuation is fair. The number of options awarded is 737 000 to 24 members of senior management in the Group. If all personnel options are awarded, the number of shares outstanding increases by 3.1 percent and the number of votes increases by 2.2 percent. Given its repurchase of own shares, Lagercrantz has secured the Company's undertaking pursuant to the option program for members of senior management resolved by the extra general meeting of shareholders held December 17. The options have been awarded without consideration. In conjunction herewith the President & CEO was awarded 120 000 options and the other 2 members of Group management were awarded 80 000 options each.

Pensions

The retirement age for the President is 58 years. The fee-based pension premium for 2003/2004 amounts to SEK 479 000 (456 000). The retirement age of other members of senior management is 60 years. Pension is paid equivalent to the ITP plan and is fee-based.

Severance payment

The period of notice for the President is 12 months when termination is at the initiative of the Company and 6 months when termination is at the initiative of the President. In the case of termination is at the initiative of the Company, the President is entitled to a severance payment of equivalent to one year's salary in addition to salary during the period of notice. No severance payment is payable in the case of termination at the initiative of the President. The period of notice for the other members of Group management is 12 months when termination is at the initiative of the Company and 6 months when termination is at the initiative of the employee. In the case of termination is at the initiative of the Company, the other members of Group management are entitled to a severance payment of equivalent to one year's salary in addition to salary during the period of notice. No severance payment is payable in the case of termination at the initiative of the employee. The severance payment is not prorated against other income.

Fees and reimbursement to auditors

	Group		Parent Company	
	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003	Apr. 1, 2003 Mar. 31, 2004	Apr. 1, 2002 –Mar.31, 2003
KPMG				
Audit assignments	2	2	0.5	0.3
Other assignments	0	1	0.2	0.3
Other auditors				
Audit assignments	0	0	–	–
Other assignments	0	0	–	–

NOTE 4 OTHER OPERATING REVENUE

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Group		
Capital gains on equipment	1	0
Rental revenue	4	4
Other	6	5
	11	**9**

NOTE 5 OTHER OPERATING EXPENSES

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Group		
Capital gains on equipment	0	-1
	0	**-1**

NOTE 6 DEPRECIATION AND AMORTIZATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

	Apr. 1, 2003 –Mar. 31, 2004	Apr. 1, 2002 –Mar. 31, 2003
Group		
Depreciation and amortization according to plan by class of asset		
Goodwill and other intangible assets	-6	-1
Buildings and land	-1	-1
Leasehold improvements	0	-1
Plant and machinery	-1	-2
Equipment, tools, fixtures and fittings	-11	-14
	-19	**-19**
Amortization according to plan by function		
Cost of goods sold	-4	-4
Selling expenses	-11	-9
Administration expenses	-4	-6
	-19	**-19**
Amortization of goodwill is reported as selling expenses.		
Parent company		
Depreciation according to plan by class of asset		
Equipment, tools, fixtures and fittings	0	0
	0	**0**
Amortization according to plan by function		
Administration expenses	0	0
	0	**0**

NOTE 7 LEASING FEES RELATING TO OPERATIONAL LEASING

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Leasing fees paid during the financial year	33	8
Amounts of future annual payments:		
1 year after financial year	27	6
2 years after financial year	24	4
3 years after financial year	20	2
4 years after financial year	12	1
5 years after financial year	10	1
	93	**14**
Parent company		
Leasing fees paid during the financial year	2	2
Amounts of future annual payments:		
1 year after financial year	1	2
2 years after financial year	1	1
More than 3 years after financial year	1	–
	5	**5**

The amount for 2003/2003 includes rent for premises.

NOTE 8 RESULT FROM SECURITIES AND RECEIVABLES THAT ARE FIXED ASSETS

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Interest income	0	0
	0	**0**
Parent company		
Interest income from Group companies	8	15
Translation differences	–	4
Writedowns	-65	-10
Dividend income	178	–
	121	**9**

MSEK 55 (0) of the MSEK 65 writedown was done as a consequence of a dividend in a like amount from overcapitalized subsidiaries.

NOTE 9 OTHER INTEREST INCOME AND SIMILAR ITEMS

	4/1/2003 –3/31/2004	4/1/2002 3/31/2003
Group		
Interest income	4	6
Foreign exchange rate gains	1	–
	5	**6**
Parent Company		
Interest income	0	0
	0	**0**

NOTE 10 INTEREST EXPENSE AND SIMILAR ITEMS

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Interest expense, PRI	-2	-2
Other interest expense	-4	-5
Foreign exchange losses	-3	-8
Other	0	-2
	-9	**-17**
Parent Company		
Interest expense to Group companies	-2	-2
Other interest expense	-3	-4
Foreign exchange losses	-5	–
Other	0	0
	-10	**-6**

NOTE 11 EXCHANGE RATE DIFFERENCES

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Exchange rate differences affecting	4	-7
Operating earnings	-2	-8
	2	**-15**
Parent company		
Financial translation differences	-5	4
	-5	**4**

NOTE 12 TAXES ON THE YEAR'S RESULT

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Current tax expense (–)/tax income (+)		
Tax expense for the period	-9	0
Adjustment of taxes attributable to prior years	0	1
	-9	**1**
Deferred tax expense (–)/tax income (+)		
Deferred taxes on temporary differences	-2	-12
Deferred taxes on change of capitalized tax value of tax loss carryforward	2	5
	0	**-7**
Total reported tax expense in the Group	**-9**	**-6**

The value of tax loss carryforwards is taken into account when it is believed that they will result in lower tax payments in the future.

Reconciliation of effective tax		
Income before taxes	23	16
Tax according to Parent Company's tax rate, 28%	-6	-4
Effect of other tax rates for foreign subsidiaries	-2	-1
Amortization of group goodwill	-1	0
Non-deductible expenses	0	-2
Non-taxable revenue	0	0
Taxes attributable to prior years	0	1
Total effective taxes	**-9**	**-6**
Parent Company		
Current tax expense (–)		
Tax expense for the period	0	-3
	0	**-3**
Deferred tax expense (–) tax revenue (+)		
Deferred taxes on temporary differences	1	–
	1	**–**
Total reported tax expense in the Parent Company	**1**	**-3**
Reconciliation of effective tax		
Income before taxes	108	0
Tax according to current tax rate, 28%	-30	0
Effect of writedowns	-18	-3
Dividends from subsidiaries	49	–
Non-deductible expenses	0	0
Total effective taxes	**1**	**-3**
Tax items carried directly to equity		
Current tax component of group contribution	0	2
	0	**2**

NOTE 13 GOODWILL

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	22	–
Purchases	27	22
Reclassification	0	–
Translation difference	0	0
	49	**22**
Accumulated amortization according to plan		
Opening balance	-1	–
Sales and disposals	-5	-1
Amortization according to plan for the year		1–
	-5	**-1**
Closing balance	**44**	**21**

NOTE 14 OTHER INTANGIBLE ASSETS

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	2	–
Purchases	3	2
Reclassification	1	–
	5	**2**
Accumulated amortization according to plan		
Opening balance	0	–
Amortization according to plan for the year	-1	0
Reclassification	-1	–
	-2	**0**
Closing balance	**3**	**2**

NOTE 15 BUILDINGS, LAND AND LAND IMPROVEMENTS

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost [1]		
Opening balance	98	96
Purchases	3	–
Sales and disposals	-7	–
Translation difference	0	2
	94	**98**
Accumulated depreciation according to plan		
Opening balance	-23	-21
Sales and disposals	1	–
Depreciation according to plan for the year	-1	-1
Translation difference	0	-1
	-23	**-23**
Closing balance	**71**	**75**
Tax assessment value, buildings (in Sweden)	11	13
Tax assessment value, land (in Sweden)	0	0

[1] *Acquisition cost does not include any capitalized interest.*

NOTE 16 LEASEHOLD IMPROVEMENTS

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	3	3
Purchases	0	1
Sales and disposals	-2	-1
Translation difference	0	0
	1	**3**
Accumulated depreciation according to plan		
Opening balance	-2	-2
Sales and disposals	2	1
Depreciation according to plan for the year	0	-1
	0	**-2**
Closing balance	**1**	**1**

NOTE 17 PLANT AND MACHINERY

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	11	12
Purchases	1	0
Reclassification	0	-1
Translation difference	0	0
	12	**11**
Accumulated depreciation according to plan		
Opening balance	-5	-7
Reclassification	-1	4
Depreciation according to plan for the year	-1	-2
	-7	**-5**
Closing balance	**5**	**6**

NOTE 18 INVENTARIER, VERKTYG OCH INSTALLATIONER

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	129	156
Purchases	7	12
Sales and disposals	-35	-28
Reclassification	0	-12
Translation difference	-1	1
	100	**129**
Accumulated depreciation according to plan		
Opening balance	-105	-126
Sales and disposals	34	25
Reclassification	0	11
Depreciation according to plan for the year	-11	-14
Translation difference	1	-1
	-81	**-105**
Closing balance	**19**	**24**
Parent company		
Accumulated cost		
Opening balance	1	1
Purchases	0	0
	1	**1**
Accumulated depreciation according to plan		
Opening balance	0	0
Depreciation according to plan for the year	0	0
	0	**0**
Closing balance	**0**	**1**

NOTE 19 SHARES IN GROUP COMPANIES

	2003-04-01 -2004-03-31	2002-04-01 -2003-03-31
Parent company		
Accumulated cost		
Opening balance	361	154
Acquisitions from other Group companies	126	170
External acquisitions	41	30
Shareholder contributions	15	7
	543	**361**
Accumulated depreciation according to plan		
Opening balance	-10	–
Depreciation according to plan for the year	-65	-10
	-75	**-10**
Closing balance	**468**	**351**

External acquisitions during the year are shown in Note 37.

NOTE 19 CONT'D

Specification of the Parent Company's and the Group's holdings of shares in Group companies

Dotterbolag [2]/ Org nr / Säte	Number of shares	Stake in % [1]	Book value 04-03-31	03-03-31
Acte AB, 556600-8032, Solna	500	100,0	13	1
Acte Holding AB, 556420-0003, Stockholm	150 000	100,0	33	–
Acte Systems AS, 927 714 574, Bergen, Norway	600	100,0	1	1
Acte Components Ltd, 4209447, Hampshire, UK	49 999	100,0	7	7
Acte AS, 923 148 442, Oslo, Norway	5 000	100,0	44	44
Acte Supply AB, 556213-2406, Norrköping	50 000	100,0	41	41
Acte Oy, 239 992 Helsingfors, Finland	300	100,0	15	25
B2B Tech AB, 556595-0887, Sollentuna	2 863 036	100,0	18	18
Delphi Oy, 534.538, Espoo, Finland	300	100,0	19	19
Enkom Oy, 645 489, Korsholm, Finland	150	100,0	5	–
Finn-Crimp Oy, 1750567-0, Korsholm, Finland	1 250	100,0	8	8
Heath Comm AB, 556552-1217, Solna	500	100,0	1	1
Heath Comm AS, 933 199 665, Bergen Norway	7 000	100,0	13	13
Heath Comm Oy, 444 356, Vantaa, Finland	6 000	100,0	3	3
ISG Systems AB, 556468-2192, Höganäs	200	100,0	18	–
Kablageproduktion i Västerås AB, 556509-1096 Västerås	5 000	100,0	33	–
Cable Commercial i Västerås AB, 556375-1030, Västerås	5 000	100,0	–	–
Kablageproduktion Nornet AB, 556566-1997, Norberg	1 000	100,0	–	–
Kvadern 1-2 AB, 556201-1154, Hässelby	5 000	100,0	7	7
Lagercrantz Asia Ltd, Hong Kong	20 000	51,0	0	0
Lagercrantz Communication AB, 556260-2127, Sollentuna	1 000	100,0	0	0
STV Sv Tele & Video Konsult AB, 556307-4565, Stockholm	65 000	100,0	8	8
Uniweb AB. 556072-5771, Sollentuna	5 000	100,0	2	2
Unitronic AG, HRB 40042 , Düsseldorf, Germany	153 600	100,0	48	22
Secos Gmbh, , Baar, Switzerland	1	60,0	–	–
BBE A/S, 81 74 67 10 , Copenhagen, Denmark	6	100,0	131	131
Acte A/S, 71 28 89 19, Copenhagen, Denmark	2	100,0	–	–
Acte Poland Sp Z o.o., 5 753, Warsaw, Poland	2	100,0	–	–
Elfac A/S, 17 46 50 31, Silkeborg, Denmark	1	100,0	–	–
2B Electronics A/S, 81 50 38 18, Copenhagen, Denmark	5 000	100,0	–	–
Heath Comm A/S, 25 12 54 44, Copenhagen, Denmark	500	100,0	–	–
Acte Systems A/S, 25 13 24 40, Copenhagen, Denmark	500	100,0	–	–
BD Grafikk AS, 840 090 892, Oslo, Norway	500	100,0	–	–
Scandcomp Denmark Aps,1 7 07 40 40 Copenhagen, Denmark	200	100,0	–	–
Lagercrantz A/S 17 83 92 33 Copenhagen, Denmark	25 000	100,0	–	–
Betech Data Development A/S, 20 38 92 73, Copenhagen, Denmark	2	100,0	–	–
Betech Data A/S, 10 51 07 32, Copenhagen, Denmark	1	100,0	–	–
			468	**351**

[1] *Refers to ownership stake of capital, which is also equivalent to the proportion of votes for the total number of shares outstanding.*

[2]) *Subsidiaries are reported at book value; other companies are owned indirectly via susidiaries.*

NOTE 20 RECEIVABLES FROM GROUP COMPANIES

	4/1/2003 –3/31/2004	4/1/2002 3/31/2003
Parent company		
Accumulated cost		
Opening balance	208	347
Incremental receivables	49	114
Receivables paid	-84	-257
Translation difference	-6	4
Closing balance	**167**	**208**

NOTE 21 OTHER LONG-TERM RECEIVABLES

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Accumulated cost		
Opening balance	2	2
Incremental receivables	0	0
Receivables paid	0	0
Closing balance	**2**	**2**

NOTE 22 INVENTORIES

MSEK 3 of total inventories of MSEK 223 is valued at net sales value.

NOTE 23 EARNED BUT NOT YET INVOICED REVENUE

	3/31/2004	3/31/2003
Group		
Contract assignment		
Accumulated assignment income reported as revenue	21	–
Invoiced revenue	16	–
Total due from client	**5**	**–**
Accumulated assignment expenditure and reported income (after deduction of reported loss) at end of period	21	–
Advance payments received	–	–
Amount held back by the client	–	–

Assignment income fro fixed-price contracts in progress are reported using gradual profit/loss recognition. The calculation is made based on work performed at the end of the period relative to estimated work for the entire assignment.

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	3/31/2004	3/31/2003
Group		
Prepaid rent	3	4
Prepaid insurance premiums	1	1
Other items	17	13
	21	**18**
Parent company		
Prepaid rent	0	1
Prepaid insurance premiums	0	0
Other items	1	0
	1	**1**

NOTE 25 SHAREHOLDERS' EQUITY

According to Swedish law shareholder's equity shall be divided between funds that may not be paid as dividends (restricted funds) and funds that may be paid as dividends (unrestricted funds). In a corporate group only the lower of the parent company's or the group's unrestricted funds may be paid to the shareholders as dividends. The Group's unrestricted equity according to the consolidated balance sheet includes only that part of the unrestricted equity of subsidiaries that can be paid as dividends by the Parent Company without a need for writing down the value of the shares in the subsidiary.

Restricted reserves

The equity portion of untaxed reserves is reported as restricted equity in the consolidated financial statements. Restricted reserves otherwise consist of share capital and the following items.

Revaluation reserve

When a tangible or financial fixed asset is written up the amount of the writeup is credited to a revaluation reserve.

Legal reserve

The purpose of the legal reserve is to set aside the portion of net earnings not required to cover a loss brought forward.

Premium reserve

When shares are issued at a price above nominal value, an amount equivalent to the amount received over and above the nominal value of the shares must be credited to the premium reserve.

Unrestricted equity

Retained earnings

Consists of the preceding year's unrestricted equity after any allocation to legal reserve and after any dividends paid. Constitutes the total unrestricted equity together with this year's income, i.e. the amount available for payment as dividends to the shareholders.

Specification of the year's translation difference in consolidated equity

	3/31/2004	3/31/2003
Accumulated translation difference in subsidiaries	-2	3
Year's translation difference in foreign subsidiaries	-6	4
Period's total translation difference	**-8**	**7**

Specification of accumulated translation difference in shareholders' equity

	3/31/2004	3/31/2003
Accumulated translation difference at beginning of year	23	16
Year's translation difference	-8	7
Accumulated translation difference at end of year	**15**	**23**

Distribution of and changes in classes of shares

Class of share	Shares outstanding	Number of votes
Class A shares, 10 votes per share	1,101,810	11,018,100
Class B shares, 1 vote per share	24,812,422	24,812,422
Class B shares held in treasury	-1,836,423	-1,836,423
Total	**24,077,809**	**33,994,099**

	Class A shares	Class B shares	Class C shares
Number of shares outstanding at the beginning of the period	1,106,502	26,757,730	–
Conversion of class A shares	-4,692	4,692	
Cancellation of class B shares		-1,950,000	
Issuance of class C shares			1,950,000
Cancellation of class C shares			-1,950,000
Number of shares outstanding at the end of the period	**1,101,810**	**24,812,422**	**–**

The share capital amounted to MSEK 51.8 at year-end. The nominal value of shares is SEK 2 each. The class B share is listed on Stockholmsbörsen (the Stockholm Stock Exchange). According to the Articles of Association the lowest amount for the share capital is MSEK 50 and the maximum amount is MSEK 200. The proposed dividend is SEK 0.90 per share.

Incentive program

For details regarding incentive program, refer to Note 3.

NOTE 26 UNTAXED RESERVES

	3/31/2004	3/31/2003
Parent company		
Timing difference reserve, 2004 allocation	–	1
Timing difference reserve, 2003 allocation	–	2
	–	**3**

NOTE 27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	3/31/2004	3/31/2003
Group		
Provision for PRI pensions	43	43
Other pension provisions	7	4
	50	**47**
Pledged assets for pension obligations	None	None
Contingent liabilities for pension obligations	1	0
Reported value at beginning of period	47	44
Allocations made during the period	3	3
Reported value at end of period	**50**	**47**
Parent Company		
Provision for pensions	–	–
	–	**–**

Pledged assets for pension obligations

The Parent Company has guaranteed the PRI liabilities of subsidiaries.

NOTE 28 PROVISIONS FOR DEFERRED TAXES

	Deferred tax claim	Deferred tax liability	Net
Group, March 31, 2004			
Buildings and land	–	-9	-9
Other fixed assets	14	-1	13
Other provisions	1	–	1
Untaxed reserves	–	-8	-8
Other	2	-2	0
Loss carryforward	20	–	20
	37	**-20**	**17**
Group, March 31, 2003			
Buildings and land	–	-9	-9
Other fixed assets	19	–	19
Other provisions	1	–	1
Untaxed reserves	–	-12	-12
Other	2	-2	0
Loss carryforward	18	–	18
	40	**-23**	**17**

Unreported deferred tax claims

Deferred tax claims relating to deficits for tax purposes in the amount of 0 (0) have not been reported.

NOTE 28 CONT'D

Change in deferred taxes in temporary differences and tax loss carryforwards

	Opening balance	Reported via income statement	Closing balance
Group			
Buildings and land	-9	0	-9
Other fixed assets	19	-6	13
Other provisions	1	0	1
Untaxed reserves	-12	4	-8
Other	0	0	0
Tax loss carryforwards	18	2	20
	17	**0**	**17**

The Company reports no deferred taxes on temporary differences attributable to investments in subsidiaries. Any effects in the future will be reported when the Company can no longer control the reversal of such differences, or when it for other reasons is no longer probable that reversal will take place within the foreseeable future.

NOTE 29 OTHER PROVISIONS

	3/31/2004	3/31/2003
Group		
Restructuring costs	3	–
Other	3	7
	6	**7**
Opening balance	7	5
Provisions set aside during the period	6	6
Amounts utilized during the period	-7	-3
Unutilized amounts reversed during the period	–	-1
Closing balance	**6**	**7**

NOTE 30 INTEREST-BEARING AND NON-INTEREST-BEARING LIABILITIES

	3/31/2004	3/31/2003
Group		
Interest-bearing long-term liabilities	7	6
Non-interest-bearing long-term liabilities	0	0
Interest-bearing current liabilities	89	42
Non-interest-bearing current liabilities	275	225
Closing balance	**371**	**273**
Parent company		
Interest-bearing long-term liabilities	92	107
Interest-bearing current liabilities	154	107
Non-interest-bearing current liabilities	15	55
Closing balance	**261**	**269**

NOTE 31 COMMITTED CREDIT FACILITY

	3/31/2004	3/31/2003
Group		
Approved limit	268	257
Unutilized portion	-181	-215
Credit facility utilization	**87**	**42**
Parent Company		
Approved limit	250	250
Unutilized portion	-164	-214
Credit facility utilization	**86**	**36**

NOTE 32 LIABILITIES TO CREDIT INSTITUTIONS, LONG-TERM

	3/31/2004	3/31/2003
Group		
Maturity, 1–5 years from year-end	1	1
Maturity, later than 5 years from year-end	5	4
	6	**5**

NOTE 33 ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS

	3/31/2004	3/31/2003
Group		
Real estate mortgages	18	1
Corporate mortgages	43	37
	61	**38**

NOTE 34 ACCRUED EXPENSES AND PREPAID INCOME

	3/31/2004	3/31/2003
Group		
Personnel expenses	34	39
Accrued interest expense	1	1
Prepaid income	13	14
Other items	20	21
	68	**75**
Parent Company		
Personnel expenses	1	1
Accrued interest expense	–	1
Other items	1	1
	2	**3**

NOTE 35 INTEREST PAID

	3/31/2004	3/31/2003
Group		
Interest income	3	7
Interest expense	-4	-6
Parent Company		
Interest income	8	17
Interest expense	-6	-6

NOTE 36 ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

	3/31/2004	3/31/2003
Group		
Depreciation and amortization	19	19
Other provisions	-2	6
Translation differences	2	9
Interest portion of pension costs	2	0
Change in interest allocation	2	1
Other items	0	0
	23	**35**
Parent Company		
Depreciation and amortization	0	0
Writedowns	65	10
Restructuring reserve	3	–
Translation differences	5	-4
Change in interest allocation	1	2
	74	**8**

NOTE 37 INVESTMENTS IN SUBSIDIARIES

100 percent of ISG Systems AB was acquired during the year and the remaining 49 percent of subsidiary Unitronic AG. The total value of acquired assets and liabilities, purchase money and effect on the Group's liquid funds was as follows:

	4/1/2003 –3/31/2004	4/1/2002 –3/31/2003
Group		
Intangible fixed assets	-29	-18
Tangible fixed assets	-3	-2
Inventories	-2	-14
Other current assets	-11	-24
Provisions	0	4
Long-term liabilities	9	–
Current liabilities	5	17
Minority interest	-10	9
Total purchase money	**-41**	**-28**
Portion of purchase money not paid	8	2
Liquid funds in acquired companies	–	17
Cash flow attributable to capital expenditures in subsidiaries	**-33**	**-9**

No temporary tax differences arose in connection with these acquisitions.

Specification of major acquisitions

On April 1, 2003 the remaining 49 percent of shares and votes in electronics supplier Unitronic AG were purchased. The purchase money was MSEK 26, MSEK 2 of which refers to a reserved supplementary sum of purchase money not paid out. On October 1, 2003 100 percent of the shares and votes in systems integrator ISG Systems AB were acquired. This acquisition has only had a marginal effect on the Group's balance sheet and income statement during the year.

NOTE 38 LIQUID FUNDS IN THE STATEMENT OF CASH FLOW

As liquid funds are classified, aside from cash and bank deposits, short-term financial investments that are subject only to insignificant risk of fluctuation in value, and also

– are traded in an open market in know amounts, or
– have a shorter remaining time to maturity than three months from the time of acquisition.

NOTE 39 INFORMATION ABOUT LAGERCRANTZ GROUP

Lagercrantz Group AB (publ) with its registered office in Stockholm, Box 3508, Torsgatan 2, SE-103 69 Stockholm, Sweden. Organization number 556282-4556. The Company's primary object is to deal in and manufacture products in the fields of data and electronics – either itself or through subsidiaries – and to engage in other business compatible therewith. The average number of employees for the year is 6.

ALLOCATION OF EARNINGS

The Board of Directors and the President propose that the funds available for distribution, SEK 325 892 000, be allocated as follows:

	SEK
Dividend to the shareholders SEK 0.90 x 24 077 809 shares	21,670
Allocation to legal reserve	5,966
To be carried forward	298,256
Total	**325,892**

MSEK 6 of the Group's unrestricted capital of MSEK 340 is proposed for transfer to restricted reserves.

Stockholm, June 17, 2004

Anders Börjesson
Chairman

Pirkko Alitalo

Tom Hedelius
Vice Chairman

Lennart Sjölund

Jan Friis

The Group´s and the Parent Company´s statements of income and balance sheets are subject to adoption by the regularly scheduled Annual Genarel Meeting to be held August 24, 2004.

Audit Report

To the Annual General Meeting of Lagercrantz Group AB with organization number 556282-4556.

We have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of Lagercrantz Group AB for the financial year April 1, 2003 – March 31, 2004. Responsibility for the accounting records and management rests with the Board of Directors and the President. Our responsibility is to render our opinion on the Annual Accounts, the consolidated financial statements and the management based on our audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that we have planned and performed the audit in such a way as to get reasonable assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Directors' and the management's application thereof, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. We have also examined significant decisions, actions and circumstances in the company to allow us to form an opinion as to whether any Director or the President is liable for damages to the company, or in any other way has acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. We are of the opinion that our audit gives us a reasonable ground for our statements below.

The Annual Accounts and the consolidated financial statements are prepared in accordance with the Annual Accounts Act and therefore provide a true and fair picture of the Company's and the Group's performance and financial position in accordance with generally accepted accounting standards in Sweden.

We recommend that the Annual General Meeting adopts the Statement of Income and the Balance Sheet for the Parent Company and the Group, deals with the earnings in the Parent Company in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm, June 17, 2004

Thomas Thiel
Authorized Public Accountant

George Pettersson
Authorized Public Accountant

Board of Directors, Management and Auditors

BOARD OF DIRECTORS

Anders Börjesson, born 1948
Chairman
Bachelor of Science (Econ.).
Chairman in Addtech AB, Boomerang AB, Cibes Lift AB and Cibenon AB.
Vice Chairman in Bergman & Beving AB.
Director in Terrakultur AB.
Ownership (family): 375 966 class A shares and 80 000 class B shares.

Tom Hedelius, born 1939.
Vice Chairman
Bachelor of Science (Econ.).
Doctor h.c. Economics.
Honorary Chairman in Svenska Handelsbanken AB.
Chairman in Anders Sandrews stiftelse, Bergman & Beving AB, Industrivärden AB and Svenska le Carbone.
Vice Chairman in Addtech AB, Jan Wallanders och Tom Hedelius stiftelse.
Director in SCA AB and Volvo AB.
Director in LE Lundbergföretagen.
Ownership: 360 966 class A shares and 5 400 class B shares.

Lennart Sjölund, born 1949.
Director
Bachelor of Science (Econ.).
Chairman in ErySave AB.
Director in Jolife AB, Quickcool AB, Bergman & Beving Meditech AB and Kopparbergs Bryggeri AB.
Ownership: 13 000 class B shares.

Pirkko Alitalo, born 1949.
Director
Bachelor of Science (Econ.).
Director in Svenska Handelsbanken AB.
Ownership: 5 000 class B shares.

Jan Friis, born 1948.
Director
Engineer
Director in Helge Lønhardt A/S.
Ownership: 10 000 class B shares.
Options: 120 000.

MANAGEMENT

Mattias Sonnenfeld, born 1961.
Senior Executive Vice President
Bachelor of Science (Econ.).
Ownership: 1 900 class B shares.
Options: 80 000.

Per Ikov, born 1961.
President and Chief Executive Officer
Bachelor of Science (Econ.).
Ownership: 6 600 class B shares.
Options: 80 000.

Niklas Enmark, born 1972.
Senior Executive Vice President
Bachelor of Science (Econ.).
Ownership: 1 500 class B shares.
Options: 0.

AUDITORS

George Pettersson, born 1964.
Authorized Public Accountant
KPMG
The Company's auditor since 2001.

Thomas Thiel, born 1947.
Authorized Public Accountant
KPMG
The Company's auditor since 2001.

Deputy Auditors

Carin Rytoft Drangel, born 1959.
Authorized Public Accountant
KPMG. The Company's auditor since 2001.

Björn Sande, born 1960.
Authorized Public Accountant
KPMG. The Company's auditor since 2001.

Welcome to the Annual General Meeting!

Notice is hereby given to the shareholders in Lagercrantz Group AB (publ) to attend the regularly scheduled Annual General Meeting to be held at 4:00 p.m., Wednesday, August 24, 2004 at IVA Conference Center (Wallenbergsalen), Grev Turegatan 16, Stockholm.

NOTICE OF PARTICIPATION

Shareholders who wish to participate in the proceedings of the Annual General Meeting must

- be entered in the share register maintained by VPC AB not later than Friday, August 13, 2004, and

- file notice of their desire to attend not later than 3:00 p.m., Wednesday, August 18, 2004 under address Lagercrantz Group AB (publ), Box 3508, SE-103 69, Stockholm, Sweden, or telephone or +46-8-700 66 70, fax +46-8-28 18 05, or info@lagercrantz.com.

In order to exercise their voting rights, shareholders whose shares are registered in the name of a bank's trust department, or in the name of a stockbroker as nominee, must temporarily register their shares in their own name. Such registration must be com-peted not later than by Friday, August 13, 2004.

Shareholders who have changed their name, address or account number should immediately report such change to their custodian or to their institution of account (bank). A special form for the purpose is available at all Swedish bank branch offices.

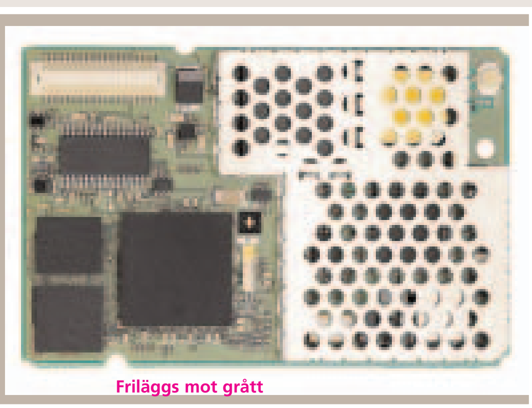
PAYMENT OF DIVIDEND

The resolutions of the Annual General Meeting will include the date by which shareholders must be registered in the share register maintained by the VPC AB in order to be entitled to receive dividend. The Board of Directors has proposed Friday, August 27, 2004 as record date.

On the condition that the Annual General Meeting adopts this proposal, dividends will be disbursed by VPC AB Wednesday, September 1, 2004 to shareholders of record.

REPORTING SCHEDULE

Q1 – Interim Report April 1 – June 30, 2004	August 24, 2004
Q2 – Interim Report April 1 – September 30, 2004	November 10, 2004
Q3 – Interim Report April 1 – December 31, 2004	February 8, 2005
Year-end Financial Report April 1 – March 31, 2005	May 11, 2005
Annual Report 2004/2005	July 2005



Lagercrantz markets special components and modules, has its own production of cable harnesses and offers solutions in the fields of safety and communication.

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