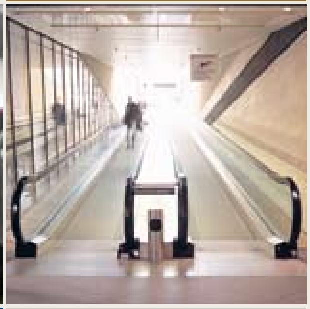
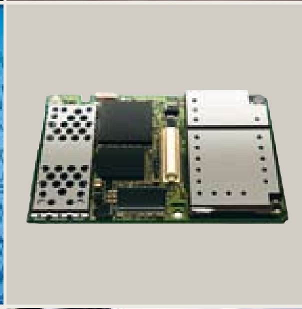



Lagercrantz Group

Interim report 1 April – 31 December 2005 (9 months)

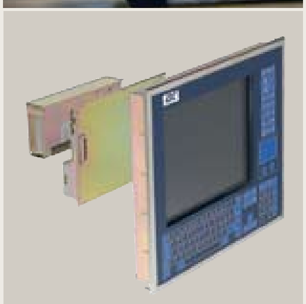





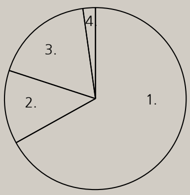



- Net revenues for the period 1 April – 31 December 2005 (9 months) increased to MSEK 1,177 (1,157). During the third quarter, 1 October – 31 December 2005, revenues increased to MSEK 405 (387).
- Operating income during the nine-month period rose to MSEK 42 (4). Operating income during the third quarter increased to MSEK 13 (4).
- Income after taxes for the period April – December increased to MSEK 29 MSEK (–1), MSEK 10 (3) of which during the third quarter.
- Earnings per share during April – December increased to SEK 1.21 (–0.04).
- The return on equity was 9.4 percent (1.3) and the equity ratio 48 percent (51)
- During November 400,000 class B shares were repurchased.
- Jörgen Wigh new Chief Executive Officer since 1 February 2006.



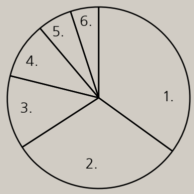




Current reporting period 1 April – 31 December 2005



Revenues by product category 2005/06, 9 months

1. Special products and systems, 67%
2. Standard components, 13%
3. Own production, 18%
4. Service and consulting, 2%



Revenues by country 2005/06, 9 months

1. Sweden, 35%
2. Denmark, 31%
3. Norway, 13%
4. Finland, 10%
5. Germany, 5%
6. Other, 6%

NET REVENUES AND RESULT

Net revenues of the Lagercrantz Group for the third quarter of 2005/06 (1 April – 31 December 2005) increased to MSEK 1,177 (1,157). During the third quarter, 1 October – 31 December 2005, net revenues amounted to MSEK 405 (387).

Operating income during April – December 2005/06 increased to MSEK 42 (4), which was equivalent to an operating margin of 3.6 percent (0.3 percent). During the third quarter operating income increased to MSEK 13 (4). An improvement in earnings continued to be recorded in division Electronics compared to the prior year thanks to improvements implemented with respect to product mix and rendering operations more efficient. The companies in the division continue to work on achieving leading positions in a number of niches to increase profitability, in part by further improvements in product line composition. Operating income for division Production Services declined due to lower revenues. All business areas in the Group increased their revenues and operating income.

Cost reductions implemented during the fourth quarter of last year are expected to reduce the Group's cost level by more than MSEK 10 annually. The effect of the cost reductions amounted to just short of MSEK 10 during the nine-month period until December, MSEK 3 of which during the third quarter.

Income after financial items for the period amounted to MSEK 41 (–1). Changes in foreign exchange rates affected the Group's result by approximately MSEK 1.

Calculated based on the average number of shares outstanding during the period April – December, earnings per share increased to 1.21 SEK (–0.04).

Order bookings for the Group increased during the nine-month period compared to the corresponding year-ago period. Order bookings were clearly higher during the third quarter than during the corresponding period one year ago.

PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

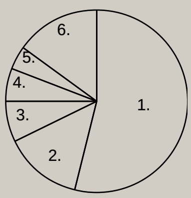
The return on capital employed for the most recent 12-month period was 10.0 as compared with 1.3 percent for the 2004/05 financial year. The corresponding figures for return on equity were 9.4 percent and 1,3 percent, respectively.

Cash flow from current operations increased to MSEK 62 for the nine-month period 2005/06 compared to MSEK 13 for the comparative period. The improvement is explained by improved earnings during the period and by a reduction in working capital during the most recent quarter. Investments in non-current assets during the period amounted to MSEK 13 (5). Investments in subsidiaries mounted to MSEK 28 (15). During November 400,000 class B shares were repurchased, which affected cash flow by approximately MSEK 10. Lagercrantz Group's holding of shares in treasury after these purchases amounts to 736,423 class B shares. The total number of shares outstanding is 24,414,232.

The Group reports a financial net liability at the end of the period of MSEK 9, as compared with a financial net claim of MSEK 5 at the beginning of the financial year.

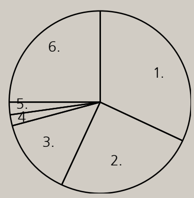
Shareholders' equity per share amounted to SEK 16.30, as compared with SEK 15.50 at the beginning of the financial year. The equity ratio at the end of the period stood at 48 percent compared to 51 percent at the beginning of the financial year.

Divisions/ business areas



Consolidated revenues by division/ business area 2005/06, 9 months

1. Electronics, 54 %
2. Production Services, 14 %
3. Digital Image Transmission, 7 %
4. HeathComm, 6 %
5. Communication, 4 %
6. Software, 15 %



Consolidated operating income by division/business area 2005/06, 9 months

1. Electronics, 32 %
2. Production Services, 25 %
3. Digital Image Transmission, 14 %
4. HeathComm, 2 %
5. Communication, 2 %
6. Software, 25 %

ELECTRONICS

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	628	658	853
Operating income	14	–11	–36
Operating margin	2,2 %	neg	neg

Net revenues for the period 1 April – 31 December 2005 amounted to MSEK 628 (658), MSEK 214 of which during the third quarter (198). Operating income improved to MSEK 14 (–11), which was equivalent to an operating margin of 2.2 percent. During the third quarter operating income amounted to MSEK 3 (–1).

For the nine-month the division recorded lower revenues compared to the prior year. This is due to the ongoing change in product mix in the division, with continued focus on products and niches where the division's companies can achieve a market-leading position. At the same time the division's companies are phasing out of products with lower margins, especially in the category of standard components. Sales increases in prioritised areas meant that third quarter revenues were higher than during the corresponding year-ago period.

The division's earnings are substantially better than during the prior year. This has been achieved through cost-containment action during the prior year and through ongoing operating efficiency gains and changes in product mix, resulting in higher margins.

Efforts in the division are aimed at creating profitability and opportunities for long-term growth. This will be achieved through a high degree of decentralisation, where the companies in the division are given a major responsibility in building a profitable and market-leading position in their respective local markets. The work involved in reviewing the product mix, with, among other things, a higher proportion of assembled products and solution sales, is now being intensified with the clear ambition of improving margins in combination with increased revenues.

The positive trend in order bookings continued during the period. Order bookings increased during the third quarter compared to the preceding year, and also in comparison with prior quarters during the current financial year. The positive development was especially pronounced in the Nordic Region, Poland and the UK in the areas of wireless industrial communication and embedded systems.

PRODUCTION SERVICES

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	169	154	205
Operating income	11	11	15
Operating margin	6,5 %	7,1 %	7,3 %

Net revenues for the period April – December 2005 increased to MSEK 169 (154). Operating income amounted to MSEK 11 (11) and the operating margin declined slightly to 6.5 percent. For the third quarter net revenues declined to 51 MSEK (58) and operating income to MSEK 2 (5).

Order bookings for the period April – December 2005 was at roughly the same level as during the prior year. For the remainder of the year revenues are expected to remain at about the same level as during the most recent quarter, with continued good profitability.

BUSINESS AREA DIGITAL IMAGE TRANSMISSION

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	85	65	95
Operating income	6	1	2
Operating margin	7,1 %	1,5 %	2,1 %

Net revenues for the nine-month period ending 31 December 2005 increased to MSEK 85 (65). During the third quarter revenues amounted to MSEK 31 (28). Operating income amounted to MSEK 6 (1), equivalent to an operating margin of 7.1 percent (1.5 percent). Operating income during the third quarter increased to MSEK 2 (0).

The business area's two businesses in video conferencing and camera-based surveillance systems increased revenues and earnings compared to the period of comparison. In video conferencing increased sales were achieved in the systems and service area. In surveillance systems a break-through sale was made in the area of cameras for port cranes during the second quarter and this had a positive effect on earnings for the entire nine-month period. The area is expected to continue to generate good growth and profitability for the remainder of the year.

BUSINESS AREA HEATHCOMM

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	75	60	74
Operating income	1	-2	-4
Operating margin	1,3 %	neg	neg

Net revenues for the period April – December 2005 increased to MSEK 75 (60). During the third quarter net revenues amounted to MSEK 28 (25). Operating income amounted to MSEK 1 (–2), MSEK 1 (–1) of which was generated during the third quarter.

New products in the security area were launched during the period and this strengthened the area's profitability. However, continued low margins on some of the major agencies mean that earnings remain at a low level. Major advances were made in the area of communication for vessels during the period, with a number of successful installations. Continued revenue and earnings improvements are expected in this area.

BUSINESS AREA COMMUNICATION

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	48	44	60
Operating income	1	0	-5
Operating margin	2,1 %	0,0 %	neg

Net revenues for the nine-month period ending 31 December 2005 increased to MSEK 48 (44), MSEK 17 (13) during the third quarter. Operating income amounted to MSEK 1 (0), equivalent to an operating margin of 2.1 % (0.0 %). Operating income for the quarter was MSEK 0 (–1).

Revenues increased compared to the preceding year. A clear improvement was seen especially during the third quarter compared to the year before. Sales successes were achieved particularly in the broadband area, but also in IP telephony several feasibility studies were completed with good results.

Continued improvements in revenues and income are predicted compared to the prior year.

BUSINESS AREA SOFTWARE

MSEK	9 months 2005/06	9 months 2004/05	12 months 2004/05
Net revenues	172	119	174
Operating income	11	8	14
Operating margin	6,4 %	6,7 %	8,0 %

Net revenues for the period April – December 2005 amounted to MSEK 172 (119) and operating income was MSEK 11 (8), equivalent to an operating margin of 6.4 % (6.7 %). For the third quarter revenues were MSEK 64 (44) and operating income was MSEK 5 (3).

Sales of CAD software continued to show a positive development during the period. Increases were recorded in Denmark as well as Norway. Investments made in the business in the beginning of the year contributed to growing sales and higher profitability during the most recent quarter. Good revenue increases are anticipated for the remainder of the year.

The comparative data for the prior year do no include companies Delphi and Uniweb, which were sold during the year.

Financial development in brief

ACCOUNTING PRINCIPLES AND COMMENTS

This interim has been prepared in accordance with IAS 34 Interim Financial Reporting, which is in accordance with the requirements posed by recommendation RR31 Consolidated Interim Reporting of the Swedish Financial Accounting Standards Council. The accounting principles applied are those described in document "Effects of adopting IFRS," which, among other things, shows that IFRS is applied from 1 April 2005 and comparative data for 2004/05 are recalculated, with the exception of the principles that apply for financial instruments (IAS 39 Financial Instruments: Recognition and Measurement). Years prior to 2004/05 have not been recalculated in accordance with IFRS. The tables below are based on the International Financial Reporting Standards presumed to be in force as of 31 March 2006.

For information on the effects of the adoption of IFRS on Lagercrantz Group's financial reports for 2004/05, including the opening balance as of 1 April 2004, reference is made to document "Effects of adopting IFRS" available at www.lagercrantz.com. The effects of recalculating the result for the first quarter of 2004/05 and shareholders' equity as of 31 December 2004 are set forth in this interim report.

In accordance with the rules for first-time adoption of IFRS, IAS 39 Financial Instruments: Recognition and Measurement is applied only the parts of the financial statements relating to 2005/06. The adoption of IAS 39 had no effect on the Group's result or equity during the first quarter of 2005/06.

NET REVENUES

– quarterly data		2005/06					2004/05
MSEK	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	214	200	214	195	198	227	233
Production Services	51	59	59	51	58	49	47
BA Digital Image Transmission	31	27	27	30	28	18	19
BA HeathComm	28	25	22	14	25	15	20
BA Communication	17	15	16	16	13	16	15
BA Software	64	59	49	55	44	41	34
Units sold*	-	-	-	-	21	17	19
Total for prev division Communication	*140*	*126*	*114*	*115*	*131*	*107*	*107*
Parent company/eliminations	-	-	-	-	-	-	-
GROUP TOTAL	**405**	**385**	**387**	**361**	**387**	**383**	**387**

OPERATING INCOME

– – quarterly data		2005/06					2004/05
MSEK	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Electronics	3	3	8	-25	-1	-8	-2
Production Services	2	4	5	4	5	3	3
BA Digital Image Transmission	2	3	1	1	0	2	-1
BA HeathComm	1	0	0	-2	-1	-1	0
BA Communication	0	1	0	-5	-1	1	0
BA Software	5	4	2	6	3	3	2
Units sold*	-	-	-	-	0	-1	0
Total for prev division Communication	*8*	*8*	*3*	*0*	*1*	*4*	*1*
Parent company/eliminations	0	-1	-1	-8	-1	0	-1
GROUP TOTAL	**13**	**14**	**15**	**-29**	**4**	**-1**	**1**

* Units sold refer to companies Delphi and Uniweb sold during 2004/05. These companies were part of business area Software. Data for the business area have been adjusted to account for this.

Financial development in brief

CONSOLIDATED INCOME STATEMENT

MSEK	3 months Oct-Dec 2005/06	3 months Oct-Dec 2004/05	9 months Apr–Dec 2005/06	9 months Apr–Dec 2004/05	Moving 12 months Jan–Dec 2005/06	Financial year Apr–Mar 2004/05
Net revenues	405	387	1 177	1 157	1 538	1 518
Cost of goods sold	-319	-299	-921	-896	-1 226	-1 201
Gross income	**86**	**88**	**256**	**261**	**312**	**317**
Selling costs	-48	-59	-141	-179	-192	-230
Administrative expenses	-29	-26	-83	-83	-120	-120
Other operating income	4	2	11	6	14	9
Other operating costs	0	-1	-1	-1	-1	-1
OPERATING RESULT	**13**	**4**	**42**	**4**	**13**	**-25**
(of which depreciation)	*(-4)*	*(-3)*	*(-11)*	*(-10)*	*(-18)*	*(-19)*
Sales of subsidiaries					29	29
Financial income and similar items	1	0	3	1	4	2
Financial expenses and similar items	-1	-2	-4	-6	-5	-7
RESULT AFTER FINANCIAL ITEMS	**13**	**2**	**41**	**-1**	**41**	**-1**
Taxes	-3	1	-12	0	-6	6
RESULTAT FOR THE PERIOD	**10**	**3**	**29**	**-1**	**35**	**5**
Result attributable to:						
Parent company shareholders	10	3	29	-1	35	5
Minority interest	0	0	0	0	0	0
Net result for the period	10	3	29	-1	35	5
Earnings per share, SEK	0,42	0,12	1,21	-0,04	1,46	0,21
Weighted number of shares outstanding after repurchaes (thousands)	23 854	24 078	24 003	24 078	24 022	24 078
Number of shares outstanding after the period's repurchaes (thousands)	23 678	24 078	23 678	24 078	23 678	24 078

CONSOLIDATED BALANCE SHEET

MSEK	2005 12 31	2004 12 31	2005 03 31
ASSETS			
Goodwill	38	36	31
Other intangible non-current assets	24	7	7
Tangible non-current assets	97	93	92
Financial non-current assets	44	46	42
Inventories	210	206	188
Short-term receivables	310	329	291
Cash and cash equivalents	76	132	78
TOTAL ASSETS	**799**	**849**	**729**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the Parent Company's shareholders	385	363	374
Equity attributable to the minority	0	0	0
Total shareholders' equity	*385*	*363*	*374*
Long-term liabilities	72	76	71
Short-term liabilities	342	410	284
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**799**	**849**	**729**
Interest-bearing assets	76	132	78
Interest-bearing liabilities	85	167	73

Finansiell utveckling i sammandrag

CONSOLIDATED CASH FLOW STATEMENT

MSEK	3 months Oct–Dec 2005/06	3 months Oct–Dec 2004/05	9 months Apr–Dec 2005/06	9 months Apr–Dec 2004/05	Financial year Apr–Mar 2004/05
Current operations					
Result after financial items	13	2	41	-1	-1
Adjustments for paid taxes, items not included in cash flow, etc.	1	19	1	28	8
Cash flow from current operations before changes in working capital	**14**	**21**	**42**	**27**	**7**
Cash flow from changes in working capital					
Increase(-)/Decrease(+) in inventories	-9	23	-8	20	38
Increase(-)/Decrease(+) in operating receivables	25	-10	-8	-34	-19
Increase(+)/Decrease(-) in operating liabilities	29	16	36	0	10
CASH FLOW FROM CURRENT OPERATIONS	**59**	**50**	**62**	**13**	**36**
Investment operations					
Investments in subsidiaries and other business units	-2	-10	-28	-15	-15
Sales of subsidiaries and other business units	-	-	-	-	16
Investments in other non-current assets, net	-4	-3	-13	-5	-7
CASH FLOW FROM INVESTMENT OPERATIONS	**-6**	**-13**	**-41**	**-20**	**-6**
Financing operations					
Dividends & repurchases of own shares	-10	-	-28	-22	-22
Financing operations	-29	-12	4	25	-67
CASH FLOW FROM FINANCING OPERATIONS	**-39**	**-12**	**-24**	**3**	**-89**
CASH FLOW FOR THE PERIOD	**14**	**25**	**-3**	**-4**	**-59**
Liquid funds at beginning of period	61	107	78	138	138
Translation difference in liquid funds	1	0	1	-2	-1
Liquid funds at end of period	76	132	76	132	78

CHANGE IN SHAREHOLDERS' EQUITY

MSEK	Apr–Dec 2005/06	Apr–Dec 2004/05
Opening balance	374	393
Repurchases of own shares	-10	-
Dividend	-18	-22
Period's translation difference	10	-7
Net result for the period	29	-1
Closing balance	385	363

KEY FINANCIAL INDICATORS

	9 months Apr–Dec 2005/06	9 months Apr–Dec 2004/05	2004/05	2003/04	2002/03	Financial year 2001/02
Change in net revenues. %	1.7	-0.3	-3.2	7.2	-26.2	-24.1
Operating margin. %	3.6	0.3	-1.6	1.7	1.8	4.1
Profit margin. %	3.5	-0.1	-0.1	1.5	1.1	4.0
Equity ratio. %	48.2	42.8	51.3	47.3	56.4	53.2
Debt equity ratio	0.2	0.5	0.2	0.3	0.2	0.3
Net debt equity ratio	0.0	0.1	0.0	0.0	0.0	-0.1
Interest coverage ratio	16	1	1	4	2	5
Net interest-bearing liabilities (+) / receivables (-). MSEK	9	35	-5	2	-19	-44
Number of employees at end of period	542	569	512	585	573	652
Revenues outside Sweden. MSEK	758	720	941	1 071	936	1 302
Per-share data						
Number of shares outstanding at end of period after repurchases (thousands)	23 678	24 078	24 078	24 078	25 078	26 941
Weighted number of shares outstanding after repurchases (thousands)	24 003	24 078	24 078	24 696	26 561	27 609
Operating result per share. SEK	1.75	0.17	-1.04	1.09	1.02	2.93
Result per share, SEK	1.21	-0.04	0.21	0.57	0.34	1.96
Cash flow per share, SEK	-0.12	-0.17	-2.45	1.21	-2.03	-0.87
Shareholders' equity per share, SEK	16.30	15.10	15.50	16.70	17.60	18.00
Latest market price paid per share, SEK	27.30	21.80	19.50	22.60	16.50	34.00

Definitions are found on page 25 of the most recent Annual Report. Year 2004/05 and the period's comparative data are recalculated in accordance with IFRS. Prior years have not been recalculated.

Other information

EFFECTS ON COMPARATIVE DATA FOR 2004/05 OF ADOPTION OF IFRS

MSEK	Shareholders' equity 2004 12 31	Period's result Apr–dec 2004/05
In accordance with prior accounting principles	369	-1
Effects of IFRS 16:		
Revaluation of properties *	-1	0
Effects of IFRS 3:		
Intangible assets *	5	-6
Goodwill*	-9	4
Tax effects *	-1	2
	-6	0
In accordance with current accounting principles (IFRS)	363	-1

* Properties refer to changed depreciation principles. Intangible assets refer to amortisation. Goodwill refers to reversal of amortisation and tax effects on the above adjustments.

PARENT COMPANY

The Parent Company's internal net revenues amounted to MSEK 15 (20) and income after financial items was MSEK 3 (55). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK 0 (–2). Dividends from subsidiaries amounted to MSEK 9 (60), net.

The Parent Company has an approved committed credit facility of MSEK 250. MSEK 33 of this facility was utilised compared to MSEK 35 at the beginning of the financial year. No other liquid funds were held at the beginning of the year (0).

EMPLOYEES

The number of employees in the Group at the end of the period was 542, which can be compared to 512 at the beginning of the period. The increase is explained by acquired businesses.

DISTRIBUTION OF SHARES AND REPURCHASES

The share capital at the end of the period was MSEK 48.8 after cancellation of 1,500,000 previously repurchased class B shares as resolved by the regularly scheduled Annual General Meeting held 24 August 2005. The distribution on classes of shares is as follows:

Class of share	Shares outstanding
Class A shares	1 097 342
Class B shares	23 316 890
Repurchased class B shares	-736 423
TOTAL	**23 677 809**

In November 2005, 400,000 class B shares were repurchased, after which Lagercrantz owns 736,423 class B shares, which is equivalent to 3.0 percent of the number of shares outstanding and 2.1 percent of the votes in Lagercrantz. The average acquisition cost of the shares held in treasury amounts to SEK 23.12 per share.

EVENTS AFTER THE BALANCE SHEET DATE 31 DEC 2005

Jörgen Wigh assumed the position of President & CEO of Lagercrantz Group on 1 February 2006. He succeeds Per Ikov, who will remain a member of Group management as Senior Executive Vice President. Mattias Sonnenfeld, Senior Executive Vice President and a member of Group management, will be leaving the Group during the spring of 2006. In connection with the Board of Directors' meeting held 9 February 2006, Per Ikov left the Board of Directors.

ELECTION COMMITTEE FOR ELECTION OF DIRECTORS

The regularly scheduled Annual General Meeting held 24 August 2005 resolved to authorise the Chairman of the Board of Directors to contact the largest shareholders by voting power not later than 31 December 2005, requesting them to appoint members who together with the Chairman will constitute an election committee. In accordance herewith the following persons have been appointed as members of the election committee before the 2006 Annual General Meeting: Anders Börjesson (Chairman of the Board of Directors), Tom Hedelius, Jan Andersson (representing Robur funds), Henrik Söderberg (representing Skandia Liv) and Pär Stenberg. Proposals to the election committee from shareholders shall be submitted to the Company to be forwarded.

REGULAR ANNUAL GENERAL MEETING 2006

The regularly scheduled 2006 Annual General Meeting for the 2005/06 financial year will be held at 4:00 p.m., 23 August 2006, at IVA conference centre, Grev Turegatan 16, Stockholm. Information about the Meeting will be submitted to shareholders on an ongoing basis and will be available at the Company's Website.

Stockholm 9 February 2006
Jörgen Wigh
President & CEO

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

Lagercrantz
Group in brief

LAGERCRANTZ GROUP IN BRIEF

Lagercrantz is a technology trading group in electronics and communication. The Group is active in well defined niches and markets special components and modules among other things, has its own production of cable harnesses and offers solutions in security and communication.

Customers are primarily manufacturing companies. Lagercrantz is a leading player in the Nordic Market. Aside from in Denmark, Finland, Norway and Sweden, the company also has activity in Poland, Switzerland, the United Kingdom, Germany and Hong Kong.

The Group consists of the Parent Company, Lagercrantz Group AB, with subsidiaries that are organised in the two divisions Electronics and Production Services, and the four business areas Digital Image Transmission, HeathComm, Communication and Software.

CALENDAR

• Year-end report for the period 1 April 2005 – 31 March 2006	9 May 2006
• Annual Report 2005/06	Mid-July 2006
• Interim report for the period 1 April – 30 June 2006	14 August 2006
• Annual General Meeting 2006	23 August 2006
• Interim report for the period 1 April– 30 September 2006	7 November 2006

FOR FURTHER INFORMATION, CONTACT

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