

## **LAGERCRANTZ GROUP**

*Lagercrantz Group offers – within well defined niches and in partnership with customers and producers – products and solutions in the fields of electronics and communications that contribute to customers' competitiveness. Our vision is to be a growth-oriented, profitable and international knowledge-based company in electronics and communications solutions.*

# **LAGERCRANTZ GROUP**

## **Interim Report for the period April 1 – June 30, 2002 (3 months)**

- **Net revenues declined to MSEK 360 (589) due to a continued weak market situation with slow demand in the electronics and telecom sectors. However, for the first time in five quarters, order bookings exceed invoicing.**
- **The operating result, not including items affecting comparability, amounted to MSEK –2 (34). Items affecting comparability amounted to MSEK 0 (5).**
- **Cash flow from current operations amounted to MSEK 26 (5). The Group's equity ratio increased to 57 percent (41).**
- **Further cost reductions were implemented during the first quarter. The level of overhead in the Group, together with measures implemented during the preceding financial year, has been lowered by about MSEK 100 on an annual basis.**
- **Continuing efforts in industrial communication, security and overall solutions for electronic applications.**

### **NET REVENUES AND RESULT**

Net revenues declined to MSEK 360 (589). The operating result, not including items affecting comparability, amounted to MSEK –2 (34) with an operating margin of –0.6 percent (5.8). The result after financial items was MSEK –6 (38). This result includes foreign exchange losses of MSEK 5 (0) and items affecting comparability in an amount of MSEK 0 (5).

The result after taxes was MSEK –4 (27), which is equivalent to SEK –0.15 per share (0.97). For the most recent 12-month period the corresponding

values were MSEK 23 and SEK 0.85, respectively, as compared with MSEK 54 and SEK 1.96, respectively, for the preceding operating year.

The market situation continues to be marked by weak demand in the Group's main business. Sharp cost reductions during the preceding operating year were not sufficient to offset the large drop in volume. Order bookings exceeded invoicing during the first quarter, however.

Further cost adaptations have been instituted in some of the Group's business units to counteract the effects of the state of the market. The cost of these measures was charged to first quarter income.

## COMPONENTS

Net revenues fell sharply to MSEK 202 (404). Parts of the business in the former operating area Systems were integrated into Components effective as of April 1, 2002. The comparative figure includes operations sold in March 2002 with sales of about MSEK 30. The operating result was MSEK -3 (27).

Further cost adaptations were instituted during the first quarter, and the effect of these measures will have a positive effect on earnings in coming quarters.

No clear signals of a recovery of the market are discernible. The division's focus on industrial communication nonetheless saw a good development during the period and this business will have a positive impact on earnings already during the current year. Compared to the situation at the end of the preceding financial year, order bookings during the first quarter stabilized at a slightly higher level, however.

## PRODUCTION SERVICES

Net revenues declined to MSEK 46 (58), and the operating result was MSEK 0 (6).

2B-Electronics, which is the division's unit within overall solutions for electronics applications captured its first major project during the period, but still makes a negative contribution to the division's earnings.

The division has a strong position with proprietary manufacturing of customized cable harness products at production facilities in Finland, Denmark and Sweden, and with partners in Asia for volume production.

## COMMUNICATION

Net revenues amounted to MSEK 112 (127). The operating result amounted to MSEK 0 (0).

The action program implemented in the consulting business has resulted in a significant improvement of profitability and the business recorded a positive result. In addition hereto, the division's operations in distribution of CAD software showed a very positive development.

The postponement of several major projects had a negative effect on the division's sales during the first quarter, but improved earnings are expected during the second quarter.

## DIVISIONS

	Net revenues		Operating result	
	3 months	12 months	3 months	12 months
	2002/ 2003	2001/ 2002	2002/ 2003	2001/ 2002
MSEK				
Components	202	400	-3	26
Production Services	46	63	0	6
Communication	112	126	0	1
Parent Company/consolidation eliminations	0	0	1	1
Items affecting comparability	0	0	0	5
GROUP TOTAL	360	589	-2	39

NET REVENUES – quarterly data		2002/2003		2001/2002	
MSEK		Q 1	Q 4	Q 3	Q 2
Components		202	252	295	310
Production Services		46	47	42	51
Communication		112	124	146	127
Parent Company/consolidation eliminations		0	0	0	0
GROUP TOTAL		360	423	483	488

OPERATING INCOME*		2002/2003		2001/2002	
MSEK		Q 1	Q 4	Q 3	Q 2
Components		-3	7	8	13
Production Services		0	3	-1	1
Communication		0	1	6	7
Parent Company/consolidation eliminations		1	0	2	0
GROUP TOTAL		-2	11	15	21

\* Not including items affecting comparability.

**CONSOLIDATED STATEMENT OF INCOME**

	April/ June 2002/ 2003	April/ June 2001/ 2002	12 months ending	
MSEK			Jun. 30, 2002	Mar. 31, 2002
Net revenues	360	589	1754	1983
Operating expenses (of which depreciation)	-362 (-5)	-555 (-6)	-1709 (-21)	-1902 (-22)
Items affecting comparability	0	5	-5	0
OPERATING RESULT	-2	39	40	81
Financial income and expense	-4	-1	-5	-2
RESULT AFTER FINANCIAL ITEMS	-6	38	35	79
Taxes	2	-11	-12	-25
NET RESULT FOR THE PERIOD	-4	27	23	54
Earnings per share, SEK	-0.15	0.97	0.84	1.96
Earnings per share, not including items affecting comparability, SEK	-0.15	0.85	0.98	1.96
Number of shares outstanding after repurchases during the period ('000)	26 941	27 864	26 941	26 941
Weighted number of shares outstanding after repurchases ('000)	26 941	27 864	27 378	27 609

The dilutive effect of the personnel option program is marginal.

**CONSOLIDATED BALANCE SHEET**

MSEK	Jun. 30, 2002	Jun. 30, 2001	Mar. 31, 2002
ASSETS			
Tangible fixed assets	108	123	111
Financial assets	27	31	26
Inventories	240	386	243
Short-term receivables	293	441	326
Liquid funds	188	198	172
TOTAL ASSETS	856	1179	878
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	488	481	484
Interest-bearing liabilities and provisions	120	281	128
Non-interest-bearing liabilities and provisions	248	417	266
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	856	1179	878

**CONSOLIDATED STATEMENT OF CASH FLOW**

MSEK	3 months		Full year
	2002/ 2003	2001/ 2002	2001/ 2002
Current operations before changes in working capital	-1	36	38
Changes in working capital	27	-31	120
Cash flow from current operations	26	5	158
Investments in subsidiaries and other business units	0	0	0
Net investments in other fixed assets	-2	-4	-12
CASH FLOW BEFORE FINANCING	24	1	146
Financing operations	-8	0	-170
CASH FLOW FOR THE PERIOD	16	1	-24
Liquid funds at beginning of year	172	196	196
Translation difference in liquid funds	0	1	0
Liquid funds at end of period	188	198	172

## Change in shareholders' equity

MSEK	Apr. – Jun. 2002
Opening balance	484
Translation difference for the period	8
Result for the period	–4
Closing balance	488

KEY FINANCIAL INDICATORS SEK	3 months		12 months ending	
	2002/ 2003	2001/ 2002	Jun. 30, 2002	Mar. 31, 2002
NUMBER OF SHARES OUTSTANDING IN THOUSANDS				
Average number of shares outstanding	26 941	27 864	27 378	26 941
Number of shares outstanding at end of period	26 941	27 864	26 941	27 609
Return on capital employed, %			7.4	14.8
Return on capital employed, not including items affecting comparability, %			8.0	14.8
Return on equity, %			4.7	11.6
Return on equity, not including items affecting comparability, %			5.6	11.6

## PROFITABILITY, FINANCIAL POSITION AND CAPITAL EXPENDITURES

The return on capital employed before items affecting comparability for the most recent 12-month period was 7.4 percent, as compared with 14.8 percent for the preceding financial year. The corresponding figures for return on equity were 4.7 percent and 11.6 percent.

The Group's equity ratio at the end of the period was 57 percent, as compared with 55 percent at the beginning of the financial year. Shareholders' equity per share amounted to SEK 18.10, as compared with SEK 18.00 at the beginning of the financial year.

Cash flow from current operations amounted to MSEK 26 for the period. The Group's net financial claims amounted to MSEK 67 at the end of the period, as compared with MSEK 44 at the beginning of the financial year.

Capital expenditures in fixed assets amounted to MSEK 4 (4).

## CORPORATE ACQUISITIONS

In June, an agreement was concluded to acquire all shares outstanding in Unitronic AG, Germany.

Possession will be taken during the second quarter.

Unitronic AG is a niche-oriented electronics vendor of special components and modules. The company has 28 employees and sales of about MSEK 130. The head office is located in Düsseldorf and the company is active in the entire German market via branch offices.

The acquisition of Unitronic AG is an important step in the ambition of Lagercrantz of becoming a more international electronics and communications company. The company will be a part of division Components.

## PARENT COMPANY

The Parent Company's net revenues amounted to MSEK 8 (8) and income after net financial items was MSEK 7 (3).

## EMPLOYEES

The number of employees in the Group at the end of the period was 622, which can be compared to 652 at the beginning of the period.

## **FUTURE PROSPECTS**

The market still provides no signals of an impending improvement of the state of the economy.

Previous expectations with respect to the current operating year therefore remain unchanged. Weak earnings performance is expected for the first six months of the year. During the second half of the year cost-cutting actions implemented will have its full effect and this is expected to lead to improved earnings.

*This interim report has been prepared in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council. The same accounting principles and methods of calculation have been used in the interim report as were used in the Annual Report for 2001/2002, with the exception of the new recommendations for 2002 of the Swedish Financial Accounting Standards Council, which have no effect on the Group's reported result and financial position.*

Stockholm, August 21, 2002

Jan Friis  
President & CEO

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

The interim report for the period April 1 – September 30, 2002 will be presented November 22, 2002.

Lagercrantz Group AB (publ) • P.O. Box 3508 • Torsgatan 2 • SE-103 69 Stockholm, Sweden  
Telephone +46-8-700 66 70 • Fax +46-8-28 18 05 • [info@lagercrantz.com](mailto:info@lagercrantz.com) • [www.lagercrantz.com](http://www.lagercrantz.com)  
Organization number 556282-4556