



Interim Report 2014/15 Q1

1 April – 30 June 2014

- Net revenue increased by 11 percent to MSEK 677 (611).
- Organic growth for comparable units was up by 4 percent measured in local currency.
- Operating profit increased by 19 percent to MSEK 64 (54), equivalent to an operating margin of 9.5 percent (8.8).
- Profit after finance items increased by 17 percent to MSEK 61 (52).
- Profit after taxes increased by 21 percent to MSEK 47 (39).
- Earnings per share for the first quarter, after dilution, amounted to SEK 2.07 (1.72) and for the twelve-month period ending 30 June 2014 earnings per share was SEK 8.17 (compared to SEK 7.81 for the 2013/14 financial year).
- Cash flow from operating activities for the twelve-month period ending 30 June 2014 increased to MSEK 241 (218), equivalent to SEK 10.64 (9.66) per share.
- The return on equity for the twelve-month period ending 30 June 2014 was 23 percent (23). The equity ratio at the end of the period was 46 percent, compared to 43 percent at the beginning of the quarter.
- The Annual General Meeting will be held at 4:00 p.m., 26 August 2014, at the IVA Conference Centre in Stockholm.

NET REVENUE AND RESULT

3 Months April 2014 – June 2014

Net revenue for the Lagercrantz Group for the first quarter of the 2014/15 financial year increased by 11 percent to MSEK 677 (611). Acquired units contributed MSEK 26, which means organic growth of 4 percent for comparable units, measured in local currency. Sales continued to develop well overall in Scandinavia. Sales to the manufacturing industry showed a good development, in component sales and in project-related sales. Though, the development of the Finnish market continued to be weak.

Operating profit for the period increased by 19 percent to MSEK 64 (54). The operating margin increased to 9.5 percent (8.8). The effect of foreign exchange rate changes on operating profit was MSEK 2 (0) during the quarter.

Profit after net finance items increased by 17 percent to MSEK 61 (52). The earnings improvement is explained primarily by acquired units and a positive development in division Mechatronics, with operations in electricity-related products and custom cable harnesses. The sales mix continued to move in the direction of a growing proportion of proprietary products, which accounted for 34 percent of sales, and where the margins are higher. Net finance items was impacted by currency effects in the amount of MSEK 0 (0).

Profit before taxes for the period increased by 21 percent to MSEK 47 (39), equivalent to earnings per share after dilution of SEK 2.07 (1.72). Earnings per share after dilution for the most recent twelve-month period was SEK 8.17, compared to SEK 7.81 for the 2013/14 financial year.

PROFITABILITY AND FINANCIAL POSITION

The return on equity for the most recent twelve-month period was 23 percent (23) and the return on capital employed was 23 percent (23).

The Group’s metric for return on working capital (P/WC) was 54 percent (50). This metric is measured over a twelve-month period as operating profit divided by average working capital, with working capital consisting of inventories, trade receivables and trade payables.

Equity per share amounted to SEK 38.27 at the end of the period, as compared with SEK 35.74 at the beginning of the financial year and, aside from by the profit number, was affected by currency-related translation effects.

The equity ratio stood at 46 percent as compared with 43 percent at the beginning of the financial year.

At the end of the period under review the financial net liability amounted to MSEK 246, not including pension liability at the beginning of the year.

The Group’s net debt to equity ratio, not including provisions for pensions, stood at 0.3 (0.3). The pension liability amounted to MSEK 55 as of 30 June 2014, as compared with MSEK 58 one year before.

CASH FLOW AND CAPITAL EXPENDITURES

Cash flow from current operations for the most recent twelve-month period amounted to MSEK 241 (218), and MSEK 57 (47) during the first quarter. Investments in non-current assets amounted to MSEK 9 (7), gross, during the first quarter.

No shares were repurchased during the first quarter, but 49,500 repurchased class B shares held in treasury were sold in connection with redemption of options for a total of MSEK 3 (4). In addition hereto, options for a total of MSEK 2 (2) were repurchased.

MSEK 10 in additional consideration for prior acquisitions was paid during the quarter.

Revenue by business type
MTM 2014/15 (2013/14)



- Value-added trading 43% (47)
- Proprietary products 34% (30)
- Niche production 14% (13)
- System integration 6% (7)
- Service 2% (2)
- Other 1% (1)

Revenue by geographic market
MTM 2014/15 (2013/14)



- Sweden 32% (35)
- Denmark 18% (19)
- Norway 20% (20)
- Finland 6% (6)
- Other Europe 18% (15)
- Asia 3% (3)
- Other 3% (2)

Divisions

	Net revenue			Operating profit		
	3 months Apr-June 2014/15	3 months Apr-June 2013/14	12 months Apr-Mar 2013/14	3 months Apr-June 2014/15	3 months Apr-June 2013/14	12 months Apr-Mar 2013/14
MSEK						
Electronics	184	170	691	13	11	56
<i>Operating margin</i>				7.1%	6.5%	8.1%
Mechatronics	208	188	750	34	25	108
<i>Operating margin</i>				16.2%	13.3%	14.4%
Communications	195	192	802	11	15	51
<i>Operating margin</i>				5.6%	7.8%	6.4%
Niche Products	90	61	303	10	9	45
<i>Operating margin</i>				11.1%	14.8%	14.9%
Parent Company/ consolidation items	-	-	-	-4	-6	-18
GROUP TOTAL	677	611	2,546	64	54	242
<i>Operating margin</i>				9.5%	8.8%	9.5%
Finance items				-3	-2	-12
PROFIT BEFORE TAXES				61	52	230

NET REVENUE AND PROFIT BY DIVISION, FIRST QUARTER

Electronics

Net revenue for the first quarter increased by 8 percent to MSEK 184 (170). The sales growth was generated by acquired business volume in the area of LED lighting, together with a positive development in component sales.

Operating profit increased by 18 percent to MSEK 13 (11). This is equivalent of an operating margin of 7.1 percent (6.5). The improvement in earnings and margin is due primarily to the growing proportion of lighting products and increments from acquisitions, but also from increased sales of components to the manufacturing industry.

Mechatronics

Net revenue for the first quarter increased by 11 percent to MSEK 208 (188). The strong sales performance is mainly due to increased sales of custom cable harnesses and to a continued good development for the electricity-related product companies.

Operating profit for the quarter increased by 36 percent to MSEK 34 (25), equivalent to an operating margin of 16.2 percent (13.3). The earnings improvement is mainly due to strong earnings performance in the areas of enclosures, electric connection systems and circuit breakers, as well as custom cable harnesses for the wind power industry.

Communications

Net revenue for the first quarter increased by 2 percent to MSEK 195 (192). In certain units of the areas of digital image/technical security and software, demand was good compared to the year before.

Operating profit for the quarter amounted to MSEK 11 (15), which is equivalent to an operating margin of 5.6 percent (7.8). The lower result is explained primarily by the fact that the preceding year contained extra strong sales in product area digital image/technical security. There was also an increased proportion of sales of software for computer-aided design at lower margins during the quarter.

Niche Products

Net revenue for the first quarter increased by 48 percent to MSEK 90 (61). Revenue was affected in a positive direction by acquired volume in dispenser solutions for the food industry and by a positive development for storage and exposure solutions.

Operating profit for the quarter amounted to MSEK 10 (9), equivalent to an operating margin of 11.1 percent (14.8). The lower margin is due primarily to increased sales of storage and exposure solutions at lower margins and to a lower sales volume in a couple of units.

OTHER FINANCIAL INFORMATION

Parent Company and other consolidation items

The Parent Company's internal net revenue for the quarter amounted to MSEK 8 (8) and profit after finance items was MSEK 214 (126). This result includes exchange rate adjustments on intra-Group lending in the amount of MSEK 2 (2) and dividends from subsidiaries in the amount of MSEK 218 (130). Investments in non-current assets amounted to a net of MSEK 0 (0). MSEK 285 (236) of the Parent Company's total available credit facilities in the amount of MSEK 700 was utilised at the end of the period. The Parent Company's equity ratio stood at 66 percent (63).

Employees

The number of employees in the Group at the end of the period under review was 1,044, which can be compared to 1,010 at the beginning of the financial year.

Share capital

At the end of the period, the share capital amounted to MSEK 48.9. The quotient value per share is SEK 2.11. The distribution on classes of shares is as follows:

Classes of shares	
Class A shares	1,091,966
Class B shares	22,081,343
Class B shares held in treasury	-599,550
Total	22,573,759

As of 30 June 2014 Lagercrantz held 599,550 of its own shares in treasury, equivalent to 2.6 percent of the total number of shares outstanding, and 1.8 percent of the votes in Lagercrantz Group. The average cost of the repurchased shares is SEK 43.17 per share. Shares held in treasury cover, inter alia, the Company's obligations under outstanding option programmes, where a total of 469,500 options have been acquired by members of senior management. This refers to awards for the years 2011, 2012 and 2013 on options that remain outstanding. The redemption price under each programme is SEK 57.20, SEK 70.30 and SEK 125.40 per share, respectively.

During the first quarter parts of the incentive programme based on options on repurchased class B shares acquired by members of senior management in the Group during 2011 were redeemed. In connection with redemption of options, 49,500 repurchased class B shares for a total of MSEK 3 were sold. In

addition hereto, 26,500 outstanding options for a total of MSEK 2 were repurchased.

Acquisitions

No acquisitions were made during the first quarter, but Lagercrantz remains optimistic about additional future acquisitions in interesting niches.

Accounting policies

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Securities Market Act, and the provisions of RFR 2 Accounting for legal entities. In addition to the new accounting policies for 2014 described below, the same accounting policies are applied in this interim report as in the Annual Report for 2012/13.

New or revised IFRS and interpretations issued by the IFRS Interpretations Committee, with effect from 1 April 2014, has not had a material effect on the Group or the parent company.

Related party disclosures

Transactions between Lagercrantz Group and closely related parties with an effect on the financial position and profit have not occurred.

Risks and uncertainty factors

The most important risk factors for the Group are the state of the economy, structural changes in the market, supplier and customer dependence, the competitive situation and foreign exchange trends.

The Group has adopted a cautious approach and follows changes in the world around us diligently. In other respects, reference is made to the 2013/14 Annual Report. The Parent Company is affected by the above-mentioned risks and uncertainty factors by virtue of its function as owner of its subsidiaries.

Events after the balance sheet date

No events of significance for the Company have occurred after the balance sheet date 30 June 2014.

2014 Annual General Meeting

The 2014 Annual General Meeting will be held at 4:00 p.m., 26 August 2014, at the conference centre of the Royal Swedish Academy of Engineering Sciences, Grev Turegatan 16, in Stockholm. The notice for the Annual General Meeting will be

published 18 July 2014. The Annual Report was published 2 July 2014.

All shareholders whose names are entered in the shareholder register five days before the Annual General Meeting may participate personally or via proxy. Notice shall be given to the Company in accordance with instruction contained in the notice.

Stockholm, 18 July 2014

Jörgen Wigh
President and CEO

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

Segment Information by Quarter

Net revenue	2014/15		2013/14		
	Q1	Q4	Q3	Q2	Q1
MSEK					
Electronics	184	186	178	157	170
Mechatronics	208	186	190	185	188
Communications	195	229	212	169	192
Niche Products	90	93	83	66	61
Parent Company/consolidation eliminations					
GROUP TOTAL	677	694	663	577	611

Operating profit	2014/15		2013/14		
	Q1	Q4	Q3	Q2	Q1
MSEK					
Electronics	13	18	15	11	11
Mechatronics	34	25	27	31	25
Communications	11	12	14	11	15
Niche Products	10	15	12	9	9
Parent Company/consolidation eliminations	-4	-3	-5	-4	-6
GROUP TOTAL	64	67	63	58	54

Consolidated Income Statement

MSEK	3 months Apr-Jun 2014/15	3 months Apr-Jun 2013/14	Moving 12 months, Jul - Jun 2013/14	Financial year 2013/14
Net revenue	677	611	2,612	2,546
Cost of goods sold	-459	-417	-1,783	-1,741
GROSS PROFIT	218	194	829	805
Selling costs	-113	-100	-422	-409
Administrative costs	-43	-40	-164	-161
Other operating income and expense	2	0	9	7
OPERATING PROFIT	64	54	252	242
<i>(of which depreciation)</i>	<i>(-12)</i>	<i>(-10)</i>	<i>(-46)</i>	<i>(-44)</i>
Net finance items	-3	-2	-13	-12
PROFIT AFTER FINANCE ITEMS	61	52	239	230
Taxes	-14	-13	-54	-53
NET PROFIT FOR THE PERIOD	47	39	185	177
Earnings per share, SEK	2.08	1.73	8.21	7.85
Earnings per share after dilution, SEK	2.07	1.72	8.17	7.81
Weighted number of shares outstanding after repurchases ('000)	22,548	22,562	22,540	22,544
Weighted number of shares outstanding after repurchases adjusted for dilution ('000)	22,685	22,693	22,640	22,665
Number of shares outstanding after the period's repurchases ('000)	22,574	22,611	22,574	22,524

In view of the strike price on outstanding call options during the period (SEK 57.20, SEK 70.30 and SEK 125.40) and the average market price of the share during the most recent twelve-month period when the option programmes were outstanding (SEK 117.49), there was a dilutive effect of 0.4 percent for the most recent twelve-month period. For the most recent quarter, there was a dilutive effect of 0.6 percent as the average market price (SEK 135.80) was higher than the strike price for outstanding programmes.

Consolidated Statement of Comprehensive Profit

MSEK	3 months Apr-Jun 2014/15	3 months Apr-Jun 2013/14	Moving 12 months, Jul - Jun 2013/14	Financial year 2013/14
Net profit for the period	47	39	185	177
Other comprehensive profit				
<u>Items that have been or may be converted into profit for the period</u>				
Change in translation reserve	11	13	11	13
<u>Items that may not be converted into profit for the period</u>				
Actuarial effects on pensions	0	0	3	3
Tax related to actuarial effects	0	0	-1	-1
COMPREHENSIVE PROFIT FOR THE PERIOD	58	52	198	192

Consolidated Statement of Financial Position

MSEK	2014-06-30	2013-06-30	2014-03-31
ASSETS			
Goodwill	589	525	584
Other intangible non-current assets	294	230	296
Tangible non-current assets	141	126	140
Financial non-current assets	10	10	9
Inventories	290	246	279
Short-term receivables	499	473	531
Cash and cash equivalents	36	28	38
TOTAL ASSETS	1,859	1,638	1,877
EQUITY AND LIABILITIES			
Equity	864	753	805
Long-term liabilities	210	147	211
Current liabilities	785	738	861
TOTAL EQUITY AND LIABILITIES	1,859	1,638	1,877
Interest-bearing assets	36	28	38
Interest-bearing liabilities, not including pension liabilities	282	246	323

Statement of Changes in Consolidated Equity

MSEK	3 months Apr-Jun 2014/15	3 months Apr-Jun 2013/14	Moving 12 months, Jul - Jun 2013/14	Financial year 2013/14
Opening balance	805	699	753	699
Comprehensive profit for the period	58	52	198	192
Transactions with owners				
Dividend	-	-	-73	-73
Exercise and acquisition of options on repurchased shares, net	1	2	-3	-2
Repurchase of own shares	0	0	-11	-11
CLOSING BALANCE	864	753	864	805

Consolidated Statement of Cash Flows

MSEK	3 months Apr-Jun 2014/15	3 months Apr-Jun 2013/14	Moving 12 months, Jul - Jun 2013/14	Financial year 2013/14
Operating activities				
Profit after finance items	61	52	239	230
Adjustment for paid taxes, items not included in cash flow, etc.	3	-1	-11	-15
Cash flow from operating activities before changes in working capital	64	51	228	215
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in inventories	-8	-5	-21	-18
Increase (-)/Decrease (+) in operating receivables	40	-1	11	-30
Increase (+)/Decrease (-) in operating liabilities	-39	2	23	64
Cash flow from operating activities	57	47	241	231
Investment activities				
Investment in businesses	-10	-11	-129	-130
Investment in/disposal of other non-current assets, net	-9	-7	-47	-45
Cash flow from investment activities	-19	-18	-176	-175
Financing activities				
Dividend, option redemption & repurchase of own shares/options	1	2	-87	-86
Other financing activities	-41	-39	30	32
Cash flow from financing activities	-40	-37	-57	-54
CASH FLOW FOR THE PERIOD	-2	-8	8	2
Cash and cash equivalents at beginning of period	38	36	28	36
Translation difference in cash and cash equivalents	0	0	0	0
Cash and cash at end of period	36	28	36	38

Financial Instruments

For all of the Group's financial assets fair value is estimated to equal carrying value. Liabilities at fair value are conditional consideration, valued as discounted estimated cash flow and are therefore included in level 3 in accordance with IFRS 13.

Carrying value, MSEK	2014-06-30	2014-03-31
Assets at fair value	-	-
Assets valued at accrued acquisition value	458	479
TOTAL ASSETS, FINANCIAL INSTRUMENTS	458	479
Liabilities at fair value	87	97
Liabilities valued at accrued acquisition value	461	535
TOTAL LIABILITIES, FINANCIAL INSTRUMENTS	548	632
Change in conditional consideration		
	3 months Apr-Jun 2014/15	Financial year 2013/14
Opening balance	97	72
Liabilities settled during the year	-10	-2
Revaluation of liabilities during the year	0	-4
The year's liabilities from acquisitions during the year	0	31
Translation difference	0	0
Carrying value at end of period	87	97

Key Financial Indicators

	Moving 12 months Jul - Jun 2013/14	Financial year			
		2013/14	2012/13	2011/12	2010/11
Revenue	2,612	2,546	2,328	2,265	2,029
Change in revenue, %	3	9	3	12	18
Profit after taxes	185	177	159	126	102
Operating margin, %	9.6	9.5	9.1	8.1	7.2
Profit margin, %	9.2	9.0	8.6	7.5	6.8
Equity ratio, %	46	43	44	46	42
Operating profit/Working capital(P/WC), %	54	55	52	48	45
Return on capital employed, %	23	22	23	22	21
Return on equity, %	23	24	24	22	20
Debt equity ratio	0.3	0.4	0.4	0.3	0.5
Net debt equity ratio	0.3	0.4	0.4	0.2	0.4
Interest coverage ratio	16	16	13	11	12
Net interest-bearing liabilities (+)/receivables (-), MSEK	246	285	248	135	193
Number of employees at end of period	1,044	1,010	932	780	731
Revenue outside Sweden, MSEK	1,766	1,676	1,553	1,533	1,355

Per-share data

	Financial year				
	2013/14	2013/14	2012/13	2011/12	2010/11
Number of shares outstanding at end of period after repurchases ('000)	22,574	22,524	22,520	22,217	22,196
Weighted number of shares outstanding after repurchases ('000)	22,540	22,544	22,426	22,242	22,046
Weighted number of shares outstanding after repurchases & dilution ('000)	22,640	22,665	22,501	22,392	22,133
Operating profit per share after dilution, SEK	11.13	10.68	9.47	8.22	6.64
Earnings per share, SEK	8.21	7.85	7.09	5.66	4.63
Earnings per share after dilution, SEK	8.17	7.81	7.07	5.63	4.61
Cash flow from operating activities per share after dilution, SEK	10.64	10.19	7.87	7.82	5.33
Cash flow per share after dilution, SEK	0.35	0.09	0.00	-0.89	1.22
Equity per share, SEK	38.27	35.74	31.00	27.90	24.60
Latest market price per share, SEK	147.25	127.00	88.25	57.25	61.75

Definitions are found in the 2013/14 Annual Report.

Parent Company Balance Sheet

MSEK	2014-06-30	2013-06-30	2014-03-31
ASSETS			
Tangible non-current assets	1	0	0
Financial non-current assets	1,410	1,238	1,346
Short-term receivables	86	69	70
Cash and cash equivalents	0	0	0
TOTAL ASSETS	1,497	1,307	1,416
EQUITY AND LIABILITIES			
Equity	985	825	769
Untaxed reserves	5	5	5
Long-term liabilities	71	22	72
Current liabilities	436	455	570
TOTAL EQUITY AND LIABILITIES	1,497	1,307	1,416

Parent Company Income Statement

MSEK	3 months Apr-Jun 2014/15	3 months Apr-Jun 2013/14	Moving 12 months, Jul - Jun 2013/14	Financial year 2013/14
Net revenue	8	8	34	34
Administration costs	-11	-12	-47	-48
Other operating income and expense	0	0	-1	-1
OPERATING RESULT	-3	-4	-14	-15
Financial income	220	133	300	190
Financial expense	-3	-3	-38	-13
PROFIT AFTER FINANCE ITEMS	214	126	248	162
Change in untaxed reserves	0	0	0	0
Taxes	1	1	-3	-3
NET PROFIT FOR THE PERIOD	215	127	245	159
Other items in comprehensive profit for the period	-	-	-	-
COMPREHENSIVE PROFIT FOR THE PERIOD	215	127	245	159

This information is being published in accordance with the Act on Trading in Financial Instruments or the regulations of NASDAQ OMX Stockholm. The information herein was provided for publication at 08.00 a.m., 18 July 2014.

Reporting Schedule

26 August 2014 Annual General Meeting for the 2013/14 financial year
 24 October 2014 Quarterly Report Q2 for the period 1 July 2014–30 September 2014
 29 January 2015 Quarterly Report Q3 for the period 1 October 2014–31 December 2014
 7 May 2015 Year-end Report for the period 1 April 2014–31 March 2015

The Annual Report for the 2013/14 financial year was published on 2 July 2014 at www.lagercrantz.com.

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