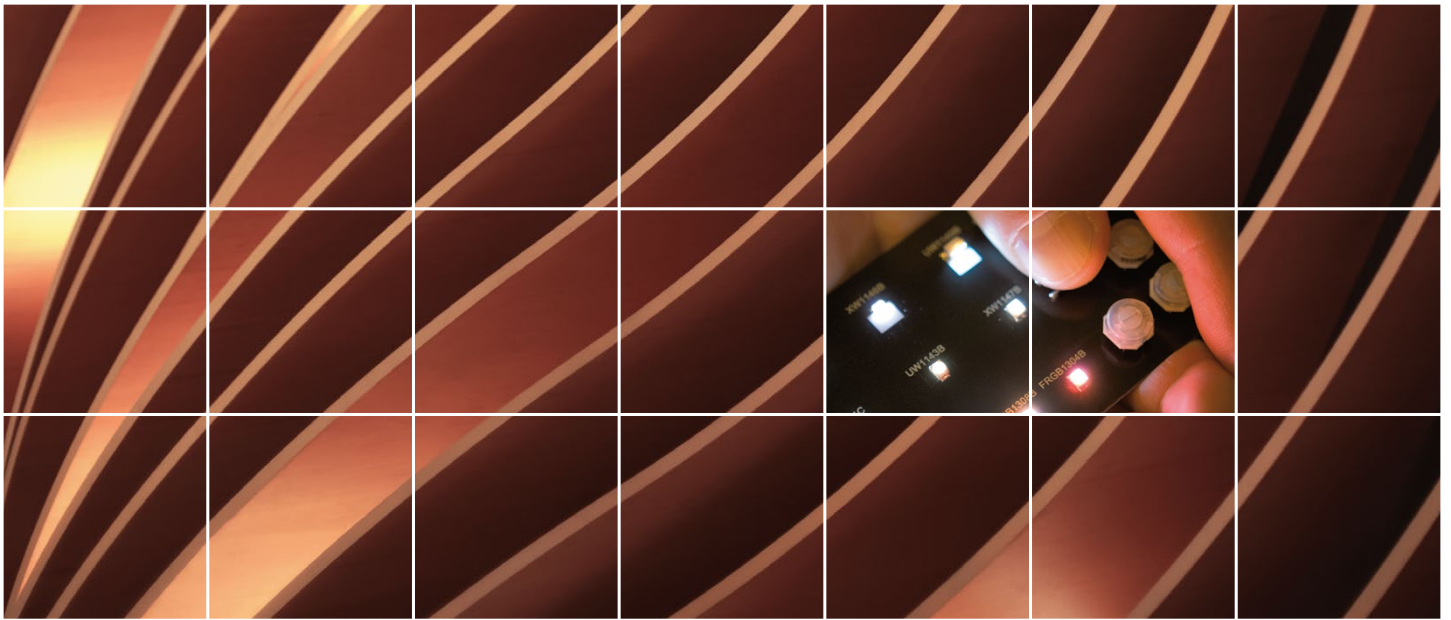


Technology group  
with leading positions in niches

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# Lagercrantz Group

*Our business concept is to offer value-creating technical products and solutions within expansive niches to corporate customers*

Lagercrantz Group is a technology group that offers world-leading, value-creating technology, using either proprietary products or products from leading suppliers. The group consists of over 30 companies, each with a niche focus on a specific sub-market – a niche. High value-creation is common to all the companies, including a high degree of customisation, service, support and other services.

The operations are conducted in a decentralised manner, and each subsidiary is followed-up based on clear objectives. This decentralisation allows for a high degree of independence, with freedom and accountability for each subsidiary's management, and business decisions that are made close to customers and the market. The businesses share a highly qualified technical sales process, selling only to other companies – “business-to-business” (B2B).

Each subsidiary strives to develop a leading position in a limited market, product or customer niche.

## VALUE-CREATION AS A VISION

Lagercrantz' vision is – to be a leader within value-creating technology with market-leading positions in several expansive niches.

*Leading* means good growth and profitability and the creation of a positive development that benefits customers and business partners alike.

*Value-creation* means adding value to the goods and services offered by providing our own unique products and solutions, by customisation and by offering ancillary services such as technical knowledge, service, support and other services.

A *market leading* position means being number one or two in a defined sub-market – a niche.



*To be a leading supplier of value-creating technology  
with market-leading positions in several expansive niches  
... is our vision*

## GOALS

Lagercrantz Group's financial goals are:

- Earnings growth of 15 percent per year.
- Return on equity of no less than 25 percent.

Growth is measured over a business cycle as profit after net financial items. The return on equity goal is converted internally to a return on working capital of no less than 45 percent per business concept and profit centre.

Lagercrantz aims to confirm its position as a profitable and growing company by developing its existing operations and acquiring additional companies with strong market positions in expansive niches.

**Lagercrantz works with group-wide strategies and on building a strong corporate culture in order to achieve its goals relating to earnings growth and profitability.**

## STRATEGIES

### *Strong market positions in niches*

Every Lagercrantz subsidiary strives to achieve a strong market position in its own niche. A niche consists of a well-defined technology area, customer segment or geographical area with a total market value that generally amounts to MSEK 200–1,000.

### *High value added*

With good market knowledge and specialised technical expertise, Lagercrantz's subsidiaries create added value for customers and suppliers by customising, developing and combining different products in the solutions offered. The degree of refinement has been continually enhanced by increasing the offer of proprietary products and phasing out standard components with low margins. The Group's gross margin has increased for several years, from just over 20 percent to almost 32 percent. Please see the graph on page 10.

### *Acquisitions*

The growth targets shall be reached through organic growth and acquisitions. Acquired companies either strengthen our market position in existing areas, or pave the way for entry into new areas. We strive to acquire companies with tried-and-tested business models, strong market positions in their niches, good earnings capacity, strong managements and good growth potential. We aim to carry out 3–5 acquisitions per year.

## CORPORATE CULTURE

### *Shared values*

Our shared values are an important part of our corporate culture and consist of accountability and freedom, simplicity and efficiency, together with willingness to change. When making acquisitions, Lagercrantz continues to build on the existing strong corporate culture in the acquired companies, thus strengthening our own values as well as those of the acquired companies.

### *Decentralisation and management by objectives*

Each subsidiary conducts its operations with a great deal of freedom, but subject to accountability. The most important business decisions are thus taken where knowledge is greatest – close to customers and the market. Each subsidiary prepares an annual business plan with targets for earnings and return on working capital. These plans are followed up on an ongoing basis, and action is taken as and when needed. In addition, the companies are systematically compared to each other every quarter, which stimulates improvements.

### *Businessmanship*

Businessmanship means creating added value for our customers by understanding the market, technology and customer needs. This requires a holistic and businesslike perspective as well as an ability to identify opportunities.



# Continued success for Lagercrantz



The 2013/14 operating year brought more success for Lagercrantz Group. For the fourth consecutive year we managed to generate a record result. Profit for the year amounted to MSEK 230 after net finance items, an increase by 15 percent compared to the prior year's record level. The operating margin of 9.5 percent was also at an all-time high since going public in 2001. Earnings per share amounted to SEK 7.81 (7.07).

The market was basically stable during the year and characterised by gradual, slow improvement. Component volumes were stable during the early part of the year, but increased slowly during the remainder of the year. Project-related sales saw a boost only towards the end of the year. The underlying organic growth was marginally negative during the first two quarters, but increased to 7 percent and 8 percent, respectively, for the third and fourth quarter. These are historically good levels.

The stock market took notice of our successes during the year and new highs were reached for the share price. The market capitalisation of the Lagercrantz Group was approximately MSEK 2,900 as of 31 March, equivalent to SEK 127 per share. In January 2014 the Class B share was moved from the Small Cap List to the Mid Cap List of the Stockholm Stock Exchange, resulting in additional focus on Lagercrantz, particularly among international investors.

## CONSISTENT STRATEGY BEHIND THE SUCCESSES

Behind Lagercrantz Group's successes, and the ability to grow in a turbulent environment, lies the strategy which we have been implementing for many years now. The organisational model with decentralisation and management by objective is well established. All subsidiaries operate with clear growth, profit and working capital goals and an annually approved

## *Statement of the CEO*

business plan with concrete measures and action plans. Management by objective makes for a challenge to find new opportunities, also when the market is showing modest growth.

Successful acquisitions is another important reason for our successes. We are always on active lookout for profitable B2B companies with strong market positions in their respective niches. We made three additional acquisitions during the year, with annual sales which will add approximately MSEK 150 to the business volume. Just short of half of the year's increase in earnings came as organic growth, while the remainder was generated by acquisitions.

Our focus on increasing value added is another important reason for the Group's successful development. With relatively small, flexible profit centres, we are able to meet our customers' requirements and can adapt our products and solutions, which creates added value for customers as well as suppliers. In our quest to increase value added, we have also in recent years increasingly been acquiring product companies. The proportion of proprietary products has grown and is today more than 30 percent of sales. This has contributed to the positive development of our margins. Since the 2004/05 financial year the gross margin has risen from 21 percent to close to 32 percent.

## FUTURE

The development over the last several years leaves us wanting more. Our business concept is strong and a continuing positive underlying trend in the market provides a solid foundation for future growth. Growth is in fact at the top of our agenda and our strong financial position enables us to make more interesting acquisitions. Especially by increasing the proportion of proprietary products, by acquiring market-leading niched product companies, there are good chances of continuing to increase margins as well as profitability. The situation gives me an overall strong belief in the future for Lagercrantz Group.

## THANKS

I close out the year by extending my sincere thanks to all our dedicated employees for their fantastic work and many fine initiatives during the year.

May 2014

Jörgen Wigh  
President & CEO

# 33 niche companies in four divisions

LAGERCRANTZ GROUP			
ELECTRONICS 11 profit centres · 6 countries	MECHATRONICS 7 profit centres · 5 countries	COMMUNICATIONS 9 profit centres · 4 countries	NICHE PRODUCTS 6 profit centres · 2 countries
<b>ACTE A/S</b> , København (DK) <b>ACTE AS</b> , Oslo (NO) <b>ACTE Solutions AB</b> , Bromma (SE) <b>ACTE Sp. z o.o.</b> , Warszawa (PL) <b>Unitronic AG</b> , Düsseldorf (DE) <b>Vanpee A/S</b> , København (DK) <b>Vanpee AB</b> , Bromma (SE) <b>Vanpee AS</b> , Oslo (NO) <b>El-produkter AS</b> , Ulsteinvik (NO) <b>Idesco Oy</b> , Oulu (FI) <b>ISIC A/S</b> , Brabrand (DK)	<b>Elpress</b> , Kramfors (SE), Viersen (DE), Silkeborg (DK) and Beijing (CN) <b>Elkapsling AB</b> , Ånge (SE) <b>Norwesco AB</b> , Täby and Öregrund (SE) <b>Kablageproduktion AB</b> , Västerås (SE) <b>EFC Finland Oy</b> , Vaasa (FI) <b>Elfac A/S</b> , Silkeborg (DK) <b>Enkom Oy</b> , Helsinki (FI)	<b>STV Video Data AB</b> , Solna (SE) <b>COBS AB</b> , Göteborg (SE) <b>Nordic Alarm AB</b> , Bromma (SE) <b>ISG Systems AB</b> , Höganäs (SE) <b>Direktronik AB</b> , Nynäshamn (SE) <b>Leteng AS</b> , Oslo and Tynset (NO) <b>K&amp;K Active Oy</b> , Helsinki (FI) <b>Betech Data A/S</b> , København (DK) <b>CAD-Kompagniet A/S</b> , København (DK)	<b>Asept International AB</b> , Lund (SE) <b>Plåt &amp; Spiralteknik AB</b> , Torsås (SE) <b>Steele AB</b> , Bredaryd (SE) <b>SwedWire AB</b> , Varberg (SE) <b>Thermod</b> , Klässbol (SE) and Poznan (PL) <b>Vendig AB</b> , Skara (SE)

## ELECTRONICS

The division consists of 11 profit centres, all niched within electronics, electromechanics and lighting control.

The ACTE companies in the Nordic region and Poland and Unitronic in Germany, which account for approximately 55 percent of the business volume, are value-adding distributors. On an agency basis, they sell products from world-leading suppliers in a defined market. They add value by creating demand, by developing product specifications together with the customer, and by selling, customising and storing products for suppliers. These companies further add value by providing service, support and other services. In recent years, the range has increasingly moved towards speciality products, modules and customised industrial computers. The share of electromechanics has also increased. The customers are primarily OEM customers within electronics, automation and the healthcare sector.

The Vanpee companies in Sweden, Norway and Denmark are value-adding distributors within electricity and lighting components and are also specialised in lighting control. In line with increased requirements for energy savings, this is a growth area within Electronics. Vanpee's customers mainly operate in the construction industry and are offered expertise in the planning of lighting monitoring projects as well as components for lighting and electrical products. Most of the sales occur through electrical wholesalers.

Total annual sales within this area account for 20 percent of the division's sales volume.

Electronics has three companies that develop and sell proprietary products. With annual revenues of approximately MSEK 45, Idesco offers proprietary RFID readers and "tags" for the access control industry and unique solutions for other applications within the field. Its customers are primarily system integrators for access control systems and alarms. Idesco is a leading player in the Finnish market and has clear export ambitions in several nearby countries.

ISIC has revenues of approximately MSEK 80 and offers proprietary industrial computers and monitors for applications in especially demanding environments. The customers impose stringent requirements as they are subject to certification and regulatory supervision. Examples include navigation equipment for ships. ISIC has a strong international position in its niche.

El-produkter has revenues of approximately MSEK 50 (acquired in December 2013). The company designs, markets and sells lighting based on LED technology. The products are sold under its own brand to the professional installer market in Norway.

Electronics	2013/14	2012/13	2011/12
Net revenue, MSEK	691	675	606
Operating result, MSEK	56	48	42
Operating margin, %	8.1	7.1	6.9

## MECHATRONICS

The seven companies in the division offer electricity-related products and systems. Three of the companies are product companies, and three of the companies manufacture customised cables. The division also has a small value-adding distributor of electricity-related products in the Finnish market.

The product company Elpress is the largest profit centre in the Group, with distributor networks in several markets and subsidiaries in Denmark, Germany and China. A leader in its niche, Elpress offers electrical connectors, including cable terminals and associated equipment that meets most international standards. The Nordic region is the company's largest market, but the primary growth lies in the export market, to international industrial customers within the wind, transformer and train industries.

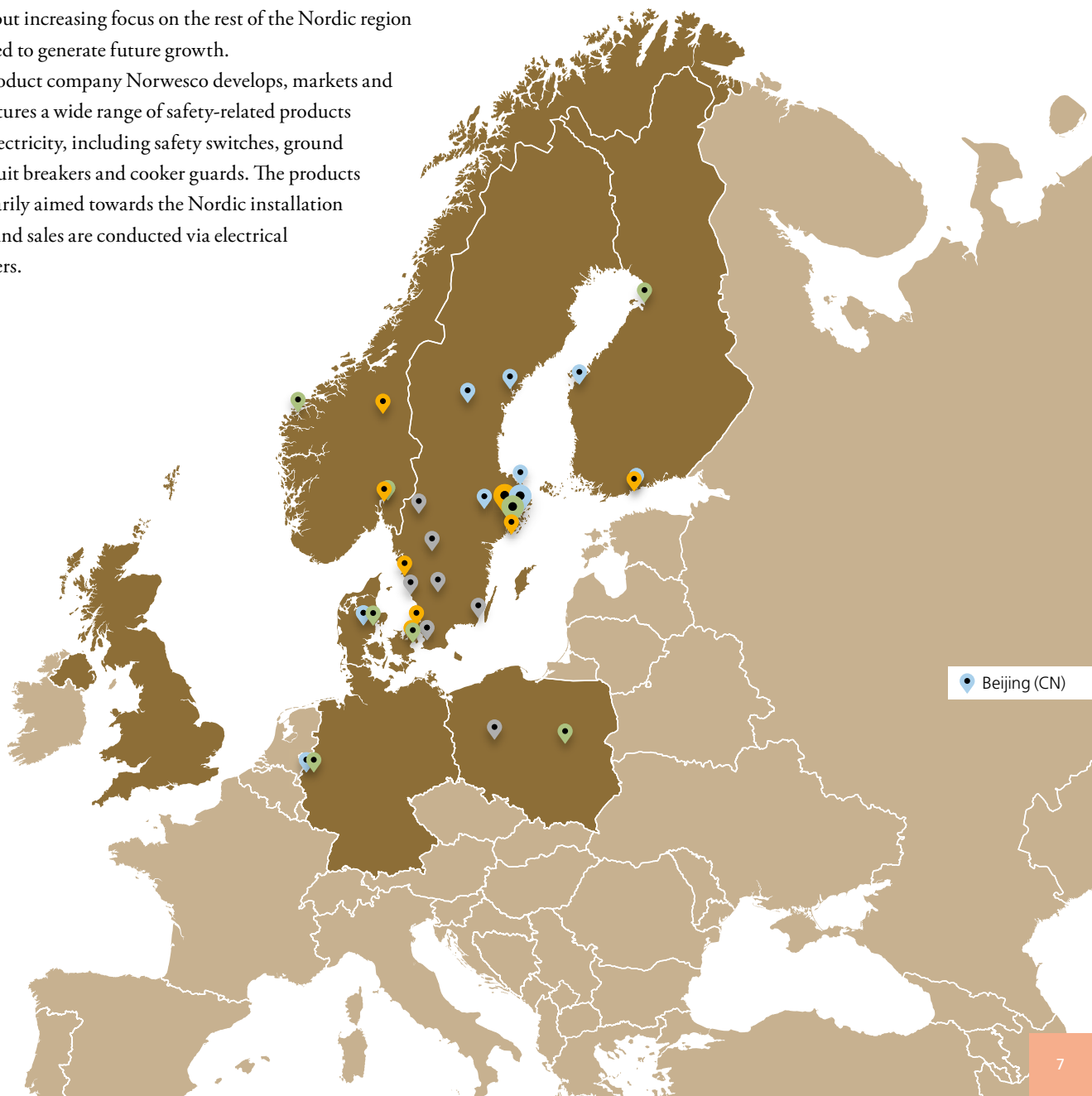
The product company El kapsling manufactures electric enclosures of varying sizes, design, protection ratings and equipment. The products are characterised by a high degree of customisation, short delivery times and a high level of quality that is able to withstand a variety of harsh environments. A major part of the sales are currently to the Swedish market, but increasing focus on the rest of the Nordic region is expected to generate future growth.

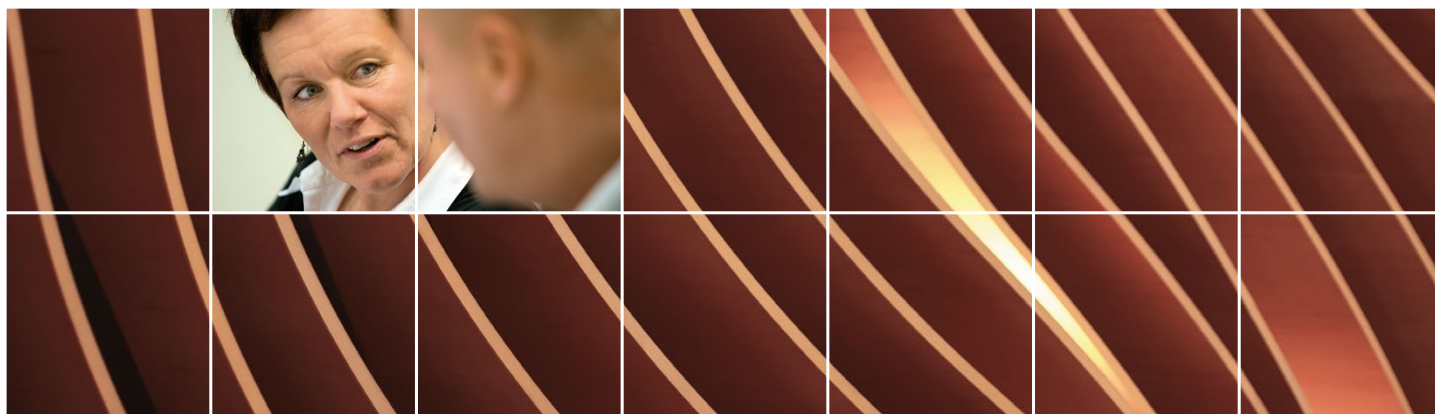
The product company Norwesco develops, markets and manufactures a wide range of safety-related products within electricity, including safety switches, ground fault circuit breakers and cooker guards. The products are primarily aimed towards the Nordic installation market, and sales are conducted via electrical wholesalers.

The product companies' end customers are typically power grid owners, power, telecom and data distributors, OEMs and other types of industrial customers. The establishment of new distributors in new markets should lead to an expanding volume in the future.

The three cable companies, Kablageproduktion, Elfac and EFC, which account for approximately 35 percent of the division's sales, manufacture customised cables. The products are manufactured in consultation with the customer and they are based on the customer's needs, often from the early prototype stage all the way to the on-going production stage, and for the aftermarket and the spare parts market in the latter part of the product life cycle. For many years, the cable companies have successfully found their niches by providing a local, flexible alternative to competitors from low-cost countries.

<b>Mechatronics</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
Net revenue, MSEK	750	651	770
Operating result, MSEK	108	83	97
Operating margin, %	14.4	12.7	12.6





## COMMUNICATIONS

The division consists of 9 profit centres, each with advanced positions in their respective niches.

The companies STV, COBS, Nordic Alarm and ISG offer system solutions based wholly or in part on proprietary products. These applications are often business-critical and of decisive importance to the customers. Examples include speedy diagnoses within healthcare, increased security on streets and squares and security solutions for companies and institutions.

The companies also supply solutions for increased traffic safety in road tunnels and create more efficient communication solutions within elderly care.

The division's software distributor, Betech Data, offers world-leading CAD products for technical construction, design and visualisation, through selected resellers. Customers are also offered expertise in the form of design engineers.

Direktronik, Leteng and K&K Active are active within data peripherals and networks and offer IT, telecommunication and audio-visual equipment, both directly to end-customers and through resellers. The customers use the products to extend their IT networks, increase their data transfer capacity and streamline their audio-visual systems.

Communications' customers operate in many different market segments, both within the private and public sectors. The largest customer groups are in the construction and manufacturing industries, where efficient construction, product development and monitoring of production processes are becoming increasingly important. In addition, several companies work within the healthcare and elderly care sectors, where there is a growing demand for faster and more secure diagnoses.

Communications	2013/14	2012/13	2011/12
Net revenue, MSEK	802	785	739
Operating result, MSEK	51	64	43
Operating margin, %	6.4	8.2	5.8

## NICHE PRODUCTS

The Niche Products division was established in 2012 and is currently in a build-up phase. Aside from developing its current subsidiaries, growth through acquisitions of additional specialised product companies is a priority.

We are primarily looking to acquire businesses with documented profitability, revenues in the order of MSEK 50–200 and strong positions in their market niche and a strong element of specialised proprietary products.

The division's business is currently conducted through six subsidiaries where Steelo (formerly Svensk Stålinredning) is the largest and thanks to a supplementary acquisition the company is now approaching annual revenue of MSEK 100. Steelo offers storage and product exposure solutions with hardware stores and food retailers as important customers.

Through SwedWire, the division manufactures and sells galvanized steel wire for roads and other infrastructure.

The subsidiaries Vendig and Plåt & Spiralteknik are active within the transport solutions area, where they sell belt scrapers and other components for conveyor belts and shaftless spiral conveyors. Typical customers can be found within bioenergy, sawmills, waste management, quarries and mining.

Thermod supplies customised doors in fibreglass-reinforced plastic with strict requirements in relation to heat insulation, hygiene and moisture resistance. These products can be found in the Nordic region and Poland within the food retail sector, hospitals, schools and public swimming pools.

Asept was acquired during the year, which develops hygienic and secure dispensing systems for foodstuffs such as ketchup. The customers consist of large global food product manufacturers and fast food restaurant chains.

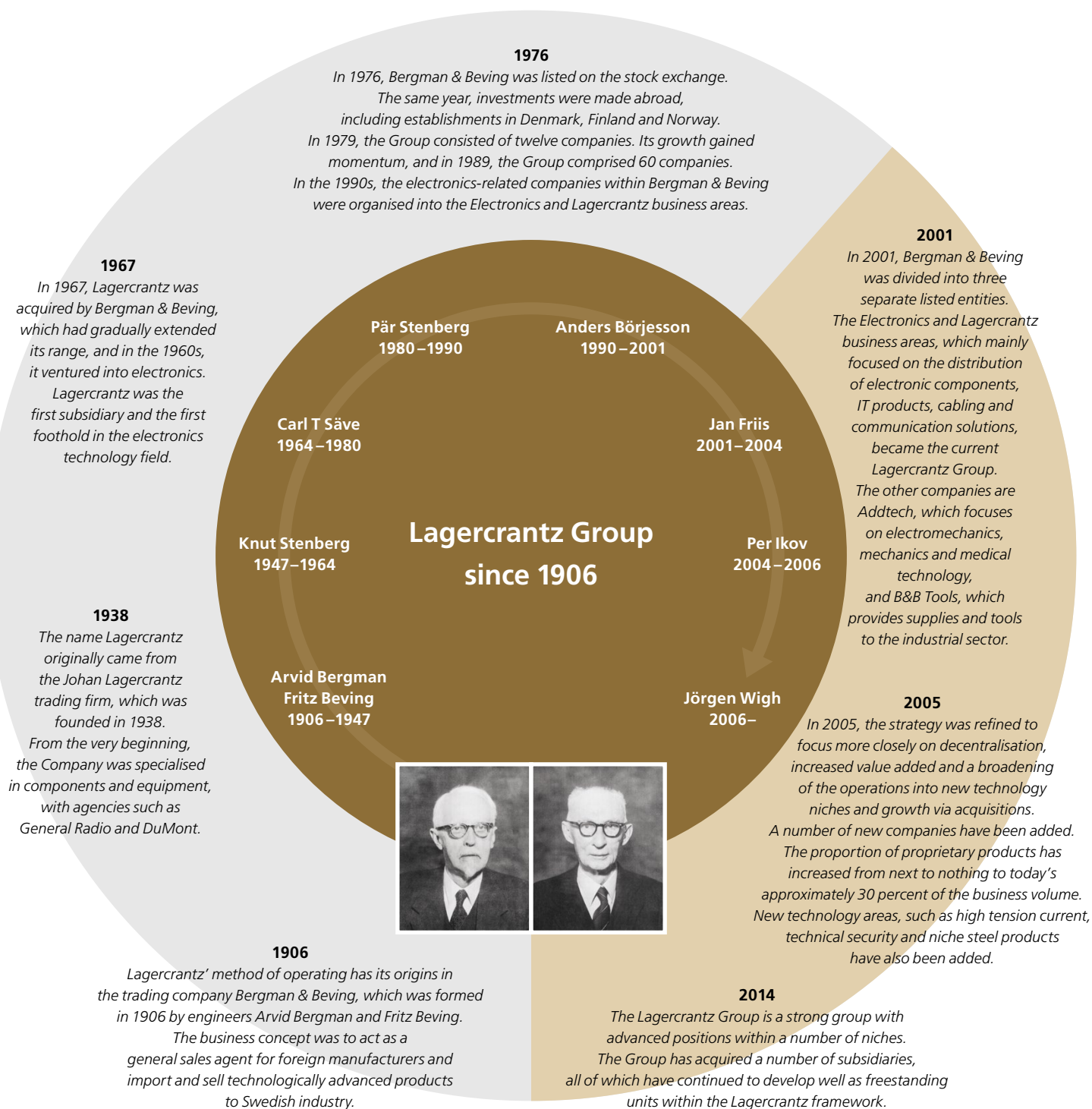
The companies within the division already have a strong position in their home markets. Investments in increasing export sales are therefore prioritised and are expected to contribute to future growth.

Niche Products	2013/14	2012/13	2011/12
Net revenue, MSEK	303	217	150
Operating result, MSEK	45	35	26
Operating margin, %	14.9	16.1	17.3



# Lagercrantz Group has developed for 100 years

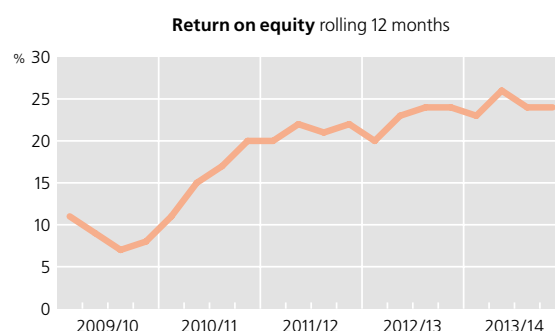
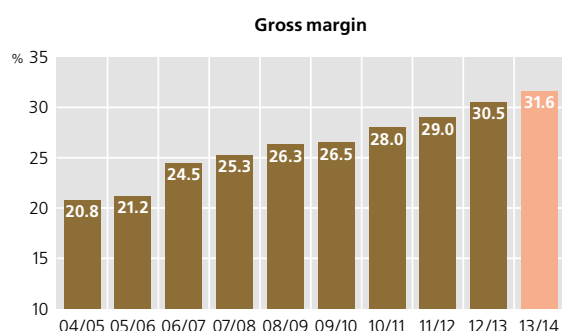
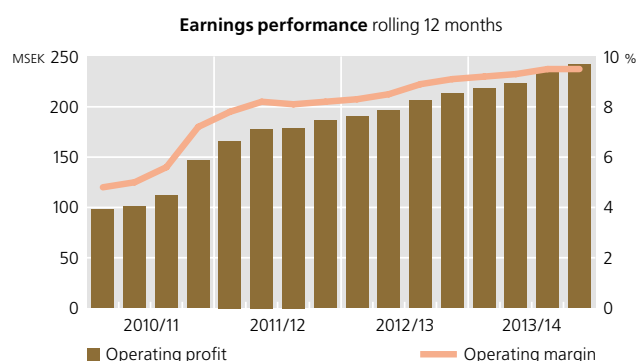
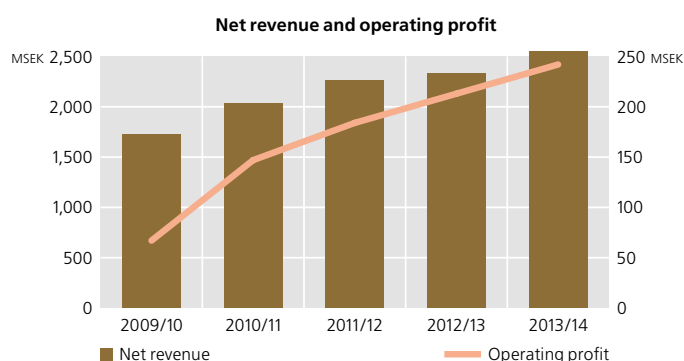
*A strong corporate culture with a common approach to business and cooperation has been nurtured for a long time*



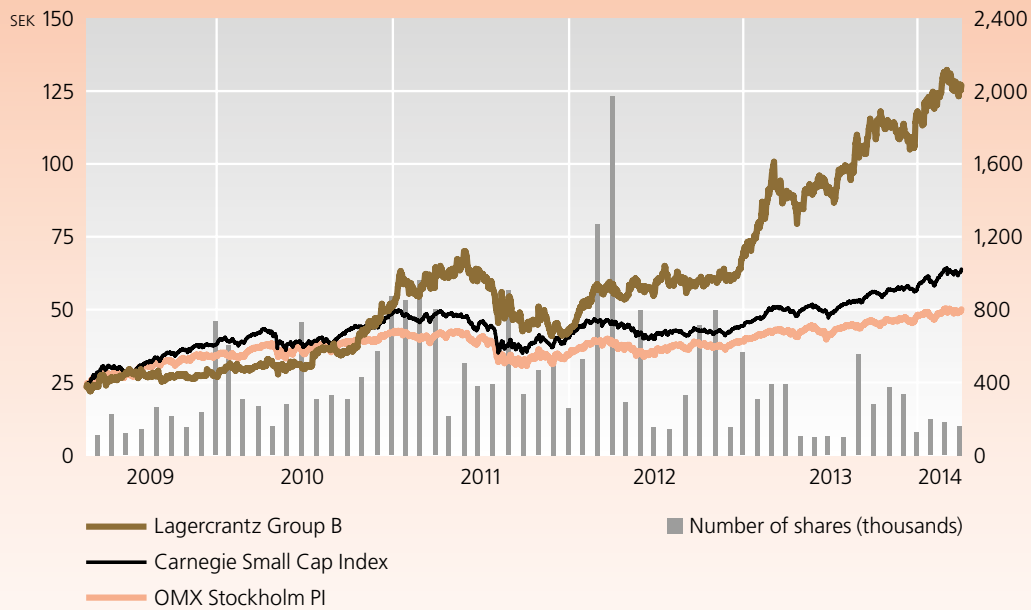
# The Year in Brief

1 APRIL 2013 – 31 MARCH 2014

- Net revenue in 2013/14 grew by 9 percent to MSEK 2,546 (2,328), which represents organic growth of 3 percent, not including currency effects.
- Operating profit increased by 14 percent to MSEK 242 (213), equivalent to an operating margin of 9.5 percent (9.1).
- Profit after finance items increased by 15 percent to MSEK 230 (200).
- Profit after taxes amounted to MSEK 177 (159). Earnings per share after dilution increased by 10 percent and amounted to SEK 7.81 (7.07).
- Cash flow from operating activities amounted to MSEK 231 (177), equivalent to SEK 10.19 (7.87) per share.
- Return on equity came in at 24 percent (24). The equity ratio at the end of the period under review was 43 percent compared to 44 percent at the beginning of the financial year.
- Three acquisitions were made during the 2013/14 financial year, with aggregate annual revenue of approximately MSEK 150.
- The Board of Directors proposes an increase of the dividend to SEK 4.00 (3.25) per share.
- The Class B share of the Lagercrantz Group was moved up to the NASDAQ OMX Stockholm Stock Exchange Mid Cap list, effective as of January 2014.



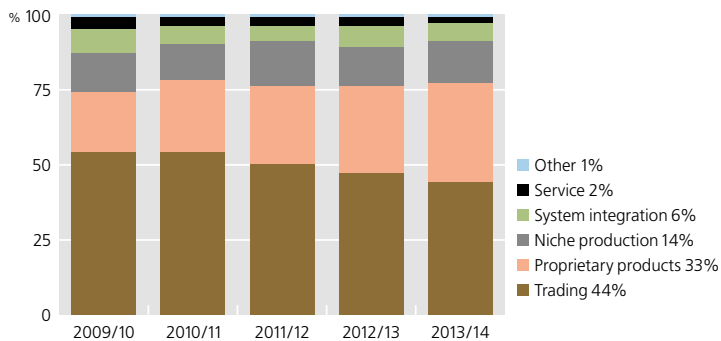
## LAGERCRANTZ SHARE



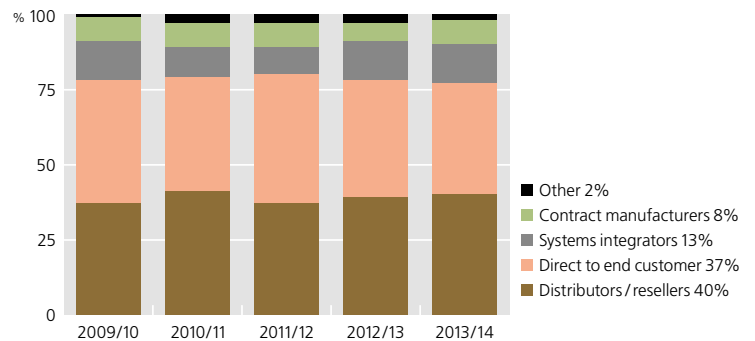
### Strong market price trend

Over the five-year period from 1 April 2009 to 31 March 2014, the market price of the Lagercrantz share increased by 440 percent. In the same period, the broad OMX Stockholm Price Index rose by 113 percent, and the benchmark Carnegie Small Cap Index, which shows the overall performance of smaller companies, rose by 172 percent. The Class B share of the Lagercrantz Group was moved up on 2 January 2014 from NASDAQ OMX Stockholm's Small Cap list to the exchange's Mid Cap list.

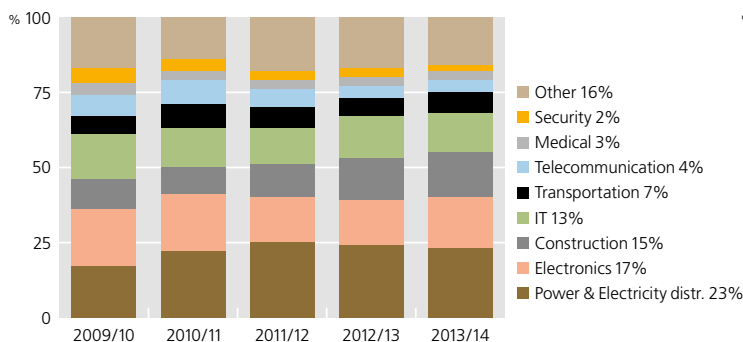
### Revenue by business type



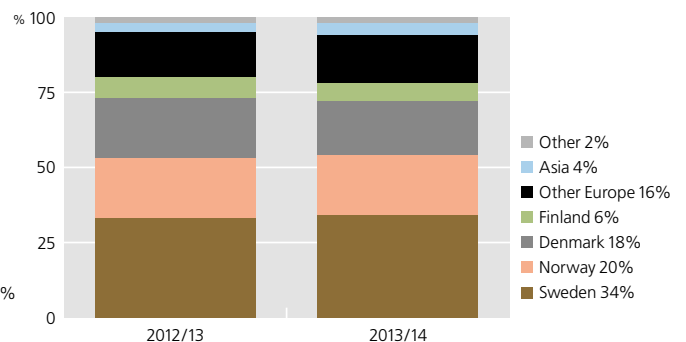
### Revenue by market channel

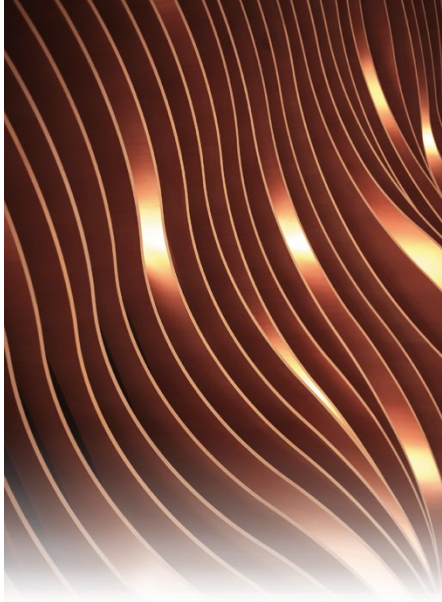


### Revenue by market segment



### Revenue by geographic market





## **Lagercrantz Group**

is a technology group that offers world-leading, value-creating technology, using either proprietary products or products from leading suppliers. The Group consists of more than 30 companies, each with a focus on a specific sub-market – a niche. High value-creation is common to all the subsidiaries, including a high degree of customisation, service, support and other services. Lagercrantz Group is active in seven countries in Northern Europe, and in China. The Group has approximately 1,000 employees and annual revenue of approximately MSEK 2,500. The Company is listed on NASDAQ OMX Stockholm since 2001 and has approximately 3,500 share holders.

**Lagercrantz  
Group**●

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