

Interim report

January–June 2001

- » Group net sales increased by 22 per cent to SEK 511.9 M (419.1).
- » Pre-tax profits saw a rise of 73 per cent to SEK 35.9 M (20.8). Currency effects boosted profits by SEK 6.2 M compared with the same period last year.
- » Earnings per share as per 12 months stood at SEK 4.53 (4.46) while equity per share amounted to SEK 32.52 (29.39) as at 30 June 2001.
- » Lower invest level than previous years. Net investments totalled SEK 25.7 M (28.6).



A positive trend prevails

During the first six months of 2001, the Group saw positive changes. Sales picked up and profit margins increased. A positive trend prevails.

The changeover to Key Account Management, which HL Display initiated almost two years ago, is continuing. We can now see the positive effects from the measures, which the management decided upon in the second quarter of 2000. In the first six months of 2001, sales rose by 22 per cent while operating profits reached SEK 34.4 M (26.5), an increase of 30 per cent.

Although the Group has gained a certain momentum, a lot of work still remains to be done. The new structure of the sales companies boosted sales and we are beginning to see the effects of these efforts in several sales companies. At the same time, the entire organisation of HL Display is being trimmed. Amongst other things, we are in the process of revising our administrative procedures, rendering our logistics solutions more effective and strengthening the organisation by employing new key members of staff.

The intake of new orders continues to be very positive and the average order size keeps on increasing. The number of orders dealt with by HL Display is considerable and lead-time is very short which make effective management and well thought out procedures vital.

Production

Parallel to the changeover in the sales organisations, all factories are undergoing a programme to rationalise production and increase efficiency. Production in the different factories will be streamlined after the trimming of the manufacturing process and product range. Improved figures are beginning to reflect the results of this effort.

Continued consolidation in retail business

The consolidation of the European retail market is continuing. This spring, for example, it was decided that the food retail operations of the consumers' cooperations in Denmark, Norway and Sweden will be amalgamated into a joint company under the name Coop Norden AB, which is to commence operation on 1 January 2002. The merged consumers' cooperation will thus become the largest player in the supermarket sector in the Nordic region with net sales of almost SEK 80 BN and well over 2,500 stores and supermarkets. Swedish Axfood has consolidated its companies and is now expanding in the Nordic

region by acquiring the Spar shops in Finland. Previously, Dutch Ahold acquired a 50 per cent stake in ICA, Sweden's largest food retail chain. This consolidation is clearly a trend not only in the Nordic region but also all over Europe where leading market players expand through mergers or acquisitions to achieve synergies and economies of scale. This consolidation process will lead to the centralisation of purchasing and centrally developed concepts.

The changeover process of our sales organisation has been a key element to cope with this market transformation. The Group benefits from these developments as we have a well-established international organisation, which can provide customers with the same service in several different markets.

A growing customer group

Brand manufacturers represent an increasingly important customer group for HL Display. Competition in the shops is on the increase as stores and chains boost their powers and brand manufacturers are increasingly forced to compete with the shops' own labels, so-called private brands. The greatest concern for brand manufacturers is to obtain space and be seen in the store. A brand name is an individual's collective image of a company or a product. Brand name driven companies focus on creating clearer and a greater number of associations with their products. Some changes in society render brand names more important. Internationalisation is progressing much faster and is altering the face of competition and consumers' purchasing patterns. Brand names become a symbol of belonging to a group. Another issue is the decreasing lifecycle of a product and that consumers are less loyal to one product or store. Consequently, companies are increasingly interested in positioning and developing strong brand names. Today, HL Display cooperates with the majority of the big brand manufacturers, such as Coca Cola, Nestlé, Procter & Gamble and Unilever, in their profiling.

Market

The European market has seen excellent development. Most sales companies in Western Europe recorded continued strong growth and the companies in France, Belgium and the Netherlands, which are ahead in adapting to concepts and Key

Account Management, also made the largest contributions to the Group's sales increase. Developments in Eastern Europe have also been positive and HL Display can benefit from already established contacts if retail chains from Western Europe continue to establish themselves in this market.

In May 2001, our venture company, HL Trion LLC, was able to secure its breakthrough order in the US. The discount supermarket chain Dollar General, with more than 5,000 stores, mainly in central and southeastern part of the US, signed an agreement about new shelving systems and shelf dividers. Dollar General is one of the fastest growing supermarket chains in the US.

Expansion in the Asian markets develops according to plan and the Group has been able to establish relations with the most influential customers in several of the region's countries. The non-European markets still represent a very small, although growing, proportion of the total amount invoiced.

Economic situation

Economic changes influence HL Display very little. A significant part of sales are non-cyclical in character, as price and product information are essential to the operation of the store. However, seasonal variations affect the company since customers are predominantly active in the same industry, namely retail.

Net sales and profits

In the first six months of 2001, Group net sales rose by 22 per cent to SEK 511.9 M (419.1), compared with the same period last year.

Around 50 per cent of net sales were invoiced in currencies tied to the Euro. In July, HL Display hedged the majority of the predicted inflow in Euro for the period July 2001 to January 2003.

The period's profit before taxes was SEK 35.9 M (20.8). Currency effects boosted profits before tax by SEK 6.2 M compared with last year.

The price for the Group's primary raw material, PVC, has fallen further and is lower than the level of last year, but still at a historically high level. Compared with last year, profits rose by SEK 3.0 M due to lower PVC prices.

In comparison with last year should furthermore also be considered that HL Display as per six months 2000 had received a refund of SEK 4.5 M from the insurance company SPP.

Acquisitions and sales

No acquisitions or sales of companies were carried out during the first six months of 2001.

Investments

During 1998-99 larger investments were made in all the production units. This makes a lower level of investments possible than in previous years. Net investments in fixed assets during the first six months of 2001 amounted to SEK 25.7 M (28.6). Depreciation according to plan totalled SEK 22.1 M (18.7).

Financial position

Liquid funds amounted to SEK 21.2 M (10.2) as at 30 June 2001. The equity/assets ratio was 45.4 (49.2) per cent and was 47.6 per cent at year-end 2000.

Employees

In the first six months of 2001, the average number of employees was 822 (757) and 839 (772) at the end of the period.

Outlook for the remainder of 2001

As stated in previous reports, profits for the whole of 2001 are expected to show an improvement on 2000. The profit margin, however, will not be in line with the long-term target of between 10 and 15 per cent over a business cycle.

The growth target, an average growth rate of at least 20 per cent, is deemed possible this year.

A more detailed prognosis will be published as part of the third quarterly report.

Stockholm 16 July 2001



Anders Remius
Managing Director and CEO

SUMMARY OF GROUP INCOME STATEMENT ¹⁾

SEK T	April–June 2001	April–June 2000	Jan–June 2001	Jan–June 2000	Jan–Dec 2000
Net sales	271,859	218,639	511,914	419,142	873,921
Costs of goods/services sold	-147,075	-122,371	-283,847	-230,214	-494,366
Gross profit	124,784	96,268	228,067	188,928	379,555
Selling expenses	-57,536	-47,408	-112,081	-95,664	-196,190
Administration expenses	-34,415	-26,315	-67,772	-55,300	-113,752
Development expenses	-7,598	-5,971	-14,518	-13,486	-26,902
Other operating income/expenses	784	1,376	659	2,010	5,020
Operating profit/loss	26,019	17,950	34,355	26,488	47,731
Financial income and expenses ²⁾	-345	-2,828	1,515	-5,696	-3,636
Profit after financial items	25,674	15,122	35,870	20,792	44,095
Tax ³⁾	-10,019	-5,112	-13,990	-7,023	-17,348
INTERIM PROFIT	15,655	10,010	21,880	13,769	26,747

SHARE DATA ^{1, 4)}

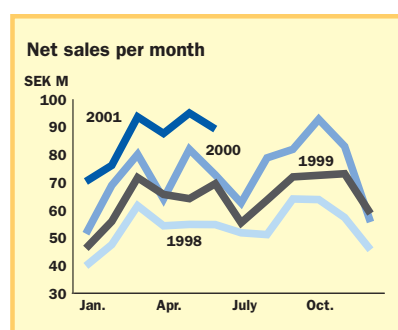
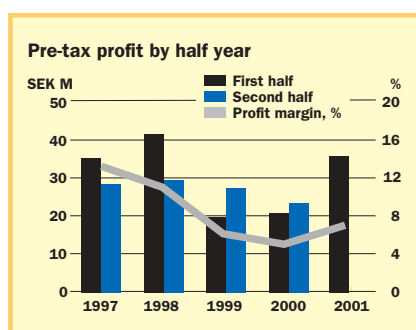
	April–June 2001	April–June 2000	Jan–June 2001	Jan–June 2000	Jan–Dec 2000
No. of shares	7,688,872	7,688,872	7,688,872	7,688,872	7,688,872
Earnings per share after full tax, SEK	2.04	1.30	2.85	1.79	3.48
Earnings per share after standard tax, SEK	2.40	1.42	3.36	1.95	4.13
Stock exchange price end of period, SEK	109.00	122.50	109.00	122.50	73.00
P/E-ratio, 30 June, times	—	—	—	—	20.98
Cash flow per share, SEK	-0.43	-1.05	-1.30	-1.66	0.99
P/CE-ratio, 30 June, times	—	—	—	—	73.74

1) See HL Display's annual report 2000 for definitions of key ratios and accounting principles.

2) Of which translation difference 30 June 2001: SEK 1.1 M, 30 June 2000: SEK -1.0 M, 31 December 2000: SEK 0.1 M.

3) Calculated full tax.

4) As there are no potential new ordinary shares, no details are published regarding data per share after dilution.



SUMMARY OF GROUP BALANCE SHEET

SEK T	30 June 2001	30 June 2000	31 December 2000
Intangible fixed assets ¹⁾	18,066	19,660	20,371
Tangible fixed assets	161,329	148,210	155,508
Financial fixed assets	10,489	10,186	10,220
Total fixed assets	189,884	178,056	186,099
Inventories	108,577	84,935	99,694
Current receivables	230,981	186,019	184,769
Cash and bank	21,215	10,156	31,238
Total current assets	360,773	281,110	315,701
Total assets	550,657	459,166	501,800
Shareholders' equity	250,034	225,941	238,919
Provisions	16,754	15,093	16,997
Long-term liabilities	103,378	84,480	93,727
Short-term liabilities	180,491	133,652	152,157
Shareholders' equity and liabilities	550,657	459,166	501,800

CHANGE IN SHAREHOLDERS' EQUITY

SEK T	30 June 2001	30 June 2000	31 December 2000
Shareholders' equity, opening balance	238,919	222,168	222,168
Dividend paid	-10,765	-9,996	-9,996
Net profit for the period	21,880	13,769	26,747
Shareholders' equity, closing balance	250,034	225,941	238,919

SUMMARY OF GROUP CASH FLOW STATEMENT ²⁾

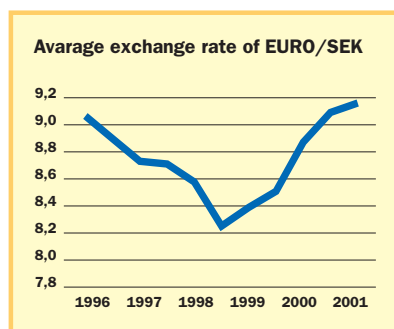
SEK T	April–June 2001	April–June 2000	Jan–June 2001	Jan–June 2000	Jan–Dec 2000
Operating profit/loss	26,019	17,950	34,355	26,488	47,731
Depreciation	11,151	9,515	22,072	18,698	40,197
Other items not effecting cash flow	725	1,465	2,389	611	1,090
Interest received	789	151	2,072	870	1,530
Interest paid	-2,599	-1,973	-4,923	-3,477	-7,550
Income tax paid	-7,858	-5,878	-13,555	-6,675	-11,471
Change in working capital	-15,925	-2,387	-28,581	-21,216	-20,648
Cash flow from operating activities	12,302	18,843	13,829	15,299	50,879
Investment activities	-11,476	-14,290	-28,029	-29,900	-58,543
Financing activities	-4,152	-12,622	4,177	1,822	15,296
Cash flow for the period	-3,326	-8,069	-10,023	-12,799	7,632

1) Whereof goodwill as per 30 June 2001: SEK 5.4 M, 30 June 2000: SEK 8.4 M, 31 December 2000: SEK 7.0 M.

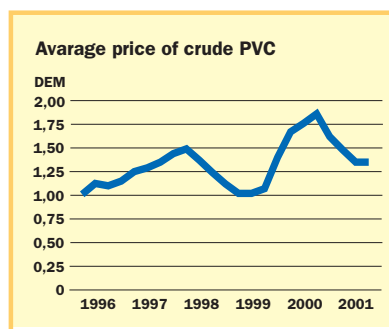
2) Cash flow statements as per April – June and January – June are before exchange rate adjustment of monetary items.

KEY FIGURES OF LAST FIVE QUARTERS	Q 2 2001	Q 1 2001	Q 4 2000	Q 3 2000	Q 2 2000
Net sales	271,859	240,055	231,445	223,334	218,639
Pre-tax profits	25,674	10,196	8,116	15,217	15,122
No. of employees end of period	839	825	805	787	772

CONSOLIDATED KEY FIGURES	6 months Jan–June 2001	6 months Jan–June 2000	6 months Jan–June 1999	12 months July 2000 –June 2001	12 months July 1999 –June 2000	12 months July 1998 –June 1999	Jan –Dec 2000
Net sales	511,914	419,142	373,071	966,693	814,522	706,825	873,921
Operating profit	34,355	26,488	25,526	55,598	56,363	53,443	47,731
Pre-tax profits	35,870	20,792	19,753	59,173	48,164	49,219	44,095
Profit margin, %	7.0	5.0	5.3	6.1	5.9	7.0	5.0
Equity/assets ratio, %	45.4	49.2	50.5	45.4	49.2	50.5	47.6
Net investments, SEK M	25.7	28.6	33.9	55.2	62.6	61.8	58.1
Return on total capital, %	—	—	—	13.3	13.0	14.5	11.0
Return on shareholders' equity after full tax	—	—	—	14.6	16.0	15.0	11.6
Equity per share, SEK	32.52	29.39	26.23	32.52	29.39	26.23	31.07
Earnings per share after full tax, SEK	2.85	1.79	1.53	4.53	4.46	3.75	3.48
Earnings per share after standard tax, SEK	3.36	1.95	1.85	5.54	4.54	4.61	4.13



Source: The Swedish central bank



Source: Platt's Polymerscan European Polymer Prices

This report has not been audited by the company auditors.

Share price development

HL Display shares have been listed on the OM Stockholm Stock Exchange since 1993. Since the introduction, the value of the shares has increased by 659 per cent, from SEK 14.37 (corrected for bonus issues) to SEK 109 as at 30 June 2001. During the same period, Affärsvärlden's General Index increased by 202 per cent.

In 2001, the share price has risen by 49 per cent. During the last 6 months the share has been traded at a maximum of SEK 111 and a minimum of SEK 58.50.

So far this year 546,816 shares were traded, corresponding to 7 per cent of the total number of HL Display shares. At the end of June 2001, HL Display's market capitalisation was SEK 838 million.

Share capital

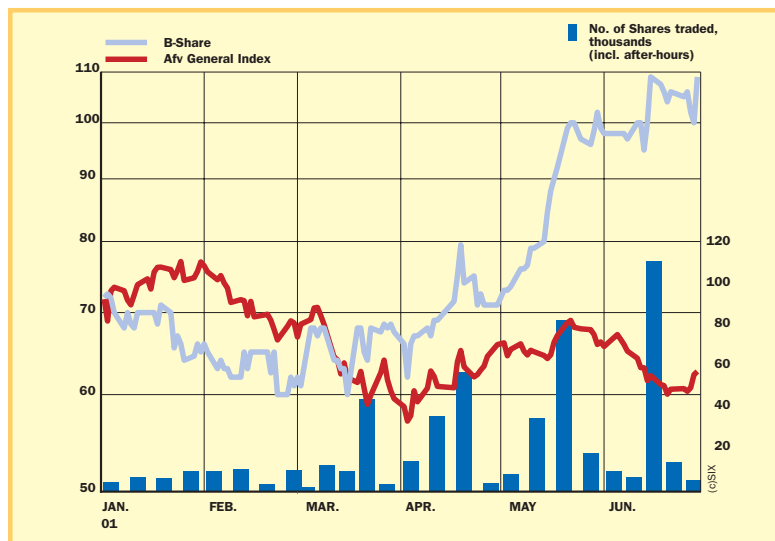
On 30 June 2001, the share capital amounted to SEK 38,444,360 divided among 7,688,872 shares, each with a nominal value of SEK 5. Series A shares carry one vote and series B carry 1/10 of a vote. A block of shares amounts to 100 shares.

Shareholders

The number of shareholders as at 30 June 2001 was 2,941 (3,394). The proportion of institutional owners is estimated at 50 (45) per cent of the capital and the proportion of foreign owners amounted to 1 (2) per cent. 79 (81) per cent of all shareholders in HL Display owned fewer than 500 shares each. The largest shareholders as at 30 June 2001 were as follows: the Remius family with 32 per cent, Ratos (under takeover from Atle) with 29 per cent and Skandia with 10 per cent

Dividend policy

HL Display's Board has decided that a restrictive dividend policy should be applied during an anticipated growth phase. Over time, the dividend will correspond to one fifth of profit after financial net and standard tax.



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HL Display is a global niche company experiencing strong growth. Since HL Display was listed on the Stockholm stock exchange in 1993, annual net sales have, on average, risen by 28 per cent with an average annual profit margin of 10 per cent. In 2000 the group recorded net sales of SEK 874 M and counted just over 800 employees.

The market and the interest in merchandising is growing and HL Display's customers are expanding considerably. HL Display focuses on continued growth. The objective is to achieve an annual growth rate of at least 20 per cent with an average profit margin of between 10 and 15 per cent during one business cycle.

Financial information

Monthly Report, 7 months	15 August
Monthly Report, 8 months	17 September
Monthly Interim report, 9 months.....	16 October
Monthly Report, 10 months	15 November
Monthly Report, 11 months	17 December



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