

Interim report

January-June 2003

During the first six months the Group's net sales amounted to SEK 567 m (587) and pre-tax profits amounted to SEK 5 m (32).

The Group's result after taxes was SEK 3 m (22) and earnings per share was SEK 0.41 (2.87) for the first six months of the year.

During the passed 12-month period the Group's net sales was SEK 1,135 m (1,147) and profit before tax for the period amounted to SEK 38 m (78).

Increased focus on category solutions

At present much of our work is concentrated on category solutions. This is an area that has been an important part of our growth in recent years, and one in which we have unique expertise.

Down the years, we at HL Display have driven the development of new solutions for merchandising and in-store communication within the retail sector – solutions that have in the course of time become standard for the industry. Our Datastrips, which appeared as long ago as 1975, and our shelf management system are examples of such innovation. The Datastrip is now a standard in the retail sector all over the world, and the shelf management system is the first tool retailers turn to in many markets when they want to display their products in the best way possible.

Category solutions – the next standard

We are currently focusing on what we see as the next standard within the retail sector – category solutions. With category solutions we can satisfy the retail sector's demand for solutions to display entire product categories, including everything from Children's Food to Health & Beauty. The investment in category solutions underpins the category-based approach that has already made its presence felt very strongly in the retail sector, above all in the FMCG sector. In a nutshell, it is a matter of putting together and displaying the most attractive range of products in various categories.

Our category solutions make it feasible to implement this method of category management in the store. Our solutions are well adapted display systems that make optimal use of the retail space, keep the products in place, make restocking easier, push products forward on the shelf and provide the customer with all of the information required to make a purchase.

Category solutions increase sales

At a seminar on *The Store of the Future*, which was arranged by HL Display this February, representatives from leading retail chains and brand manufacturers stated that category solutions are an important tool in increasing sales. Around 75 per cent replied that category management is the obvious solution to increase impulse purchases and consequently sales. This is a very simple indication that we are active in an area that is significant to our customers.

Good potential

The investment in category solutions has been an important element of HL Display's growth in recent years. This is also an area in which we feel that we have unique expertise. But the journey has only just begun, and we believe that the future potential is good.

The category solutions on which we have focused so far are mainly adapted to the FMCG sector, i.e. Chilled Food, Health & Beauty, Confectionery, Tobacco and Frozen Food. There is still great potential within these areas. At the same time we are extending our activities with solutions for specialist outlets, including DIY stores and petrol stations.

Category solutions are also important for brand manufacturers who want to have the best possible exposure of their products in the stores. At present brand manufacturers and retailers collaborate on the in-store displays, and there is reason to believe that this collaboration will be further extended. This is a positive development for HL Display, as we are already supplying many of the world's leading brand manufacturers.

More modest sales than expected

Sales during the first six months of the year was much lower than we had expected. Turnover was SEK 567 m (587), an increase of 3 per cent compared to the corresponding period in 2002. Several markets have developed as expected. However, developments in our two biggest markets, France and Britain, were worse than expected. As these two markets account for about 40 per cent of our total sales, this has had a significant impact on the Group's total turnover.

Markets

International expansion has been an important strategy for us for many years, not least in order to benefit from the rapid internationalisation that is characterising the retail sector. At present we have our own sales companies in 25 countries, and a further 14 countries are served by distributors. International expansion continues to be an important element of our growth strategy.

Developments in Western Europe have been unsatisfactory, with the exception of Scandinavia. Sales have also decreased in North America. Developments in Eastern Europe are positive for most sales companies, not least in Russia, where sales more than doubled compared to last year. Developments in the retail sector are moving quickly, largely due to the fact that retail chains and brand manufacturers from the West have had a major impact.

The Asian market has also grown, even if this is from low levels. HL Display is currently active in five Asian countries: Hong Kong, Malaysia, Singapore, Taiwan and Thailand.

Increased sensitivity to changes in the economy

Historically we have been relatively immune to fluctuations in the economy, as we have had many small orders from many markets. The focus on category solutions involves larger projects, and this means that we are experiencing an increased sensitivity to changes in the economy, especially as we are well into the recession that we are now experiencing. This goes a long way towards explaining the downturn in France and Britain, where customers have put larger projects on hold. In Britain there are also structural changes under way in the market, and this has had an impact on our sales.

Lower operating profit

The operating profit for the first six months was SEK 7 m (40), and the profit before taxes was SEK 5 m (32). The change in the value of the Swedish krona against our export currencies since the beginning of the year has had a negative effect on the operating profit to the order of SEK 5 m. Net interest for the period was SEK -1 m (-2), while conversion differences and other currency effects totalled SEK -1 m (-5).

The reduction in the operating profit was SEK 33 m compared to the corresponding period last year, and consists of items such as one-off costs of around SEK 6 m. These costs are the result of our decision to transfer all production at HL Display Lesjöfors AB to the factory in Falkenberg. This move, which has now been completed, means that we can increase efficiency in production, and positive effects are achieved in the production areas concerned as from June 2003.

The reduced turnover has had an effect on the operating profit of SEK 14 m. The rest of the amount, SEK 13 m, comprises increased costs relating to our investment in category solutions. We have extended our sales resources, and now have category managers who are working on global sales of our category solutions. We have also extended our investments in product development and design, to develop new solutions and maintain the lead over our competitors. The establishment of a regional service centre and the new Spanish sales company have also generated increased costs compared to last year.

Investments

During the period net investments in fixed assets amounted to SEK 15 m (24). Depreciation according to plan stood at SEK 24 m (25).

Financial position

Liquidity stood at SEK 76 m (79) on June 30th 2003, at the beginning of the year at SEK 100 m. During the first six months loans were repaid with net SEK 5 m and dividends were paid out amounting to SEK 13 m. Cash flow from operating activities decreased to SEK 12 m (30). The equity/assets ratio was 48 (44) per cent on balance date, at the beginning of the year 49 per cent.

Personnel

The average number of employees was 954 (900). The number of employees on June 30th 2003 was 974 (918), at the beginning of the year 938.



RR 25 Reporting of segments

– lines of business and geographical regions

As from January 1st 2003 HL Display is applying RR 25 Reporting of segments – lines of business and geographical regions. The company's opportunities and risks are largely related to the products and services that it offers its customers. HL Display is a typical niche company. Its internal reporting and follow-up focus on the development of 15 or so similar product groups. These have somewhat different functions, but are intended for the same areas of application (merchandising and in-store communication), the same customer categories, the same markets, are produced by the same machines and thus have similar risks and opportunities. HL Display is therefore active solely within one line of business, which is why the primary segment for reporting is the same as reporting for the company as a whole. As a secondary segment, HL Display will report on geographical regions.

Prospects for 2003

The market has seen a more negative development than could have been predicted after the first quarter. A forecast of what this will mean for our turnover and profit figures in 2003 will be issued in conjunction with the interim report for the third quarter.

Stockholm, July 2003.

Anders Remius, Managing Director

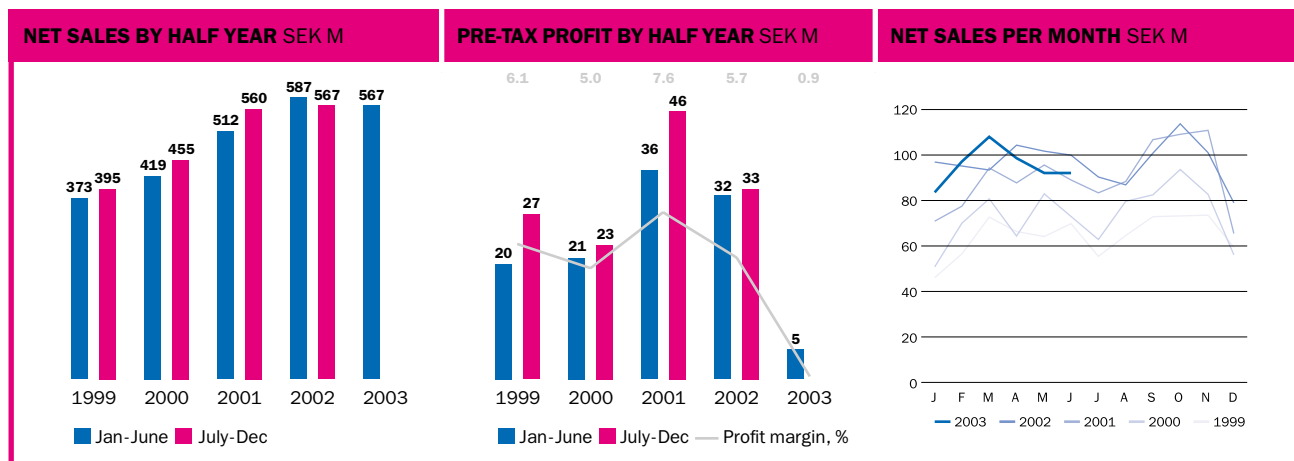
Summary of consolidated income statement ¹⁾

SEK (000s)	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Net sales	281,140	302,859	567,467	587,270	1,154,407
Cost of goods/services sold	-156,384	-160,466	-308,756	-312,505	-613,014
Gross profit	124,756	142,393	258,711	274,765	541,393
Selling expenses	-91,749	-67,288	-166,046	-131,986	-268,628
Administrative expenses	-24,073	-44,155	-64,170	-85,765	-167,095
Research & development expenses	-8,316	-9,083	-19,275	-17,606	-32,897
Other operating income/expenses	-1,376	-588	-2,202	425	3,194
Operating profit	-758	21,279	7,018	39,833	75,967
Financial income and expenses ²⁾	-575	-3,074	-2,164	-7,417	-10,614
Profit before tax	-1,333	18,205	4,854	32,416	65,353
Tax ³⁾	344	-5,818	-1,698	-10,373	-21,453
Net profit	-989	12,387	3,156	22,043	43,900

Data per share

	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Number of shares	7,688,872	7,688,872	7,688,872	7,688,872	7,688,872
Number of shares after dilution	7,698,404	7,699,491	7,700,475	7,698,953	7,692,389
Earnings per share after full tax, SEK	-0.13	1.61	0.41	2.87	5.71
Earnings per share after dilution and full tax, SEK	-0.13	1.61	0.41	2.86	5.71
Share price at the end of period	81.00	124.00	81.00	124.00	91.00
P/E-ratio, Dec 31	-	-	-	-	15.94

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Summary of consolidated balance sheet

	June 30, 2003	June 30, 2002	Dec 31, 2002
Intangible fixed assets ⁴⁾	10,133	13,038	12,615
Tangible fixed assets	153,237	162,748	159,427
Financial fixed assets	27,448	19,825	21,655
Total fixed assets	190,818	195,611	193,697
Inventories	112,701	116,332	114,185
Current receivables	260,421	274,627	242,138
Cash and bank	76,418	78,980	100,388
Total current assets	449,540	469,939	456,711
Total assets	640,358	665,550	650,408
Shareholders' equity	306,244	294,008	315,821
Provisions	21,680	24,757	23,478
Long-term liabilities	129,945	142,569	135,126
Current liabilities	182,489	204,216	175,983
Total shareholders' equity and liabilities	640,358	665,550	650,408

Change in shareholder's equity

SEK (000s)	June 30, 2003	June 30, 2002	Dec 31, 2002
Opening balance	315,821	283,667	283,667
Dividends paid	-12,687	-11,918	-11,918
Net profit of the period	3,156	22,043	43,900
Other changes in shareholder's equity ⁵⁾	-46	216	172
Closing balance	306,244	294,008	315,821

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Summary of consolidated cash flow statement ⁶⁾

SEK (000s)	April-June 2003	April-June 2002	Jan-June 2003	Jan-June 2002	Jan-Dec 2002
Operating profit	-758	21,279	7,018	39,833	75,967
Depreciation	12,118	12,971	24,155	24,971	49,231
Other items not affecting liquidity	-855	581	-393	-2,241	-2,522
Interest received	638	762	1,818	2,169	3,150
Interest paid	-1,379	-2,176	-3,217	-4,488	-8,984
Income tax paid	-8,334	-6,976	-14,235	-16,195	-28,450
Change in working capital	-15,444	-18,825	-3,039	-14,230	-7,413
Cash flow from operational activities	-14,014	7,616	12,107	29,819	80,979
Investing activities	-9,311	-15,374	-18,342	-25,987	-49,000
Financing activities	21,841	24,120	-17,735	9,947	4,793
Cash flow for the period	-1,484	16,362	-23,970	13,779	36,772

Key figures the last five quarters

SEK (000s)	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002
Net sales	281,140	286,327	292,341	274,796	302,859
Operating profit	-758	7,776	15,784	20,350	21,279
Profit after financial items	-1,333	6,187	13,455	19,482	18,205
No. of employees end of period	974	963	938	931	918

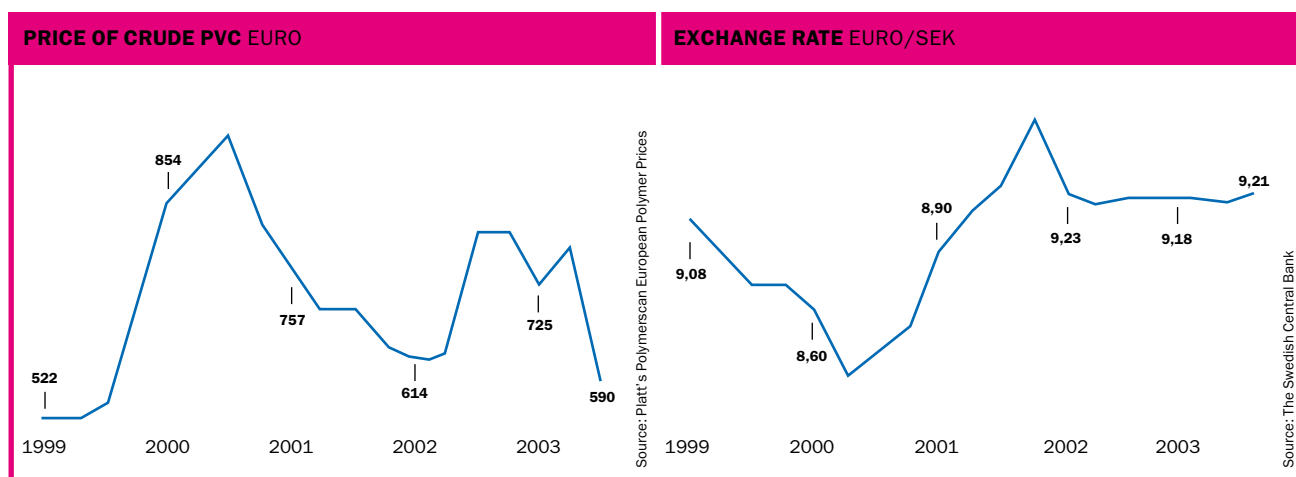
Key figures for the Group¹⁾

SEK (000s)	6 months Jan-June 2003	6 months Jan-June 2002	6 months Jan-June 2001	12 months July 2002 - June 2003	12 months July 2001 - June 2002	12 months July 2000 - June 2001	Full year 2002
Net sales	567,467	587,270	511,914	1,134,604	1,147,290	966,693	1,154,407
Operating profit	7,018	39,833	34,355	43,152	88,509	55,598	75,967
Profit before tax ²⁾	4,854	32,416	35,870	37,791	78,377	59,173	65,353
Profit margin, %	0.9	5.5	7.0	3.3	6.8	6.1	5.7
Equity/assets ratio, %	47.8	44.2	45.4	47.8	44.2	45.4	48.6
Net investments, SEK m	15.5	24.1	25.7	35.8	45.9	55.2	44.4
Return on total capital, %	-	-	-	7.0	14.8	13.3	12.0
Return on equity after full tax, %	-	-	-	8.3	20.5	14.6	14.6
Shareholders' equity per share, SEK	39.83	38.24	32.52	39.83	38.24	32.52	41.08
Earnings per share after full tax, SEK	0.41	2.87	2.85	3.25	7.24	4.53	5.71
Earnings per share after dilution and full tax, SEK	0.41	2.86	2.85	3.25	7.24	4.53	5.71

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Notes

- 1) HL Display's accounting and valuation principles are in accordance with the recommendations of the Swedish Financial Accounting Standards Council. They remain unchanged compared to the HL Display annual report for 2002, where principles and definitions can be found. However, a few expenses have been reclassified between the different functions to better reflect the business.
- 2) Of which, translation differences as per 30/06/03: SEK -0.3 m, 30/06/02: SEK -1.5 m, 31/12/02: SEK -2.0 m.
- 3) Estimated full tax.
- 4) Whereof goodwill as per 30/06/03: SEK 2.2 m, 30/06/02: SEK 4.6 m, 31/12/02: SEK 3.3 m.
- 5) Change as a consequence of warrant-scheme.
- 6) Cash flow analyses as per April-June and January-June before exchange difference on liquid assets.



This report has not been audited by the company auditors.

The HL Display share

Share price development

HL Display's share price fell by 11 per cent during the first six months of 2003, while Affärsvärlden's General Index rose by 7 per cent. Since its Stock Exchange launch in 1993, the share's value has increased by 464 per cent from SEK 14.37 (corrected for bonus issues) to SEK 81 on June 30th 2003. During the same period Affärsvärlden's General Index increased by 97 per cent. During 2003 HL Display's peak price has been SEK 100, and its lowest SEK 70. As of June 30th 2003, HL Display's market capitalisation was SEK 623 m.

Trade volumes

During the first half of 2003, 153,086 shares were traded at a value of SEK 14 m, corresponding to 2 per cent of the total number of HL Display shares.

Share capital

The share capital as of June 30th 2003 totalled SEK 38,444,360, divided among 7,688,872 shares, each with a par value of SEK 5. Class A shares carry one vote and class B shares 1/10 of a vote. All shares provide equal entitlement to a share of the company's assets and profits. A block of shares amounts to 100 shares.

Shareholders

As of June 30th 2003 the number of shareholders was 2,721 (2,982). The proportion of institutional shareholders is estimated at 53 (49) per cent of capital and the proportion of foreign share-

holders is 1 (2) per cent. 81 (80) per cent of all shareholders in HL Display each owned less than 500 shares.

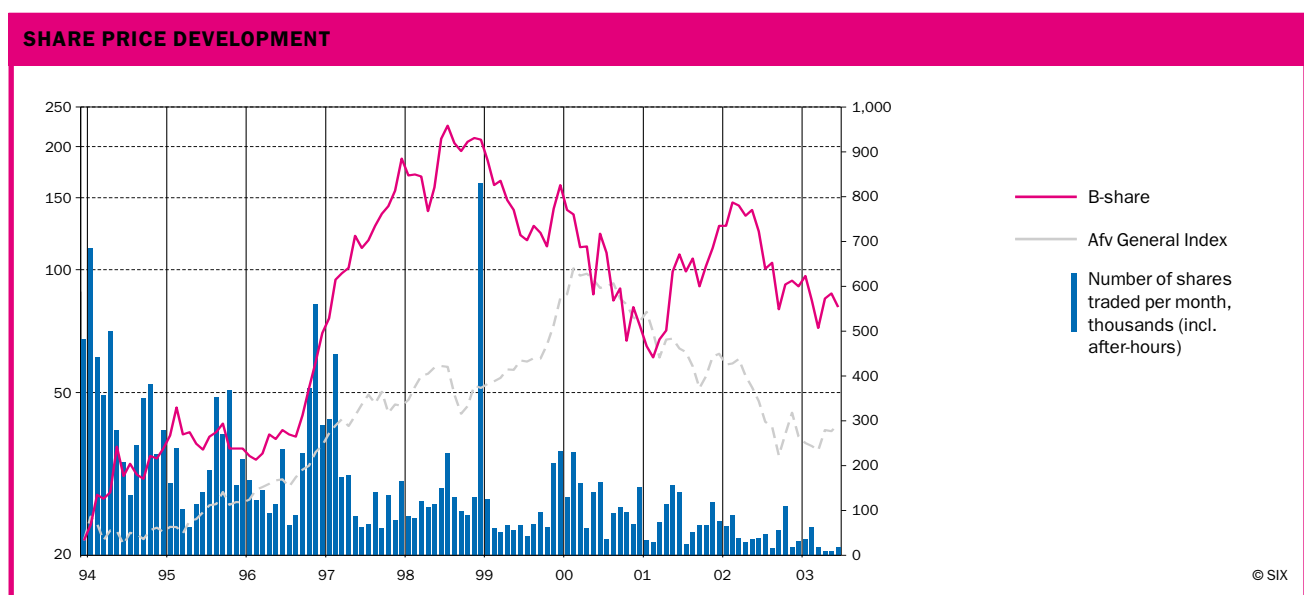
In terms of capital, the largest shareholders as of June 30th 2003 were: the Remius family with 31 per cent, Ratos with 29 per cent and Lannebo Fonder with 9 per cent.

Option scheme

During the spring an option scheme was initiated, comprising 49,200 warrants aimed at senior executives in HL Display. If all options are exercised, the number of class B shares will increase by 49,200, corresponding to 0.6 per cent of share capital and 0.3 per cent of the votes in HL Display. The subscription price has been set at SEK 86 using the so-called Black & Scholes model, and the subscription period runs from July 1st 2005 up to and including June 29th 2007. In the event of full utilisation of both the option scheme adopted during the spring and the two earlier ones, the maximum dilution will be around 1.9 per cent of share capital and 0.9 per cent of votes. The outstanding option scheme has no future effect on HL Display's profit.

Dividend policy

HL Display's Board has decided that a cautious dividend policy should be applied during an anticipated growth phase. Over time, the dividend will correspond to one fifth of profits after net financial items and standard-rate tax. This year's dividend totalled SEK 1.65 (1.55) per share.



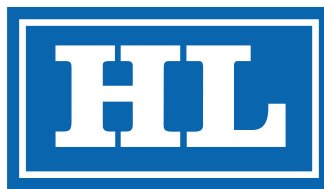


HL Display is Europe's leading supplier of products and solutions for merchandising and in-store communication. With 50 years' experience, the company has expertise in displaying goods in stores in a way that increases sales and makes work in the store more efficient, and at the same time gives the end consumers all the information they need to make their purchasing decision.

HL Display is one of Europe's fastest-growing companies, with an annual growth rate of 25 per cent in the last ten years. The company's main market is Europe, but HL Display is also currently expanding in Asia. The company's customers include leading retail chains and brand manufacturers all over the world. HL Display has more than 900 employees in 25 countries, and has since 1993 been listed on the Stockholm Stock Exchange's O-List.

Financial information 2003

Monthly report, 7 months:	August 14
Monthly report, 8 months:	September 15
Interim report, 9 months	October 14
Monthly report, 10 months:	November 14
Monthly report, 11 months:	December 15



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