

Interim report

January-June 2004

During the first six months the Group's net sales increased to SEK 680 m (567) and pre-tax profits amounted to SEK 43 m (5).

The Group's profit after tax was SEK 28 m (3) and earnings per share was SEK 3.69 (0.41) for the first six months of the year.

During the last 12-month period the Group's net sales was SEK 1 241 m (1 135) and profit before tax for the period amounted to SEK 29 m (38).

Hard work is producing results

During the first six months we have continued to work on generating increased profitability, and this is already starting to produce results. Even if we are now prioritising profitability, HL Display will in future continue to be a high-growth company, but this must be with good margins.

Down the years HL Display has built up a position as a global leader in the field of merchandising and in-store communication. Through our focus on innovation we have developed new solutions that have quickly become the industry standard in the retail sector. Our success has meant steady growth with good profitability.

When our sales declined during 2003, partly due to a weaker economy, we were still an organisation focusing on growth. Our costs became too high and we generated a loss. We have therefore taken action throughout the Group to restore profitability. This remains our focus and we will continue to prioritise profitability ahead of growth, but the ambition, the corporate culture and the market conditions indicate HL Display will remain a high-growth company.

Having previously worked with a largely decentralised organisation, we have realised that we and our customers have now reached a size that creates a much greater need to centralise processes and work methods in the core business, and to centralise certain support functions. This work is now under way.

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Actions taken

The actions taken last year, both at the factories in Lesjöfors and Sundsvall and in the parent company, have during the first six months lead to reduced costs and more efficient resource utilisation. HL Display is currently a company with a more streamlined organisation, with better means of control and resource utilisation than before. Some rationalisation will still be necessary.

Responsibility for sales currently rests with five Area Managers, a new organisation that came into effect in 2003. Control from the parent company has been increased to reinforce sales work, and not least of all contact with the company's key accounts. Today, national as well as global key accounts are well defined. The same applies to which products and category solutions are to be prioritised. Categories in focus are – Fresh Products, Frozen Food, Health & Beauty, Confectionery and Tobacco.

The focus on category solutions means that HL Display can create increasing volume also in mature markets. The general downward pressure on prices in the market can be compensated for by means of more efficient and profitable production. The sales efforts towards the non-food sector have been intensified. In this work HL Display is able to benefit from experiences of successful sales to the food sector.

New products

During the spring of 2004 EasyShelf™ has been introduced. EasyShelf™ is a response to higher demands from the retail sector to facilitate rapid restructuring of their merchandising. EasyShelf™ makes it easier and more efficient to reorganize a store.

Turnover and financial result

The Group's turnover during the period was SEK 680 m (567), an increase of 20 per cent compared to the same period in 2003. The change in the value of the Swedish krona against the export currencies since the beginning of the year has had a positive effect to the order of SEK 11 m.

The operating profit for the first six months was SEK 47 m (7), and profit before taxes was SEK 43 m (5). The change in the value of the Swedish krona against the export currencies since the beginning of the year has had a positive effect on the operating profit to the order of SEK 6 m. Net interest for the period was SEK -3 m (-2), while conversion differences and other currency effects totalled SEK -1 m (0).

The improvement in the operating profit can be explained by good sales performance in the major markets, rationalisation measures implemented and lower cost level compared to earlier years.

Markets

In the largest markets, France and the UK, sales were very healthy during the period. Belgium and Austria have also performed well. Scandinavia and the Netherlands however, have had low sales.

HL Display today is in all respects an international corporation, and international expansion is an important part of the growth strategy. From a regional perspective Asia is particularly interesting with healthy sales development. The establishment of a new business in China in 2004 is strategically important, not least because this is a market with great potential. It is our belief that in the longer term production for the Asian market has to take place in Asia and China is an attractive production country. A great potential also exists in the former Soviet Union, where many of HL Display's larger customers are now planning to expand.

Investments

During the period net investments in fixed assets amounted to SEK 23 m (15). Depreciation according to plan totalled SEK 23 m (24).

Financial position

Liquidity totalled SEK 92 m (76) on 30 June 2004, at the beginning of the year SEK 95 m. During the first six months new loans were raised to a net value of SEK 12 m. Dividends were paid out to a value of SEK 13 m. Cash flow from operating activities increased to SEK 20 m (12). The equity/assets ratio was 43 (48) per cent on balance sheet date, 45 per cent at the beginning of the year.

Personnel

The average number of employees was 970 (954). The number of

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employees on 30 June 2004 was 981 (974), at the beginning of the year 987.

Accounting of pensions

From January 1st 2004 HL Display has applied the Swedish Financial Accounting Standards Council's recommendation RR29 Employees Benefits (IAS19). The change of accounting principles leads to a one-off effect of SEK -0.5 m relating to defined benefit plans. The budgeted annual cost of these defined benefit plans amounts to SEK 0.3 m. There has been no re-calculation of comparative years.

Insurance policies according to the ITP plan are posted as a defined contribution plan according to the statement from the Swedish Financial Accounting Standards Council's Interpretation Committee (URA41). Alecta has announced that during the second half of 2004 they will be able to supply the information necessary for client companies to treat the plan as a defined benefit plan. What the re-calculation of the ITP plan from a defined contribution plan to a defined benefit plan will mean for HL Display is therefore not known at the moment. However, it is HL Display's belief that existing premiums should cover existing commitments.

Prospects for 2004

HL Display does not normally issue a forecast for the result of the current year until the interim report for the third quarter. With the poor performance of the last two years, the Board chose to provide the shareholders their expectations for 2004 in the year end report for 2003.

The Board decided ahead of 2004 to prioritise the profitability objective to achieve, over an economic cycle, an average profit margin of 10-15 per cent. The objective was set to achieve an annual rate of 10 per cent during the second half of 2005. The growth objective of achieving annual growth of more than 20 per cent over an economic cycle has been replaced by more short-term objectives. The objective for 2004 was set to achieve at least 10 per cent.

Turnover and profit for the period are in line with these expectations of growth in turnover with gradually improving profitability. Growth has been healthy during the first half of 2004. Among other things, a major project in the UK has been invoiced with a value of approx. SEK 45 m. However, there is reason to expect lower activity with the major customers during the second half of the year. A more detailed forecast for the whole of 2004 will be issued in connection with the interim report for the third quarter.

Stockholm, July 2004

Anders Remius, Managing Director



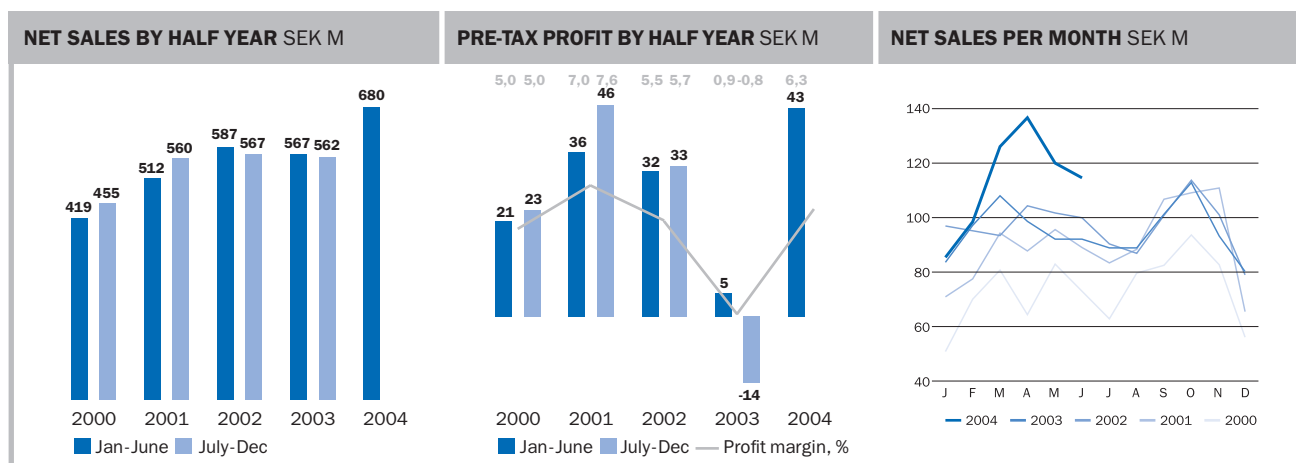
Summary of consolidated income statement ¹⁾

SEK (000s)	April-June 2004	April-June 2003	Jan-June 2004	Jan-June 2003	Jan-Dec 2003
Net sales	371,913	281,140	679,833	567,467	1 129 005
Cost of goods	-208,717	-156,384	-371,748	-308,756	-622 122
Gross profit	163,196	124,756	308,085	258,711	506 883
Selling expenses	-92,820	-91,749	-178,285	-166,046	-329,366
Administrative expenses	-29,399	-24,073	-61,430	-64,170	-127,075
Research & development expenses	-10,594	-8,316	-21,032	-19,275	-36,958
Other operating income/expenses	-1,138	-1,376	-702	-2,202	-17,372
Operating profit	29,245	-758	46,636	7,018	-3,888
Financial income and expenses ²⁾	-2,875	-575	-4,005	-2,164	-5,324
Profit before tax	26,370	-1,333	42,631	4,854	-9,212
Tax ³⁾	-8,670	344	-14,240	-1,698	-897
Net profit	17,700	-989	28,391	3,156	-10,109

Data per share

	April-June 2004	April-June 2003	Jan-June 2004	Jan-June 2003	Jan-Dec 2003
Number of shares	7,688,872	7,688,872	7,688,872	7,688,872	7,688,872
Number of shares after dilution	7,708,142	7,698,404	7,706,653	7,700,475	7,700,360
Earnings per share after full tax, SEK	2.30	-0.13	3.69	0.41	-1.31
Earnings per share after dilution and full tax, SEK	2.30	-0.13	3.68	0.41	-1.31
Share price at the end of period	122.00	81.00	122.00	81.00	111.00
P/E-ratio, Dec 31	-	-	-	-	neg

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Summary of consolidated balance sheet

SEK (000s)	June 30, 2004	June 30, 2003	Dec 31, 2003
Intangible fixed assets ⁴⁾	5,253	10,133	7,404
Tangible fixed assets	138,960	153,237	137,383
Financial fixed assets	26,528	27,448	26,669
Total fixed assets	170,741	190,818	171,456
Inventories	127,607	112,701	128,528
Current receivables	323,252	260,421	250,720
Cash and bank	91,560	76,418	94,840
Total current assets	542,419	449,540	474,088
Total assets	713,160	640,358	645,544
Shareholders' equity	308,217	306,244	292,979
Provisions	14,116	21,680	13,876
Long-term liabilities	72,631	67,443	66,421
Current liabilities	318,196	244,991	272,268
Total shareholders' equity and liabilities	713,160	640,358	645,544

Change in shareholder's equity

SEK (000s)	June 30, 2004	June 30, 2003	Dec 31, 2003
Opening balance	292,979	315,821	315,821
Dividends paid	-12,686	-12,687	-12,687
Net profit of the period	28,391	3,156	-10,109
Other changes in shareholder's equity ⁵⁾	-467	-46	-46
Closing balance	308,217	306,244	292,979

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Summary of consolidated cash flow statement⁶⁾

SEK (000s)	April-June 2004	April-June 2003	Jan-June 2004	Jan-June 2003	Jan-Dec 2003
Operating profit	29,245	-758	46,636	7,018	-3,888
Depreciation	11,411	12,118	23,157	24,155	47,556
Other items not affecting liquidity	-491	-855	-58	-393	20,010
Interest received	150	638	893	1,818	3,130
Interest paid	-2,173	-1,379	-4,372	-3,217	-6,839
Income tax paid	-3,791	-8,334	-12,510	-14,235	-24,151
Change in working capital	-21,412	-15,444	-33,562	-3,039	8,652
Cash flow from operational activities	12,939	-14,014	20,184	12,107	44,470
Investing activities	-11,502	-9,311	-23,283	-18,342	-41,212
Financing activities	11,277	21,841	-181	-17,735	-6,398
Cash flow for the period	12,714	-1,484	-3,280	-23,970	-3,140

Key figures the last five quarters

SEK (000s)	Q 2 2004	Q 1 2004	Q 4 2003	Q 3 2003	Q 2 2003
Net sales	371,913	307,920	284,671	276,867	281,140
Operating profit	29,245	17,391	-20,542	9,636	-758
Profit after financial items	26,370	16,261	-23,394	9,328	-1,333
No. of employees end of period	981	985	987	974	974

Key figures for the Group¹⁾

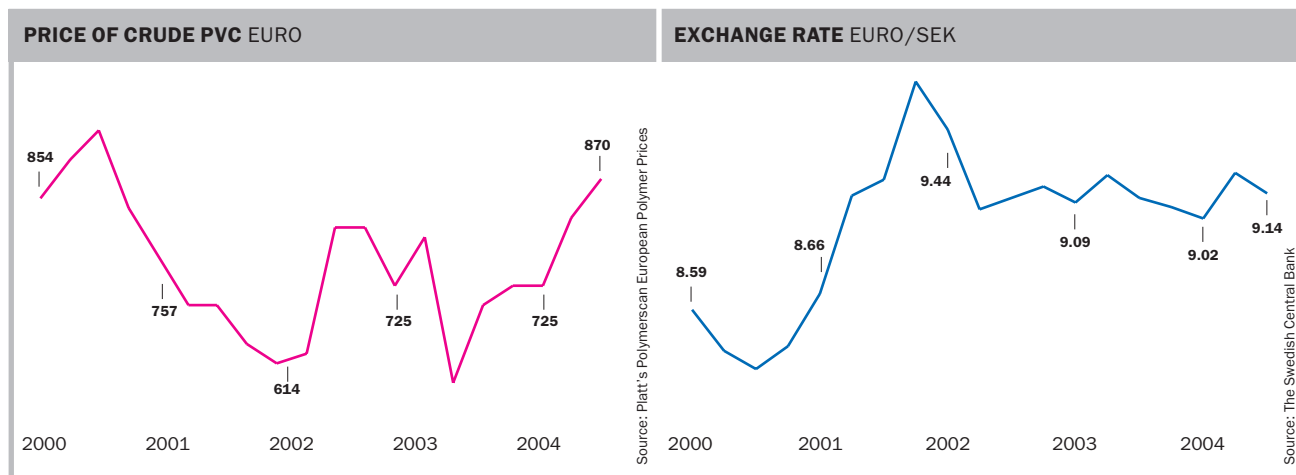
SEK (000s)	6 months Jan-June 2004	6 months Jan-June 2003	6 months Jan-June 2002	12 months July 2003 - June 2004	12 months July 2002 - June 2003	12 months July 2001 - June 2002	Full year 2003
Net sales	679,833	567,467	587,270	1,241,371	1,134,604	1,147,290	1,129,005
Operating profit	46,636	7,018	39,833	35,730	43,152	88,509	-3,888
Profit before tax ²⁾	42,631	4,854	32,416	28,565	37,791	78,377	-9,212
Profit margin, %	6.3	0.9	5.5	2.3	3.3	6.8	-0.8
Equity/assets ratio, %	43.3	47.8	44.2	43.3	47.8	44.2	45.4
Net investments, SEK m	22.6	15.5	24.1	46.5	35.8	45.9	39.3
Return on total capital, %	-	-	-	5.5	7.0	14.8	-0.2
Return on equity after full tax, %	-	-	-	4.9	8.3	20.5	-3.3
Shareholders' equity per share, SEK	40.09	39.83	38.24	40.09	39.83	38.24	38.10
Earnings per share after full tax, SEK	3.69	0.41	2.87	1.97	3.25	7.24	-1.31
Earnings per share after dilution and full tax, SEK	3.68	0.41	2.86	1.96	3.25	7.24	-1.31

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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. Unless otherwise stated they remain unchanged compared to the HL Display Annual report for 2003, where principles and definitions can be found.
- 2) Of which, translation differences as per 30/06/04: SEK -0.2 m, 30/06/03: SEK -0.3 m, 30/06/02: SEK -1.5 m, 31/12/03: SEK -0,7 m.
- 3) Full tax.
- 4) Whereof goodwill as per 30/06/04: SEK 0.6 m, 30/06/03: SEK 2.2 m, 31/12/03: SEK 1.2 m.
- 5) Change as a consequence of change of accounting principles 30/06/04 and of warrant-scheme 31/12/03.
- 6) Cash flow statements as per January-March and January-June before exchange differences of liquid assets.

This report has not been audited by the company auditors.



The share

Share price development

HL Display's share price rose by 10 per cent during the first six months of 2004, while Affärsvärlden's General Index rose by 9 per cent. Since its Stock Exchange launch in 1993, the share's value has increased by 749 per cent from SEK 14.37 (corrected for bonus issues) to SEK 122 on June 30th 2004. During the same period Affärsvärlden's General Index increased by 160 per cent. During 2004 HL Display's peak price has been SEK 128, and its lowest SEK 92. As of June 30th 2004, HL Display's Stock Exchange value was SEK 938 m.

Trade volumes

During the first half of 2004, 367,523 shares were traded at a value of SEK 42 m, corresponding to 5 per cent of the total number of HL Display shares.

Share capital

The share capital as of June 30th 2004 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.

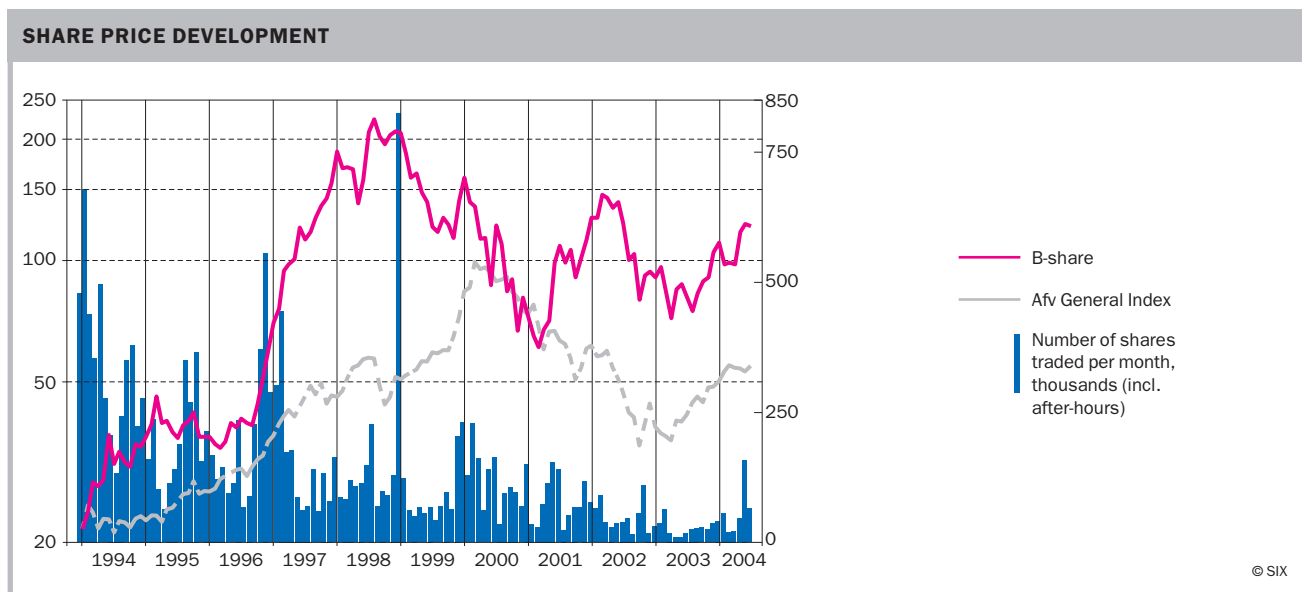
Shareholders

As of June 30th 2004 the number of shareholders was 2,479 (2,721). The proportion of institutional shareholders is estimated at 53 (53) per cent of capital and the proportion of foreign shareholders is 2 (1) per cent. 78 (81) per cent of all shareholders in HL Display each owned less than 500 shares.

In terms of capital, the biggest shareholders as of June 30th 2004 were: the Remius family with 31 per cent, Ratos with 29 per cent and Lannebo Fonder with 10 per cent.

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 (1.65) per share.



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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 has had an average annual growth rate of 20 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 just under 1,000 employees in 25 countries, and has since 1993 been listed on the Stockholm Stock Exchange's O-List.

Financial information 2004

Monthly report, 7 months:	August 13
Monthly report, 8 months:	September 14
Interim report, 9 months:	October 15
Monthly report, 10 months:	November 15
Monthly report, 11 months:	December 15

