

summary of
annual report



Summary of HL Display's 1996 Annual Report

Financial Report dates

Three-months 1997 interim report
April 28, 1997

Six-months 1997 interim report
August 11, 1997

Nine-months interim report
October 20, 1997

HL Display's 1997 Annual General Meeting

The Annual General Meeting will be Monday, April 28, 1997, at 4:00 p.m., in Industrihuset, Storgatan 19, Stockholm, Sweden.

- Sales increased by 18.7 per cent, to MSEK 353.0 (297.4)¹⁾.
- Income before tax rose by 140.5 per cent, to MSEK 46.2 (19.2).
- Income per share after full tax increased to SEK 8.40 (2.73).
- Investments amounted to MSEK 24.5 (27.5).
- New sales companies were established in Austria and the Czech Republic.
- Qvarnströms Säljstall i Lesjöfors was acquired.
- Proposed dividend: SEK 2.00 (1.25).
- A 1:1 bonus issue is proposed.

Sales of all product areas within HL Display increased during 1996. But, for the first time in our history, datastrips are not our fastest-growing product. Calculated in SEK, and as a percentage of sales, the Optimal products showed the greatest increase in 1996. Optimal is a shelf management system which optimizes the display of goods to be sold.

It is natural that Optimal should be part of our new Merchandising System concept. The concept encompasses a comprehensive range of display products which ultimately lead to improved sales. Our share of the market in Merchandising systems is rather modest, which means that our potential for growth is substantial.

With this new concept, we are increasing our penetration of an attractive customer category: producers of brand name products. We can thereby further expand our potential market. Our subsidiaries in France, Sweden and the former Eastern block states, in particular, were successful in this field in 1996. We will gradually invest increasing resources in this segment in all our markets.

Our customers earn more money

The success with Optimal is also significant because it shows that we are a company that do more than manufacture and sell datastrips. Other products today account for nearly half of our sales.

However, datastrips and dividers are only part and parcel of a greater picture. What we are selling are systems that enable our customers — stores, retail chains and suppliers of brand name products — to increase their sales. That is our business concept.

¹⁾ Figures within parentheses pertain to 1995 operations.

Even at the end of the 1970s, there were many who did not understand the real advantages of shelf-edge labelling in stores — or of our strips. Datastrips are not only just a practical and clear way to show the prices of goods in stores — even though they also have that function. The true advantage of shelf-edge labelling is that the system makes it possible to organize work in stores in a rational manner. Customers did not become seriously interested until we could demonstrate, for example, that Alcro Färg — with the help of our products — was able to open two additional stores with the same amount of capital that was required earlier for a single store.

Today we have more than half of the European market for datastrips and approximately 95 per cent of the market in Sweden. There is a substantial need for strips, even in mature markets. Chain store operations are becoming increasingly international, stores are being bought up at an ever-faster rate and the new owners are “profiling” themselves, in part, with new fittings — which involve new models of datastrips.

New markets

Ahead of us, there are also a number of markets that have not yet appreciated the true advantages of our shelf edge system. We are now beginning a major program in the U.S. market, where stores are still labelling merchandise with self-adhesive price labels on shelf edges.

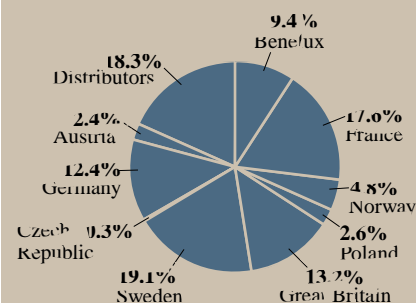
We will, of course, continue to produce datastrips — and continue to be the best at it. The future looks bright, taking into account the coming market for carriers of electronic shelf edge labels.

But we are not satisfied with that; we are continuing to develop our proprietary business concept. Optimal is one result. It is a product we are proud of — it is attractive, it keeps things in order on store shelves. But that is not the main benefit. The main benefit is that the customer can sell more of their merchandise, thanks to Optimal.

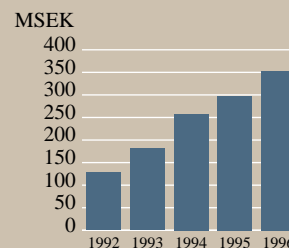
The fact that this concept has been successful on a number of our markets is the most important achievement for HL Display in 1996.

But it is far from the only thing that happened. The project that was started in 1995 to rationalize the production of datastrips in the Sundsvall plant has been highly successful. One of the objectives was to improve delivery reliability and increase output — the effective time the machines are producing — from a low of 72 per cent to 86 per cent. The median figure for 1996 was 89 per cent, and is continu-

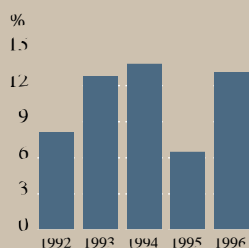
Sales per market



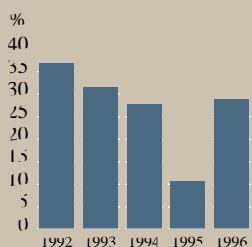
Trend of sales



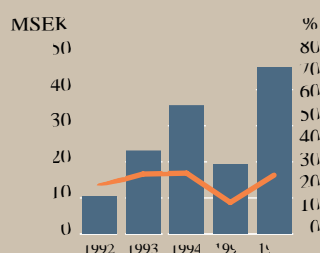
Profit margin



Return on shareholders' equity



Income before tax and Return on total capital



ing to rise. We also broke a number of our own records for volume of production, efficiency and delivery reliability. This was largely due to the wholehearted efforts of the employees in Sundsvall.

We started a similar project — called Falun-Europe — in Falun during the year. The objective is to make the Falun unit the best supplier in its product area in Europe. The motto is that every delivery should be a recommendation for a new order.

We have invested in premises and new production lines for screen printing and vacuum forming in Falun.

The logistics project is another program of major importance for us. The objective is to improve and simplify the handling of all operations, from order-recording via production to delivery, with the aid of computerized control systems.

We have made substantial progress in this area, too. Our objective is to make it possible for customers, themselves, to enter their orders in the computer. The order is transmitted directly by computer to the production system in Sundsvall which checks that all resources required to fill the order are available: raw materials, tools, machine time and transports. The order is then priced and a delivery date is set. This is confirmed to the customer. A number of our sales companies are already placing orders with the factory via the EDI (Electronic Data Interchange) system.

Joint Venture in the U.S.

In the beginning of the year we started a joint venture in the U.S. with Trion Industries Inc., the country's leading producer of metal hooks and components used for hanging displays of merchandise. The jointly owned company will manufacture our products, beginning with datastrips, that will be marketed by Trion in the U.S.

There are two extruders in the plant in Wilkes-Barre, Pennsylvania, and production of the first test orders began in January 1997, supervised by personnel from our Sundsvall plant.

In August, we acquired 60 per cent of the shares of Qvarnströms in Lesjöfors, which produces metal and wire products. The most important reason for the purchase was to gain access to metal expertise, in part because some of our customers are demanding metal display products and partly with the aim that Qvarnströms will produce Trion's metal hooks for the European market.

We started two new sales companies in Europe during 1996: HL Display Österreich GmbH and HL Display Česká republika s.r.o. in the Czech Republic. The Austrian subsidiary, which began operations January 1st, got off to a flying start and has generated earnings from the beginning.

In the Czech Republic, where we started up in April, things have gone slower but orders began to flow in at the end of the year.

All our other subsidiaries reported higher sales and showed good earnings in 1996. Exports account for more than 80 per cent of the Group's total sales.

We are on the right track

In brief, 1996 was a good year for HL Display. Income before tax amounted to MSEK 46.2, equal to a profit margin of 13.1 per cent and a return of 28.1 per cent on equity. Income before tax amounted to MSEK 19.2 in 1995, and MSEK 35.6 in 1994.

Sales in 1996 increased 18.7 per cent, to MSEK 353.0. It should be noted in this connection that, beginning in January 1996, we are no longer hedging our flows in foreign currency through forward contracts. Earlier, we hedged these flows for periods of 12 months. We believed at the time that the exchange rate for the Swedish krona had reached its high. Today, we know that we acted too soon, since the krona continued to strengthen and reached its high for the year, relative to most currencies, in October. The stronger krona had a negative impact of 5.7 per cent, or MSEK 21.5, on net sales compared with 1995.

We consider income for the year good, but not spectacular. It matched the profit margin that we have maintained in recent years, except for 1995 when we were affected by severe production problems. Thus, we have demonstrated that we are on the right track — but much remains to be done.

Stockholm, March 1997

A handwritten signature in black ink, consisting of the letters 'A', 'R', and a long horizontal stroke.

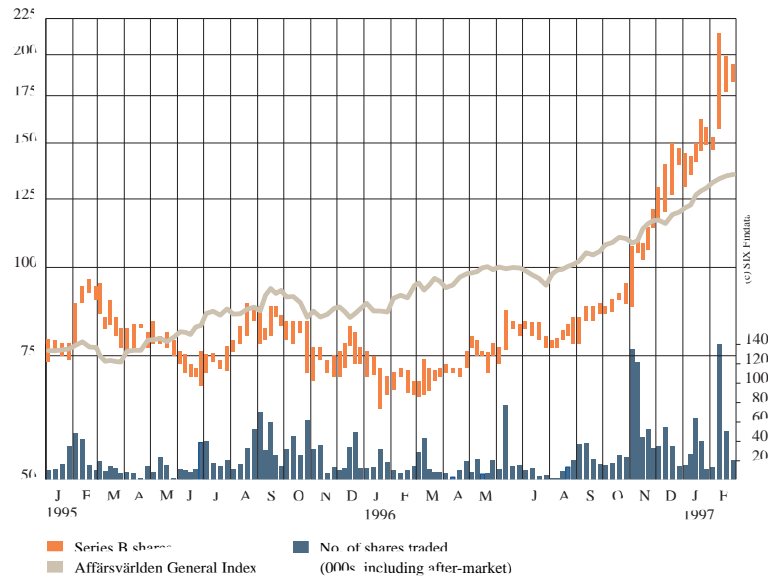
Anders Remius

HL Display Share Data

Table 1

**Distribution of shareholdings
December 31, 1996**

Shares held	Number of shareholders	Number of shares held	Percentage of total shares
1-500	1,813	299,992	7.80
501-2,000	286	319,685	8.32
2,001-10,000	50	196,047	5.10
10,001-50,000	10	281,308	7.32
50,001-100,000	1	54,000	1.40
>100,000	7	2,693,404	70.06
Total	2,167	3,844,436	100.00



As of December 31st, 1996, the share capital of HL Display AB amounted to SEK 19,222,180, represented by 3,844,436 shares, par value SEK 5 each. Series A shares carry rights to one vote and Series B shares each carry rights to one tenth of a vote. The shares are traded in lots of 100.

As of December 31st, 1996, HL Display had 2,167 shareholders (2,377). Ownership by institutional investors is estimated to amount to 30.1 (29.8) per cent of the share capital. The structure of share ownership is shown in Table 1 and Table 2 shows the largest shareholders.

Dividend policy

The Board of Directors of HL Display has determined that a conservative dividend policy should be applied during an anticipated growth phase. The dividend should, over time, amount to one fifth of the Company's net income after financial items and standard tax.

The Board proposes that the dividend for 1996 be increased to SEK 2.00 per share.

Bonus issue of shares

The Board of Directors proposes that the share capital be increased through a bonus issue of shares, utilising funds from the legal reserve as well as unappropriated earnings. It is proposed that one new HL Display share be issued for each share now outstanding. The proposed record date for the bonus issue is May 28th, 1997.

Table 2

**Largest shareholdings
December 31, 1996**

	No. of A shares	No. of B shares	Total shares held	Per cent of share capital	No. of votes	Per cent of votes
Remius family	401,904	786,759	1,188,663	30.9	480,580	60.4
Atle AB	0	566,121	566,121	14.7	56,612	7.1
Partnerinvest						
Kapital AB	54,608	486,356	540,964	14.1	103,244	13.0
Skandia Investment AB	0	397,656	397,656	10.3	39,765	5.0
Lars Jonsson family	0	76,508	76,508	2.0	7,651	1.0
Others	0	1,074,524	1,074,524	28.0	107,452	13.5
Total	456,512	3,387,924	3,844,436	100.0	795,304	100.0

Five-Year Group Summary

SEK 000s	1996	1995	1994	1993	1992
Condensed consolidated income statement					
Operating revenue	352,990	297,356	257,790	181,186	128,527
Operating expense	- 287,944	- 261,703	- 212,924	- 152,533	- 112,587
Operating income before depreciation	65,046	35,653	44,866	28,653	15,940
Straight-line depreciation	- 18,151	- 14,212	- 9,813	- 7,614	- 6,395
Operating income after depreciation	46,895	21,441	35,053	21,039	9,545
Financial income and expense	- 729	- 2,245	517	2,083	807
Income before tax	46,166	19,196	35,570	23,122	10,352
Tax	- 13,807	- 8,696	- 11,815	- 6,611	- 1,418
Minority interests	- 69	-	-	-	-
Income after tax	32,290	10,500	23,755	16,511	8,934
Condensed consolidated balance sheet					
Assets					
Liquid funds	44,211	23,291	33,654	43,149	11,633
Other current assets	105,071	84,952	70,960	54,963	33,995
Long-term assets	63,662	57,495	44,228	28,602	21,831
Total assets	212,944	165,738	148,842	126,714	67,459
Liabilities and shareholders' equity					
Current liabilities	63,453	41,728	45,024	41,667	24,094
Long-term liabilities	20,685	22,797	8,299	10,400	13,588
Minority interests	109	-	-	-	-
Shareholders' equity	128,697	101,213	95,519	74,647	29,777
Total liabilities and shareholders' equity	212,944	165,738	148,842	126,714	67,459
Key data					
Equity/assets ratio, %	60.5	61.1	64.2	58.9	44.1
Risk-bearing capital, %	63.8	64.3	67.2	62.2	47.5
Debt/equity ratio, times	0.14	0.22	0.09	0.10	0.38
Average number of employees,	347	315	260	193	155
Sales per employee	1,017.3	944.0	991.5	938.8	829.2
Profit margin, %	13.1	6.5	13.8	12.8	8.1
Return on total capital, %	25.7	13.6	26.6	26.2	20.9
Return on total capital after full tax, %	28.1	10.7	27.9	31.6	37.0
Return on capital employed, %	35.9	18.8	39.8	41.7	37.4
Interest coverage, times	20.1	9.6	32.3	11.0	5.9
Net investments	24,496	27,468	25,066	12,934	13,957
Development costs	13,129	10,922	9,941	7,299	6,361
Income per share after full tax, SEK	8.40	2.73	6.18	4.29	3.10
Income per share after standard tax, SEK	8.65	3.60	6.66	4.21	2.54
Dividend, SEK ¹⁾	2.00	1.25	1.25	0.75	-
Dividend as per cent of income after full tax	23.8	45.8	20.2	17.5	-
Market price, December 31, SEK	140.00	73.00	73.00	43.50	-
Shareholders' equity per share, SEK	33.48	26.33	24.85	19.42	11.25
Direct yield, %	1.4	1.7	1.7	1.7	-
Price/earnings ratio, December 31, times	16.7	26.7	11.8	10.1	-

¹⁾ Board proposal

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