

# **LGP Telecom Holding AB**

## **Interim Report March 2001**

- **Net sales increased by 32 percent to MSEK 376.0 (284.7)**
- **Operating profit increased by 7 percent to MSEK 42.1 (39.2)**
- **Earnings per share SEK 0.96 (0.91)**
- **Frame order for 3G TMA's, 200 MSEK**

### **REVENUES AND RESULT**

#### **Q1 2001**

The LGP Group continues to show good growth despite the overall slowdown in the telecom sector. The Group's net sales amounted to MSEK 376.0, which represents an increase of MSEK 91.3, equivalent to 32.1 percent.

Operating profit for the period amounted to MSEK 42.1 (39.2), including amortization of goodwill, an increase of 7.4 percent. The operating margin was 11.2 (13.8) percent. Amortization of goodwill was charged to the result in an amount of MSEK 5.0 (5.0).

The decrease in margin due to lower growth than expected has lead to an overall review of costs. In production, all temporary personnel have been suspended and for employees on trial employment, assignments have been terminated early. In addition, notice has been given to some 40 employees. These actions are expected to generate full effect beginning in the second quarter.

Earnings per share were SEK 0.96 (0.91).

The telecom sector accounts for the increase in growth. Telecom accounts for 80 percent of total revenues. Compared to the year before, sales of telecom-related products increased by 44 percent. The market for telecom products remains strong. The market is distinguished by increased caution, both on the part of systems suppliers and operators. North America, South America and Asia continued to be strong markets for LGP. China and Brazil in particular were characterized by strong demand.

LGP has a positive view of the development in the North American market as several mobile telephone operators have announced so-called "GSM layover" with the intention of using the WCDMA standard in their transition to 3G. LGP's position in GSM systems is strong. This transition towards GSM is therefore favorable to LGP.

In March, LGP received its first frame order from a leading European systems supplier; the total order value is equivalent to MSEK 200. The order is for TMA's for the next generation of mobile infrastructure.

It goes without saying the LGP has reacted to the change in market conditions and the greater measure of caution that distinguishes the current market. Action has been taken to adopt the organization and adjust costs to the current situation. This is being done without jeopardizing necessary initiatives in research and development required for future technologies.

### **Capital expenditures**

The Group's net capital expenditures for the period January – March 2001 were MSEK 58.8 (–) in buildings and MSEK 23.1 (7.5) in machinery and equipment. The investment in buildings refers primarily to the construction in progress for a new production unit for assembly and final adjustment in Tullinge. The building will be fully operational in May. The investment in machinery and equipment relates to the new production unit and to machinery to increase processing capacity.

### **Personnel**

The number of employees as of March 31, 2001 was 927 (633), which represents an increase since year-end 2000 of 109 employees.

### **Financing**

The equity ratio as of March 31, 2001 stood at 60.8 percent. The figure was 62.8 percent as of December 31, 2000.

The Group's liquid funds amounted to MSEK 48.5 and unutilized committed credit facilities amounted to MSEK 183.3. Cash flow for the period was MSEK –6.3 (7.2). Liquid funds as of December 31, 2000 stood at MSEK 54.8 and unutilized committed credit facilities were MSEK 34.7.

Shareholders' equity per share was SEK 34.5 (30.6).

### **Misscellaneous**

The same accounting principles as in the most recent annual report have been applied in preparing this interim report.

### **Forecast 2001**

LGP's sales are expected to exceed MSEK 1,850 with maintained profitability. However, this assumes that LGP's 3G deliveries begin as expected.

Stockholm, April 24, 2001

Board of Directors

## Summary Statements of Income

MSEK	2001	2000	2000
	Jan-March	Jan-March	Jan-Dec
Net sales	376.0	284.7	1,299.0
Cost of goods sold	-272.7	-198.5	-895.3
<b>Gross profit</b>	<b>103.3</b>	<b>86.2</b>	<b>403.7</b>
Selling expenses	-21.3	-19.5	-88.7
Administrative expenses	-18.3	-15.1	-62.5
Research and development expenses	-22.1	-13.6	-63.9
Items affecting comparability	-	-	-8.2 <sup>1)</sup>
Other operating income	0.5	1.2	7.9
<b>Operating profit</b>	<b>42.1</b>	<b>39.2</b>	<b>188.3</b>
Financial items	-2.9	-2.1	-6.4
<b>Profit before taxes</b>	<b>39.2</b>	<b>37.1</b>	<b>181.9</b>
Taxes	-12.6	-11.8	-57.5
<b>Net profit for the period</b>	<b>26.6</b>	<b>25.3</b>	<b>124.4</b>
Earnings per share after taxes before dilution, SEK	0.96	0.91	4.48
Earnings per share after taxes and after dilution, SEK	0.96	0.91	4.46

1) Refers to cost in connection with public offer to shareholders in Allgon.

## Net sales by business area

MSEK	2001	2000	2000
	Jan-March	Jan-March	Jan-Dec
Telecom	299.3	208.0	996.9
Contract Manufacturing	76.7	76.7	302.1
<b>Total</b>	<b>376.0</b>	<b>284.7</b>	<b>1,299.0</b>

## Net sales by geographic market

MSEK	2001	2000	2000
	Jan-March	Jan-March	Jan-Dec
Europe	290.4	262.7	1,109.7
North- and South America	49.2	16.9	128.2
Other	36.4	5.1	61.1
<b>Total</b>	<b>376.0</b>	<b>284.7</b>	<b>1,299.0</b>

## Summary Balance Sheets

MSEK	03/31/2001	12/31/2000	03/31/2000
Intangible assets	371.0	376.0	396.1
Tangible fixed assets	558.9	500.9	378.5
Financial assets	2.8	2.7	1.7
Inventories	290.7	229.9	147.1
Short-term receivables	301.5	314.2	200.7
Cash and bank balances	48.5	54.8	49.6
<b>Total assets</b>	<b>1,573.4</b>	<b>1,478.5</b>	<b>1,173.7</b>
Shareholders' equity	956.9	928.6	849.4
Provisions	49.1	49.1	38.2
Interest-bearing liabilities	313.3	241.6	144.9
Non interest-bearing liabilities	254.1	259.2	141.2
<b>Total shareholders' equity and liabilities</b>	<b>1,573.4</b>	<b>1,478.5</b>	<b>1,173.7</b>

## Summary Statements of Cash Flow

MSEK	2001	2000	2000
	Jan-March	Jan-March	Jan-Dec
Cash flow from business operations	59.2	45.7	224.7
Changes in working capital	-61.1	-39.7	-118.5
Cash flow from investment activities	-78.2	-7.0	-169.4
Cash flow after capital expenditures	-80.1	-1.0	-63.2
Cash flow from financing operations	73.8	8.3	75.7
<b>Change in liquid funds</b>	<b>-6.3</b>	<b>7.3</b>	<b>12.5</b>

## Financial Highlights

	03/31/2001	03/31/2000	12/21/2000
Earnings per share after tax, SEK	0.96	0.91	0.91
Operating margin, %	11.2	13.8	14.7 <sup>1)</sup>
Profit margin, %	10.4	13.0	14.2 <sup>1)</sup>
R&D in percent of net revenue <sup>2)</sup>	5.2	3.9	4.2
Return on equity, % <sup>3)</sup>	14.1 <sup>1)</sup>	11.8 <sup>1)</sup>	14.6 <sup>1)</sup>
Return on capital employed, % <sup>3)</sup>	17.3 <sup>1)</sup>	15.2 <sup>1)</sup>	18.3 <sup>1)</sup>
Equity ratio, %	60.8	72.4	62.8
Equity per share, SEK	34.5	30.6	33.4
Market price of share, SEK	130	194	233
Average no. of shares outstanding, thousands	27,764	27,764	27,764

<sup>1)</sup> Excluding surplus funds from SPP and items affecting comparability

<sup>2)</sup> Excluding amortization of goodwill

<sup>3)</sup> Refers to return on equity during the last 12 months

## Changes in shareholders' equity

MSEK	2001	2000
	Jan-March	Jan-March
Opening balance	928.6	826.5
Translation difference	1.7	-2.4
Net income	26.6	25.3
<b>Closing balance</b>	<b>956.9</b>	<b>849.4</b>

## Summary of Statements of Income, by Quarter

MSEK	Q 1/2001	Q 4/2000	Q 3/2000	Q 2/2000	Q 1/2000
Net sales	376.0	386.9	314.0	313.4	284.7
Cost of goods sold	272.7	-271.3	-212.4	-213.1	-198.5
<b>Gross profit</b>	<b>103.3</b>	<b>115.6</b>	<b>101.6</b>	<b>100.3</b>	<b>86.2</b>
Selling expenses	-21.3	-25.3	-21.0	-22.9	-19.5
Administrative expenses	-18.3	-20.8	-12.8	-13.9	-15.1
Research and development	-22.1	-20.0	-14.8	-15.5	-13.6
Items affecting comparability	-	-8.2	-	-	-
Other operating income and expenses	0.5	-0.2	0.4	6.5	1.2
<b>Operating profit</b>	<b>42.1</b>	<b>41.1</b>	<b>53.4</b>	<b>54.5</b>	<b>39.2</b>
Financial items	-2.9	-0.7	-1.9	-1.7	-2.1
<b>Profit before taxes</b>	<b>39.2</b>	<b>40.4</b>	<b>51.5</b>	<b>52.8</b>	<b>37.1</b>
Taxes	-12.6	-13.2	-15.9	-16.6	-11.8
<b>Net profit for the period</b>	<b>26.6</b>	<b>27.2</b>	<b>35.6</b>	<b>36.2</b>	<b>25.3</b>

## Summary Balance Sheets, by Quarter

MSEK	Q 1/2001	Q 4/2000	Q 3/2000	Q 2/2000	Q 1/2000
Intangible assets	371.0	376.0	386.0	391.0	396.1
Tangible fixed assets	558.9	500.9	404.0	397.5	378.5
Financial assets	2.8	2.7	1.5	1.5	1.7
Inventories	290.7	229.9	190.6	176.2	147.1
Current liabilities	301.5	314.2	303.3	249.8	200.7
Cash and bank balances	48.5	54.8	42.4	44.3	49.6
<b>Total assets</b>	<b>1,573.4</b>	<b>1,478.5</b>	<b>1,327.8</b>	<b>1,260.3</b>	<b>1,173.7</b>
Shareholders' equity	956.9	928.6	900.1	857.2	849.4
Provisions	49.1	49.1	71.1	54.4	38.2
Interest-bearing liabilities	313.3	241.6	178.0	181.7	144.9
Non-bearing liabilities	254.1	259.2	178.6	167.0	141.2
<b>Total shareholders' equity and liabilities</b>	<b>1,573.4</b>	<b>1,478.5</b>	<b>1,327.8</b>	<b>1,260.3</b>	<b>1,173.7</b>

## Financial Highlights, by Quarter

	Q 1/2001	Q 4/2000	Q 3/2000	Q 2/2000	Q 1/2000
Earnings per share after taxes, SEK	0.96	0.98	1.28	1.30	0.91
Operating margin, %	11.2	12.7 <sup>2)</sup>	17.0	15.4 <sup>1)</sup>	13.8
Profit margin, %	10.4	12.6 <sup>2)</sup>	16.4	14.9 <sup>1)</sup>	13.0
R&D in percent of net revenue <sup>3)</sup>	5.2	4.5	3.9	4.1	3.9
Return on equity, % <sup>4)</sup>	14.1 <sup>1,2)</sup>	14.6 <sup>1,2)</sup>	13.6 <sup>1,2)</sup>	12.9 <sup>1,2)</sup>	11.8 <sup>2)</sup>
Return on capital employed, % <sup>4)</sup>	17.3 <sup>1,2)</sup>	18.3 <sup>1,2)</sup>	17.7 <sup>1,2)</sup>	16.8 <sup>1,2)</sup>	15.2 <sup>2)</sup>
Equity ratio, %	60.8	62.8	67.8	68.0	72.4
Equity per share, SEK	34.5	33.4	32.4	30.9	30.6
Market price of share, SEK	130	233	235	240	194
Average no. of shares outstanding, thousands	27,764	2,764	27,764	27,764	27,764

1) Excluding surplus funds from SPP

2) Excluding items affecting comparability

3) Excluding amortization of goodwill

4) Refers to return on equity during the last 12 months

LGP's auditors have not reviewed this Interim Report.

## Financial information 2001

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