



Interim Report January–September 2002

THIRD QUARTER SUMMARY

- Net revenues increased by 66.7 percent to MSEK 382.0 (229.1).
- Cash flow after capital expenditures was positive, amounting to MSEK 30.6 (–14.0).
- Profit/loss after financial items amounted to MSEK 40.4 (–17.6)

SUMMARY JANUARY–SEPTEMBER

- Net revenues increased by 9.1 percent to MSEK 965.9 (884.8).
- Cash flow after capital expenditures was positive, amounting to MSEK 68.6 (–146.7).
- Loss after financial items amounted to MSEK –10.7 (–12.8).
- Writedown of inventory and provisions for procurement contracts charged to second quarter earnings amounted to MSEK 42.3 (32.2).

MARKET

Telecom

The market for infrastructure products for wireless telecom continued to be weak during the quarter and was distinguished by a low rate of capital spending and a wait-and-see attitude. Great uncertainty still prevails regarding the 3G market. It is positive, however, that systems manufacturers and operators conducted tests of 3G networks during the quarter, launching telephones for 3G and increasingly discussing 2.5G and 3G service offerings. This has contributed to somewhat reducing the prevailing uncertainty about how far the technical development of 3G has progressed.

Market demand in LGP's telecom segment has increased during the third quarter. Sales of telecom-related products rose in all major markets where LGP is represented.

As previously during the year, the reasons for LGP's slightly better sales than the market at large include that the need for the type of products offered by LGP has increased in existing as well as new networks, that these products are procured early in the build-up phase of new networks and that LGP is one of the market-leading companies in this segment. Sales of TMAs (Tower Mounted Amplifiers) for 3G networks accounted for about 55 percent of total sales of TMAs. The corresponding figure for the January – September period 2002 was about 45 percent. The market is marked by tough pricing and margin pressures.

Europe

The majority of LGP's 3G sales refers to Europe. The expansion of GSM networks in Eastern Europe has led to increased sales and the market in Europe also shows moderate improvement for 2G.

North and South America

Continued expansion of the GSM networks meant sales at a stable level in North and South America. The South American market continues to be tentative.

Asia

The market situation in Asia continues to be divided. Uncertainty and a wait-and-see attitude, in part due to waiting for 3G licenses, mark the development in China. Increased order bookings were recorded in South East Asia and LGP's position in the market for GSM-related products was strengthened. This market is also characterized by a wait-and-see attitude with respect to the coming 3G expansion.

Contract manufacturing

Sales in business area Contract Manufacturing strengthened during the third quarter thanks to new orders in existing customer segments.

ORGANIZATION

Reorganization was implemented during the quarter in the interest of streamlining and further clarifying the Group's two business areas, Telecom and Contract Manufacturing. The two manufacturing units in Stockholm focus on manufacturing of the Group's own telecom products and are assembled under an operative management, while the other manufacturing units will be concentrating on external contract manufacturing.

NET REVENUES

Net revenues for the quarter increased by 66.7 percent to MSEK 382.0 (229.1).

RESULT

The operating result for the third quarter amounted to MSEK 41.5 (–12.5), an improvement by MSEK 54.0. The operating result was affected negatively by realized and unrealized foreign exchange losses of MSEK 1.5 (2.0). The operating result was affected positively in an amount of MSEK 3.2 relating to a remission by Nutek of a loan for a risk-financed development project that was abandoned in 1997. The result after financial items amounted to MSEK 40.4 (–17.6).

The balance sheet contains a receivable from Alecta in the amount of MSEK 0.3. The value of this receivable is unclear.

CAPITAL TIED UP

Accounts receivable amounted MSEK 279.7 (179.1), which is equivalent to 23.0 (14.1) percent of net revenues during the past 12 months. Inventories amounted to MSEK 206.3 (270.8), equivalent to 17.0 (21.3) percent of the same net revenues.

CAPITAL EXPENDITURES

Capital expenditures in machinery and equipment amounted to MSEK 2.9 (3.9) during the third quarter. No investments were made in buildings and land MSEK (64.9). Development expenses were capitalized during the quarter in an amount of MSEK 2.0 (0.0), carried on the balance sheet as Other intangible assets. A total of MSEK 7.1 (0.0) in development expenses were capitalized during the year.

FINANCIAL POSITION

As of September 30, 2002 the equity ratio stood at 68.2 (57.7) percent. At the beginning of the year the figure was 70.3 percent. Liquid funds at the end of the quarter amounted to MSEK 47.8 (30.3), while net liabilities amounted to MSEK 149.4 (377.3). Unused committed credit facilities amounted to MSEK 150.0 (60.0). As during the two previous quarters, cash flow after capital expenditures was positive during the third quarter, amounting to MSEK 30.6 (–14.0). The positive cash flow has been used to reduce borrowing.

EMPLOYEES

The number of employees as of September 30, 2002 was 856 (792). At the beginning of the year the number of employees was 719. The average number of employees during the quarter was 865 (813).

PARENT COMPANY

The result after financial items for the period January – September 2002 was MSEK –8.6 (6.2). Shareholders' equity as of September 30, 2002 was MSEK 861.1 (664.8). Capital expenditures during the period January – September 2002 amounted to MSEK 0.0 (89.8). Liquid funds at the end of the period amounted to MSEK 11.4 (–7.4).

ACCOUNTING PRINCIPLES

From January 1, 2002 LGP has implemented the following new recommendations from the Swedish Financial Accounting Standards Council: RR 1:00 Consolidated reporting, RR 15 Intangible assets, RR 16 Provisions, contingent liabilities and assets, RR 17 Writedowns, RR 21 Loan costs and RR 23 Information about closely affiliated parties. Implementation of RR 1:00, RR 16, RR 17, RR 21 and RR 23 has not had any major effect on results or financial position. According to RR 15 Intangible assets, expenses for development of new products should be reported as intangible assets to the extent such expenses with a high degree of certainty will lead to future economic benefits for the company. The cost of such intangible assets shall be amortized over their estimated useful life. Under LGP's application of the new rules, all development projects are carefully assessed. To justify capitalization of sunk costs, LGP's judgment has to be that customer orders will be received with a high degree of certainty. Under the accounting principles previously applied by LGP, all expenses for development of new products were expensed.

From January 1, 2002 foreign exchange translation differences attributable to operations are reported on a net basis as other income/expense. Comparative data have not been recalculated.

In all other respects the same accounting principles and calculation methods have been applied for the semi-annual report as for the most recent annual report.

OUTLOOK

The previous interim report dated August 21, 2002 contained the following outlook: "No signs of improvement have been seen for the telecom market as a whole during the first six months of the year, and future prospects remain uncertain. In LGP's opinion, its niche of the telecom market will see a weakly positive development during the remainder of the year. The order situation for mechanical products is stable."

LGP now makes the following assessment: "The telecom market as a whole has showed no signs of improvement during the third quarter and future prospects remain uncertain. In LGP's opinion, its niche of the telecom market will continue to show a stable development during the next quarter. The first quarter of 2003 may be negatively affected by normal seasonal variations. The order situation for contract manufacturing is stable."

ANALYSTS' AND PRESS MEETING

At 8:30 a.m., Friday, October at Operaterassen, Stockholm.

SCHEDULE OF FUTURE INFORMATION

Financial Report for 2002	January 30, 2003
Annual Report for 2002	Beginning of March 2003
Annual General Meeting	March 20, 2003
Interim Report January–March 2003	April 24, 2003
Interim Report January–June 2003	July 11, 2003
Interim Report January–September 2003	October 17, 2003

Stockholm, October 18, 2002

LGP Telecom Holding AB (publ)

Board of Directors

This interim report has not been subject to examination by LGP's auditors.

For further information, contact:

Bengt Broman, President and CEO
Telephone +46-70 570 10 30

Claes Silfverstolpe, CFO
Telephone +46-70 898 83 45

SUMMARY CONSOLIDATED STATEMENTS OF INCOME

	July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
MSEK					
Net revenues	382.0	229.1	965.9	884.8	1 134.7
Cost of goods sold	-289.2	-184.1	-790.1	-703.6	-922.2
Gross profit	92.8	45.0	175.8	181.2	212.5
Selling expenses	-21.0	-23.7	-68.4	-67.9	-91.2
Administrative expenses	-15.3	-14.4	-50.0	-48.1	-62.9
Research and development expenses	-18.3	-19.6	-57.2	-65.1	-87.2
Other operating income/expense	3.3	0.2	-1.5	0.4	1.6
Operating result	41.5	-12.5	-1.3	0.5	-27.2
Financial items	-1.1	-5.1	-9.4	-13.3	-20.3
Profit/loss after financial items	40.4	-17.6	-10.7	-12.8	-47.5
Taxes	-14.4	4.3	-5.1	1.5	11.2
Net profit/loss for the period	26.0	-13.3	-15.8	-11.3	-36.3

DEPRECIATION AND AMORTIZATION

	July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
MSEK					
Amortization of goodwill	-5.0	-4.9	-14.8	-14.8	-19.7
Amortization of other intangible assets	-0.3	-	-0.3	-	-
Depreciation of tangible fixed assets	-20.8	-23.9	-65.1	-66.3	-86.9
Total	-26.1	-28.8	-80.2	-81.1	-106.6

PER-SHARE DATA ADJUSTED FOR STOCK DIVIDENDS, NEW ISSUES AND SPLITS *

		July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
Earnings per share, SEK	Before dilution	0,86	-0,48	-0,52	-0,41	-1,31
	After dilution	0,86	-0,48	-0,52	-0,41	-1,31
Shareholders' equity per share, SEK	Before dilution	33,92	32,0	33,92	32,0	34,69
	After dilution	33,92	32,0	33,92	32,0	34,69
Average number of shares outstanding, thousands	Before dilution	30 250	27 764	30 250	27 764	27 791
	After dilution	30 250	27 764	30 250	27 764	27 791
Number of shares outstanding, thousands	Before dilution	30 250	27 764	30 250	27 764	30 250
	After dilution	30 250	27 764	30 250	27 764	30 250

* Option programs outstanding generate no dilutive effects.

NET REVENUES BY BUSINESS AREA

	July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001	Jan.-Dec. 2001
MSEK					
Telecom	292.1	172.5	691.4	687.3	877.7
Contract manufacturing	89.9	56.6	274.5	197.5	257.0
Total	382.0	229.1	965.9	884.8	1 134.7

NET REVENUES BY GEOGRAPHIC MARKET

MSEK	July–Sept. 2002	July–Sept. 2001	Jan.–Sept. 2002	Jan.–Sept. 2001	Jan.–Dec. 2001
Europe ¹⁾	295.7	198.4	755.8	705.1	910.5
North and South America	64.4	11.3	125.0	86.7	113.9
Asia	19.4	15.6	72.2	88.3	106.8
Other	2.5	3.8	12.9	4.7	3.5
Total	382.0	229.1	965.9	884.8	1 134.7

1) Contains among other things OEM sales to Ericsson, Nokia, Siemens and Motorola where the final destination may be outside Europe.

SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	Sept. 30, 2002	Dec. 31, 2001	Sept. 30, 2001
Goodwill	340.2	355.0	359.9
Other intangible fixed assets	7.1	–	–
Tangible fixed assets	580.3	631.8	641.2
Financial assets	4.0	4.3	2.6
Inventories	206.3	228.1	270.8
Short-term receivables	319.0	219.4	233.0
Cash and bank balances	47.8	54.1	30.3
Total assets	1 504.7	1 492.7	1 537.8
Shareholders' equity	1 026.0	1 049.6	887.7
Provisions	30.0	38.3	50.5
Interest-bearing liabilities	197.2	269.6	407.6
Non-interest-bearing liabilities	251.5	135.2	192.0
Total shareholders' equity and liabilities	1 504.7	1 492.7	1 537.8

CONSOLIDATED CASH FLOW

MSEK	Jan.–Sept. 2002	Jan.–Sept. 2001
Cash flow from current operations	109.3	92.6
Change in working capital	–19.8	–99.2
Cash flow from investment operations	–20.8	–140.1
Cash flow after capital expenditures	68.6	–146.7
Cash flow from financing operations	–74.9	122.2
Change in liquid funds	–6.3	–24.5

KEY FINANCIAL INDICATORS

	Sept. 30, 2002	Sept. 30, 2001
Operating margin, %	–0.1	0.1
Profit margin, %	–1.1	–1.4
R&D in percent of revenues ¹⁾	5.9	6.5
Return on equity, % ²⁾	–4.3	3.9
Return on capital employed, % ²⁾	–2.0	4.6
Equity ratio, %	68.2	57.7
Market price of share, SEK	21.50	57.50

¹⁾ Not including amortization of goodwill and including capitalized development expense.

²⁾ Refers to return over the past 12 months.

CHANGE IN SHAREHOLDERS' EQUITY

MSEK	Jan.–Sept. 2002	Jan.–Sept. 2001
Opening balance	1 049.6	928.6
Dividend	–	–37.5
Translation difference	–7.8	6.5
Net result for the period	–15.8	–11.3
Closing balance	1 026.0	887.7

CONSOLIDATED STATEMENT OF INCOME, BY QUARTER

MSEK	Q 3 2002	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001	Q 1 2001	Q 4 2000
Net revenues	382.0	317.9	266.0	249.9	229.1	279.7	376.0	386.9
Cost of goods sold	–289.2	–286.8	–214.1	–218.6	–184.1	–246.8	–272.7	–271.3
Gross profit	92.8	31.1	51.9	31.3	45.0	32.9	103.3	115.6
Selling expenses	–21.0	–25.6	–21.8	–23.3	–23.7	–22.9	–21.3	–25.3
Administrative expenses	–15.3	–16.5	–18.2	–14.8	–14.4	–15.4	–18.3	–20.8
Research & development expenses	–18.3	–20.3	–18.6	–22.1	–19.6	–23.4	–22.1	–20.0
Items affecting comparability	–	–	–	–	–	–	–	–8.2
Other operating income/expense	3.3	–5.3	0.5	1.2	0.2	–0.3	0.5	–0.2
Operating result	41.5	–36.6	–6.2	–27.7	–12.5	–29.1	42.1	41.1
Financial items	–1.1	–1.9	–6.4	–7.0	–5.1	–5.3	–2.9	–0.7
Result after financial items	40.4	–38.5	–12.6	–34.7	–17.6	–34.4	39.2	40.4
taxes	–14.4	7.3	2.0	9.7	4.3	9.8	–12.6	–13.2
Net result for the period	26.0	–31.2	–10.6	–25.0	–13.3	–24.6	26.6	27.2

CONSOLIDATED BALANCE SHEET, BY QUARTER

MSEK	Q 3 2002	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001	Q 1 2001	Q 4 2000
Goodwill	340.2	345.1	350.1	355.0	359.9	366.1	371.0	376.0
Other intangible fixed assets	7.1	5.1	2.3	–	–	–	–	–
Tangible fixed assets	580.3	596.8	611.8	631.8	641.2	638.8	558.9	500.9
Financial assets	4.0	4.7	4.7	4.3	2.6	2.4	2.8	2.7
Inventories	206.3	184.4	218.9	228.1	270.8	282.6	290.7	229.9
Short-term receivables	319.0	289.6	220.6	219.4	233.0	272.8	301.5	314.2
Cash and bank balances	47.8	41.2	47.4	54.1	30.3	18.6	48.5	54.8
Total assets	1504.7	1466.9	1455.8	1492.7	1537.8	1581.3	1573.4	1478.5
Shareholders' equity	1026.0	1002.5	1035.0	1049.6	887.7	895.8	956.9	928.6
Provisions	30.0	32.2	37.5	38.3	50.5	49.7	49.1	49.1
Interest-bearing liabilities	197.2	220.8	228.5	269.6	407.6	388.8	313.3	241.6
Non-interest-bearing liabilities	251.5	211.4	154.8	135.2	192.0	247.0	254.1	259.2
Total shareholders' equity and liabilities	1504.7	1466.9	1455.8	1492.7	1537.8	1581.3	1573.4	1478.5

KEY FINANCIAL INDICATORS, BY QUARTER

	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4
	2002	2002	2002	2001	2001	2001	2001	2000
Earnings per share, SEK	0.86	-1.03	-0.35	-0.90	-0.48	-0.89	0.96	0.98
Operating margin, %	10.9	-11.5	-2.3	-11.1	-5.5	-10.4	11.2	12.7 ²⁾
Profit margin, %	10.6	-12.1	-4.7	-13.9	-7.7	-12.3	10.4	12.6 ²⁾
R&D in percent of revenues ³⁾	4.8	6.5	6.9	7.8	7.5	7.5	5.2	4.5
Return on equity, % ⁴⁾	-4.3	-8.4	-7.4	-3.7	3.9 ²⁾	8.1 ²⁾	14.1 ^{1,2)}	14.6 ^{1,2)}
Return on capital employed, % ⁴⁾	-2.0	-6.3	-5.7	-1.9	4.6 ²⁾	7.8 ²⁾	17.3 ^{1,2)}	18.3 ^{1,2)}
Equity ratio, %	68.2	68.3	71.0	70.3	57.7	56.6	60.8	62.8
Shareholders' equity per share, SEK	33.9	33.1	34.2	34.7	32.0	32.3	34.5	33.4
Market price per share, SEK	21.5	29	53	77.5	57.5	89	130	233
Average number of shares outstanding, thousands	30 250	30 250	30 250	27 791	27 764	27 764	27 764	27 764
Number of shares outstanding at end of period, thousands	30 250	30 250	30 250	30 250	27 764	27 764	27 764	27 764

¹⁾ Not including surplus funds from SPP.

²⁾ Not including items affecting comparability.

³⁾ Not including amortization of goodwill, but including capitalized development expenses.

⁴⁾ Refers to return over the most recent 12-month period.

The LGP Group develops, manufactures and markets telecom products that improve radio coverage, capacity and data transmission speed in mobile communication networks all over the world. LGP conducts advanced research and development in the field of integrated radio and RF filter solutions. The Group has three development units and some ten sales companies outside Sweden.

In its niche, the Group is also a leading contract manufacturer of advanced industrial components.

The Group has a total of five production units and about 850 employees. LGP Telecom Holding is listed on the Attract40 list of the Stockholm Stock Exchange.

LGP Telecom Holding AB (publ)

Kolonnvägen 22, P. O. Box 1178, SE-171 23 Solna, Sweden, Phone +46 8 50 74 80 00, Fax +46 8 50 74 81 49

E-mail: mailbox@lgp.se www.lgp.com