Interim Report January–March 2003

SUMMARY JANUARY–MARCH

- Net sales increased to MSEK 317.2 (266.0).
- Cash flow after capital expenditures was positive, MSEK 2.9 (35.4).
- The operating result before items affecting comparability was MSEK 6.8 (–6.2).
- Writedown of fixed assets by MSEK 82.0 (–) reported as an item affecting comparability.
- The result after financial items was MSEK –76.6 (–12.6).
- Earnings per share amounted to SEK –2.35 (–0.35).

MARKET

Telecom
The market for products in infrastructure for wireless telecom showed a weak development during the quarter. LGP's expectations during the beginning of the quarter were met, with low levels of activity due to seasonal variations. The recovery that is normally seen in March failed to materialize, however. The market was influenced by the uncertainties in the world situation. The conflict in Iraq and the uncertain economic outlook are likely to have had a negative effect on capital spending plans.

The uncertainty with respect to the 3G market is expected to remain during all of 2003. Availability of 3G telephones and services is still limited. Operators continue to be cautious in their capital spending. There are tendencies among operators to re-focus from 3G to 2.5 G as a way of reducing the need for capital expenditures. In countries where 3G has been launched, the reception has been mixed. Interest was weak in England, while the Italian market was more positive.

A number of operators reported better than expected earnings, which should have a positive effect on the rate of capital spending going forward.

Sales of TMAs (Tower Mounted Amplifier) for 3G networks accounted for 31 percent of total sales of TMAs. The corresponding figure for 2002 was about 34 percent. The market is fraught with severe pricing and margin pressures.

Market development in the emerging markets in India and Russia was stable. The first quarter does show a somewhat lower level of activity in India.

Europe
Expansion of 3G networks continues, as does the expansion of GSM networks in Eastern Europe. GSM sales continue as expected. The anticipated increase in demand from operators for 3G networks in Germany have yet to result in large-volume orders.

North and South America
The market in North America was stable during the quarter. From South America, signals came during the quarter of higher levels of activity.

Asia
The development in Asia is distinguished by uncertainty and a wait-and-see attitude. The market is affected by the global economic uncertainty. The recovery that is usually seen in March, after the Chinese New Year, has not materialized.

Contract manufacturing
The wait-and-see attitude prevailing in the telecom industry is also noticeable in many other industries as a result of the weak economic trend. In consequence herewith, sales during the first quarter of 2003 were weak in business area Contract Manufacturing.

ACQUISITION OF ALLGON

On January 21, 2003 LGP made an offer to the shareholders in Allgon to acquire their Allgon shares in exchange for shares in LGP. By the end of March 2003 LGP was the owner of shares representing 92.5 percent of the votes and 90.1 percent of the capital in Allgon. After an additional extension period, ownership as of April 22 had reached 95.6 percent of the votes and 94.2 percent of the capital. The Allgon share was delisted from the Stockholm Stock Exchange effective as of April 22, 2003 due to LGP's large ownership and thin trading.

When LGP reached 90 percent of capital and votes in Allgon, the job of integrating the two companies began. New operative management for the Telecom business was appointed and the main features of the new group's organization were established. The goal of cost savings totaling MSEK 75 previously communicated remains, as does the previous estimate of restructuring costs totaling MSEK 70–80. A major portion of this amount is expected to affect earnings during the second quarter of 2003. No restructuring costs are reported in the income statement for the first quarter.

The integration work between the companies is progressing according to plan and has further confirmed management's belief in a strong joint company. LGP and Allgon complement each other well, both in terms of employee competence, product offerings and customer base. New integrated products have been shown to customers and have been positively received. The new group's suppliers have also reacted on a positive note to the news of the merger.

The acquisition of Allgon has been handled as follows in the closing of the books for the first quarter: Allgon's balance sheet has been consolidated into LGP's consolidated balance sheet in its entirety. A goodwill item totaling MSEK 23.5 arose since the acquisition was valued at market price of the LGP share at the time of LGP's acquisition of shares in Allgon. Shares not yet acquired, and for which compulsory redemption proceedings will be requested, have been valued at the same market price as the latest acquired shares. The acquisition value has been adjusted for acquisition costs in LGP and due consideration has been given to structural costs totaling MSEK 9.0 in the form of severance payments to the departing management of Allgon, which has then been compared to Allgon's shareholders' equity as of March 31, 2003. The difference is reported as goodwill and short-term liability, respectively, with respect to the shares not yet acquired.

Allgon has not been included in the consolidated income statement. Allgon will be consolidated as of April 1, 2003. This means that certain financial indicators and ratios, such as earnings per share, will be difficult to interpret since they thus also include newly issued shares, whereas earnings numbers are reported do not include Allgon's result. A pro forma income statement has therefore been compiled for the first quarter of 2003, as well as the corresponding pro forma calculation of certain financial indicators. The pro forma income statement shows how the consolidated income statement would have looked if the acquistion of Allgon had taken place January 1, 2003.

NET REVENUES

Net revenues for the quarter increased by 19.2 percent to MSEK 317.2 (266.0).

RESULT

The operating result for the first quarter amounted to MSEK –75.2 (–6.2). The operating result was negatively affected by writedowns of fixed assets in a total amount of MSEK 82, reported as items affecting comparability in the income statement. The writedown refers to one of the Company's Swedish properties, where it is clear after the acquisition of Allgon that the property will not be developed and used by LGP, and also to fixed assets in subsidiary Bertmann. The Board of Directors of LGP will propose to the Annual General Meeting to be held May 6, 2003 that Bertmann as well as subsidiary Håmex be sold at a price that an independent appraisal has found to be reasonable. The operating result was also affected by realized and unrealized exchange rate results of MSEK –2.9 (–3.0). The result after financial items amounted to MSEK –76.6 (–12.6).

CAPITAL TIED UP

Accounts receivable amounted to MSEK 465.9 (190.0). MSEK 271.2 (190.0) of this amount is attributable to the Group not including Allgon, which is equivalent to 19.0 (18.5) percent of net revenues for the past twelve months. Inventories amounted to MSEK 427.3 (218.9). MSEK 198.3 (218.9) of this amount is attributable to the Group not including Allgon, which is equivalent to 13.9 (21.4) percent of the same net revenues.

CAPITAL EXPENDITURES

Capital expenditures for machinery and equipment during the first quarter amounted to MSEK 8.3 (4.9) in the Group not including Allgon. MSEK 0.2 (0.0) was invested in the Group not including Allgon in buildings and land. MSEK 0.5 (1.8) in development work was capitalized in the Group not including Allgon and is carried in the balance sheet under the heading Other intangible fixed assets.

FINANCIAL POSITION

The equity ratio as of March 31, 2003 stood at 56.6 percent (71.0). As of December 31, 2002 the equity ratio was 69.5 percent. Liquid funds at the end of the period amounted to MSEK 93.1 (47.4), while net indebtedness was MSEK 260.0 (181.1). MSEK 33.5 of the liquid funds are held in a restricted account as security for certain undertakings made by Allgon in connection with the sale of subsidiary Allgon Mobile Communications during 2002. The cash flow after capital expenditures in the Group not including Allgon was positive, as it was in 2002, and amounted to MSEK 2.9 (35.4). The positive cash flow and a part of the liquid funds have been used to reduce borrowing. The effect of the Allgon acquisition on the Group's financial position is summarized below:

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MSEK	Group Mar. 31, 2003	Group, not including Allgon Mar. 31, 2003	Group Dec. 31, 2002	Group Mar. 31, 2002
Liquid funds	93.1	22.0	45.8	47.4
Net liabilities	260.0	123.1	125.9	181.1
Unutilized committed credit facilities	210.0	150.0	150.0	150.0
Accounts receivable	465.9	271.2	285.1	190.0
Inventories	427.3	198.2	202.4	218.9

EMPLOYEES

As of March 31, the number of employees was 1 460, 526, of whom in Allgon. The average number of employees in the Group, not including Allgon, was 934 during the quarter (743).

PARENT COMPANY

The result after financial items for the period January–March 2003 was MSEK 0.1 (–4.7). As of March 31, 2003 shareholders equity was MSEK 1 262.5 (864.9). Capital expenditures in machinery and equipment, and building and land were MSEK 0.4 during the first quarter of 2003 (0.0). In addition hereto, Allgon AB was acquired. Liquid funds at the end of the period amounted to MSEK 4.7 (0.0).

ACCOUNTING PRINCIPLES

The same accounting principles and calculation methods have been applied for the semi-annual report as for the most recent annual report.

OUTLOOK

The interim report presented January 30, 2003 contained the following outlook: ”Prospects continue to be uncertain for the telecom market as a whole. A slightly higher level of activity, which has yet to result in increased order bookings, was noted during the fourth quarter. For LGP the first quarter will show a weak development in the telecom sector due to seasonal variations. The order situation for Contract Manufacturing continues to be stable.”

LGP now makes the following assessment: “Future prospects continue to be uncertain for the telecom market for the remainder of the year. LGP shares the assessment made by several other players in the market, namely that no sure signs of any improvement in the current market demand situation have been noted. Some weakening in demand is expected for Contract Manufacturing”

ANALYST AND PRESS MEEETING

An analyst and press meeting will be held at 8:30 a.m., Tuesday, May 6 at Operaterassen, Stockholm.

SCHEDULE OF FUTURE REPORTING

Annual General Meeting	May 6, 2003
Interim Report January–June	July 11, 2003
Interim Report January–September	October 17, 2003

Stockholm, May 6, 2003
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: +46-705-70 10 30
E-mail: bengt.broman@lgp.se

Claes Silfverstolpe, CFO
Telephone: +46-708-98 83 45
E-mail: claes.silfverstolpe@lgp.se

SUMMARY CONSOLIDATED STATEMENTS OF INCOME

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002	Jan.–Mar. 2003 pro forma	Jan.–Dec. 2002
Net revenues	317.2	266.0	545.4	1 378.6
Cost of goods sold	–250.0	–214.1	–424.4	–1 116.1
Gross profit	**67.2**	**51.9**	**121.0**	**262.5**
Selling expenses	–24.9	–21.8	–48.9	–95.3
Administrative expenses	–14.0	–18.2	–28.2	–61.7
Research and development expenses	–22.1	–18.6	–49.6	–77.2
Other operating income/expense	0.6	0.5	2.6	0.8
Items affecting comparability	–82.0	–	–77.7	–
Net profit/loss for the period	**–75.2**	**–6.2**	**–81.4**	**29.1**
Financial items	–1.4	–6.4	–6.9	–13.1
Result after financial items	**–76.6**	**–12.6**	**–88.3**	**16.0**
Taxes	–2.8	2.0	–0.8	–11.6
Minority interest	–	–	–1.2	–
Net profit/loss for the period	**–79.4**	**–10.6**	**–90.3**	**4.4**

DEPRECIATION AND AMORTIZATION

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002	Jan.–Mar. 2003 pro forma	Jan.–Dec. 2002
Amortization of goodwill	–4.9	–4.9	–5.8	–19.7
Amortization of other intangible fixed assets	–0.6	–	–4.5	–0.8
Depreciation of tangible fixed assets	–22.4	–22.6	–35.2	–92.9
Total	**–27.9**	**–27.5**	**–45.5**	**–113.4**

PER-SHARE DATA ADJUSTED FOR STOCK DIVIDENDS, NEW ISSUES AND SPLIT[1)]

		Jan.–Mar. 2003	Jan.–Mar. 2002	Jan.–Mar. 2003 pro forma[2)]	Jan.–Dec. 2002
Earnings per share, SEK	Before dilution	–2.35	–0.35	–1.83	0.15
	After dilution	–2.35	–0.35	–1.83	0.15
Shareholders' equity per share, SEK	Before dilution	27.90	34.20	27.90	34.61
	After dilution	27.90	34.20	27.90	34.61
Average number of shares outstanding, thousands	Before dilution	33 764	30 250	48 786	30 250
	After dilution	33 764	30 250	48 786	30 250
Number of shares outstanding at end of period	Before dilution	48 786	30 250	48 786	30 250
	After dilution	48 786	30 250	48 786	30 250

1) Option programs outstanding generate no dilutive effects.
2) Pro forma values are based on the premise that the number of LGP shares outstanding was the same during the entire quarter.

NET REVENUES BY BUSINESS AREA

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002	Jan.–Mar. 2003 pro forma	Jan.–Dec. 2002
Telecom	233.6	175.2	461.8	1 015.2
Contract manufacturing	83.6	90.8	83.6	363.4
Total	**317.2**	**266.0**	**545.4**	**1 378.6**

LGP telecom

NET SALES BY GEOGRAPHIC MARKET

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002	Jan.–Dec. 2002
Europe[1]	268.4	203.2	1 065.1
North and South America	37.4	27.8	171.1
Asia	9.9	29.3	122.4
Other	1.5	5.7	20.0
Total	**317.2**	**266.0**	**1 378.6**

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

SUMMARY BALANCE SHEETS

MSEK	Mar. 31, 2003	Dec. 31, 2002	Mar. 31, 2002
Goodwill	355.3	335.3	350.1
Other intangible fixed assets	37.8	7.2	2.3
Tangible fixed assets	813.3	579.9	611.8
Financial assets	90.7	2.1	4.7
Inventories	427.3	202.4	218.9
Short-term receivables	587.1	335.0	220.6
Cash and bank balances	93.1	45.8	47.4
Total assets	**2 404.6**	**1 507.7**	**1 455.8**
Shareholders' equity	1 361.2	1 047.1	1 035.0
Minority interest	4.6		
Provisions	219.2	47.0	37.5
Interest-bearing liabilities	353.1	170.9	228.5
Non-interest-bearing liabilities	466.1	242.7	154.8
Total shareholders' equity and liabilities	**2 404.6**	**1 507.7**	**1 455.8**

CONSOLIDATED CASH FLOW

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002
Cash flow from current operations	4.9	16.1
Change in working capital	10.8	25.1
Cash flow from investment operations	–12.8	–5.8
Cash flow after capital expenditures	2.9	35.4
Cash flow from financing operations	–26.7	–42.2
Acquired liquid funds	71.1	–
Change in liquid funds	47.3	–6.8

KEY FINANCIAL INDICATORS

	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2003 pro forma[3]
Operating margin, %	–23.7	–2.3	–14.9
Profit margin, %	–24.1	–4.7	–16.2
R&D in percent of revenues [1]	6.2	6.1	8.6
Return on equity, %[2]	–0.4	–1.0	–1.5
Return on capital employed, % [1] [2]	3.4	–5.7	2.7
Return on operating capital, %	3.1		2.3
Equity ratio, %	56.6	71.0	56.6
Market price per share, SEK	23.0	53.0	23.0

[1] Not including amortization of goodwill and including capitalized development expenses.
[2] Refers to return over the past 12 months.
[3] Pro forma values are based on the premise that the number of LGP shares outstanding was the same during the entire quarter.

CHANGE IN SHAREHOLDERS' EQUITY

MSEK	Jan.–Mar. 2003	Jan.–Mar. 2002
Opening balance	1 047.1	1 049.6
New issue	394.3	–
Translation difference	–0.8	–4.0
Net result for the period	–79.4	–10.6
Closing balance	1 361.2	1 035.0

CONSOLIDATED STATEMENT OF INCOME, BY QUARTER

MSEK	Q 1 2003	Q 1 2003 pro forma	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001
Net revenues	317.2	545.4	412.7	382.0	317.9	266.0	249.9	229.1	279.7
Cost of goods sold	–250.0	–214.1	–326.0	–289.2	–286.8	–214.1	–218.6	–184.1	–246.8
Gross profit	**67.2**	**121.0**	**86.7**	**92.8**	**31.1**	**51.9**	**31.3**	**45.0**	**32.9**
Selling expenses	–24.9	–48.9	–26.9	–21.0	–25.6	–21.8	–23.3	–23.7	–22.9
Administrative expenses	–14.0	–28.2	–11.7	–15.3	–16.5	–18.2	–14.8	–14.4	–15.4
Research and development expenses	–22.1	–49.6	–20.0	–18.3	–20.3	–18.6	–22.1	–19.6	–23.4
Other operating income/expense	0.6	2.6	2.3	3.3	–5.3	0.5	1.2	0.2	0.3
Items affecting comparability	–82.0	–77.7	–	–	–	–	–	–	–
Operating result	**–75.2**	**–81.4**	**30.4**	**41.5**	**–36.6**	**–6.2**	**–27.7**	**–12.5**	**–29.1**
Financial items	–1.4	–6.9	–3.7	–1.1	–1.9	–6.4	–7.0	–5.1	–5.3
Result after financial items	**–76.6**	**–88.3**	**26.7**	**40.4**	**–38.5**	**–12.6**	**–34.7**	**–17.6**	**–34.4**
Taxes	–2.8	–0.8	–6.5	–14.4	7.3	2.0	9.7	4.3	9.8
Minority interest	–	–1.2	–	–	–	–	–	–	–
Net result for the period	**–79.4**	**–90.3**	**20.2**	**26.0**	**–31.2**	**–10.6**	**–25.0**	**–13.3**	**–24.6**

CONSOLIDATED BALANCE SHEET, BY QUARTER

MSEK	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001
Goodwill	355.3	335.3	340.2	345.1	350.1	355.0	359.9	366.1
Other intangible fixed assets	37.8	7.2	7.1	5.1	2.3	–	–	–
Tangible fixed assets	813.3	579.9	580.3	596.8	611.8	631.8	641.2	638.8
Financial assets	90.7	2.1	4.0	4.7	4.7	4.3	2.6	2.4
Inventories	427.3	202.4	206.3	184.4	218.9	228.1	270.8	282.6
Short-term receivables	587.1	335.0	319.0	289.6	220.6	219.4	233.0	272.8
Cash and bank balances	93.1	45.8	47.8	41.2	47.4	54.1	30.3	18.6
Total assets	**2 404.6**	**1 507.7**	**1 504.7**	**1 466.9**	**1 455.8**	**1 492.7**	**1 537.8**	**1 581.3**
Shareholders' equity	1 361.2	1 047.1	1 026.0	1 002.5	1 035.0	1 049.6	887.7	895.8
Minority interest	4.6							
Provisions	219.2	47.0	30.0	32.2	37.5	38.3	50.5	49.7
Interest-bearing liabilities	353.1	170.9	197.2	220.8	228.5	269.6	407.6	388.8
Non-interest-bearing liabilities	466.1	242.7	251.5	211.4	154.8	135.2	192.0	247.0
Total shareholders' equity and liabilities	**2 404.6**	**1 507.7**	**1 504.7**	**1 466.9**	**1 455.8**	**1 492.7**	**1 537.8**	**1 581.3**

KEY FINANCIAL INDICATORS, BY QUARTER

	Q 1 2003	Q 1 2003 pro forma	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002	Q 4 2001	Q 3 2001	Q 2 2001
Earnings per share, SEK	–2.35	–1.83	0.67	0.86	–1.03	–0.35	–0.90	–0.48	–0.89
Operating margin, %	–23.7	–14.9	7.4	10.9	–11.5	–2.3	–11.1	–5.5	–10.4
Profit marginal, %	–24.1	–16.2	6.5	10.6	–12.1	–4.7	–13.9	–7.7	–12.3
R&D in percent of revenues [3]	6.2	8.6	4.3	4.8	6.5	6.1	7.8	7.5	7.5
Return on equity, %[1,2]	–0.45	–1.51	0.4	–4.3	–8.4	–1.0	–3.7	3.9[2]	8.1[2]
Return on capital employed, %[1,2]	3.4	2.7	2.9	–2.0	–6.3	–5.7	–1.9	4.6[2]	7.8[2]
Return on operating capital, %[1,2]	3.1	2.3	–	–	–	–	–	–	–
Equity ratio, %	56.6	56.6	69.5	68.2	68.3	71.0	70.3	57.7	56.6
Shareholders' equity per share, SEK	27.9	27.9	34.6	33.9	33.1	34.2	34.7	32.0	32.3
market price, SEK	23.0	23.0	35.6	21.5	29.0	53.0	77.5	57.5	89.0
Average number of shares outstanding, thousands	33 764	48 786	30 250	30 250	30 250	30 250	27 791	27 764	27 764
Number of shares outstanding at year-end, thousands	48 786	48 786	30 250	30 250	30 250	30 250	30 250	27 764	27 764

[1] Refers to return during the past 12 months.
[2] Not including items affecting comparability.
[3] Not including amortization of goodwill, but including capitalized development costs.
[4] Pro forma values are based on the premise that the number of LGP shares outstanding was the same during the entire quarter.

The LGP Group consists of two business areas: Telecom and Contract Manufacturing. Business area Telecom, which consists of LGP's telecom operations and Allgon, develops, manufactures and markets telecom products that improve radio coverage, capacity and data transmission speed in mobile communications networks all over the world. The product line includes antenna systems, coverage solutions, base stations systems and radio link systems.

In business area Contract Manufacturing, the LGP Group is, in its niche, a leading contract manufacturer of advanced industrial components.

The Group has about 1,500 employees in 13 countries and annual sales of about 2.5 billion kronor. LGP 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, Telephone +46-8-507 480 00, Fax +46-8-507 481 49
E–mail: mailbox@lgp.se www.lgp.com