

# **LGP Telecom Holding AB**

**(former Arkivator AB)**

## **Nine-month Report January-September 2000**

- **Net revenues increased by 55 percent to MSEK 912.1 (590.0).**
- **Net profit before taxes, including amortization of goodwill, but excluding surplus funds from SPP, increased by 114 percent to MSEK 135.3 (63.2)**
- **Amortization of goodwill amounted to MSEK 15.0**
- **Earnings per share were SEK 3.50 (1.61)**

### **REVENUES AND RESULT**

All comparative numbers in parenthesis refer to pro forma accounting for the new LGP Telecom Holding Group as of September 30, 1999.

#### **First nine months of 2000**

The new LGP Group continues to post strong growth. The Group's net revenues amounted to MSEK 912.1, which on a pro forma basis and for continuing operations constitutes an increase of MSEK 322.1, or 54.6 percent.

The telecom sector is behind a major portion of the strong growth. Telecom accounts for 74 percent of total revenues, and compared to the previous year, telecommunications sales increased by 76 percent. Strong demand in Europe continues and is on the rise in China, South East Asia and North America. Order bookings continue to be strong.

Expansion of our production capacity continues in order to meet the strong demand. Construction work on the new 6,000 square meter facility for telecom products in Tullinge continues according to plan. The total investment in plant and equipment is expected to reach MSEK 80. The facility will come on line during the second quarter of 2001.

Capacity investments have also been made in Tullinge and Falköping. These investments are expected to contribute to increased manufacturing capacity starting in November 2000.

A company was formed in Shanghai, China, during the period.

Operating income for the period amounts to MSEK 141.1, including amortization of goodwill, but not including surplus funds from SPP in an amount of MSEK 6.1. The pro forma operating result for continuing operations for the preceding year was MSEK 70.3. The operating margin was 15.5 percent not including surplus funds from SPP, which are reported as other operating income. Amortization of goodwill arising in the acquisition of LGP Telecom AB has been charged against income in an amount of MSEK 15.0.

Earnings per share amounted to SEK 3.50 (1.61). Not including the surplus funds from SPP, earnings per share amounted to SEK 3.28.

#### **Third quarter 2000**

Revenues for the second quarter amounted to MSEK 314.0 (210.4), which on a pro forma basis and for continuing operations constitutes an increase by 49.2 percent.

Operating income amounted to MSEK 53.4 (36.1), which is an increase of 47.9 percent.

### **CAPITAL EXPENDITURES**

The Group's net investments in machinery, equipment and buildings amounted to MSEK 56.5 (56.0) during the first nine months of the year.

### **PERSONNEL**

As of September 30, the number of employees is 769, which is an increase of 206 since year-end 1999.

## **FINANCING**

The equity ratio as of September 30, 2000 amounted to 67,8 percent. As of December 31, 1999 the equity ratio on a pro forma basis stood at 72.6 percent.

The Group's liquid funds amounted to MSEK 42.4, and unutilized, committed credit facilities amounted to 39.3. Cash flow for the period was MSEK 0.1 (7.8). As of December 31, 1999, the Group's liquid funds amounted to MSEK 42,3 on a pro forma basis, and unutilized, committed credit facilities amounted to MSEK 71.2.

Shareholders' equity per share was SEK 32.4 (28.9).

## **MISCELLANEOUS**

On May 19, Arkivator AB changed its name to LGP Telecom Holding AB, based on a resolution by the annual general meeting of shareholders held April 3.

The proportion of ownership in LGP Telecom AB stands at 99.9 percent of the total number of votes and shares outstanding. Compulsory redemption proceedings for the remaining outstanding shares are under way.

A stock dividend of 1:1 was carried out with a record date of May 5, 2000.

At the regularly scheduled Annual General Meeting held April 3, a resolution was passed to issue a subordinated debenture loan by issuing a promissory note with detachable warrants in a nominal amount of KSEK 100. All employees in the Group have subsequently been offered to acquire warrants. The term of the warrants is from July 4, 2000 until June 2, 2003. The warrant program means that a maximum of 1,000,000 may be issued, which entails dilution of 3.5 percent.

August 21, 2000 LGP Telecom Holding decided to make a public tender offer to the shareholders of Allgon AB (publ) to acquire all outstanding shares of Allgon. Under the public tender offer, the shareholders of Allgon have been offered 14 newly issued shares in LGP for each 25 shares of Allgon owned, irrespective of class of share (equivalent to an exchange relationship of 0.56 newly issued shares in LGP for each in Allgon). The offer has been complemented by an offer to the holders of warrants 2000/2003 issued by Allgon. The holders of such warrants have been offered SEK 7.50 for each warrant. Conditions for LGP's offer to the shareholders in and holders of warrants 2000/2003 issued by Allgon includes an amendment to the Articles of Association and the issuance of shares by LGP.

An extra general meeting of the shareholders held October 2 authorized the Board of Directors LGP Telecom Holding AB to issue up to 35,000,000 shares to finance LGP's offer to the shareholders of Allgon AB and/or other acquisitions.

## **FORECAST 2000**

LGP's revenues are expected to exceed MSEK 1,250 for 2000 and MSEK 1,850 for 2001 with sustained profitability.

Stockholm, October 4, 2000  
Board of Directors

## Summary Statements of Income

MSEK	2000 Jan-Sep	1999 Jan-Sep	Pro forma 1999 Jan-Sep
Net revenue	912.1	382.4	590.0
Cost of goods sold	-624.0	-273.9	-396.0
<b>Gross income</b>	<b>288.1</b>	<b>108.5</b>	<b>194.0</b>
Selling expenses	-63.4	-14.2	-46.5
Administrative expenses	-41.8	-19.1	-37.0
Research and development expenses	-43.9	-	-34.0
Items affecting comparability	-	-5.9	-7.4
Other operating income	8.1	1.5	1.2
<b>Operating income</b>	<b>147.1</b>	<b>70.8</b>	<b>70.3</b>
Financial items	-5.7	-4.4	-7.1
<b>Income before taxes</b>	<b>141.4</b>	<b>66.4</b>	<b>63.2</b>
Taxes	-44.3	-18.4	-18.5
<b>Net income for the period</b>	<b>97.1</b>	<b>48.0</b>	<b>44.7</b>

LGP Telecom AB has been consolidated from January 1, 2000.

## Summary Balance Sheets

MSEK	9/30/2000	9/30/1999	Pro forma 9/30/1999
Intangible assets	386.0	-	401.0
Tangible fixed assets	404.0	358.9	395.6
Financial assets	1.5	1.5	1.6
Other current assets	493.9	202.3	315.4
Cash and bank balances	42.4	21.8	21.8
<b>Total assets</b>	<b>1,327.8</b>	<b>584.5</b>	<b>1,135.4</b>
Shareholders' equity	900.1	346.4	803.0
Provisions	71.1	39.4	35.1
Interest-bearing liabilities	178.0	111.6	179.3
Non interest-bearing liabilities	178.6	87.1	118.0
<b>Total shareholders' equity and liabilities</b>	<b>1,327.8</b>	<b>584.5</b>	<b>1,135.4</b>

## Summary Statements of Cash Flow

MSEK	9/30/2000	Pro forma 9/30/2000	Pro forma 9/30/1999
Cash flow from business operations	46.4	34.7	97.4
Cash flow from investment activities	-56.5	-55.9	-50.4
Cash flow from financing operations	10.2	29.0	-18.6
<b>Change in liquid funds</b>	<b>0.1</b>	<b>7.8</b>	<b>28.4</b>

## Financial Highlights

		9/30/2000	Pro forma 9/30/1999	Pro forma 1999
Earnings per share after taxes	SEK	3.50	1.61	2.29
Operating margin	%	15.5 <sup>1)</sup>	11.9	12.2
Profit margin	%	14.8 <sup>1)</sup>	10.7	11.3
R&D in percent of net revenue <sup>2)</sup>	%	4.0	4.5	4.2
Return on equity	%	10.8 <sup>1)3)</sup>	5.7 <sup>3)</sup>	11.7
Return on capital employed	%	13.7 <sup>1)3)</sup>	7.3 <sup>3)</sup>	11.4
Equity ratio	%	67.8	70.7	72.6
Equity per share	SEK	32.4	28.9	29.8
Market price of share	SEK	235	56	108
Average number of shares outstanding	thousands	27,764	27,764	27,764

<sup>1)</sup> Excluding surplus funds from SPP, <sup>2)</sup> Excluding amortization of goodwill, <sup>3)</sup> Refers solely to the return during the first nine months of the year on the average of opening and closing shareholders' equity and capital employed, respectively.

## Summary Statements of Income, by Quarter

	Q 3	Q 2	Q 1	Pro forma			
MSEK	2000	2000	2000	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Net revenue	314.0	313.4	284.7	285.5	210.4	190.7	188.9
Cost of good sold	-212.4	-213.1	-198.5	-190.7	-136.4	-121.9	-137.7
<b>Gross income</b>	<b>101.6</b>	<b>100.3</b>	<b>86.2</b>	<b>94.8</b>	<b>74.0</b>	<b>68.8</b>	<b>51.2</b>
Selling expenses	-21.0	-22.9	-19.5	-22.3	-15.3	-15.0	-16.2
Administrative expenses	-12.8	-13.9	-15.1	-16.0	-10.7	-12.8	-13.5
Research and development cost	-14.8	-15.5	-13.6	-13.1	-11.4	-11.7	-10.9
Items affecting comparability	-	-	-	-8.1	0.1	0.7	-8.2
Other operating income and expenses	0.4	6.5	1.2	0.8	-0.6	1.8	-
<b>Operating income</b>	<b>53.4</b>	<b>54.5</b>	<b>39.2</b>	<b>36.1</b>	<b>36.1</b>	<b>31.8</b>	<b>2.4</b>
Financial items	-1.9	-1.7	-2.1	-1.3	-2.7	-2.2	-2.2
<b>Income before taxes</b>	<b>51.5</b>	<b>52.8</b>	<b>37.1</b>	<b>34.8</b>	<b>33.4</b>	<b>29.6</b>	<b>0.2</b>
Taxes	-15.9	-16.6	-11.8	-15.8	-8.0	-9.0	-1.5
<b>Net income for the period</b>	<b>35.6</b>	<b>36.2</b>	<b>25.3</b>	<b>19.0</b>	<b>25.4</b>	<b>20.6</b>	<b>-1.3</b>

## Summary Balance Sheets, by Quarter

	Q 3	Q 2	Q 1	Pro forma			
MSEK	2000	2000	2000	Q 4 1999	Q 3 1999	Q 2 1999	Q 1 1999
Intangible assets	386.0	391.0	396.1	401.0	401.0	401.0	401.0
Tangible fixed assets	404.0	397.5	378.5	385.8	395.6	393.8	405.3
Financial assets	1.5	1.5	1.7	1.5	1.6	1.8	0.9
Other current assets	493.9	426.0	347.8	307.8	315.4	291.5	273.0
Cash and bank balances	42.4	44.3	49.6	42.3	21.8	21.3	41.5
<b>Total assets</b>	<b>1,327.8</b>	<b>1,260.3</b>	<b>1,173.7</b>	<b>1,138.4</b>	<b>1,135.4</b>	<b>1,109.4</b>	<b>1,121.7</b>
Shareholders' equity	900.1	857.2	849.4	826.5	803.0 <sup>1)</sup>	783.2 <sup>1)</sup>	783.0 <sup>1)</sup>
Provisions	71.1	54.4	38.2	24.8	35.1	24.4	19.3
Interest-bearing liabilities	178.0	181.7	144.9	133.2	179.3	178.1	196.4
Non-interest-bearing liabilities	178.6	167.0	141.2	153.9	118.0	123.7	123.0
<b>Total shareholders' equity and liabilities</b>	<b>1,327.8</b>	<b>1,260.3</b>	<b>1,173.7</b>	<b>1,138.4</b>	<b>1,135.4</b>	<b>1,109.4</b>	<b>1,121.7</b>

<sup>1)</sup> Shareholder' equity in pro forma balance sheet has not been affected of profit in acquired subsidiary or of amortization of goodwill.

**Financial Highlights, by Quarter**

				Proforma			
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
	2000	2000	2000	1999	1999	1999	1999
Earnings per share after taxes, SEK	1.28	1.30	0.91	0.68	0.92	0.74	-
Operating margin, %	17.0	15.4 <sup>1)</sup>	13.8	12.6	17.2	16.7	1.3
Profit margin, %	16.4	14.9 <sup>1)</sup>	13.0	12.2	15.9	15.5	0.1
R&D in percent of net revenue <sup>2)</sup>	3.9	4.1	3.9	3.7	4.2	4.8	4.4
Return on equity, % <sup>3)</sup>	4.1	3.7 <sup>1)</sup>	3.0	-	-	-	-
Return on capital employed, % <sup>3)</sup>	5.0	4.8 <sup>1)</sup>	4.0	-	-	-	-
Equity ratio, %	67.8	68.0	72.4	72.6	70.7	70.6	69.8
Equity per share, SEK	32.4	30.9	30.6	29.8	28.9	28.2	28.2
Market price of share, SEK	235	240	194	108	56	53	51
Average no. of shares outstanding, thousands	27,764	27,764	27,764	27,764	27,764	27,764	27,764

<sup>1)</sup> Excluding surplus funds from SPP, <sup>2)</sup> Excluding amortization of goodwill, <sup>3)</sup> Refers solely to the return during the first nine months of the year on the average of opening and closing shareholders' equity and capital employed, respectively. Return on equity and Return on capital employed for each quarter for 1999 have not been calculated.

**Examination report**

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is substantially limited in comparison to an audit. Nothing has come to light in the course of our review to indicate that the interim report does not meet the requirements of the Swedish Stock Market Act and the Swedish Annual Accounts Act.

Stockholm, October 4, 2000

Deloitte & Touche AB

Gunnar Abrahamson, Authorized Public Accountant