



**HL Display**

Corporate Report 2010

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This corporate report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

# The year in brief

- Net sales amounted to MSEK 1,617<sup>1)</sup> (1,360).
- Operating profit amounted to MSEK 64<sup>1)</sup> (86).
- Profit before tax was MSEK 29<sup>1)</sup> (84).
- On July 21, the listed private equity company Ratos acquired the Remius family's shares in HL Display and, in conjunction with this, made an offer to all other shareholders in HL Display to acquire their shares.
- On September 17 2010, HL Display's shares were delisted from NASDAQ OMX Stockholm.

KEY RATIOS	2010 <sup>1)</sup>	2009	2008
Net sales for the Group, MSEK	1,617	1,360	1,536
Operating profit, MSEK	64	86	130
Profit before tax, MSEK	29	84	136
Profit after tax, MSEK	18	58	96
EBITA margin, %	4.1	6.4	8.5
Equity/assets ratio, %	50.6	44.4	57.3
Average number of employees	1,102	836 <sup>2)</sup>	983

<sup>1)</sup> Pro forma

<sup>2)</sup> Excluding PPE, that was consolidated from 31 December, 2009

## Significant events during the year

### FIRST QUARTER

After a slow start to the year, HL Display experiences increased customer activity. Factory staffing levels have been reduced considerably and the global sales force has also been adjusted. Rising production needs are covered initially with temporary personnel. The integration of PPE, acquired in December 2009, begins.

### SECOND QUARTER

HL Display announces plans to establish a new production facility in Poland together with a regional logistics centre. HL Display's UK sales company and manufacturing unit is integrated with PPE. 3eBins™ is launched – HL Display's own series of merchandising solutions for loose goods. Test digital signage installations are implemented.

### THIRD QUARTER

The scenario of a long-term recovery is confirmed during the quarter. A new, more positive mood is noted among customers, with increasing order volumes. The acquisition of the Remius family's shares by Ratos is completed on 21 July. HL Display is delisted from NASDAQ OMX Stockholm on 17 September.

### FOURTH QUARTER

The sales recovery is now more emphatic. Both the food and non-food retail sectors show growth compared with 2010 and the previous quarter. Most regions experience a rise in demand, mainly because investments previously put on hold are now being made, but also as a result of increased market shares.

# HL Display in brief

HL Display is Europe's leading merchandising company. With a track record stretching back more than 50 years, HL Display is an expert in creating attractive and selling in-store environments that strengthen the customer's shopping experience. HL Display has just over 1,000 employees and has been owned by the publicly listed private-equity company Ratos since 2010.

## HL Display's markets

HL Display is an international company with operations in 47 markets in Western and Eastern Europe, the Middle East and Asia. 36 of these markets are serviced by the Company's own sales companies, while the other 11 are serviced by selected distributors. The Company's five largest markets are the United Kingdom, France, Russia, Sweden and Norway.

## HL Display's customers

HL Display's customers are found in three primary customer segments – the food and non-food retail sectors, and brand manufacturers, which produce the products sold in stores. Most of the world's leading food chains and brand manufacturers number among the Company's customers.

## HL Display's offering

HL Display offers products and solutions that help customers create attractive and effective in-store environments. With a product development investment level that is unique in the sector, HL Display aspires to create new products and solutions with the potential to become an established standard in retailing.

### **Optishop™ – HL Display's range for the food and non-food retail sectors**

Optishop™ consists of products and solutions for merchandising and in-store communication. These help customers to increase sales and create a more efficiently functioning store.

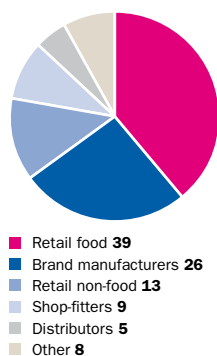
### **Brandman™ – HL Display's range for brand manufacturers**

Brandman™ consists of products and solutions for product placement on the shelf and campaign placement in other parts of the store. These help customers to optimise brand-building and ensure their products have visibility in the store, resulting in increased sales.

## Production and delivery

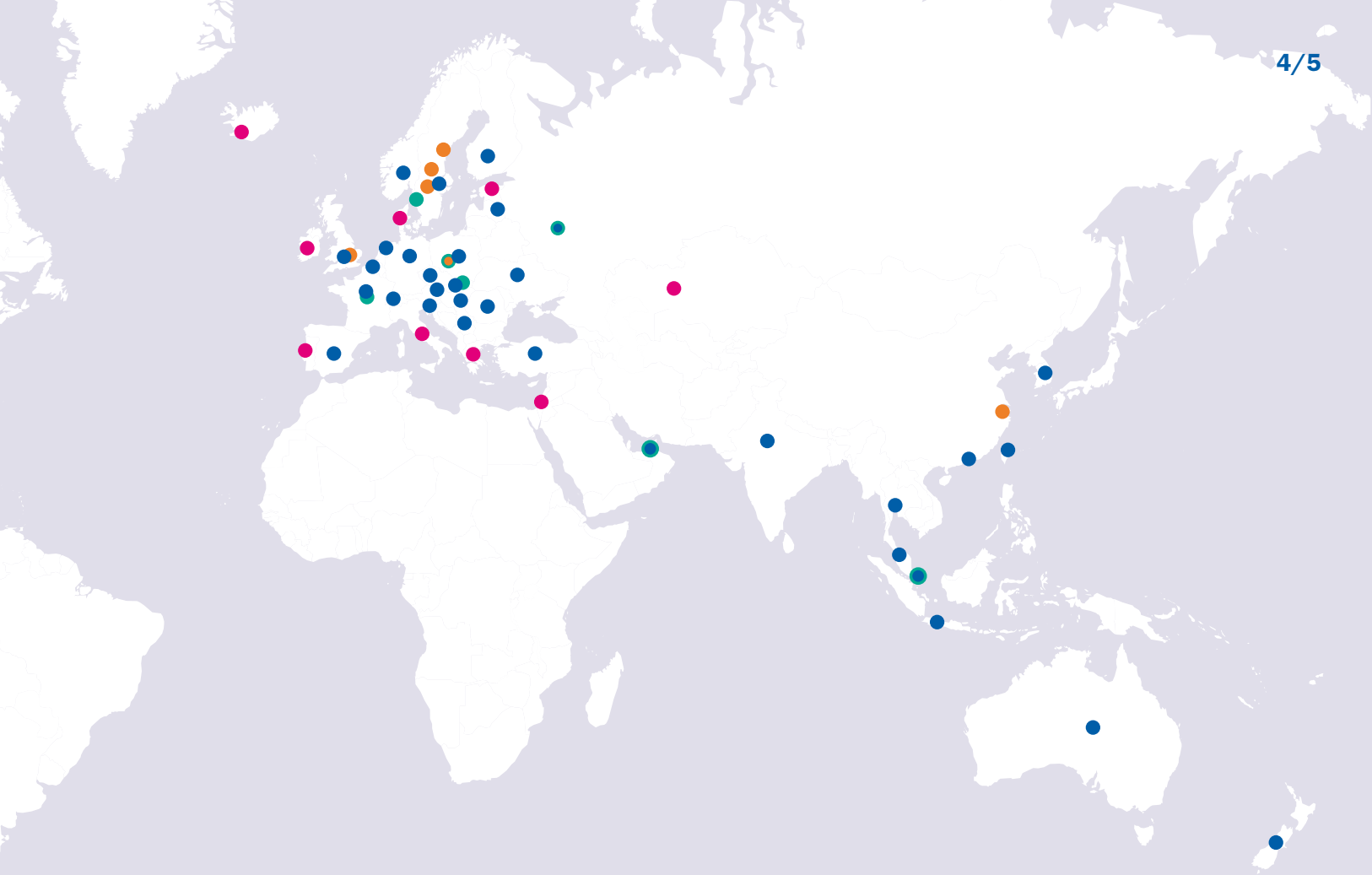
Most of the products sold by HL Display are manufactured in the Company's own factories. HL Display has 5 production plants: Falun, Karlskoga and Sundsvall (Sweden), Suzhou (China) and Harlow (UK). Production at the Karlskoga factory will be moved to the newly built factory in the Polish city of Gliwice in 2011. The introduction of more efficient logistics operations, based on regional logistics centres at selected sites around the world, will allow customers to benefit from a high service level and short lead times.

Sales per customer segment %



*HL Display targets three prioritised customer segments – food retail, non-food retail and brand manufacturers, which supply the products that can be bought in stores.*





## HL Display's operations around the world

### OWN SALES COMPANIES

Australia/ New Zealand	France	Poland	Sweden
Austria	Germany	Romania	Switzerland
Belgium	Hungary	Russia	Taiwan
Bulgaria	India	Serbia	Thailand
China (Hong Kong)	Indonesia	Singapore	The Czech Republic
China (Shanghai)	Latvia/Lithuania	Slovakia	Turkey
Dubai	Malaysia	Slovenia	Ukraine
Finland	Netherlands	South Korea	United Kingdom
	Norway	Spain	

### DISTRIBUTORS

Canada	Greece	Israel	Portugal
Denmark	Iceland	Italy	United States
Estonia	Ireland	Kazakhstan	

### FACTORIES

China (Suzhou)	Sweden (Falun, Karlskoga, Sundsvall)
Poland (Gliwice)	United Kingdom (Harlow)

### LOGISTICS CENTRES

France (Tours)	Russia (Moscow)	Sweden (Falkenberg)
Hungary (Győr)	Singapore	The United Arab Emirates (Dubai)
Poland (Gliwice)		

# Statement from the CEO

2010 was an exciting and eventful year for HL Display. We have a new principal owner in the listed private equity company Ratos, which resulted in HL Display being delisted from the stock exchange. During the year, we successfully worked to integrate our largest acquisition ever, PPE. We also launched 3eBins™ – HL Display's largest product development initiative to date.

After five successive quarters dominated by the global crisis, 2010 proved to be the year of market stabilisation that we had expected. While it could hardly be described as a fantastic year, we saw clear signs of a more stable market climate during the first three quarters in virtually all the markets in which we have a presence. In the fourth quarter, we also saw clear evidence of market growth.

This was also reflected in our sales, which increased by 19 percent. Disregarding the acquired operations in PPE, and at comparable exchange rates, sales increased by 5 percent. It is particularly heartening to note that we increased sales even more in a number of markets. One such market was France, where we recovered market shares that had been lost in recent years. This is a clear sign that our focus on quality and a high level of service to customers is the right way forward.

## **Lower earnings than expected**

EBITA for 2010 was SEK 66 million, which is lower than expected. However, it is important to note that earnings were adversely affected by unusually high non-recurring costs, particularly relating to restructuring decisions. These costs amounted to SEK 27 million during the year, while currency effects had a negative effect of SEK 19 million on earnings. Against this backdrop, earnings were at an acceptable level.

## **New principal owner Ratos**

The largest single event of the year was, of course, that HL Display got a new majority shareholder in the publicly traded private equity company Ratos, which acquired the Remius family's holding in HL Display and then made a public offer to the other shareholders. On 17 September, HL Display was delisted from Nasdaq OMX Stockholm.

When the acquisition was made, we were already well acquainted with Ratos. They have been a major owner since 2001 and their representation on the Board has involved them in the shaping of our future business strategies. Ratos is a good owner, with much to contribute, particularly in terms of financial expertise and know-how. They also share HL Display's goal – to build value in a long-term perspective by developing the company and creating growth.

## **Stepping up initiatives in selected markets**

As I said in my introductory remarks, we are seeing signs of a recovery in most of our markets. The signs are clearest in Eastern Europe. In fact, we are not far behind the sales volumes we saw prior to the economic downturn. There are also clear signs of recovery in northern and southern Europe as well as in Asia. However, the trend is a little weaker in Switzerland, Germany and Austria. Having said that, these are markets where we noted a smaller decline than our other markets when the crisis was at its worst.

At present, we are engaged in the process of developing our market initiatives. We have identified a number of countries where we can make a more aggressive push. One example is China, where we have decided to strengthen our sales organisation in order to maximise the market potential there. Other efforts are directed towards evaluating interesting markets where we do not currently have a presence.

At the same time, we may reduce our commitment to markets we consider to have insufficient development potential.

In 2010, we established the company's first sales subsidiary in the Middle East. Located in Dubai, the United Arab Emirates, the



sales company will handle all sales to customers in the Middle East region.

### Successful integration of PPE

The acquisition of PPE provided a positive conclusion to an otherwise difficult 2009. For several years we have been on the lookout for a suitable acquisition candidate capable of strengthening our expertise in tailored display solutions and multi-material production and enabling us to expand our offering to brand manufacturers. PPE fulfilled all these requirements.

In 2010, we and PPE's employees worked together to ensure the company's operations were integrated with HL Display as quickly and smoothly as possible. With the initial integration phase now behind us, I am happy to say that it went extremely well. The excellent cooperation with PPE's employees and the commitment they showed has been instrumental in allowing us to achieve everything we set out to do during the year.

We also exploited the resulting synergies by combining HL Display's UK operations with PPE to create HL UK. This involved moving production at our Shipley facility to PPE, so that all operations are now under the same roof. The acquisition emphatically strengthened our market position in the United Kingdom where we are currently a market-leading supplier.

As would be expected, there is still much work to do. In 2010, we entered the second phase of the integration programme, which is largely about streamlining the operations in the former PPE. Over the next few years, we shall gradually start to offer PPE's products outside the UK, thereby enabling us to harness the existing demand for this type of solution around the world.

### Launch of 3eBins™

During the year, we launched 3eBins™, which is our new series of merchandising solutions for loose goods such as nuts and grain. We had previously offered an externally produced solution and during that time had noted very strong demand in this area, particularly in the European market.

3eBins™ is one of our largest product development initiatives ever and means we are now able to offer the European market products with improved functionality. The post-launch response from customers has been very good and we can already say that we are the market-leading supplier for this type of merchandising solutions in Europe.

Our stated strategy has been to maintain our investment levels in product development, despite the recent years of economic slowdown, in particular to allow us to maximise the many exciting opportunities in the area we know as New Technology. At present, we are working on several projects related to digital signage on store shelves.

### Investments mean increased service to customers

We continued to invest in our production during the year. In fact, we made investments in all our factories and production processes in order to enable us to increase service to customers and reduce our production costs. We now have increasingly efficient production, with lower environmental impacts, which is able to provide customers with faster deliveries.

One of HL Display's largest projects during the year was the construction start-up of our combined production facility and logistics centre at Gliwice in Poland. The new logistics centre will be up and running in April 2011. This is part of our stated strategy to place all



inventory management and freight handling with regional logistics centres, which not only reduces costs but also increases the level of service to our customers.

The production facility will be fully operational in the third quarter of 2011 and will take over the labour-intensive parts of the Karlskoga production. The automated part of Karlskoga's production has been moved to the Sundsvall factory, and the Karlskoga factory will be closed down.

### Continuing commitment to sustainability

During the year, we continued our efforts to strengthen communication about all the measures we take with regard to economic, social and environmental sustainability. At HL Display, we have a strong tradition of taking responsibility for our impacts, while also operating an economically successful business. We engage in continuous improvement work associated with these areas. Our efforts in 2010 included defining common methods for our production facilities to report environmental key figures. This will enable us to report our impacts in a number of relevant areas and compare the results from year to year. In 2010, we also joined the UN Global Compact, actively supporting its declarations on human rights, the environment and anti-corruption.

### Growth in focus

Although we noted a recovery in terms of sales during the year, we have clearly been affected by the recent years of recession. If we make a comparison with 2007, HL Display's sales in 2010 are approx. 10 percent below the 2007 level, not including the PPE operations. Our promptness in taking necessary action has enabled us to produce acceptable results figures during the recession.

However, it is patently clear that our main task is to create the right environment for increased growth. This is also the main focus of the measures and work we are carrying out at the company. Our aim for 2011 is to recapture the sales volume we lost during the recession.

In conclusion, I would like to take this opportunity to thank all our employees for their efforts during the year. The large-scale changes, with all the challenges they entail, would not have been possible without their expertise and huge commitment.

Nacka Strand, March 2011

**Gérard Dubuy**  
CEO

# HL Display's strategies and goals

The foundation of HL Display's business is reflected in the Company's mission – to create an attractive and selling in-store environment that strengthens the consumer's shopping experience. Control and development of the Company's business operations is clearly focused on creating increased customer value, which in turn creates value for the company's owner and other stakeholders.

## HL Display's business concept

HL Display's business concept is to increase its customers' profitability by offering the retail sector and brand manufacturers cost-efficient products and solutions for in-store communication and merchandising. The focus is on making products and solutions adaptable to customers' specific needs.

## HL Display's financial targets

HL Display has a clear focus on profitable growth. The Company's financial targets will strengthen its leading position in the sector and contribute towards a good return for its owner. HL Display has two financial targets – a growth target and a profit target.

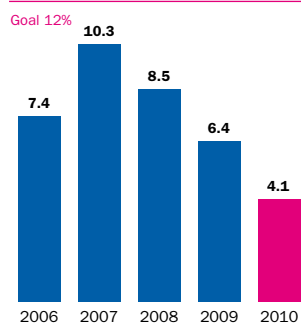
- Annual organic growth of 5-10%
- EBITA margin of at least 12%.

## HL Display's strategies

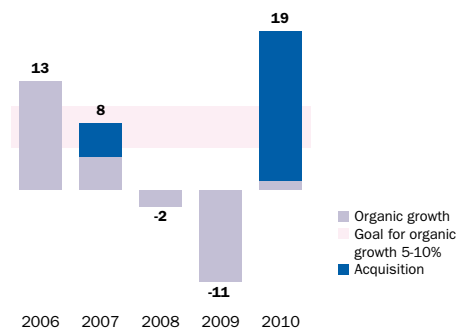
HL Display employs the following four main strategies to achieve the Company's targets:

1. Focusing on three primary customer segments – food retail, non-food retail and brand manufacturers.
2. Prioritising design and innovation for the purpose of setting new standards. Ensuring that product development is customer-driven.
3. Streamlining and adapting the organisation to market requirements and needs.
4. Strengthening the market position and product range by means of acquisitions.

EBITA margin %



Growth %



## HL Display's core values

**Customer focus** – Our customers are behind HL Display's growth and success. This is why it is only natural for the Company to place a clear focus on creating customer value and increased profitability for customers. HL Display is a reliable and committed company, with all its efforts aimed at increasing customer satisfaction and forging strong relationships. HL Display strives for direct contact with customers without any intermediaries.

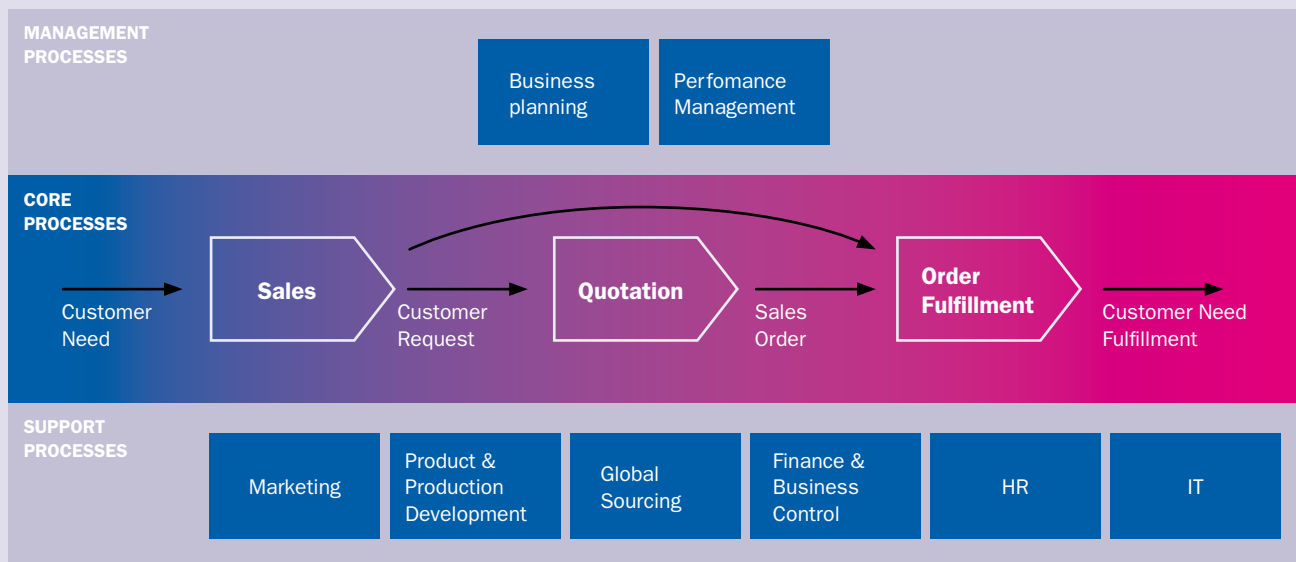
**Expertise** – HL Display is an expert in its field. The company has in-depth knowledge about its customers' business, and offers extensive experience, both as a problem-solver and a supplier of innovative products and solutions. HL Display's sales force is made up of talented and qualified employees who are able to work at all levels in the customers' organisations.

**Innovation** – HL Display anticipates and utilises change, challenges the status quo and has a high regard for entrepreneurship. The Company's product development constantly develops solutions to problems – both old and new. HL Display's investment in product development is unparalleled in the sector and the Company's product range is developed in order to meet customers' present and future needs.

**Quality** – HL Display's organisation bears the hallmark of professionalism, and customers can put their trust in the Company. Each delivery must be a recommendation for a new order. Constant improvement of business operations and offering creates clear customer value, which in turn means satisfied customers and good customer relationships. The quality of HL Display's products and solutions is beyond question.



## HL Display's business processes



## Focus on customer value throughout the business

In 2010, HL Display conducted a review of the Company's business processes. The aim was to achieve more efficient operation, concentrating on the areas that create value for customers.

HL Display's core processes comprise sales, quotation and order fulfilment.

HL Display's sales are characterised by a strong local presence, with separate sales companies in most markets in which the Company is active. HL Display's sales staff undergo continuous training in order to ensure the Company is able to offer a market-leading level of expertise and provide customers with the best possible help in creating attractive in-store environments.

The quotation process includes all the work associated with offering and producing customised solutions. HL Display's product development department is involved in this phase, to ensure solutions are adapted or tailored to customers' specific requirements. This business process is not involved in sales of standard products, such as datastrips, for which customer orders go straight to order fulfilment.

Order fulfilment covers production and logistics. HL Display works constantly to streamline business operations, minimise environmental impacts and shorten order execution lead times in order to offer customers a high level of service.

The core processes are supplemented by management and support processes. The management processes involve controlling the focus of the work in accordance with the business plan adopted by HL Display's Board and ensuring relevant follow-up of the results.

The support processes are business-support processes that allow effective implementation of the core processes, and include areas such as marketing, IT systems, strategic purchasing and product development.



# HL Display's sales work and markets

HL Display is characterised by a strong local presence in most markets in which the Company is active. For HL Display, this is a way of ensuring a consistently high level of service to customers, whatever their location in the world. 36 markets are serviced via HL Display's own sales companies, while in another 11 markets, customers have access to HL Display's products and solutions through the Company's distributors.

HL Display of today is an international company. Its operations are divided into six geographical regions: North Europe, South Europe, East Europe, the UK, the Middle East and Asia. HL Display's operations are largely based on direct sales to its customers, which ensure a consistently high level of service in every country. Direct sales is also an important success factor for HL Display from another perspective. The direct approach allows the development of a strong and close cooperation with customers – a cooperation that can generate ideas about new products and concepts to consolidate HL Display's position as market leader.

## HL Display's customers

HL Display targets three prioritised customer segments – the food and non-food retail sectors and the brand manufacturers that produce the goods that are bought in the stores. The food retail sector is the largest customer segment, representing 39 percent of HL Display's sales, followed by brand manufacturers with 26 percent and the non-food retail sector with 13 percent. Other customers include distributors and shop fitters.

The majority of the world's leading retail companies and brand manufacturers number among HL Display's customers.

## HL Display's sales work

HL Display's sales work is structured according to the specific needs and requirements of the Company's prioritised customer segments. Consequently, the Company has specialised sales staff for the food retail sector, the non-food retail sector and

### HL Display's biggest customers within each customer segment

#### FOOD RETAIL

Ahold (incl ICA)  
Auchan  
Carrefour  
Casino  
Champion  
Intermarché  
Metro  
Système U  
Tesco  
Wal-Mart (ASDA)

#### NON-FOOD RETAIL

Baumax  
Decathlon  
DSG Retail Ltd.  
Intergamma  
Müller

#### BRAND MANUFACTURERS

BAT  
Colgate  
Danone  
Kraft  
L'Oréal  
Masterfoods  
Nestlé  
Philip Morris  
Procter & Gamble  
Unilever



brand manufacturers. In 2010, HL Display placed a clear focus on strengthening its sales work. An important part of this work involves skills-enhancing measures such as sales courses and practical sales training, with the aim of ensuring that customers are given the best possible help in their efforts to create attractive and effective in-store environments. HL Display's sales personnel work at many different levels in the customers' companies – from the chain stores' central purchasing departments and category management to the local store's category and store managers.

#### – The food retail sector

Sales to the food retail sector take place largely at the local market level. In some cases, the large chains sign regional supply agreements, although there is a large degree of scope for local initiatives in the framework of these agreements. This is why HL Display's strong local presence is the key to success and creates good contacts with customers in the local market.

Concept sales represents an important part of sales to the food retail sector. This represents an important challenge for HL Display's sales staff, who must work with the customer to identify areas of improvement in the stores and suggest solutions that generate a good return on investment for the customer.

#### – The non-food retail sector

Sales to the non-food retail sector take place largely at the local market level, although with a larger degree of central coordination within HL Display. HL Display has global agreements with a number of large chains for defined parts of its product range. The local sales companies are then responsible for local customer contact and can build further on the global cooperation agreement and generate extra sales.

The non-food retail sector is more fragmented than the food retail sector, with everything from pharmacies to sports stores and do-it-yourself stores. An important part of HL Display's work involves producing specialised concepts for the different store segments. These state-of-the-art concepts reinforces HL Display's position as an expert in the area. One example is CosmeLine™, which is a complete concept for merchandising in pharmacies and beauty stores.

#### – Brand manufacturers

HL Display's sales to brand manufacturers take place at global, regional and local levels. The Company has very well-developed sales work with regard to the largest key customers and works at all levels in their organisations. The global key account managers work with global contracts and have contact with the customer's head office, while the regional sales personnel are responsible for

*The majority of the world's leading retail companies and brand manufacturers number among HL Display's customers.*

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Svenska Apoteksbolaget AB (Swedish Pharmacy Company) was the first to introduce the Optimal system in stores.



contracts in their own region – the Nordic countries, for example. This is supplemented by sales personnel who work together with any local companies the customer has. The strong central coordination of sales work is an important success factor, as the brand manufacturers often award contracts for a large number of countries at the same time.

Sales to brand manufacturers are normally focused on tailored solutions. Customer-specific requirements regarding design and materials are common, and HL Display's sales personnel have an important role in helping customers to realise their ideas, based on defined requirements and needs.

### HL Display's market

HL Display's market conditions differ considerably from region to region. The main differences are associated with market maturity. Northern and Southern Europe may be said to consist of mature markets which are characterised by a consolidated retail sector. In general, the five largest players in each country have a total market share of at least 50 percent. In certain countries, the concentration of large players is considerably higher. It is not unusual to find the largest chains in the food retail sector having a total market share of up to 80 percent in Western Europe.

The retail sector is also very well developed in mature markets, which means the number of new store openings is low. On the other hand, the chains make regular investments in implementing new store concepts, or developing existing ones, which are necessary tools in the battle for consumers. This means that most stores are renovated every four to six years.

In the countries of Eastern Europe and Asia the situation is often the reverse. The markets are relatively fragmented and the total market shares for the five largest retail chains in each country is below 50 percent. In certain markets, in particular in Asia, it is not unusual to find the five largest chains having a total market share of around 10 percent. However the situation can change, as the international chains have a high rate of establishments in these emerging countries. To them, the fragmented market represents an opportunity, which is further supported by a fast-growing middle-class seeking new products and popular global brands.

As a result of rapidly expanding food retail chains – both foreign and domestic – the rate of new store openings in these regions is high.

The different market conditions affect HL Display's work in each region. In the mature markets, HL Display generally has a small number of large customers, while the emerging markets are characterised by a larger number of small customers.

HL Display's sales to emerging markets have a larger proportion of the basic products and solutions required for new store establishments than in its sales to mature markets. In the mature markets, sales are more focused on large concepts and new innovations, which may help the retail sector to increase sales and rationalise the functioning of the store. At the same time, it should be said that market maturity in many emerging countries is steadily growing, which translates into increased demand for HL Display's concept solutions.

### Market performance in 2010

The market for HL Display's products and solutions is very much affected by developments in the retail sector both globally and

### HL Display's market position

Region	Own sales companies	Distributors	Market position
<b>Northern Europe</b>	Czech Republic Finland Germany Norway Poland Sweden Switzerland	Denmark Iceland	HL Display is the market-leading player in many of the region's countries. HL Display's market position is not as strong in Germany.
<b>UK</b>	United Kingdom	Ireland	HL Display's position in the UK market has strengthened considerably following the acquisition of PPE. HL Display is currently a market-leading supplier to brand manufacturers and has a strong position as a supplier to the retail sector.
<b>Southern Europe</b>	Belgium France Netherlands Spain	Greece Italy Malta Portugal	HL Display is a market-leading supplier in most of the region's countries.
<b>Eastern Europe</b>	Austria Bulgaria Hungary Latvia/ Lithuania Romania Russia Serbia Slovakia Slovenia Turkey Ukraine	Estonia Kazakhstan Israel	HL Display has a strong position as supplier to both the retail sector and brand manufacturers. This is largely because HL Display established itself at an early stage in many of the region's countries.
<b>Middle East</b>	United Arab Emirates		HL Display is a new player in this market. Its operations are currently based on sales to brand manufacturers. However, the region's retail market is showing a strong upward trend, creating good scope for future development.
<b>Asia</b>	Australia /New Zealand China (Shanghai and Hong Kong) India Indonesia Malaysia Singapore South Korea Taiwan Thailand		When HL Display established its own production for the Asian market in 2006, this gave the Company a much sharper competitive edge. HL Display currently has a strong market position in Asia, both as supplier to the retail sector and to brand manufacturers.





regionally. When retail trade is healthy, HL Display normally experiences strong demand for its products and solutions, and vice versa.

During 2010, the economy in Europe as a whole started to recover, although with local variations. In the retail trade, a somewhat higher level of sales was noted during 2010 compared with 2009, particularly in the second half of the year. According to Eurostat, the statistical office of the European Union, the volume of retail trade in the EU (EU27) was approximately 1.5 percent higher in the autumn months than in the same period in 2009. In the early months of the year there was a tendency for more fluctuation (both declines and increases). However, the development varied largely from country to country. In HL Display's largest market, the UK, growth was positive, albeit cautious in 2010. In HL Display's second-largest market, France, the retail trade showed stable and positive growth in 2010. The same trend was also noted in Sweden and Norway.

Some countries continue to show negative growth according to Eurostat's figures. The volume of retail trade in Greece and Spain, for example, showed marked declines compared with the corresponding months in the previous year.

In many emerging markets, particularly in Asia, the retail trade recovered quickly after the recession. The retail trade in China, for example, has been fairly unaffected during recent years and showed growth of over 8 percent even in 2009. The rapid change which the retail trade has undergone in many emerging countries in recent years continued during 2010. When the domestic markets for the large chains in Western countries offer limited opportunities for growth, expansion into fast-growing emerging

markets represents an attractive alternative for creating future growth. The expanding retail trade has had its sights set on China and India for a number of years. These countries continue to offer major potential, which means that the rate of expansion is high in these markets.

## Sales trends during the year

The recession which dominated 2008 and 2009 affected all HL Display's markets and customer segments, although some were hit harder than others. 2010 had been generally hailed as a year in which the global markets would start to recover. For HL Display, this was true and 2010 can be described as a year characterised by cautious recovery, despite the fact that many customers remained restrained in their approach to investments during the first two quarters of the year.

However, in the second half of 2010, a change in customer's attitudes became apparent, and HL Display noted increased demand in most regions and customer segments. This meant that HL Display ended the year with sales growth in all its regions and all its customer segments. Growth in Eastern Europe, the region which suffered most from the recession, has been particularly positive. HL Display has also experienced success in the UK. The UK company, bolstered by the acquisition of PPE, has seen its sales increase by 18 percent measured in comparative units.

# HL Display's offering

HL Display has a customer offering that is unique to the sector and is based on the combination of a broad product range and top-level retailing know-how. The products are divided into two main product families – Optishop™ and Brandman™. Optishop™ comprises products and solutions for the food and non-food retail sectors, while Brandman™ encompasses products and solutions specially developed for brand manufacturers.





FOOD RETAIL AND  
NON-FOOD RETAIL SECTORS

BRAND  
MANUFACTURERS

**Optishop**<sup>HL</sup>

**BRANDman**<sup>HL</sup>

In-store communication

Merchandising

Product placement on the shelf

Campaign placement

Standard products  
Concept  
Tailored solutions

HL Display's **standard** products fulfil the already well-established needs of stores, and often take the form of non-durable goods. One good example is the datastrip, which shows price information on the shelf edge. When HL Display launched it in 1975, it made a major breakthrough in retailing and quickly became an established standard for supermarkets. This is still the case, although in more modern versions.

HL Display's **concept** is based on the Company's broad product range and in-depth knowledge of the retail trade. With a track record stretching back more than 50 years, HL Display is an expert in displaying products in stores. The Company's conceptual solutions help customers to resolve problems and achieve defined targets. These may, for example, relate to increasing sales within a certain product category, achieving a more efficiently functioning store or reducing the costs of wastage when products are retired. HL Display puts together complete merchandising solutions to support this process and help customers achieve their business goals.

HL Display's **tailored solutions** are specially adapted to the customer's requirements and needs. Customers have a clear description of what they want to have and to achieve. This is where HL Display comes into its own, by working on the basis of this description to produce a solution with an attractive design and the right functionality. This calls for a high level of design expertise and flexible production, as products often contain several different materials.

## Optishop™

The food and non-food retail sectors demand solutions that help increase stores' profitability. This may be achieved with sales-increasing solutions and solutions that rationalise the functioning of the store, thereby reducing costs. A priority area for HL Display is *return on investment*, i.e. when customers can expect their investment in an HL Display solution to pay for itself.



### Merchandising

Merchandising is essentially about presenting merchandise to the consumer in an attractive way. This makes the products stand out and encourages purchasing. However, there are other aspects which are also important to the stores. A well organised merchandising solution makes optimal use of shelf space, resulting in a more efficiently functioning store. Flexible merchandising solutions make it easier to make changes to the store's planogram, i.e. whereabouts in the store the different products are to be placed.

### In-store communication

HL Display's products and solutions for in-store communication concern two main areas. The first is about supporting clear overall information in the store – signs on ceilings and in aisles, for example – which enable customers to quickly locate the products they are looking for. The second is about products and solutions that provide customers with all the information they need to make a purchasing decision right where the product is. This means providing basic price information, as well as more detailed information such as product campaigns and environmental labelling. Strengthening TV advertising with in-store communication provides highly effective leverage.







### Product placement on the shelf

HL Display's solutions for product placement on the shelf have been produced in response to two important needs of brand manufacturers. The first is to exploit the allocated shelf space in the store in the best possible way. The second is to present the goods in an attractive way that tempts shoppers to make a purchase. There are also different accessories that provide customers with relevant product information or special solutions to support brand manufacturers' new product launches.



## Brandman™

Like the food and non-food retail sectors, brand manufacturers also require solutions that help them increase sales. Attractive merchandising is important in this respect, as it ensures their own particular goods are visible among the store's large range of products. For the brand manufacturers, it is also important that merchandising supports more long-term brand building and creates recognition. With this in mind, it is essential for HL Display to be able to offer products and solutions that are tailored to the individual brand manufacturers' requirements and needs, whether we are talking about design or material choice.



### Campaign placement

Campaign placement comprises solutions that enable brand manufacturers to display their goods elsewhere in the store, rather than just on the shelf. These include floor stands which can be placed in aisles or at check-outs and cross merchandising solutions. Cross merchandising means displaying products with a close association (such as pasta and pasta sauce) together in order to generate extra sales.

# Product development

Customer-driven product development is a key concept at HL Display. It means that all product development is based on an understanding of customers' needs and how they use the products. This ensures the Company develops products that create clear added value for customers.

Product development is one of the areas that makes HL Display unique in its sector. No other company invests as much in its product development as HL Display. The ambition level is also high. It is HL Display's aspiration to be the company that brings the sector fresh products and solutions with the potential to become an established standard in retailing. Development work is based on customer value. HL Display will develop products that allow customers to obtain an attractive payback period for their investment.

## Ideas born in cooperation with the customer

It is HL Display's stated ambition to develop products in close cooperation with its customers. Ideas for new products and further development of existing products often arise during the cooperation between customer, sales company and product manager. The product managers also have primary responsibility for the project throughout its development phase. They are supported by skilled constructors and designers who transform the ideas into finished products. HL Display's production managers are also a natural part of the development group. They help ensure production economy and a prompt production start-up on completion of the product development phase.

## Focus on two areas

HL Display placed particular emphasis on two development areas in 2010. The first was 3eBins™, display solutions for loose goods, which were launched in June 2010. The second was development in new technology.

3eBins™ represent one of HL Display's largest and most important development projects in recent years. The food retail sector has experienced a surge of interest in goods sold loose – particularly as this form of display fulfils consumers' increasing requirements for more sustainable alternatives in their store, while also allowing a lower price. With the launch of 3eBins™, HL Display is now able to offer the food retail sector complete solutions for displaying loose goods. Not only do they create an attractive product presentation, their simple handling also contributes to store efficiency. Even at this initial stage, the response from customers is positive.

## Exciting opportunities in new technology

New technology is the second focus area in product development – a focus which even as early as last year gave results in the form of PowerTrack™, a flexible infrastructure that brings low voltage power to shelves, and Ad'Lite™, a solution providing shelves with ambience lighting. Efforts were concentrated on new applications for the PowerTrack™ infrastructure during the year. HL Display leads the field in areas such as development of digital signage on the shelf and several tests are currently being conducted in cooperation with selected supermarkets. Several exciting launches are planned for 2011.

## Environmental work starts in the development phase

HL Display's environmental work starts as early as the product development phase. Even in this early development phase, it is important to adapt the products so that they allow more effective production and transport, thereby saving energy. HL Display also works constantly on further and new development of materials contained in the Company's products, with the aim of achieving benefits such as an increased proportion of recycled materials in the products.

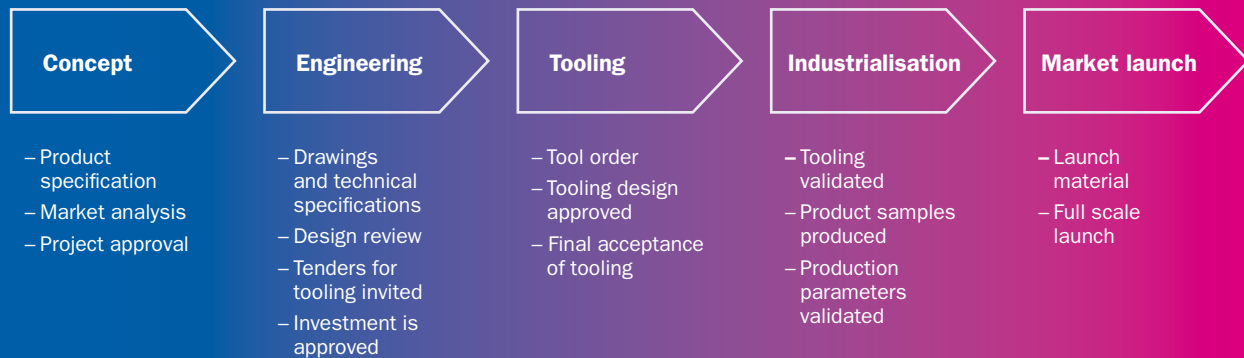






*“It is HL Display’s aspiration to be the company that brings the sector fresh products and solutions with the potential to become an established standard in retailing.”*

### HL Display’s product development process



#### PATENT AND DESIGN PROTECTION 2010

- 79 (78) registered patents.
- 10 (20) pending patent applications.
- 3 (4) new patent applications in 2009.
- 82 (80) registered protected designs.
- Total cost of patents and design protection was MSEK 2 (2).

#### SELECTION OF NEW PRODUCTS 2010

- 3eBins™ – attractive merchandising solution for goods sold loose.
- Brandline – new generation image enhancing shelf merchandising solutions for brand manufacturers.
- Fender – complete solution for pallet merchandising.

# HL Display's delivery organisation

The delivery organisation includes HL Display's supply chain – from the purchasing of materials and products from suppliers, through production and warehousing, to delivery to the customers. In every single part of these operations, HL Display works continuously to streamline processes, reduce environmental impacts and cut lead times. These efforts are aimed at ensuring a high level of service to customers.

## Purchasing

At HL Display, strategic purchasing, such as framework agreements relating to energy or production inputs, is centralised at the Company's purchasing function. Small local purchases of products and services are managed by regional logistics centres around the world. This method of working enables the Company to reduce its total purchasing costs and provides a higher level of supplier monitoring. All suppliers have to sign a contract committing them to compliance with HL Display's supplier policy, which imposes requirements in important areas such as corruption and working environment. One important goal for the purchasing department during the year was to increase the purchasing of recycled materials as part of the Group's ongoing programme to minimise

environmental impacts. HL Display strengthens further its central purchasing in 2011 by adding 2 lead buyers and making the Purchasing Director report directly to the CEO.

## Production

HL Display has three different types of production facility. These are facilities for the production of standard products, modified standard products and customised products. The production facilities which produce standard and modified standard products are organised around three main production processes – extrusion, injection moulding and plastic sheet processing (bending, cutting and printing).

HL Display's stated ambition is to have indisputably world-quality

### Quality

HL Display engages in extensive work on quality, based on key figures with clearly defined targets. These key figures are followed up every month. All the factories have quality systems which are based on the international ISO 9001 quality standard. The factories in Falun, Karlskoga, Sundsvall and Suzhou are all certified under ISO 9001. In addition, injection moulding manufacturing at the production facility in Harlow is certified under ISO 9001.

### Quality

#### Lead times in days

*Refers to average lead time from order to delivery*

Production facility	Target	2010	2009
Falun	11.0	15.3	11.6
Karlskoga	8.0	14.0	9.0
Sundsvall	10.0	13.8	10.8
Suzhou	7.0	8.4	7.0

#### Delivery performance (as a percentage)

*Defines the proportion delivered within the agreed delivery time*

Production facility	Target	2010	2009
Falun	97.0	95.4	96.8
Karlskoga	98.0	94.2	97.3
Sundsvall	98.0	97.5	98.0
Suzhou	98.0	98.8	98.1

#### Proportions of complaints (as a percentage)

*Refers to the number of complaints in relation to the total number of orders*

Production facility	Target	2010	2009
Falun	0.50	0.70	0.70
Karlskoga	0.30	0.40	0.30
Sundsvall	0.30	0.30	0.40
Suzhou	0.30	0.30	0.35



## HL Display's production

TYPE OF PRODUCTION	LOCATIONS	PRODUCTION METHODS
<b>Standard products</b> Products which are standard in nature, such as shelf dividers and datastrips.	Sundsvall Suzhou	<b>Extrusion</b> A method that involves molten plastic being forced through a nozzle. The products are manufactured in strips which are cooled in a water bath.  <b>Injection moulding</b> A production method that involves molten plastic being injected into a hollow mould which determines the product's shape.
<b>Modified standard products</b> Standard products with a certain amount of customisation, such as printing preferences.	Karlskoga Gliwice (opening in 2011) Falun	<b>Injection moulding</b> <b>Plastic sheet processing</b> Printing of plastic sheets which in many cases are further processed by means of punching.
<b>Customised solutions</b> Products which are adapted to customers' requirements and needs, both in terms of design and material selection and colour and printing.	Harlow	<b>Multi-material</b> Production process adapted to production with a high level of customisation and in several different materials.

operations within these production processes. Production of customised products is organised around a number of different production processes which are matched with the product being produced. This production method is characterised by flexibility and very short lead times.

### Integration of PPE

The integration of PPE, which was acquired in December of 2009, and its production facility at Harlow has been a very large-scale project at HL Display during 2010. The project has also involved restructuring, with production at HL Display's factory in Shipley being moved to Harlow and the Shipley factory being closed down. The integration work has been successful and will be concentrated on further streamlining of processes and working methods during 2011.

All change work that HL Display conducts at its production facilities is based on lean manufacturing. In simple terms, lean manufacturing is an approach aimed at optimal handling of resources. It is about identifying and eliminating factors in the production process which do not bring added value to the customer. Change work based on the lean manufacturing principle was strengthened during 2010 and produced tangible results at the factories in Falun and Suzhou.

Continuing work on increasing automation at Sundsvall and Falun has allowed working costs to be kept unchanged despite an increased production volume.

### New factory in Poland

Construction of HL Display's combined factory and logistics centre in the Polish city of Gliwice was started in 2010. Production is expected to be fully up and running in the third quarter of 2011 and is aimed at strengthening HL Display's capacity in both modified standard products and fully customised products for the European market. The Gliwice factory will in a first step be filled by Karlskoga

products – Karlskoga will be closed in September 2011 – before adding more process capabilities through investment.

## Logistics

HL Display's logistics structure encompasses regional logistics centres around the world. The Company has logistics centres in Falkenberg (Sweden), Tours (France), Győr (Hungary), Moscow (Russia), Harlow (UK) and Singapore. A logistics centre in Dubai (United Arab Emirates) was also opened during the year. In addition to procurement, stock management and distribution, the logistics centres also handle administration and provide added-value services for the sales companies in each region. Added-value services include for example kitpacking and assembly according to the customer's wishes. The Company is establishing a logistics centre in Gliwice in Poland during 2011. This logistics centre will handle logistics and service to sales companies in the Czech Republic, Poland and Germany.

HL Display applies lean principles to its logistics function as well as its production. Consequently, parts of the work that do not generate value to the customer are eliminated as far as possible. Working on this basis, it is the Company's aim to reduce logistics costs by 3 percent annually. This target was achieved in 2010. Increased productivity also brings an increased level of service and reduced lead times to customers. During 2010, the Company also initiated a new available-to-promise system, which will give customers improved real-time information about the status of their order.

HL Display's programme to obtain ISO certification for all its logistics centres continued during 2010. The Tours (ISO 9001) and Falkenberg (ISO 9001 + ISO 14001) logistics centres were certified during the year. ISO certification is planned for the Győr, Singapore and Gliwice logistics centres during the next 2 years.



# Sustainability report

HL Display has a long track record in commitment to corporate responsibility issues. For many years, the Company has engaged in systematic efforts to reduce its environmental impacts. The largest production facilities were certified to the ISO 14001 environmental management standard in the late 1990s. During its rapid international expansion in the 1990s and the early years of the new millennium, the Company made it a priority to communicate a culture of good business ethics to its subsidiaries.

HL Display worked to strengthen its corporate responsibility communication in 2010. HL Display is committed to carrying on the tradition of maintaining a high level of transparency in its corporate responsibility reporting, as it did in its financial communication and annual financial reporting when a publicly listed company. With this in mind, the Company started preparations for future sustainability reporting in accordance with the Global Reporting Initiative's guidelines during the year. The GRI's sustainability reporting guidelines represent the most established reporting framework available today. HL Display is a participant in UN Global Compact, which means the Company actively supports the UN's fundamental values and principles in the areas of human rights, labour, environment and anti-corruption.

## **Management of the sustainability programme**

HL Display's sustainability programme is incorporated into the Board's work, and the Board also makes decisions in this area. The sustainability programme has been initiated at Group management level. The work is headed by the Company's Product Development Director, who is supported by other members of Group management. Much of the day-to-day sustainability responsibility lies with the local entities in the Group. In particular, the production facilities have a high level of responsibility for environmental issues.

HL Display's Corporate Responsibility Policy, which was adopted by the Board in early 2010, is the Company's central policy in this area. There are also other associated policies that govern corporate responsibility work, including HL Display's Code of Conduct, Environmental Policy, Work Environment Policy,

Purchasing Policy and the common operational policy for the production facilities.

## **Stakeholder communication**

HL Display's main stakeholders are its customers, employees, owner and suppliers. The Company maintains continuous dialogue with these stakeholders in its day-to-day business, and this dialogue also includes matters related to sustainable development. In addition to the more informal stakeholder dialogue which is constantly in progress, HL Display initiated a stakeholder survey in 2010 for the purpose of obtaining a clear picture of what aspects of sustainability are important to stakeholders. In the initial stage, a selection of HL Display's customers completed a questionnaire.

Other types of stakeholders will also complete the survey, and the results will represent a parameter for the prioritising of sustainability work.

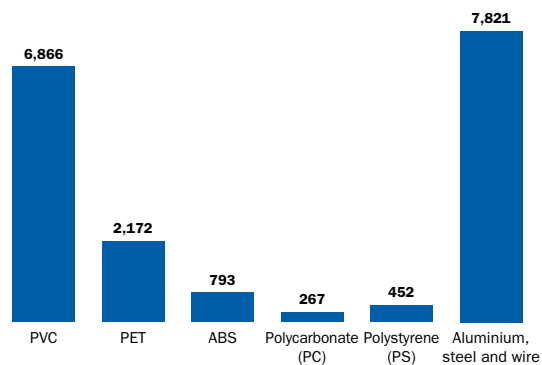
## **Environmental responsibility**

HL Display has three production facilities in Sweden, one in the UK and one in China. HL Display's main environmental impacts in its production are plastic waste, energy consumption and use of plastic raw materials. With sales companies and distributors in 47 markets around the world, transport is also a source of indirect environmental impacts. Operations at the factory in Falun are subject to notification requirements because of solvent-use in the screen-printing process.

HL Display endeavours to promote a high level of awareness about environmental impacts, not just in its production, but also in



Materials usage metric ton



daily business activity at the Company's offices around the world. This means collecting and sorting paper, packaging material and used electronic equipment and ensuring they are sent for recycling. For many years, HL Display has been using telephone and video conferences as an alternative to travel between offices. The result is fewer environmental impacts and more efficient work.

#### ISO 14001 certification

Certification to the ISO 14001 environmental management standard is an important part of HL Display's environmental programme. HL Display's largest factories, situated in Sundsvall, Falun and Karlskoga, have been certified to ISO 14001 since the end of the 1990s.

The factory in China and the logistics centre in Falkenberg were certified to ISO 14001 during 2010. It is HL Display's goal that all production facilities and regional logistics centres will have environmental certification by 2012. At present, 67 percent of HL Display's production facilities are certified to ISO 14001.

#### Use of raw materials

HL Display's main raw material is plastic, in particular PVC. Different plastics account for approximately 63 percent of the Group's total raw material use. HL Display works constantly to develop methods that allow increased use of recycled materials in the Company's products, particularly in datastrips and shelf divider systems.

HL Display complies with REACH, the EU's chemicals legislation, and this is taken into account when the Company approves new materials. The Company now requires its raw materials suppliers





to complete a special declaration form based on the REACH requirements.

Substances classified as SVHC (Substances of Very High Concern) are prohibited, and the use of phase-out substances is also controlled.

## Use of chemicals

Operations at HL Display's production facility in Falun are subject to notification requirements because of solvent use in the screen-printing process. The solvent is used in the printing ink itself and to wash templates used in the printing process.

Total solvent consumption in 2010 was 4,998 (3,639) litres. Use of solvents per template has been reduced to 0.19 (0.24) litres/template. HL Display has been able to replace solvent-based inks with UV inks to some extent. Unlike traditional solvent-based inks, UV inks are dried using UV radiation rather than by evaporation of the solvents. HL Display has also invested in a new digital printing line, which has reduced the use of screen printing.

## Plastic and other waste

The waste generated at HL Display's production facilities is for the most part plastic. HL Display addresses the problem of waste in production in two ways. The first is to reduce plastic waste generated in production by fine-tuning the production processes where possible.

The second is to recycle plastic and other waste as far as possible. HL Display's goal is that all waste from production will eventually be recyclable. Total waste at the Company's production facilities in 2010 was 2,879 tonnes and 82 percent of this was recycled.

## Energy consumption

HL Display's direct electricity consumption in production was 24.1 (15.5) GWh in 2010. For comparable units, the electricity consumption was 19.6 GWh. Various measures for reducing electricity consumption are being implemented at all the factories. These range from heating the factories using waste heat from machinery to installing time relays for lighting.

In early 2010, HL Display signed a new energy agreement covering all its Swedish factories. Under the agreement with the electricity supplier, Vattenfall, all the Swedish factories and the logistics centre in Falkenberg will run entirely on green electricity, i.e. electricity from renewable sources.

## Water consumption

Water is used primarily for cooling in certain of HL Display's production processes, in particular the cooling of extruded plastic products in waterbaths. Several of HL Display's factories use closed cooling water systems to minimise water consumption.

## Energy consumption

Electricity "green" (MWh)*	18,053
Electricity (MWh)	6,005
Gas (MWh)	5,520
Oil (m <sup>3</sup> )	75
Water (m <sup>3</sup> )	399,322

\* Electricity from renewable sources.

399,322 cubic metres of water were used at the Group's production facilities in 2010.

## Transport

HL Display has sales companies on several continents, which means that transport represents a significant proportion of the Company's environmental impacts. HL Display engages third-party suppliers for its transport and requires these suppliers to have environmental programmes in place.

HL Display also works with its logistics suppliers to route inward and outward transport flows from road transport to sea and rail transport wherever possible.

HL Display introduced a global company car policy in 2010. The policy, which only allows fuel-efficient diesel engines when cars are replaced, is designed to reduce the car fleet's carbon dioxide emissions.

HL Display's efforts to reduce these emissions also include strategies to make its logistics more efficient. The Company constantly endeavours to increase the number of products per package and reduce the size of packages.

HL Display is currently working on preparations to measure and calculate the carbon dioxide emissions its operations generate. It is not possible to report the extent of these emissions at present.

## Environmental requirements for suppliers

HL Display requires its suppliers to comply with all current environmental legislation. All new suppliers are required to sign HL Display's purchasing policy, which defines the Company's requirements for its suppliers in this area. The actual conditions at suppliers' premises are observed during site visits. HL Display's major suppliers are large Nordic producers of plastic raw materials which have their own environmental programmes in place.

## Waste management metric ton

Total	Plastic	Metal	Packaging materials	Mixed materials	Other safe waste	Total safe waste	Hazardous waste
Composting	–	–	–	1	–	1	–
Re-use in own production	28	–	–	–	–	28	–
Recycled externally	1,207	397	165	231	–	2,000	19
Recycled for heating	–	–	–	310	–	310	–
Deposit	–	–	–	128	388	516	5





Roller Track™, one of HL Display's feed systems, creates an impressive product presentation.



## Social responsibility

HL Display's CR Policy defines the fundamental values that will be adhered to throughout the Company. The policy clearly states that the Company shall offer all employees equal opportunities regardless of background, gender, ethnicity or age. HL Display also respects employees' rights to collective bargaining, and encourages organisation into trade unions as this facilitates dialogue with employees. 44 percent of the Group's employees are covered by collective agreements. In its CR Policy, HL Display takes a very firm stand against corruption. Corruption among employees will not be tolerated under any circumstances. This is also reiterated in the Code of Conduct, which is signed by everyone at managerial level in the Company.

HL Display's suppliers are expected to adhere to the same values. They are required to sign a purchasing policy containing requirements and information relating to human rights, labour and anti-corruption. As with environmental issues, compliance is primarily monitored by HL Display's representatives visiting suppliers.

### Skills development

It is HL Display's stated ambition to provide its employees with the opportunity for further development and growth in their role at the Company. The performance appraisal is an important tool in supporting employees in their development, and all HL Display employees will be offered an annual appraisal. The appraisal includes direct feedback and discussion about how the individual goals have been achieved during the year and future development

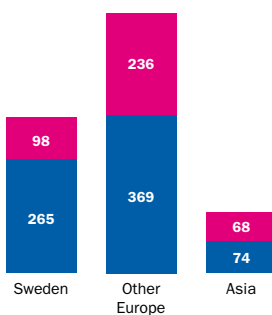


### Employee facts

		2010	2009
Number of employees as of December 31		1,109	1,114
Gender structure, %	Male	64	64
	Female	36	36
Education level, %	University	33	29
	Upper secondary school	39	44
	Compulsory school	28	26
Investment in staff training	Total, KSEK	2	3
	Per employee, KSEK	1	2
Costs related to health promotion activities	Per employee, KSEK	2	2
Reported incidents	Minor	85	17
	Serious	5	2

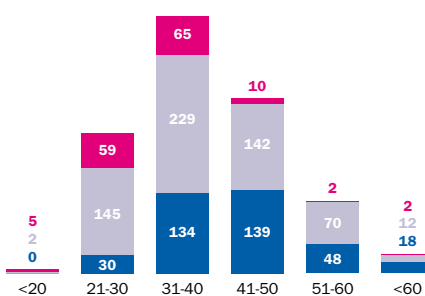
Number of employees

■ Women ■ Men



Age distribution

■ Sweden ■ Other Europe ■ Asia





CosmeLine™ – a complete concept for displaying products within cosmetics and Health & Beauty.



opportunities. The aim is also to clarify the link between the Group's and the local company's targets and the employee's individual goals. This helps employees appreciate that their own work is important to the business as a whole and that their individual goals are linked to the Company's ability to achieve its targets.

In 2010, HL Display implemented a large-scale skills development programme for its sales personnel, with the aim of strengthening their expertise in conceptual sales. The programme will continue during 2011. The Company has also implemented a skills development programme for management and key personnel in HL Display's production organisation, in order to strengthen efforts to achieve lean production.

### Salary models

It is HL Display's aim to have a remuneration system that encourages and rewards positive efforts and good performance. Employees must be able to see a link between their own performance and their pay growth. This helps ensure the right expertise remains in the Company and encourages employees to develop their skills and performance. This type of system ultimately strengthens the productivity, profitability and competitiveness of the Group's companies.

HL Display has gradually started to offer new employees in the sales organisation a new salary model. The new model contains a somewhat lower guaranteed salary, with a more aggressive bonus model for the variable portion of the salary, which can generate considerable added value. The variable portion is monitored against objectively defined and agreed key figures.

The same salary model will also be offered to existing employees in the sales organisation in the future.

The basic principle of this salary model has also been applied in areas other than sales. In the new production plant in Gliwice in Poland, production employees are offered a salary model with a variable portion, which is linked to clear and pre-agreed key figures.

### Skills supply

HL Display appreciates the importance of creating a strong base of proficient employees able to move up the organisation. The Company works systematically to identify managers who have the potential to assume a more important role than their present one. HL Display has identified what are referred to as career positions. People are recruited to these positions if they have the capacity to gradually take on roles with more responsibility.

HL Display initiated a structured programme to ensure skills supply at managerial level during the year. For all managers in key positions, the Company has implemented an audit process aimed at identifying replacements for these positions also in the short-term.

### Employee survey

HL Display conducts a regular employee survey entitled HL Dialog. It is the aim that all companies in the Group will implement the survey once every two years. The survey, which takes the form of a questionnaire, is voluntary and completely anonymous. HL Dialog was completed by 200 employees in 8 countries in 2010.

The results of the survey are followed up carefully and each manager covered by the survey must produce an action plan addressing the specific areas for improvement identified in the evaluation.

### Health and safety

The fundamental principle of HL Display's health-promoting initiatives is early prevention of ill health. One important element involves offering employees regular health checks and individually designed plans to prevent ill health. Health work has come furthest in Sweden. An important reason is that health problems have been historically higher among employees at the factories than elsewhere in the Company and that most of the factory employees are in Sweden.

The Company aims to eventually have an equally well-developed programme in place for all employees around the world. An example of preventive work in 2010 was the opportunity for the Stockholm office employees to undergo physical tests to measure their body's biological age. The initiative was carried out in cooperation with SATS, the Nordic region's leading fitness company. This was followed up by personal exercise and diet action plans.

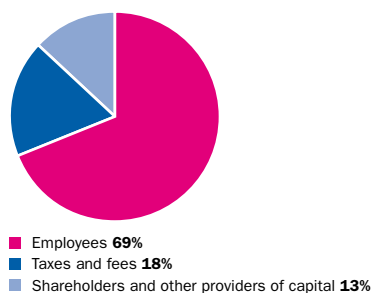
Health risks at HL Display are mainly associated with production. Preventive work is aimed at ensuring safe workplaces with a good working environment. HL Display regularly updates its safety procedures and examines different risk factors. 85 (17) non-serious incidents and 5 (2) serious incidents were reported in 2010. The increase is primarily due to a larger production operation through the acquisition of PPE.

## Financial responsibility

HL Display endeavours to achieve long-term profitable growth by conducting business that is grounded in good ethics and sustainable development. This creates long-term value for the Company's owners and other stakeholders.

The majority of the economic value generated by HL Display's business operations is distributed to the Company's stakeholders, which include suppliers, employees, owners and lenders. The taxes the Company pays have a beneficial impact on society. In 2010, SEK 593 million was distributed to different stakeholders as shown in the diagram Distribution of economic value below.

Distributed financial value %



# Income statement and balance sheet

## Income statement for the Group

KSEK, 1 January - 31 December	2010 (pro forma)	2009
Net sales	1,617,289	1,360,416
Cost of goods/services sold	-901,507	-693,151
<b>Gross profit</b>	<b>715,782</b>	<b>667,265</b>
Selling expenses	-461,045	-425,245
Administrative expenses	-147,764	-123,460
Research and development expenses	-26,232	-26,984
Other operating income	11,435	11,206
Other operating expenses	-27,731	-16,567
<b>Operating profit</b>	<b>64,445</b>	<b>86,215</b>
Financial income	8,291	2,817
Financial expenses	-43,998	-4,889
<b>Net financial items</b>	<b>-35,707</b>	<b>-2,072</b>
<b>Profit before taxes</b>	<b>28,738</b>	<b>84,143</b>
Income tax expense	-10,538	-25,935
<b>Net profit for the year</b>	<b>18,200</b>	<b>58,208</b>
<b>Attributable to:</b>		
The parent company's shareholders	18,200	58,208
Non-controlling interest	0	-
	18,200	58,208
Earnings per share		
before dilution (SEK)	-	1.88
after dilution (SEK)	-	1.88

## Statement of comprehensive income for the Group

KSEK, 1 January - 31 December	2010 (pro forma)	2009
<b>Net profit for the year</b>	<b>18 200</b>	<b>58 208</b>
<b>Other comprehensive income</b>		
Translation differences on translation of foreign operations	-18 352	-14 998
Net change in fair value of cash flow hedges	-962	11 486
<b>Other comprehensive income for the year</b>	<b>-19 314</b>	<b>-3 512</b>
<b>Comprehensive income for the year</b>	<b>-1 114</b>	<b>54 696</b>
<b>Comprehensive income for the year attributable to:</b>		
The parent company's shareholders	-1 114	54 696
Non-controlling interest	-	-
<b>Comprehensive income for the year</b>	<b>-1 114</b>	<b>54 696</b>

## Statement of financial position for the Group

KSEK	31-12-2010	31-12-2009
<b>Assets</b>		
Intangible assets	1,187,476	243,612
Property, plant and equipment	213,627	223,469
Participations in associated companies and joint ventures	3,074	3,000
Financial investments	6,668	-
Non-current receivables	13,124	2,316
Deferred tax asset	14,097	15,571
<b>Total non-current assets</b>	<b>1,438,066</b>	<b>487,968</b>
Inventories	194,936	179,718
Tax assets	0	24,900
Trade and other receivables	297,963	255,997
Prepaid expenses and accrued income	35,555	30,158
Other current assets	47,892	49,465
Cash and cash equivalents	206,309	213,427
<b>Total current assets</b>	<b>782,655</b>	<b>753,665</b>
<b>Total assets</b>	<b>2,220,721</b>	<b>1,241,633</b>
<b>Equity</b>		
Share capital	147	38,674
Other capital contributions	1,141,283	-
Reserves	-4,816	9,266
Retained earnings including net profit for the year	-16,483	503,175
<b>Equity attributable to the parent company's shareholders</b>	<b>1,120,131</b>	<b>551,115</b>
Non-controlling interest	2,855	-
<b>Total equity</b>	<b>1,122,986</b>	<b>551,115</b>
<b>Liabilities</b>		
Non-current interest-bearing liabilities	611,881	261,077
Other non-current liabilities	16,935	25,380
Pension provisions	4,444	5,116
Other provisions	1,929	-
Deferred tax liability	21,943	23,955
<b>Total non-current liabilities</b>	<b>657,132</b>	<b>315,528</b>
Current interest-bearing liabilities	93,445	91,087
Trade and other payables	165,193	101,944
Tax liabilities	7,816	12,302
Other current liabilities	39,786	29,554
Accrued expenses and prepaid income	134,363	140,103
<b>Total current liabilities</b>	<b>440,603</b>	<b>374,990</b>
<b>Total liabilities</b>	<b>1,097,735</b>	<b>690,518</b>
<b>Total equity and liabilities</b>	<b>2,220,721</b>	<b>1,241,633</b>

The financial information for 2010 refers to the HL Display Holding Group. The financial information has been restated as if the acquisition of HL Display with related refinancing had instead been made at the beginning of 2010. This means that the presented financial information for 2010 refers to the actual outcome for twelve months for the HL Display Group, with the addition that financial costs have been increased by an extrapolated interest charge. Comparative data for 2009 refers to those previously reported by the former group, HL Display AB (publ). HL Display applies IFRS. This corporate report has not been prepared in accordance with IFRS and has not been reviewed by the auditor.

# Risk and sensitivity analysis

Sensitivity analysis Factor	Change	Effect on net earnings, SEK million
Net sales	1% volume	7.2
Decline on largest market	-1%	-1.6
Price of PVC	1%	1.0
Price of PET	1%	0.3
Personnel expenses	1%	5.0
Market rate	1 percentage point	5.0
Depreciation	1%	0.4
Euro rate	10 öre	2.0

## Raw material sensitivity

Plastic raw materials accounted for 63 percent of the Group's total raw material purchases. The main raw material, PVC, accounted for 32 percent of the Group's total raw materials costs. The price of crude PVC reached record levels in the second half of the year, with the 2010 average price 22 percent higher than in 2009. Price levels for PVC at the end of 2010 showed a continuing upward trend. Customer agreements are normally renegotiated annually and price change clauses relating to commodity price fluctuations are uncommon in the industry. A one-percent increase in the costs of PVC purchases in 2010 would have had a negative impact of SEK 1.0 million on pre-tax profit. HL Display purchases raw materials under long-term contracts, often with foreign exchange clauses. In order to reduce commodity price sensitivity, HL Display is successfully working to develop methods for using alternative materials. However, the trend of sharply rising commodity prices is common to all inputs at present.

## Currency risk

HL Display's main markets are in the eurozone and the UK. HL Display is exposed to currency movements, as most production takes place in Sweden, while most invoicing is abroad. Sales to subsidiaries are conducted in their local currency in order to concentrate the Group's currency exposure to Sweden, where it is managed by a central treasury function. External distributors

are invoiced in Swedish kronor. The currency effects that have an impact on the company's earnings are transaction flows in different currencies (transaction exposure) and translation of foreign subsidiaries' income statements and balance (translation exposure).

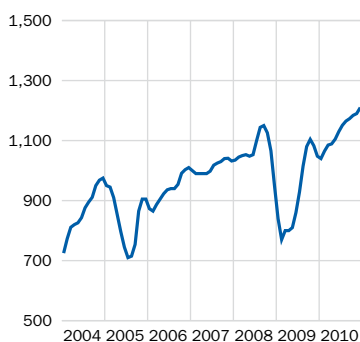
## Transaction exposure

Transaction exposure arises partly from foreign currency invoicing and partly from foreign currency purchases or purchases for which the price is regulated by a currency clause. 30 percent of HL Display's sales are invoiced in euros, 22 percent in sterling and 13 percent in Swedish kronor. The remainder is spread among the other currencies, led by Russian roubles and Norwegian kroner, with 6 percent each. The Swedish krona strengthened significantly against HL Display's main trading currencies in 2010. On average, the Swedish currency strengthened by 10 percent against the euro, and as we entered 2011 it had strengthened by 13 percent against the euro. The Swedish krona strengthened on average by 7 percent against the pound sterling. Revenue currency exposure is offset by purchases in the corresponding currencies, in particular the foreign sales companies' expenses, but also by purchasing materials with prices regulated by currency clauses. HL Display hedges future cash flows in the major currencies. HL Display's total currency exposure had a negative effect of SEK 19.0 million on pre-tax profit for 2010 compared with 2009, as illustrated in the table below.

## Effect of exchange differences on operating profit (compared with average rate in 2009, SEK millions)

Net sales	-82.9
Costs goods/services sold incl. freight	41.8
Distribution costs	20.1
Administrative expenses	5.4
Development costs	0.3
Other operating income/expenses	-3.7
<b>Total effect of exchange differences on operating profit</b>	<b>-19.0</b>

Price of crude PVC EURO/TONNE



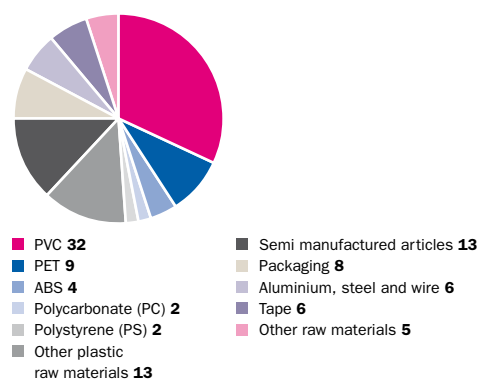
Source: ICIS-LOR

Exchange rate EURO/SEK



Source: NASDAQ OMX Stockholm AB

Raw materials and input goods 2010 %





# Corporate governance of HL Display

On 21 July 2010, private equity company Ratos acquired the Remius family's holding in HL Display and then made a public offer to all other shareholders to acquire their shares.

HL Display was delisted from NASDAQ OMX Stockholm on 17 September 2010. A compulsory redemption process was initiated and an arbitration committee was formed on 1 December. On 8 March, the arbitration committee granted Ratos/HL Display Holding early access to the minority shares.

The next pages provide an overall picture of HL Display's governance following the Company's stock exchange delisting. HL Display's operations are conducted in HL Display AB and its subsidiaries. The sole business of the owner company HL Display Holding AB is the ownership and administration of the wholly-owned subsidiary HL Display AB. HL Display Holding AB is a subsidiary in the Ratos Group.

## General meeting

The general meeting (annual or extraordinary) is HL Display's highest decision-making body. As the Company's owner, Ratos exercises formal shareholder influence over the Company.

The annual general meeting is held in Nacka or Stockholm, normally in April. The annual general meeting elects the Board members and Chairman, appoints the auditor, adopts the income

statement, balance sheet and distribution of the Company's profit, decides on discharge from liability for the Board members and CEO and fixes Board fees.

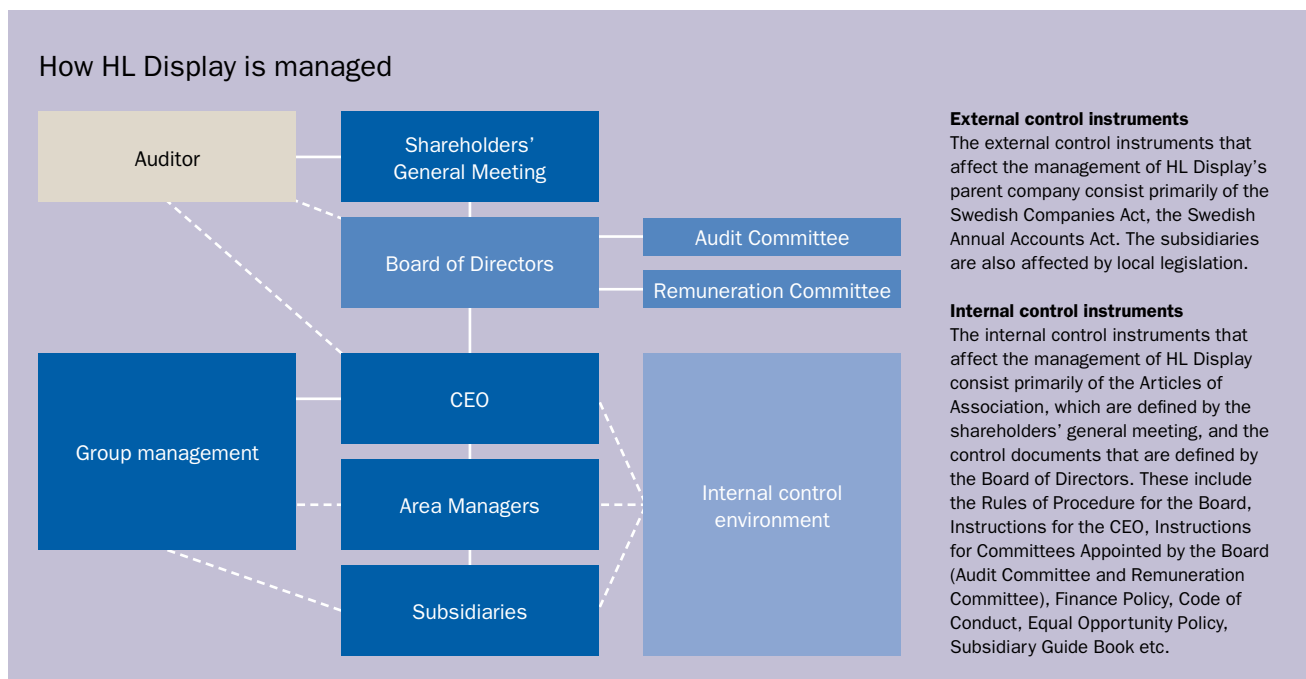
### Extraordinary general meeting

If there is reason to hold a general meeting before the next AGM, an extraordinary general meeting is convened.

HL Display AB (publ) convened one (1) extraordinary general meeting in 2010 to consider the new ownership structure following the acquisition of HL Display by Ratos. The meeting was held on 23 September 2010. It was decided that HL Display would have five AGM-elected Board members, without any deputies. Gérard Dubuy, Stig Karlsson, Susanna Campbell, Mats-Olof Ljungquist and Lars-Åke Rydh were elected to the Board. Stig Karlsson was elected as Chairman of the Board.

The meeting also decided to revoke the annual general meeting's decision about the nomination committee in view of the new ownership structure and delisting from NASDAQ OMX Stockholm. The decision was also made to terminate the mandate of the nomination committee elected at the 2010 annual general meeting.

On 7 October 2010, an extraordinary general meeting of HL Display Förvaltnings AB was held, at which the change of name to HL Display Holding AB was adopted.



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### Board of directors

HL Display's Board has ultimate responsibility for governance of the Company's affairs between annual general meetings. The Board appoints the CEO and makes decisions on issues concerning the strategic direction of the business and the Company's overall organisation. Members of the Board are appointed by the owner at the annual general meeting for a one-year term until the end of the following AGM.

The only AGM-elected Board member who is an employee of HL Display is CEO Gérard Dubuy. All other AGM-elected members are considered to be independent of the Company. Stig Karlsson (Industrial Advisor to Ratos) and Susanna Campbell (Ratos) are not independent of the Company's owner. Other AGM-elected members – Mats-Olof Ljungquist and Lars-Åke Rydh – are considered to be independent. Further information about the Board members can be found on page 35.

### Work of the Board of HL Display

The Chairman of the Board, Stig Karlsson, organises and leads the work of the Board. The Chairman of the Board monitors the business on an ongoing basis in dialogue with the CEO and ensures the Board receives the information and documentation it requires to perform its work. The Chairman is also responsible for ensuring the Board's work is evaluated every year.

The Board's work is regulated by a set of specially drawn up rules of procedure. The rules of procedure essentially mean that the Board is responsible for the Company's strategy and organisation, as well as the administration of its affairs. The Board regularly assesses the Company's and the Group's financial position. Information is reported on a monthly basis to allow the Board to perform its duty of evaluation pursuant to current legislation and good board practice.

The Board deals with matters of significant importance to the Group, which include:

- Strategic plans.
- Budgets and forecasts.
- The acquisition, sale and closure of companies or operations.
- Purchases, sales and write-downs of other significant assets.

After the EGM on 23 of September 2010, the new Board of HL Display held three meetings during the remainder of the 2010 financial year. The Board normally sets the meeting dates for the



coming calendar year at the October Board meeting. Some Board meetings are planned to coincide with interim and annual reports.

The Board's work follows an annual presentation plan with special topics and fixed decision-making points.

Board meeting agendas normally include the following items:

- Review of the previous meeting's minutes and action list.
- CEO's status report.
- Financial overview.
- Reporting from committees.
- Any other business.

The CEO attends all Board meetings, except where there is a conflict of interest. This would arise, for example, if the CEO's remuneration was being decided or his work was being assessed. It is the express wish of the Board to invite members of HL Display's management group or other areas of the organisation to attend Board meetings in order to provide the Board with in-depth information about their specific area. In 2010, the Board received information in areas which included IT, product development and sustainable development. HL Display's auditors normally attend at least one Board meeting during the year.

Important matters dealt with in 2010 included:

- Investment decisions, including a new IT structure.
- Organisational decisions, including establishment of the new production and logistics unit in Poland.
- Updating of the Group's instructions and policies.
- Monitoring and follow-up of cost control and investments.



#### **Board committee work**

The Board has established committees which, in accordance with the Board's instructions, deal with certain defined matters and prepare these for Board decisions. The Board currently has two committees: the remuneration committee and the audit committee.

#### **Remuneration committee**

It is the remuneration committee's task to examine and prepare matters relating to remuneration and terms of employment for company management, and to make proposals for guidelines on remuneration of the CEO and senior executives.

The CEO's remuneration is decided by the Board. Remuneration of other senior executives is decided by the CEO in consultation with the remuneration committee.

The remuneration committee consists of Stig Karlsson, Susanna Campbell and Mats-Olof Ljungquist. Stig Karlsson is the chairman of the remuneration committee.

#### **Audit committee**

The audit committee consists of all the Board members with the exception of Gérard Dubuy, who is also HL Display's CEO. Mats-Olof Ljungquist is the chairman of the audit committee. It is the audit committee's task to support the Board in its efforts to achieve high quality in three primary areas: internal controls, financial reporting and external auditing. The committee ensures effective internal control systems are in place and a correct assessment of the company's financial position has been made. The committee also reviews interim and year-end reports and deals with all critical accounting matters, such as measurement and accounting

estimates. It is also the audit committee's task to maintain dialogue with the auditors about the audit.

### **Chief executive officer**

HL Display's Chief Executive Officer, Gérard Dubuy, is in charge of day-to-day, operational business. A written set of instructions defines the division of responsibilities between Board and CEO. The CEO reports to the Board and presents a special CEO's report at each Board meeting, with information about how the business is performing on the basis of defined strategies and Board decisions. Further information about the CEO can be found on page 35.

### **Group management**

HL Display's Group management consists of eight members who have day-to-day responsibility for different parts of the business. Group management has at least seven scheduled meetings during a year. More information about the members of Group management can be found on page 36.

#### **Management of subsidiaries**

HL Display has five Area Managers, who report directly to the CEO Gérard Dubuy. The Area Managers are fully accountable for results and sales in their own region. This accountability also includes the sales companies and logistics centre in each region.

The division of responsibilities between the Area Managers and the Country Managers who are responsible for the day-to-day activities in the sales companies is regulated in the framework of the



internal Subsidiary Guide Book, which contains guidelines on all aspects of the subsidiaries' business. The Director of Operations, Xavier Volpato, is in charge of the Group's production units.

### Remuneration of the Board and senior executives

#### **Remuneration of the Board**

The extraordinary general meeting held on 23 September 2010 adopted maximum Board fees of SEK 450,000, with 150,000 SEK payable to each Board member not employed in the Company or the Ratios Group. There is no compensation for committee work.

#### **Guidelines on remuneration of senior executives**

Attracting and retaining key management personnel is an important part of HL Display's strategy. The compensation the Company offers its senior management plays a key role in this strategy.

It is the Board's opinion that the combination of a fixed salary and variable performance-based pay is an effective tool for attracting employees and steering performance towards the objectives defined by the Board. By also offering long-term participation in the Company, the Board is keen to promote a long-term commitment which will help the Company retain its key management personnel.

- The fixed salary reflects the employee's area of responsibility and the complexity of the position.
- Variable performance-based pay is always linked to measurable targets. The CEO can receive up to 50 percent of his fixed annual salary in variable pay during 2011, and other members of senior management up to 25 percent of their fixed annual salary.
- Long-term management participation allows a share in HL Display's value creation. Ensuring that management, Board and owner have common and shared goals and interests is a cornerstone of the Ratios investment philosophy. This type of participation scheme has now been offered to HL Display's management.

#### **The auditor**

The annual general meeting elects the auditor following a proposal by the Board. KPMG AB will act as the Company's auditor until the 2012 annual general meeting. The auditor in charge is Åsa Wirén-Linder (authorised public accountant). Further information about the auditor can be found on page 36. It is the auditor's task, on behalf of the owner, to audit HL Display's annual accounts and bookkeeping methods, as well as the Board's and the CEO's administration of the company.

The chief auditor also submits an audit report to the annual general meeting.

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HL Display provides holders for all electronic shelf labelling solutions on the market.



# Board of Directors



**Stig Karlsson**

Born: 1952.  
Chairman of the Board.  
Member of the Board since 2001, Chairman since 2010.  
Position: Industrial Advisor Ratos AB.  
Education: Master of Science in Economics and Business administration.  
Other appointments: Chairman of the Board in Diab AB and Hafa Bathroom Group.  
Member of the Board in Lindab AB and Lagerstedt och Krantz AB.  
Not independent in relation to major owners.



**Gérard Dubuy**

Born: 1961.  
CEO of HL Display AB.  
Member of the Board since 2006.  
Education: Master of Science in Economics and Business administration.  
Not independent in relation to the company.



**Mats-Olof Ljungquist**

Born 1951.  
Member of the Board since 2007.  
Education: Master of Science in Economics and Business administration.  
Other appointments: Chairman of the Board in Brunnberg & Forshed, Hermods AB and Twentyfourseven AB. Member of the Board in SBC Sveriges Bostadsrätts Centrum AB, Svegro AB, Swedsec AB, Fortigo Fastigheter AB and JLT Risk Solutions AB.  
Independent member.



**Lars-Åke Rydh**

Born: 1953.  
Member of the Board since 2008.  
Education: Master of Engineering.  
Other appointments: Chairman of the Board in Nefab AB, San Sac AB, Plastprint AB, Schuchardt Maskin AB, CombiQ AB and OEM International AB. Member of the board in Nolato AB, Arla Plast AB and Handelsbanken region east Sweden.  
Independent member.



**Susanna Campbell**

Born: 1973.  
Member of the Board since 2009.  
Position: Investment Director Ratos AB.  
Education: Master of Science in Economics and Business administration.  
Other appointments: Member of the board in Arcus-Gruppen A/S and VinGruppen i Norden AB.  
Not independent in relation to major owners.



**Henrik Smedlund**

Born: 1976.  
Employee representative.  
Deputy member.  
Position: Machine operator.  
Education: Financial qualification.



**Kent Mossberg**

Born: 1957.  
Employee representative.  
Member of the Board since 1995.  
Position: Property Manager.  
Education: Engineering qualification.



**Magnus Jonsson**

Born: 1969.  
Employee representative.  
Member of the Board since 1998.  
Position: Machine operator.  
Education: Structural Engineering qualification.

# Senior Executives



Gérard Dubuy

Managing Director (CEO)  
Born: 1961.  
Employed since: 1995.  
Education: M. Sc. Economics.



Yvonne Cedergren

Information Manager and  
acting Finance Director (CFO)  
Born: 1966.  
Employed since: 1994.  
Education: M. Sc. Economics.



Xavier Volpato

Director for Operations  
Born: 1969.  
Employed since: 2007.  
Education: M. Sc. Economics. and MBA.



Håkan Eriksson

Marketing and Business Development Director  
Born: 1966.  
Employed since: 1992.  
Education: M. Sc. Engineering.



Staffan Forslund

Human Resources Director  
Born: 1949.  
Employed since: 2000.  
Education: B. Sc. Economics.



Birger Nilsson

Development Director  
Born: 1961.  
Employed since: 1999.  
Education: M. Sc. Economics.



Julien Wagner

Purchasing Director (CPO)  
Born: 1975.  
Employed since: 2008.  
Education: MSc Engineering & Executive MBA.



Marc Hoeschen

Group Supply Chain Manager  
Born: 1967.  
Employed since: 2009.  
Education: M. Eng. and MBA.



Fredrik Birkhammar

Group IT Manager (CIO)  
Born: 1964.  
Employed since: 2010.  
Education: B. Sc. Economics.



Åsa Wlrén Linder

Auditor in charge and authorised  
public accountant (Far)  
Born: 1968.  
Other assignments: Auditor in charge  
in IBS AB, Pricer AB and Seco Tools.  
Member of the board in Far.

**Auditor**  
KPMG AB Stockholm.  
Auditors since 2004.  
Re-elected at the AGM 2008  
for the next four-year period.



# Seven year summary

	2010 (pro forma)	2009	2008	2007	2006	2005	2004
<b>Income statement (KSEK)</b>							
Net sales	1,617,289	1,360,416	1,535,639	1,571,181	1,448,138	1,284,824	1,249,029
Operating profit	64,445	86,215	130,258	160,540	106,727	62,727	107,753
Depreciation and amortisation	38,587	35,581	36,123	39,515	44,379	46,798	46,460
Profit before taxes	28,738	84,143	136,157	154,688	92,254	61,720	92,837
Loss from discontinued operations	–	–	–	–	–	-7,709	-15,950
<b>Net profit for the year</b>	<b>18,200</b>	<b>58,208</b>	<b>96,317</b>	<b>108,236</b>	<b>61,874</b>	<b>34,745</b>	<b>46,621</b>
<b>Balance sheet (KSEK)</b>							
Non-current assets	1,438,066	390,094	202,233	195,644	233,793	241,993	247,637
Current assets	782,655	667,124	744,064	696,053	642,768	518,478	519,778
<b>Total assets</b>	<b>2,220,721</b>	<b>1,057,218</b>	<b>946,297</b>	<b>891,697</b>	<b>876,561</b>	<b>760,471</b>	<b>767,415</b>
Shareholders' equity	1,122,986	433,113	541,853	474,865	387,756	342,329	328,293
Non-current liabilities	657,132	295,217	88,780	111,444	129,540	123,083	138,807
Current liabilities	440,603	328,889	315,664	305,388	359,265	295,059	300,315
<b>Shareholders' equity and liabilities</b>	<b>2,220,721</b>	<b>1,057,218</b>	<b>946,297</b>	<b>891,697</b>	<b>876,561</b>	<b>760,471</b>	<b>767,415</b>
<b>Key ratios</b>							
EBITDA, KSEK	104,832	121,797	166,381	200,055	151,106	109,525	154,213
EBITA, KSEK	66,245	86,679	130,652	161,630	106,727	62,727	107,753
EBITA margin, %	4.1	6.4	8.5	10.3	7.4	4.9	8.6
EBT margin, %	1.8	6.2	8.9	9.8	6.4	4.8	7.4
Return on equity after tax, %	3.4	13.6 <sup>1)</sup>	19.1	25.2	16.6	10.4	15.0
Return on capital employed, %	5.3	12.8 <sup>1)</sup>	23.0	27.6	19.0	13.5	20.8
Return on total capital, %	4.2	8.9 <sup>1)</sup>	15.6	18.6	13.0	9.5	14.9
Equity/assets ratio, %	50.6	44.4	57.3	53.3	44.2	45.0	42.8
Net interest-bearing debt, KSEK	490,336	143,251	-119,693	-69,444	-24,028	-107,569	-95,224
Debt/equity ratio, times	0.63	0.64	0.19	0.27	0.52	0.55	0.63
Interest coverage ratio, times	1.7	20.9	20.7	16.5	7.4	6.6	6.5
Net investments, KSEK	39,613	330,056	31,749	70,179	31,662	39,506	64,999
Cash and cash equivalents, KSEK	206,309	205,892	220,773	177,079	163,244	81,131	112,013
Goodwill, KSEK	1,180,343	230,754	33,270	23,411	–	–	–
Revenue per employee, KSEK	1,468	1,627 <sup>1)</sup>	1,562	1,623	1,521	1,377	1,292
Development expenses, KSEK	26,232	26,984	28,000	37,545	39,070	40,378	42,142
Average number of employees	1,102	836 <sup>1)</sup>	983	968	952	933	967

<sup>1)</sup> Average figures for 2009 excluding PPE, that was consolidated from 31 December, 2009.

The financial information for 2010 refers to the HL Display Holding Group. The financial information has been restated as if the acquisition of HL Display with related refinancing had instead been made at the beginning of 2010. This means that the presented financial information for 2010 refers to the actual outcome for twelve months for the HL Display Group, with the addition that financial costs have been increased by an extrapolated interest charge. Comparative data for 2009 refers to those previously reported by the former group, HL Display AB (publ). HL Display applies IFRS. This corporate report has not been prepared in accordance with IFRS and has not been reviewed by the auditor.

## Definitions

### Development expenses

Development expenses are expenses for production, materials and product development.

### Debt/equity ratio

Interest-bearing liabilities in relation to total equity.

### EBITA margin

Earnings before interest, taxes and amortisations. Operating profit added for amortisation and impairment of goodwill on consolidation, in relation to net sales.

### EBITDA

Operating profit added for depreciation amortisation and impairments.

### EBT margin

Earnings before taxes. Profit before taxes in relation to net sales.

### Equity/assets ratio

Equity including minority share in relation to balance sheet total.

### Interest-bearing net liability/receivable

Interest-bearing liabilities less interest-bearing assets.

### Interest coverage ratio

Profit before taxes plus financial expenses in relation to financial expenses.

### Return on capital employed

Profit after financial items plus financial expenses in relation to average capital employed. Capital employed is the balance sheet total less non interest-bearing liabilities.

### Return on equity after tax

Profit after tax in relation to average equity. Minority shares have been excluded from both profit and capital.

### Return on total capital

Profit before taxes plus financial expenses in relation to average balance sheet total.

### Working capital

Current assets excluding cash and cash equivalents less non interest-bearing current liabilities.

# History

**HL Display's history** started in Borlänge, Sweden, in 1954 by Harry Lundvall. His first product for shops was a plate stand made of shaped metal wire. In due course, by hotbending plastic he also produced an item for displaying the price next to the product.

**In 1969 Harry's** son Åke Westberg took over the business, which was at the time turning over about SEK two million and had five employees.

**In 1975 Åke** Westberg obtained a patent for the shelf edge strip that he had developed. The HL Datastrip is the product for which HL Display is still best known, and it remains an important part of the product range. The patent was the breakthrough for HL Display. The largest Swedish retail chains recognised the benefits of Åke's solution, and they soon became major customers.

**In 1977 Åke** Westberg's daughter Lis Remius and her husband Anders Remius started a sales company that mainly sold products from HL Display's product range.

**In 1986 Lis** and Anders Remius bought HL Display from the investment company Parcon, which had acquired the company from Åke Westberg in 1982. They recognised a potential in HL Display that they wanted to develop themselves, including the establishment of sales companies in other countries.

**International expansion began** in 1987. Sales abroad had previously been channelled through direct sales and distributors, but now HL Display set up its own sales companies in Belgium and the UK. Sales companies were then set up in Germany in 1989, and in Norway and France in 1990.

**At the turn** of the year 92/93 the company completed its first company acquisition, with the purchase of Jegab Display. Since then HL Display has acquired a number of smaller companies, which have strengthened the product range or added expertise within a specific field of production technology.

**In 1993** HL Display was listed on the Stockholm Stock Exchange.

**From the mid-1990s** international expansion continued in line with the rapid growth of the retail trade. Sales companies were established in Poland, Austria, the Czech Republic, Latvia, Russia and Turkey. In 1996 a partnership was set up with Trion Industries as a means of entry into the American market. International expansion continued in line with the rapid growth of the retail trade.

**In 2000 and 2001** the number of sales companies in Eastern Europe was augmented with new ones in Ukraine, Slovenia and Slovakia. During 2000 HL Display also began to look further to the east, towards Southeast Asia. Many of the company's customers, such as Carrefour, already had a presence in several major Asian markets. It was therefore natural for HL Display to have its own presence in these markets. The first Asian company was launched in 2000 in Singapore, and it now serves as the hub of HL Display's activities in the region. Ratos becomes a minority shareholder in 2001.

**In 2002 and 2003** expansion continued apace in Asia, with new companies being established in Hong Kong, Malaysia, Taiwan, Thailand and China.

**In 2005** HL Display was awarded the title Public Company of the year by the financial newspaper Dagens Industri and the Swedish Shareholders' Association.

**At the 2006** Annual General Meeting Anders Remius was succeeded by Gérard Dubuy as CEO of HL Display. Anders Remius' commitment to the company continues, now as the Chairman of the Board.

In 2006 production started up at HL Display's factory in China, situated in Suzhou, to the northwest of Shanghai. Local production is a very important step to increase competitiveness in the region.

**During 2007** HL Display made two acquisitions in Finland; Display Team, a leading supplier of merchandising solutions to brand manufacturers, and Sooni, HL Display's previous distributor in Finland.

**In 2008**, HL Display acquired its Bulgarian distributor. The 2007 Annual Report won the NASDAQ OMX Stockholm's competition for the best annual report, Small Cap company class.

**In 2009** the British company PPE Ltd. was acquired, which is HL Display's biggest acquisition so far. A sales company was started in Dubai as a first entry into the Middle East market.

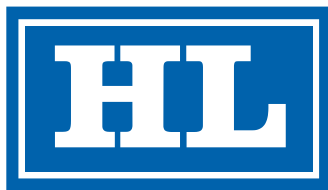
A regional logistics centre was opened in Hungary.

**In July of 2010**, the publicly traded private equity company Ratos acquired the Remius family's holding in HL Display and then made a public offer to all other shareholders to acquire their shares. HL Display was delisted from NASDAQ OMX Stockholm on 17 September 2010.



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