

# Six-Months Report PartnerTech AB

January – June 1999



- **Net sales increased by 55% to SEK 398.2 million (257.4).**
- **Profit after financial items increased to SEK 29.0 million (10.1).**
- **Profit per share after taxes increased to SEK 2.76 (0.96).**
- **The electronic company HP Tronic was consolidated on July 1, 1999.**
- **A warrant program for employees was implemented during this period.**

### Net Sales, Profit and Profitability

PartnerTech has continued to experience positive growth even during the second quarter, mainly in the industry areas Telecommunications and Information technology. The primary reason is the increased general demand in the market, but also PartnerTech's success to increase its volumes with a number of important customers. Volume growth is the main reason for the profit trend, however, a number of cost-saving projects have also had some importance.

The group's net sales for the first six months in 1999 were SEK 398.2 million (257.4). Profit after financial items for the period January - June 1999 were SEK 29.0 million (10.1). Return on operating capital was 43.8% (17.8%), where the return on equity also rose to 44.2% (19.8%).

### Market Trends

The fast growth, where more and more large companies subcontract their production to contract manufacturers, continues with increased strength. PartnerTech's position as one of the most complete subcontractors in the Swedish market provides the company with an excellent position for continuing its growth.

The customers expect the suppliers to follow and manufacture in those countries where the customers run businesses. PartnerTech intends to participate in this internationalization.

### Balance Sheet, Cash Flow and Investments

On June 30, 1999, working capital was SEK 67.5 million (114.1), which is a decrease of 40.8% compared with the corresponding time in 1998. The explanation for this can be found, for instance, in that a number of business transactions that required large inventories have been discontinued or have been changed at the same time as accounts payable have increased, which is mainly due to an increase in sales volume. Since the turn of the year the decrease was SEK 28.9 million.

The group's liquid assets for June 30, 1999 were SEK 45.9 million (0.5), which is an increase of SEK 45.5 million during the period. Net loan debt decreased during the first six months by SEK 42.4 million and amounted to SEK 22.1 million (74.5) on June 30. Net investments during the period amounted to SEK 10.9 million (5.2). The equity/assets ratio was 33.1% (30.8%) on June 30, 1999.

## Employees

The average number of employees during the first six months was 572 people (521).

## Acquisitions

The assets and liabilities from the electronic company HP Tronic AB were acquired in June. The acquired business will be consolidated from July 1, 1999. Payment for the acquisition will be made in the third quarter.

The acquisition broadens the group's customer base with customers such as Astra Zeneca, Bentone, Electrolux, Getinge, Kalmar Industries, Strålfors, Svedala, and creates conditions for improving production flexibility and structure. The acquired business has annual sales of SEK 100 million and will already this year have some positive impact on the profit per share.

## Financial Information

The interim report for the third quarter will be released on October 26, 1999.

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<b>Consolidated Income Statement</b> (SEK million)	<b>1999</b> Jan - June	<b>1998</b> Jan - June	<b>1998</b> Jan-Dec
<b>Net sales</b>	398.2	257.4	585.6
Cost of goods and services sold	-357.4	-239.0	-539.3
<b>Gross profit</b>	<b>40.8</b>	<b>18.4</b>	<b>46.3</b>
Selling expenses	-5.7	-3.5	-8.3
Administrative expenses	-4.4	-2.9	-5.2
Items affecting comparability	0.0	0.0	-4.1
Other operating income	0.6	1.1	2.0
Other operating expenses	-0.6	-1.0	-1.7
<b>Operating profit</b>	<b>30.7</b>	<b>12.1</b>	<b>29.0</b>
Net financial items	-1.6	-2.0	-3.9
<b>Profit after financial items</b>	<b>29.0</b>	<b>10.1</b>	<b>25.1</b>
Tax on profit for the year	-8.1	-2.8	-7.9
<b>NET PROFIT</b>	<b>20.9</b>	<b>7.3</b>	<b>17.2</b>

<b>Consolidated Balance Sheet</b> (SEK million)	<b>1999</b> 30 June	<b>1998</b> 30 June	<b>1998</b> 31 Dec
<b>ASSETS</b>			
<b>Fixed assets</b>	<b>60.3</b>	<b>37.0</b>	<b>54.7</b>
Current assets			
–Inventories	91.0	109.1	115.9
–Accounts receivable	119.9	100.2	129.7
–Other current assets	2.4	2.7	2.2
–Cash and equivalents	45.9	0.5	0.3
<b>Total current assets</b>	<b>259.2</b>	<b>212.5</b>	<b>248.2</b>
<b>TOTAL ASSETS</b>	<b>319.5</b>	<b>249.5</b>	<b>302.9</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>105.7</b>	<b>76.6</b>	<b>86.7</b>
<b>Long-term interest-bearing liabilities</b>	<b>68.0</b>	<b>74.9</b>	<b>64.8</b>
Accounts payable	65.5	37.9	85.0
Other current non-interest-bearing liab.	80.3	59.9	66.5
<b>Total non-interest-bearing liabilities</b>	<b>145.8</b>	<b>97.9</b>	<b>151.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>319.5</b>	<b>249.5</b>	<b>302.9</b>

As from June 30 1999 consolidated statements will be reported which changes the accounts for untaxed reserves and leasing. Previous periods are in this report updated to the same accounting principles.

	1999	1998	1998
<b>Changes in financial positions (SEK mill.)</b>	Jan - June	Jan - June	Jan-Dec
Net profit	20.9	7.3	17.2
Reversal of depreciations	5.3	3.8	7.6
Capital gain(-)/loss(+)	0.0	-0.1	-0.3
Change in deferred tax liability	0.0	0.0	2.8
Change in working capital	28.9	-28.0	-13.1
Net investments	-10.9	-5.2	-26.5
<b>Cash flow after investments</b>	<b>44.3</b>	<b>-22.2</b>	<b>-12.3</b>
Change in loans	-2.1	15.6	4.1
Change in lease debt	5.2	-0.6	0.9
Dividends	-3.0	-1.9	-1.9
Shareholders'/group contributions	1.1	-	-
<b>CHANGE IN LIQUID FUNDS</b>	<b>45.5</b>	<b>-9.0</b>	<b>-9.2</b>

	1999	1998	1998
<b>Key Ratios</b>	Jan - June	Jan - June	Jan-Dec
Gross margin %	10.2%	7.1%	7.9%
Operating margin %	7.7%	4.7%	5.0%
Profit margin %	7.3%	3.9%	4.3%
Items affecting comparability %	0.0%	0.0%	-0.7%
Return on operating capital %*	43.8%	17.8%	20.4%
Return on adjusted equity %*	44.2%	19.8%	23.3%
Equity/assets ratio %	33.1%	30.8%	28.6%

\* Profitability ratios have been calculated by average of quarter end values of capital.

	1999	1998	1998
<b>Data per share</b>	Jan - June	Jan - June	Jan-Dec
Number of shares at end of period (000s)	7 560	7 560	7 560
Profit after full income tax (SEK)	2.76	0.96	2.28
Adjusted equity (SEK)	13.99	10.15	11.47

Current warrant program for employees will increase the number of shares by a maximum of 5.3 percent.