



IRO AB

INTERIM REPORT

1 January - 30 June 1999

- Operating income totalled MSEK 36 (MSEK 91)
- Costs of MSEK 10 in connection with the ITMA fair were charged against operating income for the period
 - Income after financial items totalled MSEK 42 (MSEK 86)
 - Turnover fell by 15 per cent to MSEK 477 (MSEK 559)
- Order levels increased again, by 7 per cent during the second quarter
 - Earnings per share amounted to SEK 1,92 (SEK 3,90)

THE GROUP IN BRIEF

MSEK	1 Jan-30 June 1999	1 Jan-30 June 1998	Change 1999/1998
Net turnover	477	559	-15%
Operating income	36	9 ¹	-60%
Income after financial items	42	86 ¹	-51%
Earnings per share ² , SEK	1,9 ²	3,90	-51%

¹ According to the accounting principles for 1998, see under "Income after financial items"

² Based on a total of 12,5 million issued shares

TRENDS IN OPERATIONS

Markets and sales

The IRO Group's net turnover for the second quarter was MSEK 245, which was 12 per cent lower than that for the second quarter of 1998. However, order intake during the same period improved, to MSEK 274, 7 per cent above that for the corresponding period in the previous year.

On an accumulated basis, order intake fell by 3 per cent, while so far this year turnover has fallen by 15 per cent.

ORDER LEVELS QUARTER BY QUARTER

MSEK	1999	±%	1998	±%	1997	±%	1996
First quarter	242,4	-12	276,5	+3	268,3	+14	235,4
Second quarter	273,6	+7	255,8	-15	300,6	+31	229,9
Third quarter			202,8	-24	268,1	+21	220,5
Fourth quarter			239,2	-5	251,9	+4	242,7
Total for year			974,3	-11	1 089,9	+17	928,5

The ITMA (International Textile Machinery Association) fair, which is held every fourth year, proved to be a major success for IRO's range of products. Over 70 per cent of all knitting and weaving machines on display were fitted with yarn feeders from IRO.

Machine manufacturers attending the fair shared the view, expressed in IRO's Interim Report for the first quarter of 1999, that demand would improve towards the end of the year. The improvement in the Group's order intake continued during July, and was 20 per cent higher than for the same month in 1998.

Activity has increased on the North American and Asian markets, and continues to be at a satisfactory level in Europe. As a result, a sustained improvement in IRO's sales can be expected. However, the Chinese market continues weak. Chinese textile producers are major customers for IRO's own largest customers, the European textile machinery manufacturers.

GROUP TOTALS

MSEK	1 Jan-30 June	1 Jan-30 June	1 Apr-30 June	Total for
	1999	1998	1999	1998
Orders received	516	532	274	974
Order book	131	118	131	96
Net turnover	477	559	245	1 028
Operating income	36	91	15	125 ¹
Income after				
financial items	42	86	15	135 ¹
Operating margin %	8	16	6	12 ¹

¹ Before restructuring costs of MSEK 8

DEVELOPMENTS IN OPERATIONS

Operating income

Costs totalling some MSEK 10 in connection with the ITMA fair have been charged against operating income for the second quarter of the year. This, together with the fall in volumes, is the main factor contributing to the poor results for the quarter.

The table below gives a comparison with the figures for the first two quarters of 1998:

MSEK	1999 compared with 1998		
	Q1	Q2	Q1-2
Volume and product mix	(19)	(11)	(30)
Overheads	(5)	(15)	(20)
Non-comparable items	-	(1)	(1)
Depreciation	(3)	(2)	(5)
Operating income, Savitec	1	1	2
TOTAL EFFECT ON OPERATING INCOME	(26)	(28)	(54)
CHANGE IN %	- 56%	- 64%	- 60%

Over and above the fall in volumes, the poor results for the second quarter are attributable to overheads of a non-recurring nature, the principal items being as follows:

- ITMA fair MSEK 6 (over and above which MSEK 4 has been charged against gross margin)
- New acquisitions MSEK 3
- Fall in the value of the *krona* MSEK 2

The writedown of the value of IRO's shareholding in Savitec, over and above the MSEK 8 provision made in the Annual Report and Accounts for 1998, is reported under "Non-comparable items".

OPERATING INCOME QUARTER BY QUARTER							
MSEK	1999	±%	1998	±%	1997	±%	1996
First quarter	20,8	-56	47,4	+9	43,4	+29	33,7
Second quarter	15,5	-64	43,3	-21	54,7	+92	28,5
Third quarter			25,0	-46	46,6	+97	23,7
Fourth quarter			9,7 ¹	-81	51,0	+71	29,9
TOTAL FOR YEAR			125,4	-36	195,7	+69	29,9

¹ Before restructuring costs

Income after financial items

Thanks to the fact that interest rates in respect of IRO's external financing have continued favourable, net deficit on financial items is approx. MSEK 1 less than for the first six months of 1998 despite the fact that the Group's net indebtedness has increased, from MSEK 133 at the end of June 1998 to MSEK 208 at the end of June 1999.

Differences in rates of exchange applicable to external bank loans in foreign currencies have also been favourable. For the second quarter they amounted to a surplus of MSEK 1, the surplus for the whole of the six-month period being MSEK 9.

At the beginning of July external loans were converted to the respective currencies of the borrower companies, SEK and ITL. As a result, no differences in rates of exchange applicable to these loans will arise in future.

MSEK	Q 1-2/99	Q 1-2/98¹	Q 1-2/98
Operating income	36	91	91
Net deficit on financial items	(3)	(4)	(4)
Differences in rates of exchange	9	-	(1)
INCOME AFTER FINANCIAL ITEMS	42	87	86

¹ Recalculated for the purposes of comparison in accordance with The Swedish Financial Accounting Standards Council's Recommendation No 8, which came into effect on 1 January 1999

Income for the period and net earnings per share

The rate of tax applicable for the quarter was 43 per cent (43) on the Group's income after financial items. Net profit for the first six months of 1999 was MSEK 24 (MSEK 49). Net earnings per share were SEK 1,92 (SEK 3,90).

OUTLOOK FOR THE REMAINDER OF 1999

There have been no developments that give cause to modify the earlier assessment that the demand for IRO's products will increase during the remainder of the year.

ONGOING INVESTMENTS

During the first six months of the year, net investments in fixed assets amounted to MSEK 18 (MSEK 30). Total investments during 1999 are expected to be some MSEK 10 lower than those made during 1998, which totalled MSEK 64.

LIQUIDITY AND FINANCING

Positive cash flow for the first six months of 1999 was MSEK 41, as against MSEK 74 for the corresponding period in 1998. Net indebtedness was MSEK 208 (MSEK 133), equivalent to a debt/equity ratio of 0,46 (0,30).

As at 30 June 1999 the Group's equity/assets ratio was 46,7 per cent, as against 46,2 per cent at the same point in 1998. As at 31 December 1998 the Group's equity/assets ratio was 48,6 per cent.

PERSONNEL

During the first six months of the year the average number of employees in the Group, expressed in terms of full-year employment, was 901 (889). The increase is accounted for by the starting-up of new operations in China and by other newly-acquired companies. The number of people employed by these companies was 54.

SHARE DATA

Shares in IRO AB have been listed on the Stockholm Stock Exchange's O List since 22 June 1995. They are also traded on SEAQ International in London.

The Company's share capital is SEK 62 500 000, made up of 12 500 000 fully paid-up shares with a nominal value of SEK 5 each and each carrying one vote.

DISTRIBUTION BY SHAREHOLDING AS AT 30 JUNE 1999

Shareholdings	No of shares	%	No of shareholders	%
1 - 1 000	785 820	6,3	2 864	90,4
1 001 - 5 000	502 739	4,0	203	6,4
5 001 - 10 000	216 800	1,7	28	0,9
10 001 - 100 000	1 616 984	13,0	51	1,6
100 001 -	9 377 657	75,0	22	0,7
Total	12 500 000	100,0	3 168	100,0

Source: VPC AB as at 30 June 1999

The number of shareholders in the Company as at 31 December 1998 was 3 266. The proportion of shares held by overseas interests as at 30 June 1999 was 25 per cent as against 26 per cent at year-end 1998. The proportion of shares held by interests in the USA increased during the period, from approx. 17 per cent to 18 per cent. The proportion of shares held by institutions remained unchanged at 55 per cent.

MAJOR SHAREHOLDERS AS AT 30 JUNE 1999

	No of shares	% of voting rights
Stena Sessan Rederi AB	3 126 100	25,0
FöreningsSparbankens värdepappersfonder	1 189 000	9,5
S E B fonder	1 126 467	9,0
Bee & Associates Inc	989 150	7,9
Société Générale Asset Management	825 000	6,6
Odin Fondene	410 400	3,3
AMF/TFA Insurance Group	356 200	2,8
Hagströmer & Qviberg aktiefonder	329 200	2,6
IRO's management	272 100	2,2
Carlson Investment Management	257 810	2,1
Stiftelsen för strategisk forskning	234 100	1,9
S E Bs Pensionstiftelse	230 600	1,9
Total	9 346 127	74,8
Other shareholders	3 153 873	25,2
Total	12 500 000	100,0

Source: VPC AB as at 30 June 1999 and subsequently notified changes

PARENT COMPANY

The IRO Group's Parent Company is IRO AB (publ), which was established in May 1995, and the shares in which are quoted on the Stockholm Stock Exchange's O List.

The Parent Company's loss for the first six months of 1999, after financial items, was MSEK 1,3 (MSEK 1,6), attributable to ongoing management costs.

The Parent Company has not had any turnover or any employees during this period. As at 30 June 1999, its liquid assets totalled SEK 135 000 (SEK 125 000). No investments were made during the period.

FINANCIAL REPORTING 1999

IRO will publish the following further financial information for 1999:

- The report for the first three quarters of 1999 will be published on Tuesday 19 October
- The preliminary report on 1999 operations will be published in February 2000
- The Annual Report for 1999 will be published in April 2000

KEY RATIOS

(Definitions in accordance with 1998 Annual Report)

	1 Jan-30 June 1999	1 Jan-30 June 1998	Total for 1998
Operating margin, %	7,6	16,2	11,4
Profit margin, %	5,0	8,7	6,9
Interest cover, times	7,9	16,0	10,3
Return on capital employed, %	12,0	26,6	17,0
Return on equity, %	12,3	22,3	15,7
Earnings per share, SEK ¹	1,92	3,90	5,64
Debt/equity ratio, times	0,5	0,3	0,3
Equity/assets ratio, %	46,7	46,2	48,6
Equity per share, SEK ¹	35,63	35,42	37,10

¹ Based on a total of 12,5 million issued shares

Ulricehamn, 12 August 1999

Stig-Arne Blom
President

This interim report is based on the consolidated accounts as at 30 June 1999, and has not been the subject of a separate examination by the Company's auditors.

IRO is the world's leading manufacturer of yarn feeders, with a share of more than 60 per cent of the global market. Production takes place at locations in Sweden, Germany, Italy and China. Markets outside Sweden account for some 98 per cent of sales.



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PROFIT AND LOSS ACCOUNTS

MSEK	1 Jan-30 June 1999	1 Jan-30 June 1999 ¹	1 Jan-30 June 1998	Total for 1998 ¹	Total for 1998
Operating revenues					
Net turnover	477	559	559	1 028	1 028
Variations in stocks	-	7	7	3	3
Capitalized work on own account	-	-	-	1	1
	477	566	566	1 032	1 032
Operating expenses					
Raw materials and consumables	(162)	(215)	(215)	(387)	(387)
Other external charges	(73)	(78)	(78)	(155)	(155)
Personnel costs	(169)	(151)	(151)	(299)	(299)
Non-comparable items	(1)	-	-	(8)	(8)
Operating income before depreciation	72	122	122	183	183
Depreciation of tangible and intangible fixed assets	(36)	(31)	(31)	(66)	(66)
Operating income	36	91	91	117	117
Financial items					
Interest receivable and similar income	1	2	2	4	4
Interest payable and similar charges	(4)	(6)	(6)	(11)	(11)
Exchange rate differences on loans	9	-	(1)	(8)	17
Income after financial items	42	87	86	102	127
Minority interests	-	-	-	(1)	(1)
Taxes	(18)	(38)	(37)	(48)	(55)
Net profit for the period	24	49	49	53	71

¹ Figures for the six months of 1998 and the whole of 1998 recalculated for purposes of comparison in accordance with the Swedish Financial Accounting Standards Council's Recommendation No 8, which came into effect on 1 January 1999

BALANCE SHEETS¹

MSEK	30 June 1999	30 June 1998	31 Dec 1998
ASSETS			
Goodwill	184 ¹	177	183
Other intangible fixed assets	26	27	32
Tangible fixed assets	236	226	251
Total fixed assets	446	430	466
Stocks	194	192	182
Customer receivables	229	229	196
Other short-term receivables	51	30	39
Cash in hand and at the bank	45	88	82
Total current assets	519	539	499
TOTAL ASSETS	965	969	965
EQUITY AND LIABILITIES			
Equity	445	443	464
Minority interests	5	5	5
Long-term loans	240	218	220
Other long-term liabilities and reserves	56	57	66
Total long-term liabilities	296	275	286
Short-term loans	13	3	9
Other short-term liabilities	206	243	201
Total short-term liabilities	219	246	210
TOTAL EQUITY AND LIABILITIES	965	969	965

¹ The increase in goodwill relates only to the change in accounting principles in accordance with the Swedish Financial Accounting Standards Council's Recommendation No 8

CASH FLOW ANALYSES

MSEK	1 Jan-30 June 1999	1 Jan-30 June 1998 ¹	1 Jan-30 June 1998	Total for 1998 ¹	Total for 1998
Income before tax but after minority interests	42	86	86	101	126
Reversal of depreciation	36	31	31	66	66
Reversal of provisions	(2)	-	-	5	5
Reversal of interest on financing	3	4	-	8	-
Taxes paid	(38)	(47)	(37)	(73)	(52)
Cash flow before changes in working capital	41	74	80	107	145
Total changes in working capital	(33)	(52)	(62)	(42)	(69)
Net investments including differences on conversion	(13)	(59)	(60)	(133)	(133)
Net financing	(31)	(16)	(12)	3	(3)
Changes in cash flow	(36)	(53)	(54)	(65)	(60)
Balances as at 1 January	82	142	142	142	142
Differences in rates of exchange	(1)	(1)	-	5	-
Balances as at end of period	45	88	88	82	82

¹ Figures for the first six months of 1998 and the whole of 1998 recalculated for purposes of comparison in accordance with the Swedish Financial Accounting Standards Council's Recommendations Nos 7 and 8