



Interim Report for January - June 1999

- Invoiced sales rose 13% to SEK 398 M (353).
 - Profit after net financial items amounted to SEK 9 M (13).
 - Profit after net financial items for full-year 1999 is expected to be higher than in 1998.
 - Continued successes within telecom equipment industry. Sales up 30%.
 - Growth in North America continues. Rise of 25%.
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Second quarter of 1999

Sales invoiced by the Nefab Group during the second quarter of 1999 amounted to SEK 207 M (183), up 14% compared with the corresponding period of 1998. Excluding company acquisitions, the increase was 8%. Order bookings amounted to SEK 214 M (189).

Second-quarter profit after net financial items amounted to SEK 8 M (6). Charges resulting from expansion-oriented projects – particularly in Brazil – remained considerable.

Invoiced sales during the first half of 1999 amounted to SEK 398 M (353), up 13% compared with the corresponding period of 1998. Excluding company acquisitions, the increase was 7%. Order bookings to date this year amounted to SEK 408 M (359).

NEFAB ExPak business area

Sales in the largest business area, NEFAB ExPak, rose 16% during the first six months to SEK 305 M (263). The business area accounts for about 77% of invoiced sales.

The highest growth was noted in North America, where invoiced sales increased 38%. Among other factors, the increase was attributable to the co-operation agreement signed with Nortel Networks during 1998. Growth in the Nordic market was favorable, due to increased deliveries to Ericsson and Nokia. Sales increases were also noted in the German and French markets.

Deliveries to customers in the Spanish market declined compared with the year-earlier period. The reason was a general weakening in demand, combined with the final delivery of a number of major projects during 1998.

NEFAB RePak business area

The NEFAB RePak business area reported sales of SEK 79 M (78), of which the newly acquired NEFAB LogPak accounted for SEK 21 M (0). The remainder of the business area reported a decline of SEK 20 M, which was mainly related to a large project in the Swedish market. The business area accounts for approximately 20% of Group invoiced sales.

The business area's project-related sales are sensitive to economic changes. Accordingly, it has been affected by a reduction in completed orders during the past year, whereby there are fewer newer systems in operation than expected. Moreover, customer demand for replacement and complementary deliveries of packaging decreases when production volumes decline. Intensive marketing efforts are under way with the aim of reversing the negative trend and an improvement became noticeable at the end of the period. Increased interest in environmental issues is also expected to boost demand for reusable packaging.

Telecom equipment and automotive industry market segments

The telecom equipment industry segment continues to develop well. Sales increased 30% to SEK 158 M (122) and thus account for about 40% of Group invoicing.

Ericsson is the largest customer in the segment. Deliveries to Alcatel, Nokia and Nortel, among other customers, are increasing successively. Nefab delivers to the telecom equipment industry in most geographic markets and the operations being established in China and Brazil are seeking their customer base mainly within this segment.

Sales to the automotive segment totaled SEK 35 M (51), corresponding to 9% of Group sales.

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Expansion in China and Brazil

Invoiced sales in China during the first half of 1999 amounted to slightly more than SEK 7 M (1) and deliveries to customers are now approaching SEK 2 M per month. Marketing efforts are aimed primarily at customers in the telecom equipment industry, both major international and domestic companies. The largest individual customer is Nokia. The development potential in the Chinese market is considered to be large. Earnings are expected to reach break-even within the next 12 months.

The operations in Brazil have now been in progress for slightly more than a year. Sales in Brazil developed satisfactorily during autumn 1998, but the economic uncertainty in the country during the early part of the current year is expected to result in an approximately six months delay to the project. The depreciation of the Brazilian currency has resulted in higher debt for the company, with rising financial expenses as a result. The first year was also marked by delays to production and material supply, problems that have now been resolved. The current market situation is estimated to be favorable. Invoiced sales in the first half of 1999 amounted to SEK 2.4 M and the monthly rate of deliveries to customers is currently approximately SEK 1 M per month.

Establishment in Singapore/Malaysia

A sales company has been established in Singapore, for serving the Singapore and Malaysia markets, which had previously been covered by dealers since 1994. Nefab's current deliveries of packaging to customers in the region amount to about SEK 5 M annually. One of the largest customers is Ericsson in Kuala Lumpur.

The company is owned jointly with a local partner, with Nefab holding a 60% interest.

Earnings

Profit after net financial items in the first six months amounted to SEK 9 M (13). Profitability within the NEFAB ExPak business area is favorable in Europe. The operations in Brazil resulted in charges against earnings of about SEK 10 M (2), of which exchange losses on loans in foreign currencies accounted for nearly SEK 3 M. The earnings trend in NEFAB RePak is negative and much weaker than in the year-earlier period. Marketing efforts, combined with production-rationalization measures, are under way with the aim of improving the business area's earnings.

Earnings per share during the period were zero, compared with SEK 0.77 a year earlier. The Group's tax charges remain considerable, since operations in newly established markets are still reporting losses, at the same time as the value of these losses has yet to be utilized for tax purposes. The return on capital employed was 8.1% (9.7).

Investments

The Group's investments amounted to SEK 19 M (34), most of which pertained to machinery and equipment.

Financial position

The equity/assets ratio on June 30 was 41.6% (47.8). Shareholders' equity amounted to SEK 31.26 (33.09) per share. The Group's liquid assets on June 30 amounted to SEK 62 M (73), including unutilized credit facilities.

Outlook for full-year 1999

Invoiced sales are expected to continue to increase, particularly within the telecom equipment segment. The charges resulting from expansion-oriented projects are expected to decline gradually. The NEFAB RePak business area is expected to report slightly improved profit, compared with the first half of the year. Profit after net financial items for full-year 1999 is expected to be higher than in 1998.

Parent company

The operations of Nefab AB consist of corporate management services and the financing and coordination of Group-wide market and development projects. Sales during the first half of 1999 amounted to SEK 20 M (21) and profit after net financial items to SEK 13 M (20).

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Profit and loss accounts (SEK M)	9901-9906	9801-9806	9807-9906	9801-9812
	6 months	6 months	12 months	12 months
Net sales	398	353	792	747
Cost of goods sold	<u>-295</u>	<u>-255</u>	<u>-585</u>	<u>-545</u>
Gross profit	103	98	207	202
Selling expenses	-53	-47	-106	-101
Administrative expenses	<u>-35</u>	<u>-37</u>	<u>-75</u>	<u>-76</u>
Operating profit	15	14	26	25
Net financial items	<u>-6</u>	<u>-1</u>	<u>-8</u>	<u>-3</u>
Profit after net financial items	9	13	18	22
Taxes	<u>-9</u>	<u>-8</u>	<u>-17</u>	<u>-16</u>
Net profit for the year	<u>0</u>	<u>5</u>	<u>1</u>	<u>6</u>
<i>Depreciation included above</i>	18	14	36	32
Balance sheets (SEK M)	990630	980630		981231
Fixed assets	240	215		247
Current assets	286	263		275
Equity capital	216	229		233
Provisions	26	18		26
Long-term liabilities	148	104		131
Current liabilities	136	127		132
Total capital	526	478		522
<i>Of which interest-bearing liabilities</i>	161	116		142
Cash flow statements (SEK M)	9901-9906	9801-9806		9801-9812
Operating profit	15	14		25
Depreciation, financial net and taxes	<u>4</u>	<u>6</u>		<u>16</u>
Cash flow from the year's operation	19	20		41
Changes in working capital	-14	-31		-34
Net investments in fixed assets	<u>-19</u>	<u>-34</u>		<u>-84</u>
Cash flow after investments	-14	-45		-77
Dividend	-10	-10		-10
Financing	<u>17</u>	<u>49</u>		<u>84</u>
Changes in liquid funds	-7	-6		-3

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Key ratios	9901-9906	9801-9806	9807-9906	9801-9812
Operating margin, %	3.7	4.0	3.2	3.3
Net margin, %	2.2	3.7	2.2	3.0
Return on equity, %	0.2	4.6	0.4	2.5
Return on total capital, %	5.9	6.9	5.7	6.1
Return on capital employed, %	8.1	9.7	7.8	8.5
Equity-assets ratio, %	41.6	47.8	41.6	45.1
Employees, yearly average	863	780	846	805
Net investments, SEK M	19	34	69	84

Key ratios per share

Profit per share, full tax, SEK	0.03	0.77	0.12	0.86
Equity capital per share, SEK	31.26	33.09	31.26	33.68
Number of shares at the end of the period, in thousands	6,907	6,907	6,907	6,907
Share price on closing day, SEK	64	119	64	85

For definitions, see Annual Report for 1998.

Future financial reports

Nine-months interim report 1999	November 3, 1999
Preliminary report on 1999 operations	February 2000
Annual Report 1999	April 2000

For further information, contact Lars-Åke Rydh, tel. +46-70-592 45 70.

Jönköping, August 25th, 1999

Lars-Åke Rydh
President

This interim report has not been examined by the company's auditors.

Information about Nefab

The packaging company Nefab, established in 1949, is market leader in the area of transport packaging manufactured from sheet material and steel. Nefab operates within two business areas – NEFAB ExPak (collapsible export packaging system) and NEFAB RePak (reusable transport packaging and storage system). Customers are leading international industrial groups primarily within the telecom equipment and automotive industry. Nefab has production units in nine countries – Sweden, Germany, England, France, Spain, the U.S., Canada, China and Brazil. The products are sold through subsidiaries in seventeen countries which, in addition to the manufacturing countries, are Norway, Denmark, Finland, Netherlands/Belgium, Italy and Singapore/Malaysia. Nefab products are marketed in Switzerland, Austria, Poland, Portugal, Ireland, Japan, South Korea and Australia through co-operation agreements with local companies. Nefab has its own purchasing organization in Russia where plywood, the most important raw material, is procured. The Nefab share is listed on the OTC-list of the Stockholm Stock Exchange.

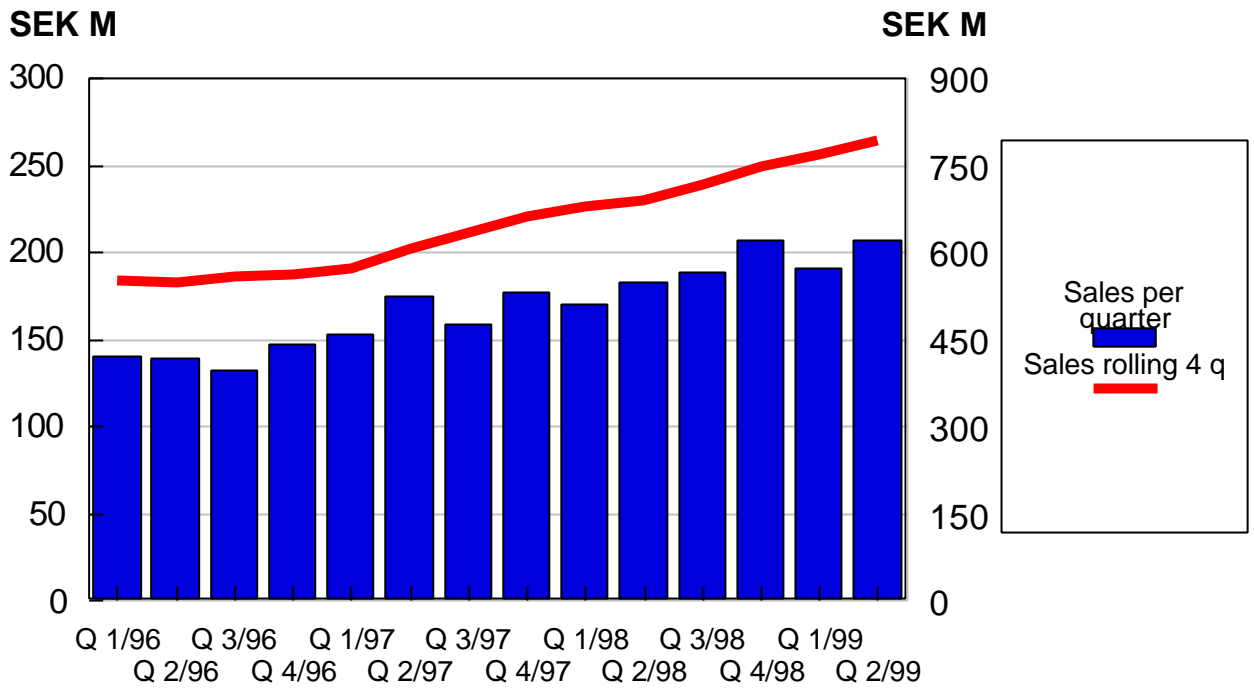
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The registered office of the board of directors is in Ovanåker, Sweden

Sales per quarter



Earnings per quarter

