

# Gylling Optima Batteries AB

January – June 1999

- Net sales excluding GM increased by 19,7 %
- Operating income rose to SEK 7 168 (-9 030) M
- Income after financial net SEK 3,4 (-12,1) M
- The SpiralCell<sup>®</sup> poised for breakthrough in the international battery market

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Gylling Optima Batteries AB is the parent company of the Optima Group. Optima Batteries Inc. in Denver, Colorado is the Group's manufacturing company and handles sales and marketing in North and South America. Optima Batteries AB is responsible for Europe, Asia, the Middle East and Africa.

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**GYLLING GROUP OF SCANDINAVIA, ESTABLISHED 1912**

**GYLLING OPTIMA BATTERIES AB**  
**(A publicly held corporation)**  
**INTERIM REPORT**  
**JANUARY-JUNE 1999**

**Market and Sales**

Sales during the first half of 1999 have shown continued good development. The personnel changes effected among the American management have begun to have an impact on sales.

Compared with the corresponding period last year, which had a very weak start, Optima increased volume by 21,6%; in the U.S. by 33% and in Europe/Asia by 5%. The largest volume increase within the single customer segment is sales to the military, the state, and local authorities, which rose by 44%.

During the first half of 1999, 248,000 batteries were sold, compared with 204,000 during the same period in 1998.

**Competitors**

It was mentioned in the 1998 annual report that Optima's competitors could be expected to develop their own versions of wound cell technology.

Exide, the world's leading battery manufacturer, test launched such a battery in the U.S. during the period.

This may be seen as clear confirmation from Optima's competitors that the Optima battery's original design, unique quality, and performance have a clear place and profitable future in the international battery market.

**Production**

Production during the quarter has been in accordance with plan. During the second quarter, the company began producing a small battery called 75/35 for launch in the third quarter of 1999.

Production costs are still somewhat higher than budget, primarily attributable to materials utilization.

The plant in Denver is still suffering from the very low unemployment in the region, with attendant difficulties recruiting production personnel. The company has therefore used more overtime than planned.

**Research and Development**

Optima Batteries Inc. is participating with other leading battery manufacturers in a joint charging project called ALABC (The Advanced Lead-Acid Battery Consortium). The objective is to increase the number of deep discharge cycles in lead-acid batteries by up to four times. Optima's Yellow Top battery has achieved the best results in the project.

The battery project being run by Optima and Volvo in the joint-owned company EFF Power AB is proceeding according to established plans.

**Earnings**

Income after financial net for the Optima Group amounted to SEK 3,4 (-12,1) million.

**Financial Position**

Cash in the Group was SEK 3,3 (0,5) million as of June 30. Unutilized bank overdraft credit was SEK 17,2 (11,9) million. The Group's investments during the period amounted to SEK 44 (14,3) million, of which SEK 37,8 (11,7) million refers to leasing.

The equity ratio was 32,1 (31) percent, while the debt ratio was 1,65 (1,48).

**Net Sales**

Net sales increased to SEK 152 (133) million. Figures for the preceding year include sales to General Motors in the amount of SEK 5,6 million.

### Future Prospects

The battery industry has shown strongly intensified interest in Optima's SpiralCellTechnology™ during recent years.

At the last meeting of the Battery Council International (BCI) in spring 1999, focus was on the technology launched by Optima.

Exide's test launch of its version of a battery with wound cells has not left other market players unconcerned.

As the leading producer of SpiralCell® batteries in the world, Optima has now been contacted by several major players. Discussions are being held concerning various forms of long-term collaboration with guarantees for large volumes in the future.

Optima has continued the positive trend that began during the first quarter through an even better second quarter.

The board's previous forecast of continued good sales and earnings trends during 1999 remains unchanged.

### Change in Shareholdings

Upon the occasion of Bertil Gylling's 70th birthday, Bertil and Alexandra

Gylling made gifts in the form of stock in Gylling Optima Batteries AB to members of the family and other closely related persons.

The gifts included a total of 1,284,500 shares of Series B stock, which corresponds to 4,29% of capital stock and 2,45% of votes.

### Reclassifications

SEK 10,9 million for guarantee and freight expenses has been transferred from selling and marketing expenses to cost of goods sold, in comparison with the income statement of December 31, 1998.

### Scheduled Reports

January - September Interim Report,  
Thursday, November 11, 1999

Earnings Report, Thursday, February  
24, 2000

Danderyd, August 26, 1999

Bertil Gylling

For more information, please refer to corporate counsel Lars Burström and Vice President Pär M. Ericson.

*This semi-annual report has not been reviewed by the company's auditors.*

### CONSOLIDATED INCOME STATEMENT

SEK thousands	1-1-1999 6-30-1999	1-1-1998 6-30-1998	1-1-1998 12-31-1998
Net sales	151,991	133,288	283,355
Cost of goods sold	-101,119	-101,038	-222,003
<b>Gross income</b>	<b>50,872</b>	<b>32,250</b>	<b>61,352</b>
Selling and marketing expenses	-22,810	-20,496	-42,948
Administrative expenses	-18,296	-16,090	-30,855
Research and development expenses	-2,598	-4,694	-7,794
Operating income/loss	7,168	-9,030	-20,245
Net interest income/loss	-3,770	-3,028	-8,687
Income after financial net	3,398	-12,058	-28,932
Tax	-	-32	-20
Profit/loss for the period	3,398	-12,090	-28,952

**CONSOLIDATED BALANCE SHEET**

SEK thousands	1999-06-30	1998-06-30	1998-12-31
Fixed assets	147,630	105,321	104,657
Other current assets	32,221	26,115	33,733
Inventories	59,495	57,170	54,116
Accounts receivable	48,081	43,552	47,138
Cash and cash equivalents	3,370	516	12,801
<b>Total assets</b>	<b>290,797</b>	<b>232,674</b>	<b>252,445</b>
Equity	93,451	72,133	88,489
Interest-bearing liabilities	154,350	106,938	116,666
Accounts payable	21,898	23,803	28,120
Other non interest-bearing liabilities	21,098	29,800	19,170
<b>Total equity and liabilities</b>	<b>290,797</b>	<b>232,674</b>	<b>252,445</b>

**BUSINESS RATIOS**

	1999-06-30	1998-06-30	1998-12-31
Operating margin (%)	4.72%	-6.77%	-7.14%
Profit margin (%)	2.24%	-9.05%	-10.21%
Return on equity (%)	3.74%	-15.53%	-33.64%
Return on capital employed (%)	5.51%	-3.67%	-8.07%
Equity ratio (%)	32.14%	31.00%	35.05%
Debt ratio (multiple)	1.65	1.48	1.32
Percentage shareholders' funds (%)	32.14%	31.00%	35.05%
Interest coverage ratio (multiple)	1.37	-1.23	-1.18
Number of batteries sold	248,000	204,000	444,000

**PER SHARE DATA**

	1999-06-30	1998-06-30	1998-12-31
No. of shares	29,915,400	27,164,667	29,915,400
Earnings per share after tax	0.11	-0.45	-1.06
P/E ratio (multiple)	79	neg.	neg.
Equity SEK	3,12	2.66	2.95

**CASH FLOW STATEMENT**

Group (SEK thousands)	1999-06-30	1998-06-30	1998-12-31
<b>OPERATING ACTIVITIES</b>			
Operating income/loss after financial net	3,398	-12,058	-28,932
Adjustments for items not affecting cash flow	3,719	2,880	7,431
Changes in working capital	- 12,721	9,632	2,006
Cash flow from operating activities	-5,604	454	-19,495
Investments	-6,247	-2,652	-720
Cash flow from investing activities	- 6,247	-2,652	-720
Cash flow from financing activities	2,419	-111	30,191
Increase(+)/Decrease(-) in cash and cash equivalents	-9,432	-2,309	9,976
Cash at beginning of year	12,802	2,826	2,826
Cash at end of period	3,370	517	12,802