

YEAR END REPORT 1999

January–December 1999

Growth and improved profitability

- Net sales advanced 38%, to SEK 807.4 (585.6) million.
- Profit after financial items reached SEK 62.5 (25.1) million, up 149%.
- Earnings per share after tax increased, to SEK 6.01 (2.28).
- Nordisk Kvalitetsproduktion AB, acquired in 1999, is included in the accounts from November first.
- In the fourth quarter, PartnerTech received more orders and boosted capacity utilization.

Market trends

Outsourcing of product development and manufacturing, is flourishing. Many corporations are using outsourcing to shorten the time it takes to launch products, reduce capital requirements, and focus further on their brands in our increasingly global market. This particularly applies to telecommunications, information technology, and medical technology, but even other industries are engaging contract manufacturers to a greater extent.

The pace of growth in contract manufacturing is accelerating, which indicates significant growth in the future. PartnerTech's strength is chiefly the ability to combine its recognized expertise in development with substantial manufacturing capacity. Increasingly, the market for contract manufacturing involves both developing and manufacturing complete products, which bodes well for PartnerTech's future.

PartnerTech keeps focused on market needs, and the Company's overall strategy includes the goals of growing organically as well as through acquisitions and of providing for its customers, wherever they are. In 1999, the Group took further steps to implement this strategy.

Fourth-quarter results

Net sales in the fourth quarter totaled SEK 238.1 (205.5) million. The operating margin for the fourth quarter equaled 7.3% (6.6%). The change in operating margin between the quarters almost exclusively depend on the under-absorption of fixed costs caused by volume changes and up-front costs for new assignments. Profit after financial income and expense was SEK 16.7 (13.6 before items affecting comparability) million.

Net sales, earnings, and profitability

PartnerTech's sales expanded in 1999. Growth came primarily from the telecommunications and information technology sectors. In the transition from the third to the fourth quarter, capacity utilization temporarily declined. This resulted not from adverse developments, such as the loss of a contract, but from the uneven order flow common in growth industries.

By year-end, capacity utilization was rising sharply again. Consolidated net sales were up, from SEK 585.6 million in 1998, to SEK 807.4 million in 1999. The rise of SEK 221.8 million represented 38% growth. Of the total increase SEK 167.1 million, was attributable to organic growth, the remaining SEK 54.7 million to acquisitions.

Stronger expansion of volumes combined with a sharper focus on analysis and fine-tuning operations improved the operating margin, from 5.0% to 8.1%. The operating profit was SEK 65.7 (29.0) million. Interest rates were lower than in 1998. Combined with the lower average level of debt, this checked net financial income and expenses at SEK -3.1 (-3.9) million. Consequently, profit after financial items ended at SEK 62.5 (25.1) million. Tax expense for 1999 is estimated at SEK -17.1 (-7.9) million. Net profit for the year was SEK 45.5 (17.2) million, or SEK 6.01 (2.28) per share.

Quarterly consolidated results

SEK mn	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4
Net sales	120.7	136.7	122.8	205.5	188.3	209.9	171.2	238.1
Operating profit*	2.9	9.1	6.3	14.7	9.5	21.1	17.8	17.3
Operating margin,	2.4	6.7	5.1	7.1	5.1	10.1	10.4	7.3
%*								

* Excluding items affecting comparability (SEK -4.1 million in 1998 Q4)

Financial position and liquidity

Acquisitions totaling SEK 110.6 million gave, after investments a negative cash of SEK -46.5 million. During the year, working capital declined SEK 20.5 million through concentrated efforts to improve the balance sheet. The expansion of working capital towards year-end resulted from a rise in capacity utilization and a number of new projects that entered the manufacturing phase.

By year-end, shareholders' equity had reached SEK 131.2 (86.7) million. In 1999, SEK 3.0 million was distributed to shareholders. Shareholders' equity per share was SEK 17.35 (11.47) at year-end.

Pension provisions and provisions for deferred tax on untaxed reserves totaled SEK 17.9 (6.6) million at year-end.

The Group's net borrowings, that is, interest-bearing liabilities less liquid assets, were SEK 112.0 (55.8) million at year-end. That was SEK 56.2 million more than at the same point the preceding year. At the same time, the Company had credit facilities of SEK 78.6 (28.0) million that had been granted but not utilized.

Consolidated total assets ended the year at SEK 445.2 (302.9) million. Goodwill accounted to SEK 56.7 million at year end. The equity/assets ratio was 29.5% (28.6).

Employees

The average number of full-time employees was 625 (542) in 1999. At year-end, the number was 749 (576). The reason for the increase was the addition of personnel from the acquisition of HP Tronic's business (87 persons) and Nordisk kvalitetsproduktion AB (96 persons).

Excluding business acquisitions, staff numbers grew 4.8%, compared to the organic sales growth of 28.5 %. Sales per employee rose 19.5%, to SEK 1,292 (1,081) thousand.

Significant events in 1999

The assets and liabilities of the electronics company HP Tronic AB were acquired in the month of June. The operations have been consolidated in PartnerTech's accounts since July 1. With the acquisition, PartnerTech has broadened its customer base and reinforced its competencies, primarily in the area of test equipment.

In October, PartnerTech acquired all shares in the Nordisk Kvalitetsproduktion AB group, which specializes in high-speed processing. The operations have been consolidated in PartnerTech's accounts since November first. The acquisition expanded PartnerTech's expertise and opportunities for developing and manufacturing complete modules and products in telecommunications, where high-speed processing is key.

In November, PartnerTech registered PartnerTech China Ltd. in Hong Kong. The Hong Kong business, which started on a small scale, lets PartnerTech establish a presence in the Chinese market. In January 2000, PartnerTech registered PartnerTech Inc. in Atlanta, Georgia. This business, which also started on a small scale, serves as a gateway for PartnerTech into the U.S. market, primarily enabling the Company to offer global customers local manufacturing capacity.

In 1999, PartnerTech offered all employees the opportunity of subscribing for options in PartnerTech AB. A total of 288,800 options were subscribed for, which could dilute PartnerTech stock up to 3.8%. The options expire on January 31, 2003, and have a strike price of SEK 60 per share.

In 1999, PartnerTech was notified by the insurance company SPP that funds totaling SEK 25 million had been set aside, under certain conditions, on behalf of PartnerTech, to be applied to pensions. No further information was received from SPP or government authorities concerning how these funds should be treated, so PartnerTech has chosen not to include them in the final accounts for 1999.

Dividends

The Board has voted to propose that the annual general meeting approve the distribution of SEK 0.75 (0.40) per share, equivalent to SEK 5.7 (3.0) million.

Annual general meeting

The annual general meeting will take place at 5:00 pm on Thursday, March 23, 2000. It will be held in the main conference room (Stora Salen) at Finlandshuset, Snickarbacken 4, Stockholm.

Nominations to the Board

Shareholders who wish to nominate candidates to the Board in advance can contact the members of the nominating committee:

Per Wejke, Chairman of the Board
at +46 8 661-3436, or +46 70 842-3373

or Andrejs Cakste, Member of the Board
at +46 70 852-1221

Financial reports in 2000

The complete 1999 annual report will be distributed to shareholders no later than two weeks before the annual meeting.

- The Interim Report for January–March will be released on Wednesday, April 26.
- The Report for January–June will be released on Thursday, August 10.
- The Interim Report for January–September will be released on Wednesday, October 25.

PartnerTech AB, February 10, 2000
Mikael Jonson
President

For additional information, please contact the president, Mikael Jonson, by phone at +46 70 678-1001, or the CFO, Jonas Arkestad, at +46 70 659-1510.

The company's auditors have not audited this year end report.

Business concept

PartnerTech develops and manufactures electronic products under contract for leading growth companies, primarily in telecommunications, IT, and medical technology.

As a systems supplier, PartnerTech grows and develops with its customers by maintaining flexibility, broad geographic coverage, and superior service.

	1999	1998	1997
Consolidated Income Statement (SEK million)	Jan–Dec	Jan–Dec	Jan–Dec

Net sales	807.4	585.6	542.0
Cost of goods and services sold	-715.5	-539.3	-498.7
Gross profit	91.9	46.3	43.3
Selling expenses	-13.0	-8.3	-10.0
Administrative expenses	-13.3	-5.2	-3.4
Items affecting comparability	0.0	-4.1	-10.1
Other operating income	1.5	2.0	4.0
Other operating expenses	-1.5	-1.7	-3.2
Operating profit	65.7	29.0	20.6
Net financial items	-3.1	-3.9	-4.5
Profit after financial items	62.5	25.1	16.2
Tax on profit for the period	-17.1	-7.9	-4.4
NET PROFIT FOR THE PERIOD	45.5	17.2	11.7

Consolidated Balance Sheet (SEK million)	1999 Dec 31	1998 Dec 31	1997 Dec 31
ASSETS			
Fixed assets	159.6	54.7	35.5
Current assets			
– Inventories	148.1	115.9	101.3
– Accounts receivable	131.4	129.7	65.8
– Other current assets	5.4	2.2	2.8
– Cash and equivalents	0.6	0.3	9.5
Total current assets	285.5	248.2	179.4
TOTAL ASSETS	445.2	302.9	214.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	131.2	86.7	71.4
Long-term interest-bearing liabilities	106.9	64.8	59.8
Current interest-bearing liabilities	5.7		
Total interest-bearing liabilities	112.6	64.8	59.8
Accounts payable	97.5	85.0	36.3
Other current non-interest-bearing liabilities	103.9	66.5	47.4
Total non-interest-bearing liabilities	201.4	151.4	83.7
TOTAL EQUITY AND LIABILITIES	445.2	302.9	214.9

Starting with the 1999 semiannual report, the Company has reported its accounts as a group, one consequence of which is changes in the way untaxed reserves and leasing are reported. Figures for previous periods have been restated in this report based on the new accounting principles.

	1999	1998	1997
Consolidated Statement of Changes in Financial Position (SEK million)	Jan–Dec	Jan–Dec	Jan–Dec
Net profit	45.5	17.2	11.7
Reversal of depreciation/amortization	12.4	7.6	6.6
Capital gain/loss	-0.1	-0.3	-0.8
Change in deferred tax liability	11.3	2.8	1.3
Change in working capital	1.6	-13.1	7.8
Net investments	-117.3	-26.5	-16.1
Cash flow after investments	-46.5	-12.3	10.7
Change in loans	26.1	4.1	-20.4
Change in lease debt	21.7	0.9	7.8
Dividends	-3.0	-1.9	-
Issue of subscription rights, net	2.0	-	-
CHANGE IN LIQUID FUNDS	0.3	-9.2	-1.9

	1999	1998	1997
Key Ratios	Jan–Dec	Jan–Dec	Jan–Dec
Gross margin, %	11.4%	7.9%	8.0%
Operating margin, %	8.1%	5.0%	3.8%
Profit margin, %	7.7%	4.3%	3.0%
Return on operating capital (ROOC), %*	41.7%	20.4%	16.5%
Return on shareholders' equity, %*	42.6%	23.3%	17.0%
Equity/assets ratio, %	29.5%	28.6%	33.2%

* The profitability ratios are calculated based on the average of quarterly balances for capital.

	1999	1998	1997
Per Share Data	Jan–Dec	Jan–Dec	Jan–Dec
No. of shares at end of period, '000s	7,560	7,560	7,560
Profit after full income tax, SEK	6.01	2.28	1.55
Adjusted equity, SEK	17.35	11.47	9.44

Employee stock options issued in 1999 will increase the number of shares on issue no more than 288,800, or 3.8%.

