

*Press Release
for immediate publication*

23 February 2000

Strong finish thanks to increase in willingness to invest

1999 was an eventful year for the IRO Group. After a weak start, the pace hotted up sharply in the market for textile machinery around the time of the ITMA Fair in June. The Fair is held every fourth year and constitutes a central forum for the industry. Following it, the market was characterized by a steady and, towards the end of the year, sharp increase in sales.

- Strong fourth quarter: Operating income MSEK 53, among the highest to date
- Group net turnover for the year MSEK 992 (preceding year MSEK 1 028)
- Operating income after restructuring costs of MSEK 12 amounted to MSEK 106 (MSEK 117)
- Income after financial items MSEK 108 (MSEK 127)
- Order book up by 7 per cent over the year
- Earnings per share SEK 4,95 (SEK 5,64)
- The Board of Directors proposes a dividend of SEK 3,30 (SEK 3,00) per share

IRO's main markets developed positively during the year. The European market continued strong, and those of Asia continued to recover, with Taiwan and Korea leading the way. The market in China, too, showed welcome signs of recovery, an indication of good prospects for continued development. In view of the past two lean years for manufacturers of weaving and knitting machines, it seems probable that there is a need for new investment waiting to be met.

"The demand for knitting and weaving machines continues to be strong," says IRO's President, Stig-Arne Blom. "It's first and foremost the Asian countries that are now investing in new machines and equipment, but the Mexican and Brazilian markets are also showing welcome signs of life. We therefore expect the increase in demand we've seen during the second half of 1999 to be sustained for 2000."

Further information is available from:

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IRO is an international group that develops and manufactures yarn feeders for textile machines. Its principal customers are manufacturers of knitting and weaving machines. 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 over 97 per cent of sales.

IRO AB

PRELIMINARY REPORT 1999

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THE GROUP IN BRIEF

MSEK	1 Jan-31 Dec 1999	1 Jan-31 Dec 1998	Change 1999/1998
Net turnover	992	1 028	- 4 %
Operating income before restructuring costs	118	125	- 6 %
Operating income	106	117	- 10 %
Income after financial items	108	127 ¹	- 15 %
Earnings per share ² , SEK	4,95	5,64 ¹	- 12 %

¹ Calculated in accordance with the Accounting Principles for 1998, see under "Income after financial items" below

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

TRENDS IN OPERATIONS

Markets and sales

1999 was characterized by a steady and, towards the end of the year, sharp increase in sales. Group net turnover was MSEK 992, some 4 per cent lower than last year.

Net turnover per quarter during 1999 is illustrated by the following table:

MSEK	1999	1998	Change %
First quarter	232	281	- 17
Second quarter	245	278	- 12
Third quarter	219	228	- 4
Fourth quarter	296	241	+ 23
Quarters 1-4	992	1 028	- 4

This progressive recovery is even better illustrated by order intake developments:

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	226,9	+ 12	202,8	- 24	268,1	+ 21	220,5
Fourth quarter	301,3	+ 26	239,2	- 5	251,9	+ 4	242,7
Full year	1 044,2	+ 7	974,3	- 11	1 088,9	+ 17	928,5

Textile machinery manufacturers, who are by far IRO's largest customer group and account for between 70 and 80 per cent of sales, experienced yet another year of falling sales. A preliminary assessment indicates that the number of shuttleless weaving machines supplied in 1999 was about 28 000, as against the 36 000 supplied during 1998, representing a fall of more than 20 per cent.

Against this background, the fall in the number of yarn feeders supplied to its customers by IRO was only 4 per cent. The improvement in the Group's market position is illustrated even more clearly by developments in order intakes for weaving machine feeders. Here orders increased from 58 000 to 61 000, representing an increase of 5 per cent over the previous year.

The situation in the knitting machine sector is expected to be the same. However, there was a sharp increase in the demand for certain types of machine towards the end of the year.

Developments on the Group's main markets during the fourth quarter were along the lines already noted in the third quarter of the year. The European market remained strong while the Asian market continued to recover, with Taiwan and South Korea leading the way. The market in China, too, showed welcome signs of recovery, an indication of good prospects for continued development. In view of the past two lean years for manufacturers of weaving and knitting machines, it seems probable that there is a need for new investment waiting to be met.

GROUP TOTAL

MSEK	1999	1998	1 Oct – 31 Dec 1999	1 Oct – 31 Dec 1998
Orders received	1 044	974	301	239
Order book	139	96	139	96
Net turnover	992	1 028	296	241
Operating income	118 ¹	125 ²	53	9 ²
Income after financial items	120 ¹	135 ²	51	14 ²
Operating margin %	12 ¹	12 ²	18	4 ²

¹ Before restructuring costs of MSEK 12

² Before restructuring costs of MSEK 8

FINANCIAL KEY RATIOS AND RISK MANAGEMENT

Financial key ratios

Developments in financial key ratios since the Group's Stock Exchange listing in 1995 are as indicated in the following table:

Outcome	1999	1998¹	1997¹	1996¹	1995¹
Change in net turnover, %	- 4	- 4	+ 16	- 4	+ 11
Return on sales, %	10,9	11,8	18,8	12,9	16,9
Capital turnover rate, times	1,30	1,44	1,64	1,54	1,86
Return on capital employed, %	14,2	17,0	30,8	19,9	31,3
Return on equity, %	13,1	11,7	26,9	25,2	22,1
Earnings per share, SEK	4,95	4,19	8,44	6,49	4,80
Profit change per share/year, %	18	- 50	30	35	13
Equity/assets ratio, %	49,2	48,6	47,3	45,1	40,5
Debt/equity ratio, times	0,28	0,31	0,13	0,43	0,64

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

The fourth quarter of 1999 was a very strong one, with operating income totalling around MSEK 53. This is one of the best quarterly results the Group has achieved since its Stock Exchange listing in 1995. And, as the table below illustrates, operating income for the fourth quarter (before restructuring costs) showed a marked improvement as against the income for the corresponding quarter in 1998.

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	17,0 ¹	- 61	43,3	- 21	54,7	+ 92	28,5
Third quarter	27,3 ¹	+ 9	25,0	- 46	46,6	+ 97	23,7
Fourth quarter	52,7	+ 443	9,7 ¹	- 81	51,0	+ 71	29,9
Full year	117,8	- 6	125,4	- 36	195,7	+ 69	115,8

¹ Before restructuring costs

As can be seen from the following table, the improvement achieved in the fourth quarter was the result of a steady increase in volumes, satisfactory gross margins and a reduction in overheads and depreciation.

1999 compared with 1998

MSEK	Q1	Q2	Q3	Q4	Q1-4
Volume and gross margin	(19)	(11)	4	35	9
Overheads	(5)	(15)	(4)	5	(19)
Non-comparable items	-	(1)	(11)	8	(4)
Depreciation	(3)	(2)	(1)	2	(4)
Operating income, Savitec	1	1	3	2	7
Total effect on operating income	(26)	(28)	(9)	+ 52	(11)

Income after financial items

Net interest expense was at about the same level as for 1998. The Group's net indebtedness decreased during the year, from MSEK 147 to MSEK 135. Differences arising on currency translation remained unchanged after 30 June 1999, as all external loans were converted into the currencies of the respective borrowing companies with effect from 1 July.

MSEK	Q 1-4	Q 1-4	Q 1-4
Operating income	118	125	125
Net interest expense	(8)	(7)	(7)
Differences on translation	10	(8)	17
Income after financial items	120	110	135

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

² Before restructuring costs

Net profit for the year and tax charges

Tax charges for the year were 42 per cent of net profit before tax, down from 44 per cent in 1998. Of the net profit for the year before tax totalling MSEK 107, approx. MSEK 93 was earned outside Sweden and was thus subject to corporation tax at higher rates than in Sweden.

Earnings per share totalled SEK 4,95, as against SEK 5,64 per share in 1998. If the provisions of The Swedish Financial Accounting Standards Council's Recommendation No 8 are applied the earnings per share in 1998 would have been SEK 4,19.

Financial risks

Of net sales for 1999 totalling MSEK 992, 97,2 (97,9) per cent were generated outside Sweden. 59 per cent of net turnover was in EUR, 14 per cent in USD and 27 per cent in other currencies. With a view to equalizing the effects of this exposure, the Group hedges contracted and anticipated net flows for companies located in Sweden, Germany and Italy part of whose invoices to their customers are in foreign currencies.

The fiscal policy decided on by the Board during the year has resulted in a change in the Group's currency hedging policy. 40-80 per cent of anticipated flow in the 12 months immediately ahead is now hedged. Due to the application of this policy, at the end of 1999 approx. 56 per cent of anticipated net flow during 2000 was hedged through forward contracts. The corresponding proportion at the end of 1998 was approx. 69 per cent.

ONGOING INVESTMENTS AND DEPRECIATION

Net investments in tangible fixed assets during the year amounted to MSEK 44 (64). Depreciation of tangible fixed assets according to plan for the year amounted to MSEK 58. There were no acquisitions during 1999.

LIQUIDITY AND FINANCING

Thanks in large part to the marked improvement in profitability during the fourth quarter, the Group's positive cash flow continued strong during the year, and totalled MSEK 121 as against MSEK 107 in 1998 if the provisions of The Swedish Financial Accounting Standards Council's Recommendation No 8 is applied.

At the end of the year, interest rates in respect of external borrowings were just over 4 per cent. Of the Group's long-term indebtedness to banks at that point totalling approx. MSEK 243, MSEK 136 was in SEK, MSEK 58 in EUR, MSEK 47 in DEM and MSEK 2 in other currencies. MSEK 159 of the loans have a remaining six years to run, the main part of the rest being roll-over credit facilities.

Net indebtedness was MSEK 135 (147), equivalent to a debt/equity ratio of 0,28 (0,31). The Group's equity/assets ratio remained strong, and at year-end was 49,2 (48,6) per cent.

REPAYMENT BY SPP INSURANCE GROUP

As a result of over-consolidation, Sweden's SPP Insurance Group has decided to make a one-off repayment to its corporate customers. According to the information received from SPP in October 1999, the anticipated amount receivable by the Group is expected to be MSEK 13,8. It is not yet clear when and in what form this repayment will be available. In line with the recommendations of The Swedish Accounting Standards Council, the repayment is therefore not reflected in the Group's financial statements for 1999.

PERSONNEL

The average number of employees in the Group during 1999, expressed in terms of full-year employment, was 894 (898). Of this total, new employees taken on in China during the year and the employees in the entities acquired at the end of 1998 numbered 44.

OUTLOOK FOR 2000

The improvement in demand noted during the second half of 1999 is expected to be sustained during 2000.

ANNUAL GENERAL MEETING AND DIVIDEND

The 2000 Annual General Meeting will be held at 15.00 hrs on Wednesday 12 April in IRO's offices in Ulricehamn.

The Board has decided to make a change in the long-term dividend policy. From now on, over each economic cycle, dividends will approximate 50 per cent of net earnings per share.

The Board of Directors proposes that a dividend of SEK 3,30 (3,00) per share be declared.

REPURCHASE OF SHARES IN PARENT COMPANY

The Board of Directors intends to propose to the shareholders in Annual General Meeting that the Board be authorized to repurchase a maximum of 5 per cent of the fully paid-up shares representing the Parent Company's share capital, in accordance with the proposed legislation at present before Parliament.

The shares repurchased in this way can subsequently be utilized by the Board as consideration in respect of acquisitions; redeemed; or transferred in other prescribed manner.

FINANCIAL REPORTING 2000

IRO will publish the following financial information during 2000:

- The printed 1999 Annual Report will be published and distributed during the last week in March. Copies will be kept available at IRO's offices in Ulricehamn
- The report for the first quarter of 2000 will be published on 19 April
- The report for the first half of 2000 will be published on 9 August
- The report for the first three quarters of 2000 will be published on 24 October

KEY RATIOS

(Definitions in accordance with the 1998 Annual Report)

	1999	1998 ¹
Operating margin, %	10,7	11,4
Profit margin, %	6,2	5,1
Interest cover, times	10,5	10,3
Return on capital employed, %	14,2	17,0
Return on equity, %	13,1	11,7
Earnings per share, SEK	4,95	4,19
Debt/equity ratio, times	0,28	0,31
Equity/assets ratio, %	49,2	48,6
Equity per share, SEK ²	38,49	37,10

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

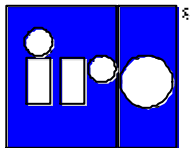
² Based on a total of 12,5 million issued shares

Ulricehamn, 23 February 1999

Stig-Arne Blom
President

This preliminary report on 1999 operations is based on the consolidated accounts as at 31 December 1999, and has not been the subject of a separate examination by the Company's auditors.

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PROFIT AND LOSS ACCOUNTS IN SUMMARY

MSEK	1 Jan- 31 Dec 1999	1 Jan- 31 Dec 1998 ¹	1 Jan- 31 Dec 1998
Operating revenue			
Net turnover	992	1 028	1 028
Variations in stocks	4	3	3
Capitalized work on own account	2	1	1
	998	1 032	1 032
Operating expenses			
Raw materials and consumables	(350)	(387)	(387)
Other external charges	(148)	(155)	(155)
Personnel costs	(312)	(299)	(299)
Non-comparable items	(12)	(8)	(8)
Operating income before depreciation	176	183	183
Depreciation of tangible and intangible fixed assets	(70)	(66)	(66)
Operating income	106	117	117
Financial items			
Interest receivable and similar income	2	4	4
Interest payable and similar charges	(10)	(11)	(11)
Exchange rate differences on loans	10	(8)	17
Income after financial items	108	102	127
Minority interest	(1)	(1)	(1)
Taxes	(45)	(48)	(55)
Net profit for the year	62	53	71

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

BALANCE SHEETS IN SUMMARY

MSEK	31 Dec 1999	31 Dec 1998
ASSETS		
Goodwill	177	183
Other intangible fixed assets	25	32
Tangible fixed assets	231	251
Total fixed assets	433	466
Stocks	179	182
Customer receivables	229	196
Other short-term receivables	41	39
Cash in hand and at the bank	107	82
Total current assets	556	499
TOTAL ASSETS	989	965
EQUITY AND LIABILITIES		
Equity	481	464
Minority interest	5	5
Long-term loans	240	220
Other long-term liabilities and reserves	51	66
Total long-term liabilities	291	286
Short-term loans	3	9
Other short-term liabilities	209	201
Total short-term liabilities	212	210
TOTAL EQUITY AND LIABILITIES	989	965

CASH FLOW ANALYSES

MSEK	1 Jan- 31 Dec 1999	1 Jan- 31 Dec 1998 ¹	1 Jan- 31 Dec 1998
Income before tax but after minority interest	107	101	126
Reversal of depreciation	70	66	66
Reversal of losses on disposal of fixed assets	5	-	-
Reversal of provisions	(5)	5	5
Reversal of interest charges on financing	6	8	-
Taxes paid	(62)	(73)	(52) ²
Cash flow before changes in working capital	121	107	145
Total changes in working capital	(19)	(42)	(69)
Net investments including differences on translation	(39)	(133)	(133)
Net financing	(34)	3	(3)
Cash flow for the year	29	(65)	(60)
Balances as at 1 January	82	142	142
Changes on translation of cash in hand and at the bank	(4)	5	-
Balances as at 31 December	107	82	82

¹ Recalculated for the purposes of comparison in accordance with The Swedish Financial Accounting Standards Council's Recommendation No 8

² Relates to reported taxes