



# Interim Report

January 1<sup>st</sup> – June 30<sup>th</sup> 2000

## **The First six months 2000**

- The Profit after financial items increased by 44% to 101,8 Msek (70,6) including a non-recurring pay back of surplus funds from SPP and capital gains
- Order intake increased by 6% in comparable structure
- Invoiced Sales increased by 3% in comparable structure

## **Second quarter 2000**

- Profit after financial items increased by 62% excluding non-recurring items (SPP) and capital gains
- Hexagons subsidiary Dacke Hydraulik finalised its acquisition of Berendsen PMC Norden on June 13<sup>th</sup>
- Moteco Launches GigaAnt AB that will capitalise on Hexagons Blue Tooth antenna developments

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## The Second quarter 2000

The Income before taxes was 122,3 Msek (32,1). Hexagon received the awaited pay back of surplus funds from SPP during the second quarter. The total amount booked was 66 Msek. The gain is reflecting the net present value of projected cash payments during the next coming five years. The income before taxes rose by 62% to 56,6 Msek (35,0) excluding non-recurring items. The Profit improvement derives from lower operational costs as well as a marginally higher volume.

The Group net revenue increased by 8% to 1289 Msek (1195). The Net revenue reflects an increase by +2% in a comparable group structure. The Order intake increased by 3% in a comparable structure to 1343 Msek (1307).

| Quarterly figures<br>Msek | 1999  |       |       |       | 2000  |              |
|---------------------------|-------|-------|-------|-------|-------|--------------|
|                           | Q 1   | Q 2   | Q 3   | Q 4   | Q 1   | Q 2          |
| Order intake              | 1 222 | 1 237 | 1 056 | 1 251 | 1 292 | <b>1 343</b> |
| Invoiced Sales            | 1 207 | 1 195 | 1 019 | 1 246 | 1 210 | <b>1 289</b> |
| Income before taxes       | 58    | 32    | 37    | 52    | 47    | <b>122</b>   |

## January 1<sup>st</sup> – June 30<sup>th</sup> 2000

### Group Income and Net Revenue

The Income before taxes for the first six months was 169,2 Msek (90,0) including the pay back of surplus funds from SPP. Capital gains amounts to 1,8 Msek (19,4). The Income before taxes excluding capital gains and the SPP pay back rose to 101,8 Msek (70,6) reflecting an increase by 44%.

The Group Net Revenue amounted to 2 499 Msek (2 402) reflecting a growth by 4%. The Berendsen acquisition has only had a marginal effect on the first six months.

### Order intake

The Order intake rose by 6% in a comparable structure. In its current structure the order intake rose by 7% to 2635 Msek (2459).

### Acquisitions and divestitures

On June the 13th 2000 Hexagon concluded the acquisition of Berendsen PMCs Hydraulics business in the Nordic countries Sweden, Denmark, Norway and Finland. The Business annual turn over is 1100 Msek. The Acquisition is expected to contribute to Hexagons earnings all ready this year. The Transaction value is 177 Msek, which is 26 Msek less than the acquired net assets book value. Hexagon has created a restructuring reserve in order to meet charges in order to restore the Berendsen businesses' profitability. A Transaction goodwill, amounting to 22 Msek, has been established. Hexagon will, thanks to the acquisition become the leading Hydraulics supplier in The Nordic region.

During the first quarter of 2000 Nybro Stålprodukter, a subsidiary of Johnson Industries, acquired a small steel distributor, Euro steel AB, in order to develop an e-commerce solution for its products. Dacke Hydraulik acquired GL Hydraulik AB, a Swedish hydraulics service and maintenance company.

During March the assets of AKA VVS AB were sold.

### Profitability

The Return on equity after tax was 21%(10). The Return on Capital employed was 16 % (11).

### Group financial position

The Solvency ratio was, as of June the 30<sup>th</sup> 40% (45) after the dividend pay out of 74 Msek (74). The Book equity amounted to 1465 Msek (1344).

Cash including non-utilised checking accounts amounted to 415 Msek (359). The Non-utilised portion of the syndicated bank loan amounted to 558 Msek (826). The Groups net debt amounted to 938 Msek (649). The Net gearing was 0,64 (0,48). Interest coverage ratio was 7,9 times (4,3).



The Groups investments in fixed assets amounted to 87 Msek (79). The Group has sold assets for a net worth of 6 Msek (8). Group depreciations amount to 99 Msek (96).

The Forecasted tax rate is estimated to 11%, due to the loss carry forward deductions in Sweden.

#### Cash Flow

The Cash Flow from operations before working capital changes was 234 Msek (87), which corresponds to a Cash earnings per share value of 15,84 SEK (5,84). The Net Cash flow from operations improved to 76 Msek (4).

| (Msek)   | 2000      | 1999     |
|--|-----------|----------|
| Cash flow from operations before working capital changes | 234       | 87       |
| Working capital changes                                  | - 77      | - 12     |
| Net cash flow from operations                            | 157       | 75       |
| Net Investments in fixed assets                          | - 81      | - 71     |
| <b>Operational Cash flow</b>                             | <b>76</b> | <b>4</b> |
| Cash flow from other investment activities               | - 158     | 64       |
| Cash flow from financing activities                      | 229       | - 68     |
| Dividend   | - 74      | - 74     |
| Change in net cash position                              | 73        | - 74     |

#### Invoiced Sales and profit after financial items, including Goodwill depreciations, per business area

| (Msek)                          | Invoiced sales |       | Profit |        |
|---------------------------------|----------------|-------|--------|--------|
|                                 | 2000           | 1999  | 2000   | 1999   |
| Industrial components & Systems | 904            | 878   | 22,6   | 19,7   |
| Niche Manufacturing             | 1 227          | 1 090 | 69,5   | 51,4   |
| Norfoods                        | 379            | 406   | 1,4    | - 2,3  |
| Other companies                 | -              | 39    | 15,2   | 13,2   |
| Capital Gabins                  | -              | -     | 1,8    | 19,4   |
| Non-recurring items             | -              | -     | 65,6   | -      |
| Adjustments and mother company  | - 11           | - 11  | - 6,9  | - 11,4 |

| Group | 2 499 | 2 402 | 169,2 | 90,0 |
|-------|-------|-------|-------|------|
|-------|-------|-------|-------|------|

### Industrial Components and Systems

The Invoiced sales amounted to 904 Msek (878) for the first six months, an increase by 6%. The Profit after financial items increased by 15% and amounted to 22,6 Msek (19,7) after Goodwill depreciations. Berendsen PMC Nordic is consolidated as of June the 13<sup>th</sup> and has marginally affected the figures.

AKA Industriprodukters Net Revenue decreased, in a comparable structure by 6% to 295 Msek (313).

The decrease was primarily caused by currency fluctuations. The Order intake fell by 5%. The Profit after financial items rose to 10,0 Msek (4,8) out of which 4,8 Msek derives from a capital gain.

Dacke Hydrauliks net sales rose by 34% to 355 Msek (265). The Acquisition of Berendsen PMC Nordic will, substantially, affect Dacke. In a comparable structure the net revenue grew by 3%. The profit after financial items rose to 15,3 Msek (12,1). The Berendsen group of companies have already contributed to the group earnings.

Gustaf Fagerbergs Invoiced sales were slightly below last year and amounted to 254 Msek (260). The Order intake rose by 9% and amounted to 280 Msek (257). The Profit after financial items amounted to 6,2 Msek (7,8).

### Niche Manufacturing

The Net revenue for the business area rose by 13% to 1227 Msek (1090). The Order intake rose by 17%. The Profit after financial items and Goodwill amortisation's rose by 35% to 69,5 Msek (51,4).

Gislaved Gummis net sales rose by 16% to 243 Msek (210). The Order intake increased by the same percentage. All product lines reports strong increases, rubber compounds and forklift wheels excels. The Profit after financial items enjoyed a sharp increase to 33,6 Msek (19,8), primarily because of the sales increase but also as a consequence of already implemented cost savings.

Moteco launched its new subsidiary, GigaAnt AB, which is responsible for Moteco's development of Blue tooth antenna solutions. The Start up is developing according to plan. The Order intake as of June the 30<sup>th</sup> is 0 Msek. The Loss after Financial items is -4,6 Msek.

Moteco's Order intake was unchanged compared to the first six months of 1999. The Invoicing fell to 107 Msek (118) as a consequence of lower volumes from key customers. The Profit after Financial items amounted to 1,8 Msek (1,0) excluding GigaAnt AB. The Establishment of Moteco's subsidiary in Malaysia has burdened the profit by 3,0 Msek. Moteco's Chinese subsidiary is performing well.

Johnson Industries order intake rose by 18% during the first six months. The Increase was 14% in a comparable structure. Invoiced Sales increased by 8% to 513 Msek (473). Half of the sales increase was derived from recent acquisitions. The Profit after financial items was 14,5 Msek (15,7).

SwePart increased its net revenue by 26% to 365 Msek (289) and the order intake rose by 24%. The Profit after financial items surged to 30,0 Msek (20,3). All product lines enjoyed an increased sales and profit development.

### Norfoods

Norfoods net revenue fell to 379 Msek (406). The order intake fell, in a comparable structure by 4%.

The Profit after financial items was improved compared to the same period last year.

The Profit was 1,4 Msek (-2,3). Lower overhead costs explain the positive profit development.

### Other companies

VBG AB contributes to Hexagons profit according to the Equity method by 15,3 Msek (14,9).

### Share data

The Profit per share after tax was 10,08 kr (4,38). The Visible equity per share was 99 SEK (91) as of June the 30<sup>th</sup>. The share was trading at 123 Sek/Share (155). The Total number of shares outstanding was

14 793 182 (14793182).

### Parent company

The Parent company recorded a loss after financial items of -9,1 Msek (46,3). The Solvency ratio was 47% (60). The Visible equity including the equity share of untaxed reserves amounted to 1147 Msek (1166).

Cash and non-utilised over draft facilities amounted to 228 Msek (172). The Corresponding figure on Dec 31<sup>st</sup> 1999 was 172 Msek.

### Annual General Meeting

Ola Rollén took up his position as President & C.E.O. and is as of May the 4<sup>th</sup> a member of the Hexagon Board of Directors. The Annual General Meeting decided to approve the proposed convertible bond loan with 700.000 detachable call options with the right to sign the corresponding amount of class B-shares in Hexagon.

### Next Quarterly statement.

Quarter 3. November 1<sup>st</sup> 2000.

Quarter 4 & Full year report February 12<sup>th</sup> 2001.

### Forecast for 2000.

The Positive development during the first half of the year is expected to continue throughout the year.

Landskrona August 1st 2000

HEXAGON AB (publ)

Ola Rollén

President & C.E.O.

### Consolidated Income statements

| (Msek)                                  | 2000         | 1999         | 2000         | 1999         | Latest outcome | 1999           |
|---|--------------|--------------|--------------|--------------|----------------|----------------|
|   | Q 2          | Q 2          | Jan-June     | Jan-June     | 12 m rolling   | Full year      |
| Net Revenue                             | 1 289,5      | 1 195,1      | 2 499,3      | 2 401,9      | 4 764,6        | 4 667,2        |
| <b>Gross profit</b>                     | <b>272,6</b> | <b>241,9</b> | <b>517,4</b> | <b>486,6</b> | <b>984,8</b>   | <b>954,0</b>   |
| Selling expenses                        | - 122,4      | - 117,4      | - 233,7      | - 234,9      | - 455,2        | - 456,4        |
| Administrative expenses                 | - 88,3       | - 83,6       | - 170,2      | - 164,8      | - 325,7        | - 320,3        |
| R & D expenses                          | - 7,6        | - 6,8        | - 13,7       | - 13,1       | - 24,3         | - 23,7         |
| Other operational costs and revenues    | 1,5          | 1,7          | 2,5          | 1,9          | 15,5           | 14,9           |
| Non-recurring items                     | 65,6         | -            | 65,6         | -            | 65,6           | -              |
| Share of affiliated companies           | 8,2          | 6,3          | 15,4         | 15,0         | 26,2           | 25,8           |
| Capital Gains divestitures              | 0,1          | - 2,9        | 1,8          | 19,4         | - 2,7          | 14,9           |
| <b>Operating profit</b>                 | <b>129,7</b> | <b>39,2</b>  | <b>185,1</b> | <b>110,1</b> | <b>284,2</b>   | <b>209,2</b>   |
| Financial revenue and expenses          | - 7,4        | - 7,1        | - 15,9       | - 20,1       | - 26,0         | - 30,2         |
| <b>Income before taxes</b>              | <b>122,3</b> | <b>32,1</b>  | <b>169,2</b> | <b>90,0</b>  | <b>258,2</b>   | <b>179,0</b>   |
| Taxes                                   | - 9,1        | - 9,7        | - 18,6       | - 24,2       | - 44,5         | - 50,1         |
| Minorities                              | - 0,8        | - 0,4        | - 1,5        | - 1,1        | - 1,9          | - 1,5          |
| <b>Net income</b>                       | <b>112,4</b> | <b>22,0</b>  | <b>149,1</b> | <b>64,7</b>  | <b>211,8</b>   | <b>127,4</b>   |
| <i>Depreciations are included with:</i> | <i>51,1</i>  | <i>47,4</i>  | <i>99,0</i>  | <i>96,0</i>  | <i>- 193,1</i> | <i>- 190,1</i> |

### Key ratios

|                           | 2000     | 1999     | 1999      |
|---------------------------|----------|----------|-----------|
|                           | Jan June | Jan June | Full year |
| Earnings per share (Skr)  | 10,08    | 4,38     | 8,61      |
| Cash flow per share (Skr) | 15,84    | 5,84     | 16,29     |

|                                |        |        |        |
|--------------------------------|--------|--------|--------|
| Return on equity after tax (%) | 21     | 10     | 9      |
| Return on capital employed (%) | 16     | 11     | 10     |
| Solvency ratio (%)             | 40     | 45     | 47     |
| Visible equity per share (Skr) | 99     | 91     | 95     |
| Share price (Skr)              | 123    | 155    | 134    |
| Average N.o. shares, Thousands | 14 793 | 14 793 | 14 793 |

#### Consolidated balance sheets

| <b>(Msek)</b>                               | <b>2000-06-30</b> | <b>1999-06-30</b> | <b>1999-12-31</b> |
|---|-------------------|-------------------|-------------------|
| Goodwill                                    | 321,3             | 347,8             | 321,0             |
| Other fixed assets                          | 1 245,0           | 1 083,4           | 1 128,9           |
| <b>Total Fixed assets</b>                   | <b>1 566,3</b>    | <b>1 431,2</b>    | <b>1 449,9</b>    |
| Other current assets                        | 1 907,2           | 1 442,6           | 1 462,6           |
| Cash & cash equivalents                     | 179,5             | 135,8             | 107,0             |
| <b>Total Current assets</b>                 | <b>2 086,7</b>    | <b>1 578,4</b>    | <b>1 569,6</b>    |
| <b>TOTAL ASSETS</b>                         | <b>3 653,0</b>    | <b>3 009,6</b>    | <b>3 019,5</b>    |
| Shareholders equity Balance previous period | 1 316,0           | 1 279,5           | 1 271,5           |
| Periods reported Net Profit                 | 149,1             | 64,7              | 127,4             |
| <b>Total Shareholders Equity</b>            | <b>1 465,1</b>    | <b>1 344,2</b>    | <b>1 398,9</b>    |
| <b>Minority</b>                             | <b>11,5</b>       | <b>9,2</b>        | <b>9,7</b>        |
| Interest bearing Debt                       | 1 117,9           | 784,7             | 758,8             |
| Non interest bearing liabilities            | 1 058,5           | 871,5             | 852,1             |
| <b>Total liabilities</b>                    | <b>2 176,4</b>    | <b>1 656,2</b>    | <b>1 610,9</b>    |
| <b>TOTAL EQUITY &amp; LIABILITIES</b>       | <b>3 653,0</b>    | <b>3 009,6</b>    | <b>3 019,5</b>    |

*This report has not been audited by the companys independent Auditors*