

IRO AB

INTERIM REPORT

1 January - 30 June 2000

- Operating income totalled MSEK 104, almost three times as much as for the corresponding period in 1999
- Income after financial items totalled MSEK 101 (MSEK 42)
- Net turnover was MSEK 578, an increase of 21 per cent
- Order levels increased by 11 percent during the second quarter
- Earnings per share amounted to SEK 4,82 (SEK 1,92)

THE GROUP IN BRIEF

MSEK	1 Jan-30 June 2000	1 Jan-30 June 1999	Change 2000/1999
Net turnover	578	477	+ 21
Operating income	104	36	+ 187
Income after financial items	101	42	+ 139
Earnings per share ¹ , SEK	4,82	1,92	+ 151

¹ Based on a total of 12,5 million issued shares

TRENDS IN OPERATIONS

Markets and sales

The IRO Group's net turnover for the second quarter was MSEK 290, an increase of 18 per cent over the corresponding period in 1999.

Order intake too developed very satisfactorily and totalled MSEK 304, representing an increase of 11 per cent.

The strong Swedish *krona* had a negative effect on accumulated order intake over the first six months of the year, corresponding to 6 per cent.

Order levels quarter by quarter

MSEK	2000	±%	1999	±%	1998	±%	1997
First quarter	289,7	+ 20	242,4	- 12	276,5	+ 3	268,3
Second quarter	303,8	+ 11	273,6	+ 7	255,8	- 15	300,6
Third quarter			226,9	+ 12	202,8	- 24	268,1
Fourth quarter			301,3	+ 26	239,2	- 5	251,9
Total for the year			1 044,2	+ 7	974,3	- 11	1 088,9

Market trends have been stable, with increasing demand for the IRO Group's products on practically all its markets. The Weaving Division's order intake increased by 30 per cent during the first six months of the year, while that of the Knitting Division increased by 11 per cent.

Where both Divisions are concerned, growth was at its strongest on Asian markets and particularly that of China.

GROUP TOTALS

MSEK	1 Jan-30 June 2000	1 Jan-30 June 1999	1 Apr-30 June 2000	Total for 1999
Orders received	593	516	304	1 044
Order book	155	131	155	139
Net turnover	578	477	290	992
Operating income	104	36	51	118 ¹
Income after financial items	101	42	50	120 ¹
Operating margin, %	18	8	18	12 ¹

¹ Before restructuring costs of MSEK 12

DEVELOPMENTS IN OPERATIONS

Repayment receivable from SPP Insurance Group

According to the information now received from SPP Insurance Group, the one-off payment to be made in connection with over-consolidation will be MSEK 16,7. The IRO Group intends to utilize the funds finally allocated before the end of the current year in implementing early retirement schemes for certain employees.

The amount to be received has therefore been reported in its entirety positively, as a non-comparable item and negatively, as additional personnel costs incurred.

Operating income

Operating income continued to be highly satisfactory during the second quarter, and totalled MSEK 51. This, together with operating income for the first quarter of MSEK 53, brings the total for the first six months of the year to MSEK 104, an increase of 187 per cent over the corresponding period in 1999, as the following table illustrates:

MSEK	2000	±%	1999	±%	1998	±%	1997
First quarter	53,0	+ 155	20,8	- 56	47,4	+ 9	43,4
Second quarter	51,3	+ 202	17,0 ¹	- 61	43,3	- 21	54,7
Third quarter			27,3 ¹	+ 9	25,0	- 46	46,6
Fourth quarter			52,7	+ 443	9,7 ¹	- 81	51,0
Total for year			117,8	- 6	125,4	- 36	195,7

¹ Before restructuring costs

Approx. 60 per cent of the IRO Group's invoiced sales are in *euro*-related currencies. As a result, the strengthening of the Swedish *krona* during the year has had a negative effect of MSEK 4 by comparison with the corresponding period in 1999.

The improvement in operating income during the first and second quarters of the year and on an accumulated basis is illustrated by the following table:

MSEK	Q 1 2000/1999	Q 2 2000/1999	Q 1-2 2000/1999
Volume and gross margin	29	26	55
Overheads	2	- 10	- 8
Non-comparable items	—	18	18
Depreciation	1	2	3
Total effect on operating income	32	36	68

Income after financial items

Payment of dividends to shareholders totalling just over MSEK 41 was the main reason for the increase in net indebtedness, by MSEK 33 to MSEK 168, as at 30 June 2000. As at 30 June 1999, however, net indebtedness was higher than this, and totalled MSEK 208.

The net deficit on financial items remained unchanged at MSEK 3, the same level as for the first six months of 1999.

MSEK	Q 1-2 2000	Q 1-2 1999	Total for 1999 ¹
Operating income	104	36	118
Net deficit on financial items	(3)	(3)	(8)
Exchange rate differences on loans	—	9	10
Income after financial items	101	42	120

¹ Before restructuring costs

INCOME FOR THE PERIOD AND NET EARNINGS PER SHARE

The rate of tax applicable for the first six months of the year was 40 per cent, as against 43 per cent for the same period in 1999.

Net earnings per share were SEK 4,82 (SEK 1,92). Net earnings per share for the whole of 1999 were SEK 4,95.

ONGOING INVESTMENTS

During the first six months of the year, net investments in fixed assets exclusive of properties amounted to MSEK 22,6 (MSEK 18).

As indicated in the Interim Report for the first three months of the year, the option to purchase the site in Ulricehamn on which the Company's premises stand was exercised in March. The sum invested in this way was a further MSEK 17,4. The transaction will result in an improvement in income after financial items of approx. MSEK 1 per year.

LIQUIDITY AND FINANCING

Positive cash flow for the first six months of the year 2000 was MSEK 96, as against MSEK 41 for the corresponding period in 1999. Net indebtedness was MSEK 168 (MSEK 208), equivalent to a debt/equity ratio of 0,33 (0,46).

As at 30 June 2000 the Group's equity/assets ratio continued high, and was 49,3 per cent as against 46,7 per cent at the same point in 1999.

PERSONNEL

During the first six months of the year the average number of employees in the Group, expressed in terms of full-year employment, was 926 (901). The increase is accounted for by additional directly-employed personnel taken on as a result of the improvement in order intake.

OUTLOOK FOR THE REMAINDER OF 2000

The improvement in demand that has been seen during the last six months of 1999 and the first six months of 2000 is expected to be sustained throughout the remainder of the year.

SHARE DATA

Shares in IRO AB have been listed on the Stockholm Stock Exchange's O List since 22 June 1995. They are also traded on SEAQ International in London.

The Company's share capital is SEK 62 500 000, made up of 12 500 000 fully paid-up shares with a nominal value of SEK 5 each and each carrying one vote.

Distribution by shareholding as at 30 June 2000

Shareholdings	No of shares	%	No of shareholders	%
1 - 1 000	610 825	4,9	2 187	88,7
1 001 - 5 000	427 788	3,4	175	7,1
5 001 - 10 000	257 760	2,1	35	1,4
10 001 - 100 000	1 387 540	11,1	47	1,9
100 001 -	9 816 087	78,5	22	0,9
Total	12 500 000	100,0	2 466	100,0

Source: VPC AB as at 30 June 2000

The number of shareholders in the Company as at 30 June 2000 was 2 466, as against 2 747 at 31 December 1999. The proportion of shares held by overseas interests as at 30 June 2000 was 21 per cent as against 20 per cent at 31 December 1999. The proportion of shares held by interests in the USA is approx. 20 per cent. The proportion of shares held by institutions is 54 per cent.

Major shareholders as at 30 June 2000

Shareholder	No of shares	% of voting rights
Stena Sessan Rederi AB	3 126 100	25,0
S E B Fonder	1 396 167	11,2
Denver Investment Advisers ¹	1 329 070	10,6
FöreningsSparbankens värdepappersfonder	1 090 400	8,7
Arnhold & S Bleichroeder Inc	1 005 000	8,1
AMF/TFA/AFA Insurance Group	400 500	3,2
S E B Pensionsstiftelse	341 000	2,7
Hagströmer & Qviberg Aktiefonder	330 300	2,6
Carlson Investment Management	296 400	2,4
Skandia Insurance Group	256 400	2,0
Stiftelsen för strategisk forskning	249 850	2,0
IRO's Management	183 300	1,5

Total	10 004 487	80,0
Other shareholders	2 495 513	20,0
Total	12 500 000	100,0

¹ Previously Bee & Associates Inc

Source: VPC AB as at 30 June 2000 and subsequently notified changes

PARENT COMPANY

The IRO Group's Parent Company is IRO AB (publ), which was established in May 1995, and the shares in which are quoted on the Stockholm Stock Exchange's O List.

The Parent Company's loss for the first six months of the year 2000, after financial items, was MSEK 1,9 (MSEK 1,3).

Turnover for the period was MSEK 1,2. The Parent Company had three employees, as against an average of one person. As at 30 June 2000, its liquid assets totalled SEK 142 000 (SEK 135 000). No investments were made during the period.

FINANCIAL REPORTING 2000

IRO will publish the following further financial information for the year 2000:

- The report for the first three quarters of 2000 will be published on Tuesday 24 October
- The preliminary report on 2000 operations will be published on 22 February 2001
- The Annual Report for 2000 will be published at the end of March 2001

KEY RATIOS (Definitions in accordance with 1999 Annual Report)

	1 Jan-30 June 2000	1 Jan-30 June 1999	Total for 1999
Operating margin, %	18,0	7,6	10,7
Net profit margin, %	10,4	5,0	6,2
Interest cover, times	17,6	7,9	10,5
Return on capital employed, %	25,7	12,0	14,2
Return on equity, %	23,6	12,3	13,1
Earnings per share, SEK ¹	4,82	1,92	4,95
Debt/equity ratio, times	0,33	0,5	0,28
Equity/assets ratio, %	49,3	46,7	49,2
Equity per share, SEK ¹	39,94	35,63	38,49

¹ Based on a total of 12,5 million issued shares

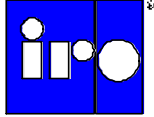
Ulricehamn, 9 August 2000

Stig-Arne Blom
President

This interim report is based on the consolidated accounts as at 30 June 2000, and has not been the subject of a separate examination by the Company's auditors.

IRO AB

IRO is an international group engaged in the development and manufacture of yarn feeders for textile machinery. Its principal customers are manufacturers of weaving and knitting 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, China and Taiwan. Markets outside Sweden account for some 97 per cent of sales.



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Summary of Profit and Loss Accounts

MSEK	1 Jan-30 June 2000	1 Jan-30 June 1999	Total for 1999
Operating revenues			
Net turnover	578	477	992
Variations in stocks	9	—	4
Capitalized work on own account	—	—	2
Total operating revenues	587	477	998
Operating expenses			
Raw materials and consumables	(202)	(162)	(350)
Other external charges	(80)	(73)	(148)
Personnel costs	(184)	(169)	(312)
Non-comparable items	17	(1)	(12)
Operating income before depreciation	138	72	176
Depreciation of tangible and intangible fixed assets	(34)	(36)	(70)
Operating income	104	36	106
Financial items			
Interest receivable and similar income	3	1	2
Interest payable and similar charges	(6)	(4)	(10)
Exchange rate differences on loans	—	9	10
Income after financial items	101	42	108
Minority interests	(1)	—	(1)
Tax	(40)	(18)	(45)
Net profit for the period	60	24	62

Summary of Balance Sheets

MSEK	30 June 2000	30 June 1999	31 Dec 1999
ASSETS			
Goodwill	170	184	177
Other intangible fixed assets	23	26	25
Tangible fixed assets	243	236	231
Total fixed assets	436	446	433
Stocks	210	194	179
Customer receivables	246	229	229
Other short-term receivables	46	51	41
Cash in hand and at the bank	86	45	107
Total current assets	588	519	556
TOTAL ASSETS	1 024	965	989
EQUITY AND LIABILITIES			
Equity	499	445	481
Minority interests	6	5	5
Long-term loans	251	240	240
Other long-term liabilities and reserves	55	56	51
Total long-term liabilities	306	296	291
Short-term loans	3	13	3
Other short-term liabilities	210	206	209
Total short-term liabilities	213	219	212
TOTAL EQUITY AND LIABILITIES	1 024	965	989

Summary of Cash Flow Analyses

MSEK	1 Jan-30 June 2000	1 Jan-30 June 1999	Total for 1999
Income before tax but after minority interests	100	42	107
Reversal of depreciation	34	36	70
Reversal of gains on disposals of fixed assets	—	—	5
Reversal of provisions	—	(2)	(5)
Reversal of interest on financing	3	3	6
Tax paid	(41)	(38)	(62)
Cash flow before changes in working capital	96	41	121
Total changes in working capital	(48)	(33)	(19)
Net investments including differences on translation	(37)	(13)	(39)
Net financing	(33)	(31)	(34)
Changes in cash flow	(22)	(36)	29
Balances as at 1 January	107	82	82
Differences on translation	1	(1)	(4)
Balances as at end of period	86	45	107