

Array AB Publ. Interim report, January-June 2000

**Array continues its technical cooperation with Matsushita.
A newly developed principle for the TonerJet background electrode is under evaluation, with a technical decision expected in early October.**

Volume production is expected to start in the first quarter of 2002.

Matsushita demonstrates TonerJet prototypes at its Panasonic show in May.

Improved print quality sparks increased interest from the market and is expected to lead to further technical evaluation projects during the fall.

The ownership interest in Imsys is raised to 49%.

**Imsys introduces an improved version of its processor.
Leading mobile phone manufacturer evaluates for future products.**

**Array Displays signs a licensing agreement with a world-leading manufacturer of public information displays resulting in a lump-sum compensation of approx.
SEK 4.5 M plus future royalties.**

Operating expenses amounted to SEK 40.8 M (39.9). Including revenues of SEK 7.5 M (12.7) the loss after financial items was SEK -38.8 M (-26.1) which includes a SEK -7.2 M (0) impact from the associated company Imsys.

Array's business concept in brief

Array's business concept is to collaborate with manufacturers of office equipment to offer the market color prints from printers, copiers and faxes with TonerJet. Performance and cost will be comparable with that of monochrome products. Array's strategy is to exploit TonerJet by licensing the technology to manufacturers. The goal is to make TonerJet one of the leading print technologies in the global market for office equipment. Royalty revenues from color printers are expected in 2002. The company's business concept also includes the development of other technologies with business or technological ties to TonerJet. The wholly owned subsidiary Array Displays is developing and selling dynamic information displays, while Imsys AB (49% owned) markets and is developing the NISC graphic and Java processor.

Development during the period

During the spring, Array's newly developed principle for the background electrode in TonerJet was evaluated. Significant benefits have been established, including better print quality and less sensitivity to variations in temperature, humidity and manufacturing tolerances. A prototype based on the new principle is being developed in order to verify the performance and reliability of the systems involved. Matsushita is considering whether to utilize the newly developed principle. A final decision on the choice of technology is expected in early October. The technical cooperation with Matsushita is continuing, and Array is concentrating its development efforts on completing and evaluating the new prototype. Volume production can be anticipated during the first quarter of 2002. The latest technical advances have led to increased interest from the market. Array is holding discussions with new customers on the evaluation and future licensing of TonerJet.

In May, MGCS (Matsushita Graphic and Communication Systems) arranged a three-day in-house trade fair, the Panasonic Show, which was visited by a total of 3,700 people from Matsushita and its customers. MGCS demonstrated a printer and copier with TonerJet that printed at a speed of 16 pages per minute. Visitors were impressed with the speed and compact size of the machines, which were two of the first prototypes built by Matsushita during the spring.

In January, Array acquired an additional 14% of the share capital of Imsys AB, giving it a total ownership interest of 49%. The efforts to strengthen Imsys' management and recruit additional employees for sales and marketing are progressing. Leading manufacturer is evaluating the NISC processor for mobile applications. The processor was introduced at the Java One show in early June. Energy efficiency, high graphic performance and Java execution directly in the processor make NISC attractive to the rapidly growing market for mobile products with color displays and software written in Java.

During the period, Array Displays signed a licensing agreement with a world-leading manufacturer of public information systems, whereby Array Displays will grant exclusive rights to the TCD application Picsus for information displays in certain segments and geographic areas. The licensee, which wishes to remain anonymous, is paying a lump sum of SEK 4.5 M plus a royalty based on future sales revenues.

The Annual General Meeting on April 12 authorized the Board of Directors to issue a maximum of 500,000 shares prior to the next Annual General Meeting. The aim is to facilitate acquisitions of all or part of companies, operations and technologies. The meeting also approved the issue of a promissory note to Array Engineering AB with a nominal value of ten thousand kronor and including 900,000 detachable warrants to subscribe for new Class B shares in the company. In addition, it decided that the warrants subscribed for by Array Engineering AB would be transferred to employees of the Array Group free of charge. Among the other decisions by the Annual General Meeting was the election of Jan Kvarnström and Dan Werbin to the Board and a change in the company's name to Array AB.

Operating revenues and results

The period's operating revenues were generated primarily from sales of dynamic displays and licensing rights to dynamic displays as well as test material to Matsushita and amounted to SEK 7.5 M (SEK 12.7 M in the corresponding period of 1999). Operating expenses amounted to SEK 40.8 M (39.9). Research and development expenses include SEK 0.9 M representing the company's portion of SPP's (the Swedish Staff Pension Society) surplus insurance contributions. Net financial items amounted to SEK -5.5 M (1.1) and include Array's share of Imsys' loss in the amount of SEK -4.3 M as well as SEK -2.9 M, which relates to amortization of the goodwill that arose in connection with the acquisition. The loss after financial items was SEK -38.8 M (-26.1).

Investments

Investments in equipment amounted to SEK 0.4 M (1.1). In January, Array acquired an additional 14% of the shares of Imsys AB for SEK 18.5 M. Investments in research, product and market development, which are significant for a development company such as Array, are expensed as they arise.

Financing and liquidity

Liquid assets amounted to SEK 89.5 M on June 30, 2000. Shareholders' equity was SEK 108.3 M. The equity/assets ratio was 88.8 percent. With the support of the authorization received from the Extraordinary General Meeting on September 28, 1999, Array in January issued 250,000 shares to finance the acquisition of the Imsys shares. After expenses, the issue provided Array with proceeds of SEK 18.6 M. The number of shares subsequently amounts to 23,753,164.

Personnel

The average number of employees in the Group was 46 (45).

Göteborg, Sweden, August 17, 2000

Array AB Publ.

Board of Directors

We have reviewed this interim report and found no indications that it does not meet the requirements of the Swedish Companies Act.

Göteborg, August 17, 2000

Öhrlings PricewaterhouseCoopers AB, Lennart Bertheden, Authorized Public Accountant

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CONSOLIDATED INCOME STATEMENT (SEK M)	Jan-June 2000	Jan-June 1999	Jan-Dec 1999	July 1999- June 2000
Net sales	7.5	12.7	22.5	17.3
Research and development expenses	-29.7	-30.2	-57.1	-56.6
Sales expenses	-6.9	-6.3	-16.5	-17.1
Administrative expenses	-4.2	-3.4	-7.5	-8.3
Operating loss	-33.3	-27.2	-58.6	-64.7
Result from shares in associated companies	-7.2	-	-2.1	-9.3
Net financial items	1.7	1.1	3.7	4.3
Loss after financial items	-38.8	-26.1	-57.0	-69.7
Taxes	-0.2	-0.2	-1.1	-1.1
Net loss for the period	-39.0	-26.3	-58.1	-70.8
CONSOLIDATED BALANCE SHEET (SEK M)	June 30, 2000	June 30, 1999	Dec. 31, 1999	
Fixed assets				
Tangible	4.3	5.6	4.9	
Financial	22.0	6.5	10.8	
Current assets				
Current receivables	6.2	7.2	4.1	
Cash and bank balances	89.5	63.9	119.3	
TOTAL ASSETS	122.0	83.2	139.1	
Shareholders' equity	108.3	73.2	128.7	
Current liabilities				
Accounts payable	4.6	3.0	3.8	
Other non-interest-bearing liabilities	9.1	7.0	6.6	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	122.0	83.2	139.1	
CASH FLOW ANALYSIS	Jan-June 2000	Jan-June 1999	Jan-Dec 1999	July 1999- June 2000
Operating activities				
Loss after tax	-39.0	-26.3	-58.1	-70.8
Adjustments for non-cash items, etc.	8.2	1.4	4.4	11.2
Cash flow from operating activities before changes in working capital	-30.8	-24.9	-53.7	-59.6
Cash flow from changes in working capital	1.3	-1.8	1.7	4.8
Cash flow from operating activities	-29.5	-26.7	-52.0	-54.8
Investing activities				
Acquisition of tangible fixed assets	-0.4	-1.1	-1.7	-1.0
Acquisition of financial fixed assets	-18.5	-6.8	-12.8	-24.5
Cash flow used for investing activities	-18.9	-7.9	-14.5	-25.5
Financing activities				
New share issues	18.6	-	87.3	105.9
Cash flow from financing activities	18.6	-	87.3	105.9
Cash flow for the period	-29.8	-34.6	20.8	25.6
DATA PER SHARE	June 30, 2000	June 30, 1999	Dec. 31, 1999	
Average number of shares	23,711,497	19,230,970	19,988,092	
Share price, SEK	38.5	25.0	53.0	
Loss per share, SEK	-1.64	-1.21	-2.91	
Equity per share, SEK	4.56	3.81	5.48	
Share price/adjusted equity, multiple	8.4	6.6	9.7	

Equity/assets ratio, %

88.8

88.0

92.5