

ElektronikGruppen BK AB (publ)

INTERIM REPORT

JANUARY - SEPTEMBER 2000

- **New President & CEO** Johnny Alvarsson to take up duties on 1 January 2001
- **Profit doubled** from MSEK 21.4 to 50.3
- **Operating income up 38 per cent** to MSEK 495 (360)
- **Commission-based sales rose** to MSEK 814 (288)
- **Earnings per share increased** to SEK 6.55 (2.95)
- **Orders received improved** from MSEK 349 to 520

Rising growth

The first three quarters of the year saw powerful growth in all of ElektronikGruppen's areas of operation. Recent years' focus on adaptation of the product mix to meet new requirements and strategic penetration of anticipated growth markets is now bearing fruit. Additional strategic changes were made during the period, such the implementation of a new organization with subsidiarized business areas and new divisional managers.

New President and CEO

Johnny Alvarsson will take over as ElektronikGruppen's new President and CEO on 1 January 2001. Alvarsson has 13 years of experience in product design, production and project leadership within the Ericsson Group. He has been President and CEO of the listed company Zeteco for the past 13 years, during which time the company improved its operating income from MSEK 100 to MSEK 2,000 with consistently high profitability.

The market

The company's traditional activities in distribution and sales of electronic components have shown robust growth and profitability during the year. The strategic investments in telecom and inductive components, primarily for the telecom industry and transmission networks, have also developed favourably with regard to both income and profit. All signs indicate that this trend will continue into the coming year, although growth has been limited by the global component shortage. The order backlog on 30 September was MSEK 136 (77), compared with MSEK 70 at year-end.

Operations

As previously decided, a new organization with subsidiarized business areas was introduced during the third quarter. The third quarter's results included costs of MSEK 3.5 for the wind-up of the development company Whitehorse Ltd in the U.K. Expenses related to the appointment of a new president were charged to profit in the amount of MSEK 4.7. Profit included allocated surplus funds of MSEK 7.2 from SPP.

Business areas

EG Electronic Components

On 1 October the EG Advanced Components business area changed name to EG Electronic Components (EGEC). The new president of the business area is Ulf Sjunnesson. EGEC's profitability and growth during the first nine months of the year were highly satisfactory. The business area invoiced a total of MSEK 334 (270) and posted a profit of MSEK 35 (21.4). Orders received amounted to MSEK 342 (265). The dramatic improvement in earnings is mainly attributable to higher operating income and efficiency in the sales companies, as well as an increased service content in commission-based sales of MSEK 690 (268).

EG Magnetic Technology Components

The positive sales and profit trend for EG MTC continued into the third quarter. Invoicing for the first nine months totalled MSEK 54 (20), with a profit of MSEK 2.5 (-4.0). Orders received continued to rise from MSEK 17 to MSEK 57. On 1 September the business area formed a new company in Estonia, EG MTC Estonia Oü, which will manufacture inductive components.

EG Communication

Esbjörn Nordesjö was appointed as new president of the business area during the third quarter. At the same time EG Communication has carried out organizational changes that are designed to facilitate an anticipated expansion in Denmark, and later also Norway. The business area is growing organically and has shown a healthy profit trend, from MSEK 4.0 to MSEK 12.1. Orders received have nearly doubled to MSEK 121 and invoicing for the first nine months amounted to MSEK 107 (70). The market for national data networks is expected to reach saturation, for which reason the focus is shifting to municipal and access networks. Orders received for fiber optic test and splicing equipment have more than doubled and included a major order from Cisco Systems Sverige. New investments for the purpose of doubling production in Estonia and the Philippines have been planned to satisfy the surge in demand for passive fiber optic products, which has also been noted in Asia and the U.S.

Investments

The period's net investments in tangible and financial fixed assets totalled MSEK 8.9 (9.8).

Equity ratio and liquidity

The Group's financial position remains strong. The equity ratio on 30 September was 52 (59) per cent. Liquid assets amounted to MSEK 32 (31), compared with MSEK 32 at year-end.

Personnel

The number of employees on 30 September was 1,067 (453), of whom 830 work for Magnetron in the Philippines.

Financial information

Year-end report, 19 February 2001

Vällingby, 19 October 2000

ElektronikGruppen BK AB (publ)

Bengt-Olof Larsson
President & CEO

Quarterly data (Group)

	Operating income			Orders received			Profit after net financial items		
(MSEK)	00	99	98	00	99	98	00	99	98
Quarter 1	131	113	116	187	110	117	12.1	6.8	10.1
Quarter 2	177	123	110	168	120	103	19.9	6.1	9.5
Quarter 3	187	124	106	165	119	108	18.3	8.5	7.0
Quarter 4		141	125		119	111		10.6	9.5
		501	457		468	439		32.0	36.1

The Group in summary

Income statements

MSEK	Jan-Sept 2000	Jan-Sept 1999	Full year 1999
Operating income			
Net sales	458.2	344.8	476.8
Invoiced services, commission-based sales	20.4	6.2	11.4
Other operating income	<u>16.5</u>	<u>8.8</u>	<u>12.7</u>
	495.1	359.8	500.9
Operating expenses			
Goods for resale, raw materials and consumables	-319.7	-243.3	- 333.4
Other external expenses	-37.5	-35.5	- 50.6
Personnel costs	-78.7	-53.7	- 76.7
Depreciation of tangible and intangible fixed assets	-8.3	-6.5	- 9.3
Other operating expenses	<u>-1.3</u>	<u>-0.1</u>	<u>- 0.2</u>
Operating profit	49.6	20.7	30.7
Result from financial investments			
Interest income and similar profit/loss items	4.5	1.3	1.8
Interest expense and similar profit/loss items	<u>-3.8</u>	<u>-0.6</u>	<u>- 0.4</u>
Profit after financial items	50.3	21.4	32.1
Tax on net profit for the period	-14.1	-5.4	- 10.3
Minority share in profit	<u>-0.9</u>	<u>-0.2</u>	<u>- 0.3</u>
Net profit for the period	35.3	15.8	21.5

Balance sheets

MSEK	30/09/00	30/09/99	31/12/99
Intangible fixed assets	6.5	7.0	7.3
Tangible and financial fixed assets	37.4	34.5	33.9
Inventories	84.6	54.6	55.9
Accounts receivable	128.0	75.8	81.3
Other current receivables	22.9	5.6	5.9
Cash and bank balances	<u>32.0</u>	<u>30.8</u>	<u>32.4</u>
Total assets	311.4	208.3	216.7
Shareholders' equity	157.6	119.8	126.4
Minority interest	2.0	3.8	2.0
Interest-bearing liabilities	0.0	0.2	0.0
Operating liabilities and provisions	<u>151.8</u>	<u>84.5</u>	<u>88.3</u>
Total shareholders' equity and liabilities	311.4	208.3	216.7

Cash flow statements

MSEK	Jan-Sept 2000	Jan-Sept 1999	Full year 1999
Cash flow before change in working capital	46.1	22.6	31.7
Change in working capital	<u>-32.9</u>	<u>-14.2</u>	<u>- 18.1</u>
Cash flow from operating activities	13.2	8.4	13.6
Cash flow from investing activities	-8.9	-8.3	- 11.0
Cash flow from financing activities	<u>-4.7</u>	<u>-7.2</u>	<u>-8.1</u>
Change in liquid assets	-0.4	-7.1	-5.5

Three-year summary

MSEK	Jan- Sept 2000	Jan- Sept 1999	Jan- Sept 1998	Full year 1999	Full year 1998	Full year 1997
INCOME STATEMENTS						
Operating income	495.1	359.8	332.5	500.9	456.7	454.3
Operating profit	49.6	20.7	25.5	30.7	33.9	32.6
Profit before tax	50.3	21.4	26.6	32.1	36.1	32.1
Tax	-14.1	-5.4	-7.5	-10.3	-10.9	-9.4
Minority share in profit	<u>-0.9</u>	<u>-0.2</u>	<u>-1.3</u>	<u>-0.3</u>	<u>-1.4</u>	<u>-0.7</u>
Net profit for the period	35.3	15.8	17.8	21.5	23.8	22.0
ASSETS						
Fixed assets						
Intangible fixed assets	6.5	7.0	5.4	7.3	5.2	4.2
Tangible and financial fixed assets	37.4	34.5	32.0	33.9	33.7	25.0
Current assets						
Liquid assets	32.0	30.8	34.9	32.4	37.9	32.4
Other current assets	<u>235.5</u>	<u>136.0</u>	<u>112.6</u>	<u>143.1</u>	<u>113.6</u>	<u>109.3</u>
Total assets	311.4	208.3	194.9	216.7	190.4	170.9
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	157.6	119.8	102.2	126.4	108.7	88.3
Minority interest	2.0	3.8	3.5	2.0	3.7	1.6
Interest-bearing liabilities	0.0	0.2	4.6	0.0	1.7	0.2
Operating liabilities and provisions	<u>151.8</u>	<u>84.5</u>	<u>84.6</u>	<u>88.3</u>	<u>76.3</u>	<u>80.8</u>
Total shareholders' equity and liabilities	311.4	208.3	194.9	216.7	190.4	170.9
KEY RATIOS						
Gross margin, %	12.6	7.9	10.0	8.3	9.6	9.3
Operating margin, %	10.8	6.0	7.8	6.4	7.6	7.3
Profit margin, %	11.0	6.2	8.1	6.7	8.0	7.2
Return on equity, %	24.8	13.9	18.7	18.3	24.2	27.4
Return on capital employed, %	39.8	19.9	28.5	28.9	38.5	43.3
Return on total capital, %	20.5	11.1	14.6	16.1	20.3	21.8
Equity ratio, %	51.3	59.4	54.3	59.3	59.1	52.6
Debt/equity ratio, times	0.0	0.0	0.0	0.0	0.0	0.0
Share of risk-weighted capital, %	53.9	63.3	57.7	63.1	63.4	56.3
Interest coverage ratio, times	14.3	36.3	151.9	50.7	66.6	24.5
Earnings per share, SEK	6.55	2.95	3.32	3.99	4.45	4.10
Equity per share, SEK	29.27	22.25	18.98	23.48	20.29	16.48
Net investments in fixed assets						
- tangible	8.9	2.6	13.0	3.7	15.9	20.2
- financial	0.0	7.2	4.3	7.2	3.6	7.4
Investments as a % of net sales	1.8	2.7	5.2	2.2	4.3	6.1

Examination

The interim report has not been examined by the company's auditors.

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