



January - September 2002 Interim Report

Net sales increased to SEK 988.5 million (811.2).

Result after financial items was SEK -35.6 million (-41.6).

Earnings per share after full income tax totaled SEK -2.57 (-3.81).

The cash flow after investments was positive at SEK 58.4 million (-44.0).

The equity/assets ratio rose to 41.9% (35.5).

## Earnings continue to improve despite unchanged market

### Market trends

The market still remains slow, characterized by major discrepancies among sectors and individual customers. Many of our customers find themselves in position of receiving more short-term and fewer long-term orders than normal.

Demand remains unchanged in the telecom infrastructure segment.

In the case of IT/mechatronics, demand varies widely. Despite the state of the market, a number of customers are exhibiting considerable strength. However, overall demand remains low in comparison with recent years.

Following weakness early in the year, the medical equipment segment is enjoying increased volumes.

The contract manufacturing sector is currently undergoing structural changes. In addition to several cases of consolidation, a number of the larger companies are showing signs of seeking new strategic direction. PartnerTech believes that these changes are generating greater opportunities and strengthening its position in the market.

### Net sales, earnings and profitability

Net sales for the first nine months of 2002 were SEK 988.5 million (811.2). That represents 22 per cent increase from the same period of 2001. A large percentage of the improvement for IT/mechatronics and medical equipment reflected sales stemming from the acquisition of Vellinge Electronics in the fourth quarter of 2001. Sales at comparable units fell by 16 per cent from the first nine months of 2001. There was only a 4 per cent decline during the third quarter.

### Net sales by business area

MSEK	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2002 % of sales	2001 % of sales
Telecom infrastructure	60.1	57.1	227.7	303.0	23 %	37 %
IT/mechatronics	178.3	118.0	586.8	396.1	59 %	49 %
Medical equipment	61.3	36.5	174.0	112.1	18 %	14 %
Total	299.7	211.6	988.5	811.2	100 %	100 %

### Group's performance per quarter

MSEK	Q 3 -00	Q 4 -00	Q 1 -01	Q 2 -01	Q 3 -01	Q 4 -01	Q 1 -02	Q 2 -02	Q 3 -02
Net sales	275.4	335.7	310.5	289.1	211.6	315.6	334.2	354.6	299.7
Operating profit/loss	24.5	18.2	4.4	- 4.2	-11.3	0.5	-21.1	-7.7	1.4
Operating margin*	8.9%	5.4%	1.4%	-1.5%	-5.3%	0.2%	-6.3%	-2.2%	0.5%

\* Excluding items affecting comparability (SEK 1.8 million for Q4 2000, SEK -21.8 million for Q2 2001, and SEK 6.8 million for Q4 2001)

Operating earnings for the first nine months of 2002 totaled SEK -27.4 million (-32.9). That figure was chiefly a result of the decline in sales over the past year, as well as the time and resources required to adapt costs to current demand. Other contributing factors were irregular volumes and the growing prevalence of short series.

Operating earnings rose by SEK 12.7 million to SEK 1.4 million (-11.3) from the third quarter of 2001 to the corresponding period of 2002.

Net interest income for the first nine months of 2002 was SEK -8.2 million (-8.7). The loss after financial items totaled SEK -1.5 million (-14.3) in the third quarter and SEK -35.6 million (-41.6) for the first nine months.

### Financial position and liquidity

Operating capital decreased by SEK 92.2 million to SEK 576.7 million (423.4) during the first nine months. Excluding the SEK 202.8 million increase accompanying the acquisition of Vellinge Electronics, the closing figure was SEK 49.5 less than on the same date in 2001.

Working capital declined by SEK 46.6 million to SEK 277.4 million (164.9) from the beginning of the year until the end of the third quarter. Working capital rose by SEK 112.5 million, of which SEK 117.4 million was a result of the Vellinge Electronics acquisition, from the same date in 2001. Excluding the acquisition, the figure was reduced by SEK 4.9 million.

The balance sheet includes SEK 10.0 million for the repayment of pension funds granted by Alecta. No change was made to the accounts following Alecta's announcement that it was temporarily freezing current disbursements.

Net investments amounted to SEK 4.3 million (78.0) during the period. The figure includes the divestment of financial assets totaling SEK 3.9 million.

Operations posted a positive cash flow after investments of SEK 58.4 million (-44.0). Cash flow after investments for the third quarter amounted to SEK -3.0 million (-10.5).



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Net borrowing, i.e. interest-bearing liabilities less cash and equivalents, was SEK 196.1 million (187.2) as of September 30.

Shareholders' equity totaled SEK 380.6 million (236.3) at the end of the first nine months. That represents an increase of SEK 133.5 million, of which SEK 144.3 million resulted from the issue of new shares for the acquisition of Vellinge Electronics, from the same date in 2001.

The equity/assets ratio increased by a slight 0.6 percentage points to 41.9 per cent (35.5) during the first nine months and by 6.4 percentage points since September 30, 2001.

### **Personnel**

The number of full-time employees averaged 1,091 (973) during the first nine months of 2002.

The figure declined by 39 to 1,102 (892) during the period and rose by 210 since September 30, 2001. The increase results from the fact that 266 full-time Vellinge Electronics employees moved over to PartnerTech as a result of the December 2001 acquisition.

The 2001 figure reflected an average increase of 110 full-time employees and an increase of 99 full-time employees at the end of the period following consolidation of Polish operations.

### **Accounting policies**

The same accounting principles have been employed as in the most recent annual report. Since PartnerTech has no products of its own, recommendation RR 15 of the Financial Accounting Standards Council concerning capitalization of research and development costs did not occasion any such capitalization.

### **Important developments during the period**

PartnerTech and SAAB Bofors Dynamics signed a letter of intent in June to begin collaborating more closely in the areas of mechanics, electronics and assembly. One step in that direction will be PartnerTech's assumption of responsibility for SAAB Bofors Dynamics's machining center. The Karlskoga unit employs some 130 people and post annual sales of approximately SEK 150 million.

PartnerTech also obtained an order during the period worth SEK 70 million from Hypercom Financial Terminals AB involving the manufacture of credit card terminals for use in an online system. Delivery is to be completed by December 31.

PartnerTech and Precise Biometrics announced over the summer that they would work more closely on the development and manufacture of several new Precise Biometrics products.



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PartnerTech announced in August that it was consolidating its Ljungby operations within other group units. The remaining Ljungby businesses of electrical cubicle assembly and spare parts sales were divested at the same time, to be taken over on October 1.

PartnerTech successfully underwent two highly important quality reviews during a short period of time:

- A Japanese customer in the telecom infrastructure segment performed a Quality Assurance Testing (QAT) review for 3G base station products.
- Meanwhile, a review in line with the FDA Quality System Regulation (QSR) was carried out in the medical equipment segment.

Approximately 50 additional employees received notices of termination in the third quarter. The Stockholm and Ljungby units were those primarily affected. The notices were the result of ongoing efforts to render the group's various businesses more cost-effective.

### **Upcoming financial reports**

The Preliminary Earnings Report for full-year 2002 will be released on February 10, 2003.

The January-March 2003 interim report will be released on April 23, the January-June interim report on July 16 and the January-September interim report on October 20.

The Annual General Meeting is scheduled for April 8, 2003.

PartnerTech AB, October 23, 2002  
Mikael Jonson  
CEO

*For additional information, please call Mikael Jonson, CEO, at +46 70 678 10 01, or Jonas Arkestad, CFO, at +46 40 10 26 42.*

*The Company's auditors have not examined this interim report.*



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<b>Consolidated income statement (MSEK)</b>	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
<b>Net sales</b>	299.7	211.6	988.5	811.2	1 126.8
Cost of goods and services sold	-279.7	-209.0	-955.0	-783.7	-1 087.3
<b>Gross profit/loss</b>	<b>20.0</b>	<b>2.6</b>	<b>33.5</b>	<b>27.5</b>	<b>39.5</b>
Selling expenses	-8.7	-6.4	-32.9	-21.1	-31.0
Administrative expenses	-8.5	-5.5	-26.0	-15.4	-18.2
Items affecting comparability	-	-	-	-21.8	-15.0
Other operating revenue	0.8	3.0	7.0	5.0	4.9
Other operating expenses	-2.1	-5.0	-9.0	-7.1	-5.9
<b>Operating profit/loss</b>	<b>1.4</b>	<b>-11.3</b>	<b>-27.4</b>	<b>-32.9</b>	<b>-25.7</b>
Net financial items	-2.9	-3.0	-8.2	-8.7	-8.6
<b>Profit/loss after financial items</b>	<b>-1.4</b>	<b>-14.3</b>	<b>-35.6</b>	<b>-41.6</b>	<b>-34.3</b>
Taxes	0.6	3.5	6.3	10.3	7.6
<b>Net profit/loss for the period</b>	<b>-0.8</b>	<b>-10.8</b>	<b>-29.3</b>	<b>-31.3</b>	<b>-26.7</b>

<b>Consolidated balance sheet (MSEK)</b>	2002 30 Sep	2001 30 Sep	2001 31 Dec
<b>Assets</b>			
Intangible fixed assets	141.1	83.8	153.4
Tangible fixed assets	186.3	163.0	215.7
Financial assets	22.8	35.6	20.3
<b>Total fixed assets</b>	<b>350.2</b>	<b>282.4</b>	<b>389.4</b>
<b>Current assets</b>			
- Inventories	285.1	205.2	295.5
- Account receivable	223.3	152.1	253.0
- Other current assets	44.3	24.8	34.8
- Cash and equivalents	8.5	0.6	8.6
<b>Total current assets</b>	<b>561.1</b>	<b>382.7</b>	<b>592.1</b>
<b>Total assets</b>	<b>911.3</b>	<b>665.1</b>	<b>981.5</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>380.6</b>	<b>236.3</b>	<b>416.6</b>
<b>Provisions</b>	<b>50.9</b>	<b>23.8</b>	<b>44.1</b>
Long-term interest-bearing credits	170.3	173.1	158.2
Current interest-bearing credits	34.4	14.7	103.1
<b>Total interest-bearing liabilities</b>	<b>204.7</b>	<b>187.8</b>	<b>261.3</b>
Accounts payable	166.5	109.9	142.6
Other current –non interest-bearing- liabilities	108.8	107.3	116.9
<b>Total non interest-bearing liabilities</b>	<b>275.3</b>	<b>217.2</b>	<b>259.5</b>
<b>Total equity and liabilities</b>	<b>911.3</b>	<b>665.1</b>	<b>981.5</b>

<b>Consolidated cashflow statement (MSEK)</b>	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
Net profit/loss	-0.9	-10.8	-29.3	-31.3	-26.7
Reversal of depreciation/amortization	10.9	11.8	44.9	36.2	50.9
Capital gain/loss	0.3	0.2	0.1	0.4	-0.1
Other adjustments	-	-	-	-	0.1
Change in deferred tax liability	-3.8	-3.9	-10.0	-3.5	4.1
Change in working capital	-7.9	-3.4	57.1	32.2	-127.1
Net investments	-1.7	-4.4	-4.3	-78.0	-186.5
<b>Cashflow after investments</b>	<b>-3.0</b>	<b>-10.5</b>	<b>58.4</b>	<b>-44.0</b>	<b>-285.3</b>
Change in loans	-3.8	-3.1	-56.7	-19.5	55.5
Dividend	-	-4.4	-	1.1	-12.5
Issue of new shares/subscriptions	4.3	0.0	-1.7	0.3	4.9
Translation differences	-	-	-	73.4	244.7
<b>Change in liquid funds</b>	<b>-2.5</b>	<b>-18.0</b>	<b>-0.1</b>	<b>-1.0</b>	<b>7.0</b>

<b>Key ratios</b>	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
Gross margin, %	6.7	1.2	3.4	3.4	3.5
Operating margin, % (excluding items affecting comparability)	0.5	-5.3	-2.8	-1.4	0.9
Operating margin	0.5	-5.3	-2.8	-4.1	-2.3
Profit margin, % (excluding items affecting comparability)	-0.5	-6.8	-3.6	-2.4	-1.7
Profit margin, %	-0.5	-6.8	-3.6	-5.1	-3.0
Return on operating capital, %*	0.9	-10.7	-6.1	-10.3	-5.6
Return on shareholders' equity, %*	-0.8	-17.3	-10.0	-16.7	-9.9
Equity/assets ratio, %	41.9	35.5	41.9	35.5	42.5

\* The return ratios are calculated based on the average of quarterly balances.

<b>Per-share data</b>	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
No. of shares at end of period, 000s	11 423	8 208	11 423	8 208	11 423
Profit/loss after full income tax (SEK), (excluding items affecting comparability)	-0,07	-1,32	-2,57	-1,90	-1,39
Profit/loss after full income tax (SEK)	-0,07	-1,32	-2,57	-3,81	-2,34
Shareholders' equity (SEK)	33,32	28,79	33,32	28,79	36,47

Employee stock options will increase the number of shares issued by not more than 690.250 or 5.7%

<b>Change in consolidated shareholders' equity</b>	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
<b>Operating balance</b>	<b>382.1</b>	<b>247.1</b>	<b>416.6</b>	<b>206.2</b>	<b>206.2</b>
Profit/loss for the period	-0.9	-10.8	-29.3	-31.3	-26.7
New share issue	-	-	-	73.4	244.7
Issue of subscription rights	-	-	-	-12.3	-12.5
Translation difference	-0.6	0,0	-6.7	0.3	4.9
<b>Closing balance</b>	<b>380.6</b>	<b>236.3</b>	<b>380.6</b>	<b>236.3</b>	<b>416.6</b>