

ElektronikGruppen BK AB (publ)

INTERIM REPORT

JANUARY - JUNE 2000

- **Profit after net financial items improved to MSEK 32.0 (12.9)**
- **Operating income totalled MSEK 308 (236)**
- **Commission sales improved to MSEK 468 (159)**
- **Earnings per share for half-year amounted to SEK 4.18 (1.76)**
- **Order bookings increased to MSEK 376 (234)**

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All time high

General

The first 6 months of the year were characterized by powerful growth in all of the Group's business areas. ElektronikGruppen has shown sales and earnings growth well in line with the market. This is the result of a determined focus on our customers and product mix with respect to growth, delivery reliability and technical expertise. According to notice from SPP, the company will be refunded surplus pension funds of MSEK 7.5. These funds have not been reported in the half-year result.

The Market

Our main market segments components trading, the telecom industry, show a strong growth. The strategic investments in transmission network and inductive components are starting to bear fruit and the trend is expected to remain positive throughout the year. The order backlog on 30 June 2000 was MSEK 152(75), compared with MSEK 70 at year-end.

Operations

The new organization with incorporated subsidiaries will go into effect on 1 August and is intended to better adapt operations to market dynamics by shortening decision-making paths and clarifying responsibility in the Group.

The Advanced Components (EGAC) business area's focus on extended cooperation with a number of strategic suppliers, in order to homogenize the product portfolio has been decisive in guaranteeing component availability to our key customers.

Invoicing amounted to more than MSEK 211 (170) and orders received in the first half of the year reached MSEK 246 (180). The positive trend is expected to last out the year. The dramatic rise in earnings of MSEK 23 (13) is attributable to increased sales/efficiency in the sales companies, as well as a higher share of invoiced services in commission-based sales of over MSEK 468 (159). The period saw a number of breakthroughs for ElektronikGruppen's own products in the Nordic telecom market.

At the end of the second quarter, a letter of intent was signed to acquire a controlling interest in the associated company MI Europe in the U.K., which will be one of the Group's future platforms for marketing of own products in western Europe.

The MTC (Magnetic Technology Components) business area reported a positive profit for second quarter while undergoing powerful expansion. Invoicing in the first half of the year totalled MSEK 28 (14) with a profit of MSEK – 0.5 (-3.6).

Orders received of MSEK 40 (13) are continuing to increase.

The Communication business area has consolidated its leading position as a supplier of broadband networks to regional and municipal network operators. EG Comtech in Uppsala was selected as supplier of equipment and services to Vattenfall's and the National Rail Administration's fiber optic infrastructures, an acknowledgement of our expertise and ability to carry out comprehensive telecom projects. The first sections of Regnet's Stockholm-Sundsvall grid were installed in the last weeks of June. The extended collaboration with ECI Telecom, which was formalized through the signing of a new 3-year agreement, will create scope for EG to expand its telecom ventures outside Sweden.

At the end of June, EG Comtech was registered in both Denmark and Norway and recruitment of personnel was started immediately.

Since 1 July the development company Whitehorse Ltd in the U.K. is part of the business area, with responsibility for development and design of new telecom products.

Invoicing in the first six months of the year amounted to MSEK 69 (48) and orders received totalled MSEK 90 (45). The business area is growing organically with a healthy profit of MSEK 9.6 (2.0). Continued strong development is anticipated throughout the year.

Investments

The period's net investments in tangible and financial fixed assets totalled MSEK 7.1 (10.0).

Equity ratio and liquidity

The Group's financial position remains strong. The equity ratio on 30 June 2000 was 53 (61) percent. Liquid assets (cash and bank balances) amounted to MSEK 38 (23) compared with MSEK 32 at year-end.

Personnel

The number of employees in the Group on 30 June 2000 was 963 (437) of which 736 is attributable to Magnatron in the Philippines.

Financial calendar

Interim report as per 30 September, 19 October.

Vällingby, 17 July 2000

ElektronikGruppen BK AB (publ)

Tsviatko Ganev
President and CEO

Quarterly data (Group)

(MSEK)	Operating income			Orders received			Profit after net financial items		
	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	172	123	110	168	120	103	19.9	6.1	9.5
Quarter 3		124	106		119	108		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-Jun 2000	Jan-Jun 1999	Full year 1999
Operating income			
Net sales	287.9	226.8	476.8
Commissionbased sales	14.1	3.6	11.4
Other operating income	<u>6.4</u>	<u>5.8</u>	<u>12.7</u>
	308.4	236.2	500.9
Operating expenses			
Goods for resale, raw materials and consumables	-201.7	-163.9	- 333.4
Other external costs	-23.9	-18.7	- 50.6
Personnel costs	-47.6	32.0	- 76.7
Depreciation of tangible and intangible fixed assets	-5.2	-4.4	- 9.3
Other operating expenses	<u>-0.2</u>	<u>-5.1</u>	<u>-0.2</u>
Operating profit	29.8	12.1	30.7
Result from financial investments			
Interest income and similar profit/loss items	2.3	1.3	1.8
Interest expense and similar profit/loss items	<u>-0.1</u>	<u>-0.5</u>	<u>-0.4</u>
Profit after financial items	32.0	12.9	32.1
Tax on net profit for the period	-9.0	-3.2	- 10.3
Minority share in profit	<u>-0.5</u>	<u>-0.2</u>	<u>-0.3</u>
Net profit for the period	22.5	9.5	21.5

Balance sheets

MSEK	30/06/00	30/06/99	31/12/99
Intangible fixed assets	6.8	7.2	7.3
Tangible and financial fixed assets	38.2	36.7	33.9
Inventories	68.0	47.5	55.9
Accounts receivable	102.4	73.3	81.3
Other current receivables	20.1	5.6	5.9
Cash and bank balances	<u>38.3</u>	<u>23.3</u>	<u>32.4</u>
Total assets	273.8	193.6	216.7
Shareholders' equity	142.3	113.8	126.4
Minority interest	1.6	3.8	2.0
Interest-bearing liabilities	0	0.4	0.0
Operating liabilities and provisions	<u>129.9</u>	<u>75.6</u>	<u>88.3</u>
Total shareholders' equity and liabilities	273.8	193.6	216.7

Cash flow statements

MSEK	Jan-Jun 2000	Jan-Jun 1999	Full year 1999
Cash flow before change in working capital	28.2	14.0	31.7
Change in working capital	<u>-10.0</u>	<u>-13.5</u>	<u>-18.1</u>
Cash flow from operating activities	18.2	0.5	13.6
Cash flow from investing activities	-7.1	-8.5	- 11.0
Cash flow from financing activities	<u>-5.2</u>	<u>-6.5</u>	<u>-8.1</u>
Change in liquid assets	5.9	-14.5	-5.5

Three-year summary

MSEK	Jan-Jun 2000	Jan-Jun 1999	Jan-Jun 1998	Full year 1999	Full year 1998	Full year 1997
INCOME STATEMENTS						
Operating income	308.4	236.2	226.3	500.9	456.7	454.3
Operating profit	29.8	12.1	19.2	30.7	33.9	32.6
Profit before tax	32.0	12.9	19.6	32.1	36.1	32.1
Tax	-9.0	-3.2	-5.5	-10.3	-10.9	-9.4
Minority share in profit	-0.5	0.2	0.9	-0.3	-1.4	-0.7
Net profit for the period	22.5	9.5	13.2	21.5	23.8	22.0
ASSETS						
Fixed assets						
Intangible fixed assets	6.8	7.2	4.9	7.3	5.2	4.2
Tangible and financial fixed assets	38.2	36.7	30.7	33.9	33.7	25.0
Current assets						
Liquid assets	38.3	23.3	27.7	32.4	37.9	32.4
Other current assets	<u>190.5</u>	<u>126.4</u>	<u>112.2</u>	<u>143.1</u>	<u>113.6</u>	<u>109.3</u>
Total assets	273.8	193.6	175.5	216.7	190.4	170.9
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	142.3	113.8	97.2	126.4	108.7	88.3
Minority interest	1.6	3.8	3.2	2.0	3.7	1.6
Interest-bearing liabilities	0	0.4	4.4	0.0	1.7	0.2
Operating liabilities and provisions	<u>129.9</u>	<u>75.6</u>	<u>70.7</u>	<u>88.3</u>	<u>76.3</u>	<u>80.8</u>
Total shareholders' equity and liabilities	273.8	193.6	175.5	216.7	190.4	170.9
KEY RATIOS						
Gross margin, %	12.2	7.3	10.9	8.3	9.6	9.3
Operating margin, %	10.3	5.3	8.7	6.4	7.6	7.3
Profit margin, %	11.1	5.7	8.8	6.7	8.0	7.2
Return on equity, %	16.7	9.0	14.2	18.3	24.2	27.4
Return on capital employed, %	25.1	12.4	21.9	28.9	38.5	43.3
Return on total capital, %	13.1	7.0	11.5	16.1	20.3	21.8
Equity ratio, %	52.6	60.8	57.2	59.3	59.1	52.6
Debt/equity, times	0	0.0	0.0	0.0	0.0	0.0
Share of risk-weighted capital, %	55.6	65.0	61.0	63.1	63.4	56.3
Interest coverage ratio, times	241.6	26.0	59.2	50.7	66.6	24.5
Earnings per share, SEK	4.18	1.76	2.45	3.99	4.45	4.10
Equity per share, SEK	26.42	21.14	18.06	23.48	20.29	16.48
Net investments in fixed assets						
- tangible	7.1	2.8	9.6	3.7	15.9	20.2
- financial	0	7.2	3.7	7.2	3.6	7.4
Investments as a % of net sales	2.3	4.2	5.9	2.2	4.3	6.1

Auditors' report

We have conducted an examination of this interim report in accordance with the recommendations of the Swedish Institute of Authorized Public Accountants (FAR). An examination is substantially limited in relation to an audit. We have not found anything to indicate that the interim report does not fulfil the requirements in the Act on Trading and Clearing Activities or the Annual Accounts Act.

12 July 2000

Svante Nylén
Authorized Public Accountant

Björn Fernström
Authorized Public Accountant

L ElektronikGruppen BK AB

Grimstagatan 160 • Box 39 • 162 11 Vällingby
tel 08-759 35 00 • fax 08-38 10 35 • info@egruppen.se • www.egruppen.se