

## IRO AB

### INTERIM REPORT

**1 January - 30 September 2000**

- Net turnover was MSEK 847 (MSEK 696), an increase of 22 per cent
- Order levels were 16 per cent up on those for the first three quarters of 1999
- Operating income totalled MSEK 142 (MSEK 53)
- Income after financial items totalled MSEK 135 (MSEK 57)
- Earnings per share amounted to SEK 6,47 (SEK 2,63)
- Shares in IRO will cease to be quoted on the Stockholm Stock Exchange during Autumn 2000.

#### THE GROUP IN BRIEF

	1 Jan-30 Sept 2000	1 Jan-30 Sept 1999	Change 2000/1999
<b>MSEK</b>			
Net turnover	847	696	+22
Operating income before restructuring costs	142	65	+ 118
Net operating income	142	53	+ 166
Income after financial items	135	57	+ 138
Earnings per share <sup>1</sup> , SEK	6,47	2,63	+ 146

<sup>1</sup> Based on a total of 12,5 million issued shares

#### TRENDS IN OPERATIONS

##### Markets and sales

The third quarter saw the continued favourable development of the IRO Group's net turnover. Turnover for the first three quarters of the year totalled MSEK 847, an increase of some 22 per cent over the corresponding period in 1999.

Order intake also continued at a very high level, and showed an increase of 18 per cent over that for the third quarter of 1999. The strengthening of the Swedish *krona* at the beginning of the year had a negative effect on accumulated order intake over the first nine months corresponding to 3 per cent.

## ORDER LEVELS QUARTER BY QUARTER

<b>MSEK</b>	<b>2000</b>	<b>± %</b>	<b>1999</b>	<b>± %</b>	<b>1998</b>	<b>± %</b>	<b>1997</b>
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	267,7	+ 18	226,9	+ 12	202,8	- 24	268,1
Fourth quarter			301,3	+ 26	239,2	- 5	251,9
<b>TOTAL FOR THE YEAR</b>			<b>1 044,2</b>	<b>+ 7</b>	<b>974,3</b>	<b>- 11</b>	<b>1 088,9</b>

Market trends have been at their most positive where the Weaving Division's products are concerned, with order intake increasing by 26 per cent during the first nine months of the year. The Knitting Division has increased its order intake by 4 per cent over the same period.

## GROUP TOTALS

<b>MSEK</b>	<b>1 Jan-30 Sept 2000</b>	<b>1 Jan-30 Sept 1999</b>	<b>1 July-30 Sept 2000</b>	<b>Total for 1999</b>
Orders received	861	743	268	1 044
Order book	157	137	157	139
Net turnover	847	696	269	992
Operating income	142	65 <sup>1</sup>	37	118 <sup>1</sup>
Income after financial items	135	57	35	120 <sup>1</sup>
Operating margin, %	17	10	14	12 <sup>1</sup>

<sup>1</sup> Before restructuring costs of MSEK 12

## DEVELOPMENTS IN OPERATIONS

### Repayment receivable from SPP Insurance Group

The Interim Report for the first six months of 2000 set out the way in which the IRO Group intended to utilize the one-off payment of MSEK 16,7 to be received from the SPP Insurance Group in connection with over-consolidation. Since the publication of that Report, SPP has reduced the funds to be allocated by MSEK 4 on the basis that the amount in question relates to a company with a different registered number. The IRO Group has appealed against the reduction, but no final decision has yet been announced.

The IRO Group takes the view that it is entitled to receive the full amount of MSEK 16,7. No change has been made in the way in which this sum has been reported.

## Operating income

Operating income continued to develop strongly during the third quarter, and totalled MSEK 37, almost half as much again as that for the third quarter of 1999 (before restructuring costs). Operating income for the first three quarters of the year was MSEK 142, as against MSEK 65 (before restructuring costs) for the corresponding period in 1999, as the following table illustrates:

### GROUP OPERATING INCOME QUARTER BY QUARTER

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 <sup>1</sup>	- 61	43,3	- 21	54,7
Third quarter	37,4	+ 54	27,3 <sup>1</sup>	+ 9	25,0	- 46	46,6
Fourth quarter			52,7	+ 443	9,7 <sup>1</sup>	- 81	51,0
<b>TOTAL FOR YEAR</b>			<b>117,8</b>	<b>- 6</b>	<b>125,4</b>	<b>- 36</b>	<b>195,7</b>

<sup>1</sup> Before restructuring costs

The continuing strength of the Swedish *krona* as against the *euro* has had a negative effect on operating income of MSEK 3 by comparison with the corresponding period in 1999.

The main reasons for the MSEK 89 improvement in operating income during the first three quarters of the year, from MSEK 53 to MSEK 142, are illustrated by the following table:

MSEK	2000 as against 1999			
	Q 1	Q 2	Q 3	Q 1-3
Volume and gross margin	29	26	15	70
Overheads	2	(10)	(3)	(11)
Non-comparable items	-	18	10	28
Depreciation	1	2	(1)	2
<b>TOTAL EFFECT ON OPERATING INCOME</b>	<b>32</b>	<b>36</b>	<b>21</b>	<b>89</b>

## Income after financial items

The net deficit on financial items was MSEK 7, as against a net deficit of MSEK 5 for the first three quarters of 1999.

<b>MSEK</b>	<b>Q 1-3 2000</b>	<b>Q 1-3 1999</b>	<b>Total for 1999 <sup>1</sup></b>
<b>Operating income</b>	142	65 <sup>1</sup>	118
Net deficit on financial items	(7)	(5)	(8)
Exchange rate differences on loans	-	9	10
<b>Income after financial items</b>	<b>135</b>	<b>69 <sup>1</sup></b>	<b>120</b>

<sup>1</sup> Before restructuring costs

### **Income for the period and net earnings per share**

The rate of tax applicable for the first nine months of the year was 40 per cent, as against 42 per cent for the same period in 1999. Net profit for the period was MSEK 81, as against MSEK 33 for the same period in 1999. Net earnings per share were SEK 6,47 (SEK 2,63).

### **ONGOING INVESTMENTS**

During the first nine months of the year, net investments in fixed assets exclusive of properties amounted to MSEK 49 (MSEK 25). The total for the full year is expected to be in the region of MSEK 60. In addition and as reported earlier, the sum of MSEK 17,4 has been invested in the repurchase of the premises in Ulricehamn which house the Company's headquarters. Investments made over the whole of 1999 totalled MSEK 44.

### **LIQUIDITY AND FINANCING**

Positive cash flow for the first nine months of the year was MSEK 134, as against MSEK 63 for the corresponding period in 1999. Net indebtedness was MSEK 151 (MSEK 179), equivalent to a debt/equity ratio of 0,28 (0,39).

As at 30 September 2000 the Group's equity/assets ratio continued high, and was 50,4 per cent as against 47,6 per cent at the same point in 1999.

### **PERSONNEL**

During the first nine months of the year the average number of employees in the Group, expressed in terms of full-year employment, was 946 (895). The increase is accounted for by the increase in production volumes.

### **OUTLOOK FOR THE REMAINDER OF 2000**

Order intake has stabilized at a high level, and is expected to be sustained throughout the remainder of the year.

### **FUTURE FINANCIAL REPORTING**

Following the acquisition of the majority of its issued share capital by a Belgian company, N.V. Michel van de Wiele, shares in IRO will cease to be quoted on the Stockholm Stock Exchange during Autumn 2000.

**KEY RATIOS**  
(Definitions in accordance with 1999 Annual Report)

	1 Jan- 30 Sept 2000	1 Jan- 30 Sept 1999	1 Jan-30 Sept 1999 <sup>2</sup>	Total for 1999
Operating margin, %	16,7	7,7	9,3	10,7
Net profit margin, %	9,6	4,7	5,9	6,2
Interest cover, times	15,4	7,6	9,2	10,5
Return on capital employed, %	24,1	9,6	11,6	14,2
Return on equity, %	21,6	9,6	11,9	13,1
Earnings per share, SEK <sup>1</sup>	6,47	2,63	3,30	4,95
Debt/equity ratio, times	0,28	0,39	0,39	0,28
Equity/assets ratio, %	50,4	47,6	48,5	49,2
Equity per share, SEK <sup>1</sup>	42,41	36,22	36,89	38,49

<sup>1</sup> Based on a total of 12,5 million issued shares

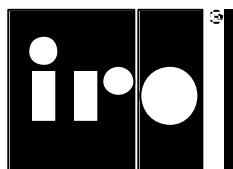
<sup>2</sup> Figures before restructuring costs

Ulricehamn, 24 October 2000

Stig-Arne Blom  
President

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

**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 Sept 2000	1 Jan-30 Sept 1999	Total for 1999
<b>Operating revenues</b>			
Net turnover	847	696	992
Variations in stocks	11	9	4
Capitalized work on own account	-	-	2
<b>Total operating revenues</b>	<b>858</b>	<b>705</b>	<b>998</b>
<b>Operating expenses</b>			
Raw materials and consumables	(301)	(244)	(350)
Other external charges	(136)	(117)	(148)
Personnel costs	(245)	(227)	(312)
Non-comparable items	17	(12)	(12)
<b>Operating income before depreciation</b>	<b>193</b>	<b>105</b>	<b>176</b>
Depreciation of tangible and intangible fixed assets	(51)	(52)	(70)
<b>Operating income</b>	<b>142</b>	<b>53</b>	<b>106</b>
<b>Financial items</b>			
Interest receivable and similar income	3	2	2
Interest payable and similar charges	(10)	(7)	(10)
Differences on rates of exchange	-	9	10
<b>Income after financial items</b>	<b>135</b>	<b>57</b>	<b>108</b>
Minority interests	-	-	(1)
Tax	(54)	(24)	(45)
<b>Net profit for the period</b>	<b>81</b>	<b>33</b>	<b>62</b>

## SUMMARY OF BALANCE SHEETS

<b>MSEK</b>	<b>30 Sept 2000</b>	<b>30 Sept 1999</b>	<b>31 Dec 1999</b>
<b>ASSETS</b>			
Goodwill	168	181	177
Other intangible fixed assets	36	27	25
Tangible fixed assets	241	228	231
<b>Total fixed assets</b>	<b>445</b>	<b>436</b>	<b>433</b>
Stocks	222	184	179
Customer receivables	248	206	229
Other short-term receivables	44	51	41
Cash in hand and at the bank	105	83	107
<b>Total current assets</b>	<b>619</b>	<b>524</b>	<b>556</b>
<b>TOTAL ASSETS</b>	<b>1.064</b>	<b>960</b>	<b>989</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>530</b>	<b>453</b>	<b>481</b>
<b>Minority interests</b>	<b>6</b>	<b>5</b>	<b>5</b>
Long-term loans	251	257	240
Other long-term liabilities and provisions	68	66	51
<b>Total long-term liabilities</b>	<b>319</b>	<b>323</b>	<b>291</b>
Short-term loans	5	5	3
Other short-term liabilities	204	174	209
<b>Total short-term liabilities</b>	<b>209</b>	<b>179</b>	<b>212</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.064</b>	<b>960</b>	<b>989</b>

# SUMMARY OF CASH FLOW ANALYSES

<b>MSEK</b>	<b>1 Jan-30 Sept 2000</b>	<b>1 Jan-30 Sept 1999</b>	<b>Total for 1999</b>
<b>Income before tax but after minority interests</b>	135	57	107
Reversal of depreciation	51	52	70
Reversal of gains on disposals of fixed assets	-	-	5
Reversal of provisions	-	-	(5)
Reversal of interest on financing	5	4	6
Tax paid	(57)	(50)	(62)
<b>Cash flow before changes in working capital</b>	<b>134</b>	<b>63</b>	<b>121</b>
<b>Total changes in working capital</b>	<b>(53)</b>	<b>(23)</b>	<b>(19)</b>
<b>Net investments including exchange rate differences on loans</b>	<b>(67)</b>	<b>(19)</b>	<b>(39)</b>
<b>Net financing</b>	<b>(20)</b>	<b>(16)</b>	<b>(34)</b>
<b>Changes in cash flow</b>	<b>(6)</b>	<b>5</b>	<b>29</b>
<b>Balances as at 1 January</b>	<b>107</b>	<b>82</b>	<b>82</b>
<b>Exchange rate differences on loans</b>	<b>4</b>	<b>(4)</b>	<b>(4)</b>
<b>Balances as at end of period</b>	<b>105</b>	<b>83</b>	<b>107</b>