



2000-11-01

## INTERIM REPORT NEW WAVE GROUP AB (publ)

January – September 2000

### “The profit increase continues”

- During the period January–September 2000, New Wave increased its sales by 33 per cent to SEK 782,1 (588,7) million.
- The profit after net financial items increased to 65,9 (39,8).
- The profit after net financial items for the period October 1999 to September 2000 was 80,1 MSEK (51,4).
- The Profiling business area increased its sales by 58 per cent to SEK 527,0 (333,0) million. The profit after net financial items amounted to SEK 54,0 (31,9) million.
- The Retailing business area sales amounted to SEK 255,1 (254,5) million. The profit after net financial items amounted to SEK 11,9 (7,9) million.
- Textet AB was consolidated from May 1, 2000. In order to take advantage of the synergies, the business of Matching Textil AB has been coordinated with Textet AB from September 1, 2000. The costs of this coordination have been taken into account in the third quarter.
- During the third quarter, the profit has been affected in a negative way by business set up in United Kingdom as well as New Wave's investment in e-commerce through Cyberwave AB.

## Sales

During the period January to September 2000, New Wave's sales increased by 33 per cent to SEK 782,1 (588,7) million. For the Profiling business area, sales rose by 58 per cent. For the Retailing business area sales were unchanged. Sales on the Swedish market increased by 28 per cent to SEK 512,4 (400,3) million. The corresponding increase on the foreign markets amounted to 44 per cent.

Sales by Textet AB is consolidated from January 1, 2000.

## Profit

During the period January to September 2000, profit after net financial items increased to 65,9 SEK (39,8) million. The gross profit margin increased compared to last year and amounted to 37,9 (33,0) per cent.

The profit after net financial items for the period October 1999–September 2000 amounted to SEK 80,1 (51,4) million.

From May 1, 2000 Textet AB was consolidated as if it had been acquired from January 1, 2000. The net result for the period January – April equals to zero. Goodwill of 60,3 MSEK is depreciated by 5 % per year.

During spring profit and sales have been influenced in a negative way by delivery difficulties on all markets. These problems are now solved and for coming seasons the delivery security is high.

In addition, the profit for July-September has been affected in a negative way by approx. 2 MSEK, by business set up in United Kingdom as well as New Wave's investment in Cyberwave AB. This investment has a negative effect on the result, in principle due to the fact that the invoicing to retailers has not yet started. The major part of these costs will be turned into incomes during the last quarter.

The costs of coordination for Textet AB and Matching Textil have affected the third quarter in a negative way.

An allocated SPP-refund of 8 MSEK has been included in the result.

## The Profiling business area

During the period January-September 2000 the Profiling business area sales rose by 58 per cent to SEK 527,0 (333,0). The profit after net financial items amounted to SEK 54,0 (31,9) million.

## The Retailing business area

The Retailing business area sales rose to SEK 255,1 (254,5) million. The profit after net financial items for the business area amounted to 11,9 (7,9) million.

## Business abroad

### The Netherlands

Since September 1, 1999, the acquired business of the profiling company Town & Country VOF operates within New Wave Sportswear B.V. The trademark Clique is distributed on this market.

### United Kingdom

On November 1, 1999, New Wave acquired the British profile company Jay Kay Group Ltd. Jay Kay has so far distributed the

brand Airak in a very slim assortment consisting principally of t-shirts, sweatshirts and shirts. Through this acquisition, New Wave has access to one of the biggest profile markets in Europe. Due to delays, the trademarks Clique and New Wave were launched on the British market first during the second quarter.

The British Market is expected to be business area Profiles biggest market in Europe. There is a big interest from the market, however the launching has been delayed due to the delivery problems mentioned. This has led to a lower result during the first 9 months than expected. However, New Wave still has a very positive view of the British market.

### France

On April 2, 2000, a subsidiary was established on the French market. All staff has been recruited and an office set up in Lyon. Initially, distribution will be handled from New Wave's subsidiary in Italy.

Only the trademark Clique is distributed on the French market.

### Belgium

A sales office will be established during the next six months. The delay is due to a prolonged recruitment process in order to find the right personnel. Distribution to the Belgian market will be handled by the Dutch company

### Germany

Growth in sales remain favourable in Germany. Sales for the Profiling business area has exceeded last year considerably. Short-term growth has been given priority over profit on the German market.

### Spain

Both sales and profit have improved considerably in Spain compared to last year.

### Switzerland

During the third quarter, a company has been established in Switzerland in order to take care of the group's administration of licenses and trademarks.

## Integration of Textet AB

Textet is integrated according to plan.

New Wave anticipates considerable synergy effects as a result of the acquisition, through the improved ability to coordinate the purchasing of goods and services, as well as logistics and marketing. The total long-term impact of this synergy is estimated to SEK 17-25 million.

Textet AB will distribute the following brands: James Harvest Sportswear, Printer, Jingham and MacOne.

During fall Matching Textil AB and Textet AB have been coordinated, which is estimated to yield cost savings of SEK 5-7 million per year included in the synergies mentioned. The full effect of the savings will take place first 12 months after. The coordination costs have been included in the result for the third quarter.

The new group has, for the rolling one year period October 1999 to September 2000, a proforma turnover of SEK 990 million. The estimated turnover for the year of 2000 is estimated to 1,100 MSEK.

## E-commerce

New Wave Group AB is in the process of establishing an e-commerce company, Cyberwave AB, within the Profiling business area. The system will provide the possibility for New Wave Group to promote one common site that can be accessed by all end-customers with links to retailers for direct trade on the net. The retailers can also connect their own addresses, which the end-customer can use for direct trade on the net.

The e-commerce company will put all New Wave Groups' brands/concepts in the Profiling business area such as Clique, New Wave, Mac One, Jingham, Cottover, on the market.

The e-commerce company will in the future also explore the possibility of co-operation with other suppliers of supplementary products such as "hard" promo articles and workwear.

The e-commerce system will be launched in all countries where New Wave Group has Company Profiling activities, starting in Sweden in the fall of 2000.

The objective is to offer the best and most extensive electronic market place in the Profiling business, to get the market leading position within this area and to have 500 retailers connected to the system within a year from startup.

## Dressmart

New Wave Group has offered options to shareholders who represent more than 90 % of capital and votes in Dressmart. The options imply a right for the shareholders to sell their shares in Dressmart to New Wave Group. The options are conditioned by among other things the other shareholders' right to acquisition.

New Wave's objective to acquire Dressmart is in line with its investment in BTB through Cyberwave AB.

## Logistics

New Wave Group has together with the municipality of Munkedal, formed the company Dingle Industrilokaler. New Wave Group owns shares corresponding to 49 % of the capital and votes while the municipality of Munkedal owns 51 %. The company will provide industrial premises for limited use by December 1, 2001. New Wave Group AB estimates a saving of 5-7 MSEK per year from 2002 by coordinating the handling of inventories.

## Investments

The Group's net investments in fixed assets for the period Jan-Sep 2000 was SEK 18,8 (17,1) million.

## Financing and Liquidity

Cash flow after investments and acquisitions for the period was SEK -196,2 (-99,9) million. Liquid assets at the end of September 2000 amounted to SEK 7,8 million compared to SEK 38,4 million for the same period in 1999. Net borrowing amounted to SEK 486,2 million compared to SEK 357,1 million for the corresponding period in 1999, an increase of SEK 129,1 million.

## Personnel

The number of employees in the past 12-month period (October 1999 – September 2000) was 305 persons, compared to 228 last year. The increase is due mainly to taking on employees from the acquired companies of Textet AB as well as the companies in The Netherlands and United Kingdom.

## Refund SPP

The allocated SPP-refund amounts to SEK 10,5 million. The amount has been accounted to the present value of SEK 8,0 million during the second quarter of 2000.

## Split of shares

The Annual General Meeting decided, May 12, 2000, to effect a share splitting of the New Wave Group AB's shares 2:1. The total amount of shares increased from 3 550 052 to 7 100 104. The first trading day after the split of shares was July 28, 2000.

## Convertible program

In June 2000, the company launched a convertible program for the personnel. The convertible program will give a dilution of approx. 2,1 % of the share capital.

## The Parent Company

During January –September 2000 sales increased by SEK 18,3 to SEK 42,5 (24,2) million. The profit after financial items amounted to 17,0 SEK (6,2) million. For the period January-September 2000, net borrowing increased by SEK 102,0 (73,0) million and investments by SEK 1,1 (1,6) million.

Borås, November 1, 2000  
New Wave Group AB (publ)

Torsten Jansson  
Managing Director

## Forthcoming information

The annual report will be published February 19, 2001.

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## Examination Report

In overall this interim report has been examined according to the recommendations outlined by the Swedish Institute of Authorized Public Accountants. However an overall examination is limited in comparison to an audit. Nothing has appeared which would imply that the report does not fulfil the legal requirements of financial statements.

Bertel Enlund  
Authorized public  
accountant  
Ernst & Young AB

Per Schwartzman  
Authorized public  
accountant  
Ernst & Young AB

## Results, SEK million

	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
<b>Invoiced sales</b>	<b>782,1</b>	<b>588,7</b>	<b>799,0</b>
<b><u>Operating expenses</u></b>			
Goods for resale	- 485,9	- 394,7	- 530,3
Other external expenses	- 129,3	- 73,0	- 102,3
Personnel costs	- 82,5	- 63,0	- 86,0
Depreciation of tangible and intangible fixed assets	- 14,3	- 9,9	- 13,9
Allocated SPP	8,0		
<b>Operating profit</b>	<b>78,1</b>	<b>48,1</b>	<b>66,5</b>
<b>Net financial items</b>	<b>- 12,2</b>	<b>- 8,3</b>	<b>- 12,4</b>
<b>Profit after net financial items</b>	<b>65,9</b>	<b>39,8</b>	<b>54,1</b>
Tax on the profit/loss for the period	- 21,5	- 11,6	- 17,4
Minority share of the profit/loss for the period	- 0,4	- 0,3	- 0,1
<b>Result for the period</b>	<b>44,0</b>	<b>27,9</b>	<b>36,6</b>

(Texet AB was consolidated on May 1, 2000 as if it was acquired on January 1, 2000. The profit for the period January-April 2000 is equal with 0, which means no elimination is shown.)

## Quarterly Results, SEK million

Quarter	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Invoiced sales	207,6	323,3	251,2	176,4	214,3	198,0	210,3
Goods for resale	- 131,1	- 199,3	- 155,5	- 113,7	- 141,5	- 139,5	- 135,6
<b>Gross profit</b>	<b>76,5</b>	<b>124,0</b>	<b>95,7</b>	<b>62,7</b>	<b>72,8</b>	<b>58,5</b>	<b>74,7</b>
<b>Gross profit in %</b>	<b>36,9%</b>	<b>38,4%</b>	<b>38,1%</b>	<b>35,5%</b>	<b>34,0%</b>	<b>30,0%</b>	<b>35,5%</b>
External costs	- 38,6	- 47,5	- 43,2	- 32,7	- 22,6	- 17,7	- 29,4
Personnel costs	- 23,6	- 32,7	- 26,2	- 21,2	- 20,7	- 21,1	- 23,0
Depreciation	- 3,9	- 5,1	- 5,3	- 3,1	- 3,5	- 3,3	- 4,1
Allocated SPP		8,0					
<b>Operating profit/loss</b>	<b>10,4</b>	<b>46,7</b>	<b>21,0</b>	<b>5,7</b>	<b>26,0</b>	<b>16,4</b>	<b>18,2</b>
Interest income	0,5	0,7	0,7	1,2	0,9	0,5	0,1
Interest expense	- 3,6	- 5,1	- 5,5	- 4,7	- 2,5	- 3,7	- 4,1
<b>Profit after net financial items</b>	<b>7,3</b>	<b>42,3</b>	<b>16,2</b>	<b>2,2</b>	<b>24,4</b>	<b>13,2</b>	<b>14,2</b>
Tax	- 3,0	- 11,9	- 6,5	- 0,8	- 6,8	- 4,0	- 5,8
Minority share	- 0,4	0,2	- 0,2	- 0,1		- 0,2	0,2
<b>Result for the period</b>	<b>3,9</b>	<b>30,6</b>	<b>9,5</b>	<b>1,3</b>	<b>17,6</b>	<b>9,0</b>	<b>8,6</b>

## Balance Sheet

SEK million

	Sept 30 2000	Sept 30 1999	Dec 31 1999
<b><u>Assets</u></b>			
Intangible fixed assets	118,6	45,9	59,4
Tangible fixed assets	49,1	40,7	39,4
Stock	505,8	313,3	275,8
Accounts receivable	208,5	174,4	137,6
Other short-term receivables	45,0	20,8	15,0
Liquid assets	7,8	38,4	41,8
<b>Total assets</b>	<b>934,8</b>	<b>633,5</b>	<b>569,0</b>
<b><u>Total liabilities and shareholders' equity</u></b>			
Shareholders' equity	326,2	190,1	198,8
Minority interest	1,7	1,4	1,2
Interest-bearing liabilities	486,2	357,1	290,5
Non-interest-bearing liabilities	120,7	84,9	78,5
<b>Total liabilities and shareholders' equity</b>	<b>934,8</b>	<b>633,5</b>	<b>569,0</b>

## Funds Statement

SEK million

	Jan - Sept 2000	Jan - Sept 1999	Jan - Dec 1999
<u>Current operations</u>			
Cash flow before changes in working capital	66,2	39,8	54,7
<u>Items not included in the cash flow</u>			
Depreciation	14,3	9,9	13,9
Paid tax	- 15,8	- 7,9	-11,6
<b>Cash flow before changes in working capital</b>	<b>64,7</b>	<b>41,8</b>	<b>57,0</b>
Changes in working capital	-242,1	- 124,6	- 53,6
<b>Cash flow after changes in working capital</b>	<b>-177,4</b>	<b>- 82,8</b>	<b>3,4</b>
Investment in fixed assets	- 21,0	- 17,5	- 35,0
Sale of fixed assets, net	2,2	0,4	2,5
<b>Cash flow after investments</b>	<b>- 18,8</b>	<b>- 17,1</b>	<b>- 32,5</b>
Loans raised	174,5	111,4	45,4
Dividends paid	- 12,0	- 5,6	- 5,7
<b>Cash flow from the financial business</b>	<b>162,5</b>	<b>105,8</b>	<b>39,7</b>
Cash flow for the year	- 33,7	5,9	10,6
Available funds in the beginning of the year	41,8	32,4	32,4
Exchange rate differences in available funds	- 0,3	-	- 1,2
Available funds in the end of the year	7,8	38,3	41,8

## Key Figures

SEK million	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
Growth in sales	32,8	9,0	12,5
Sales per employee	3,4	2,6	3,3
Gross profit margin, %	37,9	33,0	33,6
Operating margin, %	10,0	8,2	8,3
Profit margin, %	5,6	4,7	4,6
Return of shareholder's equity, %	22,4	20,8	19,9
Return of capital employed, %	16,4	14,1	15,3
Equity ratio, %	35,1	30,0	35,1
Debt/equity ratio, %	146,6	168,0	125,0
Interest cover ratio, times	5,6	4,6	4,6
Rate of turnover in capital, times	1,4	1,4	1,5
Rate of stock turnover, times	1,7	1,9	2,1
Investments	18,8	17,1	32,5
Cash flow after investments	- 196,2	- 99,9	- 29,1
Profit per share, SEK before dilution	6,92	4,65*	6,10*
Profit per share after dilution	6,88	-	-
Shareholder's equity per share, SEK	45,95	31,5*	33,15*
Share price, December 31, SEK	-	-	87,5*
Dividend per share, SEK	-	-	2,00*

\* Split 2:1 taken into account



## Shareholders

New Wave had 3,495 shareholders at September 30, 2000. Institutional investors accounted for 24 per cent of the capital and 5 per cent of the votes. The ten largest shareholders accounted for 66,1 per cent of the capital and 89,0 per cent of the votes. Foreign investors accounted for 7,7 per cent of the capital and 3,3 per cent of the votes.

## New Wave's Share Structure

Share series	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Series A shares	2,918,460	29,184,600	41.10%	87.47%
Series B shares	4,181,644	4,181,644	58.90%	12.53%
<b>Total</b>	<b>7,100,104</b>	<b>33,366,244</b>	<b>100.00%</b>	<b>100.00%</b>

## New Wave's Ten Major Shareholders

Shareholder	Number of shares	Percentage of capital	Percentage of votes	Number of votes
Torsten Jansson	77,000 B / 2,678,460 A	38.8%	80.5%	26,861,600
Småbolagsfonden	335,700 B	4.7%	1.0%	335,700
Öresund Invest	285,000 B	4.0%	0.9%	285,000
Banque Intl a Luxembourg	282,600 B	4.0%	0.8%	282,600
CR Suisse EQT	280,000 B	3.9%	0.8%	280,000
Domani	239,764 B	3.4%	0.7%	239,764
Catella Reavinstfond	160,000 B	2.3%	0.5%	160,000
Birgitta Möller	151,783 B	2.1%	0.5%	151,783
Niclas Möller	102,954 B	1.5%	0.3%	102,954
Tord Rosén	100,000 A	1.4%	3.0%	1,000,000
<b>Total</b>	<b>4,693,261</b>	<b>66.1%</b>	<b>89.0%</b>	<b>29,699,401</b>

## Distribution of Shareholders New Wave Sept 30, 2000

	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Sweden	6,551,376	32,277,516	92.3%	96.70%
Owners residing outside Sweden, exkl. USA	546,928	1,086,928	7.7%	3.30%
USA	1,800	1,800	0.0%	0.00%
<b>Total</b>	<b>7,100,104</b>	<b>33,366,244</b>	<b>100.00%</b>	<b>100.00%</b>

## The New Wave Group in Brief

*New Wave is a clothing company that creates, acquires and develops brands in the leisure industry. New Wave operates in two business areas; in the corporate profiling market, selling to independent profiling companies, and the retail market, selling mainly to sportswear retailers. By operating in both of these market sectors, the Group achieves co-ordination advantage and a better risk spread. The Group's best-known brands are Clique, Craft, Grizzly, James Harvest Sportswear, New Wave, Printer and Pax.*