

November 8, 2000

## Skanditek Interim Report January - September 2000

- Income before tax amounted to MSEK 111.8 (0.0). This figure includes net depreciation of goodwill amounting to MSEK 41.2 (11.6) including associate companies.
- Net sales for the period amounted to MSEK 922.0 (44.7), the greater part of which is attributable to newly acquired companies.
- The stock issue by Axis increased income before tax by MSEK 78.
- As one of the main stockholders in Axis, Skanditek sold part of its holding in connection with the company's flotation for a capital gain of MSEK 16.1.

### **This is Skanditek**

Skanditek is an industrial holding company owning long-term stock in listed and unlisted Swedish companies. Our business concept is to be an active stockholder and to contribute to the development process at these companies by providing industrial and financial competence at board and management level. Our aim is to generate long-term capital growth for stockholders. The portfolio comprises some twenty investments within the fields of electronics, information technology, biotechnology and services.

### **Investment activities**

During the period, Skanditek invested a total of MSEK 371 in portfolio companies, of which MSEK 202 relates to existing portfolio companies, primarily Vellinge Electronics AB.

Divestments during the period amounted to MSEK 173, and related mainly to Fermentech Medical Ltd. Skanditek sold its holding in this company to Vitrolife AB in return for newly issued shares in Vitrolife corresponding to 48.1 percent of its capital. The transaction did not generate any income for Skanditek, as the book value remains unchanged. The holding in Vitrolife is stated in the books at MSEK 161, of which MSEK 10 is in the form of a convertible loan.

The Group's net investments in tangible fixed assets amounted to MSEK 8.9 (2.7).

## Consolidated net sales and income

During the period, the Group's net sales amounted to MSEK 922.0 (44.7), most of which is attributable to newly acquired Group companies. Besides CMA Microdialysis and Mydata Automation, Vellinge Electronics also joined the Group with effect from the second quarter.

Consolidated income before tax amounted to MSEK 111.8 (0.0). This includes a net charge of MSEK 41.2 (11.6) for depreciation of goodwill and the reversal of negative goodwill, including associate companies. Skanditek's policy is to depreciate goodwill over five years. Associate companies are consolidated using the equity interest method.

If income before tax is cleared from non-operations items, income is MSEK 38.8. Examples of cleared items are depreciations of goodwill, capital gain, surplus funds from SPP and contributions through share issues in associate companies.

In connection with the flotation of the associate company Axis on July 27, 2000, a new stock issue was made, the proceeds of which amounted to MSEK 448. This added MSEK 112 to the value of Skanditek's interest in Axis' net assets. This is included in "Interest in earning of associate companies" in the consolidated income statement. After deduction of minority interests this had the effect of increasing the Group's income after tax by MSEK 78.

As one of the main stockholders in Axis, Skanditek sold 560,235 shares in Axis as planned in connection with the company's stock market flotation and stock issue. The purpose of this divestment was to cover the over-allotment in connection with the offer. The shares were sold on July 5, 2000 for a capital gain of MSEK 16.1. As the holding, which is on the books of the 70-percent owned subsidiary G Kallstrom & Co., was reduced from 25.0 percent to 19.7 percent, Axis ceased to be stated as an associate company with effect from the third quarter.

Companies in the Group have received a MSEK 8.9 refund of surplus funds from the SPP pension insurance company, of which MSEK 7.0 (discounted to current value) has been taken into the result. SPP funds of MSEK 6.0 are included in Skanditek's interest in the earnings of associate companies.

In connection with the merger of Fermentech Medical and Vitrolife, an MSEK 4.5 valuation reserve for biotechnology holdings was re-entered, which had a positive effect on the result.

Consolidated net income amounted to MSEK 92.7 (0.0), which corresponds to SEK 1.60 per share (previous year: SEK 0.0 based on the number of shares in issue at the time). Consolidated income excluding depreciation of goodwill and reversal of negative goodwill amounted to MSEK 133.9 (11.6), which corresponds to SEK 2.31 per share (0.21).

The parent company's net result for the period was a loss of MSEK 2.6 (income 22.2).

In view of Skanditek's character as an investment holding company, the accounts should be analyzed with caution. Value created in the business is not always reflected in the earnings. The percentage interest in the companies in the portfolio varies, as does the mix of Group companies and associate companies.

## Liquid funds, equity/assets ratio and number of shares

The Group's closing liquid funds amounted to MSEK 83.5 (145.1), over and above which the Group had short-term placements in listed equities of MSEK 64.4 (49.9). Interest-bearing liabilities amounted to MSEK 59.0 (0.3).

The Group's visible equity ratio was 60 percent (88), while that of the parent company was 99 percent (100). The Group's equity per share amounted to SEK 12.74 (8.86).

Following the issue of 2,995,968 new shares in connection with the acquisition of Vellinge Electronics in April, the number of shares in issue is now 58,039,888.

## Human resources

The Group had an average of 561 (82) employees at September 30, 2000. The increase is attributable to the acquisitions of Mydata Automation and Vellinge Electronics, which joined the Group in November 1999 and April 2000 respectively.

## Large portfolio companies

Amount in MSEK	Jan-Sept 2000			Jan-Sept 1999		
	Net sales	Operating income <sup>1</sup>	Operating margin	Net sales	Operating income	Operating margin
Axis <sup>2</sup>	365.4	-117.8	-32.2 %	361.5	6.2	1.7 %
LGP Telecom Holding <sup>3</sup>	912.1	141.0	15.5 %	590.0	70.3	11.9 %
Mydata Automation	639.3	126.3	19.8 %	316.7	16.5	5.2 %
PartnerTech	852.8	79.5	9.3 %	569.3	48.1	8.4 %
Vellinge Electronics	324.4	22.1	6.8 %	324.5	26.4	8.1 %
Vitrolife <sup>3</sup>	61.0	-16.8	-27.5 %	43.6	-19.2	-44.0 %

<sup>1</sup> Income excludes surplus funds from SPP if any.

<sup>2</sup> Refers to 7 months during January to July.

<sup>3</sup> Information for the previous year is pro forma.

**Table 1. Large portfolio companies' net sales and income.**

### Axis

Axis was floated on the OM Stockholm Exchange's "O" list on June 27, 2000 in connection with a share issue that generated proceeds of MSEK 448.

As expected, Axis incurred an operating loss. Costs incurred on research and development and business development within Mobile Internet and Mobile Print, for example, had a significant effect on the result.

In September, Axis introduced the first platform for mobile printouts based on Bluetooth Wireless Technology. This new platform forms part of Axis' investment in mobile printout solutions based on wireless technology. Mobil Print is a product area that is initially expected to have considerable potential in Scandinavia, the USA and Japan in connection with the expansion and development of the market for wireless internet solutions.

#### ***LGP Telecom Holding***

LGP (formerly Arkivator) is continuing its strong growth. Sales increased by 55 percent, the bulk of the increase still being attributable to the telecom sector. Telecom accounted for 74 percent of total sales, and compared with last year, sector sales were up by 76 percent.

Demand continues to be strong in Europe and is growing in China, Southeast Asia and North America. The order intake is still strong.

To meet existing demand, production capacity is being further expanded. The construction of a new production plant for telecom products in Tullinge is progressing according to plan. This is expected to be commissioned in the second quarter of 2001.

#### ***Mydata Automation***

Mydata reports an increase of 102 percent in sales as a result of steady growth on all its main markets. The company has been particularly successful on the American market. Mydata's share of the global market is estimated to have risen from around 7 percent in 1999 to around 8 percent during the period. The order intake remains strong.

Profitability for the period was very healthy. The result was favorably affected by higher volumes and by an increase in the proportion of sales going to Internet and telecom-related customers, a sector where profitability is currently sound. Several new products, which represent the outcome of many years of research and development, have been well received on the market. The company is continuing to invest heavily in research and development.

#### ***PartnerTech***

Sales increased by 50 percent on last year; for comparable units the increase was 30 percent. The telecom market is currently enjoying a period of strong growth, while a generation-shift is taking place within mobile telephony over to third generation (3G) systems. This is expected to generate immense potential for the industry, although it might also occasionally lead to irregular demand for subcontractors such as PartnerTech.

The increase in the result is attributable to higher volumes, a shift in the product mix towards a greater proportion of finished products and to further improvements in production efficiency. In the third quarter, PartnerTech was affected slightly by volume fluctuations and, to a certain extent, by shortages of electronic components.

### ***Vellinge Electronics***

Vellinge Electronics became a wholly owned subsidiary of Skanditek with effect from the second quarter of 2000. Skanditek decided to purchase the outstanding 63 percent of the stock when the opportunity presented itself. The acquisition was financed by the issue of 2,995,968 shares in Skanditek. The Board's decision was made on the basis of the mandate given by the AGM in May 1999.

Sales volumes remain unchanged, which is attributable to the discontinuation by one customer of a product with high component content. In September, an agreement was reached with Beijer Electronics on closer co-operation. This order is worth MSEK 40 on an annual basis and relates to the manufacture of Beijer's proprietary operator terminals.

Higher purchasing costs due to the higher dollar exchange rate were taken against the result. In common with the rest of the industry, component shortages disturbed production.

### ***Vitrolife***

Skanditek's subsidiary, Fermentech Medical, merged with Vitrolife in April 2000. Skanditek exchanged all its shares in Fermentech for six million newly issued shares in Vitrolife, corresponding at the time to 48.1 percent of the shares in issue.

Following the merger, Vitrolife has organized the group into five business areas. Its marketing and distribution strategies have been tailored to suit local conditions by using a combination of direct sales and distributors with a focus on the creation of an online global e-sales capacity.

In November, after the end of the reporting period, Vitrolife carried out a share placement to raise MSEK 70. The capital injection will be applied to finance investments in production capacity, IT-infrastructure and R&D in order to meet the growing international demand for Vitrolife products.

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## **Forthcoming report**

*Year-end release 2000*

Wednesday, February 14, 2001

The company's auditor has not examined this report.

Skanditek is listed on the OM Stockholm Stock Exchange's "O" list.

## Skanditek's portfolio companies

COMPANY	NATURE OF BUSINESS	HOLDING
<b><u>IT and Telecom</u></b>		
Axis AB <sup>1)</sup>	A world leader in network products for simple connection to complex networks and mobile Internet	14 %
Beep Network AB	Computer systems for retail outlets	41 %
LGP Telecom Holding AB <sup>1)</sup>	A world leader in the manufacture of telecom products to improve radio coverage in mobile communication networks. Also a leading sub-contract manufacturer of advanced industrial components	10 %
Mydata Automation AB	Advanced machinery for surface mounting of electronic components on printed circuit boards	39 %
TPC Security AB <sup>2)</sup>	Telecom-based security systems	18 %
<b><u>Sub-contract production Electronics</u></b>		
PartnerTech AB <sup>1)</sup>	A systems supplier that develops and manufactures electronic products on a subcontract basis for companies within telecom, information technology and medical technology	26 %
Vellinge Electronics AB	Sub-contract manufacture of electronic products	100 %
<b><u>Internet-based Services</u></b>		
Plenia Sweden AB	Internet-based recruitment services	34 %
Theeducation AB	Education via virtual classrooms on the Internet	19 %
VS Market, AB	Financial entertainment games on the Internet	34 %
<b><u>Financial services</u></b>		
H Lundén Kapitalförvaltning AB	Asset management	14 %
PBK Outsourcing AB	Management accounting total solutions	40 %
<b><u>Media</u></b>		
The Chimney Pot AB	Post production and effects for film and video	41 %
<b><u>Biotechnology</u></b>		
BioNative AB	Production process for natural interferon-alfa	24 %
CMA Microdialysis AB	Instruments for tissue dialysis	58 %
InRo BioMedTek AB	Reagents for diagnostic and therapeutic purposes	33 %
Vitrolife AB	High quality nutritional solutions for storage of organs, tissue and cells outside the body, in connection with IVF, for example	48 %

<sup>1)</sup> Axis, LGP Telecom Holding and PartnerTech are listed on OM Stockholm Stock Exchange's "O" list.

<sup>2)</sup> TPC Security is listed on OM Stockholm Stock Exchange's "New Markets" list.

Where appropriate, interests held via Skanditek's subsidiary G Kallstrom & Co AB have been converted by a factor of 70 percent.

**Table 2 Companies in Skanditek's portfolio, showing Skanditek's interest at August 30, 2000 (excl. options and convertibles).**

## Group Income Statements

Amount in SEK '000	2000 Jan-Sept	1999 Jan-Sept	1999 Jan-Dec
Net sales	922,012	44,680	121,073
Cost of sold goods	-543,914	-18,155	-66,321
<b>Gross operating income</b>	<b>378,098</b>	<b>26,525</b>	<b>54,752</b>
Income from divestments of portfolio companies	17,002	22,309	22,878
Shares in earnings of associated companies before tax	76,108	-	3,162
Income from shares in associated companies	-	2,000	-
Income from shares in other portfolio companies	3,742	8,081	4,714
Sales expenses	-103,788	-16,049	-24,027
Administrative expenses	-39,408	-19,871	-25,284
Research and development expenses	-74,801	-13,441	-23,867
Other operating income and expenses	-8,976	-60	-
Depreciation of goodwill/negative goodwill	-26,774	-11,615	-15,209
<b>Operating income/loss</b>	<b>221,203</b>	<b>-2,121</b>	<b>-2,881</b>
<i>Income from financial investments</i>			
Interest revenue and similar items	1,485	2,103	7,008
Interest expenses and similar items	-4,710	-373	-737
<b>Income/loss after financial items</b>	<b>217,978</b>	<b>-391</b>	<b>3,390</b>
Minority interest in income	-106,222	404	184
<b>Income before tax</b>	<b>111,756</b>	<b>13</b>	<b>3,574</b>
Tax	-19,081	-	-7,856
<b>Income/loss for the period</b>	<b>92,675</b>	<b>13</b>	<b>-4,282</b>

## Group Cash Flow Statements

Amount in SEK '000	2000 Jan-Sept	1999 Jan-Sept	1999 Jan-Dec
Cash flow from operating activities prior to changes in working capital	132,880	-6,857	-1,514
Cash flow from changes in working capital	-131,606	-18,118	-25,882
<b>Cash flow from operating activities</b>	<b>1,274</b>	<b>-24,975</b>	<b>-27,396</b>
<b>Cash flow from investment activities</b>	<b>-46,921</b>	<b>8,805</b>	<b>-43,382</b>
<b>Cash flow from financial activities</b>	<b>31,685</b>	<b>131,916</b>	<b>138,305</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-13,962</b>	<b>115,746</b>	<b>67,527</b>



## Group Balance Sheets

Amount in SEK '000	2000 Sept, 30	1999 Sept, 30	1999 Dec, 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	175,010	71,762	77,678
Tangible fixed assets	31,630	13,845	18,968
Financial fixed assets	362,243	231,526	235,937
Total fixed assets	<b>568,883</b>	<b>317,133</b>	<b>332,583</b>
<b>Current assets</b>			
Inventories etc	223,888	23,087	90,003
Current receivables	291,333	17,877	150,844
Investments	64,375	49,937	106,660
Cash and bank	83,511	145,053	47,003
Total current assets	<b>663,107</b>	<b>235,954</b>	<b>394,510</b>
<b>TOTAL ASSETS</b>	<b>1,231,990</b>	<b>553,087</b>	<b>727,093</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>739,287</b>	<b>487,920</b>	<b>485,729</b>
<b>Minority interests</b>	<b>198,408</b>	<b>37,144</b>	<b>95,313</b>
<b>Provisions</b>	<b>21,018</b>	<b>6,968</b>	<b>17,402</b>
<b>Liabilities</b>	<b>273,277</b>	<b>21,055</b>	<b>128,649</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,231,990</b>	<b>553,087</b>	<b>727,093</b>