

Half-year report January 1 – June 30, 2002



FIRST CHOICE FOR EASIER AUTOMATION



FlexLink®

Words from the CEO

Important events, first half 2002

- Despite decreasing sales volumes, FlexLink managed to improve operational profitability.
- Acquisition of FPS, a competitor within the electronics segment.
- The two recent acquisitions in the USA have been consolidated into one unit.
- A new hygienic conveyor for the food and dairy segment was launched.

Strong order intake in a weak market The second half of 2001 was marked by a dramatic downturn in orders placed and consequently FlexLink went into 2002 under difficult market conditions. Our business concept enabled us to react quickly and several restructuring measures were implemented already at the end of 2001. These measures have made it possible for FlexLink to improve its operational profitability despite lower sales volumes in the beginning of 2002.

Orders received have increased considerably during the second quarter of 2002, resulting in a growth of 55% compared to the fourth quarter of 2001. Business has been strong in Europe and Asia within our traditional segments whereas the electronics segment continued to be weak.

Improved profitability Sales for the first half of 2002 decreased by 18% to SEK 544 million (666) while EBITA amounted to SEK 70 million (76). Consequently the EBITA margin has improved to 13% (11%). Due to the considerable strengthening of the Swedish currency, income before taxes was negatively affected by exchange losses of net SEK 39 million resulting in a loss of SEK 17 million (+41). The majority of the exchange losses are unrealized.

New opportunities For the food industry, a totally new hygienic conveyor system built on stainless steel has been introduced. For the electronics industry, new products were launched with a positive response from the market.

In April, FPS (Flexible Production Systems), was acquired from the Finnish company GWS Systems Oy, as a step to consolidate the Nordic market. FPS has been merged with FlexLink Automation Oy and the unit is expected to show profit and a positive cash flow for the year.

The development of the newly started companies in Malaysia, Spain, Belgium and Brazil has been positive, strengthening our profitability as well as our global presence and network. The strongest growth has been seen in China, and future opportunities there will result in increased focus on this market.

Outlook for the year FlexLink intends to continue the profitable growth strategy. We are committed to continuously serving customers in all existing and new segments. FlexLink responded quickly to the downturn in electronics and has refocused on the traditional segments with very positive results. Our costs are under control, and given the increased order intake during the second quarter, we are carefully optimistic regarding the development of the result for the year.

July, 2002

Fredrik Jönsson
CEO

Consolidated Income Statements

<i>SEK thousands</i>	<i>01.01.2002 –30.06.2002</i>	<i>01.01.2001 –30.06.2001</i>	<i>01.01.2001 –31.12.2001</i>
Net sales	543,973	666,266	1,289,692
Cost of goods sold	-277,749	-364,793	-706,411
Gross income	266,224	301,473	583,281
Selling expenses	-155,818	-184,068	-344,356
Administrative expenses	-35,265	-49,337	-92,462
Amortization of goodwill and other intangible assets	-33,177	-29,218	-61,394
Other operating income	65	8,345	12,627
Other operating expenses	-5,653	-269	-32
Operating income	36,376	46,926	97,664
<i>Result from financial items</i>			
Other interest income and similar items	533	14,598	7,439
Interest expenses and similar items	-53,797	-20,113	-43,947
Income before taxes	-16,888	41,411	61,156
Tax on profit for the year	2,852	-22,872	-26,008
Net income	-14,036	18,539	35,148
Key data			
Order intake, MSEK	604	663	1,096
EBITA, MSEK	70	76	159
EBITA margin, %	13	11	12
Net income per share, SEK	-0.57	0.43	1.44
Net income per share after full conversion, SEK	-0.39	0.31	1.08
Cash flow from current operating activities, MSEK	49	38	109
Cash flow per share after full conversion, SEK	-0.34	-1.48	-1.47
Return on equity, % ⁽¹⁾	0	7	9
Average number of employees	550	472	553
Net sales per employee, MSEK	1.0	1.4	2.3

⁽¹⁾ Return on equity is based on twelve months net income related to the average equity during the same period.

Consolidated Balance Sheets

<i>SEK thousands</i>	30.06.2002	30.06.2001	31.12.2001
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Research and development expenditure and similar rights	16,587	—	8,680
Patents, licences, trade marks and similar rights	70,410	70,989	70,131
Goodwill	869,357	912,844	926,983
	956,354	983,833	1,005,794
<i>Tangible assets</i>			
Building equipment	7,998	8,289	9,154
Equipment, tools, fixtures and fittings	28,493	30,644	31,276
	36,491	38,933	40,430
<i>Financial assets</i>			
Deferred income tax receivables	2,905	1,312	17,096
Other long-term receivables	1,407	2,924	1,477
	4,312	4,236	18,573
Total fixed assets	997,157	1,027,002	1,064,797
Current assets			
<i>Inventories etc.</i>			
Finished products and goods for resale	48,033	67,579	50,883
Work on contract	61,355	99,442	67,612
	109,388	167,021	118,495
<i>Current receivables</i>			
Accounts receivable - trade	208,097	261,590	186,874
Deferred income tax receivables	41,680	21,921	18,833
Other receivables	10,143	18,700	9,640
Prepaid expenses and accrued income	17,370	16,953	15,670
	277,290	319,164	231,017
Investments	3,002	124	5,067
Cash and bank balances	26,677	52,721	41,236
Total current assets	416,357	539,030	395,815
TOTAL ASSETS	1,413,514	1,566,032	1,460,612

<i>SEK thousands</i>	30.06.2002	30.06.2001	31.12.2001
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	25,122	24,525	24,525
Restricted reserves	171,150	160,251	173,365
	196,272	184,776	197,890
<i>Non-restricted equity</i>			
Non-restricted reserves	246,750	230,772	206,173
Net income	-14,036	18,539	35,148
	232,714	249,311	241,321
	428,986	434,087	439,211
Provisions			
Provisions for pensions and similar commitments	16,135	11,968	15,260
Deferred income tax liabilities	37,074	23,844	37,682
Other provisions	30,933	9,738	37,477
	84,142	45,550	90,419
Long-term liabilities			
Liabilities to credit institutions	467,782	540,672	509,127
Convertible debentures	30,526	23,337	30,813
Other long-term liabilities	2,101	3,794	2,948
	500,409	567,803	542,888
Current liabilities			
Liabilities to credit institutions	127,210	140,844	125,451
Customer advances	97,712	148,865	94,389
Accounts payable - trade	76,280	95,420	67,356
Current income tax liabilities	9,532	42,195	25,193
Deferred income tax liabilities	5,556	835	3,186
Other current liabilities	28,312	26,957	15,998
Accrued expenses and deferred income	55,375	63,476	56,521
	399,977	518,592	388,094
TOTAL EQUITY AND LIABILITIES	1,413,514	1,566,032	1,460,612
Pledged assets	734,923	778,302	697,858
Contingent liabilities	37,474	14,883	16,817

Consolidated Cash Flow Statements

<i>SEK thousands</i>	<i>01.01.2002 –30.06.2002</i>	<i>01.01.2001 –30.06.2001</i>	<i>01.01.2001 –31.12.2001</i>
Current operating activities			
Income before taxes	-16,888	41,411	61,156
Adjustments for items not included in the cash flow, etc.	71,746	35,529	77,783
	54,858	76,940	138,939
Income taxes paid	-23,617	-16,016	-30,196
Cash flow from current operating activities before changes in working capital	31,241	60,924	108,743
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease(+) in inventories	33,443	5,362	51,402
Increase(-)/Decrease(+) in operating assets	-12,566	-9,300	86,116
Increase(+)/Decrease(-) in operating liabilities	-3,173	-19,017	-136,927
Cash flow from current operating activities	48,945	37,969	109,334
Investing activities			
Acquisition of line of business	-5,348	-285,804	-306,763
Investments in intangible assets	-9,449	—	-10,697
Investments in tangible assets	-3,669	-15,825	-18,055
Disposals of tangible assets	286	—	15
Investments in financial assets	—	—	-312
Disposals of financial assets	70	—	1,697
Cash flow from investing activities	-18,110	-301,629	-334,115
Financing activities			
New share issue	—	57,074	57,074
Loans raised	1,946	205,772	205,743
Amortization of loans	-44,714	-44,240	-87,370
Cash flow from financing activities	-42,768	218,606	175,447
Cash flow for the period	-11,933	-45,054	-49,334
Liquid assets at the beginning of the period	46,303	93,080	93,080
Translation difference in liquid assets	-4,691	4,819	2,557
Liquid assets at period-end	29,679	52,845	46,303

Accounting principles and notes to the accounts

SEK thousands

General accounting principles

The Company applies the EU adapted Annual Accounts Act, SFS 1995:1554, and follows the Swedish Financial Accounting Standards Council's recommendations and statements.

The accounting principles in this Half-year Report correspond to those in the audited Annual Report 2001. The Half-year Report has not been subject to review by the Auditors of the Company.

Intangible assets

Several new accounting principles were adopted during year 2001. One of them, the Accounting Standards Council's recommendation RR15, Intangible assets, was, in accordance with the recommendation, not applied retroactively for the period January–June 2001 as this period was reported in the Half-year Report 2001 applying the old accounting principles. The impact on the consolidated income statements from applying the new recommendation for the period January–June 2002 was an increase in net income of 5,616.

Net sales and operating income per business area and geographical area			
	01.01.2002	01.01.2001	01.01.2001
SEK thousands	-30.06.2002	-30.06.2001	-31.12.2001
Net sales by business area			
Components and Systems	469,745	519,029	1,027,627
Automation	74,228	147,237	262,065
	543,973	666,266	1,289,692
Operating income per business area			
Components and Systems	125,775	123,585	247,821
Automation	-20,829	-14,571	-24,202
<i>Non allocated items</i>			
Amortization of goodwill and other intangible assets	-33,177	-29,218	-61,394
Headquarter expenses	-29,805	-40,946	-77,156
Other operating income/expenses	-5,588	8,076	12,595
	36,376	46,926	97,664
Net sales by geographical area			
Europe	327,959	362,091	753,513
Americas	166,889	251,057	440,066
Asia	49,125	53,118	96,113
	543,973	666,266	1,289,692
Operating income per geographical area			
Europe	65,769	55,051	119,263
Americas	31,123	41,614	86,777
Asia	8,054	12,349	17,579
<i>Non allocated items</i>			
Amortization of goodwill and other intangible assets	-33,177	-29,218	-61,394
Headquarter expenses	-29,805	-40,946	-77,156
Other operating income/expenses	-5,588	8,076	12,595
	36,376	46,926	97,664

Provisions for restructuring

Provisions for restructuring amounted to 9,217 (–) at the end of the reporting period, whereof 8,571 related to acquisitions. At the time of the acquisition of assets and liabilities in FPS in Finland, provisions for restructuring amounting to 2,725 were made. The provision for restructuring, relating to the acquisition of the PCT Group in year 2001 amounted to 5,846 at the end of the reporting period. Provisions for other restructuring amounted to 646.

Parent Company

The Parent Company's net sales for the current reporting period, 11,576 (11,621), solely comprises charges to other companies within the FlexLink Group. No operating activities are carried out in the Parent Company, which mainly runs a number of Group-wide functions. The income before taxes amounted to -67,424 (-4,355). Liquid assets at the end of the reporting period amounted to 149 (30), investments in tangible assets amounted to 284 (3,513) and the net amortization on bank loans amounted to 51,549 (net loans raised 169,687 during 01.01-30.06.2001).

Equity			
SEK thousands	Share capital	Restricted reserves	Non-restricted equity
As per balance sheet on December 31, 2000			
	21,700	48,556	221,809
Transfer between restricted and non-restricted equity	—	-10,336	10,336
New share issue	2,825	92,958	—
Net income	—	—	18,539
Translation differences for the period	—	29,073	-1,373
As per balance sheet on June 30, 2001			
	24,525	160,251	249,311
Transfer between restricted and non-restricted equity	—	26,188	-26,188
Net income	—	—	16,609
Translation differences for the period	—	-13,074	1,589
As per balance sheet on December 31, 2001			
	24,525	173,365	241,321
Transfer between restricted and non-restricted equity	—	-736	736
New share issue	597	21,643	—
Net income	—	—	-14,036
Translation differences for the period	—	-23,122	4,693
As per balance sheet on June 30, 2002			
	25,122	171,150	232,714

The share capital comprises 25,122,418 shares with a nominal value of SEK 1 each. All shares have one vote per share. The new share issue during the reporting period is an issue for non-cash consideration and relates to the acquisition of FPS in Finland. The weighted number of shares after full conversion of outstanding convertibles and warrants amounts to 34,641,777.

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BULGARIA

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CHINA

CROATIA

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GREECE

HUNGARY

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JAPAN

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