

# Semi-annual Report January – June 2003 for Beijer Alma AB (publ)

- Sales amounted to MSEK 567.7 (584.5) during the first six months of the year.
- Order bookings were MSEK 603.8 (624.0).
- Result after financial items, but including a provision for inventory reduction in the amount of MSEK 10, was MSEK –7.1 (6.3).
- Earnings per share after standard taxes were SEK –0.49 (0.53).
- Cash flow was MSEK 12.3 (36.5).

## GROUP

Market demand improved during the second quarter in comparison to the situation at the end of 2002 and the first part of this year. Certain units, particularly in Lesjöfors and Stafsjö, are enjoying good capacity utilization, while Habia and Elimag are subject to continued weak demand.

For the period January – June, net revenues amounted to MSEK 567.7 (584.5), a decline of 3 percent. Order bookings declined by 3 percent to MSEK 603.8 (624.4). The result after financial items, which was charged with provisions for inventory reduction in the amount of MSEK 10 at Habia, was MSEK – 7.1 (6.3). Earnings per share after standard taxes were SEK –0.49 (0.53). The equity ratio was 38.0 at the end of the period (42.0).

Investments in fixed assets amounted to MSEK 39.3 (14.9) and depreciation and amortization was MSEK 44.6 (45.8). Cash flow after capital expenditures was MSEK 12.3 (36.5).

Net revenues during the second quarter were MSEK 296.6 (296.7). Order bookings were MSEK 307.8 (306.9).

The result after financial items, including costs for inventory reduction in the amount of MSEK 10, amounted to MSEK – 3.6 (3.2) during the second quarter. Liquid funds including unutilized committed credit facilities stood at MSEK 264.3 (226.5). Investments in fixed assets amounted to MSEK 36.1 (4.8) during the quarter and depreciation and amortization totaled MSEK 22.6 (22.7). The bulk of these investments is attributable to Lesjöfors and includes the acquisition of an operating property at a cost of MSEK 24.3.

## SUBSIDIARIES

**LESJÖFORS AB** ([www.lesjoforsab.com](http://www.lesjoforsab.com)) is a full range supplier of standard and specially produced industrial springs, wire and flat strip components. The company is a dominating player in the Nordic Region and one of the larger companies in its sector in Europe. Lesjöfors has manufacturing operations in Sweden, Denmark and Finland.

Lesjöfors had sales during the period January – June of MSEK 297.7 (290.1). Profit after financial items was MSEK 30.3 (28.2).

During the second quarter Lesjöfors increased net revenues by 7 percent to MSEK 158.0 (147.1). Order bookings were MSEK 156.6 (156.4). Profit after financial items amounted to MSEK 18.1 (14.2) and the operating margin was 12.3 percent (10.9).

Sales increased in business areas Industrial and Chassis Springs compared to the corresponding year-ago period with continued good profitability. Business area Flat Strip Components increased sales and reported a positive result for the second quarter.

**HABIA CABLE AB** ([www.habia.se](http://www.habia.se)), one of Europe's largest manufacturers of specialty cable for applications in telecommunications, transportation, nuclear power and defense. Research and development is conducted in Sweden, while production facilities are located in Sweden, Germany and China.

Net revenues for the period January – June were MSEK 188.0 (202.9) and the result after financial items was MSEK –23.9 (0.8). Order bookings declined by 6 percent to MSEK 212.6 (226.8).

Net revenues declined during the second quarter by 8 percent to MSEK 98.0 (107.0). Order bookings amounted to MSEK 105.9 (110.0). The result after financial items was MSEK –15.5 (1.8).

Habia is facing weak demand and pricing pressures that make for lower margins. This has triggered an action program that will lead to cost reductions of MSEK 20 on an annual basis. The program includes moving production from Germany to Sweden and China. The company has set aside a provision of MSEK 10 for probable inventory reduction costs in connection with these restructuring measures.

**ELIMAG AB** ([www.elimag.se](http://www.elimag.se)) conducts high-speed machining of aluminum for customers in telecom and other high-tech sectors.

Net revenues for the period January – June were MSEK 33.8 (48.5), a decline by 30 percent. The result after financial items was MSEK –4.4 (–6.9). Order bookings were MSEK 32.9 (53.0).

Elimag's net revenues during the second quarter amounted to MSEK 15.3 (19.9). Order bookings were MSEK 16.2 (19.9). The result was MSEK –2.1 (–5.7).

Efforts at Elimag are aimed at cost containment and sales. Order bookings have not increased despite increased marketing efforts, in part due to a weak market and long lead times for changing supplier.

**AB STAFSJÖ BRUK** ([www.stafsjo.com](http://www.stafsjo.com)) develops, manufactures and markets knife gate valves for the process industry. The company is internationally active with sales offices in Germany and China and a network of sales representatives in some 30 countries.

Net revenues for the period January – June were MSEK 47.1 (42.4). The result after financial items was MSEK 1.6 (–1.9). Order bookings were MSEK 54.8 (44.6).

Stafsjö's net revenues during the second quarter amounted to MSEK 24.2 (19.7). Order bookings were MSEK 29.0 (19.7). The result was MSEK 0.7 (–1.4).

Stafsjö's sales are showing a positive development. The process of switching to suppliers in low-cost countries has been delayed, but will have a positive effect on margins.

## NET REVENUES AND RESULT BY COMPANY

## NET REVENUES

MSEK	2003 Q 2	2003 Q 1	2002 Q 4	2002 Q 3	2002 Q 2	2002 Q 1
Lesjöfors	158.0	139.7	126.3	130.0	147.1	143.0
Habia Cable	98.0	90.0	102.5	97.4	107.0	95.9
Elimag	15.3	18.5	19.5	15.4	19.9	28.9
Stafsjö Bruk	24.2	22.9	19.8	19.3	22.7	19.7
Parent Company and consolidation eliminations	1.1	–	0.2	–	–	0.3
<b>Group</b>	<b>296.6</b>	<b>271.1</b>	<b>268.3</b>	<b>262.1</b>	<b>296.7</b>	<b>287.8</b>

## RESULT AFTER FINANCIAL ITEMS

MSEK	2003 Q 2	2003 Q 1	2002 Q 4	2002 Q 3	2002 Q 2	2002 Q 1
Lesjöfors	18.1	12.2	7.8	10.1	14.2	14.0
Habia Cable	-15.3*	-8.6	0.3	-0.7	1.8	-1.0
Elimag	-2.1	-2.3	-1.5	-3.4	-5.7	-1.2
Stafsjö Bruk	0.7	0.9	-1.8	-1.0	-1.4	-0.5
Parent Company and consolidation eliminations	-5.0	-5.7	-7.2	-4.1	-5.7	-8.2
<b>Group</b>	<b>-3.6</b>	<b>-3.5</b>	<b>-2.4</b>	<b>0.9</b>	<b>3.2</b>	<b>3.1</b>
Writedowns, etc.	–	–	–	-99.9	–	–
<b>Total</b>	<b>-3.6</b>	<b>-3.5</b>	<b>-2.4</b>	<b>-99.0</b>	<b>3.2</b>	<b>3.1</b>

\* Including a provision in the amount of MSEK 10.

## PRESIDENT'S STATEMENT

During the second quarter, the Beijer Alma Group had unchanged invoicing and order bookings compared to the corresponding period one year ago. There is considerable drama behind the seemingly stable development. Last year began with a strong first quarter. Order bookings then dropped sharply during the second quarter, making for a very weak second half of the year. We are not seeing a corresponding situation during 2003. The Group has experienced gradually improving order bookings and invoicing during the first six months of the year.

This improvement notwithstanding, demand remains insufficient relative to the overhead in several of the Group's companies. This is especially pronounced in **Habia**, where earlier action programs have been insufficient to restore the company's formerly good profitability. This is due to falling volumes and relentless pricing pressures. Since we are not anticipating an imminent improvement in the market situation, we initiated an extensive action program in June. One element of the program is a reduction in the number of employees by 40 persons to 290 persons. The purpose of the employee cutbacks is to reduce costs by a further MSEK 20 on an annual basis. Reductions in personnel will have effects virtually across the board, including employees under collective agreements as well as salaried personnel. The action program also includes reduction of inventory. We have elected to set aside MSEK 10 as a provision for probable obsolescence in conjunction with this inventory reduction. A new chief financial officer has also been recruited to strengthen Habia's management function.

**Lesjöfors** continues to develop well. All business areas reported profitable operations during the second quarter. Industrial and Chassis Spring operations continue to show good results and stable or rising volumes. Flat strip component operations were affected positively by reduced channel inventory and delivery of new products, especially in the telecom sector.

**Elimag** continued to suffer from weak invoicing and order bookings. The market is distinguished by low volumes and depressed prices. The company intensified its marketing efforts during the first half of the year. These efforts have resulted in an increase in the number of quotes, but have yet to generate positive effects on order and invoicing volumes.

**Stafsjö** enjoyed continued good volume development during the second quarter. The company enters the third quarter with a significantly improved backlog of orders. Prices continue to be under pressure, however, which leads to lower margins. This accentuates the importance of the ongoing shift of component supply from low-cost countries. This project was delayed, however, by the onset of the SARS epidemic in China.

The Group overall was negatively affected by pricing pressures and foreign-exchange-rate-related effects, and yet the underlying result improved compared to the corresponding year-ago period. Lower overhead more than offsets the negative effects of pricing pressures and foreign-exchange-rate-related effects. The Group's overhead for the first six months of the year was more than MSEK 20 lower than during the corresponding period one year ago.

Cash flow for the quarter was MSEK –2.2. Lesjöfors has acquired a previously rented property. This transaction had a negative effect of MSEK 14.3 on cash flow. Lesjöfors has also made a major machinery investment during the second quarter. The rate of capital expenditures will be considerably lower during the second half of the year compared to the first six months.

Uppsala, August 8, 2003

**BEIJER ALMA AB (publ)**

Bertil Persson  
*President and CEO*

*We have reviewed this semi-annual report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably limited in comparison with an audit. Nothing has come to our attention to indicate that the semi-annual report does not comply with the requirements of the stock exchange and annual accounts legislation.*

Uppsala, August 8, 2003

**ÖHRLINGS PRICEWATERHOUSECOOPERS AB**

Hans Lindén  
*Authorized Public Accountant*

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**Next report date:**

Interim Report January – September, October 29, 2003

**SUMMARY STATEMENTS OF INCOME**

MSEK	2003 Q 2	2002 Q 2	2003 Six months	2002 Six months	2002 Full year
Net revenues	296.6	296.7	567.7	584.5	1 115.3
Cost of goods sold	-218.9	-204.7	-414.5	-403.9	-773.0
<b>Gross profit</b>	<b>77.7</b>	<b>92.0</b>	<b>153.2</b>	<b>180.6</b>	<b>342.3</b>
Selling expenses	-46.1	-48.9	-90.7	-93.4	-185.6
Administrative expenses	-29.4	-32.3	-56.7	-66.6	-118.9
Writedowns of fixed assets	-	-	-	-	-99.9
Share in result of associated companies before tax	0	-0.2	-0.5	-0.5	-5.4
<b>Operating result</b>	<b>2.2</b>	<b>10.6</b>	<b>5.3</b>	<b>20.1</b>	<b>-67.5</b>
Interest income and similar items	0.6	0.7	1.0	1.2	3.3
Interest expenses and similar items	-6.4	-8.1	-13.4	-15.0	-30.9
<b>Result after financial items</b>	<b>-3.6</b>	<b>3.2</b>	<b>-7.1</b>	<b>6.3</b>	<b>-95.1</b>
Taxes	0.2	-1.4	0.4	-2.5	11.1
<b>Net result for the period</b>	<b>-3.4</b>	<b>1.8</b>	<b>-6.7</b>	<b>3.8</b>	<b>-84.0</b>
Earnings per share before dilution	-0.37	0.20	-0.74	0.42	-9.31
Earnings per share, fully diluted basis	-0.33	0.22	-0.66	0.43	-8.65

**SUMMARY BALANCE SHEETS**

MSEK	2003 June 30	2002 June 30	2002 Dec. 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	100.2	158.1	107.7
Tangible fixed assets	522.7	601.9	518.8
Financial assets	32.8	23.9	30.9
<b>Total fixed assets</b>	<b>655.7</b>	<b>783.9</b>	<b>657.4</b>
<b>Current assets</b>			
Inventories	223.0	256.2	251.6
Receivables	247.0	263.3	220.2
Liquid funds	33.8	23.0	47.2
<b>Total current assets</b>	<b>503.8</b>	<b>542.5</b>	<b>519.0</b>
<b>Total assets</b>	<b>1 159.5</b>	<b>1 326.4</b>	<b>1 176.4</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>Shareholders' equity</b>			
Share capital	112.8	112.7	112.8
Restricted reserves	184.7	203.2	185.6
Unrestricted reserves	151.0	237.2	243.9
Net result for the period	-6.7	3.8	-84.0
<b>Total shareholders' equity</b>	<b>441.8</b>	<b>556.9</b>	<b>458.3</b>
Provisions	50.1	47.2	50.6
Long-term liabilities to credit institutions	465.2	517.7	469.2
Current liabilities to credit institutions	27.6	24.8	33.1
Current non-interest-bearing liabilities	174.8	179.8	165.2
<b>Total shareholders' equity and liabilities</b>	<b>1 159.5</b>	<b>1 326.4</b>	<b>1 176.4</b>

**SUMMARY STATEMENTS OF CASH FLOW**

MSEK	2003 Q 2	2002 Q 2	2003 Six months	2002 Six months	2002 Full year
Cash flow from current operations before change in working capital and capital expenditures	29.2	24.5	47.9	49.6	98.4
Change in working capital, increase (-) decrease (+)	-3.0	8.2	-4.0	0.8	35.7
Cash flow from current operations	26.2	32.7	43.9	50.4	134.1
Investment operations	-28.4	-3.8	-31.6	-13.9	-17.9
Cash flow after capital expenditures	-2.2	28.9	12.3	36.5	116.2
<u>Financing operations</u>	<u>2.6</u>	<u>-18.5</u>	<u>-25.7</u>	<u>-45.6</u>	<u>-97.8</u>
<b>Change in liquid funds</b>	<b>0.4</b>	<b>10.4</b>	<b>-13.4</b>	<b>-9.1</b>	<b>18.4</b>
Liquid funds at beginning of period	33.4	12.5	47.2	32.0	32.0
Sold cash and exchange rate changes in cash	-	-	-	-	-3.2
Liquid funds at end of period	33.8	23.0	33.8	23.0	47.2
Approved but unutilized committed credit facilities	230.5	203.5	230.5	203.5	226.9
Available liquid funds	264.3	226.5	264.3	226.5	274.1

**SPECIFICATION OF CHANGE IN SHAREHOLDERS' EQUITY**

**Share capital**

<b>December 31, 2002</b>	<b>458.3</b>
Dividend paid	-9.0
Translation difference	-0.8
Net result for the period	-6.7
<b>June 30, 2003</b>	<b>441.8</b>

KEY FINANCIAL INDICATORS	2003 Q 2	2002 Q 2	2003 Six months	2002 Six months	2002 Full year
Number of shares outstanding*)	9 610 180	9 610 180	9 610 180	9 610 180	9 610 180
Earnings per share after actual taxes, SEK	-0.33	0.22	-0.66	0.43	-8.65
Earnings per share after 28% standard taxes, SEK **)	-0.25	0.27	-0.49	0.53	0.45
Return on equity, % **)	neg	1.6	neg	1.6	0.7
Return on capital employed, % **)	1.2	4.0	1.3	3.7	3.3
Shareholders' equity per share, SEK	48.96	61.75	48.96	61.75	50.79
Equity ratio, %	38.1	42.0	38.1	42.0	39.0
Debt equity ratio (net), %	105.5	93.3	105.5	93.3	100.9
Liquid assets including committed credit facilities not drawn upon, MSEK	264.3	226.5	264.3	226.5	274.1
Capital expenditures, MSEK	36.1	4.8	39.3	14.9	17.9
Interest coverage ratio **)	0.4	1.4	0.5	1.4	1.2
Number of employees at end of period	877	947	877	947	909

\*) Including outstanding subordinated convertible debentures and personnel options. Not including subordinated convertible debentures and personnel options, the number of shares outstanding as of June 30, 2003 was 9 023 300.

\*\*) Not including writedown of fixed assets in September, 2002.

**ACCOUNTING PRINCIPLES**

This semi-annual report has been compiled in accordance with recommendation RR 20, Interim reporting, of the Swedish Financial Accounting Standards Council.

Beijer Alma implemented the following accounting recommendations from the Swedish Financial Accounting Standards Council effective as of January 1, 2003:

RR 2	Inventories
RR 22	Composition of financial report
RR 25	Reporting by segment
RR 26	Events after the period under review
RR 27	Financial instruments – information and classification
RR 28	Government support

Implementation of these recommendations had no significant effect on earnings or financial position. In all other respects the same accounting principles have been applied to this interim report as to the most recently presented Annual Report.

