

## JANUARY-JUNE

- The group's positive trend continues.
- Net turnover increased by 23 per cent to SEK 360.1 m (293.5).
- Operating profit increased by 28 per cent to SEK 36.4 m (28.5).
- Profit after tax rose to SEK 24.9 m (19.8); earnings per share were SEK 4.00 (3.18).
- Agreement with Mitsubishi Electric brings expansion in Northern Europe.
- Acquisition of businesses in Finland and the Baltic region with sales of SEK 40 m.

I N T E R I M   R E P O R T

# 2006

# Interim Report, Beijer Electronics AB

## 1 January-30 June 2006

### Comments from Göran Sigfridsson, our CEO

“Beijer Electronics posted another record quarter in terms of sales and profits. This progress confirms that our goal-oriented organizational and product development initiatives are still generating results. We now possess an excellent platform for continued expansion.”

“Our agreement with Mitsubishi Electric is an aggressive initiative that creates better conditions for the Automation business area’s future expansion in the Nordic and Baltic regions, while simultaneously reducing the business area’s risk exposure, providing long-term security. Moreover, the recently announced agreement with UTU Powel in Finland means that we can advance more quickly.”

“The HMI Products business area remains convincing with robust organic growth and high profitability. Its successes are due to our new product ranges and extended marketing resources. We have consolidated our market position, enhancing our confidence in the future.”

### Consolidated Revenues

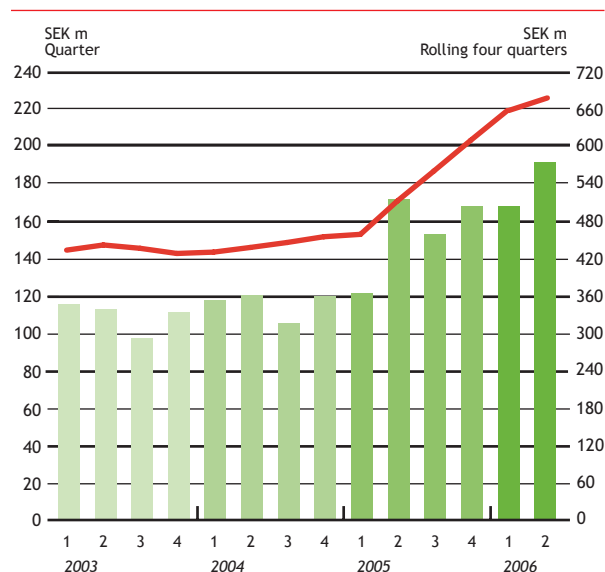
The industrial automation market maintained its positive progress in the second quarter, with growth of some 5 per cent. Thus all the automation geographical markets and sub-segments that Beijer Electronics services, like control systems, operator systems and drive systems, saw positive progress in demand in the first half-year.

Beijer Electronics’ consolidated revenues rose by 12 per cent to SEK 191.7 m (172.0) in the second quarter, this growth being entirely organic. In the first half-year, revenues rose by 23 per cent to SEK 360.1 m (293.5). The increases are due to the group’s expansion in Asia, with the acquisition of Hitech Electronics in April 2005 and healthy organic growth otherwise for the Automation and HMI Products business areas.

Sales in Sweden, the group’s single biggest market, were stable, rising 3 per cent in the first half-year. Sales in Norway and Finland increased by 9 and 4 per cent respectively. Progress in the US remained robust, with a 75 per cent increase in the first half-year. Sales in Europe outside the Nordic region were also very positive, with 29 per cent gains in the first six months. Sales more than doubled in Asia, mainly due to the acquisition of Hitech.

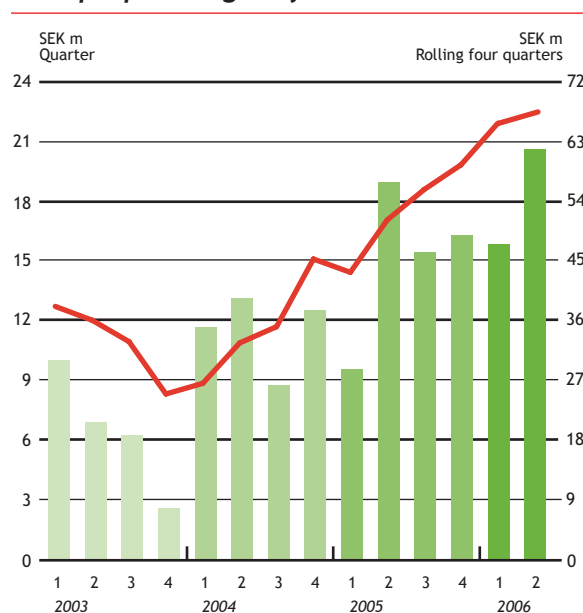
Sweden represented 39 per cent (46) of consolidated sales in the first half-year. The lower sales share on the Swedish market is fully consistent with Beijer Electronics’ strategy and a result of the group’s international expansion.

### Group Invoicing



▲ The bars and left-hand scale indicate quarterly invoicing. The red curve and right-hand scale show rolling four quarter invoicing.

### Group Operating Profit



▲ The bars and left-hand scale indicate quarterly profit after depreciation. The red curve and right-hand scale show rolling four quarter profit after depreciation. Operating profit, reported from Q1 2004, is accounted according to IFRS.

## Business Area Turnover and Operating Profit

SEK m	Turnover Quarter 2		Operating Profit Quarter 2		Turnover 6 Months		Operating Profit 6 Months	
	2006	2005	2006	2005	2006	2005	2006	2005
Automation	106.5	102.1	9.8	10.0	199.2	189.3	16.6	15.8
HMI Products	105.6	83.5	17.9	11.6	194.2	131.8	30.0	17.5
Intra-group sales	-20.4	-13.6			-33.3	-27.6		
Un-allocated expenses			-7.1	-2.7			-10.2	-4.8
<b>Group</b>	<b>191.7</b>	<b>172.0</b>	<b>20.6</b>	<b>18.9</b>	<b>360.1</b>	<b>293.5</b>	<b>36.4</b>	<b>28.5</b>

### Consolidated Operating Profit

The group's underlying operating profit continued its brisk progress, with 25 per cent gains in the second quarter. However, consolidated profits were subject to non-recurring expenses of SEK 3.1 m that arose from the deal with Mitsubishi Electric, including expenses for the incorporation of business areas, legal expenses and the modification of IT systems. The incorporation altered consolidated accounting so business area operating profits are subject to central costs directly from 1 June 2006, which marginally affected their profits for the period (see below). The deal with Mitsubishi Electric also generated a lump sum revenue of SEK 44 m, which will be accounted in the fourth quarter of the current year.

Net of the non-recurring expenses of SEK 3.1 m, operating profit was SEK 20.6 m (18.9) in the second quarter and SEK 36.4 m (28.5) for the first half-year. Operating margin was 10.1 per cent (9.7) for the half-year, with the gains mainly due to organic volume expansion.

Both the group's business areas, Automation and HMI Products, posted higher profit in the first half-year than in the corresponding period of 2005.

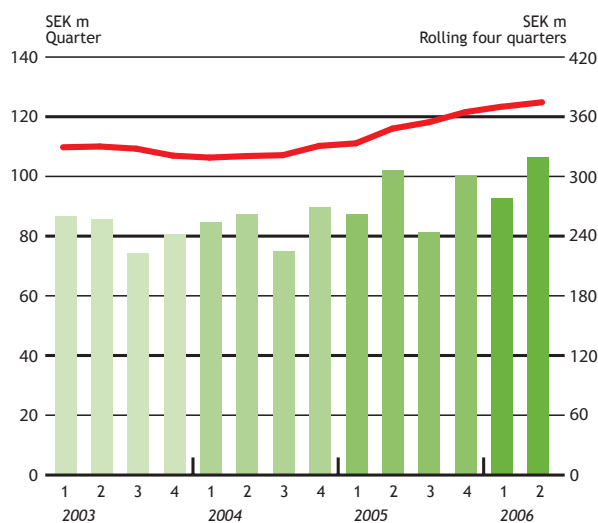
Development expenses, relating exclusively to HMI products, were SEK 16.4 m (13.1) in the half-year. The increase in absolute terms is partly attributable to Hitech Electronics. Capitalized development expenses were SEK 8.3 m (4.1). The profit impact of changes in development expenses was marginally positive.

### Consolidated Profit before and after Tax

Consolidated profit before tax rose to SEK 20.1 m (18.2) in the second quarter, and increased to SEK 35.3 m (27.8) in the half-year. Profit after estimated tax for the corresponding periods was SEK 14.2 m (12.9) and SEK 24.9 m (19.8). Earnings per share after estimated tax for the half-year were SEK 4.00 (3.18).

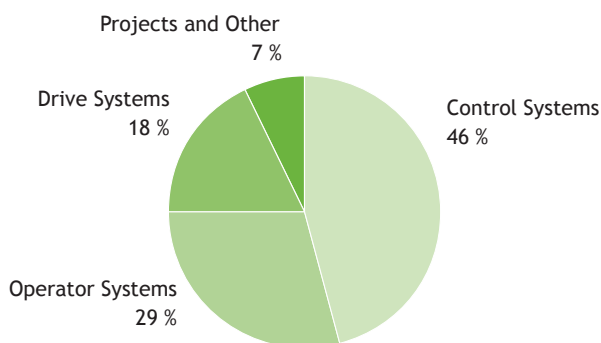


## Invoicing, Automation



▲ The bars and left-hand scale indicate quarterly invoicing. The curve and right-hand scale show rolling four quarter invoicing.

## Invoicing by Product Category, Automation



▲ Invoicing by the Automation business area's product categories in the first half-year 2006.

## The Automation Business Area

The Norwegian market continued tracing stable growth, although growth was somewhat more restrained in Sweden and Finland in the second quarter. Sales increased across all product categories in both quarters. Drive systems was especially positive, posting gains of 13 per cent in the half-year. Sales in Control Systems and Operator Systems increased by 6-7 per cent in the same period. A downturn in the projects product area slowed the business area's overall growth.

The agreement with Mitsubishi Electric will significantly increase business area growth through the coming years. The recently announced agreement with UTU Powel of Finland also means accelerated expansion by Automation taking on existing staff in Finland and the Baltic region, thus enabling a focus on developing operations associated with Mitsubishi Electric's agencies in the region.

Business area sales rose by 4 per cent to SEK 106.5 m (102.1) in the second quarter. In the first six months of the year, sales rose by 5 per cent to SEK 199.2 m (189.3).

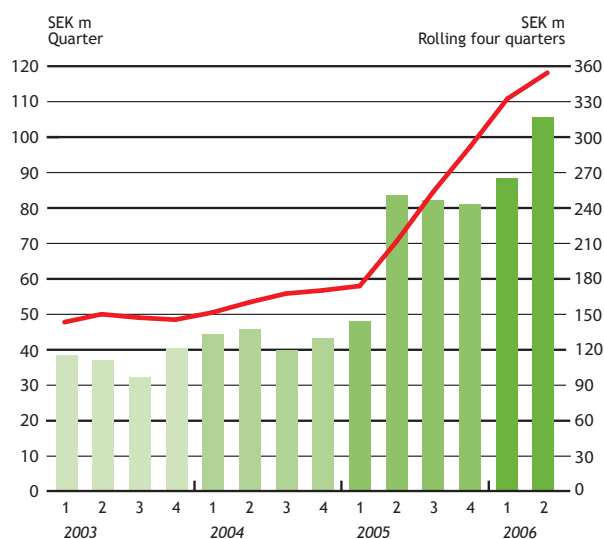
Operating profit was SEK 9.8 m (10.0) in the second quarter and SEK 16.6 m (15.8) in the first half-year. Profit for these periods reduced by SEK 0.8 m because of central expenses being posted to profits from 1 June. Operating margins were 9.2 per cent (9.8) for the quarter and 8.3 per cent (8.4) for the half-year.

## The HMI Products Business Area

Overall, the HMI products market sustained healthy growth and the business area significantly advanced its market positioning as a consequence of initiatives relating to product development and extended marketing resources. The start-up in Shanghai is part of Beijer Electronics' efforts to further advance its positioning on the Chinese market. Sales of six new mid-range operator terminals, based on the new BEPP platform, started in the first quarter, with the first deliveries occurring early in the second quarter. The new operator terminals significantly broaden and consolidate the product range.

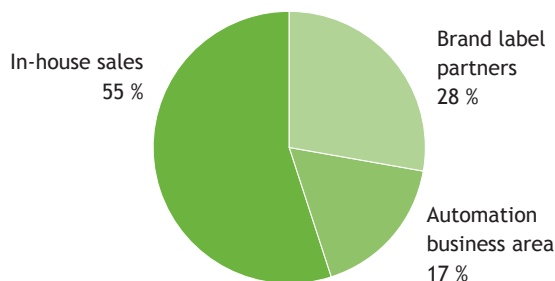
Business area sales rosed by 26 per cent to SEK 105.6 m (83.5) in the second quarter. The high growth is entirely organic, and attributable to the new product range, the H and EXTER series, launched in the past 18 months. Sales rose by 47 per cent in the first half-year to SEK 194.2 m (131.8). In-house sales maintained very high growth, amounting to SEK 139.8 m (79.9) in the first half-year, which comprised 72 per cent (61) of business area sales. After unchanged sales volumes through brand label channels in the first quarter, sales increased by 13 per cent in the second quarter.

## Invoicing, HMI Products



▲ The bars and left-hand scale indicate quarterly invoicing. The curve and right-hand scale show rolling four quarter invoicing. Hitech Electronics' invoicing is included from the second quarter 2005.

## Invoicing by Sales Channel, HMI Products



▲ Invoicing by the HMI Products business area's sales channels in the first half-year.

Operating profit increased by 55 per cent to SEK 17.9 m (11.6) in the second quarter, and by 71 per cent to SEK 30.0 m (17.5) in the first half-year. In these periods, profit reduced by SEK 0.7 m due to central expenses being posted to profits from 1 June. Operating margins were 17.0 per cent (13.9) for the quarter and 15.4 per cent (13.3) for the half-year.

## Other Financial Information

Consolidated investments including capitalized development expenses were SEK 15.0 m (9.9). Cash flow from operating activities was SEK 32.2 m (25.3). Shareholders' equity amounted to SEK 151.1 m (123.0) at the mid-point of the year. The equity ratio was 35.6 per cent (32.4). Liquid assets were SEK 65.5 m (46.8) and interest-bearing

## Consolidated Statement of Changes to Shareholders' Equity, First Half-year 2006

SEK 000	Share Capital	Translation Provision	Accumulated Profit	Total Shareholder's Equity
OB, 1 Jan. 2006	6,222	12,545	131,739	150,506
Dividends			-20,220	
Translation difference		-4,090		-4,090
Net profit			24,899	24,899
	<b>6,222</b>	<b>8,455</b>	<b>136,418</b>	<b>151,095</b>

liabilities were SEK 84.4 m (98.0). The average number of employees was 299 (288).

## Significant Events in 2006

In February, Beijer Electronics signed a new, long-term master agreement with Tetra Pak for the supply of new E1000 operator terminals, based on the new platform, BEPP. This master agreement is global, covering deliveries of new operator terminals for the process equipment and machine controls that Tetra Pak produces and sells worldwide. Tetra Pak is one of the world's largest users of automation equipment.

In early April, Beijer Electronics decided to incorporate a subsidiary in Shanghai, China. This accentuates the group's aggressive strategy as a global HMI products player, after its acquisition of Hitech Electronics in Taiwan. Through Hitech, the group already has a local distributor in China. The main tasks of the Chinese subsidiary will be to support Hitech's sales channel and service the market as part of the launch of Beijer Electronics' new terminal series, EXTER, in China. The Shanghai subsidiary will be staffed with local professionals from China and Taiwan.

In June, Beijer Electronics signed an agreement with Mitsubishi Electric regarding the take-over of distribution rights for its agencies in Denmark and the Baltic region, and those agencies Automation does not already possess in Finland. These new markets are estimated to generate sales of some SEK 100 m for the Automation business area in 2008. Coincident with the transaction, Mitsubishi Electric will acquire 15 per cent of Automation for SEK 44 m, generating a non-recurring gain of some SEK 41 m for the parent company after deducting for transaction expenses. This gain will be accounted in the fourth quarter.

The backdrop for this deal is to create more scope for growth within Automation in Scandinavia and adjacent markets. Beijer Electronics and Mitsubishi Electric have had a close collaboration for 25 years, with Beijer Electronics holding agencies for Mitsubishi Electric's automation equipment product range in Sweden, Norway and Finland. Building on the foundation of these agencies, Beijer



Electronics has created a business in this segment that is one of the region's leaders. With Beijer Electronics taking over the agencies in the affected countries, Mitsubishi Electric sees an opportunity to further consolidate its market positioning as a supplier to the whole region.

This transaction, scheduled for completion in the fourth quarter 2006, was preceded by the Beijer Electronics group taking on a new structure. Parent company Beijer Electronics AB was re-formed as a holding company with holdings in two subsidiaries – Beijer Electronics Automation AB and Beijer Electronics Products AB. This new structure came into effect on 1 June 2006.

After the end of the reporting period, Beijer Electronics signed a letter of intent with UTU Powel Oy to acquire parts of its automation business in Finland and the Baltic region with aggregate sales of some SEK 40 m. This transaction is part of the agreement with Mitsubishi Electric, whereby Beijer Electronics takes over Mitsubishi Electric's agencies in Finland, the Baltic region and Denmark.

The deal with UTU Powel encompasses sales, mainly of frequency inverters from Mitsubishi Electric in Finland, and Mitsubishi Electric's complete product range in the Baltic states, such as control systems, frequency inverters, servo systems and industrial robots. The letter of intent implies Beijer Electronics' subsidiary Beijer Electronics Automation acquiring the affected parts of operations in Finland and Estonia, and subsidiaries in Latvia and Lithuania. The acquired businesses have a total of some 20 employees. The transaction is scheduled for consummation in late September 2006, and will be consolidated into Beijer Electronics' accounts from the fourth quarter 2006.

### **Outlook for 2006**

The first half-year 2006 was positive and Beijer Electronics anticipates a sustained good market for the remainder of the year. In 2005, the group enhanced its product range, extended its sales channels and created a more efficient organization. Overall, Beijer Electronics is expected to enjoy good prospects of continuing to increase sales and profits in 2006.

Göran Sigfridsson  
CEO & President  
Malmö, Sweden, 17 August 2006

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*This Report has not been reviewed by Beijer Electronics' auditors.*

# Interim Report in Summary

## Income Statement

SEK 000	Q2, 2006	Q2, 2005	6 MTH, 2006	6 MTH, 2005	12 MTH, 2005
Net turnover	191,727	171,982	360,131	293,535	615,288
Other operating revenue	3,618	4,940	8,334	6,691	15,158
Operating expenses	-170,170	-154,072	-323,638	-265,390	-556,124
Depreciation	-4,698	-3,922	-8,638	-6,379	-14,204
Share of profit in associated companies	83	-	163	-	-
<b>Operating profit</b>	<b>20,560</b>	<b>18,928</b>	<b>36,352</b>	<b>28,457</b>	<b>60,118</b>
Net financial position	-478	-763	-1,035	-645	-1,522
<b>Profit before tax</b>	<b>20,082</b>	<b>18,165</b>	<b>35,317</b>	<b>27,812</b>	<b>58,596</b>
Estimated tax	-5,924	-5,250	-10,418	-8,038	-17,422
<b>Net profit</b>	<b>14,158</b>	<b>12,915</b>	<b>24,899</b>	<b>19,774</b>	<b>41,174</b>
<i>Equivalent to earnings per share, SEK</i>	<i>2.28</i>	<i>2.08</i>	<i>4.00</i>	<i>3.18</i>	<i>6.62</i>

SEK 000	Jun 2006	Jun 2005	31 Dec 2005
<b>Balance Sheet</b>			
<b>Assets</b>			
Fixed assets	159,650	138,622	155,324
Current assets	199,640	193,858	171,273
Liquid assets and short-term investments	65,491	46,799	63,743
<b>Total assets</b>	<b>424,781</b>	<b>379,279</b>	<b>390,340</b>
<b>Liabilities and shareholders' equity</b>			
Shareholders' equity	151,095	123,031	150,506
Long-term liabilities	93,085	127,827	94,085
Current liabilities	180,601	128,421	145,749
<b>Total liabilities and shareholders' equity</b>	<b>424,781</b>	<b>379,279</b>	<b>390,340</b>
<i>Of which interest-bearing liabilities</i>	<i>84,358</i>	<i>98,012</i>	<i>86,691</i>
<b>Key Figures</b>			
Operating margin, %	10.1 %	9.7 %	9.8 %
Profit margin, %	9.8 %	6.7 %	9.5 %
Equity ratio, %	35.6 %	32.4 %	38.6 %
Shareholders' equity per share, SEK	24.29	19.78	24.19
Earnings per share, SEK	4.00	3.18	6.62
Rolling 12-month EPS, SEK	7.44	5.54	6.62
Return on equity after tax, %	33.8	30.9	31.0
Return on capital employed, %	30.1	30.1	33.1
Return on net operating assets, %	39.5	43.5	52.3
Average number of employees	299	288	294
<i>Number of shares 6,221,488</i>			
<b>Cash Flow Statement</b>			
Cash flow from operating activities	32,246	25,270	54,517
Change in working capital	-19,371	6,418	23,492
Cash flow from investment activity	-8,672	-120,703	-130,057
Change in financing	18,901	78,038	57,416
Dividends paid	-20,220	-18,664	-18,665
<b>Change in liquid assets</b>	<b>2,884</b>	<b>-29,641</b>	<b>-13,297</b>
Liquid assets and short-term investments, opening balance	63,743	74,646	74,646
Price/exch. rate change, liquid assets	-1,136	1,794	2,394
<b>Liquid assets and short-term investments, closing balance</b>	<b>65,491</b>	<b>46,799</b>	<b>63,743</b>

## Beijer Electronics AB

Beijer Electronics is a development and agency corporation active in industrial automation with products and services marketed domestically and globally.

The Beijer Electronics group comprises the parent company Beijer Electronics AB with the subsidiaries Beijer Electronics Automation AB and Beijer Electronics Products AB. The group also has subsidiaries in Finland, Norway, Taiwan, Germany and the US.

The product range includes programmable control systems, frequency inverters, servo systems, robots, operator systems, I/O systems and vision systems. The offering also includes services such as technical support, plus a comprehensive range of training packages and project management.

### More Information

Subscription for financial information such as press releases, financial reports and Website updates is possible through Beijer Electronics' e-mail list. Subscription to the list is straightforward from Beijer Electronics' Website, [www.beijer.se](http://www.beijer.se).

Questions relating to the Beijer Electronics group should be addressed to Management Assistant Annika Johnsson on tel: +46 (0)40 35 86 55, or via e-mail: [koncerninfo@beijer.se](mailto:koncerninfo@beijer.se).

### Forthcoming Financial Information

25 October 2006 ..... Nine-month Interim Report  
8 February 2007 ..... Financial Statement for 2006  
23 April 2007 ..... Three-month Interim Report  
23 April 2007 ..... Annual General Meeting (AGM)

**Beijer**  
ELECTRONICS

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