



# Press release from The ÅF Group

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## **AB Ångpanneföreningen (publ) Interim Report January–March 2000**

- Rapid growth (36 percent) for business area working with technical/administrative IT services.
- Full-year profits for 2000 are anticipated to show an improvement on 1999.
- Turnover as a whole rises by 11 percent to SEK 422 (380) million.
- Profit SEK 9 (14) million.
- Proposal for convertible bond loan open to employees.
- Preparations under way for establishment in the USA.

The relatively sluggish demand for technical consulting services that had characterised the market in Sweden in 1999 endured into the first quarter of 2000, although the market did improve during this period. Capacity utilisation in the first quarter of 2000 averaged 66 (67) percent. However, the Group's earnings trend picked up during the reporting period, and a brisker inflow of orders, particularly for technical and administrative IT services, is only one of many indicators which point to a stronger market during the rest of the current year. The market for our foreign operations, which now account for one quarter of the Group's business, is more favourable and major assignments have been awarded for forestry industry projects in Southern Europe and Vietnam.

Consolidated profit after net financial items, together with proportional interests in associated companies, amounted to SEK 9.1 (14.3) million, which corresponds to a return on equity of 8 (11) percent. Net sales totalled SEK 422 (380) million and the profit margin was 2.3 (3.8) percent, compared with a figure of 3.4 percent for the whole of 1999. Order stocks increased to SEK 430 (425) million. The result has been charged with a calculated bonus to Group employees amounting to SEK 500,000 (900,000).

The number of full-time equivalents during the period (including employees in associated companies) was 2,209 (2,135). The parent company's net sales were SEK 27 (21) million and the profit after net financial items was SEK 3.3 (-0.6) million.

The Group's net worth, after a standard 20 percent tax deduction on the estimated surplus value of property was SEK 77 (88) per share. Adjusted equity ratio was 39 (48) percent. An extra dividend of SEK 10 per share during 1999 contributed to the reduction.

At the beginning of the period the ÅF Group acquired the environmental research company Miljöforskargruppen AB (MFG), which has operations in Sweden, Finland

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AB Ångpanneföreningen (public)

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and Denmark. MFG has one of the best track records among environmental service specialists in Scandinavia, with clients in the timber, iron and steel, mining and chemical industries. MFG's state-of-the-art environmental laboratory includes ecosystem models for studying the long-term effects of organic and inorganic substances.

Conscious of the fact that a committed attitude among employees will play a crucial role in the future success of the ÅF Group, the Board has resolved to increase the opportunities for employees to become involved as owners in the company: a proposal will be presented to the company's shareholders at the Annual General Meeting which departs from the shareholders' customary preferential rights by issuing a convertible bond loan for which ÅF Group employees in Sweden may subscribe. The loan will amount to a ceiling of SEK 175 million and run from 6 July 2000, up to and including 20 June 2005. It may be converted to B shares with effect from 21 January 2004, up to and including 20 May 2005. The loan will attract an annual interest of 12 month's STIBOR less 2.70 percentage points. Subscriptions may be made during the period 17–30 May 2000, and the settlement day is 6 July 2000. The conversion rate is set at approximately 118 percent of the average market value for the ÅF Group share during the period 17–23 May 2000. The dilution effect is estimated not to exceed a maximum of 10 percent of share capital and approximately 6.5 percent of the votes.

### Consulting activities

The consolidated profit for the Group's consulting activities amounted to SEK 11.7 (14.9) million, with net sales increasing to SEK 454 (398) million.

### Profit/loss and net sales per business area (in millions of SEK)

Figures for the reporting period (corresponding period 1999) and the whole of 1999

|                              | Profit/Loss | Net sales | Full-year 1999,<br>Profit/Loss Net sales |     |
|------------------------------|-------------|-----------|--|-----|
| Elec. Eng. & Instrumentation | 7(11)       | 129(118)  | 36                                       | 498 |
| Energy, Env. & Process Tech. | -5(6)       | 100(100)  | 12                                       | 391 |
| HVAC & Sanitation            | 4(3)        | 49(49)    | 13                                       | 186 |
| Software, Elec. & Mech. Eng. | 13(4)       | 116(85)   | 15                                       | 390 |
| Inspection & Testing         | -5(-7)      | 28(19)    | -17                                      | 108 |
| Education & Management       | -2(-3)      | 32(26)    | 1  | 140 |

The table shows the financial development of the Group's six business areas during the reporting period January–March 2000.

Comparison with the corresponding period in 1999 shows an improvement in the result totalling SEK 13 million for four business areas. On the other hand, the business areas Electrical Engineering & Instrumentation and Energy, Environment & Process Technology, most of whose customers are to be found in the process industries and energy sector, are still feeling the adverse effects of low levels of investment in these two sectors and saw their aggregated result back by SEK 15 million during the period.



While developments within the energy market remain uncertain, there are, however, clear indications of an increased willingness to invest in the process industry, and it is anticipated that profitability for both of these business areas involved will improve.

Developments within HVAC & Sanitation have been positive with an increase in capacity utilisation and an improvement in profits – a development which looks set to continue throughout the year.

Inspection & Testing was affected by the seasonal variations that are the norm in this business area. The first-quarter result was somewhat better than the planned development for 2000 as a whole, which anticipates a break-even result for the business area this year. Within the Inspection & Testing market as a whole work is taking place in an effort to achieve a better balance between supply and demand.

The result for Education & Management, while poor and affected to some degree by traditional seasonal variations within the sector, was still better than that for the corresponding period in 1999. The work of restructuring educational operations within ÅF-SIFU is proceeding according to plan.

The best improvement in results was reported by Software, Electronics & Mechanical Engineering. In line with the ÅF Group's expansion ambitions this business area showed the best growth of all during the first quarter, with the increase in turnover amounting to 36 percent. The business area is now investigating the possibilities of establishing operations in Dallas, Texas, to design and produce equipment for the electronics industry. Deliveries from the Group are already being made direct to North American clients.

More assignments were registered in the IT sector and the number of telecom projects also continued to rise. Palmstierna Instrument called upon the assistance of a team from ÅF to develop digitised valve positioners for industrial applications. The ÅF Group also signed a cooperation agreement with Bredbandsbolaget for the supply of equipment for control systems for installations, networks and equipment in properties connected to the Bredbandsbolaget company's broadband network. The aim is to use broadband installations to create an inherent added value in addition to offering the provision of primarily consumer-oriented services. The ÅF Group has been awarded a contract by MoDo Paper to act as chief consultant for the company's new BM 1 off-line paper-coating plant at Husum and to assume responsibility for all the project planning work, project administration and electrical engineering and instrumentation planning services relating to the conversion of MoDo's PM 8 papermaking machine.

Volvo commissioned the ÅF Group to produce a rear-axle alignment station complete with the necessary software for its car production plant in Ghent in Belgium.

### **Real Estate and Finance Administration**

The Group's properties, which consist of 95 percent offices, are used mainly by the Group's consulting businesses. At the end of the reporting period the vacancy ratio was 5 percent. The Group currently owns 34,300 square metres of real estate. At the year-end 1998 the Group's properties were valued by Catella Fastighetsekonomi at a market value



of SEK 370 million. By the beginning of 2000 the market value was assessed to have risen to SEK 400 million. The book value was SEK 263 million.

Gross investments in machinery and equipment totalled SEK 14 (32) million excluding investments made via corporate acquisitions. The Group's liquid assets amounted to SEK 99 (64) million. These liquid assets were placed in interest-bearing financial instruments in Sweden. Interest-bearing liabilities and allocations totalled SEK 350 (183) million, bringing the Group's net borrowings to SEK 251 (119) million. The figure for net borrowings at the start of the period was SEK 239 million.

The company is affected by the premium refund announced by the SPP insurance company. The refund amounts to SEK 299 million, of which it seems that approximately 50 percent will be transferred to the ÅF Group during the course of the year.

### **Outlook for the rest of 2000**

The weak market which had such a marked effect on the ÅF Group's result for 1999 continued to exert an influence as the new year got under way. However, the market is expected to pick up gradually during 2000, and, against this background and in view of the measures taken by the Group, not least to improve capacity utilisation, the consolidated result for 2000 is expected to show an improvement on that for 1999. (This will apply even without the refund of any premiums held by SPP.)

Stockholm, Sweden, 28 April 2000

AB ÅNGPANNFÖRENINGEN (publ)  
Gunnar Grönkvist  
Managing Director



| <b>CONSOLIDATED INCOME STATEMENT</b> (in millions of SEK) | 1 Jan 1998  | 1 Jan 1999  | <b>1 Jan 2000</b>  | Full year |
|---|-------------|-------------|--------------------|-----------|
|   | 31 Mar 1998 | 31 Mar 1999 | <b>31 Mar 2000</b> | 1999      |
| Net sales   | 316.3       | 379.7       | <b>422.2</b>       | 1612.0    |
| Personnel costs   | -198.7      | -250.2      | <b>-271.0</b>      | -996.2    |
| Other expenses  | -85.1       | -100.4      | <b>-120.5</b>      | -503.9    |
| Depreciation  | -12.5       | -15.0       | <b>-16.1</b>       | -63.7     |
| Share of associated companies' profit/loss                | 0.0         | 0.0         | <b>-0.7</b>        | 1.1       |
| Operating profit  | 20.0        | 14.1        | <b>13.9</b>        | 49.3      |
| Net financial income/expense                              | 1.0         | 0.2         | <b>-4.8</b>        | 5.8       |
| Profit after net financial income/expense                 | 21.0        | 14.3        | <b>9.1</b>         | 55.1      |
| Tax   | -5.9 *      | -4.0 *      | <b>-2.5 *</b>      | -18.5     |
| Minority interests' share of the profit                   | -           | 0.5         | <b>0.3</b>         | -0.1      |
| Profit after tax  | 15.1        | 10.8        | <b>6.9</b>         | 36.5      |

\* Calculated tax = standard tax

| <b>CONSOLIDATED BALANCE SHEET</b> (in millions of SEK) | 31 Mar 1998 | 31 Mar 1999 | <b>31 Mar 2000</b> | 31 Dec 1999 |
|--|-------------|-------------|--------------------|-------------|
| <b>Assets</b>  |             |             |                    |             |
| Intangible assets                                      | 26.0        | 48.2        | <b>47.3</b>        | 43.8        |
| Tangible assets  | 323.4       | 363.4       | <b>402.4</b>       | 391.1       |
| Financial assets                                       | 32.5        | 27.4        | <b>35.4</b>        | 41.0        |
| Current receivables                                    | 323.9       | 384.8       | <b>453.0</b>       | 417.3       |
| Liquid assets and investments                          | 90.1        | 63.9        | <b>98.6</b>        | 112.6       |
| Total assets   | 795.9       | 887.7       | <b>1036.7</b>      | 1005.8      |
| <b>Equity and liabilities</b>                          |             |             |                    |             |
| Equity   | 395.7       | 393.3       | <b>339.1</b>       | 332.7       |
| Minority interests                                     | -           | 1.5         | <b>4.2</b>         | 3.9         |
| Provisions   | 164.7       | 158.3       | <b>154.1</b>       | 151.3       |
| Long-term liabilities                                  | 15.2        | 74.1        | <b>63.3</b>        | 58.7        |
| Short-term liabilities                                 | 220.3       | 260.5       | <b>476.0</b>       | 459.2       |
| Total equity and liabilities                           | 795.9       | 887.7       | <b>1036.7</b>      | 1005.8      |

| <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b><br>(in millions of SEK)   | 1 Jan 1998  | 1 Jan 1999  | <b>1 Jan 2000</b>  | Full year |
|---|-------------|-------------|--------------------|-----------|
|   | 31 Mar 1998 | 31 Mar 1999 | <b>31 Mar 2000</b> | 1999      |
| Cash flow from operating activities before changes in working capital | 33.6        | 29.2        | <b>13.2</b>        | 65.1      |
| Cash flow from changes in working capital                             | -21.9       | -21.5       | <b>-18.3</b>       | -4.2      |
| Cash flow from investing activities                                   | -15.3       | -56.1       | <b>-8.5</b>        | -130.8    |
| Cash flow from financing activities                                   | -4.8        | 29.9        | <b>-</b>           | 111.0     |
| Cash flow for the reporting period                                    | -8.4        | -18.5       | <b>-13.6</b>       | 41.1      |

#### KEY RATIOS

|  |       |       |              |       |
|--|-------|-------|--------------|-------|
| Return on equity, % (full year)                                  | 18.6  | 11.9  | <b>7.6</b>   | 11.1  |
| Return on capital employed, % (full year)                        | 20.9  | 14.8  | <b>11.3</b>  | 12.9  |
| Equity ratio, %  | 49.7  | 44.3  | <b>32.7</b>  | 33.1  |
| Adjusted equity ratio, %   | 53.4  | 49.1  | <b>38.2</b>  | 38.7  |
| Profit margin, %   | 6.6   | 3.8   | <b>2.2</b>   | 3.4   |
| Profit per share after standard tax, SEK                         | 2.64  | 1.79  | <b>1.14</b>  | 6.90  |
| Equity per share, SEK  | 69    | 68    | <b>59</b>    | 58    |
| Net worth per share, SEK   | 84    | 88    | <b>78</b>    | 77    |
| Number of full-time equivalent employees, excl. Assoc.companies  | 1,703 | 1,996 | <b>2,069</b> | 2,048 |
| Number of full-time equivalent employees, incl. Assoc. Companies | 1,843 | 2,135 | <b>2,209</b> | 2,222 |
| Number of shares: 5,748,569                                      |       |       |              |       |

(Definitions, see Annual Report 1999.)

The interim report has not been reviewed by the company's auditors.

#### Forthcoming activities

The Annual General Meeting of the company will be held at the head office of the ÅF Group on Thursday, 11 May 2000 at 17.00 (5 p.m.).

The interim report for the period January-June will be issued on 15<sup>th</sup> August.

The report is available in Swedish and English versions.

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