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AB Ångpanneföreningen (publ) Summary of Annual Report 1998

- Consolidated profit rose by 20% to SEK 10.21 (8.49) per share, exceeding the forecast
- Turnover increased by 12% to SEK 1,312 million
- Net worth increased to SEK 86 (82) per share
- The Board proposes a dividend of SEK 15.00 (8.00) per share, of which a lump sum dividend of SEK 10 per share
- The company is affected by the premium refund announced by SPP
- Volume is expected to grow by at least 10% with a profit margin of 6-7% in 1999

The market for the ÅF-Group's services was mainly favourable during 1998. Compared with 1997 industrial investments increased somewhat after declining by almost 10% between 1996 and 1997. Capacity utilisation in the Group amounted to 71% (70%), which was satisfactory.

Consolidated profit after net financial items, together with interest in associated companies, amounted to SEK 81.5 (67.8) million. The profit margin amounted to 6.2% (5.8%). Consolidated profit was affected by performance bonuses to the Group's employees amounting to SEK 6 (6) million. Earnings per share after 28% standard tax amounted to SEK 10.21 (8.49).

Consolidated turnover amounted to SEK 1,312 (1,169) million, an increase of 12%. Net financial items were SEK 10.8 (15.4) million, of which capital gain on the sale of shares amounted to SEK 13.4 (16.1) million. The equity ratio was 47% (51%).

The parent company's turnover amounted to SEK 90 (75) million and profit after net financial items was SEK 3.7 (16.9) million.

The Group's net worth, calculated as shareholders' equity with the addition of 80% of the surplus value of property, amounted at year end to SEK 492 (471) million, or SEK 86 (82) per share.

During the year work was intensified in assuring software and other equipment containing time-dependent electronics for the new millennium. All controls were based on the IT Commission's definition of Y2K assurance and covered production equipment and systems installed in real estate. The work was carried out under the leadership of persons responsible for Y2K at each company. Co-ordination and management of the operation throughout the ÅF-Group is in the hands of a central steering group of which the Managing Director is a member. The project is expected to be concluded during the second quarter of 1999.

Consulting businesses

The consolidated profit of the consulting businesses rose to SEK 83 (56) million. During the year the number of full-time equivalent employees rose by 145, totalling 1,910 including associated companies. Orders on hand at year end amounted to SEK 390 (344) million.

Trends for the consulting businesses per business area are shown in the tables below.

	Turnover (SEK mill.)			
	1995	1996	1997	1998
Elec.&Instrumentation	325	365	394	436
Energy, Environ.&Process	330	428	393	373
HVAC&Sanitation	112	136	153	164
Software, Electr.&Mechan.	231	223	277	310
Inspection&Testing	8	40	53	55
Education&Management	-	-	-	55

	Profit/Loss (SEK mill.)			
	1995	1996	1997	1998
Elec.&Instrumentation	41	45*	40*	51*
Energy, Environ.&Process	41*	45*	16*	21*
HVAC& Sanitation	6	1	-7	8
Software, Electr.&Mechan.	30	19	27	17
Inspection&Testing	-14	-25	-20	-16
Education&Management	-	-	-	2

*including associated companies

The parent company is not included in the above table.

During the autumn ÅF-BOAB merged with ÅF-RNK. This means that together with the acquisition of Projektsamordning Muth in Gothenburg ÅF-RNK now has 150 employees.

ISO Swedish Management Group was acquired in 1998 and its name was changed to ÅF-Swedish Management Group. In accordance with a previous option, the ÅF-Group increased its ownership in the educational company SIFU at the end of the year from 19% to 75%. The following companies were also acquired: P-electronic, WO-Konsult, Eldesign in Stockholm, Peter Grahn Projektering and the IT firm of Simini Data.

In December, the ÅF-Group exercised its option to acquire 47% of the Polish consulting firm, ÅF-Proinstall.

After year end 1998 the engineering shop operations of ÅF-Rateko were sold to EWS Teknik.

At the end of the period the ÅF-Group acquired Lundstrom Engineering, Sveriges Tekniska Kontrollinstitut in Luleå and Cresita. The latter became a subsidiary of ÅF-Energikonsult Syd. The newly acquired companies have together about 150 employees.

All business areas except Software, Electronics & Mechanical Engineering posted improved profits compared with 1997. The Group's biggest business area - Electrical Engineering & Instrumentation - again showed good development with a profit margin of 12%.

Business area Software, Electronics & Mechanical Engineering posted a profit that was SEK 10 million lower than in 1997. A loss in a fixed price project explains much of this downturn. Profits were also affected by major marketing efforts in Sweden and other countries for the new financial and project accounting system PX Control™. The decline in profit in this business area is considered temporary and a turnaround could be observed at the end of the year.

The market continued to stabilise for Inspection & Testing. The business area's rate of loss was reduced during the year compared with 1997. In the autumn a powerful effort was initiated to establish operations in the field of non-destructive testing (NDT). This has considerable synergy with the inspection side of the business and means that the ÅF-Group can offer a new, qualified service to the forest, petrochemical and power industries.

It is expected the NDT operations in the spring of 1999 will employ 80 persons and give a positive boost to profits during 1999.

The ÅF-Group received an increasing number of assignments in the telecom and software sectors for, among others, the Swedish National Rail Administration's telecom network, Ericsson and Tele2. Electro-technical projects also included the modernisation of the marshalling yards at Hallsberg and the new Öresund Bridge with its approach roads.

ÅF-Group energy consultants carried out work at all of Sweden's nuclear power plants. For North Transgas a comprehensive feasibility study was carried out for a gas pipeline from Russia to Germany through the Nordic region.

In 1998 a significant project for UPM Kymmene's recycled fibre plant in Shotton, England, was concluded with a successful start-up.

Climate systems were developed for new working environments at Ericsson's main facility in Hågersten, Sweden. Climate systems of a more global nature are being developed for the Science Centre in Gothenburg, which contains rain forests and western Sweden's largest aquarium. New installations were developed for the new vegetarian restaurant chain, Meaning Green.

Within the ÅF-Group's educational operations, focus was placed on regional schools for small businesses in quality systems, production and EMAS environmental management verification.

ÅF-Group electrical consultants in Norway are designing electro-technical installations for Telenor's new head office at Fornebu.

The ÅF-Group enjoyed continued success with the financial system PX Control™ in Sweden, Norway and Finland. Large consulting firms such as Sigma, J&W and KM in Sweden, InterConsult and

MultiConsult in Norway, and Jaakko Pöyry in Finland have bought the system.

At year end, the ÅF-Group's international operation has been awarded a major contract for a total review of the entire energy system for the city of Vilnius.

Real Estate and Finance Administration

The Group's properties are 95% office premises, used mainly by the Group's consulting businesses. At year end the vacancy ratio was 5% (5%).

The Group had 35,500 sq. m of real estate at year end. During the year a building in Norra Djurgården, Stockholm, was sold to the Science City Foundation for SEK 25 million, which agrees with the book value. The floor area of the property was 3,650 sq. m.

At year end 1997 properties were valued by Catella Fastighetsekonomi at SEK 370 million. Book value amounted to SEK 233 (236) million. Net investments in real estate amounted to SEK 1 (30) million.

At year end the Group's liquid assets amounted to SEK 93 (91) million, of which SEK 22 million was in listed Swedish and foreign stocks. The surplus value of the stocks was SEK 5 (7) million at year end. The remainder of the liquid assets was in the form of interest-bearing investments in Sweden. Interest-bearing debts and allocations amounted to SEK 155 (136), bringing the Group's net borrowings to SEK 62 (45) million.

The company is affected by the premium refund announced by the SPP insurance company. SPP says that the amount of the refund and the method by which it is to be paid out will be clarified before the end of 1999.

Dividends

In 1997 the Board decided that the goal for the ÅF-Group's equity ratio in the long term should be kept within the interval of 40-45% and that the dividend should correspond to 50% of the consolidated profit after tax.

A first step was taken towards the equity ratio goal in the 1997 dividend, when the whole year's profit after taxes was paid out.

To follow up the equity ratio goal, the Board is proposing to the 1999 Annual General Meeting a lump sum dividend of SEK 10 per share. In addition, it is proposed that 50% of the 1998 profit after tax be paid out to the shareholders. Thus a total of SEK 15 per share is proposed as a dividend for fiscal 1998.

Outlook for 1999

The development of industrial and energy investments in Sweden is essential for the ÅF-Group's market outlook. The Group's market conditions for 1999 are expected to be about the same as in 1998.

The ÅF-Group is expected to continue to grow by at least 10% in 1999, reaching a profit margin of roughly the same level as in 1998.

Stockholm, 16 February 1999

AB Ångpanneföreningen (publ)

Gunnar Grönkvist, CEO and Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNTS, SEK mill.	Whole year 1994	Whole year 1995	Whole year 1996	Whole year 1997	Whole year 1998
Net turnover	728,7	954,5	1 087,6	1 169,5	1 312,2
Personnel expenses	-435,2	-550,4	-638,9	-730,0	-820,8
Other expenses	-200,5	-273,3	-324,0	-339,1	-367,5
Depreciation	-27,3	-36,5	-42,7	-48,3	-51,4
Proportion of profits in assoc.companies	-1,0	-0,4	2,3	0,3	-1,8
Operating profit	64,7	93,9	84,3	52,4	70,7
Net financial items	-3,4	3,9	4,4	15,4	10,8
Profit after net financial items	61,3	97,8	88,7	67,8	81,5
Tax	-23,8	-30,7	-28,1	-22,6	-33,5
Profit after tax	37,5	67,1	60,6	45,2	48,0

CONSOLIDATED BALANCE SHEETS SEK mill.	31 Dec.1994	31 Dec.1995	31 Dec.1996	31 Dec.1997	31 Dec.1998
Assets					
Intangible assets	28,5	29,6	25,2	23,5	30,7
Tangible assets	244,1	267,2	288,8	321,1	325,3
Financial assets	22,2	15,9	29,3	31,9	39,3
Short-term receivables	193,2	254,9	262,6	284,7	325,4
Liquid assets and short-term investments	96,1	136,2	121,6	91,0	92,9
Total assets	584,1	703,8	727,5	752,2	813,6
Shareholders' equity and liabilities					
Shareholders' equity	281,4	333,2	367,0	380,6	382,6
Allocations	149,8	155,3	160,0	156,8	153,9
Long-term liabilities	2,1	2,3	2,8	15,2	44,8
Current liabilities	150,8	213,0	197,7	199,6	232,3
Total shareholders' equity and liabilities	584,1	703,8	727,5	752,2	813,6

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS, SEK mill.	Whole year 1994	Whole year 1995	Whole year 1996	Whole year 1997	Whole year 1998
Funds provided internally	75,6	111,1	107,3	95,0	100,4
Change of working capital	9,6	0,4	-22,9	-29,0	0,3
Net investments	-36,4	-57,0	-61,9	-79,1	-66,8
Financing	-29,4	-14,4	-37,1	-17,5	-32,0
Change in liquid funds and investments	19,4	40,1	-14,6	-30,6	1,9

KEY FIGURES

Return on shareholders' equity, %	16,6	22,9	18,2	13,1	15,4
Return on capital employed, %	18,4	24,7	20,4	14,7	17,2
Equity ratio, %	48,2	47,3	50,4	50,6	47,0
Profit margin, %	8,6	10,3	8,0	5,8	6,2
Profit per share after standard tax, SEK	7,68	12,25	11,11	8,49	10,21
Adjusted shareholders' equity per share, SEK	49	58	64	66	67
Net worth per share, SEK	61	70	79	82	86
Employees, full-time equivalent, excl. assoc. cos.	1226	1428	1562	1624	1770
Employees, full-time equivalent, incl. assoc. cos.	1321	1520	1702	1764	1910

No. of shares 5,748,569

(For definitions see annual report 1997. All historical values per share have been translated to today's number of shares.)

Future events:

4 May, Interim Report for the first quarter, 1999

Annual Report 1998 will be available on 14 April, 1999, can be ordered via the ÅF-Group tel. +46 8 657 10 00 or e-mail to info@afk.af.se.

Annual General Meeting on 4 May, 1999 at 1700 hours at the ÅF-Group head office, Fleminggatan 7, Stockholm.