

INTERIM REPORT JANUARY - JUNE 1999



- ◆ **Earnings per share in first half of 1999: SEK 5.20 (5.20)**
- ◆ **Earnings per share over past 12 months: SEK 13.00**

SEK M	Second quarter		First six months	
	1999	1998	1999	1998
Order bookings	3 547	3 618	6 741	8 119
Sales	3 785	3 695	6 690	6 899
Operating profit	256	276	352	461
Profit after net financial items	192	214	329	351
Profit after tax	148	153	249	252

After a weak start in 1999, invoiced sales and operating profit rose during the second quarter to a level corresponding with results in the year-earlier period. Total world production of minerals remained largely unchanged, compared with 1998.

Invoicing of *service and parts*, which accounted for 43% of Group sales over the past 12-month period, remained virtually unchanged during the second quarter.

Higher sales were reported for industrial minerals, an area in which demand is largely driven by requirements of the construction and civil engineering industry. Price pressure on metallic minerals, however, led to postponements of purchases and reductions in inventories, which resulted in weaker sales.

Sales of *equipment for industrial minerals* accounted for 51% of Svedala's total invoicing. Trends in this sector were strong in North America, particularly in the U.S., while sales in Europe were largely unchanged. Strong growth in southern Europe was offset by a decline in Russia and other markets. Sales in South America also declined, particularly in Brazil. Signs of recovery have been noted in the Asia Pacific region.

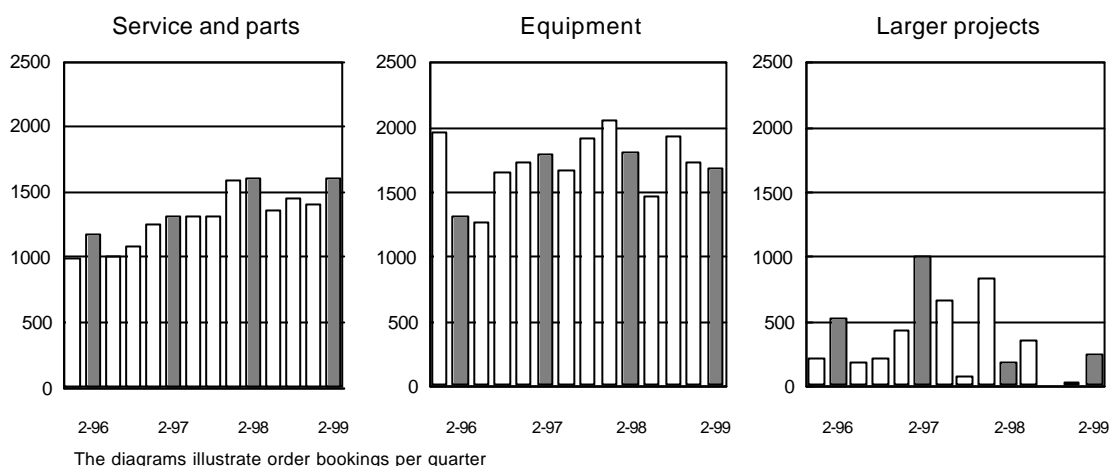
Sales of *equipment for metallic minerals* accounted for 6% of Group sales. Due to low metal prices, global investments have remained at a very low level.

Demand for equipment from the construction and civil engineering industry in North America is expected to remain strong, and we believe markets in Europe and South America, as well as Asia Pacific, will continue to show improvement. Signs of cautious recovery have also been noted for metallic minerals. Interest in cost-cutting investments in existing installations has been particularly strong, an area in which Svedala is uniquely positioned through its comprehensive systems know-how.

Overall, we anticipate generally improved market conditions during the second half of 1999.

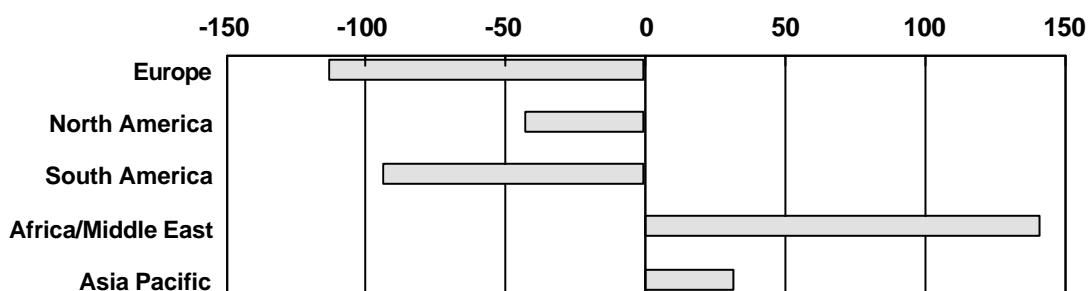
Malmö, August 10, 1999
Thomas Oldér
President

ORDER BOOKINGS



Svedala's order bookings during the *second quarter* of 1999 amounted to SEK 3,547 M, compared with SEK 3,618 M in the corresponding period last year. Order bookings for service and parts rose during the second quarter. The decline in orders for metallic minerals was not fully offset by the increase in equipment orders for industrial minerals.

Second-quarter order bookings in Europe amounted to SEK 1,554 M (1,667). The decline was due mainly to lower investments in the former Soviet Union. Order bookings in North America amounted to SEK 1,020 M (1,063). Orders were affected by weaker trends for metallic minerals, particularly in Canada, while equipment for industrial minerals showed higher order bookings. Order bookings in Asia Pacific rose to SEK 296 M (264). The economic recession in Brazil led to a decline in order bookings in South America to SEK 298 M (392). The currency effect of the Brazilian devaluation amounted to SEK 41 M. In Africa and the Middle East, order bookings in the second quarter rose to SEK 373 M (231) on the strength of project orders.



The diagram illustrates the change in order bookings Q 2 1999 vs Q 2 1998 (SEK M)

Total order bookings during the *first half* of 1999 amounted to SEK 6,741 M, compared with SEK 8,119 M during the corresponding period in 1998. Orders booked during the first quarter of 1998 reached record-heights for Svedala on the strength of several major project orders from Iran, among other markets.

SALES

Invoiced sales rose by SEK 90 M to SEK 3,785 M during the *second quarter* of 1999, compared second quarter sales in 1998 (3,695). Sales of service, replacement parts and wear products rose by SEK 97 M to SEK 1,542 M during the second quarter (1,455). Acquisitions and exchange rate fluctuations had only negligible effects on overall sales during the period.

Sales in Europe increased by SEK 151 M to SEK 1,728 M during the second quarter of 1999 (1,577). The increase was attributable to stronger sales in several markets, with special emphasis on the construction and civil engineering industry. Marginal changes were noted in North America, where sales totalled SEK 1,171 M (1,202), and Africa/Middle East, which reported invoiced sales of SEK 278 M (306). In South America, sales declined to SEK 242 M (352) due to the recession in Brazil. The devaluation of Brazil's currency accounted for about SEK 45 M of the decline. Sales in Asia Pacific were up SEK 63 M to SEK 351 M during the second quarter (228) as a result of infrastructure investments and project orders.

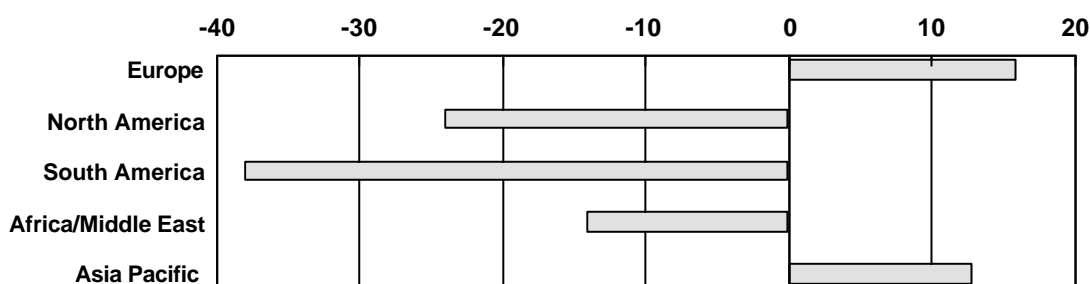
Total sales invoiced by the Svedala Group during the *first half* of 1999 amounted to SEK 6,690 M, down from SEK 6,899 during the corresponding period last year. Sales of service and parts accounted for 43% of total Group sales, calculated over the most recent 12-month period, with sales of equipment for industrial minerals accounting for 51%. Equipment used to process metallic minerals accounted for the remaining 6%.

PROFIT

Second quarter

Operating profit amounted to SEK 256 M in the second quarter of 1999 (276).

The operating profit from sales of service and parts was SEK 188 M, corresponding to an operating margin of 12%, while equipment accounted for SEK 94 M of the total operating profit with an operating margin of 4%.



The diagram illustrates the change in operating profit Q 2 1999 vs Q 2 1998 (SEK M)

Profit after net financial items amounted to SEK 192 M in the second quarter of 1999, which was marginally lower, compared with the year-ago period (214).

QUARTERLY FIGURES

SEK M	1999		1998			
	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Order bookings	3 547	3 194	3 407	3 183	3 618	4 501
Sales	3 785	2 905	4 079	3 416	3 695	3 204
Operating profit	256	96	402	190	276	185
Profit after net financial items	192	137	337	133	214	137

First half of 1999

Operating profit for the first half of 1999 amounted to SEK 352 M (461). Profit attributable to service and parts amounted to SEK 333 M, corresponding to an operating margin of 12%. Operating profit attributable to equipment sales amounted to SEK 74 M, with an operating margin of 2%.

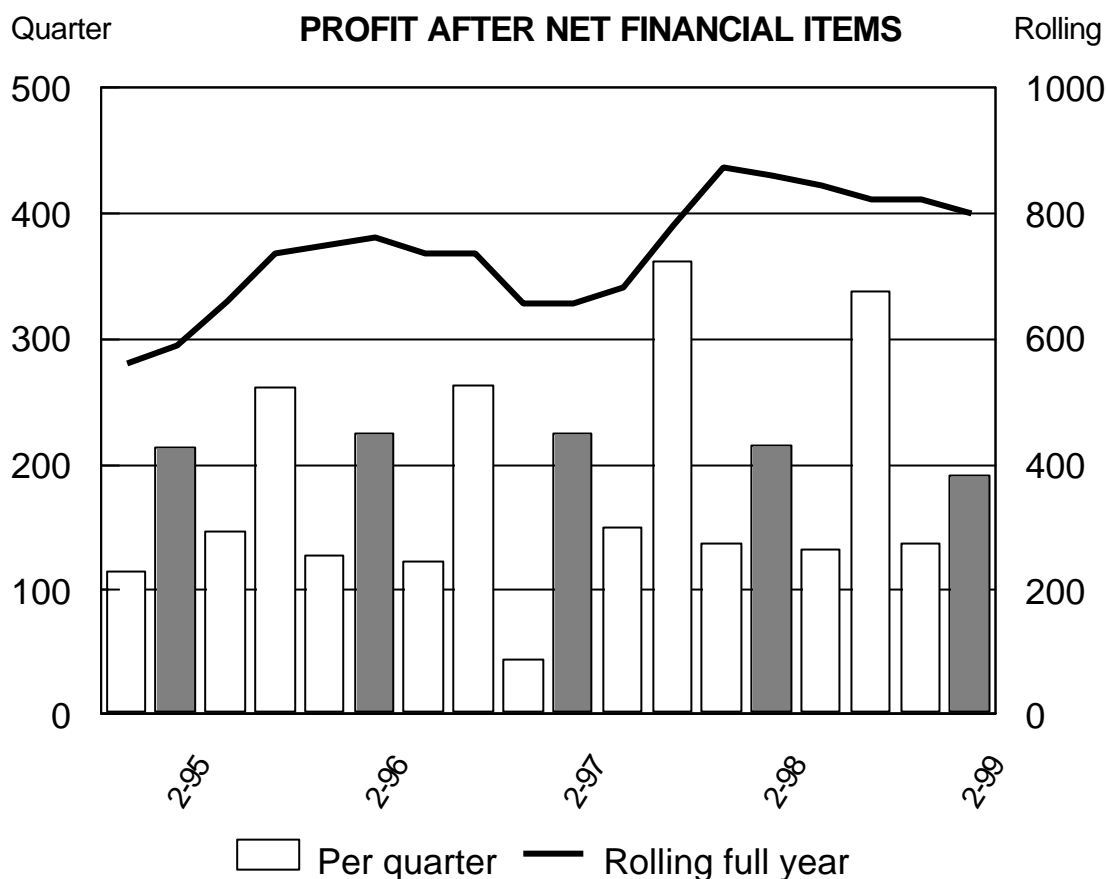
Exchange rate movements during the first six months of 1999 yielded favourable effects on operating profit amounting to SEK 70 M, most of which is attributable to positive effects of exports from Brazil following the country's devaluation early in the year. Currency effects are reported in end-customer markets.

CURRENCY EFFECTS ON OPERATING PROFIT

SEK M	Jan-June	Jan-June	Change
	1999	1998	
Translation of flow	72		72
Translation of earnings	-11		-11
Forward contract	-5	-14	9
Total	56	-14	70

Profit after net financial items during the first half of 1999 amounted to SEK 329 M, down SEK 22 M from the year-ago period. Net financial items amounted to a total expense of SEK 23 M (expense: 110). The improvement in net financial items includes a positive exchange rate difference of SEK 104 M resulting from an earlier decision to discontinue hedging of foreign net assets.

Profit after tax during the first half of 1999 amounted to SEK 249 M, corresponding to SEK 5.20 per share, compared with SEK 252 M and SEK 5.20, respectively, in the year-earlier period. Earnings per share over the 12-month period ended June 30, 1999 amounted to SEK 13.00.



ACQUISITIONS

Svedala acquired Ludlow-Saylor, an American company, in the first half of 1999. Ludlow-Saylor manufactures wear parts for screens. The company has annual sales of SEK 100 M and about 100 employees.

Shortly after the close of the six-month period under review, two other companies were acquired:

Dunlop-Skega of Australia, formerly a jointly owned company, is now a wholly owned subsidiary of the Svedala Group. The company manufactures and markets linings for grinding mills. Annual sales amount to approximately SEK 100 M, with about 75 employees.

Pyrotherm, another Australian company, has developed a unique technology for drying and calcinating minerals. The company has annual sales of about SEK 50 M.

INVESTMENTS AND DEPRECIATION

Group investments in property, plant and equipment, not including the assets of acquired companies, totalled SEK 266 M (216) during the first half of 1999. Depreciation amounted to SEK 195 M (203) during the same period.

CASH FLOW AND FINANCING

Cash flow before investments amounted to SEK 176 M (110) during the first six months of 1999.

Net borrowing as of June 30, 1999 totalled SEK 4,751 M, an increase of SEK 550 M since year-end 1999 and SEK 1,045 M compared with June 30, 1998. The increase in net borrowing since year-end includes loans totalling SEK 144 M, which were raised to finance acquisitions and an increase in inventories totalling SEK 274 M. The capital rationalization project is proceeding as planned and inventories were reduced in the second quarter by SEK 97 M. The rate of reduction is expected to accelerate during the second half of the year.

PERSONNEL

The Group had nearly 11,000 employees at June 30, 1999. The labour force has been reduced by about 200 since year-end 1998, not including acquisition.

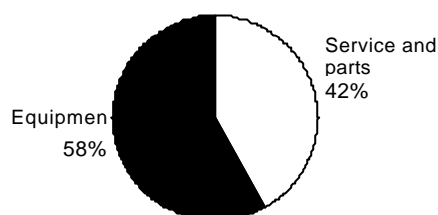
PARENT COMPANY

The Parent Company's operating revenue during the first half of 1999 amounted to SEK 72 M (38). Profit after net financial items amounted to an expense of SEK 9 M (41).

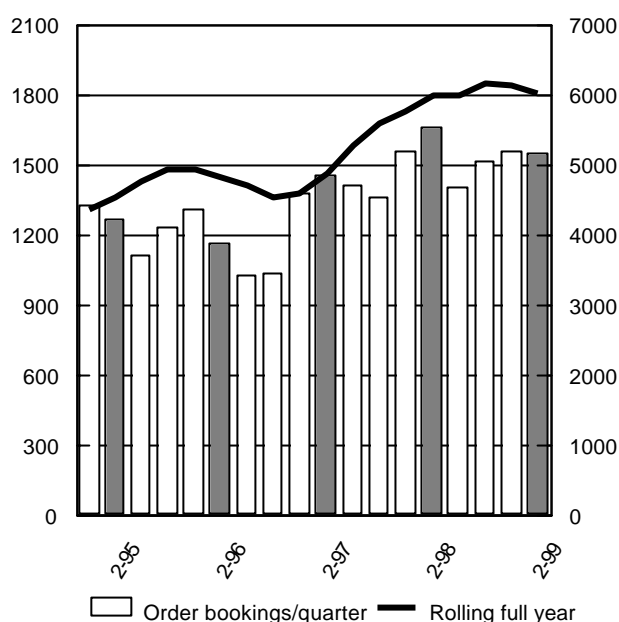
ORDER BOOKINGS AND PROFIT PER REGION

Europe

SEK M	1999 6 mos.	1998 6 mos.	1998 12 mos.	July-98- June-99
Order bookings	3 111	3 225	6 151	6 037
Invoicing	2 948	2 878	6 152	6 222
Operating profit	200	201	504	503
ROA %	12	14	17	16



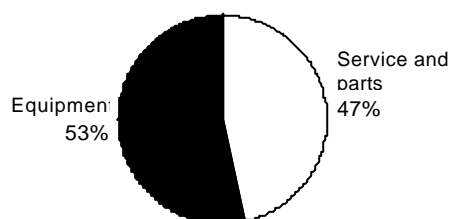
Invoicing latest 12 months



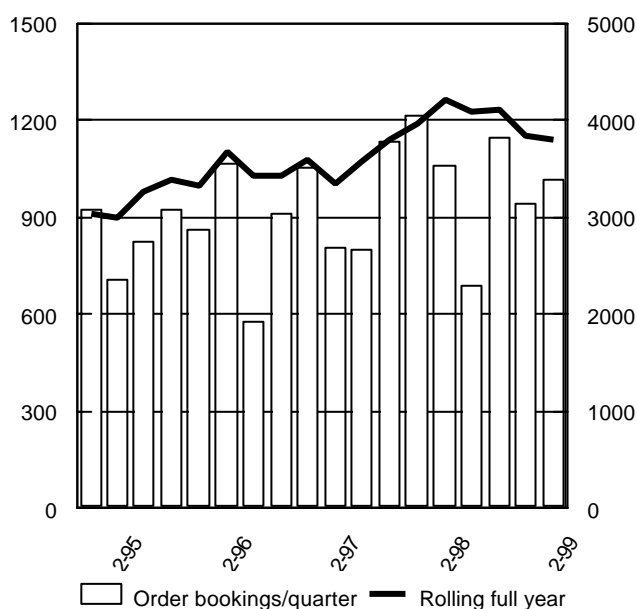
Demand for equipment used to process industrial minerals is being supported by strong construction activity, particularly in southern Europe. In Spain, major investments are now focused on new and improved communications. Demand for equipment used to process metallic minerals is being held back by reduced investments in Eastern Europe caused by low metal prices.

North America

SEK M	1999 6 mos.	1998 6 mos.	1998 12 mos.	July-98- June-99
Order bookings	1 968	2 279	4 114	3 803
Invoicing	2 194	2 193	4 194	4 195
Operating profit	143	165	331	309
ROA %	11	14	14	12



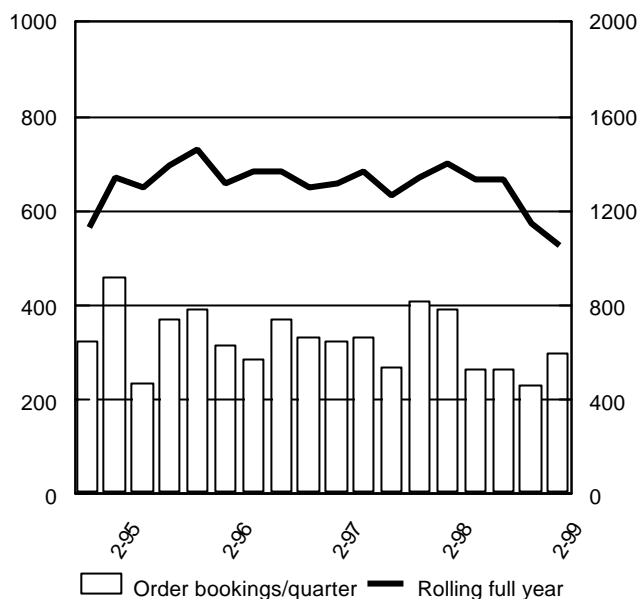
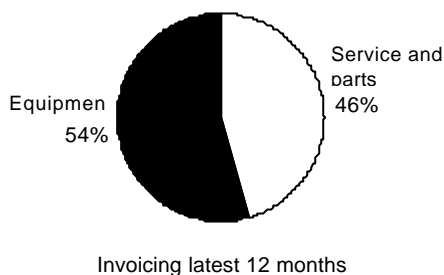
Invoicing latest 12 months



The North American market is characterized by strong demand for industrial minerals resulting from major investments in the U.S. infrastructure, a trend that has benefited Svedala. During the second quarter, decisions were announced to close more mines in the U.S. and Canada, which will affect demand for products used to process metallic minerals.

South America

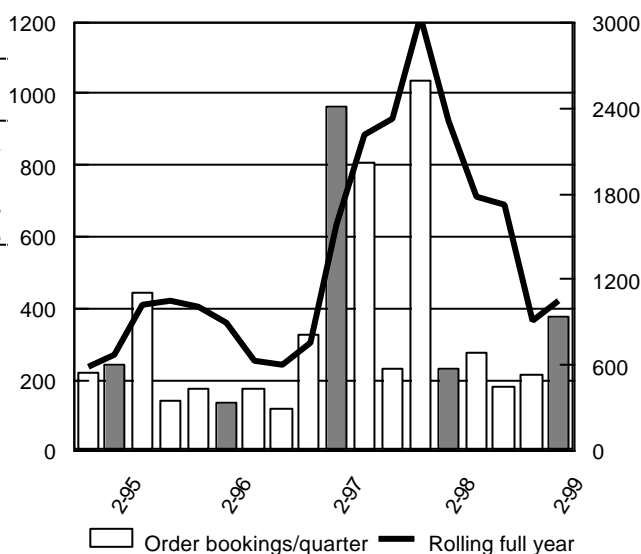
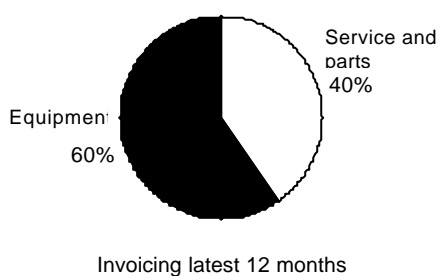
	1999	1998	1998	July-98-
SEK M	6 mos.	6 mos.	12 mos.	June-99
Order bookings	528	799	1 329	1 058
Invoicing	424	680	1 452	1 196
Operating profit	19	72	157	104
ROA %	6	>20	>20	17



Trends in South America have been characterized by economic recession since the autumn of 1998. The economic slowdown in Brazil, an important market for Svedala, has caused negative effects on Group sales and earnings in the region.

Africa And The Middle East

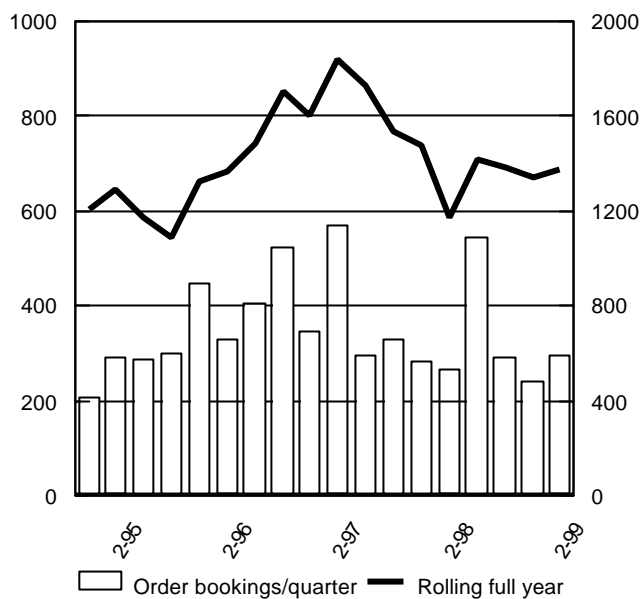
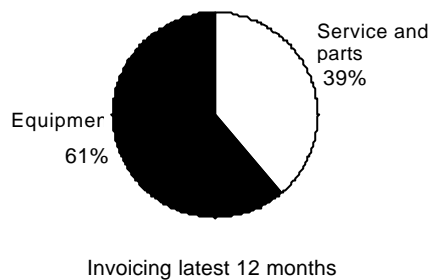
	1999	1998	1998	July-98-
SEK M	6 mos.	6 mos.	12 mos.	June-99
Order bookings	588	1 268	1 727	1 047
Invoicing	475	555	1 135	1 055
Operating profit	15	61	134	88
ROA %	5	>20	>20	15



Markets in Africa and the Middle East have remained weak. In South Africa, the level of investments is low for both metallic minerals and infrastructure. Earnings in the region, however, will be affected favorably toward year-end 1999 by the Group's present order backlog.

Asia Pacific

	1999	1998	1998	July-98-
SEK M	6 mos.	6 mos.	12 mos.	June-99
Order bookings	538	546	1 383	1 375
Invoicing	640	627	1 398	1 411
Operating profit	30	19	68	79
ROA %	6	4	7	8



Economic activity is increasing again in several Asian markets, although from a very low level. In China, major civil engineering projects are now in progress as a result of the high priority assigned to infrastructure investments.

INVOICED SALES PER PRODUCT AREA

SEK M	1999	1998	1998	July-98-
	6 mos.	6 mos.	12 mos.	June-99
Rock Handling	2544	2575	5623	5592
Process	1474	1644	3539	3369
Compaction	1710	1699	2948	2959
Bulk	734	771	1723	1686
Other	228	210	561	579
Total	6690	6899	14394	14185

KEY RATIOS

	1999 6 mos.	1998 6 mos.	1998 12 mos.	July-98-- June-99
Return on assets employed (ROA) ,%	8	12	14	11
Profit after tax, SEK/ share	5.20	5.20	13.00	13.00
Return on shareholders' equity after tax, %	12	13	16	15
Shareholders' equity, SEK/share	83	81	88	83
Equity ratio, %	32	32	34	32
Debt/ equity ratio, multiple	1.2	1.0	1.0	1.2

PROFIT AND LOSS ACCOUNT

SEK M	1999 6 mos.	1998 6 mos.	1998 12 mos.	July-98-- June-99
Net sales	6 690	6 899	14 394	14 185
Cost of goods sold	-4 873	-4 998	-10 502	-10 377
Gross profit	1 817	1 901	3 892	3 808
Sales, administration and R&D expenses	-1 473	-1 450	-2 864	-2 887
Other income and expenses	7	9	22	20
Interest in earnings of associated companies	1	1	3	3
Operating profit	352	461	1 053	944
Interest, net	-126	-107	-226	-245
Other financial items	103	-3	-6	100
Profit after net financial items	329	351	821	799
Taxes	-81	-99	-195	-177
Minority interests	1	0	0	1
NET PROFIT	249	252	626	623

BALANCE SHEET

SEK M	99-06-30	98-06-30	98-12-31
Assets			
Intangible fixed assets	1 328	1 290	1 336
Tangible fixed assets	2 130	2 047	2 115
Long-term interest-bearing receivables	366	363	371
Other financial fixed assets	445	394	369
Stock	4 304	4 019	4 030
Current receivables	3 782	3 547	3 899
Liquid funds	358	293	406
Total assets	12 713	11 953	12 526
Shareholders' equity and liabilities			
Shareholders' equity	4 006	3 864	4 230
Minority interests	0	1	2
Interest-bearing liabilities	5 475	4 362	4 978
Non-interest-bearing liabilities	3 232	3 726	3 316
Total shareholders' equity and liabilities	12 713	11 953	12 526

CASH FLOW ANALYSIS

SEK M	1999 6 mos.	1998 6 mos.	1998 12 mos.	July--98-- June-99
Operating profit	352	461	1053	944
Plus: Depreciation	195	203	385	377
Less: Interest in earnings of associated companies	-1	-1	-3	-3
Financial items	-22	-110	-232	-144
Taxes paid	-81	-99	-125	-107
Cash flow before changes in working capital and investments	443	454	1078	1067
Change in working capital:				
Stock	-291	-455	-344	-180
Non-interest-bearing receivables	31	246	-60	-275
Non-interest-bearing liabilities	-7	-135	-724	-596
Cash flow before investments	176	110	-50	16
Gross investments in property, plant and equipm.	-266	-216	-421	-471
Divested assets	70	11	53	112
Cash flow after investments	-20	-95	-418	-343
Dividends	-264	-240	-240	-264
Change in minority shareholdings	-2	-1	0	-1
Change in net borrowing before acquisitions/ divestments and currency translations	-286	-336	-658	-608
Companies acquired	-144	-103	-124	-165
Currency translation of net borrowing	-120	-4	-156	-272
Increase in net borrowing	-550	-443	-938	-1045
Change in long-term interest-bearing receivables	5	-13	-21	-3
Change in interest-bearing liabilities	497	287	903	1113
Change in liquid assets	-48	-169	-56	65

The figures in this interim report are unaudited

The nine-month interim report will be published on October 28, 1999



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