

SWECO AB (publ)

Interim report for January-June 1999

- Earnings growth of 60 per cent compared with 1998
- Profit before tax is MSEK 27 (17)
- Net sales up 3 per cent to MSEK 843
- SWECO wins City Tunnel project

PROFIT AND FINANCIAL POSITION

The number of full-time employees in the Group during the period amounted to 2,245 (2,342).

Income and profit

The Group's net sales amounted to MSEK 843.5 (819.3) and profit before tax was MSEK 27.1 (16.7). Redemption of pension liabilities has given rise to a gain of MSEK 4.4, which was charged to profit for the period January-June 1999.

Profit summary MSEK	1999 6 mon.	1998 6 mon.
Architecture, Construction and Installation	21.4	15.5
Environment, Civil Engineering and Industry	14.0	8.2
Real Estate Consultancy	-2.5	0.1
Group eliminations/ - joint, incl. goodwill	-5.6	-7.2
Consolidated net financial items	-0.5	0.6
Minority share	0.3	-0.5
Profit before tax	27.1	16.7

Earnings per share

Profit after tax corresponded to earnings per share of SEK 1.30 (0.80).

Investments

The Group's net investments in tangible fixed assets totalled MSEK 16.8 (16.2).

Financial position

The Group's interest-bearing assets in the form of liquid assets and interest-bearing receivables amounted to MSEK 62.8 (184.7 at year-end). Interest-bearing liabilities for the same periods amounted to MSEK 33.9 (87.2).

Personnel

Parent Company

Parent Company income totalled MSEK 42.6 (27.8) and profit before tax was MSEK 5.3 (-8,8).

Convertible subordinated debenture

Convertible debentures of MSEK 12.4, equal to 265,800 new shares, were issued to the employees in the SWECO Group during the period. Upon full conversion, the number of shares will be diluted by 1.76 per cent.

Profit effect of SPP funds

As reported in the 1998 Annual Report, SPP will return a portion of the surplus funds in the pension system to its client companies during autumn 1999. For the SWECO Group, preliminary estimates indicate a sum in the range of MSEK 160-200.

If SPP returns these funds according the current guidelines, SWECO would be provided with a positive profit effect of approximately MSEK 80 for the 1999 financial year. Of this amount, around MSEK 50 refers to a non-recurring redemption of pension liabilities and around MSEK 30 to annual pension premiums to SPP.

No portion of the funds expected to be received from SPP has been charged to profit for the first half of the year.

OPERATIONS

After selling its holding in NewSec AB on 15 April, SWECO's operations are focused on architecture and technical consulting operations. These activities are conducted in two business areas.

Both business areas showed higher net sales and profit than in the corresponding period of 1998.

Architecture, Construction and Installation

The market for building-related operations has improved considerably. Growth is above all discernible in the metropolitan areas and university towns, and mainly refers to new production of housing, as well as private and public sector construction of offices and facilities.

The business area's net sales rose by 11 per cent to MSEK 418.5 (375.7). Operating profit improved by 38 per cent and amounted to 21.4 (15.5) and the operating margin strengthened from 4.1 per cent to 5.1 per cent. The number of full-time employees was 1,095 (1,096).

Environment, Civil Engineering and Industry

The environmental market remains expansive in both Sweden and abroad. In the road and railways segment, where the market has slackened somewhat, SWECO won the assignment to plan and design the Malmö City Tunnel in fierce competition. The investment cost for the project is estimated at approx. SEK 7 billion.

In the power installations segment, both the market trend and capacity utilisation were weak in the early part of the year. However, some improvement is anticipated in the second half of 1999. In industrial operations, much of our resources are focused on the mining and pulp & paper industries, where market activity has been sluggish.

SWECO's international operations, which are mainly conducted in this business area, showed strong growth. A number of major environmental and civil engineering contracts were signed.

The business area's net sales rose by 5 per cent and amounted to MSEK 421.1 (400.0). Operating profit improved by 71 per cent to MSEK 14.0 (8.2) and the operating margin increased from 2.0 per cent to 3.3 per cent. The number of full-time employees was 1,052 (1,109).

ACQUISITIONS

On 30 June, SWECO acquired all of the shares in Sten Olssons Ingeniörsbyrå AB in Sundsvall. The company, with 18 employees, is active in the HVAC segment and will be integrated with THEORELLS' branch office in Sundsvall.

FORECAST

Market growth will continue. SWECO's full-year profit for 1999 will exceed the 1998 level and amount to MSEK 50 before tax (35.5), corresponding to SEK 2.40 per share after tax (1.60). Profit for 1998 included a net capital gain of MSEK 22.8. If SPP's repayment of pension funds is carried out starting in 1999, profit will be increased by approx. MSEK 130 before tax, or SEK 6.30 per share after tax.

Stockholm, 23 August 1999
SWECO AB (publ)

Lars Hansson
Managing Director & CEO

We have conducted an examination of this interim report in accordance with the recommendations of the Swedish Institute of Authorised Public Accountants (FAR). An examination is substantially limited in relation to an audit. We have not found anything to indicate that the interim report does not fulfil the requirements in the Act on Trading and Clearing Activities or the Annual Accounts Act.

Stockholm, 23 August 1999
PricewaterhouseCoopers KB

Michael Bengtsson
Authorised Public Accountant

The interim report for the period January-September 1999 will be published on Thursday, 28 October 1999.

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PROFIT AND LOSS ACCOUNT, MSEK	1999 6 mon.	1998 6 mon.	1998 full year
Net sales	843.5	819.3	1,588.7
Capital gains	-	-	41.4
Share in profit of associated companies	0.4	0.7	0.8
Total operating income	843.9	820.0	1,630.9
Other external costs	-242.1	-248.5	-492.9
Staff costs	-553.6	-536.2	-1,045.1
Depreciation	-20.9	-18.7	-39.5
Operating profit	27.3	16.6	53.4
Net financial items	-0.5	0.6	1.1
Profit after net financial items	26.8	17.2	54.5
Minority share	0.3	-0.5	-19.0
Profit before tax	27.1	16.7	35.5
Tax	-7.5	-4.8	-16.8
Minority share in tax	-	-	5.2
Profit after tax	19.6	11.9	23.9
BALANCE SHEET, MSEK	30 June 99	30 June 98	31 Dec. 98
Fixed assets	100.3	93.0	105.8
Other current assets	416.6	564.4	446.8
Cash and bank	62.8	62.2	184.7
Total assets	579.7	719.6	737.3
Shareholders' equity	196.4	182.2	194.6
Minority share	0.9	15.5	8.6
Provisions	62.7	155.6	126.6
Liabilities to credit institutions	23.0	36.9	22.0
Other liabilities	296.7	329.4	385.5
Total shareholders' equity and liabilities	579.7	719.6	737.3
CASH FLOW STATEMENT, MSEK	1999 6 mon.	1998 6 mon.	1998 full year
Cash flow from operating activities	-21.7	-79.5	95.5
Cash flow from investing activities	-54.6	-17.7	-25.4
Cash flow from financing activities	-45.4	42.2	-2.9
Change in liquid assets	-121.7	-55.0	67.2
KEY RATIOS			
Profit margin, %	3	2	3
Return on shareholders' equity, %*	17	12	13
Return on capital employed, %*	26	12	22
Earnings per share, SEK	1.30	0.80	1.60
Equity/assets ratio, %	34	25	26
Shareholders' equity per share, SEK	13	12	13



Number of full-time employees	2,245	2,342	2,334
Number of shares, 14,803,605			

* Return on shareholders' equity and capital employed is calculated according to moving 12-month profit. Ratios for the preceding period have been similarly adjusted.