

# **INTERIM REPORT**

**JANUARY 1 - JUNE 30, 2000**



- **Rolling 12-month operating margin for the construction business was 3.7 percent, compared with 3.4 percent for the full-year 1999**
- **Dramatic increase in orders received, + 53 percent to SEK 8,901 million. Highest order backlog ever, + 41 percent to SEK 10,025 million**
- **Continued structural refinement**
  - **division of Oskarsborg**
  - **disposal of SRG**
  - **holding in Investeringsällskapet sold**
  - **disposal of the "Kranen option"**
- **Surplus funds from SPP taken up as revenue for SEK 200 million**
- **Profit after financial items for the January - June period amounted to SEK 239 million (-124) and on a rolling 12-month basis, SEK 525 million**
- **The profit after financial items forecast for the full year is increased to SEK 625 million – equivalent to a SEK 6.50 profit per share after standard tax**

### The first six months

Positive trends for the Group continue in terms of sales, profit and new orders. Both orders received and order backlog in the construction and civil engineering business have increased considerably and are the highest ever in Peab's history. Construction and civil engineering, as well as industrial operations, have developed very positively with improved operating margins.

The profit improvement in the construction and civil engineering business is mainly due to better

capacity utilisation and improved production efficiency. Highly favourable business conditions are contributing to increased demand for construction investment and improved margins. Demand in the Industry business sector has also increased and margins have continued to improve.

The operating margin in the construction business, comprising the Construction and Civil Engineering plus Industry business sectors, amounted in the past 12 months to 3.7 percent, compared with 3.4 percent for the full-year 1999.

	<b>2000-01 -2000-06</b>	1999-01 -1999-06	1999-07 -2000-06	1999-01 -1999-12	Financial objective (full year)
Sales, MSEK	<b>6 814</b>	6 476	14 179	13 814	
Operating profit, MSEK	<b>268</b>	-86	600	246	
Profit after financial items, MSEK	<b>239</b>	-124	525	162	
Return on capital employed, percent	<b>8</b>	-1	17	8	12
Return on equity, percent	<b>11</b>	-5	27	10	15
Profit per share, SEK	<b>2.40</b>	-1.80	7.50	3.40	
Operating margin in construction business, percent	<b>2.4</b>	1.6	3.7	3.4	

## Continued structural refinement

The previously announced refinement process towards a construction and civil engineering-related business has continued, and several measures, described below, have been taken.

### January 1-June 30

#### **Wihlborgs**

March: all shares in Wihlborgs Fastigheter AB comprising 4,500,000 A-shares and 13,370,000 B-shares, were sold. The holding represented 5.7 percent of capital and 14.6 percent of the votes. The disposal entailed no profit/loss effect for Peab.

#### **Folkebolagen**

May: all shares in Folkebolagen AB, comprising 996,976 B-shares, were sold. The holding corresponded to 29.9 percent of capital and 18.6 percent of votes. The disposal entailed no profit/loss effect for Peab.

### July onwards

#### **Oskarsborg**

July: Peab and BPA divided up all assets in the jointly owned company, Oskarsborg, which had total assets of around SEK 5.2 billion.

Peab has taken over Skånehus, which has residential property and commercial premises in the Öresund region and southern Halland. The book value of the real estate is SEK 955 million and the estimated yield for 2000 is 8.1 percent. After the transaction, Peab owns 99.5 percent of the shares in Skånehus. Peab intends to reduce its ownership to under 50 percent, which is why the holding will not be consolidated as a subsidiary. Skånehus will be accounted for under the Trust/Management business sector.

Peab takes over managed property with a book value of SEK 640 million and an estimated yield of approx. 4 percent for 2000. Peab also acquires real estate for resale and undeveloped land for SEK 120 million and partly-owned companies for SEK 40 million.

Managed property, real estate for resale and undeveloped land will be developed and refined by Peab's project development in the Construction and Civil Engineering business sector. The aim is to develop and sell these assets.

BPA takes over Hallström & Nisse's portfolio of residential property and commercial premises in Norrland. Assets have a book value of SEK 2,615 million. BPA also takes over assets related to Oskarsborg's partly-owned property portfolio in Belgium. Assets have a book value of SEK 355 million.

The division has no profit/loss effect on Peab. In this interim report, Oskarsborg is accounted for as an associated company.

#### **Maintech**

July: Peab acquired BPA's 50-percent holding in Maintech. Maintech therefore becomes a wholly-owned subsidiary of Peab. Maintech offers a total operation and maintenance concept to customers in the industry sector.

#### **Ecuro**

July: Peab sold its 50-percent holding in Ecuro to BPA. Ecuro, which is involved in property management therefore becomes a wholly-owned subsidiary of BPA. The transaction was a part of Peab's strategy of not competing with its own customers and entailed no effect on Peab's profit/loss figures.

#### **Investerings-sällskapet**

In June Peab reached an agreement on the transfer of its 15-percent stake in Investerings-sällskapet 1999 AB. The purchase price amounted to SEK 130 million and gives Peab a capital gain of SEK 30 million.

The transfer agreement is conditional on the merger between Investerings-sällskapet and Bravida being executed. The transaction will be carried out on September 30, 2000, or at a later date when the merger is completed.

Peab has previously contributed to Investerings-sällskapet's financing with a loan for SEK 200 million. It is intended that this financing will be settled as soon as possible.

#### **Scandinavian Rock Group**

July: the Norwegian subsidiary, Scandinavian Rock Group AS (SRG), was sold. SRG is active in tunnel and underground-related operations. The buyer is AF Spezialprojekt AS, which is owned by the Norwegian group, AF Gruppen ASA. This disposal means that Peab's loss-making tunnel and underground-related operation in Norway is now fully terminated.

On July 7, AF Spezialprojekt AS took over all of SRG's shares and operations. Projects in progress will continue under the new owner's management. The disposal means that a loss of SEK -32 million has adversely affected results for the first half of the year.

#### **Skandrenting**

August: Peab sold its holding of 105,000 shares in Skandrenting. The purchase price amounted to SEK 18 million and the disposal will give Peab a capital gain of SEK 6 million in the third quarter.

### "Kranen option"

August: Peab, JM and Wihlborgs signed an agreement to acquire a large piece of land in the former Kockums shipyard area of Malmö – known as "Kranenområdet" – from Fastighets AB Skepps-dockan. The acquisition is being carried out through a new development company in which the partners each own one-third. The area covers around 225,000 sq m of developable land, and the purchase price amounts to SEK 337.5 million. Peab's involvement in the newly-created development company will amount to SEK 125 million, which means that total assets increase by SEK 30 million.

As a part of the agreement, Peab has carried through the acquisition of the remaining 50 percent of the shares in Fastighets AB Skeppsdockan, which owned complete rights to a future supplementary purchase price. The agreement on the right to a future supplementary purchase price signed in 1994 between Peab and Wihlborgs, ceases to apply as a result of the new agreement. The transaction gives Peab a capital gain of SEK 20 million in the third quarter.

Kranenområdet is one of the Öresund region's most attractive residential and office areas. Proximity to the Öresund, university and central Malmö offers a unique living environment. Around 1,200 new homes will be built in the area.

JM and Peab will develop and sell homes in the area, and Wihlborgs will develop and own the commercial sites. Peab will be responsible for construction work in the area, which is estimated to exceed SEK 3 billion during a 5-10 year period.

### Comparison figures

In the half-yearly report ending 1999-06-30, SEK 125 million in surplus funds from SPP was taken up as revenue and restored in the annual accounts for 1999. In order to achieve a correct comparison between 2000-06-30 and 1999-06-30, the Income Statement and Balance Sheet for the comparison year have been recalculated. The SEK 125 million has been restored, reducing the comparison year's profit, and adjustments have been made in the Balance Sheet.

### Sales

Peab's operations in the first half of the year have been marked by continuing good utilisation of capacity, a rising percentage of complete contracts, an increase in own property development and an upward trend for residential and industrial projects.

The Group's net sales for the period increased by 5 percent to SEK 6,814 million (6,476). Of net sales, SEK 233 million related to acquired units.

Adjusted for these acquisitions, sales rose by 2 percent. The increase is attributable to Swedish units.

Of the period's sales, SEK 492 million (790) related to production outside Sweden, of which production in Norway amounted to SEK 340 million (638) and in Finland to SEK 103 million (119).

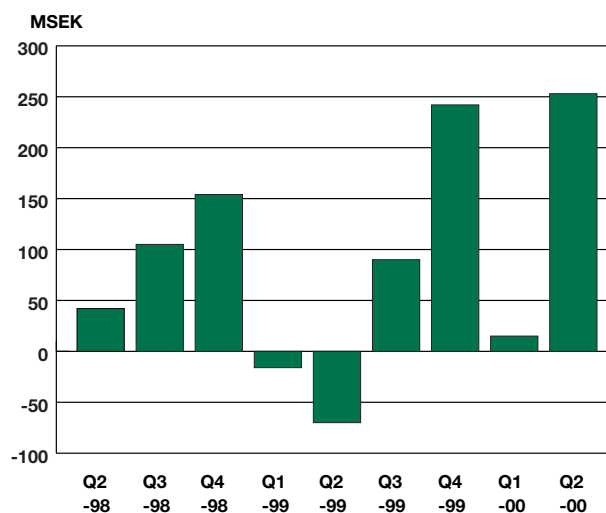
### Profit/loss

Operating profit for the January-June period improved by SEK 354 million to SEK 268 million, compared with SEK -86 million for the same period in 1999. Adjusted for one-off items, operating profit rose by SEK 44 million to SEK 101 million, compared with SEK 57 million for the same period in 1999. The improvement is mainly due to the increased percentage of complete projects and a focus on project development.

Due to normal seasonal variations in the construction market, production volume and profit in the first half of the year are at lower levels than those expected in the remaining quarters of the year.

Fluctuations in quarterly operating profit due to seasonal variations in the construction market over the last nine quarters are illustrated in the following diagram:

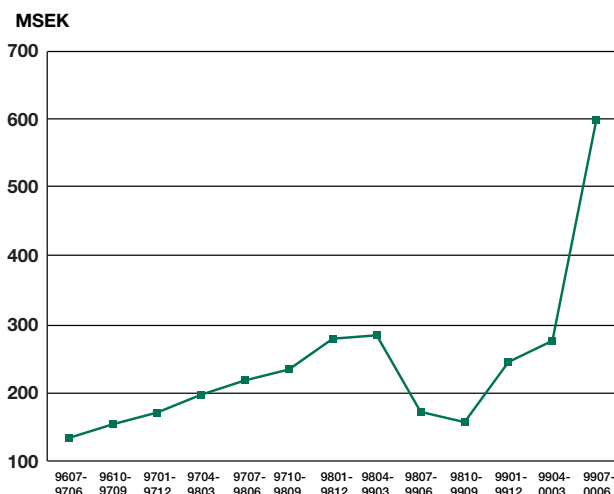
### Quarterly operating profit



Profit after financial items for the first half of 2000 amounted to SEK 239 million, compared with SEK -124 million for the same period in 1999.

For the latest rolling 12-month period, operating profit amounted to SEK 600 million, compared with SEK 246 million for the full-year 1999. Adjusted for items affecting comparability and profit from sold shares in associated companies and Group companies, operating profit for the corresponding period amounted to SEK 433 million, compared with SEK 389 million.

## Rolling 12-month operating profit

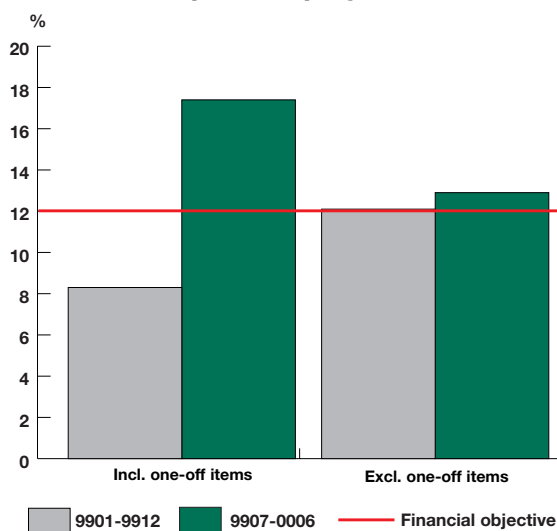


Profit after financial items for the latest rolling 12-month period amounted to SEK 525 million, compared with SEK 162 million for the full-year 1999.

## Earning capacity

Return on capital employed for the latest rolling 12-month period amounted to 17.4 percent, compared with 8.3 percent for the full-year 1999. The corresponding figure, excluding items affecting comparability and profit from sold shares in associated companies and Group companies was 12.9 percent, compared with 12.1 percent for the full-year 1999. Peab's objective is that return on capital employed shall be at least 12 percent.

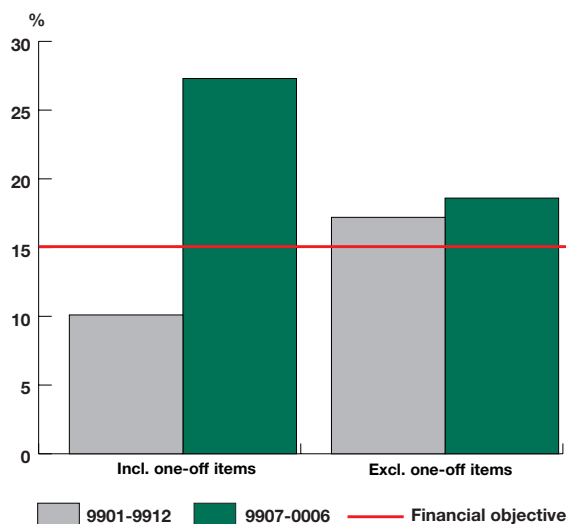
### Return on capital employed



For the latest rolling 12-month period, return on equity amounted to 27.3 percent, compared with 10.1 percent for the full-year 1999. The corresponding figure excluding items affecting comparability and profit from sold shares in associated and

Group companies was 18.6 percent, compared with 17.2 percent for the full-year 1999. Peab's objective is that return on equity shall be at least 15 percent.

### Return on equity



## Surplus funds from SPP

Peab has been allocated SEK 215 million in company-related funds from SPP. The discounted present value of this claim is estimated at SEK 200 million and has been taken up as revenue and accounted for as an item affecting comparability in the operating profit.

## Buy-back of warrants

The Annual General Meeting of Peab on May 10, 2000 gave the Board of Directors a mandate to decide on a buy-back of outstanding warrants in Peab. The Board of Peab decided on May 11, 2000 to make a public offer to holders of Peab's Warrant 2000. The offer ran from May 24 to June 14, 2000 and meant that SEK 6.00 in cash was offered for each warrant. Peab acquired 5,854,650 warrants from Warrant 2000 corresponding to 97.6 percent of the total number (6,000,000). Warrant 2000 was withdrawn from the OM Stockholm Exchange on July 7, 2000.

The buy-back reduces the total number of shares after completed subscription and conversion by 6.2 percent to 87.6 million. This means that profit per share, calculated on the number of shares at the end of the period after completed subscription and conversion during the first half of the year, has improved from SEK 1.80 to 1.90 after the buy-back, and from SEK 5.60 to SEK 5.90 after the buy-back for the rolling 12-month period. The cost of the buy-back, SEK 37 million in total, has reduced shareholders' equity.



## Associated companies

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Profit shares in associated companies are reported in accordance with the equity method. The profit share in associated companies for the period, before tax, was SEK -21 million (7). This negative outcome was mainly due to losses in Oskarsborg AB of SEK -14 million (-8) and in Ecuro, SEK -12 million (-6). The loss from sold shares in associated companies amounted to SEK -1 million (117).

Peab reports profit shares with a delay of one quarter. The associated companies are predominantly active in the contracting sector and thus follow the sector's seasonal fluctuations in terms of operating earnings, which during the first half of the year are at a lower level than that expected in the second half of the year.

## Net financial items

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The loss from financial investments amounted to SEK -29 million (-38).

## Taxes

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Estimated tax on reported results amounted to SEK -70 million (-12), tax on profits from associated companies was SEK -3 million (-10) and deferred tax totalled SEK 1 million (-5).

## Financial position

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Net borrowings amounted to SEK 1,196 million, compared with SEK 1,504 million on the corresponding date in 1999. This reduction is mainly due to disposals of shares in associated companies

and sales of securities. The average interest on the loan portfolio was 5.1 percent (4.7).

The Group's unappropriated liquid funds at the end of the period amounted to SEK 986 million, compared with SEK 1,004 million at year-end 1999.

The equity/assets ratio was 23.4 percent, compared with 23.1 percent at year-end 1999. Peab's long-term objective is that the equity/assets ratio shall exceed 30 percent. Risk-bearing capital amounted to SEK 1,977 million, compared with SEK 1,914 million at year-end 1999, which corresponds to 29.2 percent (29.1) of total assets.

## Cash flow

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Cash flow before financing amounted in the latest rolling 12-month period to SEK 159 million, compared with SEK 169 million for the full-year 1999. This reduction is due in part to seasonal fluctuations in the construction sector. According to Peab's financial objectives, cash flow shall be positive and rising.

## Capital expenditure and personnel

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Net sales of fixed assets amounted in the first half of the year to SEK -246 million (net investment 60), of which shares and participations were sold net for SEK -206 million (-114). During the period, real estate for resale was acquired for SEK 12 million net (37).

The number of employees at the end of the period was 9,414, compared with 9,216 at the same point in 1999.

## Business sectors

Peab's various operations are divided for reporting purposes into four business sectors: Construction and Civil Engineering, Industry, Trust/Management and Operations under Termination.

### Business sectors: profit/loss

MSEK	Sales				Operating profit				Profit after financial items			
	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01
	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12
Construction and												
Civil Engineering	6 029	5 499	11 927	11 397	102	47	307	252	105	26	338	259
Industry	1 179	1 186	2 649	2 656	70	62	237	229	55	51	205	201
Trust/Management	21	51	35	65	158	104	281	227	143	103	253	213
Operations												
under Termination	65	275	343	553	-62	-299	-225	-462	-64	-304	-271	-511
Eliminations	-480	-535	-775	-830								
<b>Total</b>	<b>6 814</b>	<b>6 476</b>	<b>14 179</b>	<b>13 841</b>	<b>268</b>	<b>-86</b>	<b>600</b>	<b>246</b>	<b>239</b>	<b>-124</b>	<b>525</b>	<b>162</b>
Capital employed					3 931	3 647	3 789	3 712				
Return on												
capital employed					8%	-1%	17%	8%				

## Construction and Civil Engineering

### Sweden

The Swedish economy has developed favourably in the past year. The relevant forecasts indicate that the ongoing international boom can continue for several years if political stability is maintained. The flow of trade within Europe is currently very considerable, which has a positive effect on Sweden.

Swedish households' buying power has improved during the year. This has led to increased private consumption, and domestic demand has risen significantly. Housing costs as a percentage of households' disposable income has fallen. Total expenditure on construction is increasing and growth in the present year is expected to be around six percent.

*Housing:* Demand for new housing is rising, and in 2000 there will be around 20,000 new housing starts, which is an appreciable increase compared with 1999. Production of small houses is up, and demand for new apartments in and around the major cities is very high. However, regional differences in demand are tending to become more pronounced.

This continuing growth is from a very low base level. International comparison shows that residential construction in Sweden is very low. Among the OECD nations, construction investment is around 10 percent of GNP – in Sweden the equivalent figure is 5.6 percent.

*Industrial construction:* In recent years, construction for industry has remained at around the

same stable level. In 2000, this level is expected to fall to some degree, but the business climate indicates a speedy recovery. The trend for shops, offices and other new production for commercial purposes is highly favourable at present.

*Public sector:* Public sector construction is increasing in line with the steady improvement in state and local authority finances. In recent years, the will to invest has remained at a relatively low level, which means that demand for public sector investment is now very high.

*Roads and civil engineering:* The investment level in the Swedish road and railway network has for many years been considerably lower than the growing need. Geographical variations are very pronounced as it is local authorities that often decide on infrastructure investments.

In the private civil engineering sector, investment is rising most in IT, energy infrastructure and telecommunications.

### Norway

As a result of the high price of oil, there has been a marked upswing in the Norwegian economy during the past year, and the will to invest is higher than anticipated. Residential investment is expected to rise, which will moderate the expected fall in Norwegian investment volume. The number of housing starts is rising more than expected as a result of a number of political decisions. These include increased access to ready-to-develop land in the most attractive areas. Infrastructure investments are being given relatively low priority at present and therefore remain at a low level.

## Finland

The Finnish export industry has grown stronger in recent years and the country's economy is very stable. Despite several expansive years for the construction market, Finnish building investment continues to increase. For example, there will be around 38,000 new housing starts in Finland this year, compared with 20,000 in Sweden. The inclination to invest is also relatively high in the construction and civil engineering sector.

## Poland

The need for construction investment in Poland is very great despite extensive investment in the 1990s. The country has attracted great international attention relating to investments and demand will remain high in the next few years.

### Construction and Civil Engineering: profit/loss

MSEK	Sales				Operating profit				Operating margin			
	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01
	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12
Sweden	5 654	5 048	11 104	10 498	83	33	276	226	1.5%	0.7%	2.5%	2.2%
Abroad	375	451	823	899	19	14	31	26	5.1%	3.1%	3.8%	2.9%
<b>Total</b>	<b>6 029</b>	<b>5 499</b>	<b>11 927</b>	<b>11 397</b>	<b>102</b>	<b>47</b>	<b>307</b>	<b>252</b>	<b>1.7%</b>	<b>0.9%</b>	<b>2.6%</b>	<b>2.2%</b>
Orders received					8 901	5 819	15 193	12 111				
Order backlog					10 025	7 130	10 025	7 188				
Capital employed					911	541	726	915				
Return on capital employed					14%	7%	52%	35%				
Cash flow <sup>1)</sup>					121	63	346	288				
Investments					234	76	370	212				
Number of employees					8 086	7 548	7 954	7 416				

<sup>1)</sup> Operating profit plus depreciation

The Swedish operation's sales increased by 12 percent and amounted to SEK 5,654 million (5,048) for the first six months. Operating profit improved by SEK 50 million and totalled SEK 83 million (33), which gives an operating margin of 1.5 percent, compared with 0.7 percent. This profit increase in the Swedish operation is mainly due to enhanced production, improved capacity utilisation, the increased percentage of complete projects and the clear focus on project development. In addition, the highly favourable business climate has contributed to increased demand for construction investment and improved margins.

Orders received during the first half of the year increased by 53 percent to SEK 8,901 million (5,819). After a consciously restrained approach to construction projects with margins considered too low, we have now increased our orders received in line with improved prices. The increase is primarily due to complete projects.

The backlog of orders to produce at the end of the period increased by 41 percent and amounted

to SEK 10,025 million, which is the highest ever in Peab's history, compared with SEK 7,130 million at the corresponding point the previous year. At year-end 1999, the order backlog amounted to SEK 7,188 million.

### Construction and Civil Engineering: order backlog to produce and orders received

Order backlog	2000-06-30	1999-06-30	1998-06-30
Current financial year	5 540	4 451	4 045
Next financial year	3 223	2 109	2 020
Thereafter	1 262	570	392
<b>Total order backlog</b>	<b>10 025</b>	<b>7 130</b>	<b>6 457</b>
<b>Orders received</b>	<b>8 901</b>	<b>5 819</b>	<b>5 852</b>



## Industry

Peab's industry business comprises of Swerock, Peab Asfalt, Lambertsson Sverige and Lambertssons Kran. These construction and civil engineering-related companies follow the trends of the Swedish construction market to a great degree. As a result, normal seasonal variations mean that the first half of the year generates a lower production volume and profit than that expected in the remaining quarters of the year.

Construction investment overall is estimated to increase by around 6 percent in Sweden in 2000. The growth of Peab's industry companies is expected to reach a somewhat higher level.

*Swerock.* Demand is very high in Mälardalen and the Öresund region, and stable in other parts of the country. The positive outlook for the Swedish

construction market, combined with large scope for extra capacity, means good prospects for continued profitability improvements.

*Peab Asfalt* currently has a very high level of orders received and is expected to maintain high capacity utilisation throughout 2000.

*Lambertsson Sverige*, consisting of the EI (Electrical) and Maskin (Plant) divisions, runs operations that are closely linked to the Swedish construction market and consequently has performed well in the first six months. The company has continued its focus on those geographical areas where demand is highest.

*Lambertssons Kran* is one of Northern Europe's major crane-hire companies. The company has achieved very high utilisation of capacity during 2000, and the percentage of external sales continues to rise.

### Industry: profit/loss

MSEK	Sales				Operating profit				Operating margin			
	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01	2000-01	1999-01	1999-07	1999-01
	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12	2000-06	1999-06	2000-06	1999-12
Swerock/Asphalt	932	935	2 142	2 145	30	26	155	151	3.2%	2.8%	7.2%	7.0%
Plant/Cranes	247	251	507	511	40	36	82	78	16.2%	14.3%	16.2%	15.3%
<b>Total</b>	<b>1 179</b>	<b>1 186</b>	<b>2 649</b>	<b>2 656</b>	<b>70</b>	<b>62</b>	<b>237</b>	<b>229</b>	<b>5.9%</b>	<b>5.2%</b>	<b>8.9%</b>	<b>8.6%</b>
Capital employed					1 007	992	1 000	1 006				
Return on capital employed					7%	7%	24%	23%				
Cash flow <sup>1)</sup>					124	114	351	341				
Investments					148	104	270	226				
Number of employees					1 305	1 346	1 221	1 262				

<sup>1)</sup> Operating profit plus depreciation

## Trust/Management

Trust/Management accounts for central companies, certain associated companies, surplus funds from SPP and depreciation of Group-related surplus values relating to shares in subsidiaries, as well as other Group adjustments. Capital

employed amounted to SEK 1,203 million (786). Of this, the shareholding in, and loan to, Investerings-sällskapet 1999 AB amounted to SEK 300 million, and surplus funds from SPP, SEK 200 million.

## Operations under Termination

Peab is working towards the clarification of its structure in order to create favourable conditions for attaining good profitability. Peab intends to continue the structural refinement process to create greater clarity. Capital employed for operations under termination amounted to SEK 810 million (1,453), of which SEK 788 million was attributable to Oskarsborg.

### SRG

The Norwegian underground operation and associated civil engineering work of the subsidiary, Scandinavian Rock Group (SRG), burdened the half-yearly results with a loss of SEK -36 million (-285), of which SEK -32 million relates to a loss from disposing of the company.

### Oskarsborg

Operations in the associated company, Oskarsborg AB, in which Peab owned 46 percent up until July 13, has adversely affected results by SEK -14 million. The dividing up of Oskarsborg means that parts of the acquired assets will be reported as subsidiaries.

### Ecuro

The year's loss of SEK -12 million is mainly attributable to restructuring costs of a one-off nature.

### Other holdings

As a part of the refinement process, Peab has sold its holdings in Wihlborgs Fastigheter AB and Folkebolagen AB. The disposals entail no profit/loss effects.

## Highlights of the reporting period

Peab and Samschakt have reached an agreement that Peab will acquire the contracting operation run via the companies Samschakt Mark AB, Samschakt Maskin AB and Bromac AB. The business has sales worth SEK 200 million and 70 employees.

Cramo has acquired Lambertsson Sverige's plant division in "Region Nord", Sweden's northern region. The agreement means that Cramo takes over Lambertsson's plant division in the northern region, comprising of some 30 employees, as well as plant and equipment. The business has sales of SEK 55 million.

Peab has acquired all shares in Anjo Entreprenad AB in Hyltebruk. Anjo is a building and civil engineering company operating in the western parts of Småland and the city of Halmstad. Anjo has 50 employees and sales of SEK 80 million.

## Changes in the Peab Board

At the Annual General Meeting on May 10, 2000 the following board members were re-elected: Ulf H Jansson, Jan Segerberg, Håkan Sundin and

Mats Paulsson. Newly elected members were: Annette Brodin Rampe and Karl-Axel Granlund. Board members Lennart Ahlgren and Kjell Nilsson declined re-election. At the Board's subsequent appointment meeting, Ulf H Jansson was appointed Chairman of the Board.

## Parent company

The parent company's loss after financial items amounted to SEK-166 million (1,292). Sales amounted to SEK 22 million (38). Net investment in plant and equipment totalled SEK 1 million. Net sales of shares amounted to SEK 263 million. Available liquidity at the end of June amounted to SEK 4 million (73). The number of employees at period-end was 23 (28).

## Outlook

The previously announced forecast for profit after financial items was SEK 400 million excluding surplus funds from SPP. The high level of orders received during the first half of the year in combination with higher prices, the taking up as revenue of SPP funds (SEK 200 million) and profit from disposals, means that the Group's profit after financial items for 2000 is expected to be SEK 625 million.

## Forthcoming information

The interim report for the first nine months will be published on November 8, and the year-end report for the financial year on February 8, 2001.

Förslöv, August 23, 2000

*Mats Paulsson*  
*Managing Director*

## Auditor's Review Report

I have reviewed this interim report in accordance with standards issued by Föreningen Auktoriserade Revisorer FAR.

A review is significantly less in scope than an examination in accordance with generally accepted auditing standards.

During my review nothing came to my attention to indicate that the interim report does not comply with the requirements of the Securities exchange and clearing house act as well as the Companies act.

Förslöv, August 23, 2000

*Thomas Thiel*  
*Authorized Public Accountant*

## Condensed income statement

Group (MSEK)	2000-01-01 -2000-06-30	1999-01-01 -1999-06-30 <sup>1)</sup>	1999-07-01 -2000-06-30	1999-01-01 -1999-12-31
Net sales	6 814	6 476	14 179	13 841
Operating expenses	-6 692	-6 426	-13 719	-13 453
Items affecting comparability	200	-260	138	-322
<b>Operating profit</b>	<b>322</b>	<b>-210</b>	<b>598</b>	<b>66</b>
Shares of profits of associated companies before tax	-21	7	-27	1
Profit/loss from sale of shares in associated companies	-1	117	61	179
Profit/loss from sale of shares in Group companies	-32	0	-32	0
<b>Operating profit, total</b>	<b>268</b>	<b>-86</b>	<b>600</b>	<b>246</b>
Profit from financial investments	-29	-38	-75	-84
<b>Profit after financial items</b>	<b>239</b>	<b>-124</b>	<b>525</b>	<b>162</b>
Taxes	-72	-27	-2	43
Minority interests	-1	29	-2	28
<b>Net profit for the period</b>	<b>166</b>	<b>-122</b>	<b>521</b>	<b>233</b>

## Condensed balance sheet

Group (MSEK)	2000-06-30	1999-06-30 <sup>1)</sup>	1999-12-31
<b>Assets</b>			
Intangible fixed assets	239	229	236
Tangible fixed assets	944	950	987
Interest-bearing long-term receivables	132	673	744
Financial fixed assets	910	1 201	1 178
Real estate held for resale	195	181	183
Inventories	167	208	183
Interest-bearing current receivables	938	238	242
Other current receivables	3 177	2 879	2 723
Liquid funds	76	73	99
<b>Total assets</b>	<b>6 778</b>	<b>6 632</b>	<b>6 575</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	1 580	1 153	1 514
Minority interests	9	5	6
Interest-free allocations	174	154	173
Interest-bearing long-term liabilities	2 059	2 382	2 048
Interest-bearing current liabilities	283	106	144
Other current liabilities	2 673	2 832	2 690
<b>Total shareholders' equity and liabilities</b>	<b>6 778</b>	<b>6 632</b>	<b>6 575</b>

<sup>1)</sup> In the half-yearly report ending 1999-06-30, SEK 125 million in surplus funds from SPP was taken up as revenue and restored in the annual accounts for 1999. In order to achieve a correct comparison between 2000-06-30 and 1999-06-30, the Income Statement and Balance Sheet for the comparison year have been recalculated. The SEK 125 million has been restored, reducing the comparison year's profit, and adjustments have been made in the Balance Sheet.

## Condensed cash flow analysis

Group (MSEK)	2000-01-01 -2000-06-30	1999-01-01 -1999-06-30	1999-07-01 -2000-06-30	1999-01-01 -1999-12-31
Cash flow from current operations	-154	-109	435	480
Cash flow from investment activities	-15	-50	-276	-311
<b>Cash flow before financing</b>	<b>-169</b>	<b>-159</b>	<b>159</b>	<b>169</b>
Cash flow from financing activities	149	187	-158	-120
<b>Cash flow for the period</b>	<b>-20</b>	<b>28</b>	<b>1</b>	<b>49</b>
Liquid funds at the start of the period	99	50	73	50
Exchange rate difference in liquid funds	-3	-5	2	0
<b>Liquid funds at the end of the period</b>	<b>76</b>	<b>73</b>	<b>76</b>	<b>99</b>

## Key ratios

Group	2000-01-01 -2000-06-30	1999-01-01 -1999-06-30	1998-01-01 -1998-06-30	1999-07-01 -2000-06-30	1999-01-01 -1999-12-31
Net sales, MSEK	6 814	6 476	5 595	14 179	13 841
Operating profit, total, MSEK	268	-86	21	600	246
Profit/loss after financial items, MSEK	239	-124	-16	525	162
Operating margin, total, percent	3.9	-1.3	0.4	4.2	1.8
– excluding one-off items <sup>1)</sup>	1.5	-0.9	0.4	3.1	2.8
Return on capital employed, percent	8.0	-1.3	2.2	17.4	8.3
– excluding one-off items <sup>1)</sup>	3.7	2.6	2.2	12.9	12.1
Return on equity, percent	11.0	-4.8	-1.0	27.3	10.1
– excluding one-off items <sup>1)</sup>	3.3	3.5	-1.0	18.6	17.2
Equity/assets ratio, percent	23.4	17.5	20.4	23.4	23.1
Share of risk-bearing capital, percent	29.2	23.4	27.2	29.2	29.1
Net borrowings at the end of the period, MSEK	1 196	1 504	1 278	1 196	1 107
Profit after actual tax, SEK per share	2.40	-1.80	-0.40	7.50	3.40
– after completed subscription and conversion	1.80	-1.30	-0.30	5.60	2.50
Adjusted equity, SEK per share	23.00	16.70	16.90	23.00	22.00
– after completed subscription and conversion	21.90	17.30	17.50	21.90	21.20
Number of shares at the end of the period, million	69.1	69.1	69.1	69.1	69.1
– after completed subscription and conversion	87.6	93.4	93.4	87.6	93.4
Average number of outstanding shares, million	69.1	69.1	69.1	69.1	69.1
– after completed subscription and conversion	92.4	93.4	93.4	92.9	93.4

<sup>1)</sup> One-off items refers to: items affecting comparability, profit/loss from sale of shares in associated companies and profit/loss from sold Group companies.

