Press release from the ÅF Group

For further information
Gunnar Grönkvist, Managing Director and CEO
Tel +46-(0)8 657 11 15 or
Kaj Sandart, Director, Corporate Information ÅF Group
Tel +46-(0)8 657 11 85

For immediate release
15 February 2000
Number 3/2000

AB Ångpanneföreningen (publ)
Summary of Annual Report 1999

- Operating income increased by 23 percent to SEK 1,612 million (corresponding figure for 1998: SEK 1,312 million)
- Consolidated profit was SEK 55 (82) million before tax – somewhat higher than forecast
- Earnings per share SEK 6.90 (10.21)
- The Board proposes a dividend of SEK 3.50 (5.00) per share
- IT business operations move to Kista
- A 30% increase in the number of shareholders

The market for technical consultancy services in Sweden within the areas of industry and energy was not as good in 1999 as it had been in 1998. Capacity utilisation in the ÅF-Group was 68 percent (71 percent) – the lowest for five years. The second-half result was substantially better than that for the first half of 1999, despite very weak development in the business area Energy, Environment & Process Technology.

To re-establish normal levels of profitability a package of contingency measures was put into effect halfway through the year, the aim being to restore the profit margin during 2000 to a level on a par with that for 1998. Greater emphasis will be put on expansion in the IT field, while other growth will be put on hold in order to improve overall profitability.

Consolidated profit after net financial items, together with proportional interests in associated companies, amounted to SEK 55.1 (81.5) million. The profit margin amounted to 3.4 percent (6.2 percent). Consolidated profit was affected by performance bonuses to the Group's employees amounting to a total of SEK 3 (6) million. Earnings per share after the deduction of 28 percent standard tax amounted to SEK 6.90 (10.21).

Group income totalled SEK 1,612 (1,312) million, an increase of 23 percent. The increase is a result of organic growth and acquisitions, as well as the consolidation of the education company ÅF-SIFU and of Nielsen & Borge in Norway. Net financial items for the year showed a loss of SEK 5.8 million as opposed to a profit of SEK 10.8 million in 1998, of which capital gain on the sale of shares amounted to SEK 8.9 (13.4) million. The equity ratio was 33 percent (47 percent).

The parent company's income totalled SEK 103 (90) million and profit after net financial items was SEK 5.0 (3.7) million.

The Group's net worth, calculated as shareholders' equity with the addition of 80% of the surplus value of property, amounted at the year-end to SEK 441 (492) million, equivalent to SEK 77 (86) per share.

The number of shareholders in the company rose by 800 during 1999 to finish the year at a total of 3,600.

Consulting activities

The consolidated profit for the Group's consulting activities fell to SEK 61 (83) million. The value of orders on hand at the year-end amounted to SEK 453 (409) million.

The table below shows the trends for the consulting activities per business area.

Turnover (in millions of SEK)

	1996	**1997**	**1998**	**1999**
Elec. Eng. & Instrumentation	365	394	436	498
Energy, Environment & Process Tech.	428	393	373	391
HVAC & Sanitation	136	153	164	186
Software, Electronics & Mech. Eng.	223	277	310	390
Inspection & Testing	40	53	55	108
Education & Management	-	-	55	140

Profit/Loss (in millions of SEK)

	1996	**1997**	**1998**	**1999**
Elec. Eng. & Instrumentation	45*	40*	51*	36*
Energy, Environment & Process Tech.	45*	16*	21*	12*
HVAC & Sanitation	1	-7	8	13
Software, Electronics & Mech. Eng.	19	27	17	15
Inspection & Testing	-25	-20	-16	-17
Education & Management	-	-	2	1

* including associated companies

Figures for the parent company are not included in the table above.

At the start of 1999 the ÅF-Group increased its ownership in ÅF-SIFU from 19 to 75 percent: in conjunction with this, a new corporate management team was appointed for ÅF-SIFU. During the accounting period the ÅF-Group acquired Lundstrom Engineering, STK of Luleå, Cresita, Holotech, Ingenjörsgruppen 3 E and Elplanering AB (all in Sweden), bringing 100 new employees into the Group. The past year also saw the Group establish a bridgehead on the Danish consultancy market through its acquisition of a 25 percent stake in the electrical engineering and IT consultants Hansen & Henneberg with 60 employees. In addition, the Norwegian consultancy company Nielsen & Borge was consolidated as a result of an increase in ownership from 46 to slightly in excess of 70 percent of the shares in the company. Since the end of the accounting period the environmental consultancy company Miljöforskargruppen with 15 employees, has also been acquired by the ÅF-Group.

The results for Electrical Engineering & Instrumentation and Energy, Environment & Process Technology did not reach the same levels as in 1998, primarily because of widespread reluctance to invest in the industrial and energy sectors in Sweden. Even so, the profit returned by the Electrical Engineering & Instrumentation business area was satisfactory, while that for Energy, Environment & Process Technology was clearly not. In the latter part of the year measures were set in motion to start reducing the capacity of this business area.

For the HVAC & Sanitation business area 1999 was a much better year than 1998. This was the result of more favourable market conditions and a raft of successfully implemented restructuring measures.

The three business areas Software, Electronics & Mechanical Engineering, Education & Management and Inspection & Testing all recorded more or less the same results as in 1998: this means that, in all three instances, the results remain unsatisfactory.

As far as Software, Electronics & Mechanical Engineering is concerned, the profit was affected by substantial write-downs for a project in the field of production equipment. This work has now come to a close, however, and the outlook for the current year is good. In order to bolster the prospects for the business area, the Group's largest subsidiary has now been divided into two companies ÅF-Industriteknik and ÅF-Systemdesign. The aim behind this move is to considerably expand IT-oriented business over the next few years. During the spring of 1999 IT consultancy operations and 300 consultants were moved to new premises in Kista, Sweden's "Silicon Valley" in the northern suburbs of Stockholm.

Thanks to the extensive restructuring work undertaken within Education & Management and Inspection & Testing in 1999, operations in these business areas showed a positive development in the second half of the year. As far as inspection and testing activities are concerned, however, the exceptionally low profitability remains a problem for the industry as a whole, and new structural changes are anticipated.

Among the most interesting assignments from the 20,000 plus tackled during 1999 – apart from those already mentioned in the year's interim reports – were contracts from Akzo-Nobel in Örnsköldsvik in the north of Sweden to work on new facilities for product development and product manufacture, and from IBM to adapt the company's premises in Kista to the requirements of the Swedish Royal Institute of Technology's IT University. The ÅF-Group's expertise in what have become known as "intelligent buildings" proved decisive in winning a contract for planning and organising systems solutions and programming for the student union building at Chalmers University of Technology in Göteborg, Sweden. In a different field the Group (in collaboration with the University College of South Stockholm) undertook a four-month bank industry education programme for bank managers from Cuba on behalf of the International Council of Swedish Industry. The Group is also participating in the development of new safety products for Autoliv and developing new router servers for NetInsight.

Real Estate and Finance Administration

The Group's properties, which consist of 97 percent offices, are used mainly by the Group's consulting businesses. At the year-end the vacancy ratio was 5 percent (5 percent).

The Group had 34,300 square metres of real estate at the end of 1999. During the year a property in Umeå was sold for SEK 6.2 million, resulting in a capital gain of SEK 3.5 million. An owner-occupied apartment in Stockholm was also disposed of, and the premises housing the Group's headquarters in Stockholm were converted to make them more suitable for current ways of working, thereby creating around 60 new working places.

Net investments in real estate amounted to SEK 36 (1) million for the year.

At the year-end 1998 the Group's properties were valued by Catella Fastighetsekonomi at SEK 370 million. Book value amounted to SEK 233 million. Taking into account the investments made during the year, and with deductions for the property and the owner-occupied apartment that have been sold, it is estimated that the value of the Group's real estate at the end of 1999 was SEK 400 million. The book value was SEK 263 million.

At the end of the year the Group's liquid assets, including current investments, totalled SEK 113 (93) million. Interest-bearing liabilities and allocations amounted to SEK 352 (155) million, bringing the Group's net borrowings to SEK 239 (62) million.

The company is affected by the premium refund announced by the SPP insurance company. The Group's portion amounts to SEK 299 million. The method by which this refund is to be paid out has still not been clarified, but SPP anticipates that this will be finally resolved in April 2000.

Dividend

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 percent and that the dividend paid out to shareholders should correspond to 50 percent of the profit after tax.

Equity ratio at the end of 1999 was 33 percent. The Board is therefore proposing that 50 percent of the 1999 profit after tax be paid out to shareholders, equivalent to a dividend of SEK 3.50 per share.

Outlook for 2000

It is anticipated that the market conditions for the industrial and energy sectors will be more favourable during the current year than they were in 1999. The market in other areas where the ÅF-Group is active is expected to remain buoyant. Against the background of these prospects and in view of the measures taken by the Group during

the past twelve months, it is therefore our opinion that the result for 2000, excluding any SPP funds, will show an improvement on that for 1999.

Stockholm, Sweden, 15 February 2000
AB Ångpanneföreningen (publ)
The Board

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (SEK, mill.)	Whole year 1995	Whole year 1996	Whole year 1997	Whole year 1998	Whole year 1999
Net turnover	954,5	1 087,6	1 169,5	1 312,2	1 612,0
Personnel costs	-550,4	-638,9	-730,0	-820,8	-996,2
Other costs	-273,3	-324,0	-339,1	-367,5	-503,9
Depreciation	-36,5	-42,7	-48,3	-51,4	-63,7
Share of profit in associated companies	-0,4	2,3	0,3	-1,8	1,1
Operating profit	93,9	84,3	52,4	70,7	49,3
Net financial items	3,9	4,4	15,4	10,8	5,8
Profit after net financial items	97,8	88,7	67,8	81,5	55,1
Tax	-30,7	-28,1	-22,6	-33,5	-18,5
Minority share of profit and loss	-	-	-	-	-0,1
Profit after tax	67,1	60,6	45,2	48,0	36,5

CONSOLIDATED BALANCE SHEETS (SEK, mill.)	31 Dec.1995	31 Dec.1996	31 Dec.1997	31 Dec. 1998	31 Dec.1999
Assets					
Intangible assets	29,6	25,2	23,5	30,7	43,8
Tangible assets	267,2	288,8	321,1	325,3	391,1
Financial assets	15,9	29,3	31,9	39,3	41,0
Current receivables	254,9	262,6	284,7	325,4	417,3
Liquid assets and short-term investments	136,2	121,6	91,0	92,9	112,6
Total assets	703,8	727,5	752,2	813,6	1 005,8
Shareholders´ equity and liabilities					
Shareholders´ equity	333,2	367,0	380,6	382,6	332,7
Minority interest	-	-	-	-	3,9
Allocations	155,3	160,0	156,8	153,9	151,3
Long-term liabilities	2,3	2,8	15,2	44,4	58,7
Current liabilities	213,0	197,7	199,6	232,7	459,2
Total shareholders´ equity and liabilities	703,8	727,5	752,2	813,6	1 005,8

CASH FLOW ANALYSIS (SEK, mill.)	Whole year 1995	Whole year 1996	Whole year 1997	Whole year 1998	Whole year 1999
Cash flow from current operations before changes in working capital	111,1	107,3	95,0	103,8	65,1
Cash flow from changes in working capital	-11,0	-23,0	-42,2	35,3	-4,2
Cash flow from investment operations	-57,0	-61,9	-79,1	-76,1	-130,8
Cash flow from financing operations	-14,4	-37,1	-17,5	-28,4	111,0
The period´s cash flow	28,7	-14,7	-43,8	34,6	41,1

KEY FIGURES					
Return on shareholders´ equity, % (whole year)	22,9	18,2	13,1	15,4	11,1
Return on capital employed, % (whole year)	24,7	20,4	14,7	17,2	12,9
Equity ratio, %	47,3	50,4	50,6	47,0	33,1
Adjusted equity ratio, %	51,0	54,2	54,4	51,8	38,7
Profit margin, %	10,3	8,0	5,8	6,2	3,4
Profit per share after standard tax, SEK	12,25	11,11	8,49	10,21	6,90
Adjusted shareholders´ equity per share, SEK	58	64	66	67	58
Net worth per share, SEK	70	79	82	86	77
No. of full-time equivalent employees, excl. assoc. cos.	1 428	1 562	1 624	1 770	2 048
No. of full-time equivalent employees, incl. assoc. cos.	1 520	1 702	1 764	1 910	2 222

No. of shares 5,748,569

(For definitions see Annual Report 1998.)

Future events:

Annual Report 1999 will be available on 25 april, 2000, 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 11 May, 2000 at 17.00 hours at the ÅF-Group head office, Fleminggatan 7, Stockholm.