



# YEAR-END REPORT

## 1999



Celsius

■ On November 16, 1999, Saab AB made a public offering to the shareholders of Celsius AB, whereby shareholders could exchange their Celsius shares for a cash payment of SEK 179 per A-series or B-series share. The acceptance period was to run from December 6, 1999, to February 23, 2000. The Celsius Board of Directors considered this to be a fair offer, and recommended the sale of shares to Saab AB. On February 16, the Swedish Parliament approved the sale of the shares held by the Swedish State. In February, the European Commission approved the acquisition of Celsius by Saab AB.

■ The activities of Kockums AB, have been taken over by the German shipyard Howaldtswerke Deutsche Werft (HDW), of which Celsius at the same time became a joint owner. The merger creates a potential future capital gain of at least SEK 750 M.

■ An agreement was signed to merge Celsius Aerotech and the Swedish defence contracting units of TietoEnator, which are to be incorporated as a new company.

■ Income after financial income/expenses amounted to SEK 133 M (595)<sup>1</sup>. Income was positively affected by non-recurring items amounting to SEK 53 M (194). Costs of SEK 240 M incurred by restructuring and costs of c. SEK 100 M for surplus capacity have been charged to income.

■ The level of orders received rose approximately 10 percent, amounting to SEK 10.9 billion (9.9). Invoiced sales declined by about 18 percent, amounting to SEK 11.7 billion (14.3).

■ The Board of Directors proposes that no dividend payment be made for 1999 (SEK 5.00 per share).

1) Figures in parentheses refer to 1998

Celsius' declared strategy is to consolidate operations with a view to creating a knowledge-driven company focused on advanced products and services. The two strategically important structural transactions implemented during the year were a significant step in this direction.

During the year, Celsius signed contracts with two German companies, Babcock Borsig and Preussag, concerning

the formation of a European shipbuilding company as a result of a merger between German company HDW (Howaldtswerke-Deutsche Werft) and Kockums Naval Systems. According to the terms of the agreement, Preussag AG will sell 25 percent plus one of its HDW shares to Celsius. At the same time, HDW will acquire all shares in Kockums Naval Systems' Swedish unit, Kockums AB, from Celsius. The transaction is effective as per October 1, 1999.

The merger of HDW and Kockums creates a new international company that will be a leading global player in the conventional (non-nuclear) submarine and naval surface vessel sectors. An agreement has also been signed between Celsius and HDW, stating the conditions pertaining to an acquisition of Celsius' 49-percent stake in Australian submarine builder, Australian Submarine Corporation (ASC).

The newly merged 'HDW Group' will have annual sales of approximately SEK 9 billion, an orderbook in excess of SEK 31.5 billion, and more than 4,300 employees. The agreement also includes an option that would allow Celsius to increase its stake in the company, as well as the right to sell its stake at some future date. The right to sell this stake may not be exercised prior to January 1, 2001, and at a predetermined price of DEM 355 M. Babcock Borsig has a call option on Celsius' 25-percent stake as of July 1, 2002, at an agreed price of DEM 370 M. Celsius is treating this transaction as an exchange of shares. The merger therefore creates a future capital gain of at least SEK 750 M by a possible sale of the shares in HDW.

During the year, agreement was reached concerning a merger of the Celsius subsidiary Celsius Aerotech with the defence-related operations of TietoEnator.

Celsius will have a 57-percent majority holding in the new company, while TietoEnator will control the remaining 43 percent. The new company will number some 2,500 employees, with sales in excess of SEK 2.2 billion, and will be strongly focused on IT operations. Approximately two thirds of the new company is focused on the defence sector, in areas of long-term potential that have been awarded priority in defence planning. This will create a larger and stronger unit in that segment of the defence market that is expected to grow, both in Sweden and internationally. Contracts for industrial customers also offer considerable growth potential, and the companies now being merged complement each other well.

The new company was formally established on January 1, 2000. The merger will therefore have no financial impact on Celsius prior to the year 2000. TietoEnator will bring its companies into Aerotech Telub Holding, whereby goodwill in an amount of approximately SEK 250 M will arise in Celsius' consolidated accounts. The agreement contains an option clause, which awards Celsius the right after 18 months to acquire TietoEnator's shares in the new company at a predetermined price of SEK 1,200 M. Should Celsius choose not to exercise this option, TietoEnator has in its turn the right to demand that Celsius purchase all the shares after 20 months at a predetermined price of SEK 1,100 M.

1999 has been affected by the considerable and continuing uncertainty surrounding the future focus of the Swedish Defence Forces and the consequent scale of Sweden's future defence materiel requirements. This has led to delays and postponements in order inflow, which has had a strong negative effect on earnings. Considerable costs incurred by surplus capacity and provisions for decided structural measures have been charged to income.

Since Autumn 1997, the Group has been engaged in comprehensive restructuring with a view to concentrating operations to a number of selected core business areas, in both the defence and commercial sectors. In addition to the structural

transactions named above, this work has resulted in a number of acquisitions and divestments during the year.

During the year, Celsius formed a joint venture company with Grintek Group in South Africa, a company that will be a leading player in the field of electronic warfare, a field that is gaining increasing importance in the context of the high-tech defence forces of the future. Celsius has a 49-percent holding in the newly formed company, Avitronics: Grintek controls the outstanding 51 percent.

At the beginning of the year, Celsius and Saab each acquired a 50-percent joint interest in GP&C Sweden AB from the Swedish Space Corporation. The company develops and markets a system which transmits position and identity between ships. With this acquisition, the companies establish a solid platform for continued development, manufacturing and marketing in a segment that is expected to expand sharply over the next few years.

Celsius Metech AB, which is part of business unit Celsius Aerotech, established operations in Denmark and Germany by acquiring the calibration division of Danish Aerotech.

To secure the most advanced competence in software- and systems development, inside and outside the Group, Celsius formed a new subsidiary, Celsius Consultants.

The two wholly-owned subsidiaries, GVA Consultants and Kockums Computer Systems (KCS) were sold, having only a marginal effect on Group earnings. During February 2000, Öresundsvärket AB was divested resulting in a smaller capital loss.

Celsius has been informed by SPP that the Group's share of SPP's surplus consolidation is estimated at SEK 715 M. The date and terms for the realization of this sum have yet to be confirmed. This decision has no effect on the annual accounts.

## ORDERS RECEIVED

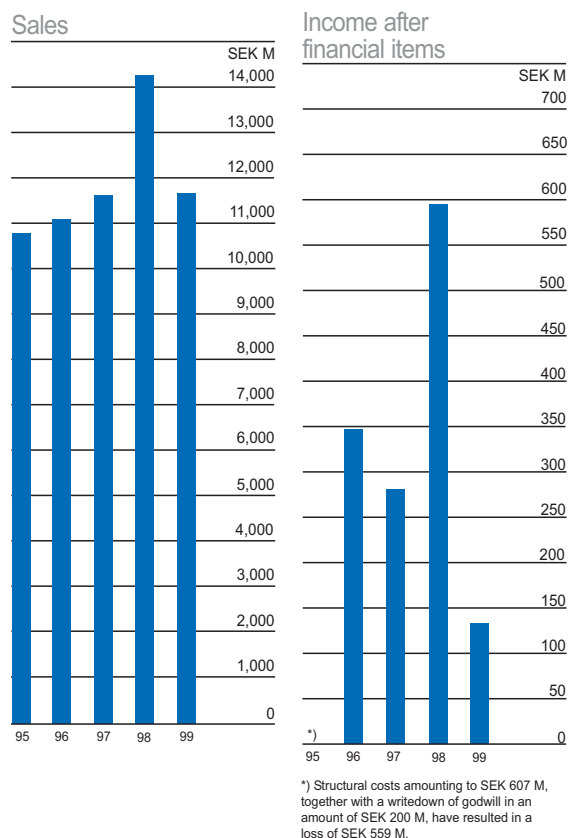
Orders received increased by approximately 10 percent and amounted to SEK 10,900 M (9,866). Orders received for the year includes Kockums AB up until September 30, in an amount of approximately SEK 1.5 billion. The increase is mainly attributable to business area Defence and, to a lesser extent, business area Business Development. The level of orders received by business area Commercial Aviation Services declined by approximately 11 percent, and the decline of almost SEK 400 M in the level of orders received by business area Niche Companies derives largely from the divested units. Business area Defence reported a strong fourth quarter, accounting for more than 35 percent of its total for the year. Business area Defence accounted for some 67 (57) percent of overall order inflow, Commercial Aviation Services for approximately 23 (29) percent, Business Development for approximately 6 (6) percent, and Niche Companies for 4 (8) percent.

## ORDER BACKLOG

The Group's order backlog declined by approximately SEK 4.4 billion during the year, amounting to approximately SEK 9.6 billion. Kockums AB accounted for SEK 1.3 billion of this total. Business area Defence, which accounts for about 90 percent of the order backlog, also accounts for the majority of this decline. The other business areas have shorter throughput times and, therefore, lower order backlogs.

## SALES AND INCOME

Group sales declined by approximately 18 percent to SEK 11,700 M (14,293). These sales figures include Kockums AB up until September 30 in an amount of approximately SEK 540 M. Business area Defence reports a decline of approxi-



mately SEK 1.7 billion, while business area Commercial Aviation Services reports an increase of approximately 6 percent. Business area Business Development noted a marginal increase while Niche Companies reported a decline of approximately SEK 1.1 billion. More than SEK 900 M of the decline reported by Niche Companies is attributable to the return of the Petrobras XXIII drilling rig Petrobras, following its conversion, and to divested companies.

Operating income for the period amounts to SEK 157 M (580). Excluding non-recurring items, operating income amounts to SEK 104 M (386), a decline of SEK 282 M compared with the preceding year. During the year, a tax dispute pertaining to a previous corporate divestment was resolved in Celsius' favour. This enabled the company to release reserves amounting to SEK 53 M. Changes in the terms applied to provisions for pensions have further improved income by approximately SEK 50 M. Even so, costs incurred in connection with surplus capacity within business area Defence – attributable to the postponement of orders received – and to the implementation of restructuring measures have had a sharply negative effect on net profit for the year. Structural costs are estimated to total approximately SEK 240 M (70) for the year. In addition to these restructuring measures, implemented mainly within business area Defence, business area Development has also reported a sharp decline in income, primarily attributable to investment in future projects, as well as to volume problems at the business unit Nexplo. The business area reports an operating result of - SEK 180 M (-53).

Net financial items amounted to - SEK 24 M (15), producing a result after net financial items of SEK 133 M (595).

## CASH FLOW

Group cash flow from the year's operations was negative and amounted to - SEK 609 M (-806), due mainly to low earnings from operations, reduced advances from customers and increased investment in aviation operations with respect to engines for leasing.

## FINANCIAL POSITION

Celsius Group liquid funds, which amounted to SEK 1,106 M at the close of the year, have declined by SEK 328 M since year-end 1998, due mainly to low earnings from operations, a sharp reduction in customer advances in connection with defence orders and increased investment with respect to engines for leasing.

Total assets have declined by approximately SEK 600 M since year-end 1998, amounting to SEK 12,765 M (13,331) by the close of the report period. Change in accounting principles concerning the capitalization of deferred tax on losses carried forward has increased equity and total assets by SEK 560 M (793).

The equity/assets ratio at the close of the period was 32 percent, one percentage unit better than at year-end 1998.

Group equity declined by SEK 188 M during the year, amounting to SEK 3,987 M at the close of the period, compared with SEK 4,175 M at the start of 1999.

Group return on capital employed was 4 percent (11) and on equity 1 percent (15).

Investments in property, machinery and equipment amounted to SEK 236 M (275). Depreciation totalled SEK 257 M (311). Investments were also made in aero engines for leasing, net, of approximately SEK 300 M (160).

## NUMBER OF EMPLOYEES

The number of Group employees declined during the year by some 1,800 persons, totalling approximately 9,129 persons at the close of the year. This reduction in personnel has occurred mainly within business area Defence, Kockums Naval Systems accounting for the decline of approximately 1,100 jobs, following the sale of the company to HDW. Further personnel cutbacks, affecting some 400 jobs in business area Defence, were primarily due to the implementation of structural measures. Other reductions were largely attributable to corporate divestments by business area Niche Companies.

## COMMENTS BY BUSINESS AREA

### Defence

The inflow of orders for business area Defence rose during the year by approximately SEK 1,740 M, amounting to SEK 7,504 M (5,763). Sales declined sharply during the period to SEK 7,808 M (9,513). This means that the order backlog has decreased by approximately SEK 3,900 M since year-end 1998. Operating income declined sharply, amounting to SEK 198 M (376). As well as the lower level of sales, income has been sharply affected by delays and postponements of procurement orders from the Swedish armed forces. This has resulted in considerable surplus capacity at some of the business units, and led to a decision to make substantial provision for future restructuring. These provisions total SEK 200 M. Business area Defence numbered 5,936 employees (7,401) at the close of the period. Kockums Naval Systems accounted for the loss of approximately 1,100 jobs, following the sale of the company to HDW. The remaining personnel cutbacks were primarily due to the implementation of structural measures. Notice was given to slightly more than 400 defence employees.

Large orders during the period included one from the Swedish Defence Materiel Administration (FMV), received by Kockums Naval Systems, for an additional two Visby-class corvettes, worth approximately SEK 900 M. This means that Kockums Naval Systems now has six Visby-class corvettes on order.

Kockums Naval Systems also received an order for two KBV 201 "multi-role" vessels for the Swedish Coast Guard. The order is worth approximately SEK 240 M. Two Swedish

Västergötland-class submarines are to be modernized and equipped with Stirling AIP (Air Independent Propulsion) units, to a value of approximately SEK 600 M. Furthermore, two earlier corvettes are to be modernized for approximately SEK 270 M.

Bofors Underwater Systems received an order from Brazil for the Torpedo 2000 weapon system. The order is worth in the region of SEK 500 M. As the first export order for this system, it is of crucial significance to future export efforts.

Celsius received orders from the Venezuelan Army to a combined value of approximately SEK 375 M. These comprised an export order for deliveries of the RBS 70 man-portable air-defence missile and additional missile equipment from Bofors Missiles, and orders for ammunition for the Carl Gustaf multi-role weapon and the AT4 anti-armour weapon from Bofors Anti Armour Systems.

Bofors Weapon Systems has received several orders from the Swedish Defence Materiel Administration (FMV) during the year. Notable among these were orders for the first phase of a Swedish-American project for joint development of a TCM (Trajectory Correctable Munition), worth SEK 75 M; an order for the development and supply of a computerized command-and-control support system for mechanized battalions – worth SEK 50 M – and an order for the upgrade of the CV 9040A combat vehicle, worth SEK 34 M. In December, orders were received for three naval guns for the Visby-class corvettes – two for the newly ordered vessels and one for training and as a replacement.

FMV, acting on the instructions of the Swedish Defence Forces, has placed an order for the RBS 23 BAMSE missile system with Bofors Missiles. The order, worth SEK 55 M, is a bridging order, designed to secure the retention of competence in the high-tech field of missile development and thereby enable placement of a subsequent series order, when a final decision has been reached concerning procurement of the air-defence missile system.

Bofors Anti Armour Systems has received an order from the British Ministry of Defence (MoD) to conduct the project definition phase for the next generation NLAW anti-armour weapon.

Celsius Tech Systems has signed a contract with FMV to supply new command and navigation systems and to upgrade the fire-control systems aboard the corvettes "Stockholm" and "Malmö", part of a scheduled mid-life upgrade. The order is valued at approximately SEK 115 M.

After the end of the year three major orders have been signed totalling c. SEK 300 M.

### Commercial Aviation Services

In recent years, business area Commercial Aviation Services has noted substantial volume growth, through a combination of organic growth and the implementation of several acquisitions in 1998. 1999 has been a year of consolidation, also being affected by a weaker market and intensified competition in certain areas of operation. During the year, there was a slowdown in the market, especially pronounced in the Asset Management sector, combined with increased competition in the engine-servicing field. Southeast Asian markets have continued to stabilize, although a degree of inertia in the wake of the Asian economic crisis can be discerned regarding Celsius Aviation Services activities in the region. The aviation market is cyclical by nature, and the peak of the current business cycle has passed. A levelling out and decline in the growth rate of air traffic can be expected in the next few years. This will inevitably affect the operations of Celsius Aviation Services, leading to a lower rate of growth.

The level of orders received amounted to SEK 2,607 M (2,944), a decline of about 11 percent. Sales, however, rose by 6 percent to SEK 3,009 M (2,829). Operating income shows a slight improvement, amounting to SEK 212 M (209). Commercial Aviation Services numbered 1,545 employees (1,690) at the close of the year. This reduction in the number of personnel is attributable mainly to the divestment of operations at Arlanda airport in Sweden, and to the ongoing implementation of efficiency measures.

### Business Development

Business area Business Development comprises business units Celsius Infomatics, Nexplo Industries and Celsius Materials Technology. These business units are based on the Group's joint technological competence, but differ widely in terms of products and markets.

Orders received increased by some 11 percent to SEK 667 M (599). This increase derives primarily from Nexplo Industries and Celsius Materials Technology. During the latter part of 1998, Bofors Explosives and Finland's Patria formed a joint venture company – Nexplo Industries. Celsius has a 60-percent holding, Patria the remaining 40 percent, whereby the whole company has been included in Celsius' consolidated accounts as a subsidiary. The merger of the two companies led to the formation of a significantly larger company. At the end of 1998, Celsius Materials Technology acquired the German surface-engineering company Nussbaum GmbH. This company is therefore included in net income for the whole year, but only for the final quarter of 1998.

Sales for the period rose by 6 percent to SEK 723 M (685), while there was a sharp decline in operating income during the period, which fell to - SEK 180 M (-53). This decline is attributable mainly to planned increased investment in development by business unit Infomatics. These development costs are charged to income on a current basis. Nexplo's inadequate volume of orders has also adversely affected income, and about 115 employees have been declared redundant. Provisions for future restructuring have been charged against Nexplo's operating income, in an amount of SEK 43 M (0). Sales of propellants are conducted on a highly competitive market that features many players. Competition in the commercial sector is increasing steadily, at the same time that sales volumes on the military market are contracting.

In association with Autoliv, Celsius Automotive is developing a collision-alert radar, named Adaptive Cruise Control (ACC). A joint company has been formed to produce and market this radar. Other product concepts are also being considered, such as sensors that can prepare in-car active safety systems (PreCrash) prior to an anticipated collision, radar-triggered burglar alarms and sleep-sensors for drivers. A further area of investment with a view to future profit generation is the concept commonly referred to as the "intelligent home". The communications market is currently undergoing extremely rapid and extensive change. Traditional distinctions between different media such as telecom, radio and datacom are disappearing, to be replaced by global infrastructures with customized networks.

Business area Development numbered 1,001 employees (596) at the close of the year. The increase derives mainly from the consolidation of Nexplo Industries and the acquisition of Nussbaum GmbH.

### Niche Companies

Business area Niche Companies consists of a number of companies with a strictly commercial (non-military) focus.

The business area is engaged in the offshore, engineering and shipyard sectors.

Orders received during the year decreased to SEK 413 M (798). This decline is attributable to a number of corporate divestments and to reduced order inflows at the two commercial shipyards, Götaverken Cityvarvet and Öresundsvarvet.

Kockums Industrier reported an approximately 30-percent increase in order inflow, and received an order for 120 heavy goods wagons from Swedish State Railways (SJ), valued at SEK 86 M, excluding an option on a further 60 wagons. This has been followed by a further order for 30 wagons, the result of SJ Cargo's decision to exercise an earlier purchase option. This latter order has estimated value of SEK 21 M.

In addition, Kockums Industrier has received an order from the Swedish National Rail Administration for 12 rail-borne service vehicles. The order is worth approximately SEK 64 M. A contract for an option on a further 14 vehicles, worth SEK 75 M, was signed at the same time.

Sales for the period amounted to SEK 522 M (1,653). This decline is mainly attributable to the fact that sales for the corresponding period last year included the return of the Petrobras XXIII drilling rig, following its conversion, at a value of about SEK 900 M, as well as corporate divestments. Operating income amounted to - SEK 7 M (116). The result includes non-recurring capital gains of SEK 53 M (54). The business area numbered a total of 538 (737) employees at the close of the year.

### TAXES

A tax expense of SEK 105 M (13) has been charged against earnings, of which SEK 48 M (-62) is related to deferred tax.

Essentially, tax is levied only on foreign subsidiaries which, in Celsius' case, means its operations in the USA, Germany and Australia.

### OWNERSHIP STRUCTURE

The number of shareholders amounted to approximately 12,240 at year-end. At the end of 1999, as before, the Swedish State controlled 25 percent of the share capital. Saab AB owned approximately 20 percent. A total of approximately 46 percent of Celsius shares were owned by Swedish and foreign institutional investors. Swedish investment funds and insurance companies held approximately 28 percent. The percentage held by foreign investors amounted to 18 percent of the share capital. Other Swedish investors accounted for 9 percent.

### PROPOSED DIVIDEND

The Board of Directors proposes that no dividend be distributed to shareholders for 1999 (SEK 5.00 per share).

### ANNUAL GENERAL MEETING

The Annual General Meeting of Celsius Corp. will take place on Friday, March 31<sup>st</sup>, 2000, at 14.00 p.m. The Meeting will be held in Stora salen, Stockholms Handelskammare, Västra Trädgårdsgatan 9, Stockholm. A special notice convening the Annual General Meeting will be published on Tuesday, February 29<sup>th</sup>, 2000. The complete Annual Report may be ordered from Celsius Corp., as from March 13<sup>th</sup>, 2000.

*Stockholm, February 24, 2000*

*The Board of Directors  
Celsius AB*



<b>Key indicators SEK M</b>	<b>Full year 1999</b>	<b>Full year 1998</b>
Sales	<b>11,700</b>	14,293
Operating income	<b>157</b>	580
Income after financial items	<b>133</b>	595
Total assets	<b>12,765</b>	13,331 <sup>1)</sup>
Liquid funds	<b>1,106</b>	1,434
Equity	<b>3,987</b>	4,175 <sup>1)</sup>
Return on average capital employed (%)	<b>4</b>	11
Return on average equity after taxes (%)	<b>1</b>	15
Equity/assets ratio (%)	<b>32</b>	31
No. of employees on closing day	<b>9,129</b>	10,902

**Sales by  
business area SEK M**

Defence	<b>7,808</b>	9,513
Commercial Aviation Services	<b>3,009</b>	2,829
Business Development	<b>723</b>	685
Niche Companies	<b>522</b>	1,653
Eliminations	<b>-362</b>	-387
<i>Group</i>	<b>11,700</b>	14,293

**Operating income,  
by business area SEK M**

Defence	<b>198</b>	376
Commercial Aviation Services	<b>212</b>	209
Business Development	<b>-180</b>	-53
Niche Companies	<b>-7 <sup>2)</sup></b>	116 <sup>3)</sup>
Joint Group income/expenses and eliminations	<b>-66</b>	-68 <sup>4)</sup>
<i>Group</i>	<b>157</b>	580

1) adjusted for changed accounting principles

2) including dissolution of a reserve in an amount of SEK 53 M, subsequent to a favourable ruling on a disputed tax claim by the administrative court of appeal.

3) of which a capital gain of SEK 59 M

4) of which compensation amounting to approximately SEK 100 M in settlement of a claim against Förvaltnings AB Statum concerning pension obligations as well as capital gain of approximately SEK 35 M on the sale of shares in BPA

<b>Cash flow statement SEK M</b>	<b>Jan-Dec 1999</b>	<b>Jan-Dec 1998</b>
Operating income	<b>157</b>	580
Depreciation added back	<b>404</b>	502
Other items not affecting liquidity	<b>95</b>	-428
Financial items	<b>-209</b>	-86
Change in working capital	<b>-552</b>	-620
Funds generated by operations	<b>-105</b>	-52
Investments, net	<b>-504</b>	-754
<b>Funds generated after investments</b>	<b>-609</b>	-806
Financing	<b>323</b>	309
Dividend to shareholders	<b>-140</b>	-95
Minority participation	<b>68</b>	0
Translation differences	<b>30</b>	17
<b>Change in liquid funds <sup>5)</sup></b>	<b>-328</b>	-575

5) includes also short-term securities

<b>Consolidated income statement SEK M</b>	<b>Full year 1999</b>	<b>Full year 1998</b>
Sales	<b>11,700</b>	14,293
Cost of sales	<b>-9,722</b>	-11,898
Gross profit	<b>1,978</b>	2,395
<i>Gross margin (%)</i>	<i>16.9</i>	<i>16.8</i>
Selling, administrative expenses and R&D costs	<b>-1,944</b>	-2,022
Other operating income/expenses, net	<b>87</b>	136
Share of income in associated companies	<b>36</b>	71
Operating income	<b>157</b>	580
Financial income and expenses, net	<b>-24</b>	15
Income after financial items	<b>133</b>	595
Minority participations in net income	<b>25</b>	-5
Income before taxes	<b>158</b>	590
Taxes	<b>-105</b>	-13
<i>Net income</i>	<b>53</b>	577

<b>Key share data</b>	<b>Dec 31, 1999</b>	<b>Dec 31, 1998</b>
Number of shares (thousands)	<b>28,066</b>	28,066
Profit per share after taxes (SEK)	<b>1.90</b>	20.60
Equity per share (SEK)	<b>142</b>	149
Dividend per share (SEK)	<b>0<sup>1)</sup></b>	5.00

## Quarterly data

<b>Order inflow by business area SEK M</b>	Q1 1999	Q2 1999	Q3 1999	Q4 1999	Full year 1999	Q1 1998	Q2 1998	Q3 1998	Q4 1998	Full year 1998
Defence	1,596	1,373	1,757	2,778	<b>7,504</b>	2,159	964	1,399	1,241	<b>5,763</b>
Commercial Aviation Services	631	820	627	529	<b>2,607</b>	517	678	869	880	<b>2,944</b>
Business Development	254	142	105	166	<b>667</b>	170	115	88	226	<b>599</b>
Niche Companies	218	38	52	105	<b>413</b>	137	204	269	188	<b>798</b>
Joint Group income/expenses and eliminations	-68	-87	-67	-69	<b>-291</b>	-92	11	-72	-85	<b>-238</b>
<i>Group</i>	2,631	2,286	2,474	3 509	<b>10,900</b>	2,891	1,972	2,553	2,450	<b>9,866</b>

<b>Sales by business area SEK M</b>	Q1 1999	Q2 1999	Q3 1999	Q4 1999	Full year 1999	Q1 1998	Q2 1998	Q3 1998	Q4 1998	Full year 1998
Defence	1,725	2,035	1,532	2,516	<b>7,808</b>	1,683	2,629	1,949	3,252	<b>9,513</b>
Commercial Aviation Services	629	816	725	839	<b>3,009</b>	532	658	721	918	<b>2,829</b>
Business Development	181	196	119	227	<b>723</b>	152	176	113	244	<b>685</b>
Niche Companies	133	105	142	142	<b>522</b>	208	151	1,076	218	<b>1,653</b>
Joint Group income/expenses and eliminations	-84	-86	-67	-125	<b>-362</b>	-52	-144	-29	-162	<b>-387</b>
<i>Group</i>	2,584	3,066	2,451	3,599	<b>11,700</b>	2,523	3,470	3,830	4,470	<b>14,293</b>

<b>Operating income by business area SEK M</b>	Q1 1999	Q2 1999	Q3 1999	Q4 1999	Full year 1999	Q1 1998	Q2 1998	Q3 1998	Q4 1998	Full year 1998
Defence	5	48	45	100	<b>198</b>	13	82	27	254	<b>376</b>
Commercial Aviation Services	47	53	50	62	<b>212</b>	49	48	52	60	<b>209</b>
Business Development	-37	-9	-56	-78	<b>-180</b>	1	-10	-16	-28	<b>-53</b>
Niche Companies	-10	50 <sup>1)</sup>	-19	-28	<b>-7</b>	53 <sup>2)</sup>	-12	41	34	<b>116</b>
Joint Group income/expenses and eliminations	10	-65	-9	-2	<b>-66</b>	78 <sup>3)</sup>	-28	-3 <sup>4)</sup>	-115	<b>-68</b>
<i>Group</i>	15	77	11	54	<b>157</b>	194	80	101	205	<b>580</b>

1) including dissolution of a reserve in an amount of SEK 53 M, subsequent to a favourable ruling on a disputed tax claim by the administrative court of appeal.

2) of which a capital gain of SEK 59 M

3) of which compensation amounting to approximately SEK 100 M in settlement of a claim against Förvaltnings AB Statum concerning pension obligations

4) of which capital gain of SEK 35 M on the sale of shares in BPA



## THE CELSIUS GROUP

*Celsius is an international advanced-technology and knowledge-based corporation which, in close interaction with its customers develops, manufactures and maintains advanced systems, products and services within core business areas Defence and Commercial Aviation Services.*

*This comprehensive competence provides a platform for the development of new products and services with strong growth potential in both commercial and defence-related markets.*

*Celsius has sales of almost SEK 12 billion and some 9,000 employees.*

*The Celsius "B" share has been listed on the OM Stockholm Stock Exchange since June 1993. On December 31, 1999, the Company had about 12,200 shareholders.*



Celsius Corp., Box 7214, SE-103 88 Stockholm, Sweden. Tel Int +46 8 463 00 00, Fax Int +46 8 611 68 94.  
info@celsius.se www.celsius.se



**Press release**  
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## **Celsius year-end report for 1999:**

**Major restructuring costs charged to earnings –  
net profit: SEK 133 M**

Celsius' consolidated income after financial income/expenses for the full year 1999 amounted to SEK 133 M, substantially lower than the figure reported for the preceding year (595)<sup>1</sup>. Significant costs arising from surplus capacity, and in the form of provisions for future restructuring, have been charged to income.

Operating income, excluding non-recurring items, amounted to SEK 104 M (386).

The level of orders received rose approximately 10 percent, amounting to SEK 10.9 billion<sup>2</sup>. Invoiced sales declined by about 18 percent, amounting to SEK 11.7 billion.

The Board of Directors proposes that no dividend payment be made for 1999 (SEK 5.00 per share).

<sup>1</sup> Figures in parentheses refer to 1998

<sup>2</sup> Billion = 1,000 million

"Net profit for 1999 has been severely affected by costs arising from surplus capacity in business area Defence, mainly attributable to the postponement of orders received and to the implementation of restructuring measures," says Celsius' CEO Lars G. Josefsson. Structural costs are estimated to total approximately SEK 240 M (70) for the year.

In the past year, the main factors affecting the operations of the Celsius Group have been the continuing uncertainty surrounding the future focus of the Swedish Defence Forces, and the two large structural deals with HDW and TietoEnator – which have further accentuated Celsius' profile as a high-tech, knowledge-driven company.

### **Saab's offer to acquire Celsius**

Both the Swedish Parliament and the European Commission have approved the planned acquisition.

"The combination of Saab and Celsius will create a strong and competitive unit, with strong international links and with excellent prospects of meeting requirements placed on the business activities by the global market, concludes Lars G. Josefsson.

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**For further information, please call Celsius' CEO Lars G. Josefsson or Celsius' CFO, Nils-Ove Andersson, at +46 (0)8 463 00 00.**