



# Press release from the ÅF-Group

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## For immediate release

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## Interim Report January–June 2000 from AB Ångpanneföreningen (publ)

- **Operating profit excluding refunds from SPP improved by 80 percent to SEK 36 (20) million**
- **Profit after net financial items excluding refunds from SPP improved by 31 percent to SEK 27 (20) million**
- **Profit after net financial items including refunds from SPP was SEK 284 million**
- **Turnover rose by 6 percent to SEK 849 (799) million**
- **Net worth SEK 109 (73) per share**
- **Employees subscribed to convertibles for SEK 96 million**

Apart from projects from the energy sector and process industries, demand for ÅF Group services improved in all areas when compared with the corresponding period in 1999. Measured on a monthly basis capacity utilisation increased successively during the reporting period from 64 to 71 percent, enabling profit for the Group's consulting operations to show a considerable improvement. Second-quarter profits for 2000 were three times higher than those for the corresponding period in 1999.

Projects within technical and administrative IT services continued to increase, a trend which was especially evident for ÅF-Systemdesign. Various aspects of the business have been 'fine-tuned' by merging individual operations and establishing more efficient commercial units, particularly in the field of Energy, Environment and Process Technology. Profits for Inspection & Testing rose by SEK 7 million compared to the previous year, but the overall result for this business area still showed a loss.

A number of surveys were carried out during the reporting period among students of technology and clients in the IT industry in order to assess the image of the ÅF Group. The results show that the ÅF brand is the strongest in the industrial consulting business – both as a supplier of consulting services and as an employer.

There was a positive response to the ÅF Group's offer to employees to subscribe to convertible bond loans. More than 700 employees subscribed SEK 96 million, equivalent to 90 percent of the total amount earmarked for this purpose. If the conversion option is fully utilised during the period January 2004 to June 2005, the additional shares will represent a 6 percent dilution of the votes and 9 percent of capital. Monies for purchase of the convertibles were received in July 2000.

The value of the premium refund from the pensions insurance company, SPP, has been calculated at SEK 257 million. This has been entered separately in the Income Statement in order to facilitate financial comparisons. The refund will be made chiefly in the form of a reduction in premiums and the settlement of the ÅF Group's pensions liability of SEK 105 million.

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Consolidated profit after net financial items and proportional interests in associated companies amounted to SEK 284 (20) million, which is equivalent to a 50.4 (9) percent return on equity.

If the SEK 257 million refund from SPP is excluded from these figures, consolidated profit after net financial items and proportional interests in associated companies was SEK 27 (20) million.

Turnover rose to SEK 849 (799) million. The lion's share of this rise is attributable to operations in the business area Software, Electronics & Mechanical Engineering, a development well in line with the ambition to increase the significance of this business area relative to the ÅF Group as a whole. The profit margin was 33.4 (2.5) percent, or 3.1 (2.5) percent excluding the SPP refund. Order stocks increased to SEK 468 (422) million.

The profit has been charged with a calculated bonus to the Group's employees amounting to SEK 1.5 (1.4) million. Group profit after tax was SEK 201.9 (15.1) million.

The number of full-time equivalents during the period, including employees in associated companies, was 2,215 (2,235). The parent company recorded net sales of SEK 52 (48) million and the profit after net financial items was SEK 1.2 (0.5) million.

The Group's net worth, after the standard 20 percent tax deduction on the estimated surplus value of property, was SEK 109 (73) per share. Adjusted equity ratio was 43 (38) percent.

At the beginning of the period the ÅF Group acquired the environmental research company Miljöforskargruppen AB. The company runs operations in Sweden, Finland and Denmark, and has one of the best track records among environmental specialist services in Scandinavia. Among the cooperation agreements signed during the reporting period are those with Joseph Maier Papiertechnologie, Siemens, SilberSoftware and the broadband technology company, Bredbandsbolaget. The agreement with Joseph Maier paves the way for an option to invest in an ownership stake in this paper-machine consulting business within the next twelve months.

During the period the Group also increased its ownership stake in ÅF-QPS Consultants Ltd. (a consultancy company based in Manchester, UK, with a staff of around 30 people) from 40 to 70 percent.

### **Consulting activities**

The consolidated profit after net financial items for the Group's consulting activities increased by 36 percent to SEK 33 (24) million, with net sales rising to SEK 908 (843) million.



2000-08-11

3

**Profit/Loss and net sales per business area (in millions of SEK)**  
Reporting period, (corresponding period 1999) and full-year figures for 1999

	Profit/ Loss	Net sales	Full-year 1999 Profit/loss	Net sales
Elec. Eng. & Instrumentation	16(18)	258(240)	36	498
Energy, Env. & Process Tech.	-6(12)	202(209)	12	391
HVAC & Sanitation	8(5)	95(96)	13	186
Software, Elec. & Mech. Eng.	24(5)	229(180)	15	390
Inspection & Testing	-7(-14)	58(48)	-17	108
Education & Management	-2(-2)	67(70)	1	140

The table shows the financial development of the Group's six business areas during the reporting period January–June 2000.

The ÅF Group's capacity utilisation – the invoiced-time ratio – picked up during the first half of 2000.

Energy, Environment & Process Technology, most of whose customers are to be found in the process industries and the energy sector, has been feeling the effect of low levels of investment in these two sectors. The business area reduced its capacity towards the end of 1999 and again at the beginning of the current year, but capacity utilisation remains low and the result for the second quarter was more or less +/- zero. The Electrical Engineering & Instrumentation business area was similarly affected by low investments in the same two sectors, although not to the same degree. While there are now indications of a more lively climate in the process industries, low prices in the electricity market continue to act as a brake on any increased demand for consulting services in the energy sector.

Business for HVAC & Sanitation has developed positively and looks set to continue in this vein for the rest of the year. The profit margin for this business area was 8 percent.

In line with the Group's expansion strategy the Software, Electronics & Mechanical Engineering business area grew most during the reporting period, recording a 27 percent jump in net sales and an increase in profits to a figure equivalent to an 11 percent profit margin.

Although Inspection & Testing recorded a rather poor result, it is encouraging to note that this is still SEK 7 million better than the figure for the corresponding period last year. Operations have been affected by the seasonal variations that are the norm in this line of business: demand is usually weak during the first half-year, but rallies during the second. Nevertheless, cost-cutting exercises implemented by the nuclear power industry mean that this year demand has been even weaker than anticipated. To achieve a better balance between supply and demand, the ÅF Group is taking an active role in the ongoing task of restructuring the entire Inspection & Testing industry.



The result for Education & Management was somewhat better than that recorded for the corresponding period in 1999, and the restructuring work surrounding the education company ÅF-SIFU is proceeding according to plan. The difficulties of securing financing for aid programmes had a negative impact on developments in the Group's international management consulting activities, and, as far as these operations are concerned, we have recorded a slight loss for the period.

The wide range of new projects bears witness to the increasing scope of the Group's consulting services. Projects for the telecommunications sector continue to increase in number, and the expansion within the IT industry was also evident in the assignments received from Skanska and the Swedish academic buildings office, Akademiska Hus, in conjunction with the transformation of the central area of the Stockholm suburb of Kista – an major undertaking generating an income of more than SEK 20 million for the ÅF Group's electrical and HVAC/Sanitation consultants.

The ÅF Group also received an order concerning the development of equipment for the assembly of chassis components for a new model of car. The contracting partner and main supplier in the deal is ABB Body-in-White. The ÅF Group possesses unique skills and experience in simulating and visualising the entire production process with IT tools.

The ÅF Group has also been awarded extensive contracts within the field of process technology in connection with the expansion of the Danisco plant in Örtofta, currently the biggest industrial project in Skåne, Sweden's southernmost province.

### **Real Estate and Finance Administration**

The Group's properties, which consist of 95 percent offices, are used mainly by the Group's consulting businesses. At the end of the reporting period the vacancy ratio was 5 percent. The Group currently owns 34,300 square metres of real estate. At the year-end 1998 the Group's properties were valued by Catella Fastighetsekonomi at a market value of SEK 370 million. By the beginning of 2000 the market value was assessed to have risen to SEK 400 million. The book value was SEK 263 million. In July the Group sold premises in Södertälje for SEK 7 million, which generated a small capital gain.

Gross investments in machinery and equipment totalled SEK 23 (48) million excluding investments made via corporate acquisitions. The Group's liquid assets amounted to SEK 92 (38) million, invested in interest-bearing financial instruments in Sweden.

Interest-bearing liabilities and allocations totalled SEK 357 (298) million, bringing the Group's net borrowings to SEK 265 (260) million. This figure will be reduced by SEK 105 million during the course of the autumn as a consequence of the settlement of the Group's pension liability.



2000-08-11

5

## Outlook for the full-year 2000

The sluggish market for consulting services in the energy sector and process industries, which had a negative effect on the ÅF Group's result for 1999 continued to exert an influence as the new year got under way. However, the market has gradually picked up during the reporting period, and, against this background and in view of measures taken by the Group such as improving capacity utilisation, the consolidated result for 2000 – even without the anticipated refund of premiums held by SPP – is expected to show an improvement on that for 1999.

Stockholm, Sweden, 11 August 2000  
 AB ÅNGPANNFÖRENINGEN (publ)  
 Gunnar Grönkvist  
 Managing Director

### CONSOLIDATED INCOME STATEMENT (in millions of SEK)

	1 Jan 1998 30 June 1998	1 Jan 1999 30 June 1999	1 Jan 2000 30 June 2000	Full year 1999
Net sales	647.4	798.6	848.9	1 612.0
Personnel costs	-404.0	-509.4	-530.5	-996.2
Other expenses	-180.9	-239.5	-248.4	-503.9
Depreciation	-25.4	-30.6	-32.6	-63.7
Refunds from SPP	-	-	257.3	-
Share of associated companies' profit/loss	0.0	0.6	-1.2	1.1
Operating profit	37.1	19.7	293.5	49.3
Net financial items/expense	3.5	0.6	-9.6	5.8
Profit after net financial income/expense	40.6	20.3	283.9	55.1
Tax	-11.4 *	-5.6 *	-79.5 *	-18.5
Minority interests' share of the profit/loss	-	0.4	-2.5	-0.1
Profit after tax	29.2	15.1	201.9	36.5

\* Calculated tax=standard tax

### CONSOLIDATED BALANCE SHEET (in millions of SEK)

	30 June 1998	30 June 1999	30 June 2000	31 Dec 1999
Assets				
Intangible assets	26.0	45.9	45.2	43.8
Tangible assets	305.2	376.0	403.2	391.1
Financial assets	33.6	40.0	162.4	41.0
Current receivables	321.2	456.5	615.3	417.3
Liquid assets and investments	106.8	37.8	91.9	112.6
Total assets	792.8	956.2	1 318.0	1 005.8
Equity and liabilities				
Equity	363.8	311.4	514.0	332.7
Minority interests	-	1.6	6.9	3.9
Provisions	170.4	160.1	231.0	151.3
Long-term liabilities	45.2	47.4	64.1	58.7
Short-term liabilities	213.4	435.7	502.0	459.2
Total equity and liabilities	792.8	956.2	1 318.0	1 005.8



2000-08-11

6

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of SEK)

	1 Jan 1998 30 June 1998	1 Jan 1999 30 June 1999	1 Jan 2000 30 June 2000	Full year 1999
Cash flow from operating activities before changes in working capital	66.1	50.3	40.4	65.1
Cash flow from changing in working capital	-14.5	-67.9	25.0	-4.2
Cash flow from investing activities	-9.7	-95.4	-26.3	-130.8
Cash flow from financing activities	-26.0	57.9	-18.8	111.0
Cash flow for the reporting period	15.9	-55.1	20.3	41.1

## KEY RATIOS

Return on equity. % (full year)	16.2	8.9	50.4	11.1
Return on equity excl. SPP. % (full year)			10.1	
Return on capital employed. % (full year)	18.6	11.1	53.7	12.9
Return on capital employed excl. SPP. % (full year)			14.9	
Equity ratio. %	45.9	32.6	39.0	33.1
Adjusted equity ratio. %	50.7	38.2	42.9	38.7
Profit margin. %	6.3	2.5	33.4	3.4
Profit margin excl SPP. %			3.1	
Profit per share after standard tax. SEK	5.09	2.60	35.24	6.90
Profit per share after standard tax excl. SPP. SEK			3.33	
Equity per share. SEK	63	54	89	58
Net worth per share. SEK	79	73	109	77
Number of full-time equivalent employees. excl. Assoc. Companies	1746	2029	2069	2048
Number of full-time equivalent employees. incl. Assoc. Companies	1886	2235	2215	2222

No. of shares 5.748.569

(Definitions see Annual Report 1999.)

## Interim Report

We have reviewed this Interim Report in outline and thereby followed the recommendations of the Swedish Institute of Authorised Public Accounts (FAR). An outline review is considerably limited in comparison with an audit. There is no evidence of anything to indicate that this Interim Report does not meet the requirements of legislation relating to securities and annual reports.

Stockholm. 11 August 2000

Åke Hedén

Authorised public accountant

Ulf Egenäs

Authorised public accountant

## Forthcoming activities

The interim report for the period January-September will be issued on 27th October.

The report is available in Swedish and English versions.