



# Press release from the ÅF-Group

1(4)

## For further information

Gunnar Grönkvist, Managing Director +46 (0)8-657 11 15 or  
Kaj Sandart, Director, Corporate Information +46 (0)8-657 11

## For immediate release

27 October 2000  
Number 25/2000

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

- Strong third quarter SEK 20 (6) million
- Operating profit, excluding SPP refunds, doubled to SEK 59 (30) million
- Profit after net financial items, including SPP refunds, was SEK 303 million
- Turnover rose by 3 percent to SEK 1,200 (1,163) million
- Net worth SEK 111 (75) per share

Demand for ÅF Group services continued to improve during the third quarter compared with the corresponding period in 1999. Some improvement was also noted for energy and process technology projects towards the end of the period. Capacity utilisation rose successively during the reporting period from 64 to 71 percent and averaged 69 (69) percent for the year. Profit for the Group's consulting operations showed a considerable improvement. September saw the Group reporting its best monthly profit ever.

Projects within technical and administrative IT services continued to increase, which had a positive impact primarily on Software, Electronics & Mechanical Engineering. This business area's turnover rose by almost 20 percent and the profit margin hit 11 percent.

Although Inspection & Testing generated a loss, this was less than half that in the corresponding period in 1999. The business area continued to increase its market share despite a reduction in capacity.

The present value of the SPP refunds to ÅF of SEK 299 million had previously been calculated at SEK 257 million. One of the assumptions made in this calculation was that the PRI pension commitments of SEK 105 million will be redeemed during the year. The final decision on any redemption of these commitments will be taken by the company's board before the year-end.

Turnover rose to SEK 1,200 (1,163) million. The lion's share of this rise is again attributable to operations in Software, Electronics & Mechanical Engineering, a

## AB Ångpanneföreningen (public)

Fleminggatan 7, Box 8133, SE-104 20 Stockholm, Sweden. Tel +46 8 657 10 00. Fax +46 8 650 91 18.  
Internet [www.af.se](http://www.af.se). Corp. identity no. 556120-6474. Registered office Stockholm.

development well in line with the ambition to increase the significance of this business area relative to the ÅF Group as a whole. Energy, Environment & Process Technology reported a drop in turnover as a result of the weak market.

The operating margin, excluding SPP refunds, was 4.9 (2.6) percent, compared with 3.1 percent for the whole of 1999. Order stocks rose to SEK 476 (412) million.

The profit figure includes a calculated bonus to the Group's employees amounting to SEK 5.6 (1.9) million. Group profit after tax was SEK 214.7 (19.8) million.

Excluding SPP refunds, consolidated profit after net financial items and proportional interests in associated companies amounted to SEK 46.2 (26.6) million.

The number of full-time equivalents during the period, including employees in associated companies, was 2,198 (2,222). The parent company recorded net sales of SEK 77 (72) million and the profit after net financial items was SEK 1.0 (a loss of 3.6) million.

The Group's net worth, after the standard 20 percent tax deduction on the estimated surplus value of property, was SEK 111 (75) per share. The adjusted equity ratio was 43 (39) percent.

At the beginning of the period the ÅF Group acquired Miljöforskargruppen AB (MFG). It later went on to increase its ownership stake in ÅF-QPS Consultants, a UK company with a staff of around 30 people, from 40 to 70 percent. The Group also signed a cooperation agreement with Joseph Maier Papiertechnologie, which paves the way for an option to invest in an ownership stake in this paper-machine consulting business. This agreement gives the Group greater access to the important German pulp and paper industry market.

More than 700 employees subscribed for convertible bond loans during the reporting period for a total of SEK 96 million, which was paid in July 2000.

### **Consulting activities**

The consolidated profit after net financial items for the Group's consulting activities increased by 54 percent to SEK 53 (35) million, with net sales rising to SEK 1,281 (1,231) million.

### **Profit/loss and net sales per business area (SEK million)**

Reporting period, (corresponding period in 1999) and full-year figures for 1999

	Profit / loss	Net sales	Full-year 1999 Profit/loss    Net sales	
Elec. Eng. & Instrumentation	22(25)	365(354)	36	498
Energy, Env. & Process Tech.	-9(11)	278(294)	12	391
HVAC & Sanitation	13(8)	136(134)	13	186
Software, Elec. & Mech. Eng.	36(8)	331(280)	15	390
Inspection & Testing	-6(- 13)	87(79)	-17	108
Education & Management	-3(-4)	84(91)	1	140

Although the Electrical Engineering & Instrumentation business area benefited from a stronger construction market, it was affected by the current low levels of investment in the energy sector and process industries, as was Energy, Environment & Process Technology, most of whose customers are to be found in the process industries and the energy sector. Capacity utilisation remained low despite reductions in capacity. While the energy market is not expected to pick up in the near future, the process industries are signalling higher levels of activity, which resulted in more new orders during the autumn.

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 rose to 9 percent.

In line with the Group's expansion strategy, the Software, Electronics & Mechanical Engineering business area grew most during the reporting period, recording sales growth of almost 20 percent and a profit margin of 11 percent.

Inspection & Testing was affected by seasonal variations where demand is weak during the first half-year but rallies during the second. Nevertheless, cost-cutting exercises implemented by the nuclear power industry mean that demand this year has been even weaker than anticipated, affecting all players in the sector and resulting in losses. Work is continuing throughout the inspection and testing market to achieve a better balance between supply and demand, with all the major players reducing capacity. The ÅF Group is playing an active role in this restructuring drive.

The result for Education & Management was somewhat better than that recorded for the corresponding period in 1999, and the restructuring of 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.

## **Real Estate and Finance Administration**

The ÅF Group's liquid assets totalled SEK 147 (30) million and were invested in interest-bearing instruments in Sweden. Interest-bearing liabilities and allocations totalled SEK 373 (344) million, bringing the Group's net borrowings to SEK 226 (314) million. This figure will be reduced by SEK 105 million during the course of the autumn if the board chooses to redeem the Group's PRI pension commitments.

Gross investments in machinery and equipment totalled SEK 31 (71) million.

The Group's properties, which consist of 95 percent offices, are used mainly by the Group's consulting businesses. During the period the Group sold premises in Södertälje for SEK 7 million, which generated a capital gain of SEK 0.6 million. At the end of the reporting period the Group owned 33,000 square metres of real estate, with 18,000 square metres in the Stockholm area.

At the 1998 year-end, 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.

## **Outlook for the full year 2000**

The market has improved successively during the year, and the Group is now beginning to reap the rewards of its various initiatives to improve profitability. This being the case, consolidated profit, excluding SPP refunds, is expected to amount to SEK 70 million, or SEK 9 per share.

Stockholm, 27 October 2000  
AB ÅNGPANNFÖRENINGEN (publ)  
Gunnar Grönkvist  
Managing Director



<b>CONSOLIDATED INCOME STATEMENT</b> (in millions of SEK)	1 Jan 1998 30 Sept 1998	1 Jan 1999 30 Sept 1999	1 Jan 2000 30 Sept 2000	Full year 1999
Net sales	922,1	1162,5	1199,6	1612,0
Personnel costs	-580,5	-731,1	-748,2	-996,2
Other expenses	-258,1	-355,4	-343,7	-503,9
Depreciation	-38,3	-46,8	-48,6	-63,7
Refunds from SPP	-	-	257,3	-
Share of associated companies' profit/loss	-0,1	0,7	-0,3	1,1
Operating profit	45,1	29,9	316,1	49,3
Net financial items/expense	3,1	-3,3	-12,6	5,8
Profit after net financial income/expense	48,2	26,6	303,5	55,1
Tax	-13,5 *	-7,5 *	-85,3 *	-18,5
Minority interests' share of the profit/loss	-	0,7	-3,5	-0,1
Profit after tax	34,7	19,8	214,7	36,5
* Calculated tax=standard tax				
<b>CONSOLIDATED BALANCE SHEET</b> (in millions of SEK)	30 Sept 1998	30 Sept 1999	30 Sept 2000	31 Dec 1999
Assets				
Intangible assets	29,7	45,5	42,7	43,8
Tangible assets	311,5	387,9	390,7	391,1
Financial assets	34,0	37,5	163,2	41,0
Current receivables	333,6	468,7	601,9	417,3
Liquid assets and investments	83,6	30	147,0	112,6
Total assets	792,4	969,6	1345,5	1005,8
Equity and liabilities				
Equity	369,1	316,1	527,1	332,7
Minority interests	-	3,2	8,1	3,9
Provisions	172,5	162	236,5	151,3
Long-term liabilities	45,1	49	120,8	58,7
Short-term liabilities	205,7	439,3	453,0	459,2
Total equity and liabilities	792,4	969,6	1345,5	1005,8
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> (in millions of SEK)	1 Jan 1998 30 Sept 1998	1 Jan 1999 30 Sept 1999	1 Jan 2000 30 Sept 2000	Full year 1999
Cash flow from operating activities before changes in working capital	86,5	72,6	134,4	65,1
Cash flow from changing in working capital	-39,6	-121,1	-65,4	-4,2
Cash flow from investing activities	-32,6	-117,6	-35,1	-130,8
Cash flow from financing activities	-21,7	103,3	0,9	111,0
Cash flow for the reporting period	-7,4	-62,8	34,8	41,1
<b>KEY RATIOS</b>				
Return on equity, % (full year)	12,6	7,5	52,1	11,1
Return on equity excl. SPP refunds, % (full year)			12,9	
Return on capital employed, % (full year)	14,7	10,1	53,6	12,9
Return on capital employed excl. SPP refunds, % (full year)			16,4	
Equity ratio, %	46,6	32,6	39,2	33,1
Adjusted equity ratio, %	51,0	38,6	43,0	38,7
Operating margin, %	4,9	2,6	26,3	3,1
Operating margin excl. SPP refunds, %			4,9	
Profit margin, %	5,2	2,3	25,3	3,4
Profit margin excl SPP refunds, %			3,9	
Profit per share after standard tax, SEK	6,04	3,33	38,01	6,90
Profit per share after standard tax excl. SPP refunds, SEK			5,79	
Equity per share, SEK	64	55	92	58
Net worth per share, SEK	81	75	111	77

#### AB Ångpanneföreningen (public)

Fleminggatan 7, Box 8133, SE-104 20 Stockholm, Sweden. Tel +46 8 657 10 00. Fax +46 8 650 91 18.  
Internet www.af.se. Corp. identity no. 556120-6474. Registered office Stockholm.

Number of full-time equivalent employees, excl. Assoc. Companies	1739	2049	<b>2050</b>	2048
Number of full-time equivalent employees, incl. Assoc. Companies	1879	2222	<b>2198</b>	2222

No. of shares 5,748,569

(Definitions see Annual Report 1999.)

This Interim Report has not been reviewed by the  
company's auditors.

Next report: Summary of Annual Report 2000 to be  
published on 12 February, 2001

The report will be available in Swedish  
and English.