Transport & Logistics

INFORMATION FROM THE BTL GROUP

Göteborg, 20 August 1998

Interim Report for the first six months 1998

- **Net sales totalled SEK 8,650 million (8,826).**
- **The operating margin, excl. non-recurring items, improved to 3.2% (2.8).**
- **The profit before tax, incl. non-recurring items, improved by SEK 215 million to 422 million (207) and excl. non-recurring items by SEK 64 million to SEK 235 million (171).**
- **The cooperation and integration with Schenker proceeds according to plan. On-going mergers in respective countries are expected to be in place during the autumn. Restructuring costs will be lower than previously estimated.**

Sales and results

The demand for transport and logistics services has also continued to develop satisfactorily in the second quarter of 1998, due to generally sound economic growth in the Group's main markets. The partnership with the German Schenker Group within the European land transport sector has developed according to plan. The rate of growth has consequently been negatively affected, in that the majority of the partnership changes at the beginning of the financial year led to falls in volumes. This will, however, be compensated for later in the year by new volumes as a result of the Schenker partnership.

The Asian crisis has continued to have a negative impact on the air and sea freight volumes in the Wilson Group Division, and the consignment volume trend in the Division fell in comparison with the corresponding period last year.

The Group's net sales fell by about 2% to SEK 8,650 million (8,826). Adjusted for units sold, net sales rose by 2%.

The operating profit during the second quarter was SEK 157 million, an improvement of SEK 2 million over the corresponding period last year, and of SEK 38 million over the first quarter of the year. Costs of approximately SEK 10 million in respect of the Schenker partnership and SEK 9 million for the adjustment of the computer systems to the EMU and the year 2000 problem, have been charged to the second quarter.

The Group's operating profit for the period from January to June rose by SEK 178 million in comparison with last year, and was SEK 463 million. Adjusted for non-recurring items, the operating profit improved by 11% or SEK 27 million. *The Group's operating margin*, excluding non-recurring items, improved to 3.2% (2.8).

The Group's net financial items totalled SEK -41 million (-78). The operating net financial items improved by SEK 41 million to SEK -73 million due to a strong cash flow and lower borrowing costs. Financial assets - mainly comprising the share-

holdings in Cofinimmo and SMZ-Industrier/Zeteco - were sold during the period for approximately SEK 300 million, giving a capital gain of SEK 32 million.
The Group's profit before tax was SEK 422 million. The tax liability for the period is estimated at SEK 37 million (10) and the minority shares at SEK 6 million (5).

The profit for the period improved by SEK 187 million to SEK 379 million (192).

Operations' performance
The rate of growth in the Group's transport and logistics operations was slightly lower during the second quarter which, in comparison with the first quarter of the financial year, included fewer working days. The levels of activity and capacity utilization were, however, high for the period. The Asian crisis has had a negative impact on the Group's sea and air operations, as have developments in Russia.

The operating profit continued to develop satisfactorily, and as of the end of June, the operational operating profit was SEK 271 million (262), whilst on a rolling basis, it was SEK 623 million, including results from companies disposed of.

Land Transport Division
Volumes at the Scansped network rose by 6.5% in comparison with the corresponding period last year. The combined growth figure was, however, lower due to the partnership changes which took place at the beginning of the year, when the cooperation started with Schenker. These reduced volumes will be compensated for later in the year in the form of new volumes as a result of the Schenker partnership. Problems in the Russian economy have led to a pronounced reduction in the volume of freight shipped to Russia.

Both volumes and results continued to develop positively in the Group's Swedish operations, *BTL Sweden AB*. International transport consignments for the six month period grew by 9.5% and domestic consignments by just over 4%. The operating profit improved and a satisfactory level of profitability was achieved in most of the segments. The profitability of the wholly-owned haulage firms deterio-rated due to an unfavourable cost trend. A reorganisation and restructuring of the haulage operations is currently in progress with the aim of improving both efficiency and profitability.

The Division's *Finnish* operations continued to improve. The domestic operations reported very healthy growth, as did the specialist operations at Huolintakeskus. The international operations reported pleasing improvements in the second quarter and the operating profit in Finland improved in comparison with last year.

The operations in *Norway* and *Denmark* performed satisfactorily, but were affected by strikes during the second quarter. It is calculated that this led to a fall in profits for the Land Transport Division of around SEK 7 million.

The profit performance was extremely good in the *Baltic States*, and in *Estonia* in particular.

In the *Netherlands*, *Belgium* as well as in the *UK* and *Poland*, the operations developed according to plan. In *Germany*, *Switzerland* and *France*, improved operating profits were reported, but the figures are still negative.

The Division's *net sales* rose by just over 3% to SEK 6,510 million (6,311). Net sales were affected positively by good volume development and the price increases implemented, and negatively by the effects of the above-mentioned partnership changes and, to a degree, by the integration with Schenker already implemented in certain countries.

The Division's *operating profit* rose by 11% to SEK 240 million (216). Approximately SEK 10 million for the Schenker partnership and approximately SEK 6 million for the adjustment of the computer systems to handle the year 2000 problem have been charged to the results. *The operating margin* for the period was 3.7% (3.4), and just over 3.9% for the past 12-month period.

The Schenker partnership

The partnership with Schenker within European land transport has continued to develop according to plan. The currently ongoing integration and merger process will be completed during the third quarter, at which point BTL will acquire Schenker's land transport operations in Sweden, Norway, Denmark, Finland, the three Baltic states, Russia, Poland, Belgium, the Netherlands and UK/Ireland. BTL's operations in Germany, Switzerland and France will be transferred to Schenker.

In the Czech Republic and Hungary both BTL and Schenker will own the operating companies and BTL will reduce its ownership in these companies. In Italy BTL will operate and wholly own the subsidiary Castelletti.

A comprehensive process of development within the context of the joint Schenker-BTL network is in progress and several crucial steps have been taken towards the creation of joint products and traffic and IT systems, together with combined solutions for pan-European marketing and sales.

The consolidation of the Schenker units acquired, together with the deconsolidation of the Scansped companies sold to Schenker, will be implemented in the third quarter. The net purchase price involved in the commercial agreements entered into with Schenker is around SEK 300 million.

A more detailed calculation of the structural costs of the Schenker cooperation indicates a figure in the region of SEK 150 million. Approximately SEK 115 million of this sum will be charged to the 1998 financial year, and the remainder will be booked as goodwill. It is calculated that the subsequent combined goodwill sum will be around SEK 250 million, which will be depreciated over 10 years.

The business agreement has been examined by independent advisors, following which a so called clean opinion of fairness has been issued for the transfer in its entirety with the exception of France, where negotiations are still continuing about the final structure.

Substantial positive effects are expected to arise as a result of the deal. This has been calculated at between 0.7% and 1.0% of the business area's net sales, and will take between one and two years to realise.

The Wilson Group Division

The increasingly negative trend in the Asian economies has meant reduced sea and air freight volumes for the Wilson Group. The volume of goods transported during the period from January to June fell by just over 4% in comparison with the corresponding period last year. The political and financial turbulence in Russia has lead to reduced import volumes to Russia, which has had a negative impact on the profit performance, particularly for the Division's Finnish operations.

Net sales in the Division totalled SEK 1,796 million (1,883) for the period. *The operating profit* fell by SEK 7 million to SEK 23 million (30). *The operating margin* was 1.3% (1.6).

Operations performed satisfactorily in *Sweden* and *Norway*. The operating profit fell in Wilson *Finland*, but profitability was still good. The results from the *Hong Kong/China* operations, as well as the *Danish* operations continued to improve.

Operations in the *US* showed some improvement, but they were still operating at a loss. A comprehensive remedial programme is being implemented in the *UK* with the aim of reversing the current loss-making trend.

Multifreight International BV in the Netherlands was acquired during the period, as were all shares in Wilson Singapore and Wilson Thailand, which are now wholly-owned Wilson companies. Additional acquisition-related negotiations are in progress with the aim of reinforcing both the Wilson network and profitability in the Division.

Other operations

After the sale of the majority of specialist companies, Scandinavian Rail Cargo (SRC) and the Danish thermo company, Thermo Scandia, are reported under *other operations*. Both companies reported a positive trend and a satisfactory level of profit performance. During the period SRC has expanded its operations by establishing offices in Poland and Italy.

Other

All of the remaining shareholdings in the Belgian property company, Cofinimmo, and in SMZ Industrier/Zeteco, were sold during the period, giving a combined surplus of SEK 32 million.

BTL has also acquired all of the shares in the associated company, Castelletti. Castelletti's net sales in 1997 totalled SEK 2.7 billion. The number of employees is just over 800. The company has subsidiaries in Italy, Switzerland, Germany and the US. On the Italian domestic market, Castelletti has 25 branches. Castelletti will be consolidated as of the third quarter of 1998.

The Group's net debt at the end of June was SEK 2,638 million - a fall of SEK 637 million in comparison with the figure at the turn of 1997/98. The relatively large reduction in the burden of debt was made possible by a healthy operational cash flow and the remittance from the sale of assets.

Parent Company

The company's net sales for the first six months were SEK 0 million (3) and the loss after financial items was SEK 32 million (+ 6). During the period investments amounted to SEK 1 million (3).

Outlook for the full year

In spite of the impact of the crises in Asia and Russia, the earlier estimate of an improved Group profit, excluding capital gains and restructuring costs, remains unchanged. The profitability is expected to strengthen from what is an already satisfactory level, in comparison with the industry in general. The profit before tax for the whole of 1998 is estimated to improve considerably compared to last year.

The third quarterly report will be published on 9 November 1998.

Göteborg, 20 August 1998

Håkan Larsson
Managing Director and Group Chief Executive

This Report has not been the subject of a special examination by the Company's Auditors.

The Interim Report is also available on the Internet: www. btl. se

Net Operating Income and Profit by Business Area, SEK M

	Net Operating Income			Operating Profit		
	January-June		Whole of	January-June		Whole of
	1998	1997	1997	1998	1997	1997
Land Transport Division	6,510	6,311	12,849	240	216	490
Wilson Group Division	1,796	1,883	3,879	23	30	69
Other companies	383	700	1,506	8	16	55
Intra Group sales	-53	-93	-139	-	-	-
Total	**8,636**	**8,801**	**18,095**	**271**	**262**	**614**
Non-recurring items	-	-	-	187	36	37
Parent company and other operations	193	196	386	5	-13	-46
Intra Group sales	-179	-171	-343	-	-	-
Group total	**8,650**	**8,826**	**18,138**	**463**	**285**	**605**

BTL Transport & Logistics

Summary of the Consolidated Income Statement, SEK M			
	January-June		**Whole of**
	1998	**1997**	**1997**
Sales	11,089	11,546	23,659
Net sales (excl. VAT on imports and customs duties)	8,650	8,826	18,138
Non-recurring items	187	36	37
Operating expenses	-8,192	-8,414	-17,238
Depreciation	-199	-192	-392
Shares in the profit of associates	17	29	60
Operating profit	**463**	**285**	**605**
Financial items			
Financial income and expenses	-73	-114	-223
Capital gain on sales	32	36	58
Profit before tax	**422**	**207**	**440**
Tax	-37	-10	-57
Minority shares	-6	-5	-13
Profit for the period	**379**	**192**	**370**

Summary of the Consolidated Balance Sheet, SEK M		
Assets	**30 June 1998**	**31 Dec. 1997**
Intangible fixed assets	794	827
Tangible fixed assets	3,566	3,632
Financial fixed assets	1,002	1,280
Other current assets	2,854	2,933
Cash, bank balances and short-term investments	431	264
Total assets	**8,647**	**8,936**
Equity and liabilities		
Equity	2,281	2,011
Minority interests	33	33
Interest bearing liabilities and provisions	3,188	3,652
Non-interest bearing liabilities and provisions	3,145	3,240
Total equity and liabilities	**8,647**	**8,936**

Summary of the Consolidated Cash Flow Analysis, SEK M

	January-June 1998	Whole of 1997
Gross cash flow from operations	365	1,030
Investments	-196	-283
Sales of fixed assets	666	361
Net pre-tax cash flow from operations	835	1,108
Financing excl. loans	-55	-190
Other changes	-77	-57
Cash flow before share issues, dividends and changes to loans	703	861
Dividends to shareholders	-112	-
Changes to loans and other interest bearing liabilities	-423	-969

Key figures

		January-June 1998	January-June 1997	Whole of 1997
Operating margin excl. non-recurring items	%	3.2	2.8	3.1
Operating margin incl. non-recurring items	%	5.4	3.2	3.3
Earnings per share after tax	SEK	3.40	1.70	3.30
Return on capital employed excl. non-recurring items	%	13.1	10.7	11.8
Return on capital employed incl. non-recurring items	%	19.8	11.8	12.4
Equity/assets ratio	%	27	20	23
Net debt	SEK M	2,638	3,220	3,275
Investments incl. financial leasing	SEK M	300	182	415
Liquidity at end of period	SEK M	431	329	264
Average number of employees		10,277	11,088	10,955
of which outside Sweden		5,219	5,609	5,629
Number of shares at end of period		112,423,973	112,423,973	112,423,973

Quarterly figures [1], SEK M

	Rolling 12 month	Q2/98	Q1/98	Q4/97	Q3/97	Q2/97	Whole of 1997
BTL Group							
Net sales	17,962	4,282	4,368	4,667	4,645	4,564	18,138
Operating expenses [2]	-17,415	-4,132	-4,259	-4,533	-4,491	-4,436	-17,630
Shares in the profit of associates	48	7	10	9	22	27	60
Operating profit	595	157	119	143	176	155	568
Financial income and expenses	-182	-30	-43	-58	-51	-48	-223
Capital gain on sales	54	12	20	3	19	-	58
Profit after financial net	467	139	96	88	144	107	403
Non-recurring items	188	-	187	1	-	-	37
Profit before tax	**655**	**139**	**283**	**89**	**144**	**107**	**440**
Divisions							
Land Transport							
Net sales	13,048	3,203	3,307	3,295	3,243	3,290	12,849
Operating profit	514	140	100	135	139	149	490
Wilson Group							
Net sales	3,792	906	890	1,008	988	975	3,879
Operating profit	62	10	13	19	20	18	69
Other companies							
Net sales	1,189	190	193	386	420	350	1,506
Operating profit	47	4	4	4	35	-2	55
Total							
Net sales	**17,930**	**4,275**	**4,361**	**4,658**	**4,636**	**4,554**	**18,095**
Operating profit	**623**	**154**	**117**	**158**	**194**	**165**	**614**

1) To simplify the comparison between the quarters, non-recurring items are shown after the profit after financial net.
2) Including depreciation.