



Celsius Corp. Annual Report 1995



Annual Report 1995

The Celsius Group introduced a new group structure on June 1, 1995, whereby Celsius' three core business areas – defence industry, IT operations and other industrial operations – were organized into three sub-Groups organized under the stock exchange quoted parent company, which simultaneously changed its name to Celsius Corp.

Celsius' 1995 Annual Report has been adapted in line with this reorganization. A brief presentation of the activities of the three sub-Groups is also included.

At the Celsius Annual General Meeting in June 1996, the Board will propose a change in Group structure involving the distribution of Celsius Information System to the shareholders, with a separate introduction on the Stockholm Stock Exchange at the end of June 1996, under the name Enator.

Financial information

Celsius Corp. plans to issue the following financial reports on the 1996 financial year:

| | |
|-----------------------------------|-------------------|
| Interim report, January–March | May 9, 1996 |
| Interim report, January–June | August 22, 1996 |
| Interim report, January–September | November 14, 1996 |
| Year-end report, 1996 | March 1997 |
| Annual report, 1996 | April 1997 |
| Annual General Meeting | May 1997 |

Annual General Meeting

Shareholders in Celsius Corp. are hereby invited to attend the Annual General Meeting on Wednesday, June 12, 1996, at 2.30 p.m. The Annual General Meeting is to be held at China-teatern, Bern's salonger, Berzelii Park 9, Stockholm, Sweden. A special notice convening the Annual General Meeting will be published in the national press on May 24, 1996.



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Income after net financial items amounted to a deficit of SEK 421 M¹ for the year, compared with a gain of SEK 904 M in the preceding year.

Income includes provisions for anticipated structural costs totalling c. SEK 600 M, arising in connection with cutbacks in the Swedish defence budget. Excluding these costs and a write-down of goodwill amounting to SEK 200 M, income totalled SEK 386 M.

Orders received amounted to SEK 13.2 billion² (12.5)³, while sales rose to SEK 14.8 billion (13.7).

The Board of Directors recommends that Celsius Information System be introduced on the stock exchange in June 1996, under the name Enator, and that the shares in this company shall be distributed to Celsius' shareholders.

¹⁾ "M" after currency code denotes "million"

²⁾ Billion = 1,000 million

³⁾ Figures in parentheses refer to 1994

Celsius Group 1995

Highlights

JANUARY

Intra-Group banking operations are incorporated and are conducted on behalf of the parent company by AB Celsius Finance.

FEBRUARY

CelsiusTech Electronics receives an order worth SEK 130 M for radio communication equipment for the JAS 39 Gripen multirole combat aircraft.

Kockums acquires a 25-percent interest in the Norwegian naval shipyard, Mjelle & Karlsen.

The Öresundsvarvet shipyard signs a Finnish conversion contract worth SEK 200 M.

Kockums launches the first of three new "Gotland" class submarines.



Naming and launch of the HMS Gotland.

Götaverken Miljö receives an order for a flue-gas cleaning facility for Germany. The order is worth c. SEK 40 M.

MARCH

Celsius Information System signs a Letter of Intent with Telia, concerning cooperation on the development of new business projects.

AeroSystems Engineering Inc. (ASE) signs a contract in connection with the modernization of a wind tunnel in Melbourne, Australia, for more than SEK 65 M.

APRIL

Karlskronavarvet wins a civil order worth SEK 170 M for a newbuilding of a ro-ro vessel.

MAY

Bofors wins an order worth c. SEK 300 M for an "effect package" and ammunition for the CV 90 series of combat vehicles.

Celsius Information System signs a partnership agreement with business travel agency Nyman & Schultz regarding the development of the company's IT system.

JUNE

The Celsius Group introduces a new Group structure. Operations are concentrated under the parent company, which changes its name to Celsius Corp.

FFV AvioComp signs a three-year maintenance contract worth about SEK 125 M with the Dutch airline, KLM.

JULY

Celsius Information System signs a co-operation agreement with the Swedish Post Office.

AUGUST

Aero Systems Engineering Inc. (ASE) wins an order from NASA (National Aeronautics and Space Administration) for a "design study" for a wind-tunnel project. The order is worth c. SEK 70 M.

Telub signs a contract with FMV (Swedish Defence Materiel Administration) concerning the operation and maintenance of Swedish Air Force air-defence centres, worth about SEK 120 M.

A decision is taken to reorganize CelsiusTech into two subsidiaries, which will report directly to Celsius Industries, and to dissolve the parent company, CelsiusTech AB.

SEPTEMBER

Celsius Information System signs an agreement worth about SEK 180 M with Stockholm County Council, concerning the introduction of the Respons personnel administration system.

Celsius Invest and SAAB in Linköping gather their materials technology laboratories under the umbrella of a new 50/50 joint-owned company, CSM Materialteknik.



CSM Materialteknik's newly established business is focused on surveys, certification, training, testing and consultant services in the field of materials technology.

OCTOBER

Karlskronavarvet receives orders for two YS 2000 surface combat vessels, with options on a further two vessels. The order value amounts to SEK 850 M.



The next-generation YS 2000 surface combat vessel.

Celsius Industries acquires approximately 15 percent of the share capital in the Norwegian defence-industry corporation Raufoss A/S.

Celsius Invest sells its 50/50 joint interest in Centralsug AB.

NOVEMBER

CelsiusTech receives an order for airborne countermeasures for the U.S. Navy's F14 Tomcat aircraft.



The U.S. Navy's F14 Tomcat is equipped with countermeasures from CelsiusTech.

DECEMBER

Bofors receives an order worth more than SEK 400 M for anti-missile/anti-aircraft guns for the Brazilian Navy.

Telub is contracted as a consultant to the Öresund bridge consortium.

FFV AvioComp acquires Transwede Engineering, an aircraft maintenance business.

Celsius Invest sells Ludvigsen & Hermann, its wholly-owned Danish piping installation company.

IMPORTANT EVENTS AFTER CLOSE OF REPORT PERIOD

Celsius sells its 45-percent holding in Eriksbergs Förvaltnings AB (real estate management).

Celsius Invest acquires Borealis Industrier's military-oriented composite production operations in Ljungby.

Celsius Information System acquires Adedata, a leading supplier of computerized financial systems for trade and industry.

FUTURE GROUP STRUCTURE – distribution and separate quotation of Celsius Information System

In February 1996, Celsius' Board of Directors decides to propose a new Group structure to the Annual General Meeting. The proposal involves division of the Group, with the subsequent separate introduction of Celsius Information System on the stock exchange.

The new Group structure is intended to establish better future operating conditions for defence sector as well as IT-activities. In its new more focused role as a defence contractor, Celsius will be able to

make an active contribution to the imminent and rapid structural transformation of the European defence industry. The introduction of Celsius Information System as a separate company on the stock exchange will enhance growth prospects for the rapidly expanding IT operations.

The Board consequently recommends that the Annual General Meeting approve the distribution of shares in Celsius Information System to the shareholders in Celsius Corp. During the spring,

Celsius Information System has changed its name to Enator. If the Annual General Meeting approves the Board's proposal, shareholders in Celsius Corp. will receive one share in Enator for each share in Celsius. All shares in Enator carry the same voting rights.

The intention is that Enator shall then be introduced on the "O" list of the Stockholm Stock Exchange on June 24, 1996. A prospectus will be available at the end of May, 1996.

Five-year review of Group operations ¹⁾

| Amounts in SEK M ²⁾ | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|----------------------|----------------------|--------|--------|-----------------|
| Sales | 11,080 ³⁾ | 11,484 ³⁾ | 13,200 | 13,697 | 14,826 |
| Income after financial items | 507 | 545 | 726 | 904 | -421 |
| Return on average capital employed (%) | 12 | 15 | 16 | 17 | neg |
| Return on average equity after total taxes (%) | 18 | 17 | 17 | 20 | neg |
| Equity/assets ratio (%) | 20 | 23 | 24 | 28 | 24 |
| Liquid funds and short-term securities | 3,642 | 4,546 | 4,662 | 3,769 | 2,244 |
| Order inflow | 12,000 | 7,200 | 11,600 | 12,500 | 13,200 |
| Backlog of orders at year-end | 18,500 | 18,500 | 23,000 | 23,100 | 21,500 |
| No. of employees at year-end | 14,508 | 13,894 | 15,217 | 17,050 | 16,240 |
| Profit per share after total taxes (SEK) | 16.90 | 18.40 | 19.65 | 27.10 | neg |
| Dividend per share (SEK) | 4.00 | 4.40 | 6.50 | 7.00 | 0 ⁴⁾ |

1) For a more comprehensive review of Group operations over the past five years, including definitions of the terms used and key figures, see pages 22-23.

2) "M" after a currency code denotes "million".

3) Not recalculated according to the "percentage-of-completion" (PoC) method.

4) According to Board proposal.

The Celsius Group

For several years now, Celsius has enjoyed a commanding position in the Swedish defence industry sector and has also developed into one of the leading IT-services companies in the Nordic region. Celsius also conducts significant industrial operations in the international commercial aircraft maintenance sector, as well as in the advanced materials technology and offshore sectors.

Celsius, a high-tech group with leading-edge competence in several areas, serves important target groups. Primarily active in the defence and trade-and-industry sectors, Celsius also serves public and local authorities, as well as the health care and medical care sectors.

The Celsius Group's core businesses feature a significant degree of "high-technology". In some respects, technological development in the Group's two main areas functions in parallel, as information technology has become an integrated and increasingly important element in the defence industry sector. The distinction between military and civil applications is steadily being eroded as the technology employed by these systems and software finds increasingly broader "dual-use" applications.

Nevertheless, the IT and defence-industry sectors operate under quite different market conditions. To establish optimal conditions for Group business operations, a partially new Group structure was introduced in 1995. Celsius' three core business areas – defence industry, IT operations and other industrial operations – were reorganized into three sub-Groups gathered under the publicly quoted parent company, which in conjunction with the reorganization changed its name to Celsius Corp.

The new Group structure applies from June 1, 1995, while financial reporting for the sub-Groups applies retroactively from January 1, 1995, thereby implementing the earlier decision to focus more clearly on the Group's respective areas of activity.

This new Group structure was introduced to enhance the development potential of the Group's operations in its respective markets, with the parent company as an active financial owner. Closer coop-

eration between individual business units and companies within each sub-Group also contributes to greater efficiency and, in the long term, also offers significant economies.

Celsius Corp.

Celsius Corp. is the publicly quoted parent company of the three wholly-owned sub-Groups Celsius Industries, Celsius Information System and Celsius Invest. In its role as an active financial owner, the activities of the parent company are directed primarily towards the finances of the Group as a whole, financial, treasury, information issues and the strategic development of the Group. Intra-Group banking is conducted by wholly-owned subsidiary AB Celsius Finance, on behalf the parent company.

Celsius Industries

Sub-Group Celsius Industries, which is Sweden's largest defence group, comprises Kockums, Bofors, FFV Aerotech and CelsiusTech, each of which dominates the home market in its chosen sector. These companies are also considered to be among the world's most technologically advanced in certain niche sectors.

Celsius Industries totals about 11,000 employees and generates annual sales in excess of SEK 9 billion.

Celsius Information System

Sub-Group Celsius Information System, which is one of the leading IT-services groups in the Nordic region, includes companies such as Adedata, Dotcom, Enator, Telub, Celsius IT Tjänster, Celsius IT Produktion and Celsius IT System.

Celsius Information System's combined resources enable it to offer the market a virtually complete range of IT services.

Celsius Information System, with annual sales of around SEK 4 billion, has just over 4,500 employees.

Celsius Invest

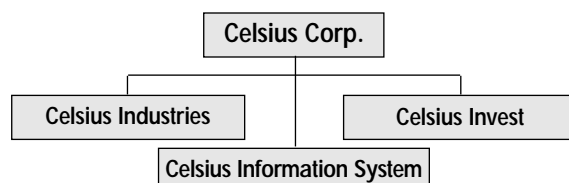
Celsius Invest is an industrially-oriented group of companies active in four main areas: international commercial aircraft maintenance, materials technology, the offshore industry and niche companies in sectors such as environmental technology.

Celsius Invest generates annual sales in excess of SEK 1 billion, with about 1,000 employees.

Future structure of the Group

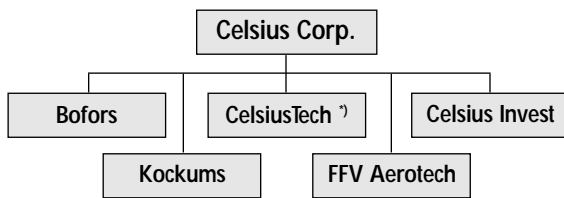
The Celsius Board of Directors will present a proposal to the 1996 Annual General Meeting concern-

Organization on December 31, 1995



ing the division of the Group, by which the shares in Celsius Information System, which changed its name to Enator in the spring, shall be distributed to the shareholders and introduced separately on the Stockholm Stock Exchange at the end of June, 1996.

Proposed future structure



^{*)} consisting of CelsiusTech Electronics and CelsiusTech Systems

Business concept and goals

The Celsius Group shall, by virtue of its commanding presence and decisive approach, develop and consolidate its position in the defence industry – and technologically closely-related industrial and service sectors – as a powerful and financially solid group.

Group operations shall feature high-tech competence and development, where the combined strengths of the Group establish the potential for creative cross-fertilization between the Group's military and civil operations, with a view to consolidating Celsius' position at the cutting-edge of technology.

Group objectives

The Celsius Group's overall objective is to conduct business operations based on long-term, consistent profitability. The overall objective established for the Group comprises an equity/assets ratio of not less than 30 percent and an average return on equity of 13 percent, calculated over an entire business cycle.

Research & Development

The Celsius Group, whose core businesses are high-technology and to a great extent technology-driven, is one of Sweden's most R&D intensive industrial groups. In 1995, R&D expenses amounted to SEK 2,341 M. Customer-funded projects accounted for the lion's share (SEK 1,831 M), the rest being funded from operations (SEK 510 M).

Development work is conducted in close cooperation with the customer and in cooperation with a number of centres of specialist competence throughout the country.

Environment

Commitment to protecting the environment is founded on a Group-wide policy which states that all Group activities shall be conducted with the greatest possible consideration for our shared environment.

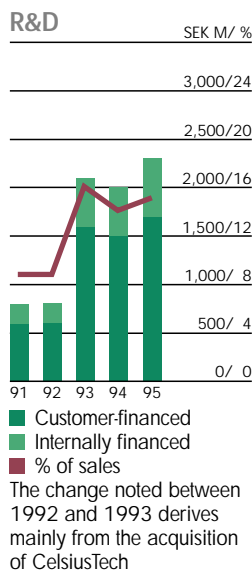
The activities of the Celsius Group span many areas, areas which involve highly different environments and operational parameters. Practical implementation of this environmental policy is in all essential respects therefore delegated to individual companies and business units.

Personnel

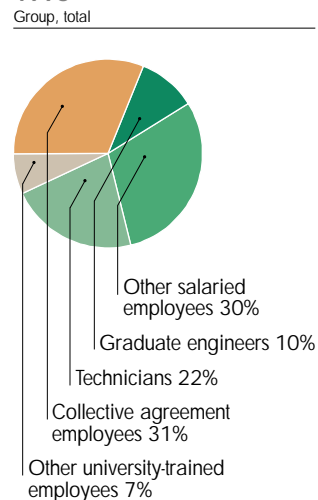
The high-tech focus of Celsius Group operations places severe demands on the competence of well qualified employees. Systematic skills-development programmes are therefore an integral part of personnel development within the companies and business units of the Group.

In December 1995, the Celsius Group had 16,240 employees, of whom 70 percent were salaried employees, while those employed under collective-agreements accounted for the remaining 30 percent.

The Group is well equipped in terms of technical competence. More than 32 percent of the employees are technically qualified, while the percentage of university graduates is high (17%) and rising fast.



Composition of personnel, 1995



A strategy based on high technological proficiency and alertness to change



Olof Lund

Two questions force themselves to the fore when seeking a perspective on the Celsius Group as it is today, and on our prospects for developing and achieving solid profitability over the next few years. They involve our capacity for and alertness to continued change. These questions concern the future development of the defence market and our dependence on future Swedish defence budget decisions.

I am convinced that we shall be able to deal successfully with these questions and further develop the Group – and I feel that the stock exchange introduction of Celsius Information System (CIS) is a clear and positive demonstration of our flexibility and willingness to change.

As announced earlier, the Board recommends that the shares in Celsius Information System shall be distributed to Celsius' shareholders. Thereafter, the intention is that the company should be introduced on the Stockholm Stock Exchange, under the name Enator.

For those who have monitored Celsius Group development, this is a natural and logical step. The ability to manage change – and to regain momentum following the implementation of such change – is a key Celsius quality. Celsius' corporate culture has been well suited to the demands made in terms of innovative strategies and market realignment, first in its shipbuilding operations, later as a heavy engineering conglomerate and, more recently, as a defence contractor.

It may perhaps seem surprising that we are introducing CIS on the stock exchange so soon after its start-up, but this is largely a consequence of the almost incredible pace of development in the IT sector. In a period of less than two years, we have been able to integrate operations and at the same time develop new IT services within Telub, Dotcom, Enator and Dialog – an impressive achievement by CIS' employees. The inflow of orders and trend of earnings both testify to the fact that it is a well-developed IT group – one of the leading groups of its kind in the Nordic region – that is soon to make its entry on the Stockholm Stock Exchange.

We anticipated a number of potential synergies between strictly IT-sector activities

and our defence industry operations when we acquired the majority interest in Enator in 1994. And these synergies are very real. They are especially pronounced in tele and data communications, in aviation technology and certain military command-and-control systems. When it became clear that the fastest growing aspects of CIS operations were those outside the immediate sphere of Celsius core businesses and when, subsequent to the acquisition of Dialog, a substantial percentage of CIS operations were no longer geared exclusively to the needs of defence and business customers – but were also geared to the needs of municipalities, customers in public administration, medical and health care – the decision to seek a separate stock exchange listing of the company appeared increasingly natural to Celsius’ board of directors.

Consolidation while retaining a technological edge

When it comes to the long-term effects of Swedish defence budget resolutions, we naturally recognize the need to slim production. The parameters have been defined by the Swedish Parliament, and the Supreme Commander has presented his main plan for the Swedish Defence Forces. We have already declared that between 1,000 and 1,500 jobs will disappear within our industrial operations over the next few years, and are therefore charging anticipated structural costs of some SEK 600 M against 1995 earnings.

We are certainly disappointed about the disintegration of the 1992 Swedish defence resolution, which has been central to our operational planning, but we are not without strategies for the future. The declaration by Sweden’s politicians that “quality must replace quantity” acquires increased validity when production volumes are to be cut. Production will be slimmer, yet retain that critical in-depth know-how.

The advanced technical know-how of Bofors, Kockums, the CelsiusTech companies and FFV Aerotech is internationally recognized. In those areas on which we now intend to concentrate, we mean to retain the state-of-the-art technologies and skills which give us an edge over our competitors and which make us attractive as potential partners. We have already established cooperation on a

number of projects and are now actively engaged in seeking partners for other projects, beyond as well as within the Nordic countries. The defence industry is undergoing a transformation throughout the world, a fact which opens up the possibility of structural solutions which would earlier have seemed unrealistic.

We often hear the opinion expressed that Celsius’ future lies in a gradual transfer of resources to civil production. To some extent, this may well be true. However, such a development is not subject to the commands of Celsius’ board of directors or executive management. It occurs by stages, when our military technology reveals itself to be suitable for a specific commercial application. The sensors for Autoliv’s new side-impact-protection system, which derive from our advanced military sensor technology, provide an excellent example of this type of development. Our know-how in radar technology is also appropriate for applications in the vehicle-safety sector, while our development programme for safer and faster mine clearance – which has attracted keen attention – provides another example of product development based on a high level of technical competence.

With our flat organization, we are well equipped to grasp and exploit interesting development possibilities. Media focus on issues relating to our defence sector activities sometimes obscures Celsius’ other important strengths. For example, this applies to our successful engagement in commercial aircraft maintenance in Europe and the U.S.A. The commercial sector now accounts for some 30 percent of Celsius Group turnover – not including Enator – and the commercial sector will grow, always assuming that we can retain our high level of engineering know-how intact.

For myself and Celsius’ executive management, the need to sustain and develop this know-how must be one of our main tasks.

Stockholm, March 13, 1996



*Olof Lund
President and CEO*

The Celsius share

The Celsius “B” share has been listed on the Stockholm Stock Exchange since June 1993. All “A” shares are held by the Swedish State and are not quoted on the stock market.

In 1995, the Stockholm Stock Exchange’s general index rose by about 18 percent. In the same period, the market rate for Celsius’ “B” share fell from approximately SEK 165 to SEK 135, a decline of about 18 percent. The highest rate quoted for the Celsius share in 1995 was SEK 174, in January. The lowest rate was recorded in September, when the share was quoted at SEK 92.

Computed according to the rate applied at year-end 1995, the Celsius “B” share noted a total market value in excess of SEK 3.4 billion. A total of 26,428,350 “B” shares were traded in 1995, corresponding to a turnover rate of 1.1.

Following the significant net export of Celsius shares in 1994, a reverse in this flow was noted in 1995. At the start of 1995, 42 percent of Celsius’ share capital was controlled by foreign investors. By the end of the year, this figure had fallen to 26 percent.

The ownership profile for Celsius shares at the turn of the year (1995/96) reveals relatively uniform distribution between four large groups: the Swedish State (25%), Swedish institutional investors (26%), other Swedish investors (23%) and foreign institutional investors (26%).

Swedish control

A significant part of Celsius Group business operations focus on the development and production of defence materiel. The production of systems and products classified as war materiel is regulated by special manufacturing permits. These can be revoked by the government, should foreign investors acquire more than 50 percent of the voting rights in the company.

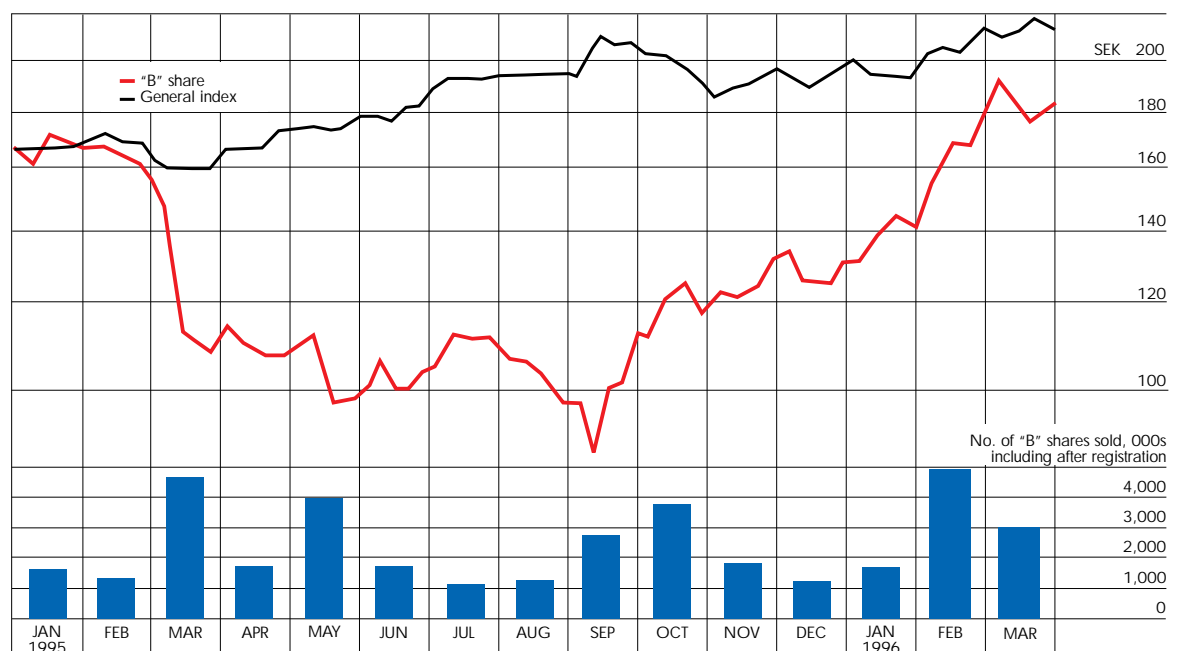
To prevent a situation arising which could place the manufacturing permit at risk – i.e. if foreign investors acquired a voting majority at a general meeting – the Swedish State controls all the ‘strong’ “A” shares (10 votes), thereby securing a voting majority which ensures that Celsius continues to be controlled by Swedish interests.

These “A” shares comprise slightly less than 11 percent of total share capital. However, in a government resolution, the State has agreed not to exercise its full voting rights, but to limit itself to voting rights equivalent to those consistent with the same number of “B” shares, as long as Swedish owners retain the controlling majority in Celsius.

Dividend policy

In line with Celsius’ dividend policy, about one third of the post-tax profit will be distributed annually to shareholders. Two-thirds will be retained by the Company, and will contribute to securing the continued development and growth of the Group.

Market trend of Celsius share in relation to general index – No. of “B” shares sold, 000s

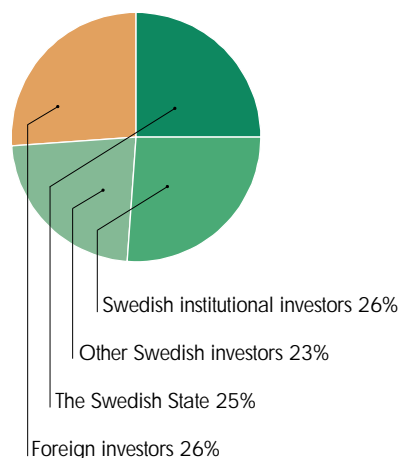


Per share data

| | 1993 | 1994 | 1995 |
|----------------------------------|-------|-------|-----------------|
| Profit after taxes payable (SEK) | 22.00 | 28.80 | neg |
| Profit after total taxes (SEK) | 19.65 | 27.10 | neg |
| Dividend (SEK) | 6.50 | 7.00 | 0 ¹⁾ |
| Equity (SEK) | 124 | 145 | 118 |
| Dividend yield (%) ²⁾ | 3.3 | 4.3 | neg |
| Return on | | | |
| – equity (%) | 17 | 20 | neg |
| – capital employed (%) | 16 | 17 | neg |
| P/E ratio ²⁾ | 9.9 | 6.1 | neg |
| Market rate | | | |
| – year's highest (SEK) | 203 | 248 | 174 |
| – year's lowest (SEK) | 140 | 156 | 92 |
| – at year-end (SEK) | 195 | 165 | 135 |

1) In accordance with the Board's proposal 2) Based on the market rate at end of respective years

Distribution of shareholders, December 31, 1995



Number of shares, size of holding as a percentage

Per December 31, 1995

| | No. of shares (%) | No. of votes (%) | No. of shares (%) |
|--------------|----------------------|---------------------|----------------------|
| "A" shares | 3,000 | 54.5 | 10.7 |
| "B" shares | 25,066 | 45.5 | 89.3 |
| Total | 28,066 | 100.0 | 100.0 |

Shareholders in Celsius

| March 31, 1996 ¹⁾ | No. of shares (000s) | Voting rights (%) | No. of shares (%) |
|------------------------------|-------------------------|----------------------|----------------------|
| The Swedish State | 7,000 | 61.7 | 25.0 |
| Sparbankerna's mutual funds | 2,380 | 4.3 | 8.5 |
| Handelsbanken's mutual funds | 1,908 | 3.5 | 6.8 |
| SPP | 1,311 | 2.4 | 4.7 |
| Folksam | 1,288 | 2.3 | 4.6 |
| Wasa | 990 | 1.8 | 3.5 |
| Trygg-Hansa | 840 | 1.5 | 3.0 |
| Nordbanken's mutual funds | 712 | 1.3 | 2.5 |
| The Skandia Group | 569 | 1.0 | 2.0 |
| Other owners | 11,068 | 20.1 | 39.4 |
| Total | 28,066 | 100.0 | 100.0 |

¹⁾ Based on VPC (the Swedish Securities Register Centre) statistics at the end of 1995 with adjustments for known changes thereafter.

Distribution of shareholdings

| No. of shareholders, December 31, 1995 | No. of shares (000s) | % | No. of shareholders |
|---|-------------------------|--------------|------------------------|
| 1 – 500 | 1,905 | 6.8 | 18,205 |
| 501 – 1,000 | 402 | 1.4 | 451 |
| 1,001 – 5,000 | 630 | 2.2 | 246 |
| 5,001 – 50,000 | 2,582 | 9.2 | 141 |
| 50,001 – | 22,547 | 80.4 | 64 |
| Total | 28,066 | 100.0 | 19,107 |

Group review

Organization and structure

The Celsius Corporation (publ) was established in 1977 under the name Swedyards. The company's origins are in the shipyard industry but, since the end of the 1980s, operations have focused mainly on high-technology, with the emphasis on the defence industry. This orientation became even more pronounced in 1991, with the acquisition of the FFV Group. FFV included companies such as Telub and FFV Aero-tech, as well as a 50-percent joint interest in the then named Swedish Ordnance, the result of a merger between Bofors and FFV Ordnance. The outstanding 50 percent shareholding in Swedish Ordnance was acquired during 1992. Subsequent to the acquisition, the company reverted to its original name of Bofors.

CelsiusTech, a high-tech supplier of systems and electronics to the defence industry, was acquired in 1993. Consequently, the Celsius Group now comprised the operations of five defence contractors – Kockums, Bofors, FFV Aerotech, Telub and CelsiusTech – which together accounted for more than half the entire Swedish defence industry.

The acquisition of CelsiusTech further enhanced the Celsius Group's already commanding position in military information technology, an area which also accounted for a substantial amount of Telub's business. It was only natural that the strong technological link between civil and military information technology ("dual-use" technology) should lead to strategic expansion in the civil IT sector as well.

The first stage of this process had already been initiated in 1992, when Celsius, via its subsidiary Telub, acquired the rapidly expanding tele and data communications company Dotcom. This acquisition gave Celsius a substantial customer base in the business and public sectors, as well as a nationwide network of offices.

In 1994, Celsius acquired a substantial interest in OTC-listed computer consultancy Enator, whose operations focused primarily on the business market. Further shares were purchased in 1995 and Celsius now owns more than 99 percent of Enator. Outstanding shares in the company will be subject to compulsory purchase in 1996, after which Enator will become a wholly owned subsidiary of the Celsius Group.

The computer company Dialog (formerly Kommundata) was acquired in 1994. This acquisition gave Celsius access to a significant share of the local authority service sector market, as well as health and medical care. Furthermore, through Dialog, Celsius gained ownership of Sweden's largest private net-

work for data and telecommunications, with some 65,000 users in Sweden and a further approximately 140,000 users in the rest of the Nordic region. In 1995, with these acquisitions, Celsius became one of the Nordic region's leading IT suppliers.

In 1995, the operational activities of the Celsius Group were organized into three autonomous sub-Groups. These are legal entities, wholly-owned by the parent company, Celsius Corp.

Celsius Industries embraces mainly the defence-related activities of the Celsius Group, which comprise Bofors, Kockums, CelsiusTech and FFV Aero-tech.

Celsius Information System (CIS) comprises the activities of Enator, the former Dialog, Telub and Dotcom, and during the year has been organized into operational business units.

Celsius Invest operates mainly in international commercial aircraft maintenance, advanced materials technology and niche companies in areas such as environmental technology. As of January 1, 1996, the offshore activities of Götaverken Arendal were also transferred to Celsius Invest.

AB Celsius Finance, which fulfils the role of intra-Group bank, responsible for Group financial flows and risks, was formed at the beginning of 1995. Operations are conducted on commission for the parent company, Celsius Corp.

In February 1996, in response to the partially new conditions applying to the defence industry and considering the rapid pace of development in the IT industry, the Board decided to review the future structure of the Group. The Board concluded that division of the Group offered the most satisfactory solution. Consequently, the Board will recommend that the Annual General Meeting distribute the shares in Celsius Information System (CIS) to Celsius' shareholders, and that the company be introduced separately on the Stockholm Stock Exchange under the name Enator.

In conjunction with CIS' separation from the rest of Celsius, the Group's former organizational structure is to be reinstated. Consequently, the operating companies Bofors, Kockums, CelsiusTech, FFV Aerotech and Celsius Invest become direct-owned subsidiaries, reporting directly to the parent company, Celsius Corp.

Acquisitions and divestments

During the period, Celsius Industries acquired about 15 percent of the share capital in the Norwegian company Raufoss A/S. Through its subsidiary Kockums,

Celsius Industries also acquired 25 percent of the shares in the Norwegian shipyard Mjellem & Karlsen. Both companies are significant suppliers to the Norwegian defence forces. These acquisitions form part of a broader strategy to establish opportunities for expanded Nordic cooperation in the defence materiel sector.

FFV Aerotech, via its subsidiary FFV AvioComp, has acquired Transwede Engineering, an aircraft maintenance operation, from Transwede Holding AB. The takeover comprises the actual operations as well as some of the technical personnel. The acquisition also includes an agreement to maintain Transwede's fleet of aircraft over the next three years.

During the year, Celsius Information System has acquired further shares in Enator (about 30 percent) and now controls more than 99 percent of the share capital.

At the beginning of 1996, Celsius Information System acquired computer company Adedata, one of the leading suppliers of financial administration systems to trade and industry. Celsius Information System already has a commanding position as a supplier of financial administration systems to local authorities and county councils. This acquisition further consolidates its position as a supplier to the business sector.

Celsius Invest and SAAB in Linköping have merged their two materials technology laboratories to form a 50/50 joint venture company. The new laboratory, CSM Materialteknik, will be the leading facility of its kind in Sweden in the military aviation sector. Furthermore, in early 1996, Celsius Invest's subsidiary Applied Composites acquired Borealis Industrier's military-oriented composite operations.

The two industrial-service companies, Skeppsankaret and Primulus, were merged during the year. The new group of companies, which has been named Primulus and has estimated annual sales in excess of SEK 320 M, includes the former Celsius-owned companies Götaverken Industriservice and Citgo Komponenter. Celsius Invest has an approximately 20-percent interest in the newly formed company.

During 1995, Celsius Invest sold its 50-percent interest in Centralsug to the other joint owner, Atle Miljöteknik. It also sold its Danish piping installation company, Ludvigsen & Hermann, to Sweden's BPA. Ludvigsen & Hermann has annual sales of slightly less than SEK 500 M.

At the beginning of 1996, the parent company Celsius Corp. signed an agreement concerning the sale of its 45-percent interest in Eriksbergs Förvaltnings AB (EFAB) to the majority shareholder,



HMS Gotland, the Swedish Navy's new submarine, is the first series-built submarine in the world to feature an air-independent Stirling engine. The Stirling engine enables the submarine to stay submerged for long periods. The first in a series of three Gotland-class submarines, it was launched in February 1995.

Förvaltningsaktiebolaget Stattum, which will subsequently transfer all shares in Eriksberg to Gothenburg urban district authority. As part of this transaction, Celsius acquires all shares in EFAB subsidiary Elektra, a real-estate company which owns properties mainly in the south of Sweden and Denmark. In organizational terms, Elektra forms part of Celsius Invest. The intention is to eventually find a structural solution for this company.

Celsius Corp. – parent company

Celsius Corp., headquartered in Stockholm, was in 1995 parent company to the wholly-owned subsidiaries Celsius Industries, Celsius Information System, Celsius Invest and Celsius Finance. Operations are conducted by the subsidiary companies, while the parent company is responsible for Group policy, the strategic long-term development of the Group and the provision of Celsius Group financial data to interested parties on the capital market. The parent company averaged 45 (53) employees in 1995.

Celsius Industries

Celsius Industries, which comprises Bofors, Kockums, CelsiusTech and FFV Aerotech, is Sweden's leading defence industry group, with about 11,000 employees. These are high technology companies and, apart from the Swedish Defence Forces, which collectively represent the single largest customer, export markets are highly significant in securing adequate sales volumes.

The companies of Celsius Industries have been a driving force in the structural transformation which the Swedish defence industry has undergone in recent years. The number of personnel engaged in the defence related activities which now comprise Celsius Industries has fallen by more than 5,500 employees, equivalent to a 30-percent cutback in the workforce since 1989.

The cutbacks in the Swedish defence budget over the next five years has severely affected Celsius Industries' 1995 net result. These cutbacks, which amount to an almost 10 percent reduction in the Swedish defence budget, have required that Celsius Industries start planning to trim production capacity at all units and to make provisions in the accounts for anticipated costs. In addition to these Swedish defence cutbacks, Celsius Industries also confronts increasing competition on international markets.

Bofors develops, manufactures, markets and maintains advanced weapon systems for army, navy

and air force, and has had considerable success in the face of fierce domestic and international competition.

At the close of 1995, Bofors received an order from the Brazilian Navy for its new 40 mm TRINITY anti-missile/anti-aircraft gun system, as part of a comprehensive refit and upgrade of six frigates. The order, which constitutes an international breakthrough, is considered one of the most important international naval deals of the year. In early 1996, Bofors also received an order for the BILL anti-tank missile system from the Brazilian Marine Corps, as well as an order from the Norwegian armed forces for the N HSDS anti-ship missile system.

Furthermore, Bofors has in a very short time developed a mine-clearance vehicle which has attracted considerable international attention and which has already led to a first order.

In the vehicle-safety sector, Bofors has established itself as a supplier of pyrotechnical sensors for side-collision protection. This sector offers considerable potential for future expansion.

The Kockums group of companies develops, manufactures and maintains complete submarine systems and surface vessels, and provides marine technology consulting services. Parallel with these defence-related activities, the group is also engaged in advanced repair and maintenance of commercial vessels, the construction and refurbishment of railway carriages and trams, as well as the sale of computer systems to the international shipbuilding industry.

In many respects, Kockums has enjoyed a very successful year. As well as ongoing repair and maintenance contracts, submarine projects in Sweden comprise the construction of three Gotland-class submarines. The first vessel of the series was launched in February 1995, while the second vessel was named at a ceremony in February 1996. The Australian production of six Collins-class ocean-going submarines for the Royal Australian Navy by the joint owned Australian Submarine Cooperation is going according to plan. A naming ceremony was held for the second submarine of the series in December 1995. These two orders have established Kockums as one of the world's few suppliers of conventional submarines, with domestic and export customers. Furthermore, the development and pre-project planning of the next generation of Swedish submarines is already under way, while Karlskronavarvet has signed a contract for the next generation of Swedish surface combat vessels. These vessels, which feature stealth technology, have attracted considerable international attention.

The CelsiusTech companies develop, manufacture and market advanced electronics and systems mainly for defence although also for non-military applications. CelsiusTech Systems has faced some serious problems during the year, while CelsiusTech Electronics has continued to perform well, reporting improved earnings and a strong inflow of orders.

CelsiusTech Systems, which conducts advanced development for command-and-control systems for sea, land and air-defence, reports a sharply negative result for 1995. This is primarily the result of misjudgements in estimating the hours needed to complete a number of fixed-price projects, the postponement of orders received and the costs of necessary and severe structural measures, including substantial personnel cutbacks.

A thorough review of the organization, which among other things has led to the wind up of the parent company, CelsiusTech AB, derives from the losses sustained by CelsiusTech Systems. CelsiusTech Systems is now consolidating its operations to focus on its core businesses, naval systems and air-defence systems. Parallel to this process, the company is engaged in discussions with a number of interested companies outside Sweden, concerning possible cooperation in the naval products sector. The purpose is to strengthen the company and enable it to penetrate new markets.

FFV Aerotech, Sweden's leading military aircraft maintenance company, continues to report steady business development. It is nevertheless clear that the traditional military aircraft maintenance market and its related technical support services will contract in the years ahead. This rate of contraction is modest, but could become more pronounced as a result of continued cutbacks in the Swedish Air Force's operational organization. New generations of military aircraft systems, such as the JAS 39 Gripen, are also based on technology which requires significantly less maintenance than earlier aircraft systems. These factors will in some respects transform the market conditions faced by FFV Aerotech.

Celsius Information System

Celsius Information System, which was formed by gathering together the operations of Telub, Dotcom, Enator and the former Dialog, is one of the Nordic region's leading IT groups, able to offer an almost comprehensive range of IT services. Through its numerous subsidiaries and business units, Celsius Information System has gained a strong position in market segments trade and industry, district and local au-



The BAMSE project, so important to Bofors, passed a milestone in its development during the year. Separation test firings of the air-defence missile system have been conducted in accordance with the development plan, with good results.



Airbags and side-collision protection are important elements of in-car safety. The pyrotechnical and sensor technology used to activate vehicle safety equipment derives from Bofors' core military business. Celsius also has the resources to conduct life-span testing of airbags.

thorities, health and medical care, defence and public administration.

Operational know-how – i.e. an understanding of the customer's working conditions and options, combined with the benefits of geographical proximity – is the foundation on which Celsius Information System bases its business activities. The company currently conducts business at more than 40 locations throughout the country.

To optimize Celsius Information System's joint resources and skills, operations were organized into business units in 1995. To satisfy customers' requirements for total solutions and customized combinations of products and services, these business units often cooperate on different projects.

The year has been one of extensive internal restructuring. Work has focused on realizing cost synergies deriving from the acquisitions and in defining future business synergies. The surplus capacity identified in conjunction with the acquisition of Dialog has been eliminated, positively affecting profitability.

Celsius Invest

Celsius Invest's role in the developing Celsius Group has been to assume most of the responsibility for the extremely extensive job of restructuring operations which originally formed part of Celsius – or which became part of Celsius as the result of acquisitions – yet which fell outside the scope of the Group's core businesses. Celsius Invest has developed into an industrially oriented sub-Group, based on high-tech applications and on business operations which are primarily active on and geared to international markets. Celsius Invest's four business areas are: international civil aircraft maintenance, materials technology, offshore and niche companies in segments such as environmental technology.

Celsius Finance

The company was formed at the start of 1995, with a view to further rationalizing the activities of the Celsius Group. Celsius Finance conducts the Group's banking operations on behalf of Celsius Corp. The company conducts all Group transactions pertaining to the Swedish companies with respect to the money, bond, share and foreign-exchange markets. This specialization has led to an improved return on Celsius Group liquid funds.

Other activities

Götaverken Arendal (GVA) was a subsidiary of Celsius Corp. in 1995, but on January 1, 1996, became a

wholly-owned subsidiary of Celsius Invest. GVA's business, which primarily comprises the management of investments in the offshore sector, includes responsibility for two wholly-owned and two part-owned offshore rigs.

In early 1996, Celsius signed an agreement concerning the sale of its 45-percent interest in Eriksbergs Förvaltnings AB to the principal owner, Förvaltningsaktiebolaget Statum

Celsius Corp. – The Board

In 1995, Celsius' board of directors decided to introduce a new Group structure, with retroactive effect from January 1. Operations were concentrated into three sub-Groups organized under the parent company, which simultaneously changed its name to Celsius Corp.

Consequently, the composition of the board of the parent company was changed at the Annual General Meeting held in May. The Annual General Meeting reelected Bjarne Holmqvist, Olof Lund, Sven Olving and Sten Wikander. Sten Wikander was also appointed new chairman of the board. Furthermore, the Meeting approved the election of Jane Cederqvist, Thomas Falk and Kerstin Stenberg. Hans Christer Olsson was reelected a deputy member of the board.

Employee representation on the board was also changed at the May 1995 Annual General Meeting, with the departure of board member Svenerik Werner, who was succeeded by Börje Green. Deputy members Bernt Johansson and Bengt Karlsson also left the board, to be replaced by Lennart Holmström and Åke Holmqvist. The other employee representatives remain.

In conjunction with the Annual General Meeting, Olof Lund assumed the position of president and CEO of Celsius. At the same time, Åke Plyhm, former president of Celsius, took over as president of Celsius Information System.

Orders received

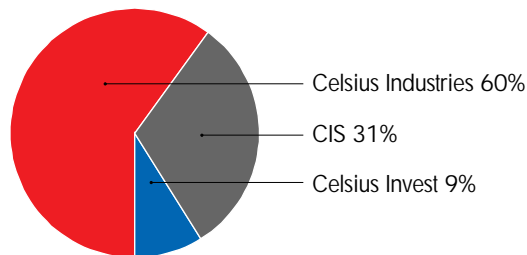
Orders received during the period totalled SEK 13.2 billion, an increase of c. SEK 600 M compared with the preceding year. Of these, Celsius Industries accounted for 60 percent, Celsius Information System for 31 percent and Celsius Invest for 9 percent.

Celsius Industries

Orders received by Celsius Industries amounted to about SEK 7.9 billion, a decline of approximately SEK 330 M compared with the previous year. This

Orders received

Distribution of Group orders received, by sub-Group



decline is attributable to Bofors and CelsiusTech. Kockums and FFV Aerotech report increases.

For Bofors, 1995 was a year which saw a significant reduction in the level of orders received, compared with previous years. To this was added the postponement of a number of anticipated export orders. However, Bofors achieved an international breakthrough for its new 40 mm TRINITY anti-missile/anti-aircraft gun system, when it was selected by the Brazilian Navy. The order, worth in excess of SEK 400 M, covers deliveries up to the year 2000. Bofors also received an order for the BILL anti-tank missile, worth about SEK 65 M, from the Brazilian Marine Corps.

In March 1996, Bofors received an order from the Norwegian armed forces for the N HSIDS anti-ship missile system. The order is worth c. SEK 370 M.

Deliveries relating to the important CV 90 combat vehicle project are going according to plan and, during 1995, the company received orders for ammunition and "effect packages", including development, totalling more than SEK 300 M.

During the year, Bofors has also invested in the development of protective and minesweeping systems. This work has included the development of a minesweeping vehicle for which a first order has already been received.

At the turn of the year (1994/95), a decision was reached to commit additional resources to the ammunition destruction and demilitarization sectors. Some large orders have been received from Germany, resulting in the recruitment of new staff, and production levels are now high at the Vingåker facility, which had earlier been threatened by closure. Bofors LIAB, which develops sensors for applications such as side-collision protection for the automotive industry, has also enjoyed strong demand for its products through 1995.

The activities of the Kockums group report a good level of orders received in 1995. During the au-

turn, in accordance with a Government decision, FMV (Swedish Defence Materiel Administration) signed an order for two new YS 2000 surface combat vessels, with options for a further two. The order sum amounted to approximately SEK 850 M. Production, which is scheduled to start during the second half of 1996, will absorb approximately 75 percent of Karlskronavarvet's capacity up to the year 2000. The YS 2000 is based on partially new technology – "stealth" technology – which was developed in connection with the production of the Smyge ("Stealth") prototype. Stealth technology makes the vessel difficult to detect with radar. International interest in this technology is very considerable: this order establishes firm grounds for future export efforts.

The company's civil ship repair and conversion activities have enjoyed solid growth, with a high level of capacity utilization. During the year, Kockums-owned Öresundsvärvet received an order to convert two ro-ro (roll-on/roll-off) vessels. The combined value of the contract was more than SEK 200 M. Furthermore, demand for repair capacity from Cityvarvet in Gothenburg has been high throughout the year. Karlskronavarvet also received an order to build a new ro-ro vessel to transport forest products, worth c. SEK 170 M. To this may be added a breakthrough by Kockums Industrier in the rolling stock sector, which received an order for heavy goods cars from SJ (Swedish Rail), with options on further goods cars. At the beginning of March 1996, Karlskronavarvet received an order to build steel bridge sections for the high span of the Öresund bridge project. The order is worth SEK 300 M.

CelsiusTech Electronics noted favourable earnings level during the year, with a strong inflow of orders. The company received a number of strategically important orders. In the sensors and countermeasures sector, the BOL chaff dispenser has enjoyed continued success, with a substantial follow-up order from the U.S.A. A substantial order was received for the BOY flare dispenser, as well as for radio communication equipment for the JAS 39 Gripen combat aircraft. At the same time, the company noted a breakthrough in the field of stealth technology, with the receipt of the first order for the Pilot Mk 2 tactical naval surface surveillance and navigational radar.

Although CelsiusTech Systems' order inflow has been weak, the company possesses unique systems competence, which creates export opportunities. One example is a major order from Oman, totalling SEK 110 M, for systems for three naval vessels.

In addition to the ongoing provision of technical support and maintenance services for the Swedish Air Force, FFV Aerotech signed new long-term maintenance contracts with a number of airlines, such as KLM Cityhopper, Horizon Air and the Swedish airline, Skyways.

Celsius Information System

During the year, CIS has enjoyed strong demand for its products and services in virtually all its areas of activity. Orders received amounted to about SEK 4.2 billion, corresponding to a net increase of around 10 percent compared with the preceding year. However, when making direct comparisons with the previous year, it should be noted that the former Dialog is included only from the second half of 1994.

The success of the Respons personnel administration system has continued in 1995. The largest single contract signed during the year was with the Stockholm County Council administration, involving the introduction of Respons for all administrative units. The contract is estimated to be worth SEK 180 M over a five-year period.

CIS has also signed an "IT partnership" agreement with the business travel agency, Nyman & Schultz Affärsresor. The agreement involves management, maintenance and development of the travel agency's IT system.

In the defence sector, CIS subsidiary Telub has signed a four-year contract to manage and maintain the Swedish Air Force's air defence centres. The contract is worth in the order of SEK 120 M.

Telub, in association with the Danish firm of Hansen & Henneberg, also received a substantial assignment in connection with the Öresund bridge project. The two companies have been jointly commissioned to develop strategies which will form the basis for the procurement of a control, monitoring, traffic-control and communications system for the Öresund bridge project. Later on, the two companies will cooperate on selecting suppliers and evaluating bids.

For some time, the ÖCB (National Board of Civil Emergency Preparedness) has been conducting a major project which aims to develop a new crisis management system for regional and county councils. CIS has played an important role in this work during the year.

During 1995, CIS signed cooperation agreements with the Swedish Post Office concerning a joint commitment to electronic commerce. Business unit Celsius IT Tjänster has also assisted Swedish Post Of-

office management to develop its control procedures during the year. The project has now been completed and the new management process, launched as the Post Office's control concept, will be used by the Swedish Post Office to formulate business strategies and budget.

The Greater Stockholm Public Transport Company (SL), in a move to help it reach a balanced decision concerning forthcoming IT investment, has commissioned CIS to conduct a comprehensive survey, to determine which trends in data and telecommunications, multimedia and so on will affect communications at the beginning of the 21st century. This has led to a proposal for the formulation of a strategy to respond to this development.

During the year, CIS received several important assignments involving "embedded systems". Examples include the electronics and software developed by CIS subsidiary Enator, which control the automatic gearbox of the Volvo 850, as well as for the base radio stations for Ericsson's GSM system.

Enator has also participated in developing a system for automated assembly and customer-driven production at the Scania factory in Falun, Sweden, a project which has attracted keen international interest.

During the year, 140 district authorities have signed key customer agreements for the Microsoft Office software package, offering multiple functions which include word processing, spreadsheet programs and electronic mail. CIS has thereby become the largest supplier of Microsoft products to the regional authority sector in Sweden.

Dotcom has won one of the year's largest procurement orders for PABXs, worth some SEK 17 M. The customer is Linköping municipal authority, which is linking all the municipality's data and telecommunications to form a single MAN (Municipal Area Network).

Celsius Invest

Celsius Invest received orders totalling some SEK 1.2 billion in 1995, a decline of about SEK 200 M compared with the preceding year. It should here be noted, however, that the 1994 figures include SEK 400 M generated from the operations of piping installation company Ludvigsen & Hermann, prior to its sale in 1995. This corresponds to an 18 percent increase in 1995 for comparable units.

The aviation-related activities of Celsius Invest's U.S. subsidiaries are the main source of this increase. Aero Systems Engineering (ASE), in Minnesota, has received an order to upgrade a wind tunnel facility in

Australia to a value of c. SEK 65 M, as well as an order worth more than SEK 35 M for engine test systems for the U.S. Navy. ASE also received an order from NASA (National Aeronautics and Space Administration) to conduct a design study for one of the world's most advanced wind tunnel projects.

Order backlog

Celsius' order backlog amounted to SEK 21.5 billion at the close of 1995, a decline of about SEK 1.7 billion. Approximately 90 percent of the order backlog is attributable to Celsius Industries, while Celsius Information System accounts for c. 8 percent and Celsius Invest for c. 2 percent. The nature of the Group's business requires that Celsius Industries is engaged in contracts which run over extended periods, in contrast to the other two sub-Groups, which are mainly involved in relatively short-term contracts.

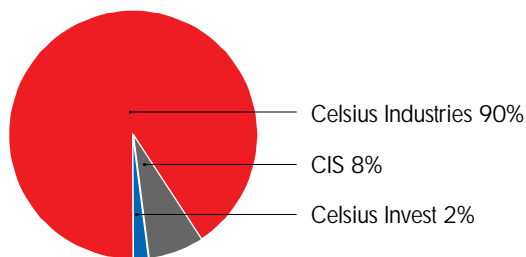
Celsius Industries' order backlog amounted to SEK 19.2 billion, a decline of SEK 1.8 billion. Bofors noted a decline in its order backlog of about SEK 750 M, primarily attributable to the postponement of anticipated export orders.

CelsiusTech's order backlog decreased by about SEK 550 M, a result of the declining demand noted by CelsiusTech Systems. Kockums and FFV Aero-tech also reported declines in their order backlogs.

At the close of 1995, Celsius Information System had an order backlog of SEK 1.8 billion, compared with c. SEK 1.6 billion in the preceding year. The increase thereby totals c. 13 percent.

Order backlog

Distribution of Group order backlog, by sub-Group



Celsius Invest's order backlog decreased in 1995 by c. SEK 140 M, amounting to just under SEK 0.5 billion. It should here be noted, however, that the 1994 accounts include an order backlog amounting to SEK 170 M pertaining to the Danish company Ludvigsen & Hermann, which was sold in 1995. This corresponds to a 7 percent increase for comparable units in 1995.

Comprehensive restructuring follows defence resolution

The parliamentary defence resolution presented in the autumn of 1995 and the subsequent submission of a list of defence priorities by the Supreme Commander of the Swedish Armed Forces, in March 1996, will have a negative affect on the defence industry – and thereby the defence-oriented activities of the Celsius Group. During 1996 defence costs will be reduced by SEK 2 billion. In the period 1997 to 2001, defence costs are to be reduced in stages by an additional SEK 2 billion per year, assuming the international security situation permits. It is estimated that the Celsius Group will have to implement cutbacks involving the loss of between 1,000 and 1,500 jobs over the next three years.

Based on the estimated effect of cutbacks in the defence sector, Celsius anticipates combined structural costs of c. SEK 600 M, for which provision has been made in the year-end accounts. However, this assumes that anticipated orders for propellants and explosives will be received, thereby securing the operations of Bofors Explosives in the long term.

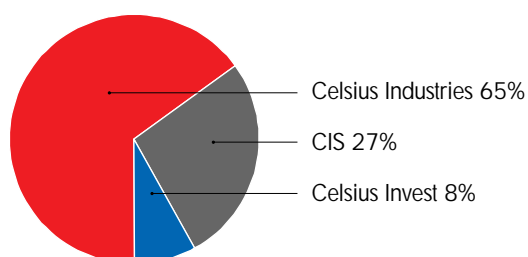
During the year, decisions have been taken to reduce the workforce by some 400 personnel. This will involve the loss of 170 jobs at Kockums, which will mainly affect administrative personnel. CelsiusTech has decided to axe 140 jobs. Responding to reduced ammunition orders, Bofors Carl Gustaf has given notice to 60 employees at Vanäsverken in Karlsborg.

Sales and income

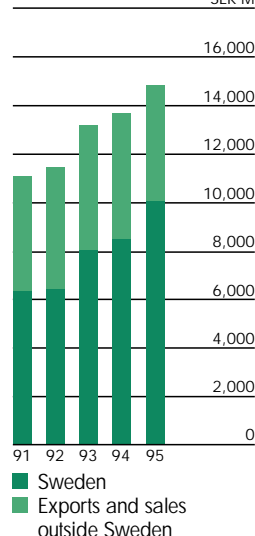
Group sales rose to SEK 14.8 billion in 1995, an increase of about SEK 1.1 billion compared with the preceding year. Of these, Celsius Industries accounts for approximately 65 percent, Celsius Information System for 27 percent and Celsius Invest for 8 percent.

Structural expenses and write-down of goodwill totalling slightly more than SEK 800 M have been

Sales
Distribution of Group sales, by sub-Group



Sales SEK M



charged against Group operating income. Consequently, the Celsius Group reports an operating deficit of SEK 660 M, compared with a profit of SEK 788 M for the preceding year. Net income for the year includes capital gains of SEK 19 M, compared with SEK 169 M in 1994. Furthermore, a general risk reserve of SEK 217 M was utilized in 1994 to meet the need for project provisions within CelsiusTech.

The sharp decline in the net result, apart from the above-mentioned

items, is attributable in its entirety to CelsiusTech Systems, arising from the need to provide against anticipated losses on a number of development projects involving fixed-price contracts. The provisions now made are expected to cover the full cost for completion of work outstanding in connection with these problem projects.

Net financial items for 1995 totalled SEK 239 M (116). Despite a lower cash level, income has risen, the result of a higher return on the Group's interest-bearing net assets.

Celsius Industries

Celsius Industries' sales increased by about SEK 250 M to SEK 9.6 billion in 1995. This increase was generated within civil sector operations, in which sector sales rose from 13 to 15 percent of total sales.

Compared with the preceding year, Celsius Industries' income after net financial items has declined by SEK 1,443 M to a loss of SEK 659 M, the result of a sharp decline in operations. If structural expenses and the write-down of goodwill are excluded, income for the period amounts to SEK 148 M.

At Bofors, sales volume totalled SEK 3.9 billion, which is on a level with the preceding year, while income after net financial items was negatively affected by a lower level of capacity utilization.

Kockums maintained the same level of sales as in the preceding year, reporting a figure of SEK 2.8 billion for 1995. There was a sharp increase in the civil share of total sales, mainly attributable to increased volumes in the maintenance and conversion of civil

vessels. The civil share of Kockums total sales thereby rose by 7 percentage units to 23 percent.

Kockums reported substantially improved income during the year. As well as a higher financial net, this increased income may be attributed to non-recurrent items arising from the reassessment of a number of projects, whose income level could be determined thanks to a higher degree of completion. Business gains related to international projects, combined with a more efficient use of resources in Sweden, have also had a favourable effect on this result.

CelsiusTech's sales volumes rose by 6 percent to SEK 1.9 billion. The company reports a severe deficit. These problems are attributable in their entirety to difficulties within CelsiusTech Systems, while CelsiusTech Electronics reports a high level of profitability. The decline in income is primarily attributable to a reassessment of certain fixed-price contracts, as well as to structural measures and the postponement of order inflows.

CelsiusTech Electronics has enjoyed a favourable trend of earnings during the year, with increased sales volume and good profitability.

FFV Aerotech reports a 7 percent increase in sales for the year, to a total of SEK 1.4 billion. These gains derive from the company's defence-related as well as civil-sector operations. Cutbacks in defence orders have had only a limited effect on the company.

The company reports a sustained and consistent level of profitability. As well as the continuing favourable development of its defence-oriented activities, this positive result may be attributed to the rationalization of parent company activities in conjunction with investment in civil aircraft maintenance, test systems for the electronics industry – and the calibration and maintenance of measuring instruments.

Celsius Information System

Sales totalled SEK 4.1 billion in 1995, an increase of some SEK 1.2 billion compared with the preceding year. It should here be noted, however, that the former Dialog was acquired at the end of the first half of 1994. Consequently, only sales for the second half of the year are included in the 1994 consolidated accounts. This corresponds to an increase slightly in excess of 9 percent, or approximately SEK 350 M, for comparable units.

CIS' income after net financial items amounted to SEK 206 M, equivalent to a profit margin slightly above 5 percent. Depreciation on goodwill pertaining to the acquisition of companies which now form part of CIS has been charged against Celsius Group in-

come in an amount of SEK 56 M.

The implementation of efficiency measures within the business operations of the former Dialog has reduced cost levels. Approximately 400 jobs have been cut from the payroll. This has produced a substantial gain in profitability.

The defence market has slowed down, which has had an adverse effect on profit levels within the operations of the Telub group.

The business sector's keen demand for IT support has fuelled sharp growth within the Enator companies, which has also led to improved profit margins.

The tele and data communications market has experienced very rapid growth, which has favourably affected Dotcom's volume growth. However, the introduction of a new product generation of PABXs combined with this high rate of growth has, initially, burdened profit margins.

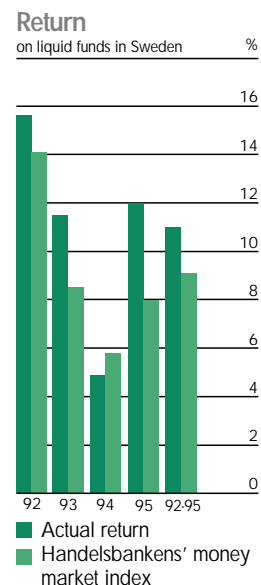
Celsius Invest

Celsius Invest reported sales of about SEK 1.1 billion. This corresponds to a decline of just over SEK 300 M compared with the preceding year, at which time piping installation company Ludvigsen & Hermann was part of the group, prior to its sale in 1995. This corresponds to a 1995 sales increase of 19 percent for comparable units.

Income after net financial items totalled SEK 101 M, a significant gain compared with SEK 5 M in the preceding year. Earnings for the year have been sharply affected by a number of non-recurrent items, but this does not detract from the substantially improved operating result. It is mainly the operations of the Group's U.S. aviation-related companies which, thanks to high capacity utilization and increased sales, have contributed to this improved result. Earnings gains have been achieved in other fields of operation too, including the advanced materials technology sector.

Celsius Finance

Celsius Finance, which was formed at the beginning of 1995, is responsible for conducting the Celsius Group's banking activities. The company handles all transactions for the Group's



Swedish operations concerning the money, bond, share and foreign exchange markets. The greater part of Group liquid funds, which amount to approximately SEK 2.2 billion, are in Sweden and invested on the Swedish money market. Celsius Finance' money market portfolio comprised an average sum in excess of SEK 1.5 billion in 1995. Group liquid funds outside Sweden are concentrated mainly to Celsius' Australian associate, the Australian Submarine Corporation (ASC).

Other subsidiaries/associate companies

The operations of Götaverken Arendal (GVA) are treated as a subsidiary of Celsius Corp. for 1994/1995. As of 1996, the company becomes part of Celsius Invest. Income before net financial items amounts to SEK 69 M, a gain of SEK 48 M compared with the preceding year. The net result has been positively affected, due to the fact that it has been possible to reduce provisions made earlier for anticipated costs arising from litigation.

Eriksbergs Förvaltnings AB comprised Celsius Corp's sole associate company in 1995. Celsius Corp. has signed an agreement concerning the sale of all shares in Eriksbergs Förvaltnings AB to its principal owner, Stattum, during the spring of 1996. Stattum will thereafter transfer all its shares in Eriksberg to the municipality of Gothenburg. As part of this deal, Celsius acquires all shares in the former Eriksberg subsidiary Elektra, a small property company with

Sales by sub-Group

| Amounts in SEK M | 1995 | 1994 |
|--|---------------|---------------------|
| Celsius Industries | 9,635 | 9,386 |
| Celsius Information System | 4,067 | 2,856 ¹⁾ |
| Celsius Invest | 1,140 | 1,459 |
| Joint Group income/expenses and eliminations | -16 | -4 |
| Group | 14,826 | 13,697 |

Income after financial items by sub-Group

| Amounts in SEK M | 1995 | 1994 |
|--|---------------------------|-------------------|
| Celsius Industries | -659 ²⁾ | 784 ³⁾ |
| Celsius Information System | 206 | 85 ¹⁾ |
| Less goodwill at Celsius Group level | -56 | -13 |
| Total, Celsius Information System | 150 | 72 |
| Celsius Invest | 101 | 5 |
| Joint Group income/expenses and eliminations | -13 | 43 |
| Group | -421 | 904 |

1) Dialog included from July 1, 1994. The provision of a structural reserve of SEK 206 M in the acquisition analysis has been taken into account in calculating Dialog's net income. 2) Burdened by structural costs of SEK 607 M and a write-down of goodwill in an amount of SEK 200 M. 3) Including utilization of a risk reserve for CelsiusTech in an amount of SEK 217 M.

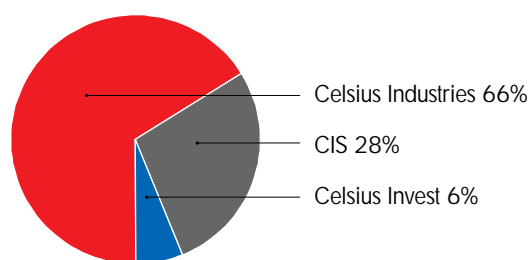
the majority of its assets in southern Sweden and Denmark.

Celsius' share of Eriksberg's net result, including the write-down of shares prior to the sale, is charged against 1995 earnings in an amount of c. SEK 40 M.

Number of employees, salaries and wages.

The number of Group employees, which totalled 17,050 at the start of the year, declined by some 800

Employees
Distribution of Group employees, by sub-Group



persons to 16,240 by the close of the year. These reductions derive mainly from Celsius Invest, and may be clarified by the fact that Danish piping installation company Ludvigsen & Hermann, which was sold in 1995 and which had about 550 employees, was included in the 1994 accounts.

Personnel employed by Celsius Industries amounted to about 10,650 at year-end, a reduction of more than 100 during the year. This reduction derives primarily from cutbacks at CelsiusTech.

Celsius Information System (CIS) had slightly more than 4,500 employees at the end of 1995, approximately 100 fewer than at the beginning of the year. Restructuring at the former Dialog involved sharp cutbacks in company personnel. At the same time, new personnel have been recruited within all areas of CIS' operations.

The average number of employees for the year amounted to 16,481 (17,608) persons, comprising 13,143 (14,198) men and 3,338 (3,410) women. A total of 1,930 (2,595) employees worked outside Sweden.

For details of salaries, wages and remuneration, see Note 17.

Financial position

The financial position of the Celsius Group has been affected by the major acquisitions and comprehensive rationalization programmes and structural measures conducted in recent years. During the year, the losses incurred by CelsiusTech Systems, the provi-

sions made in response to announced cutbacks in the Swedish defence budget and the write-downs of goodwill have sharply affected all key ratios.

Group equity declined during the year by SEK 746 M, amounting to SEK 3,316 M (4,062) at year-end 1995.

The equity/assets ratio fell to 24 percent (28) at the end of the year, and liquid funds to about SEK 2,200 M (3,800). The Group has additional interest bearing receivables amounting approximately to SEK 850 M. This decline in liquid funds derives primarily from four factors: reduced order inflows, leading to consequent reductions in customer advances pertaining to the defence-related activities of the company, the cash effect of earlier provisions for structural measures, the acquisition of additional shares in Enator and the acquisition of shares in the Norwegian company Raufoss A/S.

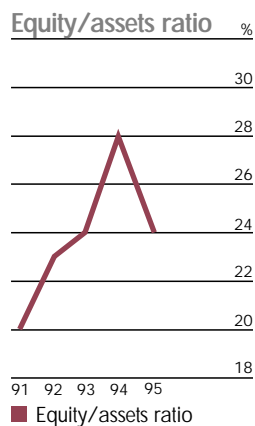
The Group's return on equity after full tax for 1995 was negative (20), the result of implemented restructuring measures and write-downs of goodwill. The same applied to the return on working capital (17).

The Group's target is to achieve an equity/assets ratio, including advances, of at least 30 percent. The Group's long-term target is an average 13 percent return on equity over a business cycle.

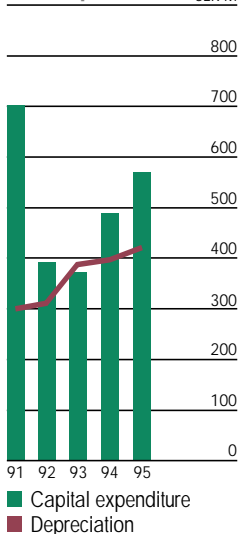
Depreciation and capital expenditure

Group capital expenditure in plant, equipment and property totalled SEK 570 M (490) in 1995, of which SEK 112 M (132) related to buildings and land improvements. Other capital expenditure related mainly to the replacement of machinery and equipment for current operations.

The capital expenditure requirement for current operations over the



Capital expenditure and depreciation SEK M



The graph shows capital expenditure and depreciation on property, plant and equipment

next few years is expected to consist mainly of plant replacements.

Celsius Corp. holds an option, which can be exercised as of 1998, to purchase the commercial premises in which the greater part of CelsiusTech's operations are currently located – in Järfälla – for SEK 600 M.

Goodwill

Consolidated goodwill after accumulated depreciation amounted to SEK 1,387 M. During the year the total value of goodwill in CelsiusTech has been written down by SEK 200 M.

The distribution of shares in Celsius Information System reduces Celsius Group goodwill to a level of somewhat above SEK 500 M. Goodwill, in an amount of SEK 599 M, which affects CIS but which has not been reported in the CIS Group accounts will, on the occasion of the distribution of shares, reduce the Celsius Group's restricted capital. Goodwill in the sub-Group has been calculated on the basis of the equity existing in the CIS companies at the time of the formation of the CIS Group in 1995.

Goodwill arising on the acquisition of Dialog and Enator is depreciated over 10 years, while goodwill on the acquisition of CelsiusTech is depreciated over 15 years. Goodwill on the Telub and FFV Aerotech acquisitions is depreciated over a period of 20 years. The difference in depreciation periods applied to the individual companies is due to differences in the nature of the activities conducted by these same companies.

Tax situation

The Group's tax burden is limited due to significant tax losses carried forward in Sweden. At year-end 1995, tax losses carried forward amounted to SEK 4.4 billion, of which a sum of SEK 0.7 billion is currently under consideration by a court of law.

Taxes for the year amount to SEK 58 M, corresponding to 15 (13) percent of income before tax and the costs of restructuring and write-downs of goodwill. Tax payable, expressed as a percentage of income, has been affected by a relatively large share of income from operations outside Sweden.

The effective future tax burden will be determined primarily by the tax incurred on the operations of foreign subsidiaries which, given the present structure of the Group, means tax on profits in Australia and the U.S.A. The tax burden is not expected to exceed 10 percent of earnings over the next few years.

Disputes and undertakings

Disputes are assessed individually. Adequate provision is judged to have been made in the consolidated accounts.

Celsius acquired the former Dialog from Förenade Kommunföretag in 1994. At Celsius' request, the parties have initiated discussions concerning adjustment of the purchase price, but have been unable to come to an agreement. At year-end 1994, in accordance with the terms of the contract, Celsius therefore referred the matter to the Arbitration Institute of the Stockholm Chamber of Commerce for a ruling. The date of the main hearing has been scheduled for September 1996.

At year-end 1995, Celsius Corp. controlled a 45-percent interest in real-estate company Eriksbergs Förvaltnings AB, while the state-owned Förvaltnings AB Stattum (real-estate management), controlled the remaining 55 percent. Both owners have contributed to the financing of operations, in addition to the financing provided from external sources. At year-end 1995, Celsius Corp. had claims outstanding on Eriksberg Förvaltnings AB in an amount totalling SEK 494 M. During the spring of 1996, Celsius and Stattum signed an agreement that Stattum will acquire Celsius Corp's outstanding shares in Eriksbergs Förvaltnings AB. Celsius' claim on the company will be settled in conjunction with the transfer of shares in Eriksberg.

Proposed dividend

The Board recommends:

that all shares in Celsius Information System be distributed, without payment, to the shareholders, by which each share in Celsius gives the holder the right to one share in Celsius Information System;

that no cash dividend be paid out to the shareholders for the 1995 financial year.

Definitions

Average capital employed

Average total assets less the average of non-interest-bearing liabilities.

Capital turnover rate

Sales divided by average capital employed.

Cash flow

Cash flow consists of changes in funds generated from the year's operations, changes in working capital and investments. Compare with the "Statement of changes in financial position", on p. 32.

Debt/equity ratio

The sum of interest-bearing liabilities divided by the sum of shareholders' equity and the minority share of shareholders' equity.

Equity/assets ratio

Shareholders' equity plus minority interest in shareholders' equity expressed as a percentage of total assets.

Interest coverage ratio

Income after financial items, plus interest expenses and net currency gain/loss, divided by interest expenses and net currency gain/loss.

Internal-financing ratio

Cash flow prior to investments divided by investments (excl. corporate acquisitions/divestments).

Operating margin

Operating income after depreciation, as a percentage of sales.

Profit margin

Income after financial items expressed as a percentage of sales.

Quick-assets ratio

Current assets less inventories, expressed as a percentage of current liabilities.

Return on average capital employed

Operating income after depreciation plus financial income, expressed as a percentage of average capital employed.

Return on average equity

Net income after taxes, expressed as a percentage of average shareholders' equity.

Risk-bearing capital

The sum of shareholders' equity and deferred tax liabilities (incl. minority).

Shareholders' equity

Defined as shareholders' equity in accordance with the balance sheet. Consolidated shareholders' equity includes the capital share of untaxed reserves.

Taxes payable

Taxes payable on Celsius Group income, plus share in associated companies' taxes.

Total taxes

Taxes payable on Celsius Group income, plus deferred taxes plus share in associated companies' taxes.

Five-year review of Group operations

| Amounts in SEK M | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|----------------------|----------------------|--------|-------------------|--------------------|
| PROFIT/LOSS ITEMS | | | | | |
| Sales | 11,080 ¹⁾ | 11,484 ¹⁾ | 13,200 | 13,697 | 14,826 |
| <i>of which exports and sales outside Sweden</i> | 4,722 | 5,019 | 5,158 | 5,181 | 4,702 |
| Depreciation according to plan on property, plant and equipment | 299 | 308 | 386 | 394 | 418 |
| Operating income after depreciation | 210 | 26 | 353 | 788 ²⁾ | -660 ²⁾ |
| Operating margin (%) | 1.9 | 0.2 | 2.7 | 5.8 | neg |
| Income after financial items | 507 | 545 | 726 | 904 ²⁾ | -421 ²⁾ |
| Profit margin (%) | 4.6 | 4.7 | 5.5 | 6.6 | neg |
| BALANCE SHEET ITEMS | | | | | |
| Current assets | 8,918 | 9,315 | 9,813 | 9,841 | 8,710 |
| Fixed assets | 3,993 | 3,577 | 4,623 | 5,155 | 5,121 |
| Current liabilities | 7,735 | 8,006 | 8,110 | 8,183 | 8,126 |
| Long-term liabilities | 2,613 | 1,929 | 2,814 | 2,681 | 2,370 |
| Minority participations | 10 | 16 | 21 | 70 | 19 |
| Shareholders' equity | 2,553 | 2,941 | 3,491 | 4,062 | 3,316 |
| Total assets | 12,911 | 12,892 | 14,436 | 14,996 | 13,831 |
| Interest-bearing net assets | 1,596 | 2,517 | 2,700 | 1,941 | 480 |
| Capital employed at year-end | 5,472 | 5,461 | 6,354 | 6,823 | 5,995 |
| Risk-bearing capital | 2,566 | 2,957 | 3,514 | 4,145 | 3,335 |
| KEY FIGURES | | | | | |
| Equity/assets ratio (%) | 20 | 23 | 24 | 28 | 24 |
| Return on average capital employed (%) | 12 | 15 | 16 | 17 | neg |
| Return on average equity (%) | 18 | 17 | 17 | 20 | neg |
| Internal-financing ratio | 1.5 | 2.0 | 2.0 | 1.3 | neg |
| Debt/equity ratio | 1.2 | 0.9 | 0.8 | 0.7 | 0.8 |
| Interest coverage ratio | 3.6 | 3.2 | 4.1 | 5.4 | neg |
| Quick-assets ratio (%) | 101 | 105 | 98 | 90 | 73 |
| Capital turnover rate | 2.3 | 1.9 | 2.1 | 2.0 | 2.3 |
| KEY FIGURES PER SHARE³⁾ | | | | | |
| Profit after taxes payable (SEK) | 16.90 | 18.40 | 22.00 | 28.80 | neg |
| Profit after total taxes (SEK) | 16.90 | 18.40 | 19.65 | 27.10 | neg |
| Equity (SEK) | 102 | 108 | 124 | 145 | 118 |
| Dividend (SEK) | 4.00 | 4.40 | 6.50 | 7.00 | 0 ⁴⁾ |
| STATISTICS | | | | | |
| Cash flow ⁵⁾ | 343 | 595 | 531 | 129 | -845 |
| Order inflow | 12,000 | 7,200 | 11,600 | 12,500 | 13,200 |
| Backlog of orders at year-end | 18,500 | 18,500 | 23,000 | 23,100 | 21,500 |
| Capital expenditure in property, plant and equipment | 705 | 393 | 373 | 490 | 570 |
| No. of employees at year-end | 14,508 | 13,894 | 15,217 | 17,050 | 16,240 |

1) Not recalculated according to the "percentage-of-completion" (PoC) method. 2) Figures reported for 1994 include a capital gain on the sale of Safe Partners in an amount of SEK 143 M. Furthermore, the result has been affected by the utilization of a risk reserve amounting to SEK 217 M for CelsiusTech. Structural costs of SEK 607 M and a write-down of goodwill amounting to SEK 200 M are charged against net income for 1995. 3) 1991-1992, the number of shares is adjusted for a 5:2 stock split, which was implemented in 1993. The number of shares was increased by 3,066,038 in 1993, with a directed share issue. Consequently, the number of shares held now totals 28,066,038. 4) According to the Board's recommendation. 5) After capital expenditures excl. corporate acquisitions/disposals.

Treasury operations

The Celsius Group treasury function is organized into two units – Group Staff Treasury and the Group Bank, Celsius Finance. Group Staff Treasury is responsible for developing guidelines concerning the management of Group and operational companies' financial flows and risks. The Group Staff shall also support Group companies in terms of resources and know-how in the financial sector and in negotiating joint terms for Group companies with respect to bank and other financial services. Celsius Finance conducts Group bank operations as well as trading on the financial markets.

The 1995 consolidated balance sheet contains a relatively high percentage of liquid funds and a relatively low level of interest-bearing liabilities. The greater part of Group liquid funds, which at the close of 1995 amounted to SEK 2.2 billion, is in Sweden and invested in the Swedish money market. The Group's remaining liquid funds are largely concentrated to Australia, in Australian associate Australian Submarine Corporation (ASC). "Cash pools" for the Group's companies exist in Sweden and the U.S.A.

The Celsius Group's loan portfolio is relatively modest, and outstanding loans are linked to specific projects. The majority of the Group's interest-bearing liabilities are pension liabilities.

Financial risks

The industrial activities of the Celsius Group are exposed to various types of financial risks, such as interest and foreign exchange risks. One aspect of the treasury function's job is to identify these risks and ensure that they are minimized.

Credit risks

The Group's client structure, which is dominated by public-sector customers, means that there is relatively little exposure to the risk of bad debts. Customer and country-specific risks in connection with export business are normally covered by credit risk insurance. The risks incurred on financial operations are extremely limited, since Group liquid funds are only invested in the most respected banks or in securities with a low credit or liquidity risk.

Interest risks

The Group's interest risks derives mainly from the effect of fluctuating rates of interest on the return from liquid funds. This is actively controlled by Celsius Finance, within risk limits determined by the Group's board of directors.

Foreign exchange risks

The greater part of Group production is in Sweden and Group costs are therefore largely incurred in Swedish kronor. Changes in the value of the Swedish kronor therefore have an impact on the Group's international competitiveness. The Group is also exposed to a degree of risk in conjunction with sales and purchases made in foreign currencies. The Group's policy is to avoid foreign exchange risks in connection with its commercial activities. Consequently, Group payments in foreign currencies are hedged by forward contracts through Celsius Finance. The greater part of Group export sales are in the form of projects. Foreign exchange flows are therefore also secured on a project basis. Forecast flows are not secured.

The equity in foreign subsidiaries is also partially hedged, either in the form of foreign currency loans or via forward currency contracts. Net investments in foreign subsidiaries amount approximately to SEK 400 M.

Celsius Finance

The company manages the majority of Group payment flows in Swedish kronor and foreign currencies, thereby minimizing transaction and exchange costs and, at the same time, simplifying control of the Group's total risk situation. Intra-Group deposits from and loans to Group companies are also made through the Group Bank (Celsius Finance), surplus liquidity being invested primarily in the Swedish money market. Long-term surplus liquidity is invested in a strategic portfolio based on fixed interest rates within the time scale zero to a maximum of five years. Furthermore, the Group's board of directors has established risk limits for managing this portfolio on the currency and interest market. The performance of this portfolio is measured daily to enable consistent monitoring of gains and risks relating to the funds managed. The Group Bank also provides Group companies with market information in the form of interest and currency forecasts to make it easier for them to manage their financial risks, primarily with respect to choice of currency when tendering for contracts, as well as in connection with the fixing of interest rates on deposits and loans.



Financial year
January 1 – December 31
1995

Administration report

See page 10

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Parent company

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Accounting principles

Consolidation principles

The consolidated financial statements comprise Celsius Corp. and those companies in which the parent company has a direct or indirect controlling interest of more than 50 percent (see under “The split method” concerning the Australian Submarine Corporation).

The holdings of associated companies in which the Group controls at least 20 percent and not more than 50 percent of the voting rights are reported according to the “equity” method.

The consolidated financial statements are prepared according to recommendation RR 01:91 of the Swedish Financial Accounting Standards Council.

Purchase method

The consolidated financial statements are prepared according to the purchase method, by which the acquisition value of Group shares and participations are eliminated against acquired shareholders' equity, including the capital share of untaxed reserves at the time of acquisition. For this reason, only income arising after the date of acquisition is included in Group equity. Shareholders' equity in the acquired subsidiary is determined on the basis of a market evaluation of assets and liabilities in the subsidiary at the time of acquisition, in the form of an acquisition analysis. The difference between the acquisition value of the subsidiary's shares and the value of its shareholders' equity, according to the acquisition analysis, is reported in the consolidated statements as goodwill or negative goodwill. Depending on the degree of restructuring required in the newly purchased company, provision is made in the acquisition analysis for anticipated costs to be allocated to a structural reserve.

Acquired subsidiaries are included in the consolidated financial statements from the date of purchase, while subsidiaries sold are excluded from the start of the year.

The split method

The Group has a 49 percent joint interest in the Australian Submarine Corporation (ASC), which is operated as a joint venture, governed by contract. ASC is reported in the consolidated financial statements according to the split method, since the activities of ASC are of considerable significance when evaluating the financial position and performance of the Celsius Group.

Briefly, application of the split method means that 49 percent of all income statement and balance sheet items, as well as all other statistical data such as order inflow, order backlog and personnel totals, are consolidated in the financial statements.

Translation of foreign subsidiaries

The “current” method has been applied in translating the income and balance sheets of foreign subsidiaries, since the majority of Celsius' subsidiary companies are considered independent subsidiaries. There are no subsidiaries in high-inflation countries. Assets and liabilities are translated at the year-end rates, while equity is translated at the rate applied

on the date of transaction. All income statement items are translated at the average exchange rate. Translation differences arising are added directly to, or deducted from, shareholders' equity.

When loans or forward contracts are secured in a foreign currency, to hedge the Group's currency exposure in foreign net assets, the exchange differences arising on loans or forward contracts are offset in an amount corresponding to that portion of exchange differences arising in conjunction with the translation of foreign net assets.

Reporting of associated companies

Associated companies are those in which the Group controls, on a long-term basis, not less than 20 percent and not more than 50 percent of the voting rights.

The Group's share of pretax income in associated companies is reported under a separate heading and is included in “Income after depreciation”. Income, where applicable, is reduced for depreciation on surplus value and adjusted for internal gains/losses.

The share of associated company taxes is reported as consolidated tax expenses.

The acquisition cost of shares adjusted for share in income after taxes less dividend received is shown in the balance sheet among shares and participations. Non-distributed income is reported as restricted equity.

Taxes

Taxes reported for the year includes taxes payable on taxable income, changes in deferred tax liabilities and assets, resulting from future tax consequences, and the share of taxes in associated companies. Changes in deferred tax liabilities and assets included among tax expenses for the year derive from tax rate applied by individual countries on the temporary differences between future taxable and actual income. If the tax regulations are changed, the change in tax liability is reported as tax expenses for the year.

When calculating deferred tax liability, the Group's unutilized tax losses carried forward are taken into consideration. Deferred tax assets are reported only insofar as they correspond to the likely reduction in taxes.

Revenue recognition

Revenues from sales are recognized upon delivery of products and services after deduction for VAT (Value-Added Tax), discounts and returns, in conjunction with the transfer of risk and ownership to the buyer.

The “percentage-of-completion” method has been applied when reporting sales and income for Celsius Group's large projects, to better reflect operations and income during the year. Large projects refers to projects with an order value of SEK 200 M or more and which extend over a period of not less than eighteen months. The principle is based on the IASC (International Accounting Standards Committee) recommendation, IAS 11. This method involves revenue and profit/loss recognition on the basis of the actual level of completion achieved or according to the

contractual “milestone” achieved – a predetermined point specified in the contract, at which the customer formally accepts the invoicing. This method has already been applied in connection with the ASC submarine project.

The method is dependent on reliable project forecasts. These forecasts include necessary provision for anticipated project costs. If the total cost of completing the contract is expected to exceed remaining revenues due and expected, a provision is made for the estimated total losses.

Interest income on funds received in the form of customer advances is recognized as and when such interest income is accrued. Seen over a period of years, several projects show neutral net interest. If neutral net interest is specified in the contract, periodization is conducted over the term of the contract.

R&D costs

Costs incurred in connection with research and development (R&D) are booked as they arise. R&D costs relating to customer orders are booked as costs in connection with revenue recognition.

Non-recurrent costs and income

Non-recurrent costs and income are reported under operating profit/loss, in accordance with recommendation RR 4 of the Swedish Financial Accounting Standards Council. Details are given in the appropriate note concerning the effects of events and transactions on income, which must be taken into account when income for the period is compared with other periods and companies.

Valuation principles

Financial instruments

Short-term securities pertaining to the trading portfolio are reported at their market value.

Capital investments in shares are reported at the lower of cost or market value using a portfolio view.

Inventories

Inventories are valued in accordance with recommendation RR 2 of the Swedish Financial Accounting Standards Council. Inventories are valued at the lower of cost (according to the “first in/first out” principle) or market value.

Orders recognized according to the “percentage-of-completion” method are reported on the basis of costs incurred to date, including profit.

Provision is made in the accounts for anticipated risks relating to orders which are not expected to provide full cost coverage.

Inventories include advances from suppliers and are reported net, e.g. with adjustments for set-offs against advances from customers, for work completed in each project.

Accounts receivable

Accounts receivable are valued individually at the lower of cost or net realizable value.

Fixed assets

Property, plant and equipment are valued at acquisition value less accumulated depreciation according to plan.

Depreciation according to plan is computed on the basis of acquisition value. Depreciation rates, calculated according to the straight-line principle, are based on the economic lives of the assets. Depreciation is booked at the following annual rates:

| | |
|-------------------------|---------|
| Buildings | 1-5 % |
| Machinery and equipment | 5-20 % |
| Computers | 20-33 % |

Goodwill

Goodwill is depreciated over a period of 10-20 years. The extended period of depreciation is applied to long-term strategic company acquisitions based on stable market and technical conditions. Goodwill relating to shares acquired in the Australian Submarine Corporation (ASC) is depreciated as revenues are recognized, e.g. according to the “percentage-of-completion” method.

Receivables and liabilities in foreign currency

Receivables, liabilities and order backlog are reported at year-end exchange rates. Receivables, liabilities and orders secured by forward exchange contracts are reported at the contract rate. Contract premiums and discounts relating to such contracts are periodized over the lifetime of the receivable/liability and reported as interest income/expenses.

Unrealized currency gains on long-term receivables and liabilities in foreign currency are allocated to a foreign exchange reserve in the parent company and to restricted equity in the Group.

If a foreign-exchange receivable or liability is effectively hedged by a corresponding item in a foreign currency, the change in the foreign exchange rate does not affect the item's value.

Exchange gains/losses arising on financial receivables/liabilities are reported net in the income statement, under financial items, while other exchange gains or losses are included in operating income.

Consolidated income statement

| Amounts in SEK M | Notes | 1995 | 1994 |
|--|---------|-------------|------------|
| Operating revenues | Note 1 | 15,075 | 14,030 |
| Operating expenses | Note 2 | -14,863 | -12,674 |
| Depreciation and write-downs | Note 3 | -825 | -607 |
| Share of income in associated companies | | -47 | 39 |
| Operating income after depreciation | | -660 | 788 |
| FINANCIAL ITEMS | | | |
| Interest income | | 427 | 305 |
| Interest expenses | | -206 | -205 |
| Net currency gain/loss etc. | | 18 | 16 |
| Income after financial items | | -421 | 904 |
| Minority participations in net income | | -15 | -31 |
| Income before taxes | | -436 | 873 |
| Taxes | Note 14 | -58 | -112 |
| Net income | | -494 | 761 |
| Profit per share after total taxes, SEK | | neg | 27.10 |

Comments to the consolidated income statement

Operating revenues

Invoiced sales totalled SEK 14,826 M (13,697). It should here be noted that the former Dialog is not included in the consolidated sales figures until the second half of 1994 and, furthermore, that piping installation company Ludvigsen & Hermann, which was sold in 1995, is included in the 1994 figures. After adjusting for these two items, there is an increase of some SEK 750 M, or 5 percent, for comparable units.

Operating revenues include capital gains of SEK 19 M (169). Capital gains for the preceding year pertain mainly to the sale of the 40-percent interest in Safe Partners.

To the aforementioned revenues may be added other operating revenues in an amount of SEK 230 M (164). These consist primarily of receipts from licensing and commissions, rental and leasing fees.

Operating revenues are distributed accordingly: Celsius Industries 65%, Celsius Information System 27% and Celsius Invest 8%.

Operating expenses

Operating expenses for the year include restructuring costs totalling SEK 607 in the form of a reserve for anticipated expenses in connection with personnel and other cutbacks. This is largely in response to declared intentions to cut costs within the Swedish Defence Forces, and decisions taken during the year to implement cutbacks, mainly at CelsiusTech Systems. Operating expenses for 1994 have been positively affected by the utilization of SEK 217 M from the general risk reserve, to cover provisions for projects within CelsiusTech.

Depreciation

Depreciation for the year rose by SEK 218 M. This increase is mainly attributable to the inclusion in net income for the year of a write-down of goodwill totalling SEK 200 M pertaining to CelsiusTech. This derives from declared intentions to cut costs within the Swedish Defence Forces, combined with the significant loss reported by the company for the year. Build-

ings, machinery and equipment have been depreciated by SEK 418 M (394). Depreciation on goodwill according to plan amounts to SEK 143 M (138).

Share of income in associated companies

The figures for the year include a deficit of c. SEK 40 M pertaining to Eriksbergs Förvaltning AB, which is the main reason for the negative result. During the spring of 1996, Celsius Corp. signed an agreement concerning the sale of all outstanding shares in Eriksberg to the principal owner, Stattum. Eriksberg's net result, including the write-down of shares prior to the sale, has been charged against consolidated income by the aforementioned amount. The participation in Safe Partners, which amounts to SEK 34 M, is reported up to September 30, 1994, when the interest in the company was sold.

Operating income after depreciation

Net income for the year includes the above mentioned structural costs, totalling SEK 607 M, as well as a write-down on goodwill corresponding to SEK 200 M, which have been charged against Celsius Industries in their entirety. Consolidated operating income, prior to the inclusion of these items, thereby amounts to SEK 147 M. Net income for 1994 includes capital gains of SEK 169 M, deriving primarily from the sale of the participation in Safe Partners, as well as structural costs of SEK 75 M.

Operating income, excluding intra-Group items and eliminations, are distributed accordingly: Celsius Industries -SEK 875 M, Celsius Information System SEK 201 M and Celsius Invest SEK 120 M.

Financial items

Net interest income rose by SEK 123 M. The return on interest bearing net assets is 10 percent compared with 6 percent last year, which corresponds to an increase of c. SEK 160 M in net financial items. Interest bearing net assets have declined by c. SEK 1.5 billion, resulting in lower net interest income. Furthermore, the resolution of

an earlier dispute pertaining to bank guarantees has had a positive effect on net financial items.

Income after financial items

The result includes the aforementioned structural costs and write-down of goodwill totalling SEK 807 M, corresponding to a net result of SEK 386 M, excluding these costs. Net income for the year also includes capital gains of SEK 19 M, compared with capital gains of SEK 169 M included in 1994 income.

Income after financial items is distributed accordingly: Celsius Industries -SEK 659 M, Celsius Information System SEK 206 M and Celsius Invest SEK 101 M.

Taxes

Tax expenses incurred in 1995 pertain mainly to business operations in Australia. To these may be added taxes arising in the Enator accounts, where there is no possibility of a Group contribution for the year.

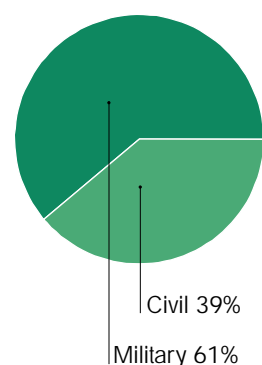
Key figures

The return on equity after total taxes is negative for 1995, the result of aforementioned structural costs and the write-down of goodwill. The return on equity for 1994 was 20 percent.

The return on capital employed for the year is also negative, for the same reasons as cited above. In 1994, the return on capital was 17 percent.

For the same reasons, the interest coverage ratio is also negative (5.4).

Sales



Consolidated balance sheet

| Amounts in SEK M | Notes | Dec. 31, 1995 | Dec. 31, 1994 |
|---|---------|---------------|---------------|
| Assets | | | |
| Current assets | | | |
| INTEREST BEARING | | | |
| Liquid funds | Note 5 | 2,244 | 3,769 |
| Shares | Note 5 | 61 | 64 |
| Other receivables | Note 6 | 501 | 469 |
| NON INTEREST BEARING | | | |
| Inventories, net | Note 7 | 2,739 | 2,507 |
| Other receivables | Note 8 | 3,165 | 3,032 |
| Total current assets | | 8,710 | 9,841 |
| Fixed assets | | | |
| INTEREST BEARING | | | |
| Other long-term receivables | | 335 | 330 |
| NON INTEREST BEARING | | | |
| Shares and participations | Note 9 | 431 | 239 |
| Intangible fixed assets | Note 10 | 1,426 | 1,607 |
| Property, plant and equipment | Note 11 | 2,826 | 2,843 |
| Other long-term fixed assets | | 103 | 136 |
| Total fixed assets | | 5,121 | 5,155 |
| Total assets | | 13,831 | 14,996 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| INTEREST BEARING | | | |
| Other liabilities | | 406 | 90 |
| NON INTEREST BEARING | | | |
| Accounts payable | | 1,128 | 1,281 |
| Advances from customers, net | Note 7 | 2,216 | 2,558 |
| Other current liabilities and provisions | Note 12 | 4,376 | 4,254 |
| Total current liabilities | | 8,126 | 8,183 |
| Long-term liabilities | | | |
| INTEREST BEARING LIABILITIES | | | |
| Promissory notes and overdraft facility | | 179 | 267 |
| Provision for pensions | Note 13 | 1,988 | 1,817 |
| Other long-term liabilities | | 88 | 517 |
| NON INTEREST BEARING | | | |
| Other long-term liabilities | | 115 | 80 |
| Total long-term liabilities | | 2,370 | 2,681 |
| Minority participations | | 19 | 70 |
| Shareholders' equity | | | |
| Note 15 | | | |
| Share capital (28,066,038 shares at a par value of SEK 20) | | 561 | 561 |
| Restricted reserves | | 1,173 | 717 |
| Non-restricted reserves | | 2,076 | 2,023 |
| Net income | | -494 | 761 |
| Total liabilities and shareholders' equity | | 13,831 | 14,996 |
| Assets pledged | Note 16 | 2,702 | 3,795 |
| Contingent liabilities | Note 16 | 870 | 1,039 |

Comments to the consolidated balance sheet

Assets

The Group's total assets have declined by SEK 1.2 billion, due primarily to the lower level of liquid funds.

These total assets are distributed accordingly: Celsius Industries SEK 10.5 billion, Celsius Information System SEK 1.9 billion and Celsius Invest SEK 1.8 billion.

Current assets

Liquid funds and short-term securities have declined by c. SEK 1.5 billion. The main causes of this decline are reductions in advances from customers in the defence-related aspects of Group operations, the cash effects of provisions made earlier for restructuring measures, the acquisition of further shares in Enator and the acquisition of shares in Raufoss A/S.

Capital investment shares are booked at a value of SEK 61 M (64), which corresponds to their combined market value at year-end 1995.

Other interest-bearing receivables pertain mainly to loans to Eriksbergs Förvaltnings AB totalling SEK 494 M (463).

Non-interest-bearing assets have increased by SEK 365 M, of which inventories account for SEK 232 M. The increase is largely attributable to Celsius Industries.

Fixed assets

Fixed assets declined by SEK 34 M during the year.

Other interest-bearing receivables consist mostly of a parent company receivable of SEK 320 M (320) due from Securum, relating to loans granted for the financing of leased commercial premises.

Shares and participations have increased by SEK 192 M, primarily the result of the acquisition of a 15-percent interest in Raufoss A/S, in Norway. This acquisition has been booked in an amount of SEK 182 M. The SEK 40 M decline in the value of the holding in Eriksbergs Förvaltnings AB has been balanced by the shares received in BPA, in connection with the sale of the Danish piping-installation company Ludvigsen & Hermann.

The decline of SEK 181 M in intangible assets derives primarily from depreciation on goodwill of SEK 143 M for the year, as well as a write-down of SEK

200 M pertaining to CelsiusTech. The goodwill gained through the acquisition of additional shares in Enator has an inverse effect on intangible assets.

Liabilities

Current liabilities are more or less unchanged, with an increase of SEK 316 M in balance sheet item "other interest-bearing liabilities" and a decrease in primarily "advances from customers", amounting to SEK 342 M. The advances pertain almost exclusively to Celsius Industries. The increase in "other interest-bearing liabilities" derives mainly from the fact that this year, advanced payments from a customer amounting to SEK 297 M have been reported as current liabilities, whereas last year they were reported as long-term liabilities (448).

Total long-term liabilities have declined by SEK 311 M. The decline may be explained by last year's above named advance payment of SEK 448 M from a customer, which was nevertheless partially counteracted by an increased pension liability of SEK 171 M.

Interest-bearing net assets

Interest-bearing net assets have declined by SEK 1,461 M to SEK 480 M. The greater part of this decline is attributable to corporate acquisitions, the cash effects on provisions for restructuring in the preceding year's accounts, and a decline in advances from customers with respect to defence-related operations.

Minority participations

Minority participations have declined by SEK 51 M due to the acquisition of further shares in Enator. An additional c. 30 percent has been acquired during the year, bringing the total holding in the company to just over 99 percent.

Shareholders' equity

Shareholders' equity declined during the year by SEK 746 M. The decline derives from a net loss of SEK 494 M for the year, after taxes payable, dividend payments of SEK 196 M and translation differences of SEK 56 M arising on foreign business operations.

Equity per share totals SEK 118 (145).

Shareholders' equity is distributed accordingly: Celsius Industries c. SEK

2,150 M, Celsius Information System c. SEK 200 M and Celsius Invest c. SEK 350 M.

Capital employed

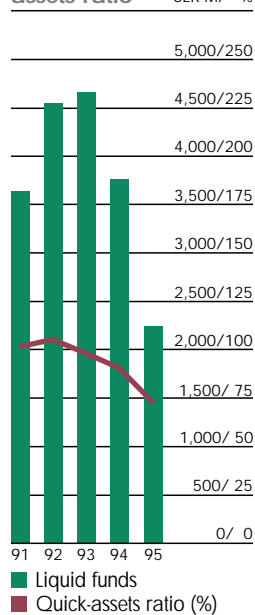
Capital employed, which totals SEK 5,995 M, has declined by about SEK 800 M in 1995.

Key figures

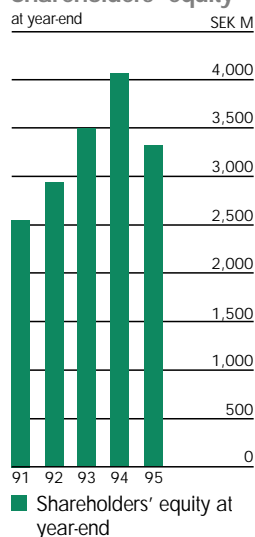
The equity/assets ratio is 24 percent (28). This decline is primarily attributable to the decline in equity. If net customer advances are excluded, the equity/assets ratio rises to 29 percent (33).

The quick-assets ratio has worsened and is now at 73 percent (90).

Liquid funds/quick-assets ratio



Shareholders' equity



Consolidated statement of changes in financial position

| Amounts in SEK M | 1995 | 1994 |
|---|---------------|-------------|
| Funds generated by operations | | |
| Operating income before depreciation and write-downs | 165 | 1,395 |
| Capital gains | -19 | -169 |
| Financial items | 239 | 116 |
| Taxes | -58 | -112 |
| Minority share of income in subsidiaries | <u>-15</u> | <u>-31</u> |
| | 312 | 1,199 |
| Working capital | | |
| Change in current receivables | -259 | 346 |
| Change in inventories | -234 | -700 |
| Change in customer advances | -330 | -60 |
| Change in other current liabilities | <u>421</u> | <u>-426</u> |
| | -402 | -840 |
| Funds generated by operations before investments | -90 | 359 |
| Investments | | |
| Companies acquired, net of cash acquired | -191 | -639 |
| Companies divested, net of cash divested | 42 | 40 |
| Shares and participations | -228 | -10 |
| Intangible assets | -42 | -74 |
| Machinery, equipment and ships | -536 | -358 |
| Property | -34 | -132 |
| Sales of fixed assets, etc. | <u>85</u> | <u>344</u> |
| | -904 | -829 |
| Funds generated by operations after investments | -994 | -470 |
| Financing | | |
| Change in pension liabilities | 171 | -83 |
| Change in short-term promissory notes and bonded debt | -86 | -212 |
| Change in long-term liabilities | -394 | 30 |
| Change in long-term receivables | 28 | 35 |
| Translation differences etc., net | -56 | -4 |
| Change in minority participation | 2 | -3 |
| Other | <u>-</u> | <u>-4</u> |
| | -335 | -241 |
| Dividends to shareholders | -196 | -182 |
| Change in liquid funds and investments | -1,525 | -893 |

Comments to the consolidated statement of changes in financial position

Reporting of acquired/divested companies, pension liabilities and capital gains

In the statement of changes in financial position, the effects of large acquisitions and the divestment of subsidiary companies for the years in question are excluded from changes in the balance sheet. Acquisitions/divestments, net of cash acquired or divested are reported as investments.

Pension liabilities are treated as financing.

In this year's statement of changes in financial position, capital gains are shown as a deduction on a separate line under "Funds generated by operations". This means that all revenue from sales is reported under "Investments" as "Sales of fixed assets, etc."

Funds generated by operations

Funds generated by operations in 1995 amounted to SEK 312 M, which was c. SEK 900 M lower than in the preceding year. This decline may be attributed mainly to the weak result reported for 1995, itself a consequence of the burden of restructuring costs charged against income, incurred following publication of planned cutbacks by the Swedish Defence Forces, and the losses sustained by CelsiusTech.

Working capital

Working capital increased by SEK 402 M in 1995. Current liabilities reported for the year include provisions of SEK 607 M for restructuring, in con-

nection with the publication of planned cutbacks in the Swedish defence forces.

Investments

Investments in companies acquired, which total SEK 191 M, pertain to the acquisition of further shares in Enator.

"Companies divested" refers to the Danish piping-installation company Ludvigsen & Hermann, which has contributed to Group cash flow in an amount of SEK 42 M.

The main items reported under "Shares and participations" are the shares acquired in the two Norwegian companies, Raufoss A/S and Mjellem & Karlsen. These acquisitions have reduced cash flow by SEK 201 M.

"Investments in machinery, equipment etc." primarily concern replacements.

"Sales of fixed assets" during the year have affected cash flow by SEK 85 M. The corresponding figure for the preceding year amounting to SEK 344 M relates to the sale of the offshore company Safe Partners.

In all, investments have reduced cash flow in an amount of SEK 904 M (829).

Cash flow

Cash flow for the year was negative, -SEK 994 M (-470). The main reasons for this decline in cash flow, apart from the net result, are a reduced level of advances received within defence-related operations, the cash effect of provisions made earlier for restructuring measures,

the acquisition of additional shares in Enator and the acquisition of shares in, particularly, the Norwegian company, Raufoss A/S.

Financing

In total, the items reported under "Financing" have adversely affected cash flow in an amount of SEK 335 M (-241). The single largest negative factor was the change of SEK 394 M in long-term liabilities. The main reason for this change is that premature payments amounting to SEK 448 M, received from a customer in 1994, were reported at the time as long-term liabilities. In this year's accounts, however, they are reported as current liabilities in an amount of SEK 297 M.

The increase in pension liabilities has generated a positive cash flow of SEK 171 M.

During 1994, a sum of approximately SEK 200 M was amortized on loans in USD, which is the main reason for change in short-term promissory notes and bonded debt reported for 1994.

Change in liquid funds and investments

Liquid funds and investments have declined during the year by SEK 1,525 M. The main reasons for this decline, apart from the net loss for the year, are a reduced level of advances received within defence-related operations, the cash effect of provisions made earlier for restructuring measures, the acquisition of additional shares in Enator and the acquisition of shares in, particularly, the Norwegian company, Raufoss A/S.

Key figures

The quick-assets ratio declined from 90 percent to 73 percent during the year.

The debt/equity ratio has increased from 0.7 to 0.8.

The internal financing ratio, which is negative for the year, amounted to 1.6 in 1994.

Analysis of changes in liquid funds

| Amounts in SEK M | 1991 | 1992 | 1993 | 1994 | 1995 |
|------------------------------------|-------|-------|-------|-------|--------|
| Funds generated by operations | 786 | 835 | 1,066 | 1,199 | 312 |
| Working capital | 245 | 327 | 12 | -840 | -402 |
| Cash flow, prior to investments | 1,031 | 1,162 | 1,078 | 359 | -90 |
| Investments | | | | | |
| corporate acquisitions, excl. cash | - | 327 | -439 | -639 | -191 |
| corporate divestments, excl. cash | - | 141 | - | 40 | 42 |
| other net investments | -688 | -567 | -547 | -230 | -755 |
| Total investments | -688 | -99 | -986 | -829 | -904 |
| Cash flow | 343 | 1,063 | 92 | -470 | -994 |
| Financing | 756 | -59 | 59 | -241 | -335 |
| Dividend | -70 | -100 | -360 | -182 | -196 |
| New share issue | 0 | 0 | 325 | 0 | 0 |
| Change in liquid funds | 1,029 | 904 | 116 | -893 | -1,525 |

Parent company income statement

| Amounts in SEK M | Notes | 1995 | 1994 |
|--|---------|-------------|--------------|
| Operating revenues | Note 1 | 18 | 350 |
| Operating expenses | Note 2 | -517 | -100 |
| Depreciation | Note 3 | -2 | -2 |
| Operating income after depreciation | | -501 | 248 |
| FINANCIAL ITEMS | | | |
| Dividends from subsidiaries | Note 4 | 180 | 2,836 |
| Interest income | | 447 | 299 |
| Interest expenses | | -449 | -405 |
| Net currency gain/loss etc. | | 11 | 8 |
| | | 189 | 2,738 |
| Income after financial items | | -312 | 2,986 |
| Allocations | Note 18 | 537 | -1,756 |
| Income before taxes | | 225 | 1,230 |
| Taxes | | - | - |
| Net income | | 225 | 1,230 |

Parent company balance sheet

| Amounts in SEK M | Notes | Dec. 31, 1995 | Dec. 31, 1994 |
|---|---------|---------------|---------------|
| Assets | | | |
| Current assets | | | |
| INTEREST BEARING | | | |
| Liquid funds | Note 5 | 1,318 | 2,728 |
| Shares | Note 5 | 61 | 64 |
| Receivable from subsidiaries | | 1,147 | 687 |
| Other receivables | Note 6 | 494 | 463 |
| | | 3,020 | 3,942 |
| NON INTEREST BEARING | | | |
| Receivable from subsidiaries | | 403 | 2,108 |
| Other receivables | Note 8 | 33 | 60 |
| | | 436 | 2,168 |
| Total current assets | | 3,456 | 6,110 |
| Fixed assets | | | |
| INTEREST BEARING | | | |
| Other long-term receivables | | 320 | 320 |
| NON INTEREST BEARING | | | |
| Shares and participations | Note 9 | 3,052 | 2,778 |
| Property, plant and equipment | Note 11 | 8 | 7 |
| Buildings | Note 11 | 6 | - |
| | | 3,066 | 2,785 |
| Total fixed assets | | 3,386 | 3,105 |
| Total assets | | 6,842 | 9,215 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| INTEREST BEARING | | | |
| Payables to subsidiaries | | 3,821 | 6,651 |
| NON INTEREST BEARING | | | |
| Payables to subsidiaries | | 229 | 4 |
| Accounts payable | | 7 | 11 |
| Other current liabilities | Note 12 | 42 | 155 |
| | | 278 | 170 |
| Total current liabilities | | 4,099 | 6,821 |
| Long-term liabilities | | | |
| INTEREST BEARING | | | |
| Payables to subsidiaries | | 320 | - |
| Total current liabilities | | 320 | - |
| Shareholders' equity | | | |
| | Note 15 | | |
| Share capital (28,066,038 shares at a par value of SEK 20) | | 561 | 561 |
| Statutory reserve | | 364 | 364 |
| Retained earnings | | 1,273 | 239 |
| Net income | | 225 | 2,423 |
| | | 2,423 | 1,230 |
| Total liabilities and shareholders' equity | | 6,842 | 9,215 |
| Assets pledged | Note 16 | 795 | 1,793 |
| Contingent liabilities | Note 16 | 4,572 | 4,514 |

Parent company statement of changes in financial position

| Amounts in SEK M | 1995 | | 1994 | |
|---|--------|---------------|--------|------|
| Funds generated by operations | | | | |
| Operating income before depreciation | -499 | | 250 | |
| Capital gains/losses/write-downs | 369 | | -317 | |
| Financial items | 189 | | 2,738 | |
| Group contributions/shareholder's contributions | 537 | | -1,756 | |
| Taxes | - | 596 | - | 915 |
| | | | | |
| Working capital | | | | |
| Change in current receivables | -1 | | 39 | |
| Change in current liabilities | -117 | -118 | -92 | -53 |
| | | | | |
| Funds generated by operations before investments | | 478 | | 862 |
| Investments | | | | |
| Shares and participations | - | | -771 | |
| Machinery and inventories | -3 | | -3 | |
| Property | -6 | | - | |
| Sales of shares and participations | 60 | | 341 | |
| Other | - | 51 | 5 | -428 |
| | | | | |
| Funds generated by operations after investments | | 529 | | 434 |
| Financing | | | | |
| Change in short-term promissory notes and bonded debt | - | | -3 | |
| Change in long-term receivables | - | | 5 | |
| Change in balance with subsidiaries | -1,040 | | -919 | |
| Capital contribution to subsidiaries | -703 | -1,743 | - | -917 |
| | | | | |
| Dividends to shareholders | | -196 | | -182 |
| Change in liquid funds | | -1,410 | | -665 |

Notes to the financial statements

Amounts in SEK M

Note 1 Operating revenues

| | Group | | Parent company | |
|--------------------------|---------------|---------------|----------------|------------|
| | 1995 | 1994 | 1995 | 1994 |
| Sales | 14,826 | 13,697 | 18 | 23 |
| Capital gains | 19 | 169 | – | 317 |
| Other operating revenues | 230 | 164 | – | 10 |
| Total | 15,075 | 14,030 | 18 | 350 |

The former Dialog is included in last year's sales figures as of July 1. When making comparisons, it should also be noted that Danish piping installation company Ludvigsen & Hermann A/S is included in the 1994 sales figures.

Capital gains reported for 1995 pertain to the sale of Ludvigsen & Hermann A/S. Capital gains for 1994 are primarily attributable to the sale of the 40-percent share in Safe Partners.

Other operating revenues consist primarily of revenues from licensing and commissions, rents and leasing income.

Note 2 Operating expenses

| | Group | | Parent company | |
|------------------------------------|---------------|---------------|----------------|------------|
| | 1995 | 1994 | 1995 | 1994 |
| Cost of sales | 10,219 | 8,097 | – | – |
| R&D costs | 2,341 | 1,982 | – | – |
| Administrative and marketing costs | 2,303 | 2,595 | 130 | 100 |
| Capital losses and write-downs | – | – | 387 | – |
| Total | 14,863 | 12,674 | 517 | 100 |

“Cost of sales” for 1995 includes restructuring costs pertaining to personnel reductions and an estimated necessary write-down of fixed assets, totalling SEK 607 M, arising from the Swedish Defence Forces' declared intention to implement cutbacks, as well as structural measures decided during the year. “Cost of sales” reported for 1994 includes restructuring costs of SEK 75 M. Operating expenses for 1994 have been favourably affected by utilization of a general risk reserve in an amount of SEK 217 M, to cover provisions for projects within CelsiusTech.

Parent company capital losses derive largely from the sale of the former Dialog to Celsius Information System.

Note 3 Depreciation according to plan and write-downs

| | Group | | Parent company | |
|---------------------------------------|------------|------------|----------------|----------|
| | 1995 | 1994 | 1995 | 1994 |
| Depreciation according to plan | | | | |
| Machinery and equipment | 352 | 327 | 2 | 2 |
| Ships and ship holdings | 57 | 56 | – | – |
| Buildings | 63 | 65 | – | – |
| Land improvements | 3 | 2 | – | – |
| Goodwill | 143 | 138 | – | – |
| Other intangible assets | 7 | 6 | – | – |
| Sub-total | 625 | 594 | 2 | 2 |

Continued on next page

Note 3
Depreciation
according to plan
and write-downs
(cont.)

| | Group | | Parent company | |
|------------------------------------|-------|------|----------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| Write-downs | | | | |
| Shares | - | 6 | - | - |
| Goodwill | 200 | - | - | - |
| Other intangible assets | - | 7 | - | - |
| Sub-total | 200 | 13 | - | - |
| Total depreciation and write-downs | 825 | 607 | 2 | 2 |

The write-down of goodwill in an amount of SEK 200 M pertains to Celsius-Tech Systems.

Note 4
Dividend from
subsidiaries

Dividend for the year, anticipated in the accounts, consists of a cash dividend from Celsius Industries in an amount of SEK 105 M and from Götaverken Arendal in an amount of SEK 75 M. Dividend was anticipated in the accounts for the preceding year too.

Note 5
Liquid funds

| | Group | | Parent company | |
|------------------------|-------|-------|----------------|-------|
| | 1995 | 1994 | 1995 | 1994 |
| Cash and bank deposits | 396 | 674 | 79 | 293 |
| Short-term securities | 1,848 | 3,095 | 1,239 | 2,435 |
| | 2,244 | 3,769 | 1,318 | 2,728 |
| Shares *) | 61 | 64 | 61 | 64 |
| Total | 2,305 | 3,833 | 1,379 | 2,792 |

*) A complete list is available on request from Celsius Corp. or from the National Patent & Registration Office.

Note 6
Other receivables,
interest bearing

| | Group | | Parent company | |
|-------|-------|------|----------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| Other | 501 | 469 | 494 | 463 |

The item includes a receivable from Eriksbergs Förvaltnings AB (real estate management). The receivable amounts to SEK 494 M (463).

Note 7
Inventories, net/
Advances
from customers

| | Group | |
|--------------------------------------|---------|---------|
| | 1995 | 1994 |
| Materials | 1,087 | 1,045 |
| Work-in-progress | 730 | 407 |
| Unfinished products | 14,035 | 14,126 |
| Advances from customers | -13,870 | -14,337 |
| Advances to suppliers | 757 | 1,266 |
| Total | 2,739 | 2,507 |
| Advances not employed in inventories | 2,216 | 2,558 |

Unfinished products includes SEK 9.0 billion (9.7) pertaining to 49 percent of the Australian Submarine Corporation's submarine contract.

Note 8
**Other receivables,
non interest
bearing**

| | Group | | Parent company | |
|-------------------------------------|--------------|--------------|----------------|-----------|
| | 1995 | 1994 | 1995 | 1994 |
| Accounts and notes receivable | 2,529 | 2,343 | – | – |
| Prepaid expenses and accrued income | 224 | 384 | 27 | 55 |
| Other | 412 | 305 | 6 | 5 |
| Total | 3,165 | 3,032 | 33 | 60 |

Note 9
**Shares and
participations,
Group**

| | No. of shares/ participations | Holding % | Par value in local currency (000s) | Book value (SEK M) |
|--|----------------------------------|--------------|---------------------------------------|-----------------------|
| Associated companies | | | | |
| Eriksbergs Förvaltnings AB | 45,000 | 45 | SEK 45,000 | 77.5 |
| Jasminia Shipping Ltd | 30,000 | 30 | USD 1 | 8.5 |
| Mjellem & Karlsen A/S | 2,500 | 25 | NOK 2,500 | 18.4 |
| Singapore Engineering Software Pte Ltd | 250,000 | 50 | SGD 250,000 | 2.4 |
| Ugland GVA Bulk K/S | – | 50 | NOK – | 22.8 |
| Total shares and participations in associated companies | | | | 129.6 |
| Other companies | | | | |
| Axtrade Inc | 10 | 50 | USD 1 | 2.0 |
| Blekingen AB | 41,667 | 7 | SEK 833 | 0.0 |
| BPA | 3,090,067 | 4.7 | SEK 24,721 | 41.7 |
| Cheddite France SA | 6,000 | 10 | FRF 600 | 15.4 |
| IG JAS AB | 10,000 | 20 | SEK 100 | 1.0 |
| Karlskoga Invest AB | 15,000 | 11 | SEK 1,500 | 6.0 |
| KS West Supply | – | 4 | – | 0.8 |
| Modulföretagen AB | 2,450 | 49 | SEK 245 | 0.7 |
| Primulus AB | 27,327 | 20 | SEK 2,733 | 12.5 |
| Raufoss A/S | 1,125,000 | 15 | NOK 22,500 | 182.2 |
| Uddevalla Invest AB (bankrupt) | 200,000 | 16.6 | SEK 20,000 | 0.0 |
| Volvo Aero Support AB | 49,500 | 9.9 | SEK 100 | 5.0 |
| Wah Nobel (Pvt) Ltd | 217,125 | 48 | PKR 5,645 | 22.6 |
| Åsby Service AB | 25,000 | 50 | SEK 100 | 3.0 |
| Others *) | | | | 2.8 |
| Leaseholds etc. | | | | 5.5 |
| Total shares and participations in other companies | | | | 301.2 |
| Total shares and participations | | | | 430.8 |

*) The above lists comprise the shares and participations of the Group. Less important shares and participations are reported under "Others". A complete list is available from Celsius Corp. in Gothenburg.

Continued on next page.

Note 9
Shares and participations, parent company

| | No. of shares/ participations | Holding % | Par value in local currency (000s) | Book value (SEK M) |
|---|----------------------------------|--------------|---------------------------------------|-----------------------|
| Subsidiaries | | | | |
| AB Celsius Finance | 25,000 | 100 | SEK 2,500 | 200.0 |
| Andeze AB | 500 | 100 | SEK 100 | 0.1 |
| Celsius Industrier AB | 11,000 | 100 | SEK 1,100 | 1,904.9 |
| Celsius Information System AB | 10,000 | 100 | SEK 1,000 | 444.2 |
| Celsius Invest AB | 1,720,000 | 100 | SEK 172,000 | 100.0 |
| Cromarty Ltd | 2 | 100 | IEP 0 | 12.3 |
| Förvaltnings AB Traven | 500 | 100 | SEK 50 | 0.1 |
| Götaverken Arendal AB | 3,000,000 | 100 | SEK 300,000 | 360.0 |
| Inorder AB | 15,000 | 100 | SEK 1,500 | 1.0 |
| Inorder Bygg AB | 6,000 | 100 | SEK 600 | 0.0 |
| Pearmens Mekaniska Verkstad AB | 200 | 100 | SEK 100 | 0.1 |
| Shipknow AG | 240 | 100 | CHF 240 | 0.6 |
| Specol AB | 500 | 100 | SEK 50 | 0.1 |
| AB Svensk Varvsindustri | 500 | 100 | SEK 50 | 0.1 |
| Vergo AB | 10,000 | 100 | SEK 1,000 | 1.0 |
| Total shares in subsidiaries | | | | 3,024.5 |
| Associated companies | | | | |
| Eriksbergs Förvaltnings AB | 45,000 | 45 | SEK 45,000 | 27.9 |
| Total shares and participations in associated companies | | | | 27.9 |
| Other companies | | | | |
| Blekingen AB | 41,667 | 7 | SEK 833 | 0.0 |
| Uddevalla Invest AB (bankrupt) | 200,000 | 17 | SEK 20,000 | 0.0 |
| Others *) | | | | 0.1 |
| Total shares and participations in other companies | | | | 0.1 |
| Total shares and participations | | | | 3,052.5 |

During the year, the shares in Bofors, Kockums, CelsiusTech, FFV Aerotech and Servanda (formerly Cityvarvet) were sold to Celsius Industries. In addition, the shares in Telub, Enator and Celsius Data (formerly Dialog) were acquired by Celsius Information System. With the exception of Celsius Data, these acquisitions have been reported at their book value.

The banking operations of the Celsius Group have been incorporated under AB Celsius Finance. Celsius Invest has acquired Celsius Inc., in the U.S.A., from the parent company.

In conjunction with these changes, shareholders' contributions have been made to Celsius Industries in an amount of SEK 1,905 M, Celsius Information System in an amount of SEK 444 M, Celsius Invest in an amount of SEK 100 M and to AB Celsius Finance in an amount of SEK 198 M.

*) The above lists comprise the shares and participations of the parent company. Less important shares and participations are reported under "Others". A complete list is available from Celsius Corp. in Gothenburg.

Note 10
Intangible fixed
assets

| | Group | |
|--------------------------------|--------------|--------------|
| | 1995 | 1994 |
| Goodwill | | |
| Acquisition value | 2,182 | 2,022 |
| Accumulated depreciation | -795 | -446 |
| Residual value | 1,387 | 1,576 |
| Other intangible assets | 39 | 31 |
| Total | 1,426 | 1,607 |

Residual value comprises goodwill arising from Celsius Corp's acquisition of companies that now form part of Celsius Industries, in an amount of SEK 323 M, and from companies now forming part of Celsius Information System, in an amount of SEK 599 M. Of Celsius Industries' goodwill of SEK 323 M, SEK 189 M derives from FFV Aerotech and SEK 134 M from CelsiusTech. To this must be added goodwill amounting to SEK 207 M arising in companies belonging to Celsius Industries, of which the greater part in CelsiusTech, in an amount of SEK 171 M. Total goodwill in Celsius Industries thereby amounts to SEK 530 M.

Goodwill in Celsius Information System, totalling SEK 599 M, is distributed among its companies as follows: Celsius Data (formerly Dialog) in an amount of SEK 279 M, Enator SEK 205 M and Telub in an amount of SEK 115 M. To this may be added goodwill of SEK 140 M arising in Celsius Information Systems in connection with the acquisition of Enator. Furthermore, additional goodwill arising in the companies of Celsius Information System amounts to SEK 117 M. Goodwill in Celsius Information System thereby totals SEK 856 M.

Note 11
Property, plant
and equipment

| | Group | | Parent company | |
|--------------------------------|--------|--------|----------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| Machinery and equipment | | | | |
| Acquisition value | 3,718 | 3,956 | 15 | 12 |
| Accumulated depreciation | -2,563 | -2,815 | -7 | -5 |
| Residual value | 1,155 | 1,141 | 8 | 7 |
| Ships and ship holdings | | | | |
| Acquisition value | 373 | 373 | - | - |
| Accumulated depreciation | -179 | -123 | - | - |
| Residual value | 194 | 250 | - | - |
| Buildings | | | | |
| Acquisition value | 2,267 | 2,268 | 7 | - |
| Accumulated depreciation | -1,150 | -1,106 | -1 | - |
| Residual value | 1,117 | 1,162 | 6 | - |
| Tax assessment value | 951 | 944 | 2 | - |

Continued on next page.

Note 11
Property, plant
and equipment
(cont.)

| | Group | | Parent company | |
|-----------------------------------|-------|-------|----------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| Land and land improvements | | | | |
| Acquisition value | 273 | 270 | – | – |
| Accumulated depreciation | -33 | -30 | – | – |
| Residual value | 240 | 240 | – | – |
| Tax assessment value | 278 | 278 | – | – |
| Construction in progress | | | | |
| Capitalized value | 120 | 50 | – | – |
| Total residual value | 2,826 | 2,843 | 14 | 7 |

Note 12
Other non interest
bearing liabilities
and provisions

| | Group | | Parent company | |
|---|-------|-------|----------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| Tax liabilities | 121 | 147 | – | – |
| Provision for future restructuring measures | 849 | 780 | – | – |
| Accrued expenses and prepaid income | 2,545 | 2,452 | 39 | 149 |
| Other current liabilities | 861 | 875 | 3 | 6 |
| Total | 4,376 | 4,254 | 42 | 155 |

Provisions for structural measures at year-end are distributed in amounts of SEK 779 M for Celsius Industries and SEK 70 M for Celsius Information System. Corresponding provisions made at year-end 1994 amounted to SEK 454 M for Celsius Industries, SEK 248 M for Celsius Information System and SEK 78 M for Celsius Invest. The increase of SEK 325 M in Celsius Industries is attributable to provisions made for structural measures related mainly to the Swedish defence resolution. These provisions, together with reductions decided during the year, amounted to SEK 607 M. Excluding the funds which Celsius Industries thereby utilized, Celsius Information System utilized SEK 178 M and Celsius Invest SEK 78 M of the provisions reported in the accounts at year-end 1994.

Note 13
Provision
for pensions

| | Group | |
|-----------------|-------|-------|
| | 1995 | 1994 |
| PRI pensions *) | 1,527 | 1,406 |
| Other pensions | 461 | 411 |
| Total | 1,988 | 1,817 |

*) The Pensions Registration Institute

Note 14
Taxes

| | Group | |
|--------------------------------------|-----------|------------|
| | 1995 | 1994 |
| Taxes payable | 72 | 58 |
| Deferred taxes | -13 | 47 |
| Share of associated companies' taxes | -1 | 7 |
| Total taxes | 58 | 112 |

At year-end, unutilized consolidated tax losses carried forward amount to SEK 4.4 billion (4.3). In connection with the standard taxation process, the Swedish Tax Authorities have withheld approval of tax losses totalling SEK 0.7 billion (0.9).

Furthermore, there are future positive tax effects to be added, arising primarily as a consequence of provisions made for structural measures amounting to c. SEK 0.8 billion – and for which no tax deduction has yet been made. Profits amounting to SEK 0.4 billion, arising when applying the “percentage-of-completion” method, have yet to be taken up as taxable income and will be neutralized by the utilization of tax losses carried forward. In connection with the proposed distribution of shares in Celsius Information System, consolidated tax losses carried forward are reduced in an amount of just under SEK 0.9 billion.

Note 15
Shareholders' equity

| | Share capital | Restricted reserves | Non-restricted reserves | Total |
|---|---------------|---------------------|-------------------------|--------------|
| Group | | | | |
| Opening balance | 561 | 717 | 2,784 | 4,062 |
| Transfer from non-restricted to restricted reserves | | 474 | -474 | 0 |
| Translation differences etc. | | -18 | -38 | -56 |
| Dividends | | | -196 | -196 |
| Net income | | | -494 | -494 |
| Closing balance | 561 | 1,173 | 1,582 | 3,316 |
| Parent company | | | | |
| Opening balance | 561 | 364 | 1,469 | 2,394 |
| Dividends | | | -196 | -196 |
| Net income | | | 225 | 225 |
| Closing balance | 561 | 364 | 1,498 | 2,423 |

Note 16
Assets pledged
and contingent
liabilities

| | Group | | Parent company | |
|--|--------------|--------------|----------------|--------------|
| | 1995 | 1994 | 1995 | 1994 |
| Assets pledged | | | | |
| Real-estate mortgages | 300 | 291 | – | – |
| Chattel mortgages | 1,340 | 1,357 | – | – |
| Accounts receivable | 16 | 16 | – | – |
| Mortgages in ships (including offshore units) | 222 | 322 | – | – |
| Blocked liquid funds and deposits | 817 | 1,809 | 795 | 1,793 |
| Other assets pledged | 7 | – | – | – |
| Total | 2,702 | 3,795 | 795 | 1,793 |
| Contingent liabilities | | | | |
| Guarantees | 734 | 926 | 166 | 323 |
| Guarantees for subsidiaries | – | – | 2,846 | 2,756 |
| Guarantee commitments FPG *) (including subsidiaries) | 31 | 35 | 1,560 | 1,435 |
| Other contingent liabilities | 105 | 78 | – | – |
| Total | 870 | 1,039 | 4,572 | 4,514 |

In addition to the contingent liabilities stated, Group business operations also involve guarantees pertaining to the completion of contracted undertakings.

*) *The Swedish Pension Guarantee Mutual Insurance Company*

Note 17
Full-time
employees,
salaries and
remuneration

| | 1995 | 1994 |
|--------------------------------------|---------------|---------------|
| Average number of employees | | |
| Sweden ⁾ | 14,551 | 15,013 |
| of whom women | 3,031 | 3,089 |
| Outside Sweden | | |
| Australia | 622 | 691 |
| Canada | 2 | 3 |
| China | 1 | 0 |
| Denmark | 42 | 658 |
| Finland | 107 | 110 |
| France | 30 | 33 |
| Germany | 88 | 82 |
| Great Britain | 34 | 33 |
| India | 0 | 4 |
| Japan | 5 | 11 |
| Korea | 2 | 0 |
| Malaysia | 4 | 2 |
| Netherlands | 42 | 25 |
| New Zealand | 9 | 7 |
| Norway | 250 | 225 |
| Singapore | 15 | 28 |
| U.S.A. | 677 | 683 |
| Total outside Sweden | 1,930 | 2,595 |
| of whom women | 307 | 321 |
| Total employees | 16,481 | 17,608 |
| of whom women | 3,338 | 3,410 |
| ⁾ of which parent company | 45 | 53 |
| of whom women | 22 | 21 |

Continued on next page.

Note 17
Full-time
employees,
salaries and
remuneration
(cont.)

| | Board and president | Other employees | Total |
|--|------------------------|--------------------|-----------|
| Salaries and remuneration, 1995 (Amounts in SEK 000s) | | | |
| Parent company | 6,969 | 16,870 | 23,839 |
| Subsidiaries in | | | |
| Sweden | 62,698 | 3,708,393 | 3,771,091 |
| Australia | 4,280 | 155,698 | 159,978 |
| Canada | 600 | 700 | 1,300 |
| Denmark | 1,383 | 19,681 | 21,064 |
| Finland | 2,024 | 34,402 | 36,426 |
| France | 802 | 9,933 | 10,735 |
| Germany | 7,849 | 36,285 | 44,134 |
| Great Britain | 708 | 8,024 | 8,732 |
| Japan | 2,780 | 2,430 | 5,210 |
| Korea | 311 | 269 | 580 |
| Malaysia | | 383 | 383 |
| Netherlands | 596 | 10,084 | 10,680 |
| New Zealand | 585 | 2,962 | 3,547 |
| Norway | 2,858 | 112,424 | 115,282 |
| Singapore | 1,024 | 6,479 | 7,503 |
| U.S.A. | 6,816 | 204,763 | 211,579 |
| Total subsidiaries | 95,314 | 4,312,910 | 4,408,224 |
| Total | 102,283 | 4,329,780 | 4,432,063 |
| Payroll benefits | | | 1,690,958 |

In accordance with a recommendation from Näringslivets Börskommitté (NBK) – The Industry and Commerce Stock Exchange Committee – the following information is made available concerning benefits received by leading executives.

Chairman of the Board

Remuneration: SEK 150,000. This sum refers to the annual remuneration paid to the Chairman, as approved by the Annual General Meeting. During the year, there was a change of Chairman. The present Chairman was appointed at the Annual General Meeting held on May 16, 1995, and has consequently received remuneration amounting to SEK 75,000 for the year.

President/CEO

Remuneration, salary and other benefits: SEK 2,397,785. Remuneration refers to part of the total remuneration paid to the Board of Directors, as approved by the Annual General Meeting. Moreover, the CEO retains the pension to which he is entitled by reason of his earlier position as President of the company, corresponding to 70 percent of the salary he was receiving at the time of his retirement, at the age of 60.

Note 17
Full-time
employees,
salaries and
remuneration
(cont.)

Termination of employment and severance pay: Should the Company decide to terminate the contract of employment, the Company shall be liable to pay all remuneration and benefits for a period of one year from the date of termination.

Other members of Group management

Pension: For other members of Group management, the rule generally applied is that the pensionable age is 60, after which 70% of the individual's final salary at the time of retirement is to be paid out until the age of 65. The standard pension is based on the scale applied to supplementary pensions for salaried employees (ITP). Furthermore, additional pension benefits are paid on that part of the annual salary which lies between the upper limit of the ITP supplementary pension scale and 50 times the basic amount, as calculated for national social security entitlements.

Termination of employment and severance pay: Should the Company decide to terminate the contract of employment, the Company shall be liable to pay all remuneration and benefits for a period of two years from the date of termination.

Note 18
Allocations

| | Parent company | |
|---|----------------|---------------|
| | 1995 | 1994 |
| Shareholder's contributions to subsidiaries | -750 | -493 |
| Group contributions paid | - | -1,649 |
| Group contributions received | 1,287 | 386 |
| Total | 537 | -1,756 |

Shareholder's contributions made to subsidiaries in 1995 refer in their entirety to Celsius Industries. Group contributions received in 1995 are distributed in the following amounts: Celsius Industries received SEK 811 M, Celsius Information System SEK 413 M and Celsius Invest SEK 63 M.

Celsius Industries



| Amounts in SEK M | 1995 | 1994 |
|---|--------|---------------------|
| Sales | 9,635 | 9,386 |
| – of which exports and sales outside Sweden | 3,251 | 3,558 |
| Income after net financial items | -659 | 784 |
| Average capital employed | 4,458 | 4,716 ¹⁾ |
| Return on average capital employed (%) | neg | 20 ²⁾ |
| Investments, capitalized | 401 | 337 |
| Orders received | 7,917 | 8,246 |
| Backlog of orders | 19,247 | 21,032 |
| Numer of employees at year-end | 10,650 | 10,771 |

1) Pertains to outcome on closing day. 2) Based on outcome on closing day.

Celsius Industries, comprising Bofors, Kockums, CelsiusTech and FFV Aerotech, is Sweden's leading defence industry group, with approximately 11,000 employees. The Group was formed on June 1, 1995, as an operationally independent sub-Group, organized under the parent company, Celsius Corp.

Operations and customer structure

The majority of Celsius Industries' activities (85%) are defence related, and comprise every stage of the project in question, from development to production (including test systems). Projects are conducted on behalf of the Swedish Defence Forces, as well as for international customers.

Celsius Industries' defence systems and products are geared to the needs of national governments. To a limited extent, products are also supplied to other defence industry contractors. Arms procurements are carried out on behalf of the Swedish Defence Forces by a Swedish government authority, FMV (Swedish Defence Materiel Administration), which accounts for c. 50 percent (45) of Celsius Industries' sales.

The greater part of the company's sales are within Sweden and have increased, compared with earlier, to 65 percent of total sales. Exports account for approximately a quarter of Celsius Industries' turnover.

Celsius Industries also comprises strictly commercial activities, which accounted for 15 percent of sales in 1995. These civil sector activities are gaining in

importance. The Kockums group of companies conducts civil ship repair operations, including ship conversions/refits, as well as heavy engineering activities such as the manufacture of rolling stock. Celsius Industries' military activities also generate civil-sector spinoffs. Its engagement in the vehicle-safety sector provides a typical example. Involving the supply of side-impact protection sensors to Autoliv, it has proved highly successful. Commercial aircraft maintenance activities, which have developed out of the military equivalent, are becoming increasingly important, especially following recent acquisitions. Test and support systems for the electronics industry, with Ericsson and ABB as major customers, have enjoyed continued growth. Techniques for measuring and calibrating instruments have also attracted a wide range of customers.

The defence companies of Celsius Industries have been a national force in hastening the structural rationalization the Swedish defence industry has undergone in recent years. Personnel cutbacks in the defence-related companies have exceeded 5,500 – about 30 percent of the workforce – since 1989.

The Swedish defence industry is well organized and the restructuring process has been implemented earlier than in many other European countries. Few areas are served by more than one domestic manufacturer. Almost all domestic development projects are conducted in close cooperation with the Swedish Defence Forces, which are well briefed on both the financial and technical details. Domestic competition is therefore primarily a question of the priority awarded to different projects.

However, when it comes to maintenance and technical services, the picture is not quite the same. There is competition in several areas, both between external suppliers to the armed forces and with the armed forces own maintenance and technical services.

Business concept and goals

Celsius Industries consists of a unique group of world-leading high-tech companies. The defence

market is and will continue to be of fundamental importance to business operations. The development of civil business based on core military technology and core expertise reflects a conscious dual-use strategy. The intention is to increase the percentage of profitable civil applications based on technology and know-how from core military-related activities. This improves the company's chances of retaining key expertise even with a shrinking military market.

Celsius Industries shall meet the Swedish Defence Forces' need of advanced defence materiel by supplying systems and equipment for the army, navy and air force. Celsius Industries shall also assert its global competitiveness with its high-tech products, backed by its expertise in systems integration.

Celsius Industries shall satisfy the Swedish Defence Forces' need of advanced technical services in areas of key importance to the latter, while also being responsible for the maintenance and modification of existing systems and defence equipment.

Celsius Industries' overall goal is to conduct business operations which are capable of sustaining long-term, consistent profitability.

The market

The international defence market, apart from that of South-East Asia, is shrinking. The U.S. is restructuring its defence industry, which is also determined to increase its global export efforts. Meanwhile, the Swedish defence budget is also gradually shrinking.

At present, there is little to suggest that this scenario will change over the next few years. The change in the global security situation combined with the strained finances of many countries have had a powerful impact in reducing defence budgets.

The countries of the OECD, which purchase approximately 90 percent of Swedish defence exports, are focusing increasingly on supplying their armed forces with technically highly advanced equipment. An increased commitment to quality favours the Swedish defence industry which, with its advanced technology products, is well equipped to compete on the international market.

Supplies to the Swedish Defence Forces comprise the greater part of Celsius Industries' sales, making the home market extremely important. In most cases, it is a prerequisite for defence exports, since customers want reference products. The most important export markets are the Nordic and West European countries, Australia, the U.S.A. and some Latin American and South-East Asian countries.

On the various export markets, the companies of

Celsius Industries meet stiff competition from the major international defence contractors, in particular West European and U.S. competitors. Competition on the home market is somewhat different in character. Until now, in line with Swedish defence planning policy, the research, development and production of priority defence materiel projects has been handled by the Swedish defence industry. However, there are now political signals to indicate that defence purchasing will in future be open to greater competition.

Countertrade has become an increasingly common element of international defence purchasing agreements. This involves an undertaking by the company or country selling the equipment to purchase products to a value corresponding to – or sometimes even exceeding – the value of the original order from the client country. Often, the counter-purchase comprises equipment components for the particular export project. In other cases, the countertrade may involve quite different product areas. In the same way, Swedish export companies often find themselves required to organize counter-purchase orders in connection with various export projects.

Orders

Orders received by the Celsius Industries Group amounted to SEK 8 billion for the year, a decline of approximately SEK 300 M compared with the preceding year. Defence-related orders have contracted by about SEK 800 M, corresponding to a decline to 74 percent (81) as a percentage of total orders. The majority of this decline in order volume derives from reduced orders from FMV (Swedish Defence Materiel Administration), whose share of the total order volume fell by 6 percentage units to 34 percent in 1995. It has not been possible to compensate for cutbacks in defence orders at home through increased export volumes. Furthermore, a number of export orders have been postponed. It has proved only partially possible to compensate for the decline in defence sector orders with civil orders, which nevertheless increased by more than SEK 500 M.

Earnings

Sales for the Celsius Industries Group rose by SEK 250 M to SEK 9.6 billion in 1995. This increase was attributable in its entirety to the Group's civil operations. Consequently, civil sector sales increased to 15 percent (13) of total sales.

Income after net financial items has declined sharply as a result of substantial provisions, and now amounts to - SEK 659 M (784). During 1994, a general

risk reserve of SEK 217 M has been utilized to meet provisions for projects within CelsiusTech. Less structural expenses of SEK 607 M and the write-down of goodwill in an amount of SEK 200 M pertaining to CelsiusTech in 1995, income for the period amounts to SEK 148 M. The sharp deterioration in earnings, apart from the aforementioned costs of restructuring and the write-down of goodwill, is attributable in its entirety to CelsiusTech Systems. The losses incurred by this company derive primarily from miscalculations in the costing of certain projects for which fixed prices had been agreed, in combination with structural measures and postponed order inflows. The provisions now made are expected to fully cover the work which remains to be completed in connection with these problem projects. No further costs are anticipated.

Celsius Industries reported net financial items amounting to SEK 216 M (211) for 1995. This has been attained thanks to a higher return on interest-bearing net assets, which declined by SEK 1.2 billion during the year.

Research and development

Celsius Industries is a high-technology company, all the way from design to production. Considerable resources are committed to R&D every year. Approximately 15-20 percent of sales committed to R&D, of which approximately 5 percent is funded from operations.

New projects often involve cooperation with the foremost experts in the field, in Sweden and elsewhere. There is also close cooperation between the defence industry and scientists at universities and institutes of technology. Technical advances are often used for entirely new applications, in civil sectors too. One example of this is the development of automotive pyrotechnology, where Bofors' know-how and experience from its core military operations has been successfully transferred to an area of keen commercial interest.

The Celsius Industries of today has a high level of technical competence. About 30 percent of the workforce are graduate engineers or have a high level of technical training.

Joint-venture projects

Bofors, Kockums, CelsiusTech and FFV Aerotech are world leaders in their selected niche markets. With their high level of technological competence, in product development as well as production, they have proved attractive partners to companies outside Sweden. However, if we are to engage in fruitful

cooperation with industries elsewhere, we must be able to refer to stable projects at home. There are several successful examples to which we can refer.

Kockums' largest single project, the Collins submarine project in Australia, is being conducted in close cooperation with an Australian partner in the form of a joint venture – the Australian Submarine Corporation – in which Kockums holds a 49-percent interest. Bofors is engaged in international cooperation with GIAT and Cheddite in France, Wegman Rheinmetall and DASA in Germany, as well as Raufoss in Norway. Celsius Industries acquired a 15-percent holding in Raufoss during the latter half of 1995, thereby becoming the largest shareholder in the company after the Norwegian State. The acquisition is an expression of Celsius' long-term interest in Nordic cooperation within the defence industry.

CelsiusTech is engaged in several international cooperation projects, including one with Transfield in Australia and New Zealand, involving advanced command-and-control systems.

Looking ahead

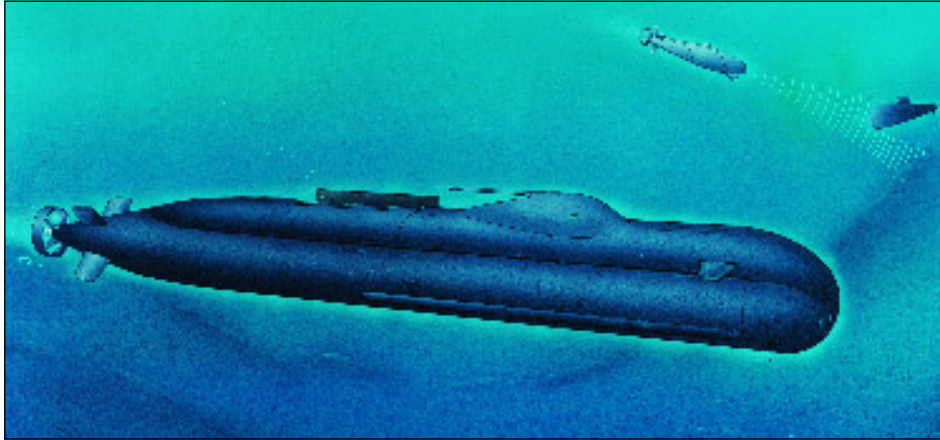
The domestic defence industry constitutes a significant part of Sweden's total defence concept, and is an important starting point for security policy planning. But Sweden is a small country, and Sweden's defence industry receives no orders for long production series from domestic customers. This situation is further worsened by periodic downturns in the flow of orders from the Swedish Defence Forces.

To secure production resources, to be cost efficient and to stay in the forefront of rapid technical development, the defence industry must therefore also be able to sell its products on export markets. The extent to which the export of Swedish defence materiel can be permitted is therefore based entirely on Sweden's overall national interests.

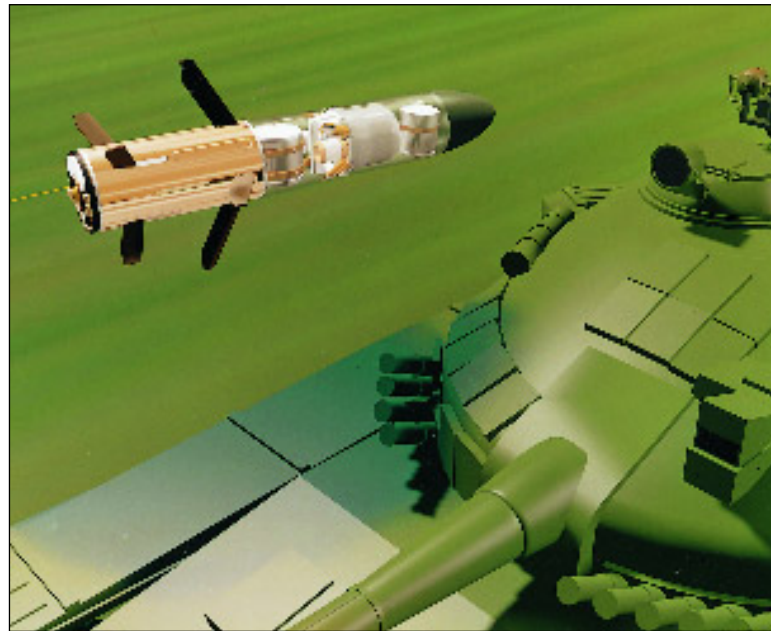
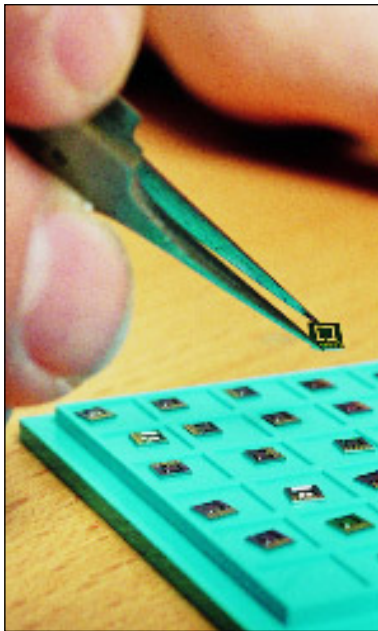
In line with Swedish defence planning, development and production of priority defence materiel projects are conducted mainly by the domestic defence industry. Fields of competence which the Swedish Defence Department defines as essential for a viable domestic defence industry are: electronic warfare, advanced stealth technology, submarine technology, aviation technology and the capacity to maintain and sustain the systems required by the military. The ammunition industry is to be subjected to more detailed analysis.

Three other points made in the Swedish defence budget proposal are:

“The Swedish defence industry's ability to supply

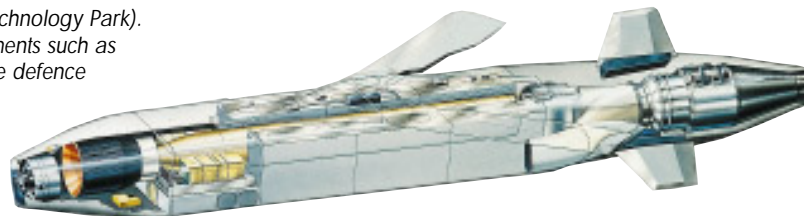


Development work on a next-generation Swedish submarine – Submarine 2000 (also called Project Viking) – progresses according to plan. This is one of the few large high-tech development projects currently being conducted in Sweden. The idea is that it should develop into a Nordic cooperation project.



Bofors is investing c. SEK 6 M in research and development at Chalmers Teknikpark (Technology Park). This new technology, featuring developments such as microsensor systems, will form part of the defence systems of the future (centre left).

Bofors' BILL 2 is an OTA (over-fly top attack) anti-tank missile with a double war-head arrangement (centre right).



The TAURUS KEPD-350 air-to-ground missile is a Bofors Missiles and Daimler-Benz Aerospace joint project (right).

high-tech products to the Swedish Defence Forces continues to be of considerable value in terms of Swedish defence and security policy.”

“The importance to the Swedish defence industry of cooperation with companies outside Sweden will grow in the years ahead. The Swedish Government attaches great importance to Nordic cooperation, as outlined in the Nordic framework agreement concerning cooperation in the defence materiel sector, which was signed in 1994.”

“A development towards increased cooperation between the Swedish defence industry and, preferably, European industry, is important.”

For Celsius Industries, as well as for other Swedish defence contractors, it is important that a percentage of Swedish defence allocations will continue, as earlier, to be directed towards research and development.

International competition is getting tougher all the time. Furthermore, the trend is towards increasingly high-tech solutions and integrated systems, which should strengthen the position of those manufacturers who are already established. Several large mergers have been completed in the U.S.A. In Europe, the defence industry is still in many respects fragmented, reflecting the geographical reality of many independent countries. To deal with the burden imposed by the reduced volume of orders, most manufacturers have been forced to make substantial cutbacks in costs and personnel, as well as embarking on a range of strategic alliances.

Swedish membership of the European Union offers long-term prospects of Swedish defence industry participation in this process. Often, this type of cooperation between defence industries is initiated in the form of inter-governmental agreements.

Defence resolution leads to extensive restructuring

Cutbacks of SEK 2 billion in the Swedish defence budget were determined in December 1995, to be implemented no later than 1996. In the period 1997 to 2001, defence expenditure is to be reduced in stages by a further SEK 2 billion, assuming that this remains compatible with security policy as applied at that time.

On March 4, 1996, the Supreme Commander presented the Swedish Government with a plan for Sweden’s joint armed forces, containing details of those projects to be prioritized in Sweden’s future defence forces. The Swedish Parliament is to decide on this plan in December 1996.

Celsius Industries has calculated the consequences of the Supreme Commander’s proposed cutbacks. The effects will be most pronounced at Bofors. One partial

consequence will be the disbanding of several regiments, which will severely affect subsidiary Bofors Explosives, among others. Furthermore, the cutbacks will threaten large development projects conducted by Bofors. They will, to a limited extent, also affect the other defence companies of the Celsius Group, although less severely than Bofors.

Celsius Industries deems that defence-related activities will be in need of extensive restructuring. Over the next few years, anticipated cutbacks are expected to lead to the loss of 1,000 to 1,500 jobs, with a proportionate reduction in production resources. The total cost of these restructuring measures, taking into account the scope of the cutbacks envisaged in the defence budget proposal, together with the cutbacks decided in 1995, is estimated at SEK 607 M. It is here assumed, however, that orders for future deliveries of propellants and explosives will be honoured, thereby securing long-term employment at Bofors Explosives.

Personnel cutbacks agreed during the year have affected some 400 employees. Kockums is cutting its workforce by 170, mainly administrative personnel. CelsiusTech has decided on reductions involving the loss of 140 jobs. Bofors Carl Gustaf has given notice to 60 employees at Vanäsverken in Karlsborg, the result of reduced ammunition orders.

Bofors

| Amounts in SEK M | 1995 | 1994 |
|---|-------|-------|
| Sales | 3,873 | 3,786 |
| – of which exports and sales outside Sweden | 1,057 | 1,143 |
| Investments, capitalized | 158 | 147 |
| Orders received | 3,120 | 4,047 |
| Backlog of orders | 9,096 | 9,850 |
| Number of employees at year-end | 4,533 | 4,505 |

Bofors develops, manufactures, markets and maintains advanced weapon systems for army, navy and air force, and has performed well in the face of fierce domestic and international competition. In December, Bofors received one of the year’s largest naval orders of its kind when the Brazilian Navy ordered the new 40 mm TRINITY anti-missile/anti-aircraft gun system for six frigates.

The order is an international breakthrough for the advanced TRINITY anti-missile/anti-aircraft gun system, also known as the 40 mm SAK-40 Mk 3. The order comprises deliveries of the automatically programmable 40 mm 3P multiple-target round.

The Brazilian order also signifies a breakthrough in the naval sector for this ammunition. Earlier during the year, the Swedish Defence Forces ordered 3P ammunition for the air-defence version of the CV 9040 combat vehicle.

The order means much to Bofors gun system operations over the next few years, and opens up the possibility of several future contracts in the naval gun sector.

Continued deliveries of the CV 90 combat vehicle, plus ammunition, are highly significant to capacity utilization at Bofors' gun and ammunition factories.

During the year, Bofors has gained a new customer for the BILL anti-tank missile system with the receipt of an order from the Brazilian Marine Corps. The order involves start-up of deliveries in 1996. At the beginning of 1996, Bofors also received an order from the Norwegian armed forces for the N HSDS anti-ship missile system.

In an extremely short time, Bofors has developed a mine-clearance vehicle which has attracted considerable international attention and already led to a first order.

Otherwise, development activities have progressed as planned. The 155 BONUS anti-armour shell, featuring sensor-fuzed submunitions, the BAMSE air-defence missile system, with its medium range and all-weather capability, and Torpedo 2000, are in all essential respects progressing according to schedule, despite their broad scope and technical complexity.

In the field of automotive safety, Bofors – thanks to successful cooperation between its subsidiary companies LIAB and BEPAB – has established itself as a competent supplier to Autoliv of sensors for side-impact protection systems.

At Bofors Weapon Systems and Bofors Explosives, extensive rationalization programmes have been initiated to achieve necessary improvements. The programmes established goals are to achieve substantial improvements as early as 1997.

Bofors Weapon Systems

Bofors Weapon Systems develops, manufactures and markets artillery, naval weapon systems, air-defence systems, ammunition, anti-armour weapons, mines, combat vehicle armaments and smart munitions.

Orders for the automatically programmable 40 mm 3P all-target 6 mode round from the Swedish Army and Brazilian Navy are extremely important. These two orders have firmly established the Division's unique, programmable ammunition in both army and naval environments.

The Brazilian Navy's decision to select Bofors

Weapon Systems ultra-modern TRINITY anti-missile/anti-aircraft gun system signifies a market breakthrough for this newly designed naval gun system.

Increased intensity in the marketing of the Division's anti-armour products – primarily the Carl Gustaf and AT4 weapons – have resulted in a market breakthrough in both Brazil and the U.S.A.

During the year, the Division decided to invest resources in the field of protection and mine clearance. This has already resulted in the first order for a mine-clearance vehicle – which was developed in a mere six months. The Division is also involved in discussions with several other customers.

Deliveries in connection with the CV 90 combat vehicle project, so important in maintaining a high level of capacity utilization, are progressing as planned.

Cost levels for the Division's current structure are too high. This fact, combined with the requirement that the Division reacts sufficiently quickly to implement measures to handle the partially negative effects of the current defence resolution, demands that the present structure be reviewed. To this end, a programme of measures designed to enhance competitiveness and profitability is being launched in 1996.

Bofors Missiles

Market development in the missile sector is still sluggish. The good news, however, is that the number of viable business opportunities has increased.

During the year, a decision has been taken to revise the pace of production for the RBS 70/90 air-defence missile system and the BILL anti-tank missile system. The Division's electronics production for civil customers has also been reviewed, with a view to further developing production competence.

Work on the BAMSE air-defence missile system project, highly important to the Division and to Bofors as a whole, passed a milestone during the year. Separation test firings have been carried out according to the development schedule, with good results.

Bofors Carl Gustaf

The inflow of orders has been good in 1995. During the year, the company has committed resources to several promising development projects.

Demand on the defence materiel market is expected to be lower in 1996. For Bofors Carl Gustaf, this will be most noticeable in the form of reduced orders for small arms ammunition.

Several projects have been launched to generate new business sectors in 1996 which can contribute to profitability and create new jobs.

The 40 mm TRINITY anti-missile/anti-aircraft gun system, which Bofors Weapon Systems will be supplying to the Brazilian Navy.



Karlskronavarvet is manufacturing ten KB 5 mobile bridge systems for delivery to the Swedish Army. The bridges are constructed of high-strength steel using new and highly advanced welding technology. This type of bridge can be erected by a seven-man team in a mere 75 minutes (below).



The STRIC command-and-control system developed by CelsiusTech Systems will replace the current Stril 60 system. CelsiusTech Systems is responsible for management, systems maintenance and technical support (above).

Deliveries of the CV 90 combat vehicle, so important to Bofors, are going according to plan (right).



As part of Kockums' production programme for its new series of submarines, the stern section of HMS Uppland was built by Karlskronavarvet. The stern section was then transported to Malmö by barge, where it was welded to the mid-section.



Bofors Underwater Systems

During the year, the earlier order from Pakistan for Torpedo System 43X2 led to a follow-up order for a further system, complete with launch tubes and a SPIDER fire-control system.

Underwater technology is awarded top priority in the proposal which is to form the basis for the next defence resolution.

Bofors Explosives

Bofors Explosives is still highly dependent on orders for double-base propellants for artillery charges for the Swedish Defence Forces. During 1995, the company has been able to retain its market shares, mainly in the civil segment, despite steadily stiffening competition. Bofors Explosives has achieved volume growth in its main field of business. Approximately half the company's order inflows and invoiced sales derive from export markets. Civil production levels are stable, especially propellants for hunting and sporting ammunition, and explosives – mainly for the oil industry. The level of capacity utilization has been good during the second half of the year.

Bofors LIAB

Large orders from Germany pertaining to the demilitarization of various types of ammunition have contributed to the company's good result. Negotiations with FMV (Swedish Defence Materiel Administration) concerning new 20 mm ammunition are in their final phase. LIAB will become a main supplier, in partnership with Norway's Raufoss. Deliveries, which are expected to start in 1997, will continue over at least the following five years.

Production of sensors for side-collision protection in vehicles is going very well, and additional resources have been committed to satisfy the demand for fast throughput.

At the turn of the year (1994/95), a decision was reached to commit additional resources to the demilitarization and recovery of munitions.

Civil production now accounts for more than 20 percent of sales. 1996 may well see continued growth. The company also sees further opportunities in the field of ammunition modification/conversion.

Bofors Industries

Bofors Industries, formed in June 1995, consists of six companies. Common to all these companies is the fact that they are small and that they are involved in products or subcontracting for the commercial market.

Kockums

| Amounts in SEK M | 1995 | 1994 |
|---|-------|-------|
| Sales | 2,766 | 2,765 |
| – of which exports and sales outside Sweden | 1,208 | 1,374 |
| Investments, capitalized | 117 | 92 |
| Orders received | 2,633 | 1,824 |
| Backlog of orders | 5,143 | 5,276 |
| Number of employees at year-end | 2,600 | 2,635 |

The Kockums group of companies develops, manufactures and maintains complete submarine systems and naval surface vessels, and provides marine and technical consulting services. The group also carries out advanced repairs on commercial vessels, upgrades railway coaches and tramcars and is engaged in the sale of computer systems to shipyards.

The submarine projects in Sweden and Australia have developed as planned. Feasibility studies and preliminary planning for the next generation of submarines is under way. Karlskronavarvet has signed an order for the next generation of "stealth technology" surface vessels, known as the YS 2000 project, which is also judged to offer considerable export potential.

Kockums Submarine Systems

The Swedish Navy's new Gotland-class submarine is the first series-built submarine in the world equipped with an air-independent Stirling auxiliary power plant, which enables the vessel to remain submerged for extended periods. The Stirling engine has been developed at Kockums and has been tested operationally over a period of six years by the Swedish Navy, installed aboard the Swedish Navy submarine Näcken.

HMS Gotland, the first of three vessels in the Gotland-class series, was launched in February 1995. Work on the other two submarines in this series, HMS Uppland and HMS Halland, is going according to plan.

An export version of the Gotland-class submarine, known as the T 96, has been presented to the international market and attracted considerable interest from several quarters. During the year, it has been marketed in countries where there is a clear need for new submarines. Although international competition is fierce, Kockums Submarine Systems is widely recognized for its advanced technology and cost efficient production.

Development work on a next-generation Swedish submarine – Submarine 2000 (also called Project Viking) – progresses according to plan. This is one of the few large high-tech development projects currently being conducted in Sweden. The idea is that

it should develop into a Nordic cooperation project. At present, work is focused on developing project specifications.

Australian Submarine Corporation

The order for six Collins-class ocean going submarines for the Australian Navy which Kockums received in 1987, via the joint-owned Australian Submarine Corporation, marked the company's international breakthrough on the submarine market. The first submarine in the series, HMAS Collins, was launched in 1994. Work on this vessel and the following submarines in the series has attracted considerable international attention and established Kockums as one of the few manufacturers of conventional submarines with export orders as well as commitments at home.

The second submarine in the series, HMS Farncomb, was launched in late 1995. Now that the first submarines of the series have been launched, the Australian Submarine Corporation (ASC) has now entered a new phase of the project. A platform is now being built up, in partnership with Kockums, to secure a leading position as a supplier of submarine and surface vessel systems.

Karlskronavarvet

Operations at Karlskronavarvet have been comprehensive and varied, comprising the building of submarine sections, YSB-series minehunters, coastguard vessels and mobile bridge systems, as well as the upgrade of Norrköping-class missile patrol boats and other naval maintenance projects. In the civil sector, the company is currently engaged in the construction of ro-ro vessels and contract production of items such as plastic nose cones for Swedish Rail's X 2000 high-speed locomotives.

For the company, the most important event of the year was the receipt of the YS 2000 order for the Swedish Navy. The order comprises two vessels with options on a further two.

Another noteworthy event was the receipt of an order to build a ro-ro vessel for transporting paper. Other work-in-progress includes the manufacture of ten KB 5 mobile bridge systems for the Swedish Army.

Kockums Holdings

Götaverken Cityvarvet has managed to maintain its positive trend of earnings of the past few years, despite fierce competition and depressed price levels in 1995. Capacity utilization has been good. In all, the company carried out repairs on almost 80 vessels during the year. Furthermore, there was a notable

increase in the volume of work carried out for land-based industries and customers.

Öresundsvärvet, with its favourable geographic position, has enjoyed positive business development. No less than 65 ferries and cargo vessels have docked for repairs or conversion during the year. The shipyard has also carried out service and repairs on some further 40 vessels, either in port or at sea.

GVA Consultants, active in the marine technology consulting sector, has further consolidated its market position, especially in the offshore sector. It has also been successful in its other key business sector – the construction of dry docks for ship repair.

In all, the company completed some 70 advanced assignments during the year. It also signed a contract which included a licensing agreement with Hauge-sund Mekaniska Verkstad, in Norway, concerning development and construction of a new concept for a semi-submersible oil and gas production platform for the Visund field.

Kockums Industries

Kockums Industries made a serious entry on the rail-bound traffic development scene in 1995, winning an order to modernize railway carriages and tramcars. One order, worth SEK 50 M, involves work on 60 heavy goods wagons for Swedish Rail, with an option on a further 180 wagons at an estimated worth of SEK 150 M. In early 1996, Kockums received an order from the Swedish National Rail Administration to design and manufacture four service vehicles for rail-track maintenance. The order, including an option on a further 26 service vehicles, is worth some SEK 100 M.

Kockums Computer Systems (KCS)

Kockums Computer Systems (KCS) continued to score new successes in 1995 with sales of its TRIBON computer system to the world's two dominating shipbuilding countries, Japan and South Korea. TRIBON is an information system for the design, building and repair of ships.

CelsiusTech

| Amounts in SEK M | 1995 | 1994 |
|---|-------|-------|
| Sales | 1,890 | 1,782 |
| – of which exports and sales outside Sweden | 794 | 887 |
| Investments, capitalized | 65 | 60 |
| Orders received | 1,336 | 1,666 |
| Backlog of orders | 5,188 | 5,740 |
| Number of employees at year-end | 1,771 | 1,899 |

CelsiusTech develops, manufactures and markets electronic systems and electronic equipment mainly for military but also for civil applications. Operations are conducted in three companies: CelsiusTech Electronics, CelsiusTech Systems and CelsiusTech IT.

CelsiusTech Systems' negative result in 1995 derives from shrinking margins, misjudgments in estimating the development costs of certain projects and the consequent cost of implementing necessary and substantial restructuring measures. The company has therefore focused on projects within its core business sectors: marine command-and-control systems and command-and-control systems for air defence. Rationalization has involved some costly measures, including cutbacks in personnel. An extensive review of the company's organization has been initiated in response to CelsiusTech Systems' sharp deterioration in earnings. The decision to wind up the parent company, CelsiusTech AB, is one example of measures taken to enhance efficiency and cut costs.

CelsiusTech Electronics shows a continuing favourable trend of business, with a solid inflow of orders.

CelsiusTech IT will be wound up, parts of the business being transferred to Celsius Information System. This move is designed to make more efficient use of the Celsius Group's combined resources within the field of information technology.

Transponder Tech i Skandinavien AB was acquired in 1995. CelsiusTech owns the company in partnership with Saab Dynamics and the Danish company, GP&C Global Support. The companies mean to coordinate their combined GP&C (Global Positioning and Communication) system know-how in satellite navigation and data communications, based on computer technology.

CelsiusTech Electronics

CelsiusTech Electronics develops and manufactures advanced optronics and electronics and is engaged in product areas and fields of technology awarded priority by the Swedish Defence Forces and by export customers. These include equipment for electronic warfare, sensors, communication systems and combat command/fire-control systems.

The company's key proficiencies are within systems know-how, signal processing, optronics, high-frequency technology and design and production technology. The company is in a comfortable position, with a good order backlog, new strategic opportunities and some promising commercial development projects.

In the sensors and countermeasures sector, the

BOL chaff dispenser – an airborne countermeasures system for deflecting hostile missiles – has enjoyed continued success, with a major follow-up order from the U.S.A. during 1995. A large order was also received at the end of the year for the BOY 402/403 flare dispenser for the JAS 39 Gripen multirole combat aircraft.

The first Swedish series order for the Pilot Mk 2 naval surveillance and navigation radar signified a breakthrough for the company in the field of stealth technology. Furthermore, the company received a strategically important order for a new type of minesweeping equipment from the Norwegian Navy.

CelsiusTech Electronics has long been well established in the field of airborne radio communications systems and, in 1995, received a further series order (Sub-series 2) for continued deliveries of the radio communication system for the JAS 39 Gripen.

The technical know-how developed by CelsiusTech Electronics for military customers also provides an excellent foundation for civil applications.

Investment in research and development has, among other projects, focused on an automotive radar research programme, which has led to the development of a "smart" system for automatic regulation of the speed of vehicles in relation to surrounding traffic.

CelsiusTech Systems

CelsiusTech Systems product areas comprise marine command-and-control systems, coastal defence systems and command systems for sea, land and air defence. Two major projects still dominate the orderbook: the ANZAC naval vessel project in Australia/New Zealand and the STRIC project, both of which extend beyond the year 2000. The ANZAC ship project involves the development and manufacture of a new-generation command-and-weapon-control system for ten newly built frigates.

The STRIC command-and-control system developed and manufactured by CelsiusTech Systems replaces the Stril 60 system, which dates back 30 years. STRIC comprises total systems responsibility for the development, manufacture and installation of a large number of command-and-control centres for the Swedish Air Force. Development of the system is going according to plan. The STRIC system is based on commercially available computers. The development of the system started in 1986, with the first partial delivery of the STRIC system in early summer 1995. On June 29, CelsiusTech Systems signed contracts with FMV (Swedish Defence Materiel Administration) concerning management, systems

maintenance and technical support for STRIC.

CelsiusTech Systems has initiated discussions with interested parties outside Sweden concerning possible forms of cooperation within the marine sector. The aim is to increase the company's effectiveness and to penetrate new markets.

FFV Aerotech

| Amounts in SEK M | 1995 | 1994 |
|---|-------|-------|
| Sales | 1,350 | 1,262 |
| – of which exports and sales outside Sweden | 192 | 154 |
| Investments, capitalized | 58 | 38 |
| Orders received | 1,188 | 1,123 |
| Backlog of orders | 484 | 612 |
| Number of employees at year-end | 1,731 | 1,732 |

FFV Aerotech dominates the military aircraft maintenance sector in Sweden. The company's largest single customer is the Swedish Defence Forces, which purchases maintenance services and for which it carries out modifications and provides technical services. The company also develops aviation-related systems solutions and is one of four companies comprising Industrigruppen JAS (the industrial consortium formed to build the JAS 39 Gripen, Sweden's new multirole combat aircraft). FFV Aerotech is here actively engaged in development of the aircraft's peripheral equipment, armament and maintenance systems.

There is also a substantial commercial market for FFV Aerotech in the form of aircraft maintenance services for airlines, the provision of various test systems for industry and armed forces, and the calibration and maintenance of measuring instruments.

The need for traditional military aircraft maintenance and technical support is expected to decline as a result of continuing cutbacks in the Swedish Defence Forces. Nevertheless, the rate of this decline is modest. New generation military aircraft systems, such as Sweden's JAS 39 Gripen multirole combat aircraft, are designed to require significantly less maintenance than their predecessors, however, which will also have an impact on FFV Aerotech's operations.

Modification work, technical consultancy services and collaboration on projects with other defence industries offer new potential, however. FFV Aerotech's business strategy is therefore based on long-term commitment, on developing and extending its field of competence as well as its operational base. The procurement of new and more complex defence

systems for the Swedish Army and Air Force also presents FFV Aerotech with new opportunities, given the skills and resources the company has built up in the aviation sector.

Avionics Division

The operations of the Avionics Division comprise electronics and armaments, the modification of systems and components and the development of training support equipment.

One of the key events of the year was the completion and delivery of AMPA (Arboga Antenna Measurement Facility) to the Swedish Defence Materiel Administration. The facility represents a unique resource for full-scale measurement of antennas used by aircraft, combat vehicles and small vessels.

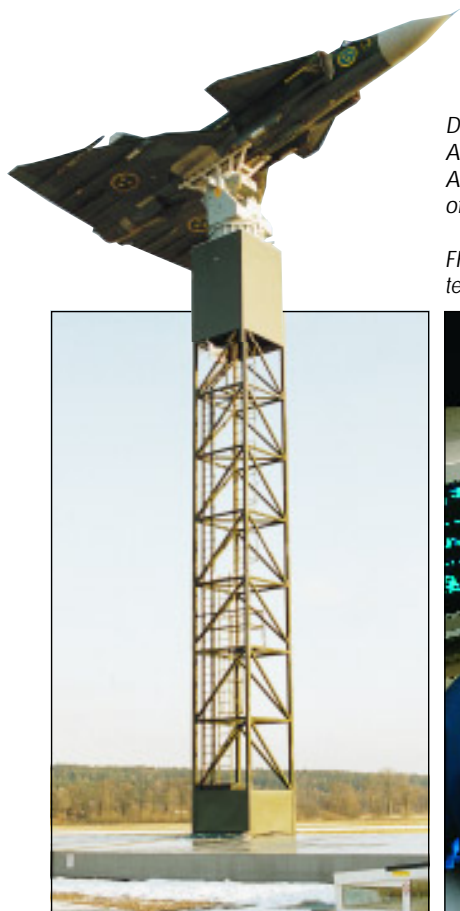
Aircraft Systems Division

The Aircraft Systems Division has concentrated mainly on the maintenance, upgrade and overhaul of components and equipment used in military aircraft and helicopter systems, as well as providing an extensive range of technical services in this sector. In conjunction with its aircraft maintenance activities, the Division has also been engaged in maintaining and, to a limited extent, manufacturing high-tech equipment for the Swedish Army and Navy.

The market for maintaining Swedish military components, as well as that for spare parts and technical services, has been stable throughout 1995. Work on building up resources for the advanced maintenance of helicopters is progressing according to plan. The medical equipment sector was another area which noted a favourable trend of earnings. Division products in this sector include stereotaxic instruments for brain surgery, fixation instruments for skeletal damage and the manufacture of Elekta Instruments AB's world famous "laser scalpels".

JAS Division

The Division is responsible for project management of FFV Aerotech activities relating to the JAS 39 Gripen project to develop Sweden's new multirole (fighter/attack/reconnaissance) aircraft. Operations are conducted by the company's Avionics and Aircraft Systems Divisions, as well as by its subsidiary, FFV Test Systems. These operations, which comprise the development of service and maintenance equipment, maintenance routine instructions and test programmes, and preparations for the future maintenance of JAS 39 Gripen aircraft, have proceeded as planned. Deliveries of maintenance equipment during the year have been



During 1995, FFV Aerotech completed and delivered AMPA (Arboga Antenna Measurement Facility) to the Swedish Defence Materiel Administration. AMPA is a unique resource for full-scale measurement of antennas used by combat vehicles, small vessels and aircraft (left).

FFV Aerotech's JA 37 Test Rig is used for fault detection as well as testing software and installation modifications (right).



implemented according to the agreed schedule.

Negotiations with FMV concerning a framework order to continue work on the JAS 39 Gripen project were started during the year.

FFV AvioComp

FFV AvioComp maintains and repairs aircraft components and subsystems for small and midsize passenger aircraft such as the Fokker F 28, Fokker 100 and Boeing 737. Serving airlines all over the world, the company offers a broad range of maintenance services, servicing undercarriages, propellers and hydraulics, mechanical components and avionics.

FFV AvioComp has for several years cooperated closely with Saab Product Support on maintaining the Saab 340, and with SAS Component Maintenance on maintaining the Fokker 50. FFV AvioComp has complemented its European market (where SAS is an important customer) by establishing itself firmly in other markets – such as the Far East.

The acquisition of the Dutch “line maintenance” company Airvo, based at Schiphol Airport, has continued to prove itself to be a good investment. During the year, FFV AvioComp also acquired the aircraft maintenance unit of KLM ERA Helicopters, a KLM subsidiary. This unit has subsequently been integrated with Airvo, and the entire operation is now conducted under the name FFV AvioComp Netherlands B.V.

During the year, FFV AvioComp also acquired the aviation engineering business of Transwede

Engineering. The contract includes an agreement to maintain Transwede’s fleet of aircraft over the next three years.

Notable items on the marketing side include the signing of new long-term maintenance contracts with KLM Cityhopper, Horizon Air and the Swedish airline, Skyways.

FFV Test Systems

FFV Test Systems handles test and support systems for design, production and maintenance for large manufacturers of advanced electronics, as well as military customers. Demand for consultancy services in the industrial testing sector continued to grow during 1995, especially from Ericsson and ABB.

The importance of the military market is declining, although capacity utilization in this sector remains stable. This is mainly the result of assignments related to the JAS project, although partly attributable to work on earlier aircraft systems.

FFV Mätteknik

FFV Mätteknik carries out repairs and calibration of computers and measuring instruments.

A number of relatively large service agreements have been signed during the year, including assignments from Telia and Volvo. These agreements mainly concern calibration. On the computer side, FFV Mätteknik has renewed several significant agreements with, among others, ABB.

Celsius Invest



| Amounts in SEK M | 1995 | 1994 |
|---|-------|-------|
| Sales | 1,140 | 1,459 |
| – of which exports and sales outside Sweden | 937 | 1,289 |
| Income after net financial items | 101 | 5 |
| Average capital employed | 1,345 | 1,273 |
| Return on average capital employed % | 13 | 5 |
| Investments, capitalized | 49 | 57 |
| Orders received | 1,188 | 1,407 |
| Backlog of orders | 451 | 592 |
| Number of employees at year-end | 1,019 | 1,573 |

In the developing Celsius Group, Celsius Invest was originally seen as the Group's business development company, whereby it also acquired a role as the Group's "restructuring company". This meant that Celsius Invest became responsible for most of the comprehensive restructuring to which all non-core operations inherited from the shipyard era were subjected, which had become part of the Celsius Group through numerous corporate acquisitions. During a few years of intense activity, Celsius Invest conducted the sale of more than 20 companies and the purchase of about 10 small and midsize companies.

During 1995, Celsius Invest has successfully completed its job of restructuring and is now an industrially focused sub-Group, active in four business areas: international commercial aircraft maintenance, materials technology, offshore engineering and niche companies in areas such as the environmental sector. The majority of these activities have three things in common: they are based on high-tech applications, they are generally international in scope and they enjoy favourable growth.

Business concept and goals

Celsius Invest shall, within its defined business areas, own and develop businesses – preferably with an international and high-tech emphasis – which offer long-term profitability and solid business potential, and can be operated on an industrial scale. At the same time, as and when required, Celsius Invest is to

function as the Celsius Group's platform for business development and change.

High pace of change maintained in 1995

The high pace of change within Celsius Invest has continued throughout 1995. As part of a broader strategy to consolidate operations, Celsius Invest sold its wholly-owned Danish piping-installation company Ludvigsen & Hermann, as well as its remaining 50-percent interest in Centralsug, and participated in a structural deal between industrial-service companies Skeppsankaret and Primulus (in which Celsius Invest previously owned 44 percent). Celsius Invest subsequently retained approximately 20 percent of the capital in the newly merged company, which now operates under the name Primulus.

Celsius Invest's operations in the field of materials technology have been strengthened with the completion of two structural deals. As of September, 1995, Celsius Materialteknik and Saab Military Aircraft merged their aircraft-materials oriented laboratories, thereby forming CSM Materialteknik, the foremost company of its kind in Sweden. Furthermore, in January 1996, Applied Composites acquired the military-oriented elements of Borealis Industries' composite operations in Ljungby.

As the result of an intra-Group agreement, effective January 1, 1996, Celsius Invest will in future be responsible for offshore operations as conducted by GVA, and which hereafter comprise one of Celsius Invest's four business areas. Following Celsius Corp.'s sale of its interest in Eriksbergs Förvaltning (EFAB) in March 1996, Celsius Invest acquired organizational responsibility for Elektra, a real-estate management company, a former subsidiary of EFAB which was transferred to Celsius as part of a business deal.

Earnings

Celsius Invest's 1995 earnings of SEK 101 M (5) are the best since this group of companies was founded. This good result is mainly attributable to two factors:

a significant improvement in operating income, which rose to SEK 59 M in 1995, and non-recurring gains mainly in the form of funds recovered from earlier write-downs of accounts receivable.

Commercial aircraft maintenance, which comprises the operations of three U.S.A.-based companies organized under and operated as part of Celsius Inc., has enjoyed extremely strong growth throughout 1995. Increased demand, the introduction of new test systems and the introduction of extensive cost efficiency measures have led to a sharp increase in the combined profitability of these companies. Sales from aviation-related operations in the twelve months ending December 31, 1995, amounted to SEK 876 M, corresponding to an increase of 30 per cent compared with the preceding year. The combined workforce for U.S. operations in 1995 totalled 689 employees, an increase of 22 compared with 1994.

During 1995, one of the companies – AeroThrust in Miami – started work on a very significant order concerning a five-year contract to maintain aircraft engines for the U. S. armed forces. Another of the companies – ASE in Minneapolis – has signed two strategic contracts to design wind tunnel facilities.

Materials technology operations, which comprise the activities of three wholly-owned and one 50/50 joint-owned company, are gathered to form the Celsius Materialteknik (CMT) group of companies. A comprehensive programme for business development and investment has been carried out in 1995, designed to increase series production capacity and enhance the level of earnings. These measures are expected to achieve their full impact in 1996. Sales have risen in 1995 and amount to SEK 114 M, corresponding to an increase of about 5 per cent compared with the preceding year.

Offshore operations, which derive from Celsius' earlier involvement in the shipbuilding industry, are conducted by Götaverken Arendal (GVA). As of January 1, 1996, the company was transferred to Celsius Invest. Already in 1995, however, Celsius Invest had acquired responsibility for managing and coordinating the business activities of GVA.

Götaverken Arendal handles management and development of the Group's investments in offshore and ship-related activities. At present, GVA is sole or part owner of four offshore rigs, all of which have been leased on long-term charters to the Brazilian oil company, Petrobras.

GVA also has interests in supply vessels and bulk carriers.

GVA reported sales of SEK 100 M (86) for 1995, with 3 (4) employees.

Niche companies refers to the environment-related activities of Götaverken Miljö, with its subsidiary Socrématic, as well as the engineering operations of Götaverken Motor and the forest-management company, Wikers. These companies report joint sales of SEK 150 M (127).

The future

The future development of the Celsius Invest group of companies is primarily dependent on market growth in the business areas in which it is involved. Subsequent to the completion of restructuring in 1995, today's Celsius Invest comprises high-tech industrial and service activities. The commercial aircraft maintenance and materials technology sectors are expected to continue to report favourable development in 1996. The general development of the offshore market is less easy to predict, although GVA's rigs have been leased out on long-term charters at good rates. As for the niche companies of Celsius Invest, no significant change in market demand is anticipated. Taken overall, the group of companies is expected to continue to positively contribute to Celsius Group earnings in 1996 as well.

Commercial aircraft maintenance

Celsius Invest has significant aviation-related activities in the U.S.A., in aircraft maintenance as well as the design of advanced test equipment and systems. In addition to the North American aviation market, Celsius Invest's U.S. companies also serve a large number of customers in other parts of the world.

Operations in the U.S.A., which are organized under the Washington DC-based subsidiary Celsius Inc., are conducted by AeroThrust Corp in Miami, Florida, FFV Aerotech Inc. in Nashville, Tennessee, and Aero Systems Engineering Inc. in St. Paul, Minnesota.

These U.S. operations, which have enjoyed strong growth over the year, have reported sharp increases in sales and profitability. The improvement is attributable to more favourable market conditions, increased investment in technology and the implementation of new business concepts, as well as the effect of cost efficiency measures. This positive trend is expected to continue in 1996.

AeroThrust Corp. carries out servicing and maintenance on all models of the P&W JT8D jet engine for civil and military operators of aircraft throughout the world. Far and away the most common jet engine for medium-range commercial aircraft, it is used to

power numerous types, including the Boeing 727 and 737, DC9 and MD80.

In addition to its maintenance and service assignments for external customers, AeroThrust also owns a relatively large number of jet engines which can be leased or purchased as replacement units for customers while their original units are in for overhaul. This business concept, "Engine Management", which has grown in importance in recent years, has proved a great success and has been a major contributor to the company's highly positive growth.

AeroThrust's strong development may also to a considerable extent be attributed to the general favourable growth of the commercial aviation market and to the major five-year maintenance contract the company signed with the U.S. armed forces at the end of 1994.

Notable among the company's major customers is ValuJet Airlines, an extremely fast-growing airline in the southeast of the U.S.A., as well as Aero Mexico and a number of Chinese airlines.

In 1996, this favourable trend is expected to continue, boosting sales and earnings.

The company, which has 269 employees, has sales of SEK 578 M (436).

FFV Aerotech Inc. focuses on component and hangar maintenance programmes for a range of commuter aircraft, turbo-props as well as jets. It also operates extensive painting facilities. The company has sales of SEK 110 M (97) and 219 employees.

FFV Aerotech Inc. has enjoyed solid growth in 1995 and expanded its market shares in a number of priority areas. This derives largely from the company's strategy of offering the market a broad selection of services. Both maintenance and painting sectors have enjoyed a high level of capacity utilization during the year.

The company signed a number of important maintenance contracts during the year. These include contracts with airlines such as Mesaba, Flagship, Atlantic Southeast Airlines and BASI, as well as manufacturers such as Saab, British Aerospace, JSX and Dornier.

Despite the current boom being enjoyed by America's regional aviation industry, with 15-percent growth in 1995, the market for small and medium-sized maintenance companies has been subject to stiff price competition. This is mainly because of a surplus of maintenance capacity in several geographical areas. Undeterred, FFV Aerotech Inc. has managed to boost sales by almost 25 percent compared with the preceding year.

Apart from general market growth in 1996, FFV Aerotech Inc. is counting on success in both the military aircraft component market as well as in the provision of maintenance services for larger types of aircraft than previously.

Aero Systems Engineering Inc. (ASE) develops, designs and manufactures test systems for jet engines, computerized measuring and control equipment, and mechanical equipment for the international civil and military aviation market. ASE's operations also comprise wind-tunnel technology and aerodynamic laboratory services. ASE has 195 employees and sales of SEK 186 M (194).

The past year featured a number of significant successes, especially in the wind-tunnel sector, where the company signed two contracts to design and build facilities for NASA/Boeing in the U.S.A. and for the Australian Maritime Research Laboratory. However, the "test cell" market (focused on computerized tests for a range of jet engine functions) noted somewhat weaker growth than expected. Nevertheless, this market is expected to note sharp growth when the engines for the new generation of Boeing 777 aircraft enter regular service during the coming year.

ASE conducts comprehensive in-company development of computerized test programs. During 1996, its in-house developed ASE 2000 program will be introduced on the market. The first commercial installation is to be carried out at sister company AeroThrust in the spring.

Given the successes already achieved in the wind-tunnel sector, added to considerable expectations for the new ASE 2000 test program, the company expects to increase sales and earnings as the market improves.

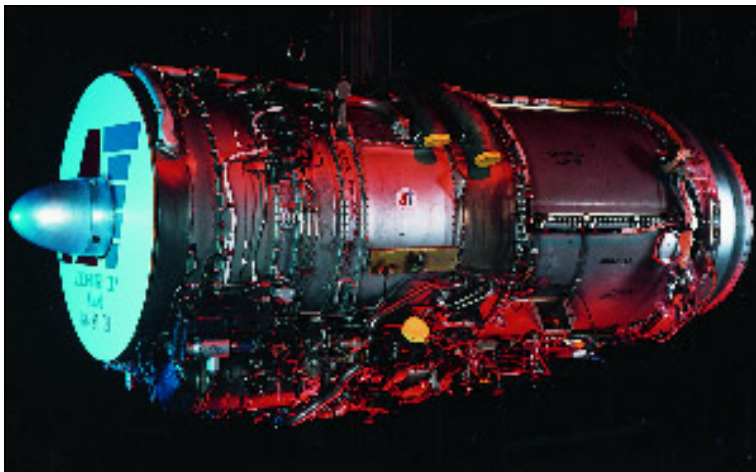
Materials technology

The companies forming the Celsius Materialteknik group develop and market advanced materials technology, services as well as products, to advanced military and civil customers. The guiding principle is to develop materials-technology solutions which make customers' products better, more profitable and safer than would be possible with conventional materials.

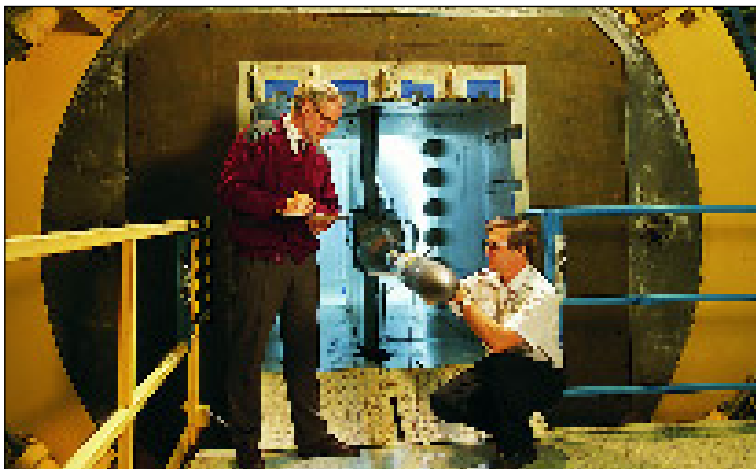
Celsius Materialteknik CMT is the parent company to the Celsius Materialteknik group, which currently comprises three wholly-owned subsidiaries – Applied Composites, Yttec and Celsius Materialteknik Karlskoga – as well as CSM Materialteknik, a 50/50 joint partnership with SAAB.



FFV Aerotech Inc. focuses on component and hangar maintenance programmes for a range of commuter aircraft, turboprops as well as jets. The company signed a number of important maintenance contracts during the year. These include contracts with airlines such as Mesaba, Flagship, Atlantic Southeast Airlines and BASI, as well as manufacturers such as SAAB, British Aerospace, JSX and Dornier (above).



AeroThrust Corp. carries out servicing and maintenance on all models of the P&W JT8D jet engine for commercial and military operators of aircraft throughout the world (middle).



During 1995, Aero Systems Engineering Inc. signed contracts to design and build wind-tunnel facilities for NASA/Boeing in the U.S.A. and for the Australian Maritime Research Laboratory (below).

The overall activities of the group are expected to expand sharply in 1996.

The group of companies is in an expansive phase of development. During 1995, the former Celsius Materialtekniklaboratoriet, in Linköping, was merged with SAAB's materials research laboratory, and now forms the 50/50 joint partnership, CSM Materialteknik. Applied Composites is sharply expanding its operations with the acquisition of the Ljungby-based military-oriented composite manufacturing activities of Borealis Industrier, as well as through investment in a new production line.

Several companies within Materialteknik group conduct extremely advanced R&D. At present, interest focuses on plastic and metal-based composites, advanced powder technology and more environmentally compliant surface-treatment techniques.

The operations of all group companies are strongly quality oriented and based on ISO 9001 and ISO 9002 norms. The group boasts several officially accredited measuring units, which handle a variety of technologies and systems.

Applied Composites, in Linköping, is one of the leading companies in Sweden in the field of advanced composites. Operations focus on the development and production of defence, industry and marine products, as well as repair technology. The company has sales of SEK 25 M (23) and 36 employees.

An automated manufacturing plant for fibre-wound products such as gun barrels, drive shafts and rollers was placed in operation in 1995. Applied Composites has also signed an agreement to take over the majority of Borealis Industrier's military-oriented operations at the beginning of 1996. These moves, combined with the rapid growth in demand for this type of product, are expected to generate sharply increased sales in the coming years.

Applied Composites is the international market leader in the manufacture of marine drive shafts from composites, and has also intensified marketing of its in-house developed rollers.

Applied Composites is actively engaged in a large number of military and commercial development projects, which include assignments for the aviation sector as well as involvement in projects such as Volvo Car Corporation's "Light Weight Design" study.

Yttac provides a range of conventional as well as several unique surface treatments, such as Nedox and Tuftram. The company's facilities are located in Katrineholm and Karlstad, the latter being one of the most modern plants in Europe for anodizing, chromium-

plating, zinc-plating and silver-plating. The company has 41 employees and sales of SEK 27 M (26).

Operations geared to the needs of customers in the automotive and mobile telephony industries have developed strongly during the year, generating several important orders.

In recent years, the new materials and methods employed in modern surface treatment technology have attracted increasing attention from the engineering industry. This trend is expected to continue and to acquire additional momentum in 1996.

Celsius Materialteknik Karlskoga (CMK) is a service-generating, knowledge-based company that provides services and products in three key areas: consultancy, shelf-life technology and materials-technology testing. Operations are geared primarily to supplying Bofors' need for services in, primarily, materials and shelf-life technology. The company has 25 employees and sales of SEK 17 M (17).

CMK also serves the demand for services within these specified fields of technology from other companies as well as the Swedish Defence Forces.

Despite the risk of a decline in demand, attributable to cutbacks in defence orders, CMK's long-term prospects are still deemed favourable. The need to monitor ammunition stocks and for commercial durability surveys (simulating the degree to which various products retain their original properties under changing conditions) is expected to grow. Materials technology testing and consultancy for commercial customers in the Karlskoga region is also judged to be a growth sector.

CSM Materialteknik was formed in September 1995 as the result of a merger between Celsius' Materials Technology Laboratory and SAAB Military Aircraft's materials and process technology department in Linköping. The company is owned jointly (50/50) by Celsius and SAAB. The merger is designed to make the company more competitive, while securing its materials technology expertise for the long term, for itself and for its principal customer, the Swedish Defence Forces. The company, which generated sales of SEK 30 M in the last four months of the year, has 115 employees.

CSM Materialteknik's operations focus on conducting surveys, certification, training, testing and counselling in the field of materials technology. Activities include work on metallic materials and polymers, composites, process and environmental technologies, durability, fuels and lubricants, and non-destructive testing.

Market demand for CSM Materialteknik's serv-

ices is positive, although long-term development in the defence sector is difficult to predict, given the threat of expected defence cuts. At the same time, however, demand from commercial customers such as Tetra Laval, Ericsson, Gränges and AGEMA Infrared Systems is growing.

Offshore

Götaverken Arendal, GVA became a wholly-owned subsidiary of Celsius Invest as of January 1, 1996. GVA is responsible for the management and development of Group investments in offshore and ship-related operations.

1995 saw continued expansion of the close cooperation the company has had over many years with the Brazilian oil company, Petrobras. This cooperation was initiated at the beginning of the 1980s, when Petrobras chartered one of the accommodation platforms delivered by GVA.

In early 1996, a part-owned (30%) subsidiary of GVA signed an agreement with Petrobras to convert and lease out an offshore rig on charter. To meet this requirement, the Louisiana (ex. Stadive) diving rig was acquired from Shell. In the first quarter of 1997, after extensive conversion, including replacement of the existing diving equipment with drilling equipment, the rig will start operating under a five-year contract to Petrobras. Its job will be to maintain existing drill holes. GVA's share of the order is worth about SEK 275 M.

As well as the Louisiana, GVA already had interests in three other offshore rigs, all of which are already under long-term charter to Petrobras. Since 1990, GVA has had a 30 percent stake in the Safe Jasminia accommodation platform, which was leased on contract to Petrobras following its delivery from the Arendal shipyard in 1982. The current seven-year contract with Petrobras runs out at the beginning of 1997.

Through its subsidiaries, GVA also owns the Petrobras XX (ex. Fortuna Ugland) and Petrobras XXIII (ex. Vinni) rigs, which are on a ten-year charter to Petrobras. The charter runs out at the end of this decade. Petrobras XX, previously an accommodation platform, has been converted to a floating production rig, with a capacity of more than 50,000 barrels of oil a day. For the past two years, the rig has been in operation on the Marlim oilfield, off the Brazilian coast.

Petrobras XXIII, delivered from GVA in 1985, is a drilling platform which Petrobras is planning to convert into an advanced deep-sea drilling rig with a Dynamic Positioning (DP) system. GVA is currently in the process of preparing a Basic Design

for the Petrobras conversion.

GVA's involvement in shipping consists of a 50-percent stake in the bulk carrier, *Glenita*, of 44,000 dwt. The vessel is operated worldwide, with twelve similar vessels, in a joint pool managed by the Norwegian Uglands Group.

GVA also holds a smaller stake in a Norwegian shipping line which operates supply vessels on the North Sea.

With the continued development of its current assets, added to new long-term investment in its field of operations, the prospects for GVA seem good.

Niche companies

In addition to its three business areas commercial aircraft maintenance, materials technology and offshore, Celsius Invest is also active in a number of areas which have been gathered under the umbrella "business area niche companies". This area includes an engineering company with its origins in the shipbuilding industry, environmental technology companies, a forest company and, as of March 1996, a small real-estate company. It also comprises minority interests in companies formed as the result of various structural deals, some of which are earlier wholly-owned Celsius Invest companies.

The subsidiary companies which comprise business area niche companies are Götaverken Miljö (with its French subsidiary, Socrématic), Götaverken Motor, Wikers and Elektra.

Götaverken Miljö, with its French subsidiary, Socrématic, focuses on the development and manufacture of flue-gas cleaning equipment and heat pump plants for local authorities and industry. Götaverken Miljö has 29 employees, and Socrématic 30. The two companies generate joint sales of SEK 103 M (87).

Götaverken Miljö's main product is high-tech flue-gas cleaning facilities for waste and sludge incineration plants, which can be supplied with or without an energy recovery system. The company has been a leading supplier in its field for some years now, and has built flue-gas cleaning facilities in Denmark, Belgium and Germany, as well as Sweden. In 1995, orders included a contract to construct a flue-gas cleaning facility for Europe's most up-to-date sludge incineration plant in Bitterfeld, Germany. Important projects completed during the year include the conversion of a flue-gas cleaning facility in Gothenburg, as well as the construction or conversion of heat pump plants in Helsingborg, Gothenburg and Karlstad.



Applied Composites is one of the leading companies in Sweden in the field of advanced composites. Operations focus on the development and production of defence, industry and marine products, as well as repair technology (top).

Advanced materials technology, including the quantifying of surfaces and objects, involves using an EDS – an Energy Dispersive X-ray Spectrometer – for metallic analyses (middle).

The Fuel & Lubricant Technology Department at CSM Materialteknik is one of the most advanced laboratories for the analysis of fuels, oils and lubricants in the Nordic region (right).



The company has invested heavily to retain its edge in R&D, to be certain it can meet the challenges posed by forthcoming changes (involving yet more stringent norms) in the EU's environmental legislation. Among other projects, the company has jointly developed a new mercury-reduction process for sludge incineration with Forschungszentrum in Karlsruhe and a German company, Uhde. During the year, Götaverken Miljö has also signed a contract for exclusive European licensing rights to an "ion blast emission unit" for dust reduction, for which patents are pending.

During 1995, the French subsidiary Socrématique has undergone extensive restructuring to gear operations more closely to market needs and thereby improve profitability.

Götaverken Miljö's business prospects are highly dependent on the degree to which environmental legislation is implemented in Sweden, as well as in the rest of the EU. The market potential of the type of facilities developed by the company is considerable, although short-term market growth is difficult to predict.

Götaverken Motor works with advanced machining and assembly of heavy components as a "production partner" for external engineering industries. The company serves customers throughout northern Europe, with manufacturers of diesel engines comprising the most prominent group.

Götaverken Motor has 72 employees and sales of SEK 41 M (34).

The company noted a steady inflow of orders in 1995, doubling the orderbook compared with 1994.

Further modification of operations in line with the "production partnership" concept is expected to secure Götaverken Motor's continued growth in 1996.

Wikers owns and manages about 11,000 hectares of forest in Bergslagen, the heart of Sweden's black country. The largest piece of land includes the Bofors firing range and testing ground, making the company of strategic value to the Celsius Group. Wikers also manages forest areas for FFV Aerotech and Bofors Explosives, which are also used for similar purposes. Sales total SEK 6 M (6), and the company has 4 employees.

As well as leasing land, Wikers is also involved in normal forestry activities, the sale of timber and revenues from hunting and fishing rights yielding an acceptable long-term return.

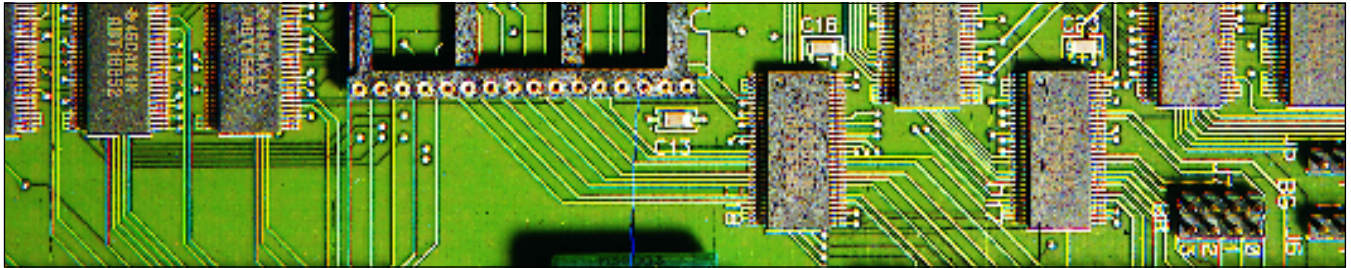
Following the implementation of cost efficiency measures, Wikers is now more flexible than earlier

and can adapt felling to meet current demand.

Fastighets AB Elektra (real-estate management) was transferred to Celsius Invest in April 1996 in connection with Celsius' divestment of its minority interest in Eriksbergs Förvaltnings AB.

Elektra owns and manages seven office and industrial properties in southern Sweden, concentrated mainly to the province of Skåne. Through its subsidiary C.C. Ejendomme A/S, the company owns and manages three office and industrial properties in Denmark, and has interests in two apartment buildings. Sales amount to SEK 14 M (17).

Celsius Information System



| Amounts in SEK M | 1995 | 1994 |
|---|-------------------|---------------------|
| Sales | 4,067 | 2,856 |
| – of which exports and sales outside Sweden | 415 | 334 |
| Income after net financial items | 206 ²⁾ | 85 ¹⁾²⁾ |
| Average capital employed | 924 | 1,036 ³⁾ |
| Return on average capital employed (%) | 24 | – ⁴⁾ |
| Investments, capitalized | 116 | 90 |
| Orders received | 4,155 | 2,918 |
| Backlog of orders | 1,780 | 1,565 |
| Number of employees at year-end | 4,526 | 4,644 |

1) A restructuring reserve of SEK 206 M, for which provision was made in the acquisition analysis, has been included in Dialog's net result. 2) Depreciation on goodwill arising from acquisitions which now form part of CIS have been charged against earnings at Celsius AB's group level, in an amount of SEK 56 M (1995) and SEK 13 M (1994) respectively. 3) Pertains to outcome on closing day 4) Not calculated due to the comprehensive change in the structure of the company.

At the Annual General Meeting in June 1996, the Celsius Board is recommending that the shares in Celsius Information System be distributed to the shareholders and that the company be introduced separately on the Stockholm Stock Exchange on June 24, 1996, under the name Enator. Celsius Information System will therefore be presented in a special prospectus, containing extensive financial information. Consequently, the following text provides only a brief description of the company and highlights events of particular significance from the 1995 financial year.

Celsius Information System (CIS) was formed as the parent company for Telub, Dotcom, Enator and the former Dialog. On June 1, 1995, CIS became an operationally autonomous sub-Group of the parent company Celsius Corp.

CIS is one of the leading IT groups in the Nordic region. It focuses on efficiency enhancement and renewal of customers' business and operational procedures, as well as infrastructures, using IT solutions.

The activities of CIS span proficiencies, services and products in all principal areas of the IT market:

IT management, systems solutions, applications, infrastructures and platforms, together with operational services.

CIS holds a strong market position in trade and industry as well as the public sector.

Business concept and goals

Leader in IT solutions in Nordic region

CIS is involved in efficiency enhancement and renewal of customers' business procedures and infrastructures, using IT solutions. CIS gears its response to the customer's needs and the user's actual situation, offering solutions based on modern technology and leading products.

CIS' goal is continued growth and high profitability. Over the next few years, CIS aims to generate annual organic growth of 8-10 percent in volume. Its long-term goal is to secure a profit margin of 6-7 percent.

Market

Product and service segment

CIS ranks among Sweden's leading consulting firms in areas such as technology, EDP, telecommunications and IT management. In communications – one of the fastest-growing segments of the market – CIS owns Komnet, the biggest computer network in Sweden, and has operator status in a number of fixed communications links and telephony services. CIS is also the market leader in LANs (Local Area Networks) and the second-biggest operator in PABXs. CIS also controls strong market positions in the fast-growing Internet and multimedia fields.

In the increasingly standardized applications field, CIS holds a position as the biggest software house in the Nordic region. It is a dominant player in applications for public-sector enterprises and among the leaders in financial management systems for trade and industry. CIS is also one of the biggest retail suppliers of Microsoft products in Sweden. In the information and document-processing field, too, CIS has a leading position, now that the trend of the

market is increasingly towards the use of standardized products.

Finally, CIS has one of the biggest data-processing centres in Sweden and is one of the leading market players in outsourcing.

Customer segments

Measured in volume, the public sector is a relatively stable market, but one that is in the throes of radical change. To meet demands for rationalization and cost-saving, IT is an essential means of operational support. CIS today holds a very strong position in this highly competitive market.

The trade and industry sector, which is by far the largest market, has shown growth in virtually all product and service segments. This is CIS' biggest customer segment and strongest growth sector.

The defence market is experiencing steady reductions in appropriations, but is prioritizing IT systems as applied to command-and-control and communications systems. At the same time, there is a demand from other markets – mainly government agencies, but also trade and industry – for the proficiency that CIS has built up in the defence market.

Operations by CIS abroad today comprise product and service exports on a minor scale, as well as the activities of Enator subsidiaries. These will form a platform for expansion into the Nordic market.

Orders and cooperation agreements

During 1995, Celsius Information System has signed contracts worth c. SEK 4.2 billion, an increase of about SEK 1.2 billion compared with the preceding year. The former Dialog, however, was included in the consolidated accounts only for the latter half of 1994. If the whole of 1994 is included in the comparison, the increase is c. SEK 370 M, corresponding approximately to 10 percent.

Notable large orders included the signing of a contract to supply and install the Respons personnel administration system throughout the Stockholm County Council administration. The contract is estimated to be worth SEK 180 M over a five-year period. CIS has also signed a strategically important "IT-partnership" agreement with the business travel agency, Nyman & Schultz Affärsresor, concerning operation, maintenance and development of the agency's IT system.

In the defence sector, CIS' subsidiary Telub has signed a four-year agreement with FMV (the Swedish Defence Materiel Administration) to operate and maintain the Swedish Air Forces's air defence cen-

tres. The project is worth c. SEK 120 M.

Furthermore, Telub has signed a contract with the Öresund bridge consortium to design control and communication systems, in association with a Danish firm.

During the year, Celsius Information System signed a joint-venture agreement with the Swedish Post Office concerning cooperation in the field of electronic commerce. A further agreement was signed with Telia concerning the joint development of new business projects.

Acquisitions

During the year, Celsius Information System has acquired further shares in Enator (about 30 percent) and now controls more than 99 percent of the share capital.

At the beginning of 1996, Celsius Information System acquired computer company Adedata, one of the leading suppliers of financial administration systems to trade and industry. Celsius Information System already has a commanding position as a supplier of financial administration systems to local authorities and county councils. This acquisition further consolidates its position as a supplier to the business sector too.

Sales and earnings

Celsius Information System reported sales of c. SEK 4.1 billion for 1995, an increase of c. SEK 1.2 billion compared with the preceding year. It should here be noted, however, that the former Dialog was acquired in July 1994. Adjusted for direct comparison, this corresponds to an approximate net increase of SEK 350 M, or just over 9 percent.

CIS reports an income of SEK 206 M after net financial items, corresponding to a profit margin of slightly above 5 percent.

Business activities originating in the operations of the former Dialog have reduced costs by trimming personnel resources, generating a substantial improvement in profitability.

The defence market declined, adversely affecting the level of earnings on Telub's business activities.

Conversely, strong demand from trade and industry has fuelled strong growth within Enator's business operations, to produce a more robust profit margin.

The sharp growth noted by the data communications market boosted market leader Dotcom's volume growth. However, the launch of a new generation of PABXs, in combination with this sharp rate

of growth, initially depressed margins.

CIS enjoys healthy cash flows. Return on capital amounts to 24 percent.

Looking ahead

The IT industry features a high rate of development and change. Predictions about the future must therefore rely on the indications of a few clearly defined trends.

The Internet and Multimedia

Internet and World Wide Web technology will continue to develop. An ever-increasing proportion of information flows, transactions, orders, payments, help desks, software distribution etc. may be conducted via the Internet. Aspects to be addressed in the immediate future are security, payment transactions and data transfer capacity.

The Internet is also one of the driving forces behind rapid growth in the multimedia sector, which has expanded sharply thanks to the growing integration of data communications and telecommunications, increasing data transfer capacity and the development of other technology.

CIS is at the forefront in the Internet and multimedia sectors and has formed a new company that has already become a major player in this market.

Telecommunications

The development of telecommunications represents a very strong driving force in the overall IT market. Integration of telecommunications and data communications – for example, in the form of computerized telephony – has opened up a range of brand-new business opportunities. Support can be centralized and decentralized via “Call Centres”, customer service can be automated and improved, fax-back services are creating new opportunities, and new business ideas can be realized, such as phone banking.

Mobile and cordless telephony are other growth sectors that are fuelling innovation and creating new possibilities.

Telecommunications will expand powerfully and will continue to be a strong driving force in the field of IT.

CIS is well-equipped in this sector. The wide-ranging competence comprised by the organization offers CIS several unique opportunities to maintain its position as a leading supplier in this field.

Outsourcing, services and support

IT systems are becoming increasingly complex and

business-critical, involving rising service and support costs.

The idea of contracting an external partner to handle services and support has consequently become increasingly attractive. Some are convinced that this market will expand strongly over the next few years.

This is an important area for CIS, whose broad range of products and services is a key strength.

Market areas

As CIS' operations become increasingly integrated, we have chosen to describe them according to market area, rather than as legal entities.

IT management

The CIS subsidiaries mainly involved in the IT management segment are: Trigon, Celsius Komcis and Concis.

IT management is IT applied on the strategic level. In this, the most important questions are how IT may be used to help the organization develop its procedures, operations and business concepts.

IT management accounts for a minor share of total CIS sales, but is important to be able to offer customers a full range of services.

CIS has broadly-based operational knowledge of all sectors in which the Group is active. At the same time, CIS has at its disposal in-depth knowledge of technology, which is essential both for ensuring that the IT strategy developed is realistic and that it may then be implemented in practice.

Systems solutions

The subsidiaries of CIS that are engaged mainly in the Systems solutions sector are: Enator ADB, Enator Teknik, Enator Utland, Celsius IT Tjänster, Celsius Information & Media and Telub Systems.

Despite increased standardization, there is considerable demand for customized systems and extensive adaptation of standard applications. At the same time, there is a rising requirement for the ability to integrate customer-unique systems with the customer's other IT system or systems.

Systems solutions is one of CIS' biggest segments, with more than a thousand consultants in operations, EDP and technology. This expertise spans a very wide area of technology and customer operations.

Applications

The CIS subsidiaries that operate mainly in the Applications segment are Celsius IT System and Adedata.

The clearest trend in the Applications segment is the rising level of standardization.

Another distinct trend is the shift in focus of IT applications: no longer mere administrative support, IT applications are now used to support core operations as well.

CIS, the biggest software house in the Nordic region, offers a more or less comprehensive range of applications, including systems for personnel administration and payroll management, financial management, materials planning and management information. Industry-specific software includes products developed for municipalities, the health-care sector, the defence forces, the real estate sector and the press. These products also feature a high degree of standardization.

With its acquisition of Adedata in January 1996, CIS has strongly consolidated its positions in the trade and industry sectors vis-à-vis financial management, personnel administration and payroll management and real estate management systems.

The range of products and services on offer is also being extended further through collaboration with world-leading suppliers, enabling CIS to offer systems for electronic commerce, for example. In its capacity as a Microsoft Master Reseller, CIS also markets the entire Microsoft range of software for personal computers.

Infrastructures and platforms

The CIS subsidiaries that operate primarily in the Infrastructure Segment are Telub Communications, Dotcom and Celsius Teleanläggningar.

Data communications and telecommunications are far and away the fastest-growing segments of the IT market right now. Telecommunication is the driving force, technologically as well as financially, behind the development of the industry as a whole. Applications which integrate data communications and telephony in different ways are becoming increasingly common.

Standardization is another line of development that has maintained its momentum. In IT systems, hardware and software are both being based more and more on standard components, favouring customers through open systems, lower costs and greater flexibility.

CIS offers a comprehensive range of products and services in all parts of the infrastructure and platforms segment. The company is one of Sweden's biggest players in data and telecommunications and has acquired operator status for the provision of fixed

links and telephony services. CIS incorporates Komnet, a nationwide data transmission network which – with 65,000 users – is the largest private network in Sweden.

Wide Area Networks (WANs) are supplemented by expertise in Metropolitan Area Networks (MANs). Through Dotcom, CIS is a market leader in local area networks and markets both products and installation.

CIS, through Dotcom, is also one of Sweden's leading suppliers of telephone switches, with a product range spanning systems with a few connections to those with thousands. CIS is also Sweden's biggest supplier of telecommunications consulting services, via Telub Communications.

Telecommunications contracting, which includes planning and pre-project design for, in many cases, very extensive communications systems, is another of CIS' operational areas.

Operational services

The CIS subsidiaries that are mainly active in the Operational services segment are Celsius IT Produktion, Celsius Driftsentreprenader and Celsius Komnet.

In the past few years, the operational services segment has been subject to dramatic changes. The trade and industry as well as public sectors are concentrating on their core businesses, while the management of computer resources, networks etc. is increasingly being delegated to external partners.

CIS has one of the biggest data-processing centres for mainframe computers, as well as a large-scale "hardware hotel", where customers install their computers and hand over management and maintenance to CIS. This also applies to client/server systems.

CIS has considerable resources for hardware and software support and is therefore able to assume total management responsibility for all aspects of the customer's IT system.

Proposed distribution of earnings

Group

The net income for the year amounts to –SEK 494 M. Non-restricted equity, as reported in the consolidated balance sheet, amounts to SEK 1,582 M. It is proposed that SEK 14 M be transferred to restricted equity. It is further proposed that SEK 201 M of non-restricted equity be distributed in the form of shares in Celsius Information System. Non-restricted equity will thereafter amount to SEK 1,367 M.

Parent company

The following earnings are placed at the disposal of the Annual General Meeting:

| | |
|-------------------------|--------------------|
| Retained earnings (SEK) | 1,272,700,538 |
| Net income (SEK) | <u>225,372,052</u> |
| | 1,498,072,590 |

The Board of Directors and President propose

that all shares in Celsius Information System AB, which is changing its name to Enator AB

(Corp. ID No. 556052-7466), are distributed to

shareholders at book value

444,150,290

that unappropriated earnings be carried forward (SEK)

1,053,922,300

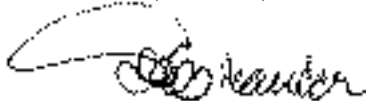
1,498,072,590

Celsius Corp.'s share capital amounted to 561,320,760 on March 13, 1996, distributed among 28,066,038 shares. The number of shares in Enator AB will, on record day, be equal to those in Celsius Corp., so that each share in Celsius Corp. carries the right to a share in Enator AB.

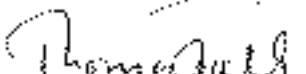
Those included in the Celsius share register on record day, or in the associated special register, and who are thereby entitled to receive a dividend will receive, free of payment, shares in Enator.


Assuming the Annual General Meeting to be held on June 12, 1996, approves the Board of Directors' proposal, the Celsius share will be quoted exclusive of the right to receive shares in Enator on June 13, 1996. VPC (Swedish Securities Register Centre) expects to be able to distribute notification of ownership of securities pertaining to shareholdings in Enator, subsequent to the distribution of such shares, as of June 20, 1996. Enator's shares are expected to be quoted on the "O" list of the Stockholm Stock Exchange, with effect from June 24, 1996.

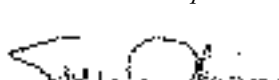
Stockholm, March 13, 1996


Sten Wikander, Chairman


Jane Cederqvist


Thomas Falk



Bjarne Holmqvist

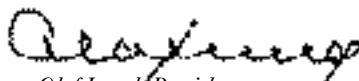

Sven Olving


Kerstin Stenberg


Bengt Antoniusson


Börje Green


Lars Höök


Olof Lund, President

Auditors' report of Celsius Corp. (publ)

We have examined the annual report, the consolidated financial statements, the accounting records and the administration of the Board of Directors and President for the 1995 financial year. Our examination was conducted in accordance with generally accepted auditing standards.

Parent company

The annual report has been prepared in accordance with the Swedish Companies Act.

We recommend that the Annual General Meeting

- adopt* the income statement and balance sheet,
- deal* with non-restricted earnings in accordance with the proposal in the administration report and
- discharge* the members of the Board of Directors and the President from liability for the financial year.

Group

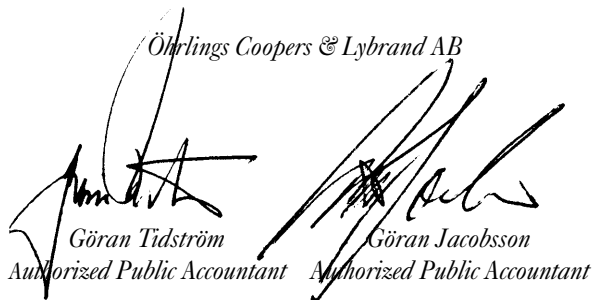
The consolidated financial statements have been prepared in accordance with the Swedish Companies Act.

We recommend that the Annual General Meeting

- adopt* the consolidated income statement and the consolidated balance sheet.

Stockholm, March 13, 1996

Öhrlings Coopers & Lybrand AB



Göran Tidström
Authorized Public Accountant

Göran Jacobsson
Authorized Public Accountant

Ernst & Young AB



Clas Blix
Authorized Public Accountant

Board of Directors



Sten Wikander,
born 1927.
Chairman. Elected to the Board in 1992. Former President of Fjärde AP-Fonden (National Pension Insurance Fund, Fourth Fund Board). Chairman of H&M, Hennes & Mauritz AB, AB Svensk Exportkredit and Karo Bio AB. Board Member of Stadshypotek AB. Shareholding: 0



Jane Cederqvist,
born 1945.
Elected to the Board in 1995. Under-Secretary of State at the Ministry of the Interior. Vice Chairman of the Board of Linköping University. Board Member of Akademiska hus i Linköping AB. Shareholding: 0



Thomas Falk,
born 1944.
Elected to the Board in 1995. Professor of IT Economics, Linköping University, and active in Cepro Management Consultants AB. Board Member of Nordbanken Fonder AB and Dokumenthuset i Sverige AB. Shareholding: 0



Bjarne Holmqvist,
born 1945.
Elected to the Board in 1991. President and CEO of Gunnebo AB. Chairman of Gnosjö-Gruppen AB, E.A. Rosengrens AB and Gunnebo Industrier AB. Board Member of Gunnebo AB and Nordbanken Regionbank Västsverige. Shareholding: 1,000



Olof Lund,
born 1930.
President and CEO. Elected to the Board in 1984. Chairman of Bofors AB, Kockums AB, FFV Aerotech AB, CelsiusTech AB, Enator AB, Celsius Invest AB, AssiDomän AB and Stiftelsen SIAR. Member of the boards of Pharmacia & Upjohn AB, FPG/AMFK and the Federation of Swedish Industries. Member of the Royal Swedish Academy of Military Sciences. Shareholding: 250



Sven Olving,
born 1928.
Elected to the Board in 1977. Professor, Chalmers Institute of Technology. Chairman of Chalmers Industriteknik. Member of several boards, including AB Electrolux, Telefon AB LM Ericsson and Trelleborg AB. Shareholding: 0



Kerstin Stenberg,
born 1946.
Elected to the Board in 1995. Chief Financial Officer at SPP. Board Member of Posten AB (Swedish Post Office). Shareholding: 0



Hans Christer Olson,
born 1944.
Deputy Board Member. Elected to the Board in 1991. Assistant Under Secretary, Ministry of Industry and Commerce. Board Member of LKAB and Sveriges Provnings och Forskningsinstitut (SP) AB. Deputy Board Member of Vattenfall (Swedish Energy Group). Shareholding: 0



Bengt Antoniusson,
born 1944.
Employee representative,
elected to the Board in 1991.
Chairman of the Kockums
Workshop Union.
Shareholding: 150



Börje Green,
born 1945.
Employee representative, elected
to the Board in 1995. Branch
chairman of the Swedish Union
of Clerical and Technical
Employees in Industry (SIF)
at Telub, in Växjö.
Shareholding: 0



Lars Höök,
born 1944.
Employee representative, elected
to the Board in 1992. Engineer,
FFV Aerotech.
Shareholding: 250



Lennart Hellström,
born 1940.
Deputy employee representative,
elected to the Board in 1995.
Representative of the Swedish
Union of Clerical and Technical
Employees in Industry, Celsius
Information System.
Shareholding: 0



Åke Holmqvist,
born 1956.
Deputy employee representative,
elected to the Board in 1995.
Master of Engineering,
CelsiusTech Electronics.
Shareholding: 0



Lennart Åkesson,
born 1939.
Deputy employee representative,
elected to the Board in 1993.
Chairman of the Bofors
Workshop Union.
Shareholding: 100

Group management and auditors

Group management



Olof Lund,
born 1930.
President and CEO.
Shareholding: 250



Nils-Ove Andersson,
born 1950.
Executive Vice President.
Responsible for treasury
and finance.
Shareholding: 0



Kent Johansson,
born 1937.
Executive Vice President.
Responsible for admini-
stration, external rela-
tions and legal matters.
Shareholding: 200



Per Ove Morberg,
born 1942.
Executive Vice President.
Responsible for strategic
business development.
Shareholding: 250



Roger Sprimont,
born 1942.
Executive Vice President.
Responsible for
marketing and large
projects.
Shareholding: 0

Heads of subsidiary companies

Björn Armfelt, born 1957. President, AB Celsius Finance.

Jan Eiborn, born 1944. President, FFV Aerotech AB.

Per-Erik Forsmark, born 1939. President, Bofors AB.

Lennart Hednert, born 1941. President, Celsius Invest AB.

Tomy Hjorth, born 1939. President, Kockums AB.

Gert Schyborger, born 1940. Chairman of the Board of the CelsiusTech companies.

Group management committee

In addition to Group management, this includes **Jan Eiborn**, **Per-Erik Forsmark**, **Lennart Hednert**, **Tomy Hjorth** and **Gert Schyborger**.

Group staffs

John Ershammar, born 1951. Legal Counsel

Bengt Ganner, born 1937. Technical matters

Tor Grotenfelt, born 1943. Treasury

Berth Johnsson, born 1938. Finance

Lennart Jonsson, born 1952. Corporate Communications

Heads of sub-Groups in accordance with the Group structure applying from June 1, 1995, to March 1996

Lennart Hednert, born 1941. President, Celsius Invest AB

Egon Linderoth, born 1937. President, Celsius Industrier AB

Åke Plyhm, born 1951. President, Celsius Information System AB

Auditors

Öhrlings, Coopers & Lybrand AB, with **Göran Tidström**, Authorized Public Accountant, born 1946, Group auditor since 1977, as chief auditor.

Ernst & Young AB, with

Clas Blix, Authorized Public Accountant, born 1942, Group auditor since 1992, as chief auditor.

Deputy auditors

Göran Jacobsson, Authorized Public Accountant, born 1947, deputy auditor since 1989.

Erik Åström, Authorized Public Accountant, born 1957, deputy auditor since 1992.

Corporate directory

Celsius Corp.

HEAD OFFICE

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Fax Int +46 31-51 61 05

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S-631 06 Eskilstuna, Sweden
Visiting address: Tullgatan 8
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Fax Int +46 16-12 28 85

Subsidiaries

AB Celsius Finance

P.O. Box 8954
S-402 74 Gothenburg, Sweden
Tel Int +46 31-65 86 00
Fax Int +46 31-51 57 68

Bofors AB

S-691 80 Karlskoga, Sweden
Tel Int +46 586-810 00
Fax Int +46 586-857 00

Kockums AB

S-205 55 Malmö, Sweden
Tel Int +46 40-34 80 00
Fax Int +46 40-97 32 81

CelsiusTech Electronics AB

S-175 88 Järfälla, Sweden
Tel Int +46 8-580 840 00
Fax Int +46 8-580 322 44

CelsiusTech Systems AB

S-175 88 Järfälla, Sweden
Tel Int +46 8-580 840 00
Fax Int +46 8-580 322 44

FFV Aerotech AB

S-732 81 Arboga, Sweden
Tel Int +46 589-800 00
Fax Int +46 589-61 16 52

Celsius Invest AB

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Fax Int +46 16-15 50 90

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