



SUMMARY OF ANNUAL REPORT  
January - December  
2010

 **EUROCON**

# EUROCON CONSULTING AB (PUBL)

## Summary of annual report Jan-Dec 2010

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### Fourth quarter 2010

- Net turnover SEK 40.1 (29.6) million
- Operating profit SEK 4.2 (2.0) million
- Profit after financial items SEK 4.7 (2.2) million
- Profit after tax SEK 3.0 (0.6) million
- Cash flow from operating activities SEK 7.0 (2.0) million

### Full year 2010

- Net turnover SEK 132.6 (109.3) million
- Operating profit SEK 13.8 (7.6) million
- Profit after financial items SEK 14.2 (7.6) million
- Profit after tax SEK 9.1 (4.6) million
- Profit per share SEK 0.25 (0.14)
- Cash flow from operating activities SEK 11.1 (-3.9) million
- Equity SEK 37.8 (27.7) million corresponding to SEK 1.03 (0.83) per share

### Proposals for dividend

The board proposes a dividend for 2010 of SEK 0.20 (0.08) per share, corresponding to SEK 7.4 million.

## **Comments from the CEO Peter Johansson**

2010 will go to the history book as the year we celebrated our 20<sup>th</sup> anniversary and achieved our best result so far. Our goals for growth and profitability were more than fully reached through dedicated work in a well-defined market with a growing customer base. The market prospects are good within the segments we are active in. A large backlog and a continued strong demand create good expectations also for 2011. During the year, a number of major assignments were obtained from SCA, Holmen, M-real and Domsjö Fabriker AB.

Summing up the fourth quarter, both the turnover and the operating profit were the highest ever. The net turnover amounted to SEK 132.6 (109.3) million, which gives a growth in the net turnover of 21.3 per cent.

The operating profit after depreciations amounted to SEK 13.8 (7.6) million, including write-offs for goodwill corresponding to SEK 2.5 million. This gives a growth in profit of 81.6 per cent. This improvement is the combined result of the increase in turnover and measures to promote efficiency.

During 2010 we have strengthened our competence within several areas, in specific process, energy and mining. The growth of staff was 13.3 per cent during the year, all organic, and the total number of employees increased to 136 (120) FTEs (full-time equivalents). This shows that we are well in agreement with our targets for growth.

In the beginning of 2010 we took part in a management buyout of the TIPS Info-business from Tieto Oy. After the acquisition, a new company Eurocon MOPSys AB was created. The company is located in Örnköldsvik and Eurocon owns 30 per cent. With the acquisition large synergy effects for our daughter company SiteBase are foreseen. It turned out to be a good decision with a well working company, where the foreseen synergies now are taking shape.

In the end of 2010, Eurocon Consulting AB acquired the remaining 49 per cent of the daughter company Eurocon North AB in Kiruna. The company was acquired and consolidated into Eurocon Engineering AB as from January 1<sup>st</sup> 2011. We anticipate a healthy growth within the mining industry and are confident that this investment will create a strong platform in relation to this line of business.

For 2011 we are focusing on staff recruitment and possible company acquisitions to meet a fast growing demand of our services.

## **Strategy declaration**

The introduction of the Eurocon share in November 2007 was the first step in the strategy declaration formulated earlier the same year. The strategy has been revised continually during 2010. The main features remain, meaning that the company aims at doubling the turnover during a five year period with retained profit margins.

Considering the positive development during 2010 and the positive order situation, we have been further strengthened in our belief that this target will be reached during 2012.

In the end of 2010 the work began to prepare Eurocon for, within a three year period, note the share on a regulated market place. Presently, a mapping of the requirements for this to happen is carried out. The mapping is intended to result in a list of measures to be executed prior to a possible notation. This may, among other things, involve an adaptation to the accounting principles according to IFRS.

### **Measures to enhance efficiency**

The work, initiated during 2009, to improve and simplify both the internal and the external reporting continued during 2010. This will enable us to employ more consultants without increasing the administrative staff. The overall aim of the continuous work to improve the efficiency is, of course, to improve the cost efficiency in the Eurocon Group.

### **Current projects and future prospects**

The demand for our services has been good during the year. The improvement we saw in 2010 will, in our opinion, continue during 2011 and will provide the basis for a strong year. Our customers in Sweden and abroad continue to demand our services. The demands are currently focused on investments within the sectors of energy, bio chemistry, pulp, paper and mining. The main activities involve rebuilds and upgrade of old systems, but also, gladly enough, new units and plants.

Eurocon has had the privilege to, very actively, participate in major projects at customers such as M-real Husum, Holmen Paper Iggesund, Holmen Timber, Domsjö Fabriker AB, Vaggeryd Cell, SCA Obbola, SCA Graphic Paper and SCA Energy. Through our office in Kiruna we have also had assignments for LKAB, MTAB and Tekniska Verken in Kiruna AB. Several of these projects extend beyond the half year turn of 2011, some even beyond the turn of the year 2011/2012.

### **Turnover and profit**

The net turnover for 2010 amounted to SEK 132.6 (109.3) million with an operating profit of SEK 13.8 (7.6) million. The net turnover of the fourth quarter was SEK 40.1 (29.6) million with an operating profit of SEK 4.2 (2.0) million.

### **Investments**

Investments in inventories amounted to SEK 0.9 million. Depreciations amounted to SEK 3.2 million including SEK 2.5 million for write-offs of goodwill.

## **Cash flow and financial position**

The cash flow from operating activities amounted to SEK 11.1 million. The cash and cash equivalents (liquid assets) of the group amounted to SEK 28.6 million at the turn of the year. Interest-bearing liabilities amounted to SEK 0.5 million. At the end of the year, the solidity was 49.3 per cent. During the year the liabilities regarding due dividends to the main shareholders have been settled. This has influenced the cash flow negatively with a sum amounting to SEK 2.6 million.

## **Staff**

During the year the average number of employees has been 136 FTEs, of which 9.7 per cent are females.

## **Acquisitions**

During 2010 Eurocon took part in a management buyout of the TIPS Info-business from Tieto Oy. After the acquisition, a new company Eurocon MOPSSys AB located in Örnsköldsvik, was created. The company will have offices in Örnsköldsvik, Storuman and, through a fully owned daughter company, also in Vancouver, Canada. After the acquisition the company has 17 employees.

Eurocon MOPSSys products are directed towards the pulp and paper industry and are already implemented in just short of hundred installations in mills in Sweden, Finland, Germany, Portugal and Canada.

Historically, the turnover from the products of the company has amounted to about SEK 20 million annually. The company took over contracts for about 60 customers, adding to this Tieto mediates contracts for about 20 customers.

Tieto will continue to integrate the products from Eurocon MOPSSys AB in their complete system deliveries and the contract of sale includes a resale agreement between the parties.

Eurocon sees strategic scale advantages rising through the deal, in specific regarding the existing IT business and the proprietary project management tool SiteBase. The agreement also strengthens the portfolio of services and products that Eurocon offers to their customers within the pulp and paper industry. The acquisition was carried out in March 2010 and Eurocon owns 30 per cent of the new company.

In the later part of 2010, Eurocon Consulting AB also acquired all of the shares in Eurocon North AB in Kiruna. The company was consolidated into Eurocon Engineering AB as from January 1st 2011. The acquisition will result in a strengthening of the competence of Eurocon, specifically in the areas of project and automation. On the assumption that the proposal is accepted at the annual meeting 2011, the acquisition will be financed through new issue of shares in Eurocon Consulting AB.

## **Important events after the report period**

In the beginning of January 2011 a new associated company was established, Eurocon GmbH in Ravensburg, Germany. The business is specifically focused on pulp, paper and energy, but infrastructure and chemistry are areas that also will be targeted. Initially Eurocon Engineering AB will own 40 per cent of the new company, which from start has one experienced co-worker from the process and project management area. Our German office will be able to use the collected competence and products of Eurocon. We are confident that the new company will contribute to the development of the Eurocon business in other countries.

## **Field of activities**

A detailed description of the business and field of activities within Eurocon will be found in our homepage [www.eurocon.se](http://www.eurocon.se).

## **The Eurocon share**

The Eurocon Consulting AB (publ) share has been accepted for trade at Aktietorget since December 14<sup>th</sup> 2007. The total number of shares amounts to 36.851.824 distributed at 790 shareholders.

In the beginning of the year the share price was SEK 1.68. The final price December 31<sup>st</sup> 2010 was SEK 2.29, which means a price increase of about 36 per cent during the year.

The following insiders and major shareholders have increased or decreased their possession of shares during the year:

Decreased: Ulf Rask, Harry Forsgren, Christer Svanholm, Lars Arnerlöf and Mikael Lindqvist

Increased: Ylva Larsson, Peter Johansson, Johan Westman and Hans Wiberg

## **The board proposals for dividend**

Due to the good financial situation of the company, the board proposes a dividend of SEK 0.20 per share corresponding to SEK 7.4 million for 2010.

## **Annual meeting 2011**

The annual meeting will take place May 4<sup>th</sup> at 18:00 (06:00 pm) at BRUX conference center, Hörneborg, Örnsköldsvik. A formal summons is advertised in Post and Inrikes Tidningar and at Eurocon website, [www.eurocon.se](http://www.eurocon.se).

The Eurocon annual report will be available for shareholders at the head office, Hörneborgsvägen 6, Örnsköldsvik and at Eurocon website, [www.eurocon.se](http://www.eurocon.se), approximately two weeks before the annual meeting.

## Dates for financial reports

- |  |                   |
|--|-------------------|
| • Annual report 2010                                   | March 31, 2011    |
| • Financial report for part of the year, Jan-Mar 2011  | April 20, 2011    |
| • Annual meeting 2011                                  | May 4, 2011       |
| • Financial report for part of the year, Jan-Jun 2011  | August 29, 2011   |
| • Financial report for part of the year, Jan-Sept 2011 | October 27, 2011  |
| • Summary of annual report 2011                        | February 23, 2012 |

## Important risks and uncertainty factors

Eurocon operates consulting business as main activity, a business with a certain amount of risk taking. The main business risks consist of decreased demand, risk in connection with fixed price assignments, credit risks and difficulties with recruiting and keeping competent staff, not least in connection with acquisitions. Therefore, Eurocon focuses on a continuous risk evaluation.

The share of fixed price assignments is low, but increasing. We have, during the year, strengthened our routines regarding internal follow-up of all our fixed price assignments.

Our customers consist, almost exclusively, of larger industrial enterprises and publically owned companies consequently the credit risk is considered small.

We are continuously improving the work environment to ensure a pleasant atmosphere for the staff and thereby decrease the risk of resignations.

Örnsköldsvik February 24<sup>th</sup>, 2011

Peter Johansson  
CEO Eurocon Consulting AB (publ)

## Income statement (SEK group)

| Operating income                                     | <b>2010-01-01</b><br><b>2010-12-31</b> | <b>2009-01-01</b><br><b>2009-12-31</b> |
|--|--|--|
| Net turnover   | 132 608 660                            | 109 330 516                            |
| Activated work for own use                           | 0                                      | 462 000                                |
| Other operating income                               | 137 288                                | 549 752                                |
|  | <b>132 745 948</b>                     | <b>110 342 268</b>                     |
| <i>Operating costs</i>                               |  |  |
| Hired consultants                                    | -14 439 878                            | -12 813 507                            |
| Other external costs                                 | -16 624 363                            | -15 289 491                            |
| Personnel costs                                      | -84 578 687                            | -71 464 566                            |
| Depreciation of tangible fixed assets                | -735 979                               | -684 463                               |
| Depreciation of intangible assets                    | -2 470 473                             | -2 440 392                             |
| Other operating costs                                | -51 350                                | -1 751                                 |
|  | <b>-118 900 730</b>                    | <b>-102 694 170</b>                    |
| <b>Operating profit</b>                              | <b>13 845 218</b>                      | <b>7 648 098</b>                       |
| <i>Profit from financial investments</i>             |  |  |
| Profit from shares in mother company                 | 0                                      | -282 791                               |
| Profit from shares in associated company             | 193 602                                | 134 697                                |
| Profit from securities and claims being fixed assets | -75 000                                | 0                                      |
| Other interest profits and similar profit items      | 212 960                                | 123 610                                |
| Interest costs and similar profit items              | -25 864                                | -16 564                                |
|  | <b>305 698</b>                         | <b>-41 048</b>                         |
| <b>Profit after financial items</b>                  | <b>14 150 916</b>                      | <b>7 607 050</b>                       |
| Minority share of profit                             | -397 544                               | -28 639                                |
| Tax on profit 2010                                   | -4 699 179                             | -2 997 048                             |
| <b>Profit 2010</b>                                   | <b>9 054 193</b>                       | <b>4 581 363</b>                       |

## Balance sheet (SEK group)

| Assets                               | 2010-12-31        | 2009-12-31        |
|--------------------------------------|-------------------|-------------------|
| <b>Intangible assets</b>             |                   |                   |
| Balanced expenditures for R&D costs  | 783 060           | 875 460           |
| Goodwill                             | 5 125 641         | 7 503 715         |
|                                      | <b>5 908 701</b>  | <b>8 379 175</b>  |
| <b>Tangible fixed assets</b>         |                   |                   |
| Inventories, tools and installations | 2 367 835         | 2 158 205         |
|                                      | 2 367 835         | 2 158 205         |
| <b>Financial assets</b>              |                   |                   |
| Shares in associated companies       | 5 325 219         | 4 831 617         |
| Other non-current securities         | 375 000           | 450 000           |
|                                      | 5 700 219         | 5 281 617         |
| <b>Total assets</b>                  | <b>13 976 755</b> | <b>15 818 997</b> |
| <b>Current receivables</b>           |                   |                   |
| Customer receivables                 | 21 946 874        | 21 442 734        |
| Worked up but not invoiced revenues  | 9 459 990         | 5 331 415         |
| Other receivables                    | 728 904           | 907 969           |
| Prepaid costs and accrued revenues   | 1 890 639         | 2 215 861         |
|                                      | 34 026 407        | 29 897 979        |
| <b>Current investments</b>           | 2 622 460         | 2 924 661         |
| <b>Cash and bank</b>                 | 25 988 992        | 18 492 764        |
| <b>Total current assets</b>          | <b>62 637 859</b> | <b>51 315 404</b> |
| <b>Total assets</b>                  | <b>76 614 614</b> | <b>67 134 401</b> |

## Balance sheet (SEK group)

| <b>Equity and liabilities</b>          | <b>2010-12-31</b> | <b>2009-12-31</b> |
|--|-------------------|-------------------|
| <b>Equity</b>                          |                   |                   |
| Share capital                          | 3 685 182         | 3 359 901         |
| Bound reserve                          | 2 766 911         | 3 668 193         |
| Free reserve                           | 22 277 225        | 16 139 777        |
| Period profit                          | 9 054 193         | 4 581 363         |
| <b>Total equity</b>                    | <b>37 783 511</b> | <b>27 749 234</b> |
| <b>Minority interest</b>               | <b>777 068</b>    | <b>379 523</b>    |
| <b>Provisions</b>                      |                   |                   |
| Provisions for taxes                   | 904 413           | 1 309 163         |
| Total provisions for taxes             | 904 413           | 1 309 163         |
| <b>Non-current liabilities</b>         |                   |                   |
| Liabilities to credit institution      | 500 000           | 500 000           |
| Total non-current liabilities          | 500 000           | 500 000           |
| <b>Current liabilities</b>             |                   |                   |
| Invoiced but not worked up receivables | 7 659 452         | 6 399 682         |
| Supplier liabilities                   | 4 663 846         | 2 614 289         |
| Tax liabilities                        | 1 937 621         | 228 184           |
| Other liabilities                      | 9 546 323         | 17 630 524        |
| Accrued costs and prepaid revenues     | 12 842 380        | 10 323 802        |
| <b>Total current liabilities</b>       | <b>36 649 622</b> | <b>37 196 481</b> |
| <b>Equity and liabilities</b>          | <b>76 614 614</b> | <b>67 134 401</b> |

## Cash flow analysis (SEK group)

|   | 2010-01-01<br>-2010-12-31 | 2009-01-01<br>-2009-12-31 |
|---|---------------------------|---------------------------|
| <i>Operating activities</i>   |                           |                           |
| Operating profit  | 13 845 218                | 7 648 098                 |
| <i>Adjustment for items not included in cash flow</i>                       |                           |                           |
| Depreciation tangible and intangible assets                                 | 3 206 452                 | 3 124 855                 |
| Capital gain  | 6 076                     | -141 269                  |
|   | 17 057 746                | 10 631 684                |
| Received interest   | 212 960                   | 123 610                   |
| Payed interest  | -25 864                   | -16 564                   |
| -Payed income tax   | -3 394 492                | -4 623 121                |
| <b>Cash flow from operating activities before change in working capital</b> | <b>13 850 350</b>         | <b>6 115 609</b>          |
| <b>Cash flow from change in working capital</b>                             |                           |                           |
| Increase (-)/Decrease (+) of stock  | 0                         | 220 000                   |
| Increase (-)/Decrease (+) of working receivables                            | -4 128 428                | 10 232 839                |
| Ökning (-)/Minskning (+) of working liabilities                             | 1 411 706                 | -20 527 071               |
| <b>Cash flow from operating activities</b>                                  | <b>11 133 628</b>         | <b>-3 958 623</b>         |
| <b>Investment activities</b>  |                           |                           |
| Acquisition of daughter company   | 0                         | -1 370 960                |
| Sale of daughter company  | 0                         | 98 716                    |
| Investments tangible fixed assets   | -951 681                  | -825 392                  |
| Investments intangible assets   | 0                         | -462 000                  |
| Investments in financial assets   | -300 000                  | 0                         |
| Sale of fixed assets  | 0                         | 246 854                   |
| <b>Cash flow from investments activities</b>                                | <b>-1 251 681</b>         | <b>-2 312 782</b>         |
| <b>Financial activities</b>   |                           |                           |
| Dividends   | -2 687 920                | -3 023 910                |
| <b>Cash flow from financial activities</b>                                  | <b>- 2 687 920</b>        | <b>-3 023 910</b>         |
| <b>Cash flow for the period</b>   | <b>7 194 027</b>          | <b>-9 295 315</b>         |
| <b>Liquid assets brought forward</b>  | <b>21 417 425</b>         | <b>30 712 741</b>         |
| <b>Liquid assets carried forward</b>  | <b>28 611 452</b>         | <b>21 417 426</b>         |

| <b>Key ratios and data per share</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Turn over growth (%)                 | 21,3        | 19,5        | 103,4       | -9,0        |
| EBITA margin (%)                     | 12,3        | 9,1         | 5,5         | 8,0         |
| EBIT margin/operating margin (%)     | 10,4        | 7,0         | 4,4         | 7,4         |
| Profit margin (%)                    | 10,7        | 7,0         | 5,4         | 9,6         |
| Equity (MSEK)                        | 37,8        | 27,7        | 26,2        | 21,5        |
| Solidity (%)                         | 49,3        | 40,2        | 33,3        | 17,8        |
| Employee average                     | 136         | 120         | 87          | 85          |
| Number of shares                     | 36851824    | 33599005    | 33599005    | 33599005    |
| Dividend (SEK)                       | 0,20        | 0,08        | 0,09        | 0,0         |
| Profit per share (SEK)               | 0,25        | 0,14        | 0,14        | 0,13        |
| Equity per share (SEK)               | 1,03        | 0,83        | 0,78        | 0,64        |

## Definition of key ratios

|                               |   |
|-------------------------------|---|
| Growth of turn over           | Income increase as percentage of the income previous year                               |
| EBITA margin                  | Profit as percentage of the turn over after depreciation but before goodwill write-offs |
| EBIT margin/ Operating margin | Operating profit as percentage of the turn over   |
| Profit margin                 | Profit of the period after financial items as percentage of the turn over               |
| Equity                        | Equity at the end of the period   |
| Solidity                      | Equity as percentage of balance sheet total   |
| Employee average              | Employee average during the period  |
| Number of shares              | Number of outstanding shares at the end of the period                                   |
| Profit per share              | Profit after tax in relation to the number of shares                                    |
| Equity per share              | Equity divided with the number of shares at the end of the year                         |

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The company accountant has received this summary of the Annual report