

## Profitable growth for ÅF's product development and IT consultant

**The Systems Division offers consulting services in product development and high-tech IT. Assignments include both one-off projects and full-service solutions across a broad spectrum of services from idea and concept development to implementation, testing and product care. The Systems Division accounts for 11 percent of ÅF Group sales.**

### Systems Division – a product development and IT consultant for Swedish industry

Systems offers services in five client segments: telecoms, the automotive, life science and defence industries, and the industrial segment. The division has long and extensive experience of product development and high-tech IT assignments in a variety of industries, and enjoys widespread confidence in the fields of

product development and IT solutions relating to administrative systems in telecommunications, as well as in medical technology, the automotive industry and other industrial processes.

The division's domestic market is Sweden, but the proportion of international assignments is increasing constantly as the division accompanies its Swedish and international clients in their global expansion plans.

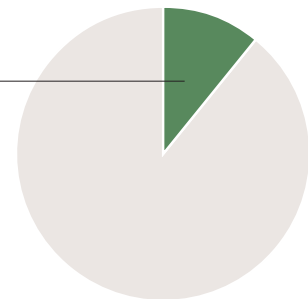
Systems employs approximately 400 people, mainly in offices in Stockholm, Gothenburg and the Malmö/Lund region, but also in a number of strategically placed local offices throughout Sweden. In Stockholm Systems has established a reputation as a leading name in product development. Operations in Gothenburg and Malmö/Lund have expanded significantly in 2007 and sights are set on establishing Systems as a market leader in these locations, too. The division has grown organically through the systematic recruitment of almost 130 new employees during the past year, and this has given a substantial boost to both sales and earnings.

Key figures	2007	2006	Proforma 2006
Net sales (in millions of SEK)	433	309	340
Operating profit (in millions of SEK)	36.5	17.0	16.7
Operating margin, percent	8.4	5.5	4.9
Share of Group sales, percent	11	10	10
Number of co-workers (FTEs)	379	279	309
Operating profit/FTE (in thousands of SEK)	96	61	54

Proforma values indicate what the key figures would have been if the Combra company that was acquired in 2006 had been consolidated into the Systems Division throughout the whole of 2006.

### Share of sales

Systems, 11 %



# E M S

## **Offer – product development close to the client**

Systems works in close geographical proximity to its clients and their research and development units. Some concrete examples of the services provided are project management, software development, mechanical engineering, testing, verification, industrialisation, operational management, further development and product care. The most sought-after services include everything from embedded systems to IT solutions.

Assignments vary between one-off projects and full-service solutions, with some clients choosing to use ÅF as a one-stop shop for all their outsourcing.

The breadth of the division's competence is widely acknowledged, encouraging clients to seek assistance throughout the entire chain from product development to product care. Many clients are under pressure to launch new products on the market at the same time as the need to take due care of and develop earlier generations of products increases as a company's product portfolio grows. In such instances Systems offers a product care concept that is developed as a unique business solution specially tailored to each client's needs. This new package of services, which can be performed either on the client's own premises or off-site at ÅF and carried out on a fixed-price or current account basis, has been well received by the market as a highly profitable way of freeing up internal resources.

Concrete examples of assignments that Systems has worked with include business support and shared process systems, mammography equipment, mobile phones, mobile logistics and transport monitoring systems for trucks, night-vision systems for cars, separator systems, the design of handheld computers, global positioning systems for vessels, indoor/outdoor mobile base stations, telematics solutions and pacemakers.

## **Clients – dialogue and partnership**

The division's ten largest clients account for around two thirds of the division's earnings. With these clients Systems enjoys a relationship that is characterised by partnership and close dialogue.

The proportion of large assignments is growing and Systems is actively endeavouring to win more full-service undertakings. These enable clients to focus more firmly on their core activities while Systems is able to create synergies and economies of scale within the division and the rest of the ÅF Group.

Customer surveys confirm that Systems' clients enjoy peace of mind with this relationship and are more than happy to recommend the division to other business contacts. The level of repeat business is high.

Clients include ABB, Alfa Laval, Ascom, AstraZeneca, Atlas Copco, Autoliv, Bombardier, ClimateWell, Electrolux, Ericsson, FMV (the Swedish Defence Materiel Administration), GE Healthcare, Hertz, Maquet, Network Automation, Saab, Scania, Sony Ericsson, St. Jude Medical, TAC, Tetra Pak, Tilgin, Trimble, Whirlpool, Westinghouse and Volvo.

**“The division's domestic market is Sweden, but international assignments are increasing constantly as the division accompanies its Swedish and international clients in their global expansion plans.”**

## S Y S T

**2007 – strong organic growth**

One trend that became even clearer in 2007 was an increasing tendency among clients to request that environmental solutions be factored into their products right from the drawing board stage. To meet this new and growing need, Systems launched the new EcoDesign service concept in collaboration with the Royal Swedish Institute of Technology (KTH).

Recruitment progressed successfully during 2007, with the addition of approximately 130 new employees. Seen in terms of the number of new recruits, overall organic growth was more than 30 percent over the year. The strongest performance came from the Öresund region (Malmö/Lund-Copenhagen), where the division now has more than 50 consultants.

Major assignments included a multimedia project for Sony Ericsson, a data communication system for rail traffic commissioned by Bombardier, a product development assignment for separator equipment for GE Healthcare, the development of testing systems for Ericsson, a life science development project relating to a new generation of RaySearch products, and a fleet management development project for Scania.

**Market and market trends**

In 2007 all segments of the market in all industries performed well. Strong demand for services in product development, test systems and product care confirmed that Systems has chosen to specialise in the skills that are most relevant to today's needs. The telecom sector was especially buoyant in 2007, and in southern Sweden development was strong across the board.

The order books suggest that progress in all segments and all regions will be just as good in 2008.

The division's sensitivity to the economic cycle is limited as there is a need to pursue product development activities regardless of the state of the economy. This, together with the fact that Systems works with a number of different industries, helps to offset the fluctuations in demand that nevertheless do occur from time to time.

While the industry remains fragmented with a great number of competitors, Systems expects the current process of consolidation to continue, partly as a result of acquisitions and mergers, and partly as the various players increase their degree of specialisation.

**“The order books suggest that progress in all segments and all regions will be just as good in 2008.”**

## E M S

## Goals and strategies for the Systems Division

**Johan Olsson, Divisional President, speaks about the main focus areas and what lies ahead**

### What are the most important goals for the Systems Division?

“One important aim is for us to increase our clients’ understanding about what we can do for them. We need to fill our brand with content and create a clearer image of our offer in people’s minds. Parallel with this we will continue to grow and further improve our profitability. Growth with profitability is the key to creating the freedom of action we need to meet tomorrow’s challenges. As far as the market is concerned, our aim is to achieve a leading position in the markets and segments where we are active.”

### Where will the focus lie in 2008?

“In order to improve profitability and boost growth it is strategically important for us to develop our offer so that more clients choose us for major projects and full-service undertakings. We also need to increase the benefits we can provide for our clients by offering attractively packaged services, such as EcoDesign and product care solutions. This, in turn, paves the way for new pricing models. In addition, we want to follow the trend of transferring parts of the production of hi-tech solutions and product development to low-cost countries and we are already collaborating with the Swedish Trade Council to create the right conditions for this. One important task in order to strengthen our brand is to improve our service culture. That’s why we are continuing to invest in our ‘Consulting School’ initiative, where co-workers are trained in how to react to different situations. We will also be looking at new ways of recruiting talented co-workers.”

**“Systems is a profitable and growing division. Now our sights are set on winning more business – especially in wireless communication.”**

**Johan Olsson, Divisional President**



S Y S T



E M S

# Developing a solar-powered heat pump is a hot topic

“In 2001 our client, ClimateWell, unveiled an exciting innovation that would lead to a new product, CW10. This makes it possible to use solar energy for heating and cooling buildings. The solution is based on the fact that energy can be stored in salt ready for subsequent conversion into heating or cooling by mixing with water. Not only does storing energy in salt dramatically reduce the energy loss associated with conventional techniques, but it also produces no CO<sub>2</sub> emissions. In view of the fact that one third of the energy consumed in the world is used for heating and cooling buildings, the adop-

tion of this technology would result in huge energy savings. Today ‘cleantech’ technology has caught the attention of the world, and CW10 appears to be on the threshold of a commercial breakthrough. We at ÅF have been supplying technical expertise to the project over a number of years. Our strength is the collective fund of experience we possess relating to the development of products that combine elements of electronics and mechanical engineering. At the same time, our size means that we can contribute cutting-edge skills in a wide range of other areas.”

**Henric Flöjs, Section Manager, Systems Division**