

Press release from the ÅF Group

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ÅF Group

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AB Ångpanneföreningen (publ) Interim report January–March 2002

- **Continued weak market for most of the ÅF Group's services**
- **Business continues to develop well within HVAC & Sanitation Engineering**
- **Ambitions to acquire more companies within Systems and Product Development**

As a whole demand for the services of the ÅF Group, which fell steeply during the second half of 2001, has remained weak during the first quarter of the year. One shining exception is the construction industry, which explains why operations within areas related to HVAC & Sanitation Engineering continue to develop in a positive direction.

Notwithstanding the current situation, thanks to cost-saving measures and restraint with regards to increasing capacity, operating profit improved by SEK 10 million compared to the last quarter of 2001, after allowing for items affecting comparability. Sales were unchanged from the corresponding period in 2001. Capacity utilisation was 66 percent, as opposed to 67 percent in the fourth quarter of 2001.

Demand has been especially sluggish for consulting services in the telecom sector and the forest industry, two of the ÅF Group's biggest areas of expertise. The situation in the market for assignments relating to installations, on the other hand, remains favourable, which explains the good results for work within areas of technical expertise such as HVAC & Sanitation Engineering and Electrical Engineering & Instrumentation.

Although capacity utilisation for the reporting period scarcely reached up to the break-even point, various cost-cutting measures and rationalisations played their part in offsetting the fall in profits to keep the result as a whole a positive one. The organisation has been able to carry out the savings without undermining our ability to react swiftly and effectively to the rise in demand that is anticipated in the second half of the year.

Group profit after net financial items and proportions of associated companies' profits amounted to SEK 6 million (corresponding period in 2001: SEK 35 million). This gives a profit margin of 1.3 (7.2) percent and an operating margin of 1.9 (8.1) percent. These profits are charged with unrealised losses in the share portfolio of SEK 1.0 million, and have also been influenced by a bonus to ÅF Group staff calculated at SEK 1 (4) million.

It should also be noted that the first quarter in 2002 contained two working days less than the corresponding period in 2001. The effect of this on results is approximately SEK 4 million.

Sales amounted to SEK 479 (478) million. Parent company sales totalled SEK 24 (27) million, and the result after net financial items was SEK –1.0 (–6.0) million. The number of employees (calculated as full-time equivalents) during the first quarter was 2,579 (2,444) including those in associated companies.

The ÅF Group's net worth, after a 20 percent standard tax deduction on the estimated surplus value of property was SEK 120 (126) per share. The fall in value was attributable chiefly to the dividend of SEK 13 per share paid out in 2001. Adjusted equity ratio was 47 (47) percent. Return on equity was 4.7 (16.8) percent.

At an extraordinary general meeting in January 2002 Eva-Lotta Kraft and Carl-Erik Nyquist were elected to the Board of Directors, while Hans Dalborg, Lars Westerberg and Anders Narvinger tendered their resignations. The members of the new board subsequently elected Carl-Erik Nyquist as Chairman.

Consulting business

Overall profit from consulting operations after net financial items totalled SEK 9 (42) million, with sales amounting to SEK 508 (510) million.

Results and sales by area of technical expertise

Amounts in millions of SEK, excluding associated companies

Area of expertise	Profit/loss Jan – March		Sales Jan – March		Profit/loss Oct – Dec		Sales Oct – Dec		Profit/loss Full year		Sales Full year	
	2002	2001	2002	2001	2001	2000	2001	2000	2001	2000	2001	2000
Electrical Engineering & Instrumentation	6	16	150	154	10	17	160	157	35	38	579	522
Energy, Environment & Process Technology	1	3	114	106	–4	9	136	164	4	1	521	442
HVAC & Sanitation Engineering	7	9	62	59	5	5	61	55	25	17	224	191
Software, Electronics & Mechanical Engineering	–2	15	116	132	1	14	134	131	23	50	487	462
Inspection & Testing	–1	–1	31	27	–1	–2	34	28	2	–8	124	115
Education & Management	–1	1	36	31	–4	2	73	52	–6	0	152	136
Total	9	42	508	510	7	45	598	587	83	98	2087	1868

As the table above makes clear, most of the decline in earnings can be attributed to the poor demand for consulting services in the areas of technical expertise represented by Electrical Engineering & Instrumentation and Software, Electronics & Mechanical Engineering. This is a result of the fact that levels of activity in the telecom sector are extremely low, as are industry's investments in plant and equipment.

It is, however, believed that the situation will improve gradually over the course of the year in those particular areas within Electrical Engineering & Instrumentation where demand is currently lowest, namely industrial investments in plant and equipment.

For the Group's consulting services in the area of technical expertise represented by Software, Electronics & Mechanical Engineering the ambition remains – in line with the current strategy – to maintain capacity and – via corporate acquisitions – to increase it. Parallel with this, intensive marketing work is taking place and efforts are being made internally to strengthen competitiveness in the existing organisation

The result for the area of technical expertise represented by Education & Management has been affected negatively, primarily as a result of the poor demand for education services in the autumn of 2001, which has persisted during the first quarter this year. Measures were taken during the autumn to adapt operations to demand and reduce overall costs, and since then a savings programme has been initiated aimed at shaving 10 percent off the current costs of the Group's education operations.

Aid agency work was reorganised at the end of 2001 and the beginning of 2002 by bringing all ÅF Group activities dealing with aid operations under the umbrella of ÅF-International. This initiative is expected to have a positive effect on orders, capacity utilisation and profits during the second half of the year.

Capacity utilisation for consulting services in the areas of HVAC & Sanitation Engineering has continued to remain high. This occasioned a very good first-quarter result and there is much to suggest that the situation in this market will continue to remain favourable throughout the current year.

The fall in profits for Energy, Environment & Process Technology is attributable to a weak start for operations outside Sweden.

Operations dealing with Inspection & Testing services have reported a somewhat better result than that for the corresponding period in 2001. Earnings are in line with budgeted figures which, over the year as a whole, will result in a substantially better performance than that in 2001

Real Estate and Finance Administration

The Group's properties, 95 percent of which are offices, are used primarily by the Group's consulting businesses. The vacancy ratio at the end of the reporting period was 5 (5) percent. The Group currently owns 33,000 square metres of real estate. In an evaluation carried out by Forum Fastighets AB at the end of 2001, the market value of the Group's properties was assessed at SEK 460 (469) million. Book value was SEK 273 million.

Gross investments in machinery and equipment totalled SEK 11 (13) million, excluding investments made via corporate acquisitions.

The Group's liquid assets totalled SEK 182 (215) million, with SEK 29 million of this figure being invested in Swedish and foreign shares. Interest-bearing liabilities and allocations totalled SEK 202 (368) million, bringing the Group's net borrowing to SEK 20 (153) million

The cash flow for the period was a negative one, namely SEK –34 (–87) million.

Accounting and valuation principles

The accounting principles and calculation methods used in this interim report are the same as those in the most recent annual report.

Outlook for 2002 as a whole

The weakening market which affected the second half of 2001 is expected to persist throughout at least the first half of 2002, and the first signs of an upswing in the important telecom sector are not expected to make themselves felt until 2003. Despite initial signs of a general improvement in the state of the economy, it seems unlikely that these will have any widespread effect on the demand for the ÅF Group' services until the second of 2002, although it should be pointed out that the situation is somewhat more favourable in certain sectors, notably installations and infrastructure.

The broad base of our consulting operations enables the ÅF Group to even out the peaks and troughs of business cycles in individual industries, a faculty which is once again proving its value in the current situation. The Board anticipates that, on the whole, demand will remain weak until the autumn, but there is nevertheless a distinct possibility that the year will finish on a brighter note. For this reason, we believe that the profit margin for 2002 as a whole will be higher than that reported for the first quarter.

Stockholm, Sweden – 29 April 2002

AB ÅNGPANNEFÖRENINGEN (publ)

Gunnar Grönkvist
Managing Director

CONSOLIDATED INCOME STATEMENT
(in millions of SEK)

	Jan.- March 2002	Jan.- March 2001	Full year 2001	Full year 2000
Operating income	479.1	477.7	1,962.6	1,746.9
Personnel costs	-325.2	-297.3	-1,189.7	-1,030.8
Other external expenses	-127.3	-125.7	-633.1	-553.5
Depreciation	-16.6	-16.6	-68.7	-64.1
Alecta/ SPP	-	-	11.7	240.3
Share of associated companies' profit/loss	-0.9	0.8	2.2	0.5
Operating profit	9.1	38.9	85.0	339.3
Income from financial investments	-2.8	-4.4	3.0	-8.4
Profit after financial items	6.3	34.5	88.0	330.9
Tax	-2.1	-10.4	-30.7	-96.3
Minority shareholders' share of profit	1.2	-0.8	-0.3	-4.4
Profit for the reporting period	5.4	23.3	57.0	230.2
Operating margin (percent)	1.9	8.1	4.3	19.4
Profit margin (percent)	1.3	7.2	4.5	18.9
Capacity utilisation (percent)	65.7	71.1	69.7	69.5
Profit per share, SEK	0.95	4.05	9.91	40.04
Profit per share after full conversion, SEK	0.90	3.73	9.00	36.48
Number of shares 5.748.569 (after full conversion 6.329.369)				

CONSOLIDATED BALANCE SHEET
(in millions of SEK)

	31 March 2002	31 March 2001	31 Dec. 2001	31 Dec. 2000
Assets				
Intangible fixed assets	42.3	39.5	42.0	40.6
Tangible fixed assets	392.8	398.5	393.9	399.9
Financial assets	93.3	178.3	103.1	168.4
Current receivables	567.7	527.2	521.0	478.2
Liquid assets and investments	182.1	214.6	216.3	301.4
Total assets	1,278.2	1,358.1	1,276.3	1,388.5
Equity and liabilities				
Equity	530.7	566.3	527.8	542.8
Minority shareholding	12.7	9.8	14.7	9.0
Provisions	93.1	170.9	101.2	160.6
Long-terms liabilities	117.2	151.9	116.5	151.2
Short-terms liabilities	524.5	459.2	516.1	524.9
Total equity and liabilities 1)	1,278.2	1,358.1	1,276.3	1,388.5
1) of which interest-bearing provisions and liabilities	201.7	367.9	313.1	368.0

CONSOLIDATED STATEMENT OF CASH FLOW
(in millions of SEK)

	Jan.-	Jan.-	Full year	Full year
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	March	March	2001	2000
	2002	2001		
Cash flow from operating activities before changes in working capital	-2.8	-15.0	51.9	180.7
Cash flow from changes in working capital	-22.5	-48.7	-40.0	55.5
Cash flow from investing activities	-6.2	-23.1	-13.0	-47.8
Cash flow from financing activities	-2.7	-	-84.0	0.4
Cash flow for the reporting period	-34.2	-86.8	-85.1	188.8

SPECIFICATION OF THE CHANGE IN SHAREHOLDERS' EQUITY

(in millions of SEK)

	31 March	31 March	Full year	Full year
	2002	2001	2001	2000
Beginning balance	527.8	542.8	542.8	332.7
Dividend	-	-	-74.7	-20.0
Translation difference for the period	-2.5	0.2	2.7	-0.1
Profit/loss for the period	5.4	23.3	57.0	230.2
Closing balance	530.7	566.3	527.8	542.8

KEY RATIOS

	Jan.-	Jan.-	Full year	Full year
	March	March	2001	2000
	2002	2001		
Return on equity, full year (percent)	4.7	16.8	10.6	52.6
Return on capital employed, full year (percent)	6.3	20.5	14.1	52.9
Equity ratio (percent)	41.5	41.7	41.3	39.1
Adjusted equity ratio (percent)	46.5	46.6	46.3	44.2
Equity ratio per share, SEK	92	99	92	94
Net worth per share, SEK	119	126	118	122
Employees (FTEs) excluding associated companies	2,271	2,078	2,167	2,044
Employees (FTEs) including associated companies	2,579	2,444	2,470	2,191

(Definitions see Annual report 2001.)

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

Forthcoming activities

The Annual General Meeting of Shareholders will be held on 29 April 2002 at 17.00 (5 pm).

13 August, Interim Report for the second quarter, 2002

The report is available in Swedish and English versions.