

# Press release from the ÅF Group

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## AB Ångpanneföreningen (publ) Interim report January–June 2002

- Demand remains weak for many of the ÅF Group's services
- Pre-tax consolidated profit of SEK 9 (59) million
- Acquisition of Communicator AB with 100 employees in communications engineering strengthens the ÅF Group's competitiveness among telecom sector operators and defence market clients
- Jonas Wiström, new Managing Director, is expected to take up his appointment in September

As anticipated, with the sole exception of the construction industry, where demand continued to be brisk, the market for the services of the ÅF Group remained weak throughout the second quarter of the year.

Demand was particularly sluggish for consulting services in the telecom sector and the pulp and paper industry, two of the ÅF Group's major areas of expertise. The situation in the market for installations, on the other hand, was more favourable, which explains the good results for areas of technical expertise such as HVAC & Sanitation Engineering and certain parts of Electrical Engineering & Instrumentation.

Capacity utilisation for the first half-year was 67 (71) percent. The Group has embarked on a programme of cost-cutting measures and rationalisations with the aim of ensuring an overall profit, and the organisation has been able to carry out the savings without undermining its ability to react swiftly and effectively to what is hoped will be an upturn in demand in the future.

Group profit after net financial items and proportions of associated companies' profits amounted to SEK 9 million (corresponding period in 2001: SEK 59 million). This gives a profit margin of 0.9 (5.9) percent and an operating margin of 1.6 (6.5) percent. These profits are charged with unrealised losses in the share portfolio of SEK 6 (2) million, and have also been influenced by a bonus to ÅF Group staff calculated at SEK 1 (7) million.

Sales totalled SEK 974 (1,002) million, with the reduction in capacity utilisation corresponding to approximately SEK 50 million in lost income. The number of employees (calculated as full-time equivalents) during the reporting period was 2,589 (2,433) including those in associated companies.

The ÅF Group's net worth after the 20 percent standard tax deduction on the estimated surplus value of property was SEK 106 (117) per share. The fall in value was

attributable chiefly to the dividend of SEK 13 per share. Adjusted equity ratio was 44 (45) percent. Return on equity was 3.4 (14.9) 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. Carl-Erik Nyquist was subsequently elected as Chairman.

At the annual general meeting of Shareholders in April 2002 Helena Skåntorp, Magnus Grill and Peter Sandström were also elected to the board. Gunnar Grönkvist and Gunnar Svedberg were re-elected, and Yngve Lundberg resigned.

Towards the end of June the Board of Directors resolved to appoint Jonas Wiström to the position of new Managing Director for the company. Jonas Wiström expects to take up his new position in September.

### Consulting business

Overall profit from consulting operations after net financial items totalled SEK 16 (70) million, with sales amounting to SEK 1,030 (1,069) million.

#### Results and sales by area of technical expertise

Amounts in millions of SEK, excluding associated companies.

Area of expertise	Profit/loss Apr – June		Sales Apr – June		Profit/loss Jan – June		Sales Jan – June		Profit/loss Full year		Sales Full year	
	2002	2001	2002	2001	2002	2001	2002	2001	2001	2000	2001	2000
Electrical Engineering & Instrumentation	10	6	159	145	15	22	309	300	35	38	579	522
Energy, Environment & Process Technology	-2	7	119	165	-1	10	233	271	4	1	521	442
HVAC & Sanitation Engineering	5	8	63	61	12	16	125	120	25	17	224	191
Software, Electronics & Mechanical Engineering	-9	7	103	123	-11	21	218	256	23	50	487	462
Inspection & Testing	2	2	35	32	1	1	66	59	2	-8	124	115
Education & Management	2	-1	43	33	0	0	79	65	-6	0	152	136
Total	8	28	522	560	16	70	1,030	1,069	83	98	2,087	1,868

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 Energy, Environment & Process Technology and Software, Electronics & Mechanical Engineering. In the case of Software, Electronics & Mechanical Engineering the generally poor development in the telecom industry continues to generate very little demand and puts pressure on prices. For the Group's consulting services in Software, Electronics & Mechanical Engineering the strategy remains 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 acquisition of Communicator (formerly Teleplan), which took place after the end of the reporting period, reinforces the Group with a further 100 or so consultants whose expertise will be used both within Software, Electronics & Mechanical Engineering and within Electrical Engineering & Instrumentation. The acquisition has strengthened the Group in its contacts with telecom sector operators and

defence industry clients, and it is anticipated that this will begin to have a positive effect on earnings for the ÅF Group as from 2003.

As far as Energy, Environment & Process Technology is concerned most of the decline is attributable to a fall in demand for consulting services from the pulp and paper industries in the United Kingdom and France, although demand remains somewhat better in Sweden. Measures have already been taken to adapt capacity to the anticipated level of future demand in the United Kingdom, while the market in France is expected to rally during the second half of 2002. The Group's Swedish-based operations within Energy, Environment & Process Technology have reported a profit for the period and also begun to feel the positive effects of a brisker demand for services within the energy industry.

Since measures to reduce overall costs and adapt operations to demand in Education & Management Services were initiated in the autumn of 2001, the savings programme has shaved 10 percent off the total 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, where the ÅF Group is widely acknowledged as being highly competitive, has continued to remain high. This occasioned a very good result and there is much to suggest that the situation in this market will continue to remain favourable throughout the remainder of 2002.

The result for operations dealing with Inspection & Testing services is in line with budgeted figures which, over the year as a whole, will result in a substantially better performance than that in 2001. During the first six months of the year the result has been affected by one-off expenses in conjunction with the establishment and accreditation of ÅF-TÜV Nord, the joint-venture with TÜV Nord. ÅF-TÜV Nord will generate a profit for the second half of the year.

### **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 271 million.

Gross investments in machinery and equipment totalled SEK 21 (27) million, excluding investments made via corporate acquisitions.

The Group's liquid assets totalled SEK 92 (159) million, with SEK 24 (27) million of this figure being invested in Swedish and foreign shares. Interest-bearing liabilities and allocations totalled SEK 300 (369) million, bringing the Group's net borrowing to SEK 208 (210) million.

The cash flow for the period was a negative one, namely SEK -124 (-143) million.

**Parent company**

Parent company sales totalled SEK 48 (52) million yielding a profit after net financial items of SEK 6 (-7) million.

**Accounting and valuation principles**

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation concerning interim reports (RR20).

The accounting principles and calculation methods used in this interim report are the same as those in the most recent annual report. New recommendations from the Financial Accounting Standards Council have been duly taken into account, but have not had any effect on the result.

**Forecast for 2002 as a whole**

The weakening market that affected the second half of 2001 persisted throughout the first half of 2002. The first signs of an upswing in the important telecom sector are not expected to make themselves felt until 2003, although the nervousness of the world's stock markets makes any assessment of the situation extremely difficult. Despite initial signs of a general improvement in the state of the economy, it seems unlikely that these will have any widespread effect on demand for the ÅF Group's services until 2003. It should, however, be pointed out that the situation is somewhat more favourable in certain sectors, notably the construction and plant market, where the ÅF Group has approximately 20 percent of its resources.

The broad base of the ÅF Group's consulting services is a strength that enables us to even out the peaks and troughs of business cycles in individual industries. The Board anticipates that, on the whole, demand will remain weak for the rest of this year, but, thanks to the various measures that the Group has undertaken, we anticipate an improvement in our capacity utilisation that will translate into improved results. For this reason, we believe that the profit margin for 2002 as a whole will be higher than that reported for the first six months, in line with our earlier assessments of the situation.

Stockholm, Sweden – 13 August 2002

AB ÅNGPANNEFÖRENINGEN (publ)

Gunnar Grönkvist  
Managing Director

**CONSOLIDATED INCOME STATEMENT****(in millions of SEK)**

	April-June 2002	April-June 2001	Jan.-June 2002	Jan.-June 2001	Full year 2001
Operating income	494.6	524.5	973.7	1,002.2	1,962.6
Personnel costs	-321.5	-301.4	-646.7	-598.7	-1,189.7
Other external expenses	-148.4	-181.3	-275.7	-307.0	-633.1
Depreciation	-16.8	-16.4	-33.4	-33.0	-68.7
Alecta/SPP	-	-	-	-	11.7
Share of associated companies' profit/loss	-1.4	0.4	-2.3	1.2	2.2
Operating profit	6.5	25.8	15.6	64.7	85.0
Income from financial investments	-4.3	-1.6	-7.1	-6.0	3.0
Profit after financial items	2.2	24.2	8.5	58.7	88.0
Tax	-0.6	-7.3	-2.7	-17.7	-30.7
Minority shareholders' share of profit	1.5	-1.1	2.7	-1.9	-0.3
Profit for the reporting period	3.1	15.8	8.5	39.1	57.0
Operating margin (percent)	1.3	4.9	1.6	6.5	4.3
Profit margin (percent)	0.5	4.6	0.9	5.9	4.5
Capacity utilisation (percent)	67.9	71.7	66.8	71.4	69.7
Profit per share, SEK	0.53	2.75	1.47	6.79	9.91
Profit per share after full conversion, SEK	0.52	2.52	1.41	6.23	9.14
Number of shares 5.748.569 (after full conversion 6.358.409)					

**CONSOLIDATED BALANCE SHEET****(in millions of SEK)**

	30 June 2002	30 June 2001	31 Dec. 2001
Assets			
Intangible fixed assets	42.8	37.6	42.0
Tangible fixed assets	387.6	400.4	393.9
Financial assets	66.2	152.5	103.1
Current receivables	606.1	549.9	521.0
Liquid assets and investments	92.0	158.5	216.3
Total assets	1,194.7	1,298.9	1,276.3
Equity and liabilities			
Equity	459.6	508.7	527.8
Minority shareholding	11.1	9.5	14.7
Provisions	93.7	160.8	101.2
Long-terms liabilities	117.0	150.4	116.5
Short-terms liabilities	513.3	469.5	516.1
Total equity and liabilities 1)	1,194.7	1,298.9	1,276.3
1) of which interest-bearing provisions and liabilities	300.0	368.8	313.1

**CONSOLIDATED STATEMENT OF CASH FLOW****(in millions of SEK)**

	Jan.-June 2002	Jan.-June 2001	Full year 2001
Cash flow from operating activities before changes in working capital	-13.7	13.4	51.9
Cash flow from changes in working capital	-39.3	-65.8	-40.0
Cash flow from investing activities	6.3	-16.0	-13.0
Cash flow from financing activities	-77.6	-74.5	-84.0
Cash flow for the reporting period	-124.3	-142.9	-85.1

**SPECIFICATION OF THE CHANGE IN SHAREHOLDERS' EQUITY**  
(in millions of SEK)

	30 June 2002	30 June 2001	31 Dec. 2001
Beginning balance	527.8	542.8	542.8
Dividend	-74.7	-74.7	-74.7
Translation difference for the period	-2.0	1.5	2.7
Profit/loss for the period	8.5	39.1	57.0
Closing balance	459.6	508.7	527.8

  

	Jan.-June 2002	Jan.-June 2001	Full year 2001
<b>KEY RATIOS</b>			
Return on equity, full year (percent)	3.4	14.9	10.6
Return on capital employed, full year (percent)	4.8	17.3	14.1
Equity ratio (percent)	38.5	39.2	41.3
Adjusted equity ratio (percent)	44.2	44.7	46.3
Equity ratio per share, SEK	80	88	92
Net worth per share, SEK	106	117	118
Employees (FTEs) excluding associated companies	2,283	2,157	2,167
Employees (FTEs) including associated companies	2,589	2,433	2,470

(definitions see Annual report 2001.)

**Auditors' Report**

We have made a review of this Interim Report in accordance with the recommendation issued by FAR, the Swedish Institute of Authorised Public Accountants. A review of this nature is considerably more limited in extent than an audit. Nothing has come to our notice to suggest that this Interim Report does not comply with the requirements of Swedish legislation relating to the Stock Market and the Swedish Annual Accounts Act.

Stockholm, Sweden 13 August 2002

Åke Hedén

Authorised public accountant

Ulf Egenäs

Authorised public accountant

**Forthcoming activities**

The interim report for the period January-September will be issued on 23th October.

The report is available in Swedish and English versions.