

Press release from the ÅF Group

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AB Ångpanneföreningen (publ) **Interim report January – September 2002**

- **Pre-tax earnings for the first nine months of the year total SEK -28 million (Jan–Sept 2001: SEK 60 million)**
- **Non-recurring charges of SEK 22 million**
- **Full-year earnings expected to be lower than previously forecast**
- **Major new IT contract from Volvo worth SEK 100 million**
- **Jonas Wiström takes over as Managing Director on 16 September.**

For the third quarter of 2002 and after incurring non-recurring charges of SEK 22 million the ÅF Group generated pre-tax earnings of SEK -36 million (corresponding period in 2001: SEK 1 million). The non-recurring charges comprise benefits and payroll overheads of SEK 6 million relating to the departing Managing Director, restructuring charges of SEK 6 million relating to acquisitions, unrealised losses of SEK 4 million on the ÅF Group's stock market portfolio, and a SEK 6 million change in the accounting treatment of development costs in the training business. Sales totalled SEK 390 (394) million and capacity utilisation was 66 (68) percent.

The Group generated earnings of SEK -28 (+60) million for the first nine months after net financial items and proportions of associated companies' profits. Current earnings equate to a profit margin of -2.1 (+4.3) percent. Sales totalled SEK 1,364 (1,396) million.

After the end of the accounting period Alecta announced a decision to suspend the payment of pension insurance refunds with immediate effect. The ÅF Group has still to recoup around SEK 60 million of the total of SEK 299 million in refunds previously advised by Alecta.

Forecast for 2002 as a whole

In its previous forecast for the year as a whole, the ÅF Group predicted a profit margin of 1.3 percent, corresponding to pre-tax profit in excess of SEK 25 million. Full-year earnings are now expected to be lower than previously forecast. However, current indications suggest that the Group will generate an operating profit in the fourth quarter.

Changes ahead

For some time now costs within the ÅF Group have been increasing more quickly than earnings. This negative trend must be reversed. As a result, work has now commenced on analysing the structure of the company with a view to increasing profitability, and a

report of the results of this analysis and the changes that it proposes will be presented no later than in conjunction with the accounting year end for 2002.

Consulting business

Demand for the ÅF Group's services was weak during the third quarter. Capacity utilisation was 66 (68) percent for the third quarter and 67 (71) percent for the first nine months as a whole.

The consulting business generated earnings of SEK -3 (+76) million for the first nine months after financial items, and sales of SEK 1,442 (1,489) million.

Earnings and sales by area of technical expertise

Amounts in millions of SEK, including associated companies

Area of expertise	Profit/loss July–Sept		Sales July–Sept		Profit/loss Jan–Sept		Sales Jan–Sept		Profit/loss Full year		Sales Full year	
	2002	2001	2002	2001	2002	2001	2002	2001	2001	2000	2001	2000
Electrical Engineering & Instrumentation	1	2	96	119	16	24	416	419	35	38	579	522
Energy, Environment & Process Technology	-9	-1	92	114	-10	8	325	385	4	1	521	442
HVAC & Sanitation Engineering	2	4	42	43	13	20	167	163	25	17	224	191
Software, Electronics & Mechanical Engineering	-9	1	86	97	-20	22	315	353	23	50	487	462
Inspection & Testing	6	2	38	31	7	3	105	90	2	-8	124	115
Education & Management	-11	-2	34	15	-11	-2	113	79	-6	0	152	136
Total	-19	6	388	419	-3	76	1442	1489	83	98	2087	1868

The downturn in earnings was particularly noticeable in two areas: Energy, Environment & Process Technology and Software, Electronics & Mechanical Engineering.

The forest industry business (especially projects and paper technology) accounted for the whole of the fall in earnings within Energy, Environment & Process Technology, while pulp technology, energy, environment and contracts relating to investigatory and analysis operations reported acceptable results. The forest industry business consists of a Swedish parent company with 200 employees and subsidiary/associated companies with a total of 400 employees in Finland, Germany, the UK, France and Spain. The drop in earnings was due primarily to low capacity utilisation outside Sweden.

The generally weak state of the telecom sector continued to result in limited demand and pressure on prices within the area of Software, Electronics & Mechanical Engineering. The acquisition of Communicator (previously Teleplan), Real Fast Software and part of Calvia Datakonsult has brought in around 150 consultants, who will work partly for Software, Electronics & Mechanical Engineering and partly for Electrical Engineering & Instrumentation. The integration of these businesses into the ÅF Group resulted in non-recurring charges of SEK 6 million relating to redundancies and software agreements.

In other of the ÅF Group's areas of technical expertise the downturn was less pronounced.

Electrical Engineering & Instrumentation was hit by low levels of investment in the telecom and process industries but, at the same time, it reports stronger demand for installation services. A 50% stake was acquired in ElektroRådgiverne A/S of Bodø in Norway with a view to working on projects for the offshore sector. One very clear confirmation of the ÅF Group's expertise was the IT contract worth SEK 100 million

that was awarded by Volvo after the end of the accounting period for the management and maintenance of its Tacdis sales support system.

HVAC & Sanitation Engineering achieved high capacity utilisation and satisfactory earnings. One interesting contract involved planning installations for the new School of Music at Örebro University. This undertaking includes a number of innovative and far-sighted solutions for heating, cooling and acoustics.

Inspection & Testing exceeded its budget, which assumes a substantially better performance over the year as a whole than in 2001. ÅF-Kontroll's earnings were SEK 4 million higher than last year, and in September the company was approved by SWEDAC to commence work at the Ringhals and Barsebäck nuclear power plants in Sweden as part of its involvement in the joint venture, ÅF-TÜV Nord AB.

Education & Management has implemented a savings programme to shave ten percent off its cost base. Earnings here were pulled down by SEK 6 million by the decision to stop capitalising development costs for future courses. Aid agency work was reorganised at the beginning of the year by bringing all ÅF Group activities dealing with aid operations under the umbrella of ÅF-International. Since the end of the accounting period ÅF-International has won contracts worth SEK 13 million from Sida (the Swedish International Development Cooperation Agency), the EBRD and the World Bank.

Real Estate and Finance Administration

The ÅF 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 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 270 million.

Gross investments in machinery and equipment totalled SEK 29 (35) million, excluding investments made via corporate acquisitions.

The Group's liquid assets totalled SEK 63 (108) million, with SEK 15 (24) million of this figure being invested in Swedish and foreign shares. Interest-bearing liabilities and allocations totalled SEK 342 (370) million, bringing the Group's net borrowing to SEK 279 (262) million.

The cash flow for the period was a negative one, namely SEK -154 (-194) million.

Parent company

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

At the end of June the Board of Directors elected to appoint Jonas Wiström as new CEO and Managing Director for AB Ångpanneföreningen. Wiström took up these positions on 16 September.

Stockholm, Sweden – 23 October 2002

AB ÅNGPANNEFÖRENINGEN (publ)
Jonas Wiström
Managing Director

CONSOLIDATED INCOME STATEMENT

(in millions of SEK)

	July-Sept. 2002	July-Sept. 2001	Jan.-Sept. 2002	Jan.-Sept. 2001	Full year 2001	Full year 2000
Operating income	389.8	393.9	1,363.5	1,396.1	1,962.6	1,746.9
Personnel costs	-277.0	-271.8	-923.7	-870.5	-1,189.7	-1,030.8
Other external expenses	-123.9	-95.3	-399.6	-402.3	-633.1	-553.5
Depreciation	-17.7	-17.7	-51.1	-50.7	-68.7	-64.1
Alecta/SPP	-	-	-	-	11.7	240.3
Share of associated companies' profit/loss	0.3	0.2	-2.0	1.4	2.2	0.5
Operating profit	-28.5	9.3	-12.9	74.0	85.0	339.3
Income from financial investments	-8.0	-8.3	-15.1	-14.3	3.0	-8.4
Profit after financial items	-36.5	1.0	-28.0	59.7	88.0	330.9
Tax	2.3	-0.3	-0.4	-18.0	-30.7	-96.3
Minority shareholders' share of profit	3.6	-0.1	6.3	-2.0	-0.3	-4.4
Profit for the reporting period	-30.6	0.6	-22.1	39.7	57.0	230.2
Operating margin (percent)	-7.3	2.4	-0.9	5.3	4.3	19.4
Profit margin (percent)	-9.4	0.3	-2.1	4.3	4.5	18.9
Capacity utilisation (percent)	65.8	68.5	66.5	70.5	69.7	69.5
Profit per share, SEK	-5.32	0.12	-3.85	6.91	9.91	40.04
Profit per share after full conversion, SEK	-4.77	0.15	-3.36	6.38	9.14	36.29
Number of shares 5.748.569 (after full conversion 6.358.409)						

CONSOLIDATED BALANCE SHEET

(in millions of SEK)

	30 Sept. 2002	30 Sept. 2001	31 Dec. 2001	31 Dec. 2000
Assets				
Intangible fixed assets	63.7	38.0	42.0	40.6
Tangible fixed assets	383.3	396.0	393.9	399.9
Financial assets	51.5	144.6	103.1	168.4
Current receivables	610.2	574.3	521.0	478.2
Liquid assets and investments	62.8	107.8	216.3	301.4
Total assets	1,171.5	1,260.7	1,276.3	1,388.5
Equity and liabilities				
Equity	429.4	510.7	527.8	542.8
Minority shareholding	7.7	9.7	14.7	9.0
Provisions	90.4	178.0	101.2	160.6
Long-terms liabilities	108.0	151.5	116.5	151.2
Short-terms liabilities	536.0	410.8	516.1	524.9
Total equity and liabilities 1)	1,171.5	1,260.7	1,276.3	1,388.5
1) of which interest-bearing provisions and liabilities	341.7	370.2	313.1	368.0

CONSOLIDATED STATEMENT OF CASH FLOW

(in millions of SEK)

	Jan.-Sept. 2002	Jan.-Sept. 2001	Full year 2001	Full year 2000
Cash flow from operating activities before changes in working capital	-44.9	22.4	51.9	180.7
Cash flow from changes in working capital	-60.6	-122.9	-40.0	55.5
Cash flow from investing activities	-12.1	-20.0	-13.0	-47.8
Cash flow from financing activities	-35.9	-73.1	-84.0	0.4
Cash flow for the reporting period	-153.5	-193.6	-85.1	188.8

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

	30 Sept. 2002	30 Sept. 2001	31 Dec. 2001	31 Dec. 2000
Beginning balance	527.8	542.8	542.8	332.7
Dividend	-74.7	-74.7	-74.7	-20.0
Translation difference for the period	-1.6	2.9	2.7	-0.1
Profit/loss for the period	-21.3	39.7	57.0	230.2
Closing balance	430.2	510.7	527.8	542.8

KEY RATIOS

	Jan.-Sept. 2002	Jan.-Sept. 2001	Full year 2001	Full year 2000
Return on equity, full year (percent)	-6.2	10.1	10.6	52.6
Return on capital employed, full year (percent)	-1.6	12.5	14.1	52.9
Equity ratio (percent)	36.7	40.5	41.3	39.1
Adjusted equity ratio (percent)	42.8	45.9	46.3	44.2
Equity ratio per share, SEK	75	89	92	94
Net worth per share, SEK	102	117	118	122
Employees (FTEs) excluding associated companies	2,311	2,145	2,167	2,044
Employees (FTEs) including associated companies	2,617	2,440	2,470	2,191

(Definitions see Annual report 2001.)

Accounting and valuation principles

This interim report has been prepared in accordance with the Swedish Financial 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.

The company's auditors have not reviewed this Interim Report.

Forthcoming activities

Summary of Annual Report 2001 will be published on 19th February 2003.

The report is available in Swedish and English versions.