

# Press release from the ÅF Group



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## For immediate release

19 February 2003

Number 2/2003

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## AB Ångpanneföreningen (publ) Summary of Annual Report 2002

- \* **Group loss before tax of SEK 151 million  
(the corresponding figure for 2001 was a profit of SEK 88 million)**
- \* **This result is charged with items affecting comparability totalling  
SEK 110 million.**
- \* **More efficient, client-oriented organisation**
- \* **The Board proposes a shareholder's dividend for 2002 of SEK 2.00  
per share (2001: SEK 5.00 + SEK 8.00 per share)**

Excluding items affecting comparability the operating loss for the fourth quarter of 2002 amounted to SEK 12 million (compared with a fourth-quarter loss of SEK 1 million in 2001). Cash flow for the fourth quarter was positive.

2002 witnessed the first stages in an extensive restructuring programme affecting all aspects of the ÅF Group's business operations. As a consequence of this, a total of around 250 will be made redundant or take early retirement. The short-term objective is to restore the profitability of the ÅF Group during the course of 2003.

For the past twelve months as a whole, capacity utilisation (measured as the proportion of time charged to clients relative to the total time that all employees spend at work) was 66 (70) percent. The figure for the fourth quarter was 66 (68) percent.

The Group reports a loss for 2002 after net financial items of SEK 40 million (compared to a profit of SEK 76 million for the preceding year). In addition, the final result has been charged with items affecting comparability (costs arising from the Group's restructuring programme) totalling SEK 85 million and a write-down in goodwill of SEK 25 million. In all, the pre-tax loss amounts to SEK 150 million. (In 2001 the ÅF Group reported a pre-tax profit of SEK 88 million.)

This equates to a negative profit margin of - 7.9 percent and a loss per share of SEK 22.18. The corresponding figures for 2001 were a profit margin of 4.5 percent and earnings per share of SEK 9.91.

Net sales declined 2 percent to SEK 1,916 (1,963) million. The total number of co-workers, excluding those in associated companies, calculated as the number of full-time equivalents for the year was 2,309 (2,167). If employees in associated companies are

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included, this figure rises to 2,607 (2,470). Of this total 413 (433) employees are employed outside Sweden.

Net worth, calculated as shareholders' equity with the addition of 80 percent of the surplus value of property held by the Group, amounted at the year-end 2002 to an equivalent of SEK 76 (118) per share.

The number of shareholders at the end of 2002 was 4,427 (4,000).

### **Business activities during the fourth quarter**

The ÅF group signed an IT agreement with Sweden's Volvo dealers to develop and administer Tacdis, the Volvo retail organisation's own IT-based sales support solution. The order is worth SEK 100 million to the ÅF Group over a three-year period.

In December the ÅF Group signed a framework agreement with the Swedish Defence Materiel Administration (FMV) with a potential bottom-line value of SEK 30 million. This contract confirms the ÅF Group's strategy to become more involved in the defence industry, which was heralded in the summer of 2002 by the Group's acquisition of Communicator (formerly Teleplan).

During the autumn ÅF-International received three assignments from Sida (the Swedish International Development Cooperation Agency), the European Development Bank and the World Bank worth a total of SEK 13 million.

### **Acquisitions and Sales**

During the first half of the year Add IN was acquired to reinforce the Group's strengths in industrial systems development. Among its many merits Add IN has worked with highly sophisticated assignments for Ericsson.

In August the ÅF Group acquired the shares in the Stockholm-based communications technology company Communicator AB. It is anticipated that this acquisition will begin to have a positive effect on earnings for the ÅF Group during 2003.

In August the ÅF Group also acquired a 30-percent stake in Calvia Datakonsult in western Sweden, with an option on the remaining shares up until 30 June 2005.

In September the ÅF Group acquired 50 percent of the shares in Elektrorådgivarne A/S of Bodø, Norway, a company with good potential for tapping into the Norwegian offshore industry.

The acquisition of 3D Teknik in Stockholm enables the ÅF Group to expand its sales of licences and extend its consulting operations within the CAD/CAM industry.

RealFast Software Consulting of Västerås (Sweden), which offers specialist services in the field of embedded systems, was acquired in October.

### Consulting activities

After allowances for financial items, the Group's consulting activities as a whole reported a loss of SEK 19 million for 2002, compared to a profit of SEK 83 million in 2001. Sales totalled SEK 2,021 (2,087) million.

### Profit/loss and Sales by area of technical expertise (in millions of Swedish kronor, MSEK)

Area of expertise	Profit/loss Oct-Dec		Sales Oct-Dec		Profit/loss Full year		Sales Full year	
	2002	2001	2002	2001	2002	2001	2002	2001
Electrical Engineering & Instrumentation	8	10	184	161	25	35	618	579
Energy, Environment & Process Technology	-9	-4	115	136	-19	4	441	521
HVAC & Sanitation Engineering	5	5	56	60	18	25	223	224
Software, Electronics & Mechanical Engineering	-22	1	105	134	-41	23	438	487
Inspection & Testing	2	-1	38	34	9	2	142	124
Education & Management	0	-4	46	74	-11	-6	159	152
Total	-16	7	544	599	-19	83	2021	2087

The downturn in earnings during the year was particularly noticeable in two of our areas of technical expertise – Energy, Environment & Process Technology and Software, Electronics & Mechanical Engineering.

The forest industry (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 analytical operations reported better results. First and foremost the fall in earnings was due to a reduction in the order books among our operations outside Sweden. The forestry industry business consists of a Swedish parent company with 200 employees, and subsidiaries/associated companies with a total of 400 employees in Finland, Germany, France and Spain. The UK subsidiary ÅF-QPS Consultants was wound up during the autumn.

Within the area of Software, Electronics & Mechanical Engineering the generally weak state of the telecom sector continued to limit demand and exert pressure on prices. However, the acquisition of Communicator (formerly Teleplan), RealFast Software Consulting and a stake in Calvia Datakonsult has brought a further 150 or so skilled consultants under the ÅF umbrella.

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

Electrical Engineering & Instrumentation was affected by the climate of restraint in the telecom and process industries but, at the same time, reported stronger demand for installation services. One very clear confirmation of the ÅF Group's expertise was the

award of a SEK 100 million IT contract to administer and maintain the Volvo retail organisation's Tacdis sales support system.

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

Inspection & Testing put in a substantially better performance than in 2001 and reported earnings over budget. ÅF-Kontroll's earnings were SEK 7 million higher than in 2001, 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 company, ÅF-TÜV Nord AB. This accreditation means that the ÅF Group has now achieved its objective of becoming fully comprehensive in the kind of inspection services it can offer its customers. The contract is estimated to be worth SEK 10 million.

### **Real Estate and Finance Administration**

In an evaluation carried out by Forum Fastighets AB at the end of 2002, the market value of the Group's properties was assessed at SEK 411 (460) million. Book value was SEK 269 (273) million.

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.

Gross investments in machinery and equipment totalled SEK 42 (45) million, excluding investments made via corporate acquisitions.

The Group's liquid assets, including current investments, totalled SEK 69 (216) million. Interest-bearing liabilities and allocations totalled SEK 316 (313) million, bringing the Group's net borrowing to SEK 247 (97) million. There was a negative cash flow for 2002 of SEK 147 million. (For purposes of comparison, there was a negative cash flow for 2002 of SEK 85 million.)

### **Parent company**

Parent company sales totalled SEK 96 (99) million, yielding a loss after net financial items of SEK 74 million. (For 2001 the figure was a profit of SEK 4 million.)

### **Dividend**

The Board of Directors proposes a shareholder's dividend for 2002 of SEK 2.00 per share (2001: SEK 5.00 + SEK 8.00 per share).

During the course of 2002 the conversion rate for the ÅF Group's convertible bond 2002/2005 was duly recalculated following the dividend paid out to shareholders for the

financial year 2001. The conversion rate was reduced from its original value of SEK 162.70 to SEK 155.00.

### **New organisation**

The corporate restructuring programme has substantially reduced the number of subsidiaries. With effect from 1 January 2003 operations have been grouped into five divisions in order to create a more efficient and client-centred organisation. This restructuring process, coupled with the effects of a weak market, has meant a reduction of up to 250 jobs within the ÅF Group as a whole.

### **Pro forma statement for the new organisation 2002**

Profit/Loss and Sales by Division (figures in millions of Swedish kronor, MSEK)

	<b>Profit/Loss</b>	<b>Sales</b>
Energy & Environment	-5	320
Industry & Systems	-21	682
Installations	27	363
Pulp & Paper	-29	282
New Markets	8	374
<b>Total, Consulting activities</b>	<b>-19</b>	<b>2,020</b>

### **Prospects for 2003**

The weak demand that has characterised 2002 is expected to endure for most of 2003. The Board of Directors believes that demand for services will be sluggish at the start of the year, but that the corporate restructuring programme will begin to have a positive impact on earnings from the second quarter onwards. Consequently, as a result of cost-cutting measures and a new, more efficient organisation, the ÅF Group's profitability should improve during 2003.

### **Accounting and valuation principles**

The principles and calculation methods used in this financial report remain unchanged from those used in the ÅF Group's most recent annual report.

### **Forthcoming events**

The Annual General Meeting of Shareholders will take place at 17.00 (5.00 p.m.) on 7 May 2003 at the ÅF Group's head office (Fleminggatan 7, Stockholm).

The Group's interim report for the first quarter of 2003 will be published on 7 May 2003.

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19 February 2001

We expect to be able to publish the ÅF Group's Annual Report for 2002 on 23 April 2003. The report, which is available in Swedish and English, may be ordered by phoning +46 (0)8-657 10 00 or by sending an e-mail request to info@af.se.

Stockholm, Sweden – 18 February 2003

AB ÅNGPANNEFÖRENINGEN  
The Board of Directors

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**CONSOLIDATED INCOME STATEMENT**

(in millions of SEK)

	Oct.-Dec. 2002	Oct.-Dec. 2001	Full year 2002	Full year 2001	Full year 2000
Operating income	552.6	566.5	1916.1	1,962.6	1,746.9
Personnel costs	-358.5	-319.2	-1282.2	-1,189.7	-1,030.8
Other external expenses	-188.7	-230.8	-588.3	-633.1	-553.5
Depreciation	-18.2	-18.0	-69.3	-68.7	-64.1
Items affecting comparability	-110.2	11.7	-110.2	11.7	240.3
Share of associated companies' profit/loss	0.3	0.8	-1.7	2.2	0.5
Operating profit	-122.7	11.0	-135.6	85.0	339.3
Income from financial investments	0.1	17.3	-15.0	3.0	-8.4
Profit after financial items	-122.6	28.3	-150.6	88.0	330.9
Tax	17.7	-12.7	17.3	-30.7	-96.3
Minority shareholders' share of profit	-0.5	1.7	5.8	-0.3	-4.4
Profit for the reporting period	-105.4	17.3	-127.5	57.0	230.2
Operating margin (percent)	-22.2	1.9	-7.1	4.3	19.4
Profit margin (percent)	-22.2	5.0	-7.9	4.5	18.9
Operating profit excl items affecting comparability	-12.5	-0.7	-25.4	73.3	99.0
Profit after financial items excl items affecting comparability	-12.4	16.6	-40.4	76.3	90.6
Operating margin excl items affecting comparability (percent)	-2.3	-0.1	-1.3	3.7	5.7
Profit margin excl items affecting comparability (percent)	-2.2	2.9	-2.1	3.9	5.2
Capacity utilisation (percent)	66.2	67.5	66.4	69.7	69.5
Profit per share, SEK	-18.30	3.00	-22.18	9.91	40.04
Profit per share excl items affecting comparability, SEK	-4.50	1.50	-8.38	8.45	9.95
Profit per share after full conversion, SEK	-16.54	2.75	-19.89	9.14	36.29
Number of shares 5.748.569 (after full conversion 6.329.369)					

**CONSOLIDATED BALANCE SHEET**

(in millions of SEK)

	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000
Assets			
Intangible fixed assets	43.1	42.0	40.6
Tangible fixed assets	380.6	393.9	399.9
Financial assets	51.0	103.1	168.4
Current receivables	548.7	521.0	478.2
Liquid assets and investments	68.9	216.3	301.4
Total assets	1092.3	1,276.3	1,388.5
Equity and liabilities			
Equity	324.9	527.8	542.8
Minority shareholding	5.6	14.7	9.0
Provisions	123.1	101.2	160.6
Long-terms liabilities	115.7	116.5	151.2
Short-terms liabilities	523.0	516.1	524.9
Total equity and liabilities 1)	1092.3	1,276.3	1,388.5
1) of which interest-bearing provisions and liabilities	315.7	313.1	368.0

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

	Full year 2002	Full year 2001	Full year 2000
Cash flow from operating activities before changes in working capital	-21.1	51.9	180.7
Cash flow from changes in working capital	-16.0	-40.0	55.5
Cash flow from investing activities	-46.8	-13.0	-47.8
Cash flow from financing activities	-63.5	-84.0	0.4
Cash flow for the reporting period	-147.4	-85.1	188.8

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

	Full year 2002	Full year 2001	Full year 2000
Beginning balance	527.8	542.8	332.7
Dividend	-74.7	-74.7	-20.0
Translation difference for the period	-0.7	2.7	-0.1
Profit/loss for the period	-127.5	57.0	230.2
Closing balance	324.9	527.8	542.8

**KEY RATIOS**

Return on equity (percent)	-29.9	10.6	52.6
Return on equity excl items affecting comparability (percent)	-10.4	10.9	16.3
Return on capital employed (percent)	-21.7	14.1	52.9
Return on capital employed excl items affecting comparability (percent)	-3.8	15.0	18.8
Equity ratio (percent)	29.7	41.3	39.1
Adjusted equity ratio (percent)	35.5	46.3	44.2
Equity ratio per share, SEK	57	92	94
Net worth per share, SEK	76	118	122
Employees (FTEs) excluding associated companies	2,309	2,167	2,044
Employees (FTEs) including associated companies	2,607	2,470	2,191

(Definitions see Annual report 2001.)