

Press release – ÅF Group



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Interim report January–March 2003

ÅF Group improves earnings despite the generally poor economic climate

- Net sales rose to SEK 491 million (Jan–March 2002: SEK 479.1 million).
- Capacity utilisation rose to 69% (66%)
- Profit after net financial items rose to a total of SEK 11 (6) million
- Profit per share, SEK 1.49 (0.95)
- Forecast of a positive cash flow and operating profit for 2003 stands firm.

A few words from the President, Jonas Wiström

The first quarter of 2003 has seen the implementation of plans for the extensive restructuring of the ÅF Group's business that were resolved last year. This has meant that, in all, some 200 employees have left the company through redundancies and early retirement. In order to achieve our prime objective of reversing the negative trend in earnings and restoring profitability to the ÅF Group this year, most of the funds earmarked for this restructuring process in the 2002 annual accounts have been used.

Simultaneously with the reorganisation, capacity utilisation has increased by almost three percentage points, a satisfying development that explains the increase in profits compared with the first quarter last year. The improvement in capacity utilisation (the proportion of time charged to clients relative to the total time spent at work) is a consequence not only of shedding non-invoicing staff, but also of a tremendous sense of commitment among ÅF Group employees.

We remain cautious with regard to the continued weak state of the economy, the current situation on the market and the risk of persistent pressure on prices in certain segments of the market. As we see nothing to suggest that there will be any significant change in the situation during the rest of the year, we are directing our efforts towards capturing new shares of the technical consulting market and making the ÅF Group profitable once more.

Significant events during the first quarter

The ÅF Group's French subsidiary Chleq Froté has signed an agreement with packaging manufacturer Emin Leydier that is worth around SEK 65 million. The project is expected to accrue in volume during the second quarter this year and is due for completion in 2004.

The ÅF Group has signed separate framework agreements with Sweden's National Road Administration and the Swedish Rescue Services Agency, each for a period of two years, with the option of a further 12-month extension at the end of this initial period.

As part of a strategic partnership and product development agreement with Siemens Medical Solutions, the ÅF Group has negotiated the transfer to its staff of 16 former Siemens employees and taken over a development environment in Stockholm with unique skills in medical X-ray technology.

Sales and earnings

Net sales rose by almost 3 percent to SEK 491 million (corresponding figure for first quarter 2002: SEK 479 million).

Operating profit was SEK 14 (9) million. The operating margin rose to 2.8 (1.9) percent, while capacity utilisation increased to 69 (66) percent.

Group consolidated profit after net financial items totalled SEK 11 (6) million, yielding a profit margin of 2.2 (1.3) percent.

Earnings per share were SEK 1.49 (0.95).

Utilisation of financial provisions for restructuring operations

The accounts for 2002 included an item for SEK 85 million under the heading of "Provisions for restructuring", which was earmarked for the costs involved in terminating the contracts of administrative staff, managers and consultants. For the most part, this restructuring process has taken place during the first quarter of 2003. After the completion of mandatory local negotiations in accordance with Swedish legislation on codetermination at work, the costs involved in terminating employment contracts have been calculated individually for each employee concerned. The relevant amount has then been released from the provisions for restructuring and transferred to the company with which the employee has been employed, where it has subsequently been entered as a liability on the balance sheet.

At the end of the first quarter a total of SEK 11 million remained in the provisions for restructuring.

The current status in the ÅF Group's five divisions

Industry & Systems

Following the latest contraction in the market for industrial and IT consulting services in 2002, the situation has remained more or less stable so far in 2003. However, competition remains keen, there is still a great deal of pressure on prices and lead times continue to be short in many market areas. On a more positive note, demand for product development and production development assignments has increased, which suits our skills in *Industry & Systems* well.

Pulp & Paper

After a period of decline, demand for consulting services from the pulp and paper industry in Sweden and Europe is now starting to show signs of stability and there are even suggestions of a slight upturn in business. *Pulp & Paper* reports an increase in the number of enquiries relating to major projects, and clients will be making some important investments decisions during the spring and autumn. First-quarter earnings were, however, affected negatively by low levels of work for the Group's French subsidiary, Chleq Froté.

Installations

After the levels of activity in property maintenance and the construction industry in Sweden dwindled during the third and fourth quarter of 2002, the market now seems to have stabilised, albeit at a relatively low level. *Installations* has experienced reduced numbers of consulting assignments for new construction, but increased activity in connection with rebuilds, renovations and property maintenance projects. At the same time demand for consulting services in conjunction with energy efficiency projects has increased.

Energy & Environment

Orders for consulting services in *Energy & Environment* rose month by month to finish the first quarter at an acceptable level. Demand for consulting and expert advice within *Energy & Environment* is expected to increase as a result of new EU directives relating to the energy performance of buildings. At the same time, escalating electricity prices are expected to fuel interest in a more rational use of energy and alternative energy sources, while an increase in the number of environmental criteria that industry must comply with may also raise demand.

New Markets

ÅF-Data

ÅF-Data improved its result in a relatively austere market during the first quarter thanks, above all, to reduced costs and a slight increase in earnings.

ÅF-Infrateknik

Incoming orders for ÅF-Infrateknik have been relatively good during the first quarter. Within the area of telecoms ÅF-Infrateknik has succeeded in compensating for the weaker demand from tele-operators with an increased number of assignments from the Swedish armed forces. Demand for services in Traffic Technology, Urban & Rural Planning and Transportation Management has either remained stable or shown signs of a slight rise.

ÅF-Kontroll

ÅF-Kontroll improved sales and profits, and is continuing to win new shares of the market. Considering the new recruitments made and the training activities undertaken during the reporting period, invoicing reached a satisfactory level. Historically the first quarter is the "low season" for inspection and control services.

ÅF-SIFU

The cautious recovery in the training market which began at the end of 2002 continued during the first three months of 2003. An improved order situation and reduced costs contributed to improving ÅF-SIFU's first-quarter earnings.

Accounting principles

This interim report has been compiled in accordance with recommendation RR20 (Interim Reports) issued by the Swedish Financial Accounting Standards Council. Among the new recommendations that have come into effect at the beginning of 2003, those with the most significant impact on the accounts of the ÅF Group are RR22 (Presentation of Financial Statements) and RR 25 (Segment Reporting) which has affected the external accounting.

Investments

Gross investments in machines and equipment during the first quarter totalled SEK 11 (11) million.

Cash flow and financial status

The cash flow for the first quarter was a negative one of SEK –29 (–34) million. This figure does, however, include SEK 13 million for the amortisation of a loan. The utilisation of SEK 17 million of the restructuring reserve has had a negative influence on the cash flow.

The ÅF Group's liquid assets, including current investments, totalled SEK 40 million, compared to a figure of SEK 69 million at the end of 2002.

Equity per share at the end of the reporting period was SEK 58, and the Group's equity/assets ratio was 30 percent. These figures compare with SEK 57 and 30 percent respectively at the end of 2002.

Real Estate and Finance Administration

According to an evaluation of the Group's properties carried out by Forum Fastighets AB at the end of 2002, the market value of this real estate was assessed at SEK 411 (460) million. Book value as per March 31 2003 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.

ÅF shares

At the end of the reporting period the ÅF share was valued at SEK 89, which represents a 3.3 percent fall since the start of the year. By way of comparison, however, it should be noted that the Stockholm Stock Exchange's all-share index (Sax) fell by 7.5 percent during the same period.

Prospects for the future

Our objective of achieving a positive cash flow and operating result for 2003 as a whole stands firm.

Next report

The ÅF Group's interim report for the period January–June will be presented on August 20.

The Annual General Meeting of Shareholders takes place on May 7 at 17.00 (5 pm) at AB Ångpanneföreningen's head office at number 7 Fleminggatan in central Stockholm.

Stockholm, May 7 2003
AB Ångpanneföreningen (publ)

Jonas Wiström
President and CEO

CONSOLIDATED INCOME STATEMENT
(in millions of SEK)

	Jan.-March 2003	Jan.-March 2002	Full year 2002	Full year 2001
Operating income	491.2	479.1	1,916.1	1,962.6
Personnel costs	-328.1	-325.2	-1,282.2	-1,189.7
Other external expenses	-132.9	-127.3	-588.3	-633.1
Depreciation	-16.5	-16.6	-69.3	-68.7
Items affecting comparability	-	-	-110.2	11.7
Share of associated companies' profit/loss	-0.1	-0.9	-1.7	2.2
Operating profit	13.6	9.1	-135.6	85.0
Income from financial investments	-2.6	-2.8	-15.0	3.0
Profit after financial items	11.0	6.3	-150.6	88.0
Tax	-3.0	-2.1	17.3	-30.7
Minority shareholders' share of profit	0.6	1.2	5.8	-0.3
Profit for the reporting period	8.6	5.4	-127.5	57.0
Operating margin (percent)	2.8	1.9	-7.1	4.3
Profit margin (percent)	2.2	1.3	-7.9	4.5
Capacity utilisation (percent)	68.6	65.7	66.4	69.7
Profit per share, SEK	1.49	0.95	-22.18	9.91
Profit per share after full conversion, SEK	1.38	0.90	-19.89	9.14
Number of shares 5.748.569 (after full conversion 6.358.409)				

CONSOLIDATED BALANCE SHEET
(in millions of SEK)

	31 March 2003	31 March 2002	31 Dec. 2002	31 Dec. 2001
Assets				
Intangible fixed assets	40.1	42.3	43.1	42.0
Tangible fixed assets	377.0	392.8	380.6	393.9
Financial assets	51.6	93.3	51.0	103.1
Current receivables	602.6	567.7	548.7	521.0
Liquid assets and investments	39.9	182.1	68.9	216.3
Total assets	1,111.2	1,278.2	1,092.3	1,276.3
Equity and liabilities				
Equity	332.5	530.7	324.9	527.8
Minority shareholding	4.8	12.7	5.6	14.7
Provisions	61.9	93.1	123.1	101.2
Long-terms liabilities	118.9	117.2	115.7	116.5
Short-terms liabilities	593.1	524.5	523.0	516.1
Total equity and liabilities 1)	1,111.2	1,278.2	1,092.3	1,276.3
1) of which interest-bearing provisions and liabilities	300.7	201.7	315.7	313.1

CONSOLIDATED STATEMENT OF CASH FLOW
(in millions of SEK)

	Jan.-March 2003	Jan.-March 2002	Full year 2002	Full year 2001
Cash flow from operating activities before changes in working capital	7.4	-2.8	-19.0	51.9
Cash flow from changes in working capital	-14.9	-22.5	-18.1	-40.0
Cash flow from investing activities	-9.2	-6.2	-46.8	-13.0
Cash flow from financing activities	-12.4	-2.7	-63.5	-84.0
Cash flow for the reporting period	-29.1	-34.2	-147.4	-85.1

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

	31 March 2003	31 March 2002	Full year 2002	Full year 2001
Beginning balance	324.9	527.8	527.8	542.8
Dividend	-	-	-74.7	-74.7
Translation difference for the period	-1.0	-2.5	-0.7	2.7
Profit/loss for the period	8.6	5.4	-127.5	57.0
Closing balance	332.5	530.7	324.9	527.8

KEY RATIOS

	Jan.-March 2003	Jan.-March 2002	Full year 2002	Full year 2001
Return on equity, full year (percent)	10.5	4.1	-29.9	10.6
Return on capital employed, full year (percent)	10.6	5.5	-21.7	14.1
Equity ratio (percent)	29.9	41.5	29.7	41.3
Equity ratio per share, SEK	58	92	57	92
Employees (FTEs) excluding associated companies	2,288	2,271	2,309	2,167
Employees (FTEs) including associated companies	2,586	2,579	2,607	2,470

(Definitions see Annual report 2002.)

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

Financial information per division, January-March 2003

(in millions of SEK)

	Jan-March 2003	Jan-March*		
		2002		
Operating income				
Energy & Enviroment	67.7	79.8		
Industry & Systems	171.1	168.6		
Installations	101.3	98.2		
Pulp & Paper	73.8	72.7		
New Markets	103.1	89.3		
Other	-25.8	-29.5		
Total income	491.2	479.1		
	Jan-March 2003	Jan-March*	Jan-March 2003	Jan-March*
		2002	2003	2002
Operating profit and operating margin				
Energy & Enviroment	1.6	3.4	2.4 %	4.3 %
Industry & Systems	4.1	3.1	2.4 %	1.8 %
Installations	8.3	8.0	8.2 %	8.1 %
Pulp & Paper	0.1	-4.6	0.1 %	-6.3 %
New Markets	4.5	-1.8	4.1 %	-2.0 %
Other	-5.0	1.0	-	-
Total	13.6	9.1	2.8 %	1.9 %

* The figures for the period January-March 2002 are pro forma