



1(9)

Press release from the ÅF Group

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release:**
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Interim Report January-June 2003

ÅF Group continues to improve earnings despite the generally sluggish state of the economy

- Net sales rose to SEK 996 million (Jan–June 2002: SEK 974 million)
- Profit after net financial items rose to SEK 24 (9) million
- Earnings per share rose to SEK 3.37 (1.47)
- Capacity utilisation totalled 69% (67%)

A few words from the President, Jonas Wiström

The end of the second quarter of 2003 has seen the completion of our plans to restructure the ÅF Group, which have resulted in almost 200 employees leaving the company through redundancies and early retirement.

This reduction in staffing levels has played a large part in raising the Group's capacity utilisation rate by more than two percentage points during the first six months of the year, enabling the ÅF Group to record an overall improvement in earnings in what remains a fairly difficult market.

Profitability has still to reach a satisfactory level, but the completion of a package of restructuring measures means that the prospects now look more favourable for the ÅF Group to improve its earnings.

There are one or two bright spots in key segments of the market, but it is still too early to talk of any real reversal of the trends, and the ÅF Group does not envisage any improvement in the situation in the market during the remainder of 2003.



2003-08-20

2(9)

As a result of the resolve to streamline the ÅF Group's business by concentrating on core activities, a decision was made during the second quarter to commence the process of selling one of the Group's subsidiaries (the educational company, ÅF-SIFU AB) and large portions of the Group's portfolio of premises.

Significant events during the second quarter

The ÅF Group has signed a new framework agreement with Ericsson relating to consulting services in Research & Development, IS/IT and Technical Documentation.

The ÅF Group has been commissioned with the task of upgrading and expanding the district heating grid in the centre of the Serbian capital, Belgrade. The grid is currently operated by the municipally owned company, Beogradske Elektrane. Consulting work will be funded by the Swedish International Development Cooperation Agency (SIDA). The total value of the contract amounts to approximately SEK 28 million, of which the ÅF Group's share will equate to around 25 percent.

The ÅF Group has been awarded a contract, together with the UK's Mott McDonald, to rehabilitate and develop the district heating network in the town of Surgut in Russia. For the ÅF Group the assignment is worth SEK 5–6 million.

Sales and earnings

Net sales for the ÅF Group for the first half of the year amounted to SEK 996 million (figure for the corresponding period in 2002: SEK 974 million). Sales for the second quarter were SEK 497 (495) million.

Operating profit for the first six months was SEK 30 (16) million and the operating margin rose to 3.0 (1.6) percent. Operating profit for the second quarter was SEK 16 (7) million, with the operating margin rising to 3.2 (1.3) percent.

Capacity utilisation increased to 69 (67) percent, with a figure of 69 (68) percent for the second quarter.

Group consolidated profit after net financial items totalled SEK 24 (9) million for the first six months, yielding a profit margin of 2.5 (0.9) percent. Group consolidated profit for the second quarter totalled SEK 13 (2) million after net financial items.

Earnings per share were SEK 3.37 (1.47). For the second quarter EPS was SEK 1.88 (0.53).



The current status in the Group's divisions

Energy & Environment

While incoming orders for consulting services within the energy sector have been good, demand for environmentally related assignments has been somewhat slacker. Even so, the *Energy & Environment Division* has notched up a number of international successes so far this year, particularly in the second quarter, with its involvement in major district heating projects in Russia and Serbia, and an environmental education contract in Bolivia. These successes are, in part, founded on the strategic decision to limit the offer and focus sales efforts on a number of carefully selected countries within the area of development aid.

Industry & Systems

Following the dramatic contraction in the market for industrial and IT consulting services in 2002, demand has remained relatively weak. The market continues to demonstrate signs of overcrowding, with a certain amount of pressure on prices and expectations among customers of short lead times, especially in and around the big cities. Demand for the services of *Industry & Systems* was good, however, in central Sweden. Another bright spot on the horizon is the increasing interest for assignments relating to product development and production development, which are well suited to the portfolio of skills that the Group can offer in *Industry & Systems*.

Installations

The combined effects of a downturn for the Swedish construction market during the first six months of the year and increased competition have exerted a certain amount of pressure on prices within the *Installations* segment. On the other hand, this has, to some extent, been offset by increased demand for rebuilds, renovations and property maintenance projects. At the same time, a rise in demand for consulting services in conjunction with energy efficiency projects has also had a positive impact on the market as a whole.

Pulp & Paper

Demand for consulting services from the pulp and paper industry in Scandinavia showed signs of a slight upturn during the first half of 2003. This, compounded by the positive effect of certain internal measures carried out within the division, explains the improved result. Earnings were affected negatively by the Group's French subsidiary, Chleq Froté, but the German subsidiary, on the other hand, made a positive contribution to the division's overall result.



2003-08-20

4(9)

New Markets

- ÅF-Data

Despite the relatively austere market for business systems during the first six months of the year, ÅF-Data recorded a substantial improved in earnings, not least as a result of the internal cost-cutting programme that has been implemented within the company.

- ÅF-Infrateknik

Incoming orders for ÅF-Infrateknik have been good during the first half, albeit with signs of a certain slackening off in the second quarter that saw one Traffic Technology project put on ice. Since the end of the reporting period the AF Group has taken over the operations of SwedeRail, which was created in 1981 as an international consultancy to provide efficient rail solutions.

- ÅF-Kontroll

ÅF-Kontroll recorded a substantial improvement in sales and profits in the first six months of the 2003, with a good level of demand for inspection services and a very good level of demand for testing.

- ÅF-SIFU

Dramatically reduced costs and somewhat greater stability in the education market have combined to help ÅF-SIFU post a much improved first-half result compared with the figures the company reported for January–June 2002.

Accounting principles

This interim report has been compiled in accordance with recommendation RR20 (Interim Reports) issued by the Swedish Financial Accounting Standards Council. New recommendations came into effect at the beginning of 2003. These include RR22 (Presentation of Financial Statements) and RR 25 (Segment Reporting).

Investments

Gross investments in machines and equipment during the first six months of the year totalled SEK 17 (21) million.



2003-08-20

5(9)

Cash flow and financial status

The cash flow for the first half of 2003 was a negative one of SEK –34 (–124) million. This figure does, however, include SEK 15 (3) million for the amortisation of a loan, and a shareholders' dividend of SEK 11 (74) million.

The cash flow for the second quarter, prior to the issue of the shareholders' dividend, was positive.

The ÅF Group's liquid assets totalled SEK 34 (68) million.

Equity per share at the end of the reporting period was SEK 58, and the Group's equity/assets ratio was 31 percent. These figures compare with SEK 57 and 30 percent respectively at the beginning of the year.

Real Estate and Finance Administration

The ÅF Group's Board of Directors and Senior Management Group have resolved to sell a majority of the Group's current portfolio of properties – seven premises in all.

According to an evaluation of the Group's properties carried out by Forum Fastighetsekonomi AB the market value of this real estate totalled SEK 170 million at the end of 2002.

For the time being at least, the buildings which currently house the ÅF Group's head office in Stockholm (approximately 10,700 square metres in size) will not be affected. These premises (officially known as the Håröden 44 building) were valued at SEK 240 million at the end of 2002.

Parent company

Parent company sales totalled SEK 48 (48) million, yielding a profit after net financial items of SEK 69 (6) million. Excluding the effect of the utilisation of the restructuring reserve, the profit after net financial items as per 30 June 2003 was SEK 5 million.

ÅF shares

At the end of the reporting period, ÅF "B" shares were valued at SEK 90 each, which corresponds to a fall of 2 percent since the start of the year. The Stockholm Stock Exchange's all-share index (Sax) rose by 7 percent during the same period.



2003-08-20

6(9)

Capital Market day

On September 30, from 14.00 (2 p.m.) onwards, the ÅF Group will be hosting the ÅF Group Capital Market Day at its head office on Fleminggatan in central Stockholm. For more detailed information and applications, please contact the ÅF Group's Director of Corporate Information, Viktor Svensson.

Next reporting date

The ÅF Group's interim report for the period January–September will be presented on October 23.

Stockholm, August 20, 2003

AB Ångpanneföreningen (publ)

Jonas Wiström
President and CEO



2003-08-20

7(9)

CONSOLIDATED INCOME STATEMENT

(in millions of SEK)

	April-June 2003	April-June 2002	Jan.-June 2003	Jan.-June 2002	Full year 2002
Operating income	497.0	494.6	995.7	973.7	1,916.1
Personnel costs	-333.5	-321.5	-666.4	-646.7	-1,282.2
Other external expenses	-131.2	-148.4	-266.5	-275.7	-588.3
Depreciation	-16.0	-16.8	-32.8	-33.4	-69.3
Items affecting comparability	-	-	-	-	-110.2
Shares of associated companies' profit/loss	-0.2	-1.4	-0.3	-2.3	-1.7
Operating profit	16.1	6.5	29.7	15.6	-135.6
Income from financial investments	-2.7	-4.3	-5.3	-7.1	-15.0
Profit after financial items	13.4	2.2	24.4	8.5	-150.6
Tax	-3.1	-0.6	-6.1	-2.7	17.3
Minority shareholders' share of profit	0.5	1.5	1.1	2.7	5.8
Profit for the reporting period	10.8	3.1	19.4	8.5	-127.5
Operating margin (percent)	3.2	1.3	3.0	1.6	-7.1
Profit margin (percent)	2.7	0.5	2.5	0.9	-7.9
Capacity utilisation (percent)	69.3	67.9	68.9	66.8	66.4
Profit per share, SEK	1.88	0.53	3.37	1.47	-22.18
Profit per share after full conversion, SEK	1.73	0.52	3.11	1.41	-19.89
Number of shares	5.748.569	5.748.569	5.748.569	5.748.569	5.748.569
Average number of shares	5.748.569	5.748.569	5.748.569	5.748.569	5.748.569

Number of shares after full conversion 6.358.409 (2004/2005)

CONSOLIDATED BALANCE SHEET

(in millions of SEK)

	30 June 2003	30 June 2002	31 Dec. 2002
Assets			
Fixed assets			
Intangible fixed assets	41.6	42.8	43.1
Tangible fixed assets	369.0	387.6	380.6
Financial assets	47.7	66.2	51.0
Total Fixed assets	458.3	496.6	474.7
Current assets			
Current receivables	571.4	606.1	548.7
Liquid assets and investments	34.4	92.0	68.9
Total Current assets	605.8	698.1	617.6
Total assets	1,064.1	1,194.7	1,092.3
Equity and liabilities			
Equity	331.6	459.6	324.9
Minority shareholding	4.1	11.1	5.6
Provisions	50.6	93.7	123.1
Long-terms liabilities	118.2	117.0	115.7
Short-terms liabilities	559.6	513.3	523.0
Total equity and liabilities 1)	1,064.1	1,194.7	1,092.3
1) of which interest-bearing provisions and liabilities	298.2	300.0	315.7

Pledged assets and Contingent liabilities are mainly the same as they were in the annual accounts 2002.



2003-08-20

8(9)

CONSOLIDATED STATEMENT OF CASH FLOW

(in millions of SEK)

	Jan.-June 2003	Jan.-June 2002	Full year 2002
Cash flow from operating activities before changes in working capital	37.2	-13.7	-19.0
Cash flow from changes in working capital	-28.6	-39.3	-18.1
Cash flow from investing activities	-16.7	6.3	-46.8
Cash flow from financing activities	-26.4	-77.6	-63.5
Cash flow for the reporting period	-34.5	-124.3	-147.4

SPECIFICATION OF THE CHANGE IN SHAREHOLDERS' EQUITY

(in millions of SEK)

	30 June 2003	30 June 2002	Full year 2002
Beginning balance	324.9	527.8	527.8
Dividend	-11.5	-74.7	-74.7
Translation difference for the period	-1.2	-2.0	-0.7
Profit/loss for the period	19.4	8.5	-127.5
Closing balance	331.6	459.6	324.9

KEY RATIOS

	Jan.-June 2003	Jan.-June 2002	Full year 2002
Return on equity, full year (percent)	11.8	3.4	-29.9
Return on capital employed, full year (percent)	11.5	4.8	-21.7
Equity ratio (percent)	31.2	38.5	29.7
Equity ratio per share, SEK	58	80	57
Employees (FTEs) excluding associated companies	2,282	2,283	2,309
Employees (FTEs) including associated companies	2,580	2,589	2,607

(Definitions see Annual report 2002)

We have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities Exchange Act and the Annual Accounts Act.

Stockholm, 20 August 2003

Bo Ribers
Authorized Public AccountantBjörn Flink
Authorized Public Accountant



2003-08-20

9(9)

FINANCIAL INFORMATION PER DIVISION, JANUARY-JUNE

(in millions of SEK)

	Jan.-June 2003	Jan.-June* 2002
Operating income		
Energy & Environment	137.8	163.6
Industry & Systems	345.5	328.8
Installations	219.0	214.7
Pulp & Paper	153.4	148.9
New Markets	211.6	175.6
Other / Eliminations	-71.6	-57.9
Total income	995.7	973.7

	Jan.-June 2003	Jan.-June* 2002	Jan.-June 2003	Jan.-June* 2002
Operating profit and operating margin				
Energy & Environment	6.2	7.1	4.5 %	4.3 %
Industry & Systems	4.5	-0.6	1.3 %	-0.2 %
Installations	11.4	16.9	5.2 %	7.9 %
Pulp & Paper	3.8	-10.0	2.5 %	-6.7 %
New Markets	11.6	1.6	5.5 %	0.9 %
Other / Eliminations	-7.8	0.6	-	-
Total	29.7	15.6	3.0 %	1.6 %

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