

Annual Report 2004



Innovation by experience





A leading name in technical consulting

The ÅF Group offers highly qualified services and solutions for process industries, infrastructure projects and the development of products and IT systems. We also carry out certified third-party testing and inspection work.

Our proven proficiency in engineering is founded on the in-depth specialist knowledge of many branches of industry that we have built up over more than one hundred years. Today the ÅF Group comprises almost 2,700 employees based in some 50 locations in Sweden and in almost a dozen other European countries.

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The year in brief

- Net sales totalled SEK 2,160 million (corresponding figure for 2003: SEK 1,995 million)
- Profit after net financial items totalled SEK 33 (47) million
- Earnings after tax amounted to SEK 30 (30) million
- Earnings per share: SEK 5.11 (5.24)
- The objectives for 2005 remain clear:
 - To achieve substantial improvements in profits and cash flows compared to 2004.
 - To continue to grow more quickly than the market as a whole.

Financial summary	2004	2003
Operating income, in millions of SEK	2,160	1,995
Profit after net financial items, in millions of SEK	33	47
Profit margin, percent	1.5	2.3
Employees (FTE's) incl. associated companies	2,647	2,599
Equity/assets ratio, percent	29.4	30.5
Return on equity, percent	8.3	9.0
Earnings per share after tax, SEK	5.11	5.24
Dividend per share, SEK	2.60*	2.60

*As proposed by the Board of Directors to the Annual General Meeting.



A brief historical summary

On 23 February 1895 Södra Sveriges Ångpanneförening ("The South Sweden Boiler Association") was created when a number of owners of steam generators joined forces to prevent accidents and utilise steam power more efficiently.

Ever since, ÅF has played a major role in the industrial developments that have revolutionised our society over the past century. ÅF has witnessed four huge technology changes – steam, electricity, nuclear power and computerisation – and remained at the leading edge of technology both in the industrial era and in today's information society.

AB Ångpanneföreningen was listed on the Stockholm Stock Exchange in January 1986 and is today one of Europe's largest technical consulting companies.

The ÅF Group at a glance

Division

Areas of expertise



Consulting services chiefly in the construction and property management industries and for infrastructure projects.
Approximately 700 employees (FTE's).



Consulting services chiefly in the pulp and paper industry, energy and the environment and industrial automation.
Approximately 1,300 employees (FTE's).



Consulting services chiefly within industry (for example, telecommunications) where the ÅF Group develops systems, products and production.
Approximately 300 employees (FTE's).



Services relating primarily to inspection, testing and certification, but also including a number of supplementary services such as training and advisory services, risk analysis, CE marking and the implementation of a variety of EU directives.
Approximately 200 employees (FTE's).

Organisation

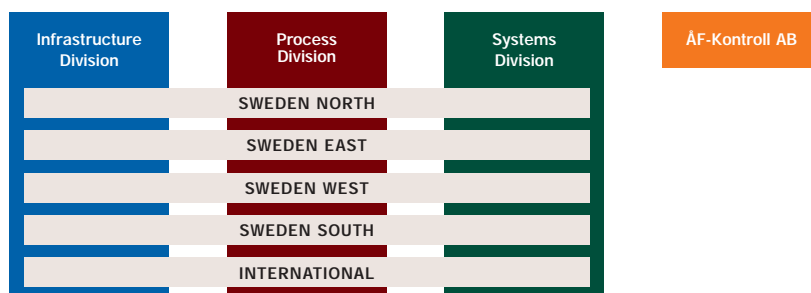
The ÅF Group is an international technical consulting company with the Nordic region as its domestic market. A local presence among clients and in the labour market are prerequisites for success. ÅF's organisation and management is characterised by a decentralised structure which contributes to quick decision-making processes and the ability and willingness to make decisions far out in the organisation.

At the start of 2005, in order to focus more clearly on its core activities, the ÅF Group was re-organised into three divisions – Infrastructure, Process and Systems – and the subsidiary ÅF-Kontroll. This new structure is a natural progression following on from the changes implemented two years ago when ÅF sought to maximise the advantages of its size and scope and make its offer clearer to the market by evolving from a Group with a large number of subsidiaries to a divisional structure.

The new organisation, which aims to improve earnings and profits by facilitating client access to ÅF's entire range of services also involves strengthening our local presence by introducing regions with regional managers, each of whom has a seat in the Senior Management Group. In this way ÅF has become a more decentralised company with an even greater focus on clients and co-workers outside the Stockholm region.

The Regional Managers for Sweden North, Sweden East, Sweden West, Sweden South and the International region outside Sweden represent the entire scope of ÅF services.

At the same time as the new organisation was introduced, a new unit – Acquisitions and New Markets – was established to ensure that the Group adopts a proactive and more systematic approach to corporate acquisitions and expansion into new geographical markets.



Share of Group 2004 Proforma

Clients	Net sales	Operating profit	Employees (FTE's)
<ul style="list-style-type: none"> • State-controlled authorities and government offices • The armed forces • Telecommunications operators and network builders • Industry – primarily the pharmaceutical, food and automotive industries • Property owners and property management bodies 	 30% MSEK 698	 105% MSEK 37.2	 28% 694
<ul style="list-style-type: none"> • Pulp and paper industry • Power and energy • Manufacturing industry • Trade organisations • Aid and development organisations 	 47% MSEK 1,092	 96% MSEK 33.7	 51% 1,260
Within product development: <ul style="list-style-type: none"> • manufacturing industries Within operational and business systems: <ul style="list-style-type: none"> • companies involved in project/assignment-based operations 	 15% MSEK 342	 -139% MSEK - 49.1	 13% 336
<ul style="list-style-type: none"> • all industries and sectors 	 8% MSEK 176	 38% MSEK 13.5	 8% 199
Total consulting activities	MSEK 2,308	MSEK 35.3	2,489

Pro forma figures for the new organisation 2004

	Income from operations, MSEK	Operating profit/loss, MSEK	Operating margin, %
Infrastructure	698	37.2	5.3
Process	1,092	33.7	3.1
Systems	342	-49.1	-14.4
Total	2,132	21.8	1.0
ÅF-Kontroll	176	13.5	7.7
Total consulting activities	2,309	35.3	1.5
Other/Eliminations	-148	2.5	
Final total	2,160	37.8	1.7

The smallest profit centre in the ÅF Group is the section. Most sections have remained unaffected by the structural reorganisation. The proforma totals have been compiled by adding together the figures at section level. In the few instances where sections have been divided between the new divisions, the figures have been adjusted proportionately.

ÅF continues building to meet tomorrow's market



"The ÅF Group is well placed to take advantage of the opportunities that will evolve in the new market."

In order to make optimum use of the tremendous amount of expertise in ÅF worldwide, we have invested substantial resources in creating what we call "ONE ÅF". We believe this will reap benefits in the form of continually satisfied clients, further expansion and, not least, improved profitability.

ÅF developed strongly in 2004. Let me start with a brief resumé before explaining the positive scenario that I envisage for the future.

In my previous report I outlined our targets and objectives for 2004: to improve profitability, to expand organically and through acquisitions, and to continue our work of building up our structural capital and taking the first steps towards becoming a truly international consulting company. I also wrote that "the market for industrial consultants is due for a turnaround" and "a reversal of the current trend during the sec-

ond half of 2004, with increased demand in large segments of our business should make it possible to increase our profitability substantially".

With hindsight I must confess that we did not succeed in our most important objective: to improve profitability for the Group.

The main reason for this was our continuing losses in the Systems Division, which compelled us to introduce two costly action programmes during the year.

Our other business, in contrast, has developed well. The best example is the Infrastructure Division, which captured new shares of the market in what proved a good year from start to finish. Pulp & Paper and Installations also developed in the right direction during the second half of the year.

It is worth noting that, excluding capital gains and figures for the Systems Division, the ÅF Group's earnings for 2004 showed an improvement of almost 15 percent on 2003.

It is my opinion that, from the first quarter of 2005, Systems will once again begin to return a profit thanks, first and foremost, to the substantial reduction in fixed costs and an increase in sales activities.

I am also counting on the otherwise positive trends that we have been experiencing in ÅF to continue during 2005. Large investments are still being made in infrastructure projects in Sweden, and we anticipate that the level of investment will also remain high in the process industry.

A market in change

Globalisation will exert a major influence on the market in the years to come. As far as ÅF is concerned this will have three main effects. Firstly, our clients will increasingly look beyond Europe for their investments: they will want to move closer to their customers and invest in regions where they can develop and manufacture their products most effectively. Secondly, there will be a marked increase in competition from consulting companies which can call upon resources in countries with much lower cost structures. And thirdly, the consulting industry will continue to consolidate.

ÅF is well placed to take advantage of the opportunities that will evolve in the new market.

We have worked hard to create an international structure within our organisation, coordinating our various national organisations under a single banner with regard to the Group's graphic profile and issuing guidelines for shared methods, tools, evaluation processes and objectives. But we have also devoted time to other issues

aimed at creating "ONE ÅF", such as introducing a common English-language intranet.

The number of ÅF employees outside Sweden (excluding associated companies) rose during the year from approximately 150 to almost 500, and we now have offices in Denmark, Finland, France, Norway, Poland, Spain, South Africa, the Czech Republic and Germany.

We are also highly experienced in carrying out international projects. Since 2000 ÅF has carried out projects in around 40 countries on four continents.

In order to remain successful in the market at a time when production costs are being slashed, it is important for ÅF to be able to place parts of its development in countries where the cost structures are lower. This will make an even greater impact on our establishments in the years to come. However, the most important thing is to take full advantage of the enormous structural capital that has been built up in ÅF over more than 100 years at the same time as we improve our competitive edge. By making use of the huge investments in knowledge and expertise that take place in ÅF all over the world every day of the year, we can tackle even bigger undertakings in an even more efficient manner. This is the driving force behind what we, internally within ÅF, call "ONE ÅF".

The new ÅF

The transformation of ÅF from a group with numerous subsidiaries to ONE ÅF is proceeding according to plan. We are benefiting from synergies both on the costs side and as regards earnings. We are pulling down internal barriers to allow our knowledge capital to flow freely throughout the Group. But such a major change in corporate culture may well take years to fully implement.

At the start of the year we took yet another step towards renewing our corporate structure. From 1 January 2005 ÅF has been organised into three divisions and one subsidiary, ÅF-Kontroll. These three divisions have been created to reflect the

needs of our clients and our own specialist skills. The planning work preceding this reorganisation, when we were able to utilise the skills of consultants from all divisions, has already demonstrated the benefits of the potential synergies. To boost local sales and make use of cost synergies, we also created five regional organisations at the same time. The regional managers form part of the senior management group and are tasked with ensuring that we exploit the full potential for local business that exists in each of our consulting companies. A good example of what the new ÅF is able to achieve was given when we were commissioned to provide process consulting services in conjunction with the forest products industry group Holmen's investment last year in a new paper line at the Fuenlabrada newsprint mill in Madrid, Spain. The order was clear proof of the success of close cooperation between ÅF employees in Finland, Spain, France and Sweden.

During the year ÅF has been actively involved in the consolidation of the technical consulting industry. Our two largest acquisitions have been of CTS in Finland, where we previously owned a 20 percent minority stake, and Fortum Teknik & Miljö. In all, this added around 500 highly competent new employees to the ÅF team, with well developed contacts with clients in ÅF's core business areas.

In line with the strategy of concentrating on core consulting business, ÅF sold six of its properties in 2004. At the time of writing, only the head office in central Stockholm remains. This property, too, will be sold once we have found a suitable, cost-effective alternative – presumably some time during 2005.

An increasingly strong brand

We have continued during the year to invest in the Group's large knowledge database and business support system with the aim of reinforcing our structural capital. Focused marketing and more efficient information activities have strengthened the ÅF brand during the past twelve months.

In December the market survey company ISI Wissing presented the results of the year's Knowledge Company Barometer, a major survey among senior managers in large and medium-sized Swedish companies. ÅF ranked as the best-known name in the Technical Consultants category, with the most satisfied clients, while in the IT Consultants category ÅF came fifth in terms of awareness, but here too topped the list for customer satisfaction. The fact that ÅF has succeeded not only in maintaining, but actually improving customer satisfaction at a time when the Group is undergoing a process of major change bodes well for the future. ÅF has also achieved similar distinctions in Finland and elsewhere.

ÅF is also highly rated as an employer. When 6,000 engineering students were asked by market survey specialist Universum which company they would most like to work for after graduation, ÅF ranked among the top ten employers in Sweden in all categories and was the most popular consulting company.

Time to begin reaping the rewards

ÅF embarks upon 2005 in a considerably stronger position. We have the most satisfied clients, an efficient and effective organisation, increased knowledge and dramatically reduced costs in our Systems Division. Together with a market that showed tendencies towards marked improvements during the second half of 2004, this should pave the way for a substantially better result in 2005.

It is now time to begin reaping the rewards of our investments over the past few years to make the ÅF Group better united, more expansive and more profitable.

Stockholm, March 2005

Jonas Wiström
President and CEO

Mission, vision, objectives and strategies



Our mission

We make our clients' businesses more profitable, safer and better adapted to environmental sustainability by presenting clients with technical solutions and assessments shaped by the demands of industry.

The hallmarks of the ÅF Group are:

- High levels of skills and expertise
- Innovation by experience
- An unbeatable working environment

ÅF has a strong corporate culture. A comprehensive internal project has been implemented to encapsulate this culture in words and to create a firm foundation for the shared values that it represents.

The work of identifying and describing the ÅF mission and core values involved a large number of co-workers and clients. The result is a formulation in which we have carefully weighed the import and impact of every word. Our vision was then developed with the mission statement as a firm basis.

The ÅF mission statement

The ÅF Group's mission statement is predicated on the ambition and the ability to contribute to the development of trade, industry and society in general.

We make the operations of ÅF clients more profitable, safer and better adapted to environmental demands. In fact, we do much more – but these three main issues remain our chief concern. Every day. Increasing profits for our clients increases our own resilience and independence.

Experience, a passion for innovation and a thorough understanding of each client's business enables us to determine the best solution in each individual instance. The ÅF Group

has expanded and diversified together with Scandinavian industry. We share our clients' values and talk our clients' language – and that's what makes us unique.

The solution we deliver is not always the most technically sophisticated – but it's the best! Often, tried and tested technology better serves our clients' interests.

The ÅF Vision

Development

In concrete terms our vision means building customer relations founded on value added.

The time we devote to an assignment will continue to be important, but most important of all is the relationship between our time and the value to the client. By always focusing on the value we add, we can make our work more effective and more commercially viable.

This is what makes us stand out from the crowd. ÅF is a partner with an irrepresible desire to exceed expectations. Our clients and we ourselves have an incentive to stay within or below the agreed cost of an assignment, as created value is of importance to both of us.

We believe that productivity, and, by extension, our clients' profitability, can be significantly improved by doing more business on a fixed-price basis. The aim is to do the job at the lowest possible price in the shortest possible time. By always calculating correctly and working within the parameters we have established, we can create confidence and the right expectations in our clients.

Growth

We are Scandinavia's leading technical consulting company with an unparalleled track record of experience. It is important for us to maintain this initiative in our field, and we believe that our size can help us to do this.

We will grow both organically and by takeovers, acquiring a majority shareholding in companies that can contribute positively to the profitability and culture of the ÅF Group.

By 2010 the ÅF Group will have sales of SEK 5 billion. Or more. But we are aware that this target requires an accelerated rate of growth.

Focus

We will be number one or two in size in each market where we choose to establish our operations. This will give us improved access to assignments by ensuring that we are perceived as a consulting company in the front rank of the industry.

Long-term objectives

Profitability

A pre-tax profit of SEK 100,000 per employee per year.

Growth

Sales of SEK 5 billion by 2010.

Market

Customer surveys to show that 90 percent of clients are satisfied with the service we provide.

Our vision

Development: We will spearhead the process of change in the technical consulting industry by introducing methods of cooperation that give a new dimension to the concept "value added" for our clients.

Growth: Sales will rise to SEK 5 billion by 2010.

Focus: We will be number one or two in the fields within which we are active.



Employees

- Better balance in the gender ratio. An initial target for 2005 is for 20 percent of consultants to be women.
- Staff turnover to be 7–13 percent.
- At least 75 percent of employees to have participated in a personal development interview each year.

Environment

- 90 percent of clients to consider we have the right skills to safeguard environmental values in the assignments we carry out.
- Increase environmental skills among ÅF employees, specifically for those types of assignment where there is considerable scope for reducing environmental impact.
- 25 percent of clients to consider that the way we carry out our assignments has improved their own environmental skills and increased their interest in environmental issues.

Strategy

The ÅF Group will consolidate its position as Scandinavia's leading technical consulting company.

Operations will be carried out

- under one and the same brand
- with common processes and systems
- with shared values and a shared corporate culture

in order to concert our efforts and fully exploit the potential of the vast amount of experience that the ÅF Group represents.

Our acquisitions policy is based on the above, and every effort will be made to develop our business when the right opportu-

nities arise. Expansion will not take place at the expense of profitability.

Business support and shared processes

A unique bank of experience

ÅF is constantly developing its consulting business and its opportunities for carrying out assignments in the best possible way. The ambition is to assure our clients and ourselves of successful, sustainable long-term development.

One of the clearest examples of this is the introduction of the ÅF Business Support System, a central operational control system that makes our own business operations considerably more cost-effective at the same time as it assures quality. This enables ÅF management to control and support operations and meet the criteria for certification for quality and environmental management in accordance with ISO 9001 and ISO 14001.

Pooling our knowledge, methods and skills in this way and making information more easily accessible improves opportunities for securing and succeeding in both more prestigious and more conventional assignments. It helps us to make full use of our size and our broad spectrum of experience. The system also supports a methodical approach by gathering all tools and assignments in one place in a common structure with document management. The system's search functions facilitate the recycling of our best ideas and provide easy access to ÅF's structural capital and references.

The system also serves as a guide for all ÅF employees, regardless of the assignment, their position or geographical location. Here

we describe in simple terms best practice routines at ÅF from start to finish, complemented by tools in the form of checklists, templates, guidelines and forms. The system, which also contains descriptions of ÅF policy on a variety of common issues, is adapted to assignments and available via internet.

Business system

PX Control is a web-based business system developed by the ÅF Group for timesheet reports and the financial follow-up of assignments, units' earnings and key figures. The system is a powerful analytical tool that, among other features, enables users to follow up profitability at all levels.

PA-system

At the heart of the Group's administration is a PA system run by the Group HR department together with local representatives responsible for updating data for each division. The system administers everything from monitoring IT access codes to salary details, indexing details of skills in CVs and managing the rental of the Group's holiday homes for employees.

IT support

Under the terms of the Group's common IT strategy, IT operations and support form a single unit within the parent company to ensure that IT support remains cost-effective, reliable and readily accessible. This, in turn, improves data generation processes and enables consultants to use their time more effectively.

The market and the world around us

Services and products

The consulting business provides services via three divisions, Infrastructure, Process and Systems, and the subsidiary ÅF-Kontroll. Their operations are described on pages 18 to 33.

Projects can vary in duration from just a few hours to over 200,000. Total contract fees can amount to as much as SEK 200 million, or even more in conjunction with material deliveries.

Clients

ÅF's ten largest clients during 2004 were the Swedish National Rail Administration, Ericsson, the Swedish Defence Materiel Administration, Fortum, Holmen, Siemens, Stockholm County Council, Stora Enso, Vattenfall and Volvo Cars. Together these clients accounted for 25 percent of total invoiced sales.

Market

Technical consulting is a significant industry in Sweden. According to the Swedish Federation of Consulting Engineers and Architects (STD), total sales in this field were approximately SEK 27 billion in 2004, with the ÅF Group accounting for approximately 7.5 percent of this amount. The industry employed approximately 34,200 people, slightly more than 7 percent of them working for the ÅF Group.

Industry forecast 2005–2006

In its industry review for 2004 STD reports that the main improvements in the consulting market during the year were in infrastructure projects, followed by plant and equipment projects for the energy and power industries. As far as infrastructure is concerned, project planning capacity is more or less booked up for the whole of 2005. If construction work for the current major projects commences during 2006 as scheduled, STD points out that this will also keep the consulting companies busy with detailed planning work.

Of the industrial business cycle upon which ÅF is so dependent, STD writes that industry itself feels that business is going well, with increased production and sales. Investments, too, are expected to rise steeply in 2005 and 2006. With their leaner organisations consulting companies are now well placed to benefit from the positive economic effects of increased demand. According to STD this already improved capacity utilisation in 2004 and there was a certain amount of new recruiting in niche areas. Prices appear to be developing in the right direction, albeit from an extremely depressed level. So 2005 may well be another year of expansion, partly with the help of outsourced business.

It is difficult to predict whether or not 2006 will mark the end of the current upturn. Industry will not be slow to react if it feels the effects of a reduction in eco-

nomic activity, and it may be imprudent to hope that the upturn will continue for longer than usual.

Architectural and technical consulting companies also look set for a reasonable year in 2006 according to STD. Investments in construction and plant tend to come late in the economic cycle, lagging somewhat behind a general recovery in the GDP, for example.

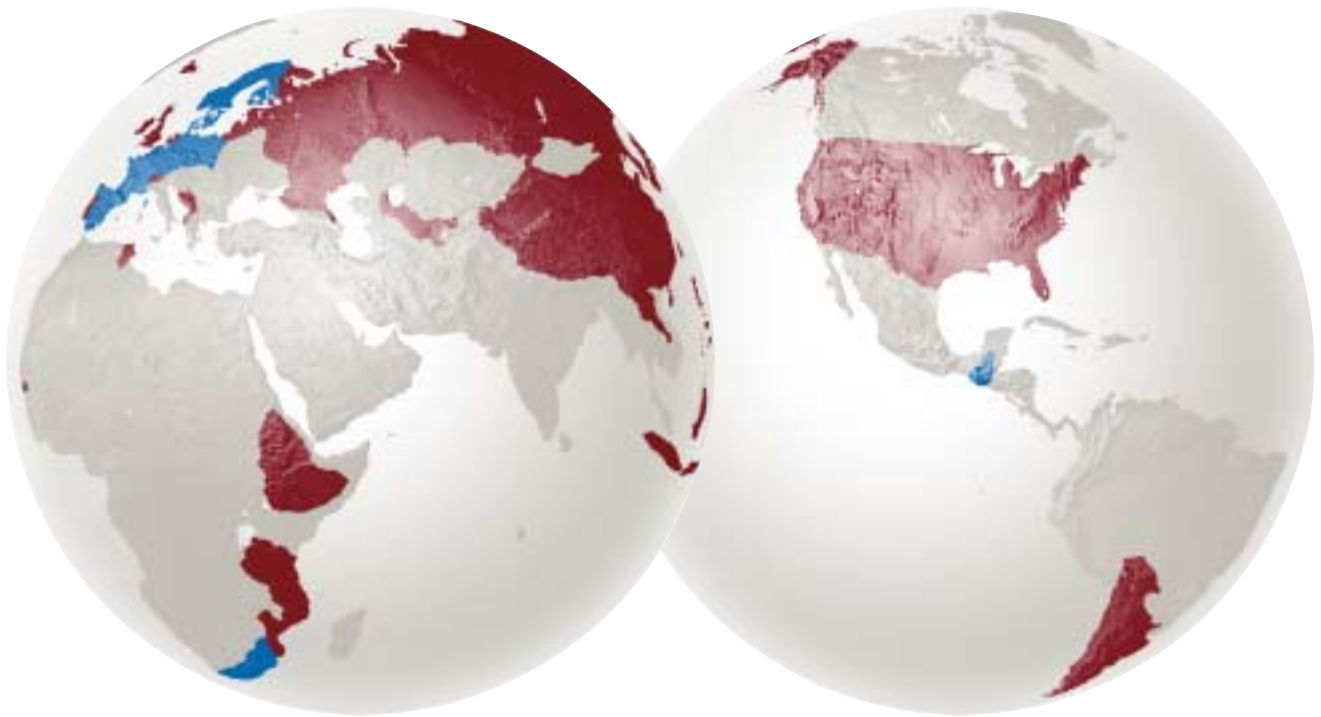
However, STD is at pains to point out that the current economic upturn is much weaker than the previous one around 1998–2000. This should also reduce the market's expectations for the industry's performance, but the market is so active that individual companies may make much of this.

Price trends demand vigilance

During a couple of sluggish years for the market, prices have been under severe pressure. Developments were clearly unsatisfactory in 2003, but as the market showed signs of a cautious recovery in 2004, the negative trend was broken and prices bottomed out.

Productivity has increased as companies have downsized, but there is little reason to forecast any let-up in the competition. Notwithstanding this, STD holds out the prospect that prices may begin to improve slightly during 2005, but emphasises that more needs to be done in the industry to work continuously and proactively with consulting fees.





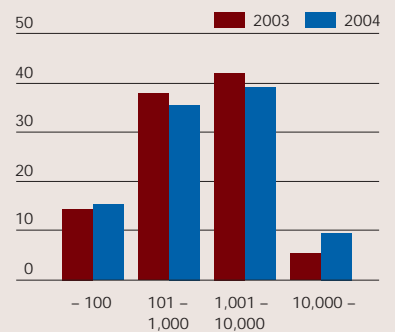
■ Own office ■ Assignments since 2000

ÅF has many years experience of major international projects. Since 2000 ÅF has undertaken assignments in around 40 countries on four continents.

Swedish consulting companies fare very well in international comparisons. According to figures compiled by the Swedish Federation of Consulting Engineers and Architects (STD), the ÅF Group is number 45 among the world's 100 largest technical consulting companies.

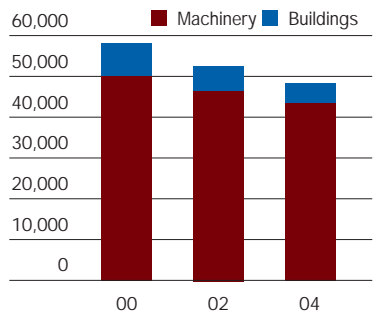
Size of projects

Number of hours, proportion in %



Industry's investments

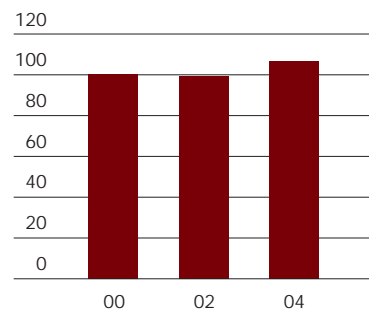
(in 2000 prices) in millions of SEK



Source: Statistics Sweden

Industrial production index

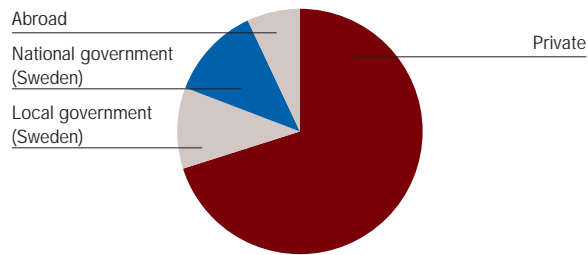
Based on year 2000 figures



Source: Statistics Sweden

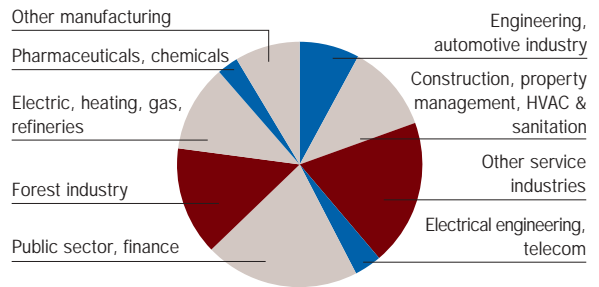
ÅF sales by client category

Proportion in %

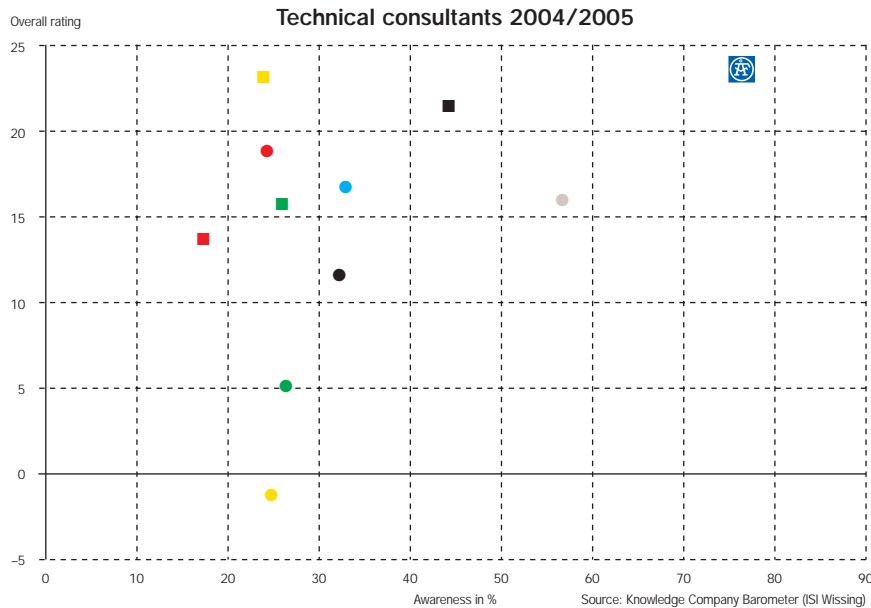


ÅF assignments by sector, Swedish clients

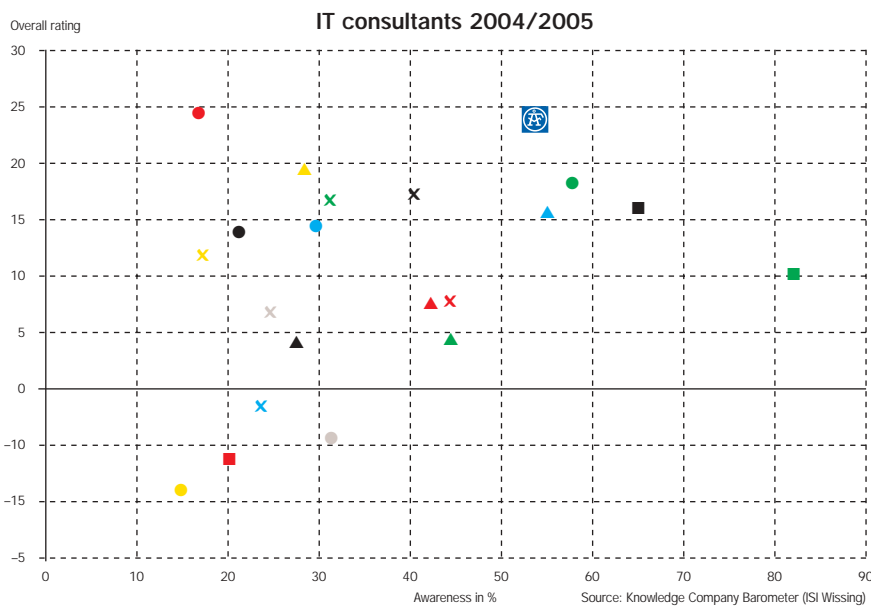
Proportion in %



ÅF scores top marks



- Carl Bro
- Epsilon
- Flygfältsbyrån
- Hifab
- Ramböll
- Semcon
- SWECO
- SwedPower
- Tyréns
- WSP
- Ⓜ ÅF



- Acando Frontec
- Accenture
- Atos Origin (formerly Schlumberger Sema)
- Capgemini
- Dimension
- Enea
- ▲ HIQ
- ▲ IBM Business Consulting Service
- ▲ IBS
- ▲ Mandator
- ▲ Martinsson
- × Semcon
- × Siemens Business Services
- × Sigma
- × SYSteam
- × Teleca
- × Telelogic
- TietoEnator
- TurnIT
- WM-data
- Ⓜ ÅF

The ÅF Group came top in the categories of both "Best Technical Consultants" and "Best IT Consultants" in the annual Knowledge Company Barometer survey carried out in Sweden on the initiative of ISI Wissing.

The aim of the survey is to find out how senior managers (in companies with more than 50 employees) experience and perceive the knowledge companies they come into contact with. The survey investigates the image

of 128 knowledge companies, divided into eight industries. The 610 respondents first state how well they know the companies and then award each of them a score for all-round performance. In addition to its table-topping positions in technical and IT consulting, ÅF was also ranked as the best-known technical consulting company.

ÅF secures its status as a Superbrand 2005

Ångpanneföreningen has been named as one of the very strongest business-to-business brands in Sweden. The panel of 17 leading experts in branding that constitutes the Superbrands Council of the independent arbiter in branding, Superbrands Sweden, has elected ÅF to the exclusive circle of companies entitled to the accolade "B2B Superbrand 2005".

The technology students' favourite consulting company 2004



In the Företagsbarometern 2004 survey of "ideal employers" engineering students ranked ÅF among the top ten most attractive companies in Sweden in all categories.

The ÅF Group was also voted top consulting company, earning the distinction of "Best in Class". The awards were made by the survey company Universum after asking 6,000 students at Sweden's leading technical universities questions about their "ideal employer".

In addition, ÅF has defended its high-ranking position in Attrack's employer survey carried out by Exido once a year among students and employees. A total of 40,000 people replied to the questionnaire. Among engineering graduates in the age group 25–40, ÅF came in ninth position in response to the question "For which company would you most prefer to work?" – an excellent result to bear in mind when recruiting new talents for the challenges that await in the future.

During the autumn term of the 2004–05 academic year the ÅF Group took part in around 20 contact days at universities and colleges throughout Sweden. Some 90 ÅF employees met thousands of technology students, among whom the general impression seems to be that the ÅF Group is an interesting company to work for, and one that can offer employees a wide variety of highly stimulating projects.

Rankings Engineers' dream employer

1	Volvo Car Corporation
2	Ericsson
3	Volvo Group
4	Saab Ericsson Space
5	ABB
6	Saab Technologies
7	IKEA
8	Saab Automobile
9	AstraZeneca
10	Ångpanneföreningen
10	Scania

Source: Universum, Företagsbarometern 2004

Clear objectives and long-term commitments

The ÅF Group believes a good workplace is one where employees are proud of their work and the company they work for, where they show confidence in their managers and experience a sense of togetherness with their co-workers. This can only be achieved by clear objectives and long-term commitments at all levels in a company.

Feedback about how successful an individual is in his or her work is a key factor behind job satisfaction, and this is provided via scheduled personal development talks between employees and their line managers. Regular employee surveys, most recently in 2004, confirm that more than 75 (2002: 80) percent of employees participate in these meetings, while more than 75 (85) percent are satisfied with the continuous feedback they receive.

Another important consideration is preventive healthcare, which is catered for via occupational healthcare services and the Group's support for employees' leisure activities.

More female consultants and managers? Yes, please!

The ÅF Group is convinced that a better balance between the sexes creates a better atmosphere at work and leads to improved profitability. This is the basis for the Futura project, which aims to increase the proportion of female consultants at ÅF from today's 16 percent to 20 percent by the end of 2005.

The project discusses issues such as attitudes to women, induction programmes, individual development plans, equality in terms of salary and "visibility", more female managers and flexible working hours. Another important issue is support for working parents. In the 2004 employee survey, 87 percent of ÅF employees with children under the age of eight agreed, to a greater or

lesser extent, that managers are eager to make life easier for the parents of young children.

The Futura project also arranges networking lunches for female consultants, and a mentor programme exclusively for new female employees was successfully implemented in 2003 and 2004. A new mentor programme, *Odysseus*, starts in September 2005, this time with both male and female trainees.

Women constituted 21 (21) percent of the Group's employees as a whole, and – by December 2004 – 16 (15) percent of the Group's consultants. Female consulting managers made up 9 (9) percent of the Group total, and female managers as a whole 10 (11) percent. As part of the Futura project a "Finder's Fee" programme was introduced at the start of 2005 intended to reward employees who identify a female consultant subsequently employed by ÅF.

Two of the seven members of the board of Ångpanneföreningen elected by the annual general meeting are women, as are two of the four employee representatives.

Equal opportunities award for ÅF

For the second year in succession ÅF was awarded the *Veckans Affärer* Prize for the best work with equal opportunities, as part of a survey of Sweden's Best Workplaces. ÅF received the award for its Futura Project, a long-term initiative aimed at increasing the proportion of female consultants in the company.

The ÅF School

Consultants require special tuition in management, law, marketing and finance in order to cope satisfactorily with the administrative side of their work. This training is generally provided by the Group through the ÅF School.

The ÅF School runs introductory courses and courses in sales training, presentation techniques, project man-

agement and various forms of management development. In recent years the Group has placed particular emphasis on the role of the project manager, with around 650 employees graduating from courses in project management.

Another initiative is training designed to provide insights into the rudiments of subjects such as contract law, finance and the consultant's behaviour when on assignments. To date some 475 ÅF employees have participated in this course.

As well as tuition, the ÅF School also provides added benefits in the form of an exchange of experiences and knowledge transfer between the participants from different parts of the ÅF Group, something which is clearly in the interests of our clients.

Policies

To make clear its position in a number of employee-related issues, the ÅF Group has formulated policies in key areas such as human resources, salaries, equal opportunities and the climate at work. This latter area includes activities to combat discrimination of all kinds. A personal development plan is made for each individual employee.

Number of employees

In 2004 the ÅF Group employed a total of 2,647 (2,599) full-time equivalents (FTEs). The total number of FTEs excluding associated companies was 2,531 (2,260). The proportion of new employees during the year, including those with acquired companies, stood at 20.5 (16.1) percent.

Holidays, parental leave and other absenteeism

Total absenteeism, including holidays, was 17.0 (17.3) percent of normal working hours. Holidays accounted for 10.5 (10.3) percent, sick leave 3.2 (3.1) percent, and leave of absence 3.4 (3.9) percent.



Joint ownership

AB Ångpanneföreningen sees great value in involving employees as part-owners in the company. Employees have a financial stake in operations directly through their ownership of shares and convertibles, and indirectly through ÅFOND, the ÅF Group Trust.

To further encourage this sense of involvement, all new employees are given one ÅF share to stimulate them to save and invest in the company.

Capacity utilisation

The ÅF Group's invoiced-time ratio for the year – the proportion of time charged to clients relative to the total number of hours spent at work by all employees – was 68.5 (67.6) percent. Non-invoiced time includes marketing, training, technical development, management, administration and underem-

ployment. In 2004 95 (95) percent of employees worked mainly for external clients, while the remaining 5 (5) percent were employed in a purely administrative capacity.

Bonus system

The ÅF Group operates a profit-related bonus system for employees that generates a bonus based on both consolidated profit and the profit of the relevant division. In 2004 employees received bonuses totalling SEK 2.5 (2) million.

Salary system with variable component

Some 700 employees currently participate in salary systems where up to 40 percent of the individual's salary consists of a variable component linked directly to performance. So far, experiences of this have been positive.

Recreational activities

ÅF Group employees may rent one of the cottages or apartments owned or leased by the Ångpanneföreningen Staff Foundation. The cottages are located in attractive areas of Sweden, mainly in the mountains and along the coasts. A couple of hundred families take advantage of this opportunity every year. The Group also runs clubs offering employees a wide range of leisure-time activities, such as keep-fit classes, golf, theatre visits and art appreciation.



Age distribution

Age group, years	Percentage		
	2002	2003	2004
- 29	14	12	11
30 - 39	33	33	33
40 - 49	23	24	25
50 - 59	23	23	23
60 -	7	8	8

The average age was 42.9 (42.1) years.

Staff turnover

Age group, years	Percentage		
	2002	2003	2004
- 29	19	23	28
30 - 39	11	17	17
40 - 49	10	16	13
50 - 59	7	10	8
60 -	7	10	18
Total	11	18*	15**

The percentage of employees within each age group who left during the year, in relation to the average number of employees in the respective age group.

* Of which 5 percent in companies divested.

** Including structural measures and redundancies.

Length of employment

Years of employment	Percentage		
	2002	2003	2004
0 - 2	32	28	29
3 - 5	33	35	30
6 - 10	18	20	25
11 - 20	12	12	11
21 -	5	5	5

Average length of employment is 6.0 (5.7) years.

Employees in newly acquired companies are considered new employees.

New employees

Age group, years	Percentage		
	2002	2003	2004
- 29	33	38	40
30 - 39	20	17	21
40 - 49	15	15	16
50 - 59	8	8	16
60 -	13	4	19
Total	17	16	21

The percentage of new employees within the respective age group at the end of each year.

Employees in newly acquired companies are considered new employees.

Financial data

	SEK '000/year/employee		
	2002	2003	2004
Net sales	830	883	853
Profit/Loss*	-10	23	13
Personnel costs	555	570	564
Value added**	545	593	578

* Before net financial items, excluding the share of profit/loss in associated companies.

** Salaries and payroll overheads including profit before net financial items.

Education

	Percentage		
	2002	2003	2004
University	45	44	46
Secondary	53	54	52
Other	2	2	2

Training and R&D

	SEK '000/year/employee		
	2002	2003	2004
Training	22	26	15
Research & development	15	12	11
Total per employee (FTE)	37	38	26

Each employee receives an average of 80 hours training per year.

ÅF makes its most important contribution to sustainable development via the projects it carries out

Environmental issues assume ever greater significance in the work of ÅF as the criteria laid down by clients and society for environmental concern and the responsible use of the planet's resources become more and more rigorous. ÅF is among the leaders in its field and follows developments closely, as witnessed by its involvement in the preparations for emissions trading.

Much of the emphasis of the environmental work within ÅF as a whole during 2004 has been on developing the environmental component in the business support system and devoting even greater attention to the issues that formed the basis for the Group's environmental certification in 2003.

The overarching environmental goal is to ensure that, by 2006, at least 90 per cent of clients consider we have the right skills to safeguard successful, long-term sustainable development through the assignments we carry out. This goal

has been broken down and adapted accordingly for each division.

An initial target fulfillment review suggests that ÅF is already very close to its ultimate objective in this regard. By and large, clients are satisfied with our environmental work. At the same time, we note that certain assignments are strictly regulated by standardisation criteria, for example in our inspections business, or by client demands for environmental planning in infrastructure projects, etc. In this sense results are linked closely with the clients' expectations. Of course, ÅF will constantly strive to become even better. To this end we are currently investigating what types of assignment have a significant impact on the environment, and we will issue instructions and checklists for these assignments, as well as facilitating skills development for those involved.

Environmental concern close to home

In addition to considering the environmental impact of their proposals and actions relating to client-driven assignments, ÅF employees are required to have the knowledge and motivation to conduct their own everyday administrative activities in an environmentally responsible manner. After a series of test questions distributed over the

Group's intranet suggested that more than a third of employees needed to improve their knowledge of environmental issues, a web-based educational package ("The Energy and Environment Factfile") was made available to all employees in 2004. This material, which is constantly updated, is also designed to serve as a database to supply answers to energy and environment questions in all sorts of situations. There is no doubt that the rudiments of environmental science are crucial to tackle key issues successfully within the framework of consulting assignments.

A detailed insight into the Group's environmental work was presented internally and externally in 2004 with the publication of a special Environmental Report.

Network for environmental managers

The Swedish Association of Environmental Managers was established more than ten years ago on the initiative of the ÅF Group, which also runs the association's secretariat. The overarching aim is to help members to develop and implement professional methods for working with environmental and sustainability issues. Another aim is to increase insight in society at large into the investments that trade and industry are making in this area. Over the year some 50 meetings were arranged for approximately 300 member companies.



Music School's technical installations save energy

The new School of Music at Örebro University is housed in a spectacular, hyper-modern building comprising four sections on three levels with a huge glass facade overlooking the neighbouring forest. Inside is a concert hall, lecture theatres and rehearsal rooms, a recording studio, control room, library and offices. ÅF is responsible for the technical installations relating to air conditioning and climate control, sprinklers, heat pumps and monitoring systems.

Renewable energy

A special heating and cooling plant has been installed to utilise the relatively stable temperature of the bedrock to heat the building in winter and cool it in summer. The heart of the system is a heat-pump linked to 200-metre boreholes, where, depending on the season, heat or cool air from the rock can be used to raise or reduce the indoor temperature. As this system both removes and returns energy to the bedrock, the average temperature of the rock remains more or less unaffected. Efficiency in the system is also greatly enhanced by taking both heating and cooling from the same source.

Compared to traditional geothermal heating systems, relatively high temperatures are used for both heating and cooling. This is possible because the heat-regulating surfaces are larger than usual. The so called cooling baffles, water-filled radiators suspended from the ceiling, cool the room in almost total silence, with no need for mechanical fans. The temperature in the cooling baffles is just below the desired temperature for the

premises, thus making the system virtually self-regulating.

The energy gains are enormous. Other campus buildings in Örebro consume twice as much energy as the School of Music.

High demands

When it comes to cultural venues, not least those used for music, the demands are very great: aesthetic criteria must not be compromised by technical installations. Rumbling fans and other noises must not be allowed to detract from the overall experience.

ÅF's achievements demonstrate that by combining innovation with experience it is possible to devise solutions that meet such diverse needs as the audience's aesthetic experience, the university's financial restraints and the environment's well-being.

Other examples of similar assignments include the *Naturhuset* project in Örebro, *Musikens Hus* in Uppsala, the Sketch Museum in Lund, and the *Moderna Museet* (contemporary art) and the School of Music in Stockholm.





Infrastructure Division

– projects that develop society and industry

The Infrastructure Division works to satisfy the various needs that society and industry have with regard to infrastructure. The division has four business areas: Telecommunications, Installations, Roads & Railways and Electrical Power Systems. The division accounted for 30 percent of ÅF Group sales in 2004.

The division offers consulting services, methods and solutions for strategic and operational decision-making and planning processes to ensure that the socio-economic and industrial infrastructure, including roads, railways, commercial premises and industrial plants, can function in the best possible way.

The division's clients are found principally in Swedish industry, the public sector and the defence sector, and in the Nordic property and infrastructure market for electricity, energy, heating, ventilation and sanitation. The division is also expanding internationally, mainly targeting the new EU member states and the Balkan region, but also carrying out various one-off assignments wherever in the world clients are in need of its leading-edge expertise.

Major factors behind our success include the high levels of expertise among employees and the division's long and extensive experience of handling large and complex projects. The division

has almost 650 employees in 29 offices in Sweden, and around 100 in 6 offices in Norway.

The division plays an active role in research and development in a number of areas together with clients and other stakeholders. This includes collaboration with universities, and arranging and participating in seminars on social development.

Organisation and operations

Solutions are tailored to the client, and encompass everything from short, straightforward studies to complex turnkey solutions that include a wide spectrum of technical, financial and environmental assignments. The division has four business areas: Telecommunications, Installations, Roads & Railways and Electrical Power Systems.

Services in Telecommunications are aimed mainly at operators, network owners and defence-sector clients, with this latter segment accounting for around half of all assignments. Assignments embrace both fixed and mobile telephony, and include implementation, project planning,

"The ÅF Group is Sweden's largest installation consultant with resources for every conceivable construction and modernisation project."

Åke Rosenius
Senior Vice President



	2004 *	2003 *
Sales (in millions of SEK)	698	695
Operating profit (in millions of SEK)	37.2	30.7
Operating margin, percent	5.3	4.4
Share of Group sales, percent	30	34
Number of employees (FTEs)	694	670
Operating profit/employee (in thousands of SEK)	54	46

* Proforma figures, excluding associated companies

commissioning, inspection and maintenance of telecom systems.

Installations offers high-quality technical and administrative services for the construction and modernisation of commercial, industrial and public sector premises. The ÅF Group is Sweden's largest installation consultant with resources for every conceivable construction and modernisation project. The Group's technical expertise extends to all aspects of heating, ventilation, sanitation, cooling, electrics, telecommunications, transport, control and regulation, property automation, fire and safety. The business area also offers turnkey concepts which make life easier for clients during the construction process and provide control over both functionality and costs. Clients are found in the construction and property sectors in both Sweden and Norway. Administrative services, such as inspections, energy-efficiency audits, a raft of

environmental services and training also constitute a major part of the business. Another popular service is investigations, most frequently into the right choice of technology, energy consumption, and new applications of technical solutions.

As regards Roads & Railways, the division works with feasibility studies and strategic planning, but also with project planning and installation-related issues concerning traffic technology. This includes financial forecasts, pilot studies and investigations, environmental impact assessments, noise and vibration studies, risk analyses, and contact management and safety systems for railway operation. Current assignments include investigations for the City Line rail project in Stockholm and the new City Tunnel in Malmö. The division also takes on assignments outside Sweden, and is focusing increasingly on the international market. For example, major inroads have been

made into the Balkan region in the form of assignments in Albania examining road safety and exploring the possibilities of introducing toll motorways.

In the Electrical Power Systems field, the division works in areas such as power supply, transmission issues, control rooms, substations and transformer stations. Assignments include measurements, analyses and procedures to improve the quality and safety of electric power. Examples of electric power computations performed include short-circuit calculations, selective plans and dynamic simulations. Clients are found in the manufacturing, process and power industries.

Goals and strategy

Following strong growth in recent years the Infrastructure Division has its sights firmly set on handling increasingly large assignments and becoming a leading player in the Nordic market in all of its



The ÅF Group has established an important bridgehead in the Balkan region. In 2004 the Infrastructure Division began to work with local partners in Albania as a first step into the Balkan region. Two projects have resulted from this work to date. The first, commissioned by SweRoad and the World Bank, is a review of safety in the Albanian road network and the organisation responsible for this. The second is a pilot study for a toll-financed motorway in Albania, where the ÅF Group is represented as a subcontractor to the local consulting firm Infra Transproject.



business areas. The two-pronged strategy for achieving this goal is to offer more possibilities for outsourcing and to enter into closer alliances and partnerships with clients. Such partnering makes great demands in terms of flexibility, a wider spectrum of expertise and more extensive forms of collaboration with the client. By doing this, the division takes on more commitments with greater commercial risks, but also increases its scope for boosting earnings thanks to various incentives in its contract with clients.

The division also envisages expanding into other EU countries, which would make more efficient use of the company's resources and create synergies between different markets.

The year in brief

The Swedish consulting group STIBI with around 25 employees was acquired during the year to broaden the division's

expertise and complement its technical skills with a more management-orientated approach to client needs.

The Norwegian installation consulting companies Lars Myhre AS and Berg-Nilsen & Reinertsen AS were also acquired, along with two small installation consultancies. These acquisitions mean that the ÅF Group now has around 100 employees in the installations field in Norway, and is one of the leading installations consultants in the Oslo region.

The division worked on a number of prestigious assignments during the year, including the City Tunnel in Malmö, Uppsala Central Station, and the City Line in Stockholm. The division also won a contract to work on the Hallandsåsen rail tunnel, and a major contract in Serbia. These are all extensive undertakings which demand expertise in highly specialised areas.

Work in the installations market during the year included assignments for the *Musikens Hus* concert hall in Uppsala, the Royal College of Music in Stockholm, the Tjuvholmen development in Oslo, the *Mitti City* development in Karlstad, new premises for the police in Stockholm and Gothenburg, and Malmö University.

Client

The Infrastructure Division's relationships with its clients are close and cordial. One clear trend in recent years is to involve the division at an ever earlier stage in the planning processes, enabling us to develop a more in-depth understanding of the issues our clients face. Clients are also increasingly looking for systematic management of requirements, in other words a methodical review of the benefits of each specific service they purchase.

Clients include the National Swedish Rail Administration, Skanska, JM, Midroc,



Complex redevelopment of Uppsala Central Station

Uppsala Central is a very busy but ageing railway station. The National Swedish Rail Administration has decided to modernise it in stages, with the station operating at full capacity during the construction phase. Due to the complexity and heavy load, special requirements were made of the project planning. The ÅF Group, which has considerable expertise in railway technology, was awarded the contract, which is expected to run until at least 2011. The project includes a total rebuild of the existing track configuration, new passenger tunnels and road tunnels, level crossings, platforms and platform roofs. One challenge facing the project is to coordinate the division of work between all the different areas of technical expertise, not only within the ÅF Group but also among other consultants, the municipality and property owner, Jernhusen.

Astra, Akademiska Hus, Polisfastigheter, Swedish county councils and municipalities, the Swedish Defence Materiel Administration, Locum, the Swedish Civil Aviation Administration, SL, Swedia Network, TeliaSonera and Tele2.

Market

The market for the division's road and rail consultants was strong during the year. Demand in the telecom market picked up, and the installations market also recovered despite limited investment in commercial premises. The electric power market grew strongly.

All in all this meant that the division enjoyed a year of good profitability despite a relatively weak economic climate. For the most part, infrastructure investments have less to do with the state of the economy, and more with ensuring that Swedish trade and industry remain viable in today's highly internation-

alised competitive arena. The need for ever more rapid transport has led to the promise of massive injections of public cash: for example, the Swedish National Rail Administration plans to invest billions of Swedish kronor through to 2015. These investments are expected to result in continued good business opportunities for the division. Projects to achieve energy savings in properties are expected to grow as a result of new regulations and higher energy prices. The division expects property modernisation work and environmental/energy projects to continue to dominate the installations market in the coming years.

The market has undergone extensive consolidation in recent years. In a trend that is expected to continue, albeit at a slower rate, the big consulting groups have grown bigger as a result of mergers and acquisitions. Today the division's competitors include large international and

Nordic consulting firms such as Carl Bro, Ramböll, SWECO and WSP.

Outlook

The division's aim for the future is to pave the way towards larger assignments with the help of partnering and outsourcing.

Growth in Sweden will continue, but the rate of growth will probably be even higher outside Sweden, not least in Norway following recent acquisitions there. In addition to services in installations, the division will also offer services to the Norwegian markets for telecommunications, roads & railways and electric power.

Otherwise the division will focus on the new EU member states and fields where it possesses unique expertise, such as the railway sector, which is expected to grow strongly as railway markets in the EU and elsewhere are opened up to increased competition.



New police station at Kungsholmen in Stockholm

Polisfastigheter's current project in Stockholm is a complex installation project with advanced requirements in areas such as energy efficiency and indoor climate. The ÅF Group was brought in to formulate system requirements, tender documents and documentation for electrical installations, fire and evacuation alarm systems, and power supply. Thanks to the establishment of a joint project office with architects, designers and heating/ventilation/sanitation and electrical planning engineers, the project was very transparent and well coordinated, making the whole process quick and economical for the client. The ÅF Group already has extensive experience of similar projects, for example as a result of work on the main police station in Uppsala and projects at Kumla Prison.



Process Division

– world leader in pulp & paper, energy and automation

The Process Division offers consulting services in the pulp & paper industry, energy-intensive industries and others such as the pharmaceuticals, food and automotive industries. The division operates globally and offers services for all aspects of the industrial process. The division accounted for 47 percent of the ÅF Group's sales in 2004.

The Process Division commands a very strong position in the market and has generally performed well over the past year. Assignments are driven by commercial factors in industry, projects in the public sector, and Swedish and international aid projects.

The division's market position in Sweden and internationally is particularly strong in the energy and pulp & paper industries, and it also enjoys a leading position in process automation.

Its domestic market is the Nordic region, but the division also has operations in France, Spain, Germany, Finland, the Czech Republic, Poland, Lithuania and South Africa. This internationalisation is largely a result of the division's willingness to follow its Nordic clients, who are often world leaders in their fields, out into the global market.

The most important factor behind the division's success – after the capital represented by the combined expertise of its employees – is its business logic. This

builds on extensive expertise and presence in the relevant sectors, together with the flexibility to quickly compose effective project teams to implement projects in the international market. The division is often involved at an early stage in the client's planning and it endeavours to shape and drive developments in the sectors in which it operates.

The division has around 1,300 employees in 50 offices. As one example of the specialist areas in which it can call upon considerable resources, the division has around 80 environmental consultants. A number of research projects are carried out in collaboration with universities, and research and development in the pulp & paper industry takes place together with Ångpanneföreningen's Foundation for Research and Development and the Swedish Pulp and Paper Research Institute (STFI). The ÅF Group as a whole is an important motor behind both industrial and social development.

"In 2005 the division's sights are set on developing its operations in Poland and the Czech Republic, and establishing bridgeheads in Russia and Brazil."

Per Göransson
Senior Vice President



	2004 *	2003 *
Sales (in millions of SEK)	1,092	839
Operating profit (in millions of SEK)	33.7	17.5
Operating margin, percent	3.1	2.1
Share of Group sales, percent	47	41
Number of employees (FTEs)	1,260	936
Operating profit/employee (in thousands of SEK)	27	19

* Proforma figures, excluding associated companies

Organisation and operations

The Process Division offers consulting services throughout the entire chain of a project or activity, from idea to implementation. These services fall into two parts: Consulting & Process and Engineering. Consulting & Process is primarily about supporting clients in the early stages of a project through to the formulation of a process solution.

Engineering focuses mainly on managing projects, complementing its track record of success in the industry with fine-tuned methods and procedures for project planning, project management and on-site implementation. The division runs projects worldwide, and to be able to do this efficiently the flexibility to coordinate resources from more than one office in the same project is essential. Almost invariably, project teams comprise employees from three or four different countries. The division's common plat-

form for projects and its tradition of collaboration are real strengths in today's internationalised competitive market.

The three industrial sectors on which the business builds are the pulp & paper industry, energy-intensive industries, and other process and manufacturing industries. Especially in the fields of pulp & paper and energy, the division's expertise is second to none.

Pulp & paper assignments include everything from the project planning of new mills and production lines to planning and implementing modernisation and efficiency projects for existing facilities. The division also works on studies of strategic, technical, financial and environmental aspects, including due diligence reviews ahead of acquisitions.

Services for energy-intensive industry focus on satisfying technical, financial and environmental requirements in processes where various forms of energy are con-

verted, distributed or consumed. Such projects are often driven by the need for improving efficiency or reducing the environmental impact of, for example, nuclear power, district heating and district cooling. Clients include the manufacturing industry, municipal and central government energy companies, and aid agencies.

Other industries served include iron and steel, pharmaceuticals, foods, petrochemicals, water treatment and vehicle manufacturing. The ÅF Group commands a very strong position in both the environmental field and energy conversion, and also for many aspects of process automation. Another area of key importance is strategic investigations undertaken on behalf of Swedish industry and official bodies into everything from analysing the market for pulp & paper to examining the feasibility of closing a nuclear reactor.



Better production in the bakery

The Swedish bakery company Konsumbagarn in Kristianstad needed to modernise its hardware, improve production flow, and facilitate production planning. The ÅF Group was commissioned to develop a brand new system to be integrated with the business system to make working processes more efficient. The result was an automated PC-based system with monitoring capabilities, the installation of new facilities to monitor dough temperatures, and new floor scales for checking dosing from the pumps which can now deliver up to five raw ingredients simultaneously. Installation, commissioning and acceptance testing were completed in just 16 hours over a weekend. Production was back in full swing the very next day.



Goals and strategy

The Process Division's goal is to be the market leader in its sectors.

Its strategy for consolidating and advancing this strong position is to further develop its insight into client needs and circumstances. As this demands an increased local presence, the intention is to grow in markets, such as Brazil, Poland, Russia, the Czech Republic and South Africa, that are beyond the division's current domestic markets.

Another part of the strategy is to continue to build up an effective and flexible engineering process in the division. In this way the ÅF Group can handle even more and even larger projects, and quickly assign resources suited to local market conditions and cost levels.

The year in brief

Early in 2004 the ÅF Group acquired CTS, the market leader in consulting services

for the pulp & paper industry in Finland. Fortum Teknik & Miljö in Sweden was also acquired, a company with strong niche expertise in energy, environment and electric power. Both acquisitions provide a good platform for international expansion, not least in the Baltic states and Eastern Europe. Together these acquisitions have increased capacity by around 400 employees.

During the year the ÅF Group won two major project-planning contracts for large new paper machines: one for Holmen Paper's plant in Madrid, the other for Stora Enso Kvarnsveden's investment in Borlänge, the largest in Swedish industrial history.

The division has opened offices abroad in the Czech Republic and South Africa. Both markets have considerable potential, and the aim is gradually to build a local base for all of the division's business areas. In South Africa this involves

extending the existing partnership with consulting firm Murray & Roberts, a venture that has already borne fruit in the form of a major engineering project for the pulp industry.

One prestigious contract from the Swedish Ministry of Industry involved exploring the possibilities for how various parts of the Nordic electricity exchange Nord Pool should function.

Market

In 2004 the market for consulting services for the pulp & paper industry was particularly good in Sweden, strong in Spain and Germany, but weak in Finland and France. Demand in the energy-intensive sector was good, especially for district heating and district cooling. There was also a clear improvement in other industries due to the general economic recovery.



How the Nordic electricity exchange works

In 2004 the ÅF Group was contracted by the Swedish government's Electricity and Gas Market Commission to describe and analyse developments in wholesale power prices in Sweden and the Nordic region. The assignment also included assessing the Nordic electricity exchange Nord Pool's role in price trends and competition in the electricity market. What is needed to make the market and pricing more efficient? How are electricity prices affected by the fact that so much trading takes place off the exchange? How has the Nordic electricity market evolved since deregulation? These and other questions were discussed in detail, and the answers will be of great importance to the future development of the electricity market.

The Process Division also runs projects in markets where the ÅF Group does not have a local office. Examples include an assignment for the pulp & paper industry in Chile, an energy project in South Korea and a commercial environmental project for heat pumps in China.

One of the division's main competitors in the Nordic market is Jaakko Pöyry. Otherwise competition is from a variety of niche consultants in the technical, IT and management fields.

Clients

The Process Division enjoys a very good reputation among clients and is involved early in the clients' processes. It works continuously to make the market aware of the full spectrum of services it can offer, and to increase the efficiency with which its client teams interact with their principals.

Assignments are generated more by restructuring needs at clients' existing plants rather than by major new investments. Developments are also affected by the introduction of new regulatory initiatives in the environmental field, such as green certificates and trading in emission allowances. These changes open up new business opportunities. For example, as a direct consequence of the Kyoto Protocol's environmental targets, the ÅF Group has been involved in several projects to improve the environmental performance of pulp & paper machinery. Another important driving force is the need for rationalisation measures of various kinds due to spiralling energy prices.

The division's clients include Astra Zeneca, Pfizer, Billerud, Fortum, Holmen Paper, SCA, Kvaerner, Scania, Siemens, the Swedish Energy Agency, Stora Enso Kvarnsveden, UPM-Kymmene, Vattenfall and Volvo.

Outlook

Over the next few years the division will be working on four development areas: expanding its presence internationally, developing new methods and tools for efficient project management, extending its range of services, and improving its existing offer. These measures will reduce dependence on business cycles and create a series of synergy effects not only for the division, but throughout the ÅF Group as a whole.

Growth will be the result of organic expansion and increased partnering, alliances or acquisitions. In 2005 the division's sights are set on developing its operations in Poland and the Czech Republic, and moving into Russia and Brazil.

The nuclear power, natural gas, automotive and pulp & paper industries are believed to represent particularly good potential.



New paper mill in Nogent sur Seine, France

In April 2003 the ÅF Group was commissioned by French packaging company Emin Leydier to plan and manage project engineering work for a EUR 172 million investment in a new paper mill in Nogent sur Seine, 100 kms southeast of Paris. The ÅF Group's responsibilities extended to all engineering disciplines, from plant and construction to pipework and process control. In addition to the actual paper mill and paper machine, the project includes a large warehouse building and facilities for steam generation and water treatment. Scheduled to start production in early 2005, the plant will ultimately be able to produce 270,000 tonnes of paper a year.



Systems Division

– from idea and development to operation and profitability

The Systems Division offers product development, business support and shared processes systems and IT services. Its business encompasses both full-service solutions and one-off projects. The division accounted for 15 percent of the ÅF Group's sales in 2004.

Sluggish demand for the Systems Division's services has led to poor profitability over recent years. However, a raft of rationalisation measures in 2004 has laid the foundations for good earnings capacity and growth potential.

The division operates primarily in eastern and western Sweden, with the emphasis on the Stockholm region. It has around 300 employees at 11 offices.

Clients are primarily Swedish industrial companies, many of which are large multinationals.

The Systems Division is well known in the market and enjoys a good reputation. It is eastern Sweden's largest product developer, and has around 20 percent of the market for business systems for service companies.

Organisation and operations

Business is organised into three main areas – Mechanical Engineering & Project Management, Embedded Systems and IT Solutions – which are presented briefly below.

Once a new product has been defined, it needs to be designed, engineered, industrialised, tested and verified before it can be released onto the market. After the launch, it needs to be continuously developed and enhanced to retain or improve its position.

These development processes must be both quick and reliable, and the pressure for shorter lead times is constantly growing. Ever greater requirements for efficiency at every level are generating a need for outsourcing and increased partnering with specialists. The Systems Division's expertise in product development covers every stage from initial idea to finished product.

"The Systems Division is well known in the market and enjoys a good reputation."

Matz Axelsson
Senior Vice President
until January 2005



	2004 *	2003 *
Sales (in millions of SEK)	342	356
Operating profit (in millions of SEK)	-49.1	-6.4
Operating margin, percent	-14.4	-1.8
Share of Group sales, percent	15	17
Number of employees (FTEs)	336	394
Operating profit/employee (in thousands of SEK)	-146	-16

* Proforma figures, excluding associated companies

Most of the division's development work involves mechanical, electronic and software engineering, and it works both on projects that span the entire development process and those that cover just part of the chain. Current projects include mammography equipment, medical equipment for gastric surgery on obese patients, mobile logistics and transport monitoring for trucks, talking microwave ovens, the design of handheld computers, positioning systems for vessels, telecom base stations for indoor environments, narcotics detectors, lottery terminals, and numerous assignments for the defence industry.

The ÅF Group has long experience of developing business support and shared process systems for project-oriented service companies. The division's services in this area have now been brought together in the PX Business Solutions concept. All in all they provide a com-

prehensive solution for most system needs that a service company has: management systems for operational management and profitability follow-up, time and project reporting, analytical tools, electronic supplier invoices, and web-based case management.

The third business area is IT Solutions. The Systems Division offers a broad range of consulting services, including operational consultants, project managers, financial consultants, system specialists, system developers, and technicians. One concrete example of the IT services offered is high-quality products and services in the data security segment. Another example is the PX Operations Centre, which includes operating environments and operational services for the various systems within PX Business Solutions, as well as further development of these systems.

Goals and strategy

In the short term the goal is to step up sales work to ensure that capacity utilisation and earnings are sufficiently high to support the resources and products in the division. Good, stable levels of profitability are essential to enable the division to press ahead with its planned growth.

The long-term goal is to be number one or two in the markets in which the division operates in Sweden. Growth will be both organic and through strategic acquisitions or alliances that can create synergies.

The strategy is for this growth to give the division the capacity to take on the very largest assignments in the industry. In terms of resources, this means growing from today's 300 or so employees to between 1,500 and 2,000 in the longer term.



Teaching ovens to talk

The "Talking Ovens" project began with an idea for voice activation. The ÅF Group invited an engineering student to write a dissertation on the concept, and got in touch with Whirlpool to gauge interest and commercial potential. Whirlpool was keen on the idea and decided to test it in the market. The first step was to launch 500 talking ovens at dealers in 12 European countries in 2004. When a customer presses a button, the oven responds by explaining the relevant function. The concept may also be a useful tool for people with impaired vision and for other demonstration purposes.



The year in brief

2004 saw the launch of the new PX Business Solutions concept. This package, which encompasses all of the division's various business systems for service companies, was very well received in the market.

The Systems Division took over and developed the ÅF Group's operations centre in Åmål, which maintains and develops, among others, Volvo's pre-sales and after-sales support system Tacdis.

The bleak climate in the market prompted a series of rationalisation measures over the year. Early in 2004 the range of services offered by the division was reduced. Almost 60 employees were directly affected by the closures of the offices in Lund and Borås, and, as

the organisation was adjusted to its new size, a number of managers left in June and July. During the fourth quarter a decision was taken on a new remuneration package which involves an across-the-board reduction in fixed salaries in return for a variable element linked to earnings capacity. A campaign was also launched to stimulate new sales.

Clients

The division is held in high esteem for the skills of its employees. Their expertise is highly valued, as is clear from the scores in client satisfaction surveys, where both brand awareness and overall ratings are very high.

Although a large proportion of sales stems from repeat business, the division is working actively to boost sales by

attracting both new clients and new assignments from existing ones.

One increasingly common form of collaboration helps clients to outsource various stages of the production chain, from development to operation. There are two ways to do this: either by using the division's existing employees, or by taking over a fully operational unit from the client. Both make it easier for clients to focus on their core business, at the same time as they generate economies of scale for the Systems Division, which, via a number of ongoing development projects, can realise the synergies between these different activities.

Clients are found primarily in Swedish and international industry, and include ABB, All Set Tracking, Andrew Telecom, Astra Zeneca, Atlas Copco, Autoliv,



Mammography products for Siemens

The ÅF Group has been working with Siemens' mammography products for several years. When Siemens needed to integrate the digital imaging system Opdima into the equipment, it was natural to seek assistance from the ÅF Group once again. The aim was to perform biopsies using digital stereotaxy, where digital scans and computations work in concert to pinpoint the exact spot in the breast from which to take a tissue sample to test for cancer. The project, which involved around 30 ÅF employees, was completed without any setbacks and within the agreed time. The Opdima system uses a CCD unit with 29 million pixels, which can be compared with the 3–4 million pixels in a standard digital camera.

Biosensor, Ericsson, EssNet, the Swedish Defence Materiel Administration, FLIR, Siemens Medical Solutions, Trimble, Whirlpool and Volvo.

Market

The market is still characterised by over-capacity and fierce price competition, with many small assignments of limited size. The number of enquiries and assignments grew slightly in spring and summer 2004, but despite these early signs of recovery, it is clear that many clients are still postponing major investment decisions.


In a wider perspective the market is being affected greatly by globalisation trends. It is no longer merely production that is being transferred to low-cost countries: development work and programming, previously seen as specialist

services, are facing strong competition from countries with lower salary costs. Software is being developed in India and hardware in the Baltic states.

The division's competitors include Cap Gemini, HiQ, Epsilon, IFS, Intenia, Teleca, Tieto Enator, Sigma, Semcon and WM-data.

Outlook

As already indicated, the short-term goal is to increase sales of existing products and services, while the long-term goal is to be the market leader. One ambition which runs parallel to these two aims is earlier involvement in client planning processes. This helps clients to gain an overview of the entire process from conception to implementation, at the same time as it leads to better use of resources and lower costs.



Smarter, simpler approach to project reporting

Many service companies face similar problems. How well are we following up each project and client? Are all the relevant costs allocated to the project? Have we analysed the results? Drawing on its long experience of project management, the ÅF Group has developed PX Light, a solution for small and medium-sized service companies needing an efficient time and project management system which gives them the option of measuring profitability. The system is web-based, and getting started could hardly be easier. No investment is required – the client simply takes out a subscription, which includes day-to-day operational support. The PX Operations Centre in Åmål handles back-ups, support, upgrades and case management. All that is needed is an Internet connection.



ÅF-Kontroll

– continued good growth

ÅF-Kontroll works with technical inspections and accounted for around eight percent of ÅF Group sales in 2004.

Its main business areas are inspection, testing and certification. ÅF-Kontroll is Sweden's second-biggest name in testing and inspection.

ÅF-Kontroll offers inspection, testing, calculation, certification and training services. Much of its work revolves around assuring the client of a safe working environment and operational reliability. The business spans many areas, from inspecting nuclear power stations to safety checks on fairground attractions.

ÅF-Kontroll is accredited by SWEDAC to perform inspections of clients' facilities and operations to ensure that they comply with applicable laws and regulations issued by bodies such as Sweden's Work Environment Authority, Rescue Services Agency, National Board of Housing, Building & Planning, and Nuclear Power Inspectorate.

ÅF-Kontroll is also a notified body for the purposes of EU directives for pressure equipment, lifts and machinery.

Inspection and testing of nuclear power plants account for almost 20 percent of revenue. Other important sectors are the

process industry, which accounts for more than 10 percent of revenue, and the engineering industry, which accounts for around 20 percent.

Organisation and operations

ÅF-Kontroll is an independent third-party inspection body. To avoid conflicts of interest with other companies within the ÅF Group, ÅF-Kontroll operates independently from the rest of the Group as a completely separate company. In practice this means totally discrete reporting and quality systems, and "locked doors" between the different businesses.

ÅF-Kontroll operates mainly in Sweden, where it has around 200 employees based in 22 offices around the country, from Luleå in the north to Malmö in the south.

Annual growth has been around 15 percent in recent years. As regular inspections have to be performed whatever the economic climate, much of the business is cyclically independent.

"As regular inspections have to be performed whatever the economic climate, much of the business is cyclically independent."

Jörgen Backersgård
Managing Director



	2004 *	2003 *
Sales (in millions of SEK)	176	165
Operating profit (in millions of SEK)	13.5	14.6
Operating margin, percent	7.7	8.8
Share of Group sales, percent	8	8
Number of employees (FTEs)	199	178
Operating profit/employee (in thousands of SEK)	68	82

* Proforma figures, excluding associated companies

Inspections are needed at many stages of clients' operations. First the engineering phase must be verified, then manufacture and installations must be checked, operational integrity tested, and a start-up permit issued. Once operation is under way, periodic inspections are required, for example annually or every three years. ÅF-Kontroll has around 170,000 different items subject to regular inspections.

The bulk of the business is in inspection, testing and certification. Inspection involves independent checks and periodic inspections of lifts, lifting devices, boilers, escalators, ski-lifts, fairground attractions, tanks and pressure vessels. All results are documented and made available to clients through a dedicated website.

Testing examines components and devices using non-destructive techniques, such as radiography, ultrasound and visual

checks. Besides these non-destructive methods, ÅF-Kontroll also offers advanced testing services for manufacturing checks, approval verification and condition assessment. Quality and environmental management systems are certified in accordance with a variety of European standards via ÅF-TÜV Nord, a 50/50 joint venture between the ÅF Group and Germany's TÜV Nord Group. Examples of certifications include IFS (International Food Standards), BRC (Global Standard – Food), BRC/IOP (Food Packaging) and ISO (International Organisation for Standardisation). ÅF-TÜV Nord also acts as an inspection body at Sweden's nuclear power stations.

In addition to these three main areas, ÅF-Kontroll provides services related to its core business, such as consulting, training, CE marking, and the implementation of various EU directives.

ÅF-Kontroll also participates in various advisory groups, and serves as a consulting body for authorities considering new legislation.

Goals and strategy

ÅF-Kontroll's overriding goals are to be a strong player in the Nordic market for technical inspections, and to assist Swedish clients with coordinating inspection work at their operations outside Sweden. International expansion will mainly be through collaboration with other accredited inspection companies (notified bodies) in Europe. ÅF-Kontroll currently has such partners in around a dozen European countries and the network is gradually being expanded. This collaborative model has proved highly successful.

In the longer term ÅF-Kontroll envisages itself as the main driving force and market leader in the Nordic region.



Liseberg's new rollercoaster

Kanonen ("The Cannon") thrills its customers with its extreme acceleration, reaching a speed of 75 km/h in less than three seconds with the help of 20,000 horsepower. When the Liseberg Amusement Park in Gothenburg ordered the new attraction, it turned to ÅF-Kontroll for quality assurance. ÅF-Kontroll visited the manufacturer together with the client's representatives to scrutinise the production documentation that detailed the technical specifications for welding, testing and coatings. After installation ÅF-Kontroll carried out non-destructive tests using X-rays and ultrasound, and reviewed the acceptance tests with staff. This was ÅF-Kontroll's first assignment for Liseberg, but it had already inspected rides at Gröna Lund Amusement Park in Stockholm.

The year in brief

ÅF-Kontroll managed to maintain good growth with good profitability in 2004. It grew on a broad front, with both small and medium-sized assignments.

ÅF-Kontroll made important inroads into the forest industry during the year, and enjoyed considerable success in assuming responsibility for inspection work in connection with investments in plant for energy generation, such as municipal CHP stations.

Market

ÅF-Kontroll is the second-largest player in the Swedish market, and the only one that is Swedish-owned. Its market share is growing all the time, and currently stands at over 20 percent.

There are still few players in the Swedish market for technical inspections. When the Swedish government deregulated and privatised the market in 1995, the National Swedish Institute for the Testing of Pressure Vessels and Stationary Lifting Equipment was sold to Det Norske Veritas (DNV). This immediately gave DNV a dominant position, and it remains the number one competitor. Further competition comes from the Danish-owned company, Force Technology.

Consulting services relating to regulatory frameworks and how they should be implemented are attracting growing interest in the market. Consulting services relating to systematic working environment programmes, risk assessments and risk-based inspection programmes are

also expanding. At the same time increasingly advanced test techniques are being developed to provide reliable information on the condition of technical equipment in industries that demand the highest standards of safety and reliability.

Two clear trends can be discerned in the European market. One is that governments are deregulating more and more sectors, and selling their inspection bodies into private ownership. The other is an ongoing process of consolidation, with the already large companies growing ever bigger through acquisitions.

Clients

ÅF-Kontroll employs flexible working methods and offers high standards of service. It has almost 16,000 clients from a vari-



FST-GAGE – new technology for inspecting boilers

ÅF-Kontroll is one of just a small number of companies worldwide to use FST-GAGE, a new EMAT-based ultrasound system which quickly scans and measures the thickness of boilerplate, such as that used in the paper industry's kraft recovery units. Unlike traditional ultrasound testing, which is based on a number of random samples, FST technology enables large areas to be mapped for corrosion. By testing large areas, problems can be detected in good time, reducing the number of emergencies and unplanned stoppages. Satisfied clients can be found across Europe, and in Asia and Africa.

ety of sectors and industries: energy, process, petrochemicals, property, public sector, forestry and pulp & paper. More than 8,000 of these clients purchase services every year, corresponding to around 20,000 assignments. The distribution between large, medium-sized and small clients is good. The 20 largest account for 40 percent of sales, and include Ringhals, EuroMaint, Kvaerner, Shell Raffinaderi, Cramo and HSB.

Given its broad client base, ÅF-Kontroll is a well-established player in the market. The most important form of marketing is therefore performing assignments efficiently and living up to the company's good reputation on a day-to-day basis. ÅF-Kontroll attaches great importance to clients' regard for the company as a reliable partner in both the short and the

long term – and one who has what it takes to tackle problems at an early stage.

Most ÅF-Kontroll employees deal with clients on a daily basis, and one of the key factors behind the company's success is good availability, in terms of both time and location.

Outlook

The goal for the future is to grow in terms of both resources and breadth of expertise. ÅF-Kontroll aims for annual growth of 10–15 percent while maintaining good profitability.

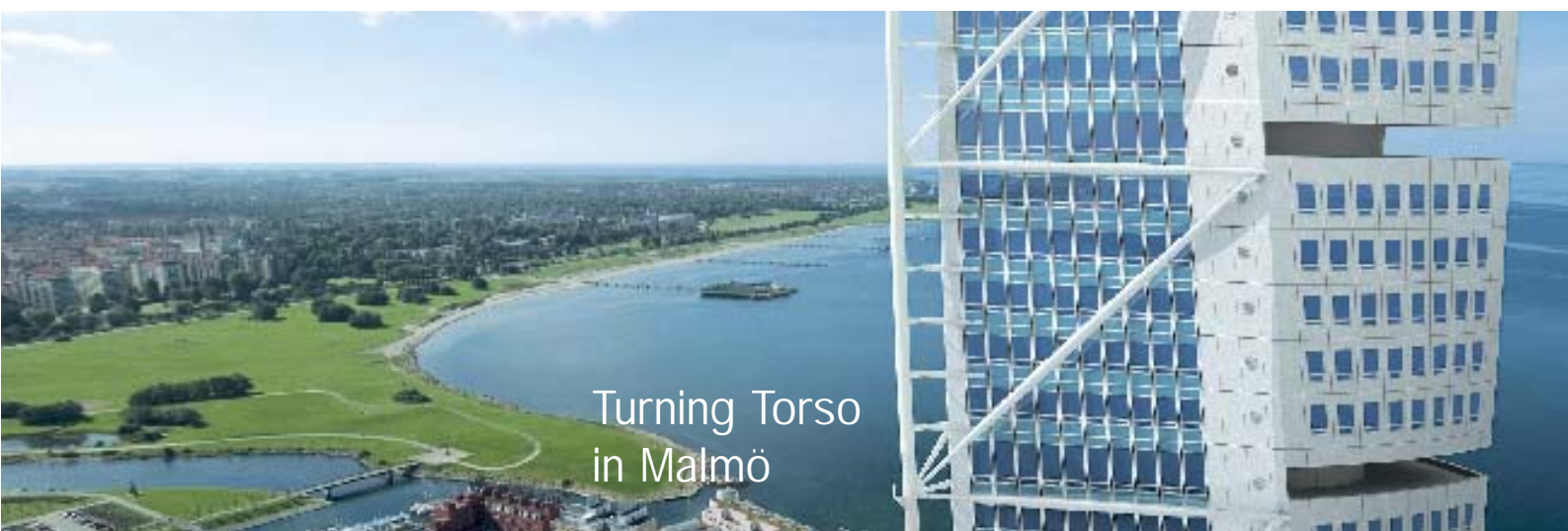
The company is keen to become involved at the earliest possible stage in its clients' processes. Carrying out more inspections during the planning stage provides good support for the client's project

management and a means of optimising costs.

International expansion will come primarily from continued growth in the network of collaborating inspection companies across Europe, not least in the new EU member states in Eastern Europe. However, strategic acquisitions cannot be ruled out.

ÅF-Kontroll intends to boost its skills and resources in western Sweden, which is home to many companies in the process and petrochemical industries.

The business will gradually be supplemented with other areas where new requirements look set to be introduced for independent third-party inspections, such as services in the IT security, food and transport sectors.



Turning Torso in Malmö

Property company HSB's Turning Torso is one of Europe's tallest residential skyscrapers, 190 metres high with 54 floors. The brainchild of Spaniard Santiago Calatrava, its helical shape has attracted attention worldwide. The building features a particularly complex steel structure, with barely a right angle to be found anywhere in the entire construction. Its owner, HSB in Malmö, commissioned ÅF-Kontroll to inspect the production and assembly of the structure, including both physical inspections and a review of the documentation. Non-destructive tests were performed, mainly using ultrasound and magnetic powder tests. Despite a number of technical problems and delays due to the weather, the end-result was a success.

ÅF shares

ÅF's series "B" shares have been quoted on the "A" list of the Stockholm Stock Exchange since January 1986. Prior to this, Ångpanneföreningen traded as a co-operative association from 1895 until 1980, and as a joint-stock company since 1981. At the end of 2004 the combined market value of the company's shares, including series "A" shares was SEK 782 (2003: 670) million.

Share movements and turnover

Ångpanneföreningen's "B" shares traded at SEK 132 at the end of 2004, compared with SEK 116 at the beginning of the year, an increase of 14 percent. The Stockholm all-share index SAX gained 18 percent during the same period.

During the year a total of 1,579,826 shares were traded (875,000) for an aggregate value of SEK 212 (89) million.

Turnover per trading day averaged SEK 840,000 (355,000).

The share was traded on 97 (84) percent of trading days.

Liquidity guarantee

In order to increase the liquidity of ÅF shares the stockbrokers Öhman Fondkommission act as liquidity providers under an agreement from 31 October 2003 that, in essence, means that Öhman undertakes to quote bid and offer prices for Ångpanneföreningen's shares. The spread, which must not exceed 4 percent calculated on the offer price, averaged 1.04 percent in 2004, compared to 2.69 percent in 2003.

Dividend

The ÅF share offered a yield averaging 5.3 percent per annum between 1999 and 2003.

The Board has adopted a dividend policy according to which the dividend should correspond to approximately 50 percent of the consolidated profit after tax. For the company's operations during 2004 the Board proposes a dividend of SEK 2.60 per share.

Shareholding and convertible bonds among employees

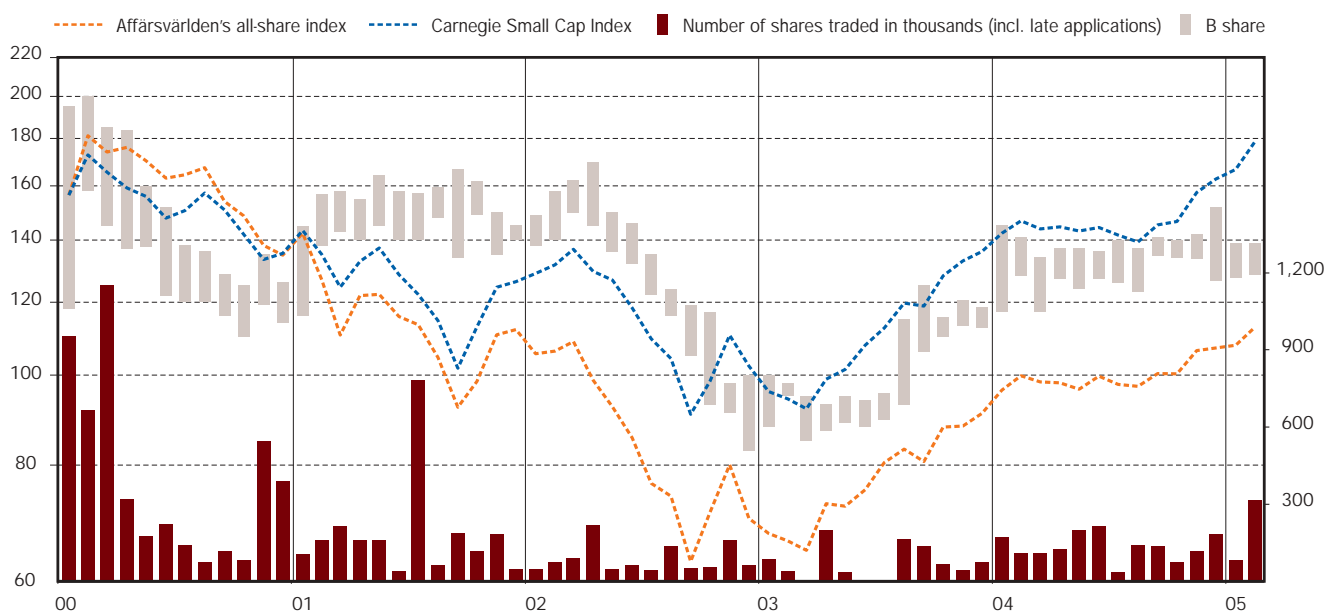
ÅF Group employees are actively encouraged to invest in ÅF shares by making

use of various systems that facilitate part-ownership in the company. In one such system employees are offered a plan administered by Aktieinvest Fondkommission for saving some of their salary in the form of ÅF shares. Each new employee is given one share in the company. The profit-sharing scheme outlined on page 14 allows employees to share in the increase in the net worth of the company by creating funds with ÅF shares (and others) as investment capital. At present, approximately ten percent of the shares in the company are owned by employees.

In 2000, employees responded positively to an invitation to subscribe to a convertible bond. More than 700 of them subscribed for SEK 96 million, equivalent to almost 90 percent of the total subscription value.

The conversion rate when the subscriptions were made was SEK 171 per share. After an adjustment for the dividends paid out in 2000 and 2001, this was reduced to SEK 155 per share. If the conversion option is fully utilised during the period January 2004 to June 2005, the additional shares will represent a dilution of 6.1 of the votes and 9.6 percent of capital.

ÅF shares



(c) SIX

Capital Market Day

The annual ÅF Capital Market Day was arranged on 21 September at the Group's head office in central Stockholm. After President/CEO Jonas Wiström had outlined the current situation for the Group and sketched future scenarios, it was time for an in-depth insight into ÅF's activities in the pulp & paper industry in Sweden and abroad. The guest speaker for the day was Anders Backlund, Investments Director for Stora Enso. He described the investment in a new paper machine for Stora Enso's Kvarnsveden paper mill in Borlänge (Sweden) for an audience of around 40 Swedish and international analysts and asset managers.

Shareholders in Sweden and abroad

31 December 2004	Percent of capital
Sweden	91.3
Rest of Scandinavia	1.6
Rest of Europe	6.5
USA	0.4
Rest of world	0.2

Shareholder categories

31 December 2004	Percent of capital
Foreign owners	8.7
Swedish owners	91.3
of which:	
Institutions	80.42
Private individuals (incl. close companies)	19.58

Size of shareholding

31 December 2004		
Number of shares	Shareholders	Percentage of shares
<500	4,348	9.26
500–5,000	643	14.25
>5,000	54	76.49
Total	5,045	100

(During 2004 the number of shareholders increased by 522.)

Changes in the share and option programme

Year	Change	A shares	B shares	Total
1984	Convertible bonds to employees	727,460	0	727,460
1985	Investor/Providentia part-owners	684,860	42,600	727,460
1986	Floated on the A list	684,860	342,600	1,027,460
1987	Split 1:3	1,369,720	1,712,660	3,082,380
1990	After conversion	1,639,140	2,113,240	3,832,380
1994	Redesignation 800,000 A shares	828,665	3,003,715	3,832,380
1996	Bonus issue 1:2	1,242,997	4,505,572	5,748,569
1997	Redesignation 800,000 A shares	402,219	5,346,350	5,748,569
2000	Convertible bond equivalent to 609,840 B shares for conversion 2004–2005			
2004	New issue: acquisition of CTS Oy		5,522,157	5,924,376

At the end of 2004 the grand total of 5,924,376 shares was divided into 402,219 series A shares (10 votes per share) and 5,522,157 series B shares (1 vote per share). On full conversion, the total number of shares will be 6,534,216 (2004/2005). The share price as at 31 December 2004 is unaffected by dilution.

The ten largest owners

31 December 2004	A shares	B shares	Capital, %	Votes, %
Owner				
Ångpanneföreningen's Foundation for Research & Development	340,472	1,074,546	23.9	46.9
Sweco AB	0	751,700	12.7	7.9
SEB unit trust funds	0	686,700	8.8	5.5
ÅFOND				
(Ångpanneföreningen Group Trust)	48,352	292,780	5.7	8.1
Lannebo fund	0	392,300	3.9	2.4
AMF pension funds	0	156,600	2.6	1.6
Jersey Res. Lending A/C	0	110,600	1.9	1.2
Church of Sweden	0	87,800	1.5	0.9
Goldman Sachs International	0	76,050	1.3	0.8
Foundation for Strategic Research	0	70,000	1.2	0.7

Key ratios per share (SEK)

	2000	2001	2002	2003	2004
Share price	122	142	92	116	132
Profit after tax	40.04	9.91	-22.18	5.24	5.11
After full conversion 04/05	36.48	9.00	-22.18	4.87	4.62
Equity	94	92	57	59	65
Dividend	13.00 ¹⁾	13.00 ²⁾	2.00	2.60	2.60 ³⁾

¹⁾ Of which SEK 7.50 from Alecta premium refunds.

²⁾ Of which SEK 8.00 from Alecta premium refunds.

³⁾ Proposed dividend.

Sensitivity Analysis



Operational risks

The ÅF Group's earnings and results are critically dependent on the market's willingness to invest in Sweden and the other countries in which we operate. The general economic situation is, of course, also of major significance, but ÅF's diversification over a number of markets and areas with different business cycles reduces the risk from this.

ÅF's strategy is to grow outside Sweden in the segments in which the Group is the market leader in Sweden. Increasing the geographical spread will help offset the effect of fluctuations in local business cycles.

In a consulting company, assignments vary in value from a few thousand to tens of millions of Swedish kronor. However, at the same time as a major assignment guarantees work for a long period of time, it increases our vulnerability when the assignment nears an end, as new projects must be found to provide work for a large number of consultants. For this reason, it is important that a consulting company is also able to secure a large number of small local assignments. The right mix of large and small assignments reduces risk.

In 2004, ÅF had a total of 30,000 assignments, an average of 15 assignments per consultant per year.

Capacity utilisation and hourly rates

A consulting firm's capacity utilisation rate – expressed in the ÅF Group as the invoiced-time ratio – is crucial for its ability to generate a profit. To appreciate the significance of this, one need only reflect on the fact that every percentage point difference in the invoiced-time ratio equates to a rise or fall of SEK 24 million in earnings. One percentage point is equivalent to 16 hours of a consultant's time per year or 20 minutes of invoiceable time a week.

The hourly rate, of course, is also an essential component behind the profitability of any consulting company. Increasing the hourly rate by SEK 10 would, if all other factors remained unchanged, improve profits for the ÅF Group by SEK 28 million a year. The average hourly rate invoiced during 2004 was approximately SEK 627, even though certain specialists can command twice that figure.

Various approaches are adopted to reduce sensitivity, including taking on contracted consultants and temporary staff for specific projects, increasing the variable component in salaries, broadening our expertise and markets, and developing "packages" of services to increase competitiveness and reduce clients' sensitivity to prices.

Competitors

While competition from consulting companies in countries with significantly

lower cost structures is increasing rapidly, foreign firms still have only limited impact on the Swedish market. Consulting companies compete for the best employees, but only a handful of these companies – among them, the ÅF Group – are in a position to undertake major full-service projects, and this is one strength that appeals to potential employees.

As demand for qualified consultants rises, so too does the need for the ÅF Group to present itself as an attractive employer, and it has therefore earmarked considerable funds each year for recruitment and induction activities.

Fixed-price contracts

Fixed-price contracts for carefully specified consulting services can be beneficial to both parties. Often consultants are able to make use of past experience and are well placed to make an accurate assessment of the amount of time and resources required. A fixed-price contract may, however, involve an increased risk if the period required to complete the assignment is wrongly estimated. In the event that the fixed price is exceeded, ÅF suffers an impairment in its fee.

Training and tuition in key factors such as project management, the provision of adequate insurance protection and the formulation of constructive terms and conditions, can greatly reduce the risks associated with this kind of agreement.

Major fixed-price assignments may be led only by assignment managers who have received the appropriate training via the ÅF School.

Business support system

In 2004 a shared process system was introduced in the Swedish company for managing, following up, controlling and documenting both fixed-price and open-account assignments in the most efficient way. The system has been certified in accordance with ISO 9001 and ISO 14001.

Legal disputes

All business activities involve a risk of dispute. Drawing up contracts for all assignments and specifying in detail the terms of agreement reduces the risk. In most instances, ÅF contracts are carried out under the terms of "The General Conditions for the ÅF Group", which in turn are based on the terms of ABK96 (General Conditions for Consulting Assignments for Architect and Engineers, 1996).

For corporate acquisitions and purchases of the net assets of businesses, a standard contract is used that has been drawn up by ÅF's legal advisors. For more complex transactions, legal advice must always be sought.

The ÅF Group is involved in a small number of disputes that may have to be settled in court. In those instances where it is likely that the court's findings may

incur expenses for the Group, these have been charged to the financial accounts.

Insurance

In order to reduce risk in its business activities, ÅF has a high level of insurance cover.

In line with good practice in the industry, the Group has taken out consulting liability insurance. This covers the ÅF Group for the liability involved in any given project (normally the same as the project fee), up to a ceiling of 120 times the so called "basic amount" used in Sweden for national social security purposes. The Group itself bears a risk equivalent to one basic amount per claim.

The Group is covered for loss of contribution to cover fixed or additional costs in the event that its premises/equipment are damaged, stolen or in any other way rendered unusable.

Employees

In any consulting company, there is always a risk that skilled employees may leave to join competitors or set up their own

businesses. The risk is exacerbated if these people use their inside knowledge of the company to cherry-pick the best of their colleagues. For this reason, it is essential that employees perceive some form of added value in working for ÅF.

It is highly unusual for large numbers of key members of the ÅF Group's consulting team to leave the company. The risk is effectively forestalled by treating employees well, offering excellent remuneration packages and providing rewarding work. Regular attitude surveys carried out by ÅF show that employees are largely happy in their work.

Apart from structural measures relating to employees whose contracts were terminated, staff turnover for the year stood at 9 percent – a low level for the technical consulting industry as a whole.

IT security

Current methods of doing business call for the most scrupulous concern for IT security. ÅF offers high levels of security through a number of active initiatives (including measures to protect against

Sensitivity analysis

Factor	Change (all other factors unchanged)	Effect on earnings SEK/share (before tax)
Capacity utilisation	+/- 1%	4.05
Hourly rate	+/- 1%	2.90
Payroll costs	+/- 1%	2.20
Overheads	+/- 1%	0.60
Number of employees	+/- 1%	0.10



hackers and viruses) and has clear rules governing channels for the dissemination of information both internally and externally. The Group also runs highly advanced, secure back-up systems.

IT risks are dealt with by an IT Council headed by the Executive Vice President for Corporate Resources, who is also a member of the ÅF senior management team.

The IT Council was established to set a policy and standards for IT within ÅF.

Strategic risks

Over the past decade, the technical consulting sector has undergone a process of consolidation. Ten years ago, when ÅF was half the size it is now, it was the 20th largest technical consulting company in Europe. Today, with twice as many staff, ÅF is still about 20th in size. As the industry continues to consolidate, ÅF remains determined to take an active part in this process, and to continue to grow.

Even so, organic growth and takeovers can give rise to certain risks. A consulting company's most important asset is its employees, and an acquisition that does not turn out well may result in staff leaving the company. Such situations can involve serious costs. It is, therefore, essential to have a well-planned and consistent acquisition strategy, and to avoid making acquisitions where ÅF's ownership brings no obvious advantages to the staff of the target company.

ÅF's strategy is designed to cope with the risks associated with business development and long-term planning. A special "Acquisitions and New Markets" unit has been set up to ensure that the Group adopts a proactive and systematic approach to corporate acquisitions and expansion into new geographical markets.

Financial risks

In its operations, the Group is exposed to several types of financial risk. The term "financial risk" refers to fluctuations in the company's results and cash flow in consequence of changes in exchange rates, interest rates, refinancing and credit risks. Responsibility for the Group's financial transactions and risks is handled centrally by the parent company, through the Corporate Finance department. The overall goal is to provide cost-effective financing and to minimise the negative effects on the Group's results of market fluctuations.

Currency risk

Currency risk is the risk of fluctuations in the value of a financial instrument as a result of changes in exchange rates. This risk is relatively limited for ÅF, as payments and investments are made in local currencies. Currency risks related to changes in expected and contracted payment flows are also relatively limited for ÅF, as the majority of payments are made in local currencies.

In the event of a currency risk in excess of SEK 500,000, the risk must be hedged through derivatives.

The effects of revaluations of non-Swedish subsidiaries' assets and liabilities in foreign currency (translation exposure) are likewise fairly limited, since non-Swedish subsidiaries represent only a minor part of ÅF's balance sheet total.

Interest rate risk

The interest rate risk for the ÅF Group is relatively low. Group policy is for cash and cash equivalents to be deposited in bank accounts with local banks. Loans from credit institutions consist largely of bank loans.

The Group does, however, face some interest rate risk, in so far as interest rates inhibit or stimulate investment on the part of clients, and thus influence market conditions for the ÅF Group.

Credit risk

Credit risk arises because the company has a high number of outstanding accounts receivable at any given time. However, the amount of credit given to clients in this way is limited through advance payments and by taking measures to avoid clients who are likely to have payment problems. Historically the Group has reported only limited credit losses. Overall, therefore, the Group's financial risks are relatively low.





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Five-year financial summary

Figures in millions of SEK unless otherwise stated	2000	2001	2002	2003	2004
Operating income and profit/loss					
Operating income	1,746.9	1,962.6	1,916.1	1,995.4	2,160.2
Operating profit/loss after depreciation and participations in associated companies	339.3	85.0	-135.6	52.9	37.8
Profit/loss after net financial items	330.9	88.0	-150.6	46.6	32.6
Profit/loss for the year	230.2	57.0	-127.5	30.1	30.1
Operating margin, percent	19.4	4.3	-7.1	2.7	1.7
Profit margin, percent	18.9	4.5	-7.9	2.3	1.5
Capital structure					
Fixed assets	608.9	539.0	474.6	424.6	363.4
Current assets	779.6	737.3	617.6	697.2	932.4
Equity	542.8	527.8	324.9	341.9	380.9
Minority interest	9.0	14.7	5.6	0.6	4.1
Provisions	160.6	101.2	123.1	68.6	84.4
Long-term liabilities	151.2	116.5	115.7	109.3	109.8
Current liabilities	524.9	516.2	523.0	601.3	716.7
Balance sheet total	1,388.5	1,276.3	1,092.3	1,121.8	1,295.8
Equity (annual average)	437.8	535.3	426.3	333.4	361.4
Total capital (annual average)	1,197.1	1,332.4	1,184.3	1,107.0	1,208.8
Capital employed (annual average)	654.2	754.4	626.7	520.1	525.4
Equity ratio, percent	39.1	41.3	29.7	30.5	29.4
Current ratio, times	1.5	1.4	1.2	1.2	1.3
Profitability					
Return on equity, percent	52.6	10.6	-29.9	9.0	8.3
Return on total capital, percent	29.0	8.0	-11.5	5.1	3.4
Return on capital employed, percent	52.9	14.1	-21.7	10.9	7.9
Interest cover, times	6.6	5.1	-1.6	5.5	4.8
Other					
Invoiced-time ratio, percent	69.5	69.7	66.4	67.6	68.5
Gross investment in equipment	54.4	45.0	42.3	40.0	49.4
Gross investment in property	15.4	8.3	5.5	3.3	1.3
Employees (FTEs) excluding associated companies	2,044	2,167	2,309	2,260	2,531
Employees (FTEs) including associated companies	2,191	2,470	2,607	2,599	2,647

Operating margin

Operating profit/loss in relation to operating income.

Profit margin

Profit/loss after net financial items, in relation to operating income.

Equity ratio

Equity in relation to the balance sheet total.

Current ratio

Current assets in relation to current liabilities.

Return on equity

Profit/loss after tax in relation to average shareholders' equity.

Return on total capital

Profit/loss after net financial items with restoration of interest expense, in relation to the average balance sheet total.

Return on capital employed

Profit/loss after net financial items and restoration of interest expense in relation to the average balance sheet total minus current liabilities and the net result of deferred tax.

Interest cover

Profit/loss after net financial items and restoration of interest expenses, in relation to interest expense.

Invoiced-time ratio

The time clients are charged for, in relation to the total time all employees are present at work.

Employees (full-time equivalents: FTEs)

Number of employees during the year converted to the equivalent number of year-long, full-time positions. The actual number of employees is higher owing to part-time employment and the fact that some employees work only part of the year.

Administration Report 2004

AB Ängpanneföreningen (publ)

Corporate identity number 556120-6474

Group and parent company

The Board and President of AB Ängpanneföreningen (publ) herewith submit their annual report for the year 2004. AB Ängpanneföreningen, which has its registered office in Stockholm (Swedish corporate ID no. 556120-6474), is the parent company of the ÄF Group (ÄF).

The ÄF Group is a leading name in technical consulting, offering highly qualified services and solutions for industry, infrastructure projects and the development of products and IT systems. ÄF also carries out certified third-party testing and inspection work. Its proven proficiency in engineering is founded on an in-depth specialist knowledge of many branches of industry built up over more than one hundred years. In 2004 the Group had a total workforce (converted into full-time equivalents, and excluding employees in associated companies) of 2,531 (2003: 2,260). Of this total 392 (133) were employed outside Sweden.

The basis for the ÄF Group's consulting business is the development of systems and products, and investment, maintenance and ongoing modification relating to industrial clients' installations, processes, machinery and buildings. The majority of projects originate in Swedish and international industrial companies, service companies and the real estate sector.

Sales and earnings

Net sales totalled SEK 2,160 (1,995) million.

Operating profit was SEK 38 (53) million, and operating margin 1.7 (2.7) percent. Profit after net financial items amounted to SEK 33 (47) million, yielding a profit margin of 1.5 (2.3) percent.

Sales of real estate had a positive effect in ÄF's accounts for 2004, adding some SEK 24 million to the net result. On the other hand, restructuring costs, chiefly in the Systems Division, have had a negative effect, reducing the net result for the Group by a total of SEK 40 million during 2004.

Capacity utilisation (expressed as invoiced-time ratio) was 68.5 (67.6) percent.

Earnings per share for the year as a whole were SEK 5.11 (5.24).

Cash flow and financial position

The cash flow for the period January–December 2004 was SEK 83 (24) million. Before shareholders' dividends and the amortisation of loans, cash flow was SEK 109 (44) million.

The sale of certain of the Group's premises had a positive effect of SEK 124 million on cash flow.

The ÄF Group's liquid funds totalled SEK 175 (93) million at the end of the reporting period.

Equity per share was SEK 65, and the equity/assets ratio was 29 percent. These figures compare with SEK 59 and 31 percent respectively at the beginning of 2004.

Acquisitions

In March 2004 ÄF acquired CTS Oy – subsequently re-named as ÄF-CTS Oy (CTS) – one of Finland's leading technical consulting companies in the paper industry, with 260 employees. This consolidates ÄF's status as one of Europe's top two forest industry consultants. CTS, established in 1973, has invoiced sales of more than EUR 16 million a year to clients that include Norske Skog, Stora Enso, UPM Kymmene and Metso. As a result of the takeover, ÄF is now a truly all-round international supplier of consulting services for the pulp and paper industry, with units in Sweden, Finland, France, Germany, Spain, the Czech Republic and South Africa. The ÄF Group acquired 69.2 percent of the shares in CTS, with an option on a further 10.8 percent during 2005. As ÄF already held a 20 percent stake in CTS, this paved the way for a 100 percent ownership of the company by 2005 at the latest. The new stake was transferred from the 27 shareholders in CTS, the majority of whom are actively employed in the company. Settlement for the 69.2 percent stake was partly in the form of a cash payment of SEK 35 million, and partly through a new issue of series "B" shares in AB Ängpanneföreningen with a nominal value of SEK 23 million, as sanctioned by the ÄF Annual General Meeting.

In March 2004 ÄF acquired a 100 percent holding in Fortum Teknik & Miljö AB (FTM) with approximately 150 employees. This

strengthened ÄF's leading position in the field of energy and environmental consulting at the same time as it cemented relations with an important client. FTM (part of Fortum Service) is a consulting company active in the areas of energy, the environment and electric power. Most of the company's employees are based in Stockholm.

In July ÄF acquired a 49 percent stake in Konsultgruppen STIBI AB with 25 employees. The acquisition reinforced ÄF's market position in the field of infrastructure consulting operations. Konsultgruppen STIBI AB is a technical management consulting company that works with the Swedish Armed Forces and the public sector, and turns over approximately SEK 40 million a year. ÄF negotiated an option to acquire the remaining 51 percent of the shares in STIBI after two years.

In the autumn ÄF acquired the two Norwegian technical consulting companies Lars Myhre AS and Berg-Nilsen & Reinertsen AS. As a result of these takeovers ÄF has established itself as one of the Oslo area's leading consultants in the field of installations and can now call on the services of approximately 100 employees in Norway. The newly acquired companies, both Oslo-based, work primarily within the property and infrastructure markets with consulting assignments relating to electrical, energy, HVAC and sanitation installations. ÄF acquired 100 percent of the shares in the two companies.

Important events during the year

In January 2004 ÄF signed a contract to sell its properties in Malmö, Växjö, Norrköping, Luleå and Sundsvall to Estancia Fastigheter AB. These sales subsequently produced a net inflow of approximately SEK 5 million for ÄF during the year. In addition to this the accounts also include the profit from the sale of properties agreed in 2003.

Also in January ÄF split its Industry & Systems Division into two separate divisions – Industry and Systems – shedding approximately 50 members of staff in conjunction with this. The structural costs for the redundancies in Industry & Systems and Pulp & Paper totalled SEK 25.4 million, all of which were booked in the first quarter. This reorganisation also did away with the New

Markets Division, as ÅF-Data was integrated into Systems, and the remaining ÅF-Kontroll and ÅF-Infrastruktur formed their own divisions, namely ÅF-Kontroll and Infrastructure.

In February ÅF was awarded a major contract by Holmen Paper in conjunction with the decision to invest in a new paper line at the Fuenlabrada newsprint mill in Madrid, Spain. The order was the result of close cooperation between ÅF employees in Spain, France and Sweden.

In February ÅF-Kontroll in collaboration with Lloyd's Netherlands, was awarded the contract to carry out all third party inspections of Scanraff's new gas oil refinery in Lysekil, on the west coast of Sweden. The total contract value amounts to more than EUR 1 million, slightly over half of which will be paid to ÅF-Kontroll.

March saw ÅF contracted to supply a broad spectrum of technical consulting services for Kvaerner Power, which is extensively involved in deliveries to Stora Enso's Skoghall Mill in Sweden. The order was worth approximately SEK 13 million to ÅF. In the first instance, ÅF consultants will be engaged for project planning relating to the electrical engineering, automation, pipework and mechanical engineering aspects of the installation of a new kraft recovery unit, evaporation plant and treatment unit for non-condensable gases.

Also in March ÅF signed a new framework agreement with Ericsson for consultancy services in research and development. ÅF has a large number of highly experienced telecom consultants and is working with several ongoing projects into the development and maintenance of 2G and 3G systems.

In October ÅF won a major order from Billerud in connection with the paper company's decision to invest in its Gruvön Mill. Billerud has decided to rebuild its solid fuel boiler and build a new turbine, in addition to investing in a new electricity supply at Gruvön Mill. The investments will be carried out in stages during 2005 and 2006.

In November ÅF was commissioned by Akademiska Hus, the state-owned property group responsible for university and college environments in Sweden, to plan and design the installations for heating, ventilation, air-conditioning and sanitation in the planned new Royal College of Music in Stockholm. The new building will be approximately 16,000 square metres in size and is sched-

uled to be ready for occupation in 2009. ÅF was also commissioned to work with project planning for the electrical and HVAC and sanitation installations in the new combined concert hall and congress centre in Uppsala, Sweden.

In December ÅF announced its decision to merge its six divisions – Installations, Infrastructure, Industry, Systems, Energy & Environment and Pulp & Paper – into just three: Infrastructure, Process and Systems. The change was implemented on 1 January 2005. The ÅF-Kontroll company (with approximately 200 full-time equivalent posts) remains as an independent subsidiary for accreditation reasons. At the same time, in order to increase local sales and improve coordination, four regional organisations were created in Sweden. The regional managers, tasked with exploiting local business potential in their region to the full, are all included in the ÅF Group's executive management team. Parallel with these changes a new function was established under the banner of "Acquisitions & New Markets" to ensure that work with takeovers and corporate establishments in new geographical markets is carried out more systematically and in a more proactive way than has previously been the case.

Again in December, ÅF reported continuing problems with profitability in the Systems Division. Capacity utilisation remained low, prices continued to be subject to pressure and reductions in the value of client projects had also had a negative effect on the division's result. Against this background, a decision was made to implement sweeping changes to reduce the fixed costs for Systems by approximately SEK 3 million a month. The cost for implementing these measures – SEK 15 million – was charged entirely to the fourth quarter.

Important events after the end of the reporting period

In January 2005 ÅF was commissioned by the National Swedish Rail Administration to carry out the project planning work for systems directly related to the rail track in the tunnel through the Hallandsåsen Ridge. The assignment, which focuses mainly on work on electrics, signals and telecommunications, is estimated to require around 10,000 hours of consultancy work. Most of the work will be run from the ÅF Group's project office in

Helsingborg, Sweden, and is scheduled for completion during the first quarter of 2006.

Also in January ÅF received a substantial joint commission from Bolivia's International Chamber of Commerce, Financial Supervisory Authority and Internal Revenue Service to support the work of introducing a basic chart of accounts for the South American nation's companies. The work will last for two years during which time a project leader will be stationed in La Paz, Bolivia. The consultancy project, financed by the Swedish International Development Cooperation Agency (Sida), is worth a total of SEK 12.5 million, of which the majority accrues to ÅF.

It was announced in January that ÅF has won a prestigious EU-financed project for the government of Serbia and the Serbian Ministry of Transport. The principal is the EU-funded European Agency for Reconstruction in consultation with the project beneficiary. The assignment, which will run over two years, is worth EUR 2.7 million, approximately half of which will accrue to ÅF.

ÅF reported in January that Matz Axelsson had resigned from his position as Divisional Manager for the Systems Division.

In February ÅF acquired the remaining 10.8 percent stake in CTS to assume 100 percent ownership of the company. The vendor was Insinööri-oy Polartek Oy. The shares were acquired in accordance with the terms of an agreement signed when ÅF became the major shareholder in CTS in March 2004. Settlement for the transfer of the remaining 11 percent of the shares consisted partly of a cash payment of SEK 4 million, and partly in the form of a new issue of series "B" shares in AB Ångpanneföreningen with a nominal value of SEK 5 million. Part-payment in the form of a new share issue was sanctioned by the Annual General Meeting of ÅF Group shareholders on 11 May 2004.

In the annual Knowledge Company Barometer survey carried out in Sweden on the initiative of ISI Wissing, the ÅF Group came top in the categories of both "Best Technical Consultants" and "Best IT Consultants". The aim of the survey is to find out how senior managers (in companies with more than 50 employees) perceive the knowledge companies they come into contact with. The survey investigates the image of 128 knowledge companies, divided into eight industries. The 610 respondents first state how well they know the companies and then award each of

them a score for all-round performance. In addition to its table-topping positions in technical and IT consulting, ÅF was also ranked as the best-known technical consulting company.

Consulting activities

The Group's consulting activities generated a profit of SEK 35 million for 2004 (SEK 56 million). Sales totalled SEK 2,309 (2,056) million before eliminations and intercompany transactions.

Energy & Environment

Operating margin 12 months: 4.3 percent (4.4 percent)

Given the positive conditions in the market, the result for Energy & Environment for 2004 was less than satisfactory. Following the reorganisation that took place on 1 January 2005, these operations are now expected to benefit substantially from earnings synergies. During the first six months of 2004 the division took an important step towards consolidating the ÅF Group's position in the energy sector via the acquisition of Fortum Teknik & Miljö with 140 employees.

Industry

Operating margin 12 months: 3.6 percent (-0.4 percent)

Including structural costs: 1.9 percent (-0.4 percent)

The Industry Division's performance for 2004 was relatively weak. There was an increase in demand – albeit from a low level – for consulting services linked to automation and technical solutions for the electric power segment, but the division was burdened by some significant write-downs in projects and structural costs incurred early in the year. The Electrical Power Systems business area showed strong growth thanks to the integration of electric power operations from Fortum Teknik & Miljö.

Infrastructure

Operating margin 12 months: 8.2 percent (4.7 percent)

The market for consulting services in infrastructure projects was relatively strong in 2004. The Infrastructure Division captured new market share and is extensively involved in major assignments such as the "City Tunnel" rail project in Malmö (southern

Sweden) and the "City Line" (*Citybanan*) double-track rail tunnel in Stockholm. Since the end of the reporting period ÅF has also been contracted by the Swedish National Rail Administration to carry out the project planning work for systems directly related to the rail track in the tunnel through the Hallandsåsen Ridge. First and foremost this assignment revolves around work on electrics, signals and telecommunications. Demand in the telecoms area improved gradually throughout 2004.

Installations

Operating margin 12 months: 3.8 percent (4.3 percent)

The market for construction and property consulting showed signs of a steady improvement throughout the whole of the second half of 2004. Thanks to an improved market and increased sales activities Installations succeeded in maintaining an acceptable level of business. Demand was strong throughout the year for ÅF's proven expertise in reducing energy costs in properties.

There was an upturn in the number of new starts recorded for single-family homes and the steep decline in commercial properties flattened out. The market for rebuilds and renovation remained buoyant.

Inspections & Testing

Operating margin 12 months: 7.6 percent (8.9 percent)

ÅF-Kontroll continued to grow at a greater rate than the overall market for inspections, testing and certification. Sales increased by almost 10 percent with particularly strong growth in inspections. However, final earnings were slightly down on expectations as a result of slackening second-half demand. ÅF-Kontroll has been selected as a long-term partner for a number of major industrial projects with clients that include Scanraff and Stora Enso.

Pulp & Paper

Operating margin 12 months: 4.4 percent (3.5 percent)

Including structural costs: 3.7 percent (3.5 percent)

The market for consulting services in the pulp and paper industry in Sweden was strong throughout 2004. Investments in Swedish pulp and paper mills increased noticeably

compared to 2003, and this clearly benefited ÅF as the market leader in Sweden. Demand was brisk in Spain and Germany as well, but operations in Finland and France suffered under the relatively low levels of investment in those countries and the surrounding regions.

Systems

Operating margin 12 months: -5.8 percent (-2.0 percent)

Including structural costs: -15.0 percent (-2.0 percent)

Poor profitability continued to cause headaches for Systems in 2004. Despite a marked improvement in the telecom sector, the markets for IT and product development remain depressed. Invoiced-time ratio remained low and the division's costs were too high given the current price levels. Once it became clear that the action programme announced in the first quarter was insufficient, sweeping new measures were implemented in the fourth quarter to trim SEK 3 million a month off the division's fixed costs. The various action programmes incurred non-recurring costs totalling approximately SEK 33 million in 2004.

Research and development

The divisions carry out research and development work in conjunction with universities and trade organisations, and also internationally with EU funding. In-house method development also forms part of this R&D work. For the Group as a whole, investment in R&D was equivalent to SEK 11,000 (12,000) per employee.

Environmental work

ÅF has adopted a systematic approach to environmental work for many years, formulating its first environmental policy in 1994. In 2004 the Group's environmental work has focused on developing the environmental component in the new business and shared processes system and devoting even greater attention to the issues that formed the basis for the Group's environmental certification in 2003.

ÅF can make the greatest positive impact on the environment by guiding and influencing the decisions of its clients. Environmental issues are assuming ever greater significance in the work of ÅF as the criteria laid down by clients and society for environmen-

tal concern and the responsible use of the planet's resources become more and more rigorous. In this respect, ÅF is among the leaders in its field and follows developments closely, as witnessed by its involvement in the preparations for emissions trading.

In addition to considering the environmental impact of their proposals and actions relating to client-driven assignments, ÅF employees are required to have the knowledge and motivation to conduct their own everyday administrative activities in an environmentally responsible manner. After a test distributed via the ÅF intranet showed that more than one third of employees needed to improve their knowledge of environmental issues, a web-based training package ("The Energy and Environment Factfile") was made available to all employees in 2004. This material, which is constantly updated, is also designed to serve as a database to supply answers to energy and environment questions in all sorts of situations.

Corporate governance

Legislation and Articles of Association

AB Ångpanneföreningen (ÅF) must, in the first instance, comply with the provisions of the Swedish Companies Act and the rules following from the listing of the company's shares on the Stockholm Stock Exchange. In its business operations, ÅF must also comply with the provisions laid down in ÅF's Articles of Association.

From 2005 onwards the governance of ÅF's business operations will gradually be brought into line with the Swedish Code of Corporate Governance.

General Meetings

Notices convening the annual general meeting are sent out no earlier than six weeks and no later than four weeks before the general meeting. The notification contains a numbered agenda of the matters to be considered, information on the proposed dividend and the main content of other proposals, as well as information on notifications and on the right to take part in and vote at the meeting. A shareholder or shareholder's representative/proxy may vote for the full number of shares he/she owns or represents.

Proposals for the consideration of the general meeting should be addressed to the Board of Directors and submitted in good time before the notification convening the

meeting is sent out. The minutes of the general meeting are supplied to shareholders on request, and are posted on the ÅF website. Information relating to the annual general meeting 2005 is given on page 72.

The Board of Directors and its work

Members of the Board are elected annually by the annual general meeting to serve until the close of the next annual general meeting. The upper age limit for members of the Board is 70 years. Nominations are prepared by the major shareholders jointly. It is intended that a formal Nominating Committee will be appointed prior to the 2005 annual general meeting.

The Board elects a Chairman and Vice Chairman from among its members.

ÅF's Board of Directors consists of seven members elected by the annual general meeting and two members and their deputies to represent the company's employees. The members elected by the general meeting include individuals with links to ÅF's major shareholders – Ångpanneföreningen's Foundation for Research and Development and ÅFOND, the ÅF Group Trust – and individuals who are independent of these major shareholders. The President has no seat on the Board.

Under the definitions of the Stockholm Stock Exchange, the number of members elected by the general meeting who are independent of the company (non-executive directors) is six, and the number of members elected by the general meeting who are independent of the company's major shareholders is four (57 percent).

Salaried employees of the company participate in Board Meetings as secretaries and to present reports. The Secretary of the Board is the company's Executive Vice President for Corporate Resources.

At AB Ångpanneföreningen's annual general meeting in Stockholm on 11 May 2004, Eva-Lotta Kraft, Carl-Erik Nyquist, Peter Sandström, Gunnar Svedberg, Helena Skåntorp and Magnus Grill were re-elected as directors of the company, and Ulf Dinkelspiel was elected. Jan Fröjd and Karin Bäcker, with their deputies Karin Karlsson (who left ÅF during the year) and Per-Åke Östling were appointed employee representatives on the Board. At its inaugural meeting following the general meeting, the Board elected Carl-Erik Nyquist as its Chairman and Gunnar Svedberg as its Vice Chairman.

During the 2004 financial year, the Board held eight meetings, of which one was an inaugural meeting, and one a two-day strategy seminar with a special review of every business area. Attendance at all Board meetings was 100 percent.

The Board takes decisions in matters concerning major investments, strategic direction and organisation, and monitors operational activities continuously via monthly reports from the President and reviews at Board meetings.

The Board has adopted written rules of procedure, and has issued written instructions in respect both of the distribution of work between the Board and the President, and of the information which the Board will receive on a standing basis. The rules of procedure will ensure, inter alia, that the Board receives all necessary information.

The Board's most important resolutions and tasks during the year were:

- Resolution on the acquisition of the remaining stake in CTS, and on the acquisition of Fortum Teknik & Miljö.
- Resolution on sponsoring TV broadcasts from the Olympic Games in Athens to profile the brand.
- Proposal to the annual general meeting on authorisation to issue shares.
- Resolution to instruct the President to prepare a proposal for a new convertible bonds scheme for staff.
- Resolution to instruct the President to proceed with the sale of ÅF's properties outside Stockholm.
- Resolution to instruct the President to relocate the operations in the Stockholm region into one office, and, on relocation into one office, to sell ÅF's head office.
- In connection with the Board's two-day strategy seminar, a visit was made to one of ÅF's most important clients. The programme also included guest lectures on stock market perceptions of ÅF and on the current business cycle. The Board set out its expectations and objectives for financial year 2005.
- Resolution on a Stage 2 of the process towards achieving "One ÅF", including reorganising consultancy operations into three sub-groups (divisions) within AB Ångpanneföreningen.
- The Board took note of the results of ÅF's staff survey 2004.
- Resolution on an action programme to address the poor level of profitability in the Systems Division.

An evaluation of the work of the Board was carried out during the year with the help of an external consultant.

Group Management

The President/CEO is responsible for the day-to-day control of the Group.

ÅF's Senior Management Group consists of the divisional and regional managers, as well as the managers of Group-wide functions. The Group management team met on fifteen occasions during 2004. At one of these meetings, senior executives from ÅF's non-Swedish companies participated. The meetings dealt with matters such as earnings trends and reports in preparation for and following Board meetings. Matters relating to budgets, investments and policies were also considered frequently, and market and business-cycle trends were reviewed.

In 2004 Senior Group Management comprised Jonas Wiström (President and CEO), Anders Gabrielsson (Executive Vice President and CFO), Karl-Anders Eriksson (Executive Vice President, Corporate Resources) and Viktor Svensson (Director, Corporate Information), together with the Divisional Managers and Senior Vice Presidents, Jörgen Backersgård, Jan Nordling, Christer Karlsson, Per Göransson, Åke Rosenius and Matz Axelsson. Gunilla Fladvad was the secretary for the Senior Group Management team.

Remuneration

Directors' fees are determined by the annual general meeting. The remuneration of the CEO is determined by the Board after examining the proposals of the Board's Remuneration Committee. The remuneration of executives directly subordinate to the President is determined by the President in consultation with the Board's Remuneration Committee. The Group applies the principle that the manager's manager must approve decisions relating to remuneration.

The Board's Remuneration Committee for the period until the close of the annual general meeting 2005 is composed of Carl-Erik Nyquist (Chairman), Eva-Lotta Kraft, Gunnar Svedberg and Jan Fröjd.

There is no incentive programme of options or bonuses for senior executives. A scheme, in which all members of staff were invited, on the same terms, to buy convertibles at market price, was introduced in 2000. As the scheme expires in spring 2005, a new scheme is planned for 2005.

Information on remuneration is contained in note 5.

Auditing

The accountancy firm KPMG was adopted as auditors by the annual general meeting in 2003 for a period of four years. KPMG carries out audits on ÅF and on all subsidiaries.

An audit of the accounts is carried out for the period January to September, as a "hard close" and during the preparation of the annual accounts. This is accompanied by an audit of internal routines and control systems. In addition a review report of interim accounts is also carried out. The audit of the annual accounts and annual report is carried out during January and February. During 2004, the auditors reported to the full Board on one occasion and, in addition, to the Chairman of the Board and the CEO on two occasions. The Board has not instituted an Audit Committee: instead, the full Board participates in the audit process.

In addition to the audit assignment, ÅF has used KPMG as consultants in the taxation field, on accounting matters and for research in conjunction with major projects, such as acquisitions. The amount of the remuneration paid to KPMG is shown in note 4.

Investor relations

Information to shareholders is provided through the ÅF annual report, year-end and interim reports and on the company's website. The website also contains reports, press releases and publicity material from recent years.

Investments

Gross investment in machinery and equipment for the period January to December 2004 amounted to SEK 49 (40) million. Of the year's total investments in machinery and equipment, SEK 6 (0) million relates to investments as a result of acquisitions. Investments in goodwill totalled SEK 70 (8) million.

Employees and salaries

The number of full-time equivalents in the Group, excluding those employed by associated companies, totalled 2,531 (2,260). Of these 392 (133) were employed outside Sweden. Including employees in associated companies full-time equivalents totalled 2,647 (2,599), of which 482 (469) were employed outside Sweden. The number of

full-time equivalents in the parent company was 62 (48). This rise is explained by the fact that ÅF centralised internal IT operations during 2004. Personnel costs for the Group amounted to SEK 1,428 (1,289) million.

In the *Företagsbarometern* 2004 survey of Sweden's most attractive workplaces, engineering students voted ÅF among the ten most popular companies in Sweden. ÅF was also the highest ranking consulting company and was awarded the Universum prize for "Best in Class". The survey was based on interviews with 6,000 undergraduates.

Prize for ÅF's work with equal opportunities

For the second year in succession ÅF was awarded the *Veckans Affärer* Prize for the best work with equal opportunities, as part of a survey of Sweden's Best Workplaces. ÅF received the award for its Futura Project, a long-term initiative aimed at increasing the proportion of female consultants in the company.

Real estate management

In spring 2003 the Board resolved to sell the Group's properties.

The premises known as Hårölden 1 (approximately 3,500 square metres) in central Stockholm were sold to Humlegården in the fourth quarter of 2003, with Humlegården taking over the property from the beginning of 2004. The sale realised a profit of SEK 21.5 million in the first quarter of 2004.

Five remaining properties were sold in January 2004 to Estancia Fastigheter AB. The sale had a positive effect of SEK 2.1 million on the Group's net profit for the second quarter of 2004.

The one property still in the Group's ownership is Hårölden 44 (10,700 square metres), which is the Group's head office on Fleminggatan in Stockholm. The property, with a book value of SEK 126 million, was valued at SEK 225 (220) million at the end of 2004 by Forum Fastighetsekonomi AB.

Financial instruments

To minimise the currency risk in contracted payment flows in foreign currencies, large amounts are hedged using derivatives.

Shares

AB Ångpanneföreningen's "B" shares have been quoted on the "A" list of the Stockholm

Stock Exchange since January 1986. Ångpanneföreningen traded as a co-operative association from 1895 until 1980 and has traded as a joint-stock company since 1981.

The combined market value of the company's shares, including series "A" shares, at the year-end was SEK 782 (670) million.

Ångpanneföreningen's "B" shares traded at SEK 132 at the end of 2004, compared with SEK 116 at the beginning of the year, an increase of 14 percent. The Stockholm all-share index SAX gained 18 percent during the same period.

During the year a total of 1,579,826 shares were traded (2003: 875,000) for an aggregate value of SEK 212 (89) million. Turnover per trading day averaged around SEK 840,000 (355,000).

The share was traded on 97 (84) percent of trading days.

The total number of shares in circulation at the end of 2004 was 5,924,376: 402,219 "A" shares (ten votes per share) and 5,522,157 "B" shares (one vote per share). After full conversion of the convertible bond loans issued in 2000, the number of issued shares will rise to 6,534,216 (2004/2005).

Liquidity guarantee

In order to increase the liquidity of ÅF shares the stockbrokers Öhman Fondkommission act as liquidity providers under an agreement from 31 October 2003 that, in essence, means that Öhman undertakes to quote bid and offer prices for Ångpanneföreningen's shares. The spread, which must not exceed 4 percent calculated on the offer price, averaged 1.04 percent in 2004, compared to 2.69 percent in 2003.

The parent company

The parent company generated sales of SEK 129 (171) million, with a loss after net financial items of SEK 5 million. This compares to a profit of SEK 85 million in 2003, when the result was positively influenced by the reversal of a restructuring reserve in the parent company.

Dividend

The Board proposes a dividend for 2004 of SEK 2.60 (2.60) per share. The proposed dividend is in line with the stated dividend policy, which means that dividends are to correspond to around 50 percent of the Group's net profit.

Prospects for 2005

The ÅF Group's main objectives for 2005 remain clear:

- To achieve substantial improvements in profits and cash flows compared to 2004.
- To continue to grow more quickly than the market as a whole.

ÅF believes that the market for technical consulting services as a whole will remain unchanged in 2005 or show only a slight improvement on 2004. It is our opinion that the Systems Division will once again return to profitability and that the rest of the Group's operations will continue to develop in a positive fashion. The reorganisation carried out at the end of 2004 is also designed to create an ÅF with a clearer market profile and more earnings synergies.

Accounting principles

The accounting principles and methods of calculation used are the same as those adopted in the previous annual report, with the exception of the details provided for defined-benefit pensions schemes, which have been reported in accordance with the Financial Accounting Standards Council's recommendation RR 29 relating to the remuneration of employees, which came into force on 1 January 2004. The transition to the new rules has had a positive effect by increasing equity by SEK 2.1 million as of 1 January 2004.

Convergence with International Financial Reporting Standards (IFRS)

Up until the 2004 financial year, the ÅF Group's financial reporting has been prepared in compliance with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and the guidelines provided by the Council's Emerging Issues Task Force. Despite recent moves towards convergence between the Swedish Financial Accounting Standards Council's recommendations and International Financial Reporting Standards (IFRS), there is still a relatively large number of differences between the two standards.

With effect from 2005 the ÅF Group will adopt a system of financial reporting that accords fully with IFRS, supplemented by the addition of any further disclosures that may be required by the Swedish Annual Accounts Act.

The transition to IFRS does, of course, place special demands on the first set of accounts drawn up in accordance with the new standard. The regulations stipulate that, for the sake of comparison, figures for 2004

must also be supplied in a form that accords with IFRS, although this information need not be made available until the publication of the first interim report for 2005.

IAS 39 is applied with effect from 1 January 2005 without converting the information for comparison with 2004. The effect that the introduction of IAS 39 has on the opening balance in 2005 will not significantly influence equity.

We have made a thorough review of the changes that the introduction of IFRS will mean for ÅF.

The most significant change for the ÅF Group is the introduction of IFRS 3, which deals with the issue of corporate acquisitions and mergers. The ÅF Group will report acquisitions made during 2004 in accordance with the new rules. According to the review we have made, the restructuring reserves set aside in conjunction with the acquisitions of CTS and Fortum Teknik & Miljö must be expensed, which will give rise to a charge against profits of SEK 17 million. The tax effect of this reversal will be plus SEK 6 million.

Depreciation on goodwill, which amounted to SEK 14 million in 2004, will be replaced by an annual impairment test.

The introduction of IFRS 5 means that the ÅF's properties for sale in the opening balance sheet from 1 January 2004 are transferred from fixed assets to current assets. As a result, there is no depreciation in real estate, which has a positive effect on the accounts of SEK 3 million.

The overall effect of reporting the accounts for 2004 in accordance with IFRS adds approximately SEK 6 million to the result for the year and to equity. In addition, minority shares will be included under earnings and equity.

Proposed appropriation of profits

Non-restricted profits of SEK 99,059,256 are at the disposal of the Annual General Meeting.

The Board and President propose that these profits be appropriated as follows:

To the shareholders:

A dividend of	
SEK 2.60 per share	15,501,569
To be carried forward	83,557,687
Total	99,059,256

The proposal includes 37,766 shares released as a new issue in March 2005.

According to the consolidated balance sheet, the Group's non-restricted equity totals SEK 174,062,000. From this total an allocation of SEK 93,800 is to be made to restricted reserves.

Income statement

(in thousands of SEK)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Operating income					
Net sales	1,2	2,135,969	1,993,975	89,347	76,728
Other operating income	3	24,255	1,378	39,978	94,727
		2,160,224	1,995,353	129,325	171,455
Operating expenses					
Other external costs	4	-598,485	-581,011	-64,002	-61,875
Personnel costs	5	-1,428,273	-1,289,281	-43,228	-37,011
Depreciation of tangible and intangible assets	6	-63,025	-64,605	-8,674	-9,868
Other operating expenses	3	-36,824	-8,941	-37,958	-9,911
		-2,126,607	-1,943,838	-153,862	-118,665
Share of associated companies' profit/loss		4,154	1,361	—	—
Operating profit/loss	1	37,771	52,876	-24,537	52,790
Result from financial investments					
Result from shares in Group companies	7	—	—	17,862	34,191
Result from shares in associated companies	8	—	-444	-4	-3,483
Interest income and similar profit/loss items	9	4,377	4,377	8,544	11,385
Interest expense and similar profit/loss items	10	-9,529	-10,168	-7,343	-9,771
		-5,152	-6,235	19,059	32,322
Profit/loss after financial items		32,619	46,641	-5,478	85,112
Appropriations	11	—	—	30,902	22,381
Tax on result for the year	12	-2,552	-16,946	-2,035	-22,096
Minority shareholders' share of profit/loss		-10	419		
NET PROFIT FOR THE YEAR		30,057	30,114	23,389	85,397
Earnings per share before full dilution, SEK	23	5.11	5.24	—	—
Earnings per share after full dilution, SEK	23	4.62	4.87	—	—
Proposed dividend per share, SEK		2.60	2.60		

The total number of shares is 5,924,376. After full conversion the total number of shares will rise to 6,534,216 (2004/2005).

Balance sheets

(in thousands of SEK)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
ASSETS					
Fixed assets					
Intangible assets					
Goodwill	13	99,978	43,165	--	--
Capitalised development expenditure	14	6,528	1,661	--	--
		106,506	44,826		
Tangible assets					
Buildings and land	15	128,266	254,557	126,425	169,478
Equipment	16	94,587	96,939	13,300	8,152
		222,853	351,496	139,725	177,630
Financial assets					
Participations in Group companies	17	--	--	123,500	148,113
Receivables from Group companies		--	--	--	46,113
Share of equity in associated companies	18	21,508	25,855	--	4
Other securities held as assets	19	641	1,586	110	110
Receivables from associated companies		--	300	--	300
Deferred tax asset		7,152	--	96	--
Other long-term receivables		4,693	508	9	38
		33,994	28,249	123,715	194,678
Total fixed assets		363,353	424,571	263,440	372,308
Current assets					
Current receivables					
Accounts receivable		490,362	327,788	1,719	2,192
Receivables from Group companies		--	--	299,900	284,507
Receivables from associated companies		13	--	13	--
Receivables from other related legal persons		121	320	121	320
Income taxes recoverable		4,639	32,256	13,832	16,099
Revenue generated but not invoiced		203,426	208,121	899	3,117
Other receivables		19,987	10,492	4,350	396
Prepaid expenses and accrued income		38,782	25,670	14,702	10,955
		757,330	604,647	335,536	317,586
Investments	20	24	--	--	--
Cash and bank balances		175,046	92,548	132,112	57,500
Total current assets		932,400	697,195	467,648	375,086
TOTAL ASSETS		1,295,753	1,121,766	731,088	747,394

(in thousands of SEK)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
EQUITY AND LIABILITIES					
Equity	22				
Restricted equity					
Share capital (402,219 series A shares and 5,522,157 series B shares: 5,924,376 shares at par value SEK 20)		118,488	114,971	118,488	114,971
Share premium reserve		—	—	18,811	—
Restricted reserves		88,302	96,087	23,324	23,324
		206,790	211,058	160,623	138,295
Non-restricted equity					
Non-restricted reserves		144,005	100,738	75,670	9,559
Profit for the year		30,057	30,114	23,389	85,397
		174,062	130,852	99,059	94,956
Total equity		380,852	341,910	259,682	233,251
Minority shareholdings		4,067	612	—	—
Untaxed reserves	24	—	—	44,561	75,464
Provisions					
Provisions for pensions	25	54,587	35,925	26,430	17,909
Provisions for deferred tax	26	24,878	32,707	—	-622
Provisions for restructuring	25	3,017	—	—	—
Other provisions	25	1,871	—	—	—
		84,353	68,632	26,430	17,287
Long-term liabilities					
<i>Interest-bearing</i>					
Liabilities to credit institutions	27	8,176	12,065	—	—
Convertible bond loan		96,006	96,006	96,006	96,006
<i>Non-interest-bearing</i>					
Liabilities to Group companies		—	—	30,086	40,116
Liabilities to associated companies		—	1,275	—	—
Other long-term liabilities		5,614	—	—	—
		109,796	109,346	126,092	136,122
Current liabilities					
Liabilities to credit institutions	27	154,727	163,795	150,000	161,200
Work invoiced but not yet carried out		96,454	63,953	—	—
Accounts payable – trade		111,574	94,552	23,827	11,325
Liabilities to Group companies		—	—	86,760	80,874
Liabilities to associated companies		4,258	—	—	—
Other liabilities		109,077	75,922	1,605	18,176
Accrued expenses and prepaid income	28	240,595	203,044	12,131	13,695
		716,685	601,266	274,323	285,270
TOTAL EQUITY AND LIABILITIES		1,295,753	1,121,766	731,088	747,394
Pledged assets	29	639	16,587	None	None
Contingent liabilities	30	35,577	34,905	35,090	34,611

Specification of changes in equity

	GROUP			PARENT COMPANY			
	Share capital	Restricted reserves	Non-restricted equity	Share capital	Share premium reserve	Restricted reserves	Non-restricted equity
Balance brought forward 1 January 2003	114,971	130,705	79,240	114,971	0	23,324	29,610
Translation differences		-515	-1,107				
Total changes in equity not reported in the income statement		-515	-1,107				
Adjustment between non-restricted and restricted equity		-34,103	34,103				
Net profit/loss for the year			30,114				85,397
Dividend			-11,498				-11,498
Group contribution							-11,879
Tax effect of Group contribution							3,326
Equity on 31 December 2003	114,971	96,087	130,852	114,971	0	23,324	94,956
Translation differences		-200	68				
Total changes in equity not reported in the income statement		-200	68				
New share issue	3,517	18,811		3,517	18,811		
Change in accounting principles		2,093					
Adjustment between non-restricted and restricted equity		-28,489	28,489				
Net profit for the year			30,057				23,389
Dividend			-15,403				-15,403
Group contribution							-5,393
Tax effect of Group contribution							1,510
Equity on 31 December 2004	118,488	88,302	174,063	118,488	18,811	23,324	99,059

For additional information, please refer to note 22.

Cash flow analyses

(in thousands of SEK)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Operating activities	32				
Profit/loss after financial items		32,619	46,641	-5,478	85,112
Liquidation of/Transfers to structural reserve		—	-69,507	—	-69,507
Adjustment for items not included in the cash flow	32	63,014	52,306	71,225	41,919
		95,633	29,440	65,747	57,524
Taxes paid		28,882	-20,886	2,267	-19,280
Cash flow from operating activities before changes in working capital		124,515	8,554	68,014	38,244
Cash flow from changes in working capital					
Change in receivables		-110,090	-49,941	-57,489	-31,085
Change in accounts payable – trade		12,828	24,582	12,502	4,658
Change in other liabilities		23,879	63,521	25,023	3,402
Cash flow from operating activities		51,132	46,716	48,050	15,219
Investing activities					
Acquisition of subsidiaries	32	-11,053	-2,291	—	—
Acquisition of intangible assets		-8,338	-7,463	—	—
Acquisition of tangible assets		-44,610	-36,038	-11,940	-5,031
Acquisition of financial assets		—	—	—	-4,323
Shareholders' contribution provided		—	—	-31,899	-53,200
Sales of subsidiaries	32	—	14,064	—	—
Sales of tangible assets		127,596	12,836	41,157	30,126
Sales of financial assets		—	23	2,500	86,623
Change in long-term receivables		-5,906	15,947	46,442	19,001
Cash flow from investing activities		57,689	-2,922	46,260	73,196
Financing activities					
Dividends paid		-15,403	-11,498	-15,403	-11,498
Group contribution		—	—	-5,393	-11,879
New share issue		—	—	22,328	—
Proceeds from borrowing		3,821	7,254	—	5,128
Amortisation of loans		-14,717	-15,927	-21,230	-22,010
Cash flow from financing activities		-26,299	-20,171	-19,698	-40,259
Cash flow for the year		82,522	23,623	74,612	48,156
Liquid assets and investments brought forward		92,548	68,925	57,500	9,344
Liquid assets and investments carried forward		175,070	92,548	132,112	57,500

Liquid assets comprise cash/cash equivalents and bank. The balance in the Group account with the parent company and short-term investments are also considered to constitute liquid assets. These items have been classed as liquid assets based on the fact that the risk for any fluctuation in their value is minimal, that they can easily be converted into cash and that they have a maturity of no more than 3 months from the date when they were acquired.

Notes

Notes and accounting policies

Financial values in the tables in the notes are in thousands of SEK unless otherwise stated.

General accounting policies

The annual report has been prepared in accordance with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and the statements of the Council's Emerging Issues Task Force.

The company's registered office

AB Ångpanneföreningen trades as a joint-stock company and has its registered office in Stockholm, Sweden. (Address: Box 8133, Fleminggatan 7, SE-104 20 Stockholm, Sweden.)

Segment reporting

The Group's internal reporting system is designed to follow up the return on the Group's services, and so business segments are the basis for the primary segmentation of accounts.

The Group's geographical distribution constitutes the basis for secondary segments.

Classification, etc.

Fixed assets, long-term liabilities and provisions consist essentially of amounts expected to be recovered or paid more than 12 months after the balance sheet date.

Current assets and current liabilities consist essentially of amounts expected to be recovered or paid within 12 months of the balance sheet date.

Valuation policies etc.

Assets, provisions and liabilities are reported at cost unless otherwise stated below.

Intangible assets

Intangible assets are reported in accordance with the Swedish Financial Accounting Standards Council's recommendation RR15 Intangible assets. This recommendation means, among other things, that an intangible asset is recognised only where the asset is identifiable, control is exercised over the asset, and the asset is expected to provide future economic benefits.

The Group and parent company's research expenditure is recognised as expense in the period in which it arises. Research expenditure denotes expenditure on research intended to generate new scientific and technical knowledge.

The Group reports development expenditure as an intangible asset only if, over and above the general requirements above, it is technically and financially feasible to complete the asset, and there is both an intention and the potential for the asset to be used in the business. Development expenditure denotes expenditure on research results or other knowledge which is applied to achieve new or improved processes. The Group reports development expenditure at cost less accumulated amortisation and impairment. The parent company recognises development expenditure as expense as it arises.

Other intangible assets acquired by the Group are reported at cost less accumulated amortisation and impairment. Expenditure on internally generated goodwill and brands is recognised as expense as it arises.

Subsequent expenditure relating to an intangible asset is added to the cost of the asset only if it increases the future economic benefits and the expenditure can be measured reliably.

Amortisation according to plan is calculated on the basis of cost less any residual value, and is recognised as expense on a straight-line basis over the useful life of the asset.

Amortisation periods applied:	Useful life
	<u>Group</u>
Capitalised development expenditure	3 years
Goodwill	10 years

Tangible fixed assets

Tangible fixed assets are reported as assets in the balance sheet if, on the basis of the information available, it is likely that the future economic benefits attributable to the asset will flow to the Group and that the cost of the asset can be measured reliably.

Subsequent expenditure is added to the cost of an asset if the performance of the asset is improved relative to its original performance. All other subsequent expenditure is recognised as expense in the period in which it arises.

Depreciation is calculated on the basis of cost less any residual value, and is recognised as expense on a straight-line basis over the useful life of the asset.

Depreciation periods applied:	Group	Parent company
Buildings	50 years	50 years
IT and ultrasound equipment	3 years	3 years
Vehicles and other equipment	5 years	5 years
Office furniture	10 years	10 years
X-ray equipment	10 years	10 years

Borrowing costs

Borrowing costs are recognised as expense in the period to which they relate, irrespective of how the borrowings are used.

Impairment of assets

The reported values of the Group's assets are reviewed at each balance sheet date to identify any indication of an asset being impaired. If there is any such indication, the asset's recoverable amount is calculated, namely the higher of its value in use and net selling price. The asset is written down if the recoverable amount is less than the carrying amount. When calculating value in use, future cash flows are discounted at a pre-tax discount rate which aims to take account of the market's view of the risk-free interest rate and the risk associated with the specific asset. An asset which is dependent on other assets is not deemed to generate any independent cash flows. Such an asset is linked instead to the smallest cash-generating unit for which independent cash flows can be determined. Impairment losses are reversed if there is a change in the calculations used to determine the recoverable amount.

Receivables

Receivables are reported at cost less any impairment. Receivables are recognised if the economic benefits attributable to the asset flow to the Group.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the closing rate in accordance with the Swedish Financial Accounting Standards Council's recommendation RR8. Exchange differences relating to operating receivables and liabilities are included in operating profit, while those relating to financial receivables and liabilities are reported under financial items.

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the agreement are transferred, expire or when the company loses control over them. The same applies to parts of a financial asset.

A financial liability is derecognised from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to parts of a financial liability.

Financial instruments to be recognised in the balance sheet include, on the asset side, cash and cash equivalents, accounts receivable and short-term securities, and, on the liability side, accounts payable and borrowings.

Cash and cash equivalents

Cash and cash equivalents comprise cash, immediate-access bank balances and other money market instruments with an original term of less than three months.

Financial investments

Financial instruments intended to be held permanently in the business are classified as fixed assets. Financial assets comprising shares are reported at acquisition value, and, after any impairments, at actual value. The shares are assessed class by class, and an impairment to actual value is made when the decline in value is judged to be permanent.

Short-term investments are valued at the lower of acquisition value or net realisable value on the balance sheet date.

The net realisable value is based on official market prices on the balance sheet date or on generally accepted methods such as option valuation models or discounted cash flow.

Accounts receivable

Accounts receivable are entered at the amount that is expected to be received after deducting doubtful receivables, which are assessed individually. Given that the expected period of accounts receivable is short, the value is entered at nominal value without discounting. Where forward currency contracts have been used to hedge the value of the operation's receivables, the forward rate has formed the basis for the valuation of receivables concerned.

Accounts payable

Accounts payable have a short expected duration, and are valued at nominal amount without discounting. Liabilities in foreign currency that have been hedged using forward currency contracts are revalued at the forward price where the duration of the forward contract is less than three months. When the duration of the forward contract is longer than three months, the receivables are revalued using the exchange rate on the date on which the forward contract was taken out.

Loans

Loans are entered initially at the amount received after the deduction of transaction expenses. After the date of acquisition, loans are valued at the accrued acquisition value in accordance with the effective interest method. The accrued acquisition value is determined on the basis of the effective interest rate calculated when the loan is taken out. This means that premiums and discounts, as well as direct loan origination costs, are periodised over the life of the loan. Since the loan cannot be amortised early, the calculation is periodised over the contracted life of the loan.

Derivative instruments

Derivative instruments comprise forward contracts utilised to hedge the risks of currency fluctuations. Derivative instruments are classified either as hedging instruments or as holdings for trading.

Hedge accounting

To fulfil the requirements of hedge accounting, there must be a clear link to the hedged item and the hedging must effectively secure the hedged position. Gains or losses in respect of hedging are recognised on the same date as gains or losses on the hedged items. Where the conditions for hedge accounting are no longer fulfilled, the derivative instruments are recorded as if they are held for trading at portfolio level at the lower of acquisition value or actual value. When hedge accounting is discontinued, the acquisition value will be the amount at which the instrument stood in the balance sheet on the date on which hedge accounting was discontinued, but only insofar as it has not been recognised in the income statement on discontinuation.

Transaction exposure

Currency exposure in respect of contracted future flows is hedged either through forward currency contracts or through currency options. Forward currency contracts or currency options which secure the forecast flow are not recognised in the balance sheet. Changes in the value of forward contracts are recognised in the same period as the contracted flow arises.

Holdings of securities

Securities are reported at cost less any impairment. Securities are recognised as assets if the economic benefits attributable to them flow to the Group.

Recognition of revenue and work in progress

Revenue from services provided is reported in accordance with the Swedish Financial Accounting Standards Council's recommendation RR11. This recommendation means that the percentage of completion method is applied for all assignments whose outcome can be measured reliably. Fees and expenditure are reported in the income statement as the work is carried out. The majority of assignments are performed on an open account basis. Where assignments are carried out on a fixed-price basis, an individual assessment of the degree of completion is made. In principle clients are invoiced one month after work is carried out.

The valuation procedure applied to uninvoiced consulting assignments means that they are reported net of individually assessed provisions for losses.

Tax

The "Tax" item in the income statement comprises both actual tax and deferred tax for units in Sweden and abroad. The rate of income tax for the relevant country is applied. In Sweden the statutory rate is 28 percent.

Deferred tax is accounted based on the differences known as "temporary differences", which can arise between the taxable values of assets and liabilities and the values shown in the accounts. Temporary differences of this nature occur when the due date for taxation differs from the date on which, according to generally accepted accounting practice, the transaction should be entered in the accounts. Deferred tax may also be used to describe fiscal loss carry-forwards when it seems likely that the loss carry-forward can be offset against future surpluses.

Swedish tax legislation enables companies to postpone tax payments by allocating funds to untaxed reserves. On the consolidated balance sheet these untaxed reserves are divided up into restricted equity (72 percent) and deferred tax liability (28 percent).

Provisions

Provisions are reported in the balance sheet in accordance with the Swedish Financial Accounting Standards Council's recommendation RR16 where (a) the Group has a formal or informal obligation as a result of a past event, (b) it is likely that an outflow of resources will be required to meet this obligation, and (c) a reliable estimate of the amount can be made. A present-value calculation is undertaken to reflect material time effects on future payments.

Provisions for loss-making contracts are made where the anticipated financial benefits which the Group expects to derive from a contract are lower than the unavoidable costs of meeting the Group's obligations under the contract.

Provisions for restructuring are made once a detailed plan has been adopted and the restructuring has either begun or been publicly announced.

Liabilities

Financial liabilities are carried at cost. A liability is recognised where there is a financial obligation to an external party.

Employee benefits

Employee benefits are recorded in the consolidated accounts in accordance with the Swedish Financial Accounting Standards Council's recommendation RR29 (Employee benefits), which applies with effect from 1 January 2004.

Defined-benefit pension plans were recorded in the consolidated accounts up until 31 December 2003 in accordance with local rules and regulations, without any recalculation to common principles. With the adoption of RR29 on 1 January 2004, defined-benefit pension plans are recorded in the consolidated accounts using common principles and calculation methods.

Pension obligations as at 1 January 2004 have been calculated in accordance with RR29. The difference between that figure and the pension provisions recorded as at 31 December 2003 affected equity brought forward for 2004.

In Norway, all staff are covered by defined-benefit pension plans. Provided that the pension plan according to ITP may be regarded as a defined-contribution plan, the majority of pensions for employees in Sweden and other countries are defined-contribution plans.

With defined-contribution plans, the company pays set contributions to a separate juridical unit, and has no obligation to make additional contributions. A charge is made against results for expenses as the benefit entitlement increases.

In defined-benefit pension plans, benefits are paid to employees and former employees based on salary at retirement and length of service. The Group carries the risk of paying the benefits pledged.

The defined-benefit pension plans are unfunded.

The pension cost and pension obligation are calculated using the projected unit credit method. The method apportions the cost of pensions as the employees perform services for the company which increase their entitlement to future benefits.

The company's obligations are calculated annually by independent actuaries. The obligations comprise the present value of the anticipated future disbursements. The discount rate used corresponds to the interest rate for first-class corporate bonds or government bonds with a term equivalent to the average term of the obligations and currency. Actuarial gains and losses are recognised immediately. The most important actuarial assumptions are listed in note 25.

The accounting principles outlined above are applied only to the consolidated accounts. The parent company and subsidiaries report defined-benefit pension plans in accordance with local rules and regulations in each country.

Obligations for retirement pensions and dependent's pensions for white-collar staff in Sweden are underwritten through an insurance policy with Alecta. In its statement URA 42, the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council classifies this as a defined-benefit plan which covers a number of employers. For the financial year 2004, the company has not had access to the kind of information that would make it possible to treat this plan as defined-benefit. The ITP occupational pension plan underwritten through insurance with Alecta is, therefore, recorded as a defined-contribution plan. The annual contribution for pension policies taken out with Alecta amounted to SEK 65,979,000 (64,712,000). Alecta's surplus can be allocated to the policy holder and/or the insured. At the end of 2004, Alecta's surplus in the form of the collective funding ratio amounted to 128.0 percent (119.9). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated using Alecta's insurance calculation assumptions, which correspond to RR 29.

Other long-term employee benefits

The principles applied are the same as for defined-benefit plans.

Termination benefits

A provision is made for the termination of employment of staff only if the company is demonstrably obliged to terminate employment before the normal date, or when the benefit is offered to encourage early voluntary retirement. In the event that the company must make staff redundant, a detailed plan is drawn up specifying as a minimum the workplaces, posts and approximate number of people involved, as well as the benefits for each staff category or post, and a timetable for the implementation of the plan.

Leases

Leases are reported in accordance with the Swedish Financial Accounting Standards Council's recommendation RR6:99. In the consolidated financial statements, leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets leased under finance leases are reported as assets in the consolidated balance sheet. Future lease payments are reported as long-term and current liabilities. The leased assets are depreciated, while lease payments are reported as interest and as a reduction of the liabilities.

With operating leases, lease payments are recognised as expense over the term of the lease on the basis of the user's benefit, which may depart from the actual payments made during the year.

The parent company reports all leases in line with the rules for operating leases.

Items affecting comparability

The Swedish Financial Accounting Standards Council's recommendation RR4 is applied, which means that material effects on profit of unusual events and transactions are itemised in the notes. One example of such an event is restructuring.

In the Group accounts for 2004 costs affecting comparability totalling SEK 8,350,000 are entered under the item "Other external costs" and costs affecting comparability totalling SEK 32,077,000 are entered under "Personnel costs". These costs refer to restructuring measures. The profit from the sale of Group premises of SEK 23,611,000 is entered under "Other operating income".

Consolidated financial statements

The consolidated financial statements have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 1:00.

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 percent of the votes or in some other way has a controlling influence. Subsidiaries are normally reported using the purchase method. This means that the acquisition of a subsidiary is treated as a transaction where the parent company indirectly acquires the company's assets and assumes its liabilities.

Goodwill

Goodwill on consolidation arises when the cost of acquiring interests in a subsidiary exceeds the fair value of the identifiable net assets acquired. Goodwill is reported at cost less accumulated amortisation and any impairment.

Translation of foreign subsidiaries

Currency translation is undertaken in accordance with the Swedish Financial Accounting Standards Council's recommendation RR8. All of Ångpanneföreningen's subsidiaries outside Sweden are independent foreign undertakings. Their annual financial statements are translated using the current-rate method, which means that their assets and liabilities are translated at the closing rate and their income statements at the average rate for the year. Translation differences do not impact on the Group's profit but are included directly in equity.

Associated companies

Associated companies are companies in which AB Ångpanneföreningen or its subsidiaries directly or indirectly hold 20–50 percent of the votes or in some other way have a significant influence. The associated companies ÅF-TUV Nord AB, Hansen & Henneberg AS, Konsultgruppen STIBI AB, ÅF-Incepal S.A. and ÅF-Proinstall Sp.z.o.o have been accounted for using the equity method. This means that the carrying amount of the investment in the associated company is increased or reduced in line with AB Ångpanneföreningen's share of the company's profit/loss. Adjustments are then made for any dividends received.

Elimination of transactions between Group companies

Intra-Group receivables and liabilities, as well as transactions between companies in the Group and the associated unrealised gains are eliminated in their entirety. Unrealised gains arising from transactions with associated companies are eliminated insofar as the Group owns shares in the company. Unrealised gains arising in consequence of transactions with associated companies are eliminated against "Participations in associated companies". Unrealised losses are eliminated in the same way as unrealised gains, unless an impairment requirement exists.

Group contribution

The Company treats Group contribution in accordance with the statement issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force.

Shareholders' contributions are entered directly against equity by the recipient, and capitalised in shares and participations by the contributor, to the extent that impairment is not required.

Group contribution is recorded in accordance with its financial implications. This means that Group contribution made with the aim of minimising the Group's total tax liability is entered directly against profits brought forward after the deduction of the actual tax effect.

Related-party disclosures

During the year Ångpanneföreningen's Foundation for Research and Development had the following financial relations with the ÅF Group: lease of office space in AB Ångpanneföreningen's properties, purchase of office services, etc. All transactions took place on open-market terms, and the total payments involved amounted to SEK 436,000 (SEK 370,000). The ÅF Group received allocations from the Foundation totalling SEK 3,599,000 (SEK 3,892,000). These allocations are for projects administered by the ÅF Group.

Associated companies in the ÅF Group leased office space and purchased administrative and consulting services from companies in the Group during the year to the value of SEK 3,174,000 (SEK 4,217,000) and sold consulting services to ÅF to the value of SEK 12,050,000 (SEK 2,082,000). All transactions took place on open-market terms.

Acquisitions

During the year, ÅF acquired companies with a total of 480 staff. Acquired companies have been consolidated using acquisition accounting. Some acquisitions have been made with an additional purchase price related to future results.

The largest acquisition was the purchase of 69.2 percent of the shares in CTS Oy, in which ÅF already held an associated company participation of 20 percent. CTS is one of Finland's largest consulting companies within the paper industry. Payment for the 69.2 percent of the shares was partly in cash of SEK 35 million and partly in newly-issued series B shares of SEK 23 million in AB Ångpanneföreningen. ÅF acquired the remaining 10.8 percent during the first quarter of 2005. CTS had a staff of 260 on the date of acquisition in March 2004.

In March 2004, ÅF acquired 100 percent of the shares in Fortum Teknik & Miljö AB. Fortum Teknik & Miljö is a consultancy specialising in energy, the environment and electrical power. The company had 150 employees on the date of acquisition.

In June, ÅF acquired the outstanding shares (50 percent) in the subsidiary, Elektrorådegivarna AS in Bodö. This gives ÅF 100 percent ownership of the company.

In July, ÅF acquired 49 percent of Konsultgruppen STIBI AB, which is a management consultancy company for technology clients, working with the Swedish armed forces and the public sector. ÅF has an option to purchase the remaining 51 percent of the shares after two years. The option is linked to the company's results. STIBI had 25 employees on the date of acquisition.

In October, ÅF acquired a 100 percent stake in the Norwegian electricity consultancy company, Berg-Nilsen & Reinertsen AS (BNR), with a staff of 20. In December, the Group acquired 100 percent of the Norwegian consulting specialist in heating, ventilation and sanitation engineering, Lars Myhre AS, which also had around 20 employees. In both these acquisitions, a results-based additional sum constitutes part of the agreed purchase price. In addition to these acquisitions, during 2004, ÅF made two small acquisitions, with less than 10 employees. These acquisitions were also in Norway.

Restructuring reserves

On the acquisition of Fortum Teknik & Miljö AB, it was ascertained that considerable restructuring would be required to integrate the company into ÅF. A provision of SEK 12.6 million was made for this purpose in the consolidated accounts. The restructuring reserve was utilised in its entirety during 2004. The reserve was employed principally to fund reductions in staff and the disposal of premises.

A restructuring requirement also emerged during the acquisition of CTS Oy, and a provision of SEK 4.5 million was made in the consolidated accounts. SEK 1.5 million of this restructuring reserve was utilised in 2004. At the beginning of 2005, the remaining SEK 3 million was transferred to the juridical entity ÅF-CTS Oy. The restructuring reserve has been used largely to finance reductions in staffing levels.

Accounting principles

The accounting principles and methods of calculation used are the same as those adopted in the previous annual report, with the exception of the details provided for defined-benefit pensions schemes, which have been reported in accordance with the Financial Accounting Standards Council's recommendation RR 29 relating to the remuneration of employees, which came into force on 1 January 2004. The transition to the new rules has had a positive effect by increasing equity by SEK 2.1 million as of 1 January 2004.

Convergence with International Financial Reporting Standards (IFRS)

Up until the 2004 financial year, the ÅF Group's financial reporting has been prepared in compliance with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and the guidelines provided by the Council's Emerging Issues Task Force. Despite recent moves towards convergence between the Swedish Financial Accounting Standards Council's recommendations and International Financial Reporting Standards (IFRS), there is still a relatively large number of differences between the two standards.

With effect from 2005 the ÅF Group will adopt a system of financial reporting that accords fully with IFRS, supplemented by the addition of any further disclosures that may be required by the Swedish Annual Accounts Act.

The transition to IFRS does, of course, place special demands on the first set of accounts drawn up in accordance with the new standard. The regulations stipulate that, for the sake of comparison, figures for 2004 must also be supplied in a form that accords with IFRS, although this information need not be made available until the publication of the first interim report for 2005.

IAS 39 is applied with effect from 1 January 2005 without converting the information for comparison with 2004. The effect that the introduction of IAS 39 has on the opening balance in 2005 will not significantly influence equity.

We have made a thorough review of the changes that the introduction of IFRS will mean for ÅF.

The most significant change for the ÅF Group is the introduction of IFRS 3, which deals with the issue of corporate acquisitions and mergers. The ÅF Group will report acquisitions made during 2004 in accordance with the new rules. According to the review we have made, the restructuring reserves set aside in conjunction with the acquisitions of CTS and Fortum Teknik & Miljö must be expensed, which will give rise to a charge against profits of SEK 17 million. The tax effect of this reversal will be plus SEK 6 million. Depreciation on goodwill, which amounted to SEK 14 million in 2004, will be replaced by an annual impairment test.

The introduction of IFRS 5 means that the ÅF's properties for sale in the opening balance sheet from 1 January 2004 are transferred from fixed assets to current assets. As a result, there is no depreciation in real estate, which has a positive effect on the accounts of SEK 3 million.

The overall effect of reporting the accounts for 2004 in accordance with IFRS adds approximately SEK 6 million to the result for the year and to equity. In addition, earnings and equity are affected by the minority share.

Note 1, cont'd

Primary segments – by division (in millions of Swedish kronor, MSEK)

	Total	
	2004	2003
Income		
Sales to external clients	2,135.9	1,994.0
Other operating income	24.3	1.4
Sales between segments	0.0	0.0
Total income	2,160.2	1,995.4
Operating expenses	-2,059.4	-1,777.9
Depreciation and impairment of intangible fixed assets	-14.5	-6.7
Depreciation and impairment of tangible fixed assets	-48.5	-57.9
Operating profit/loss	37.8	52.9
<i>Of which participations in profit/loss of associated companies</i>	4.2	1.4
Operating margin, percent	1.7	2.7
Assets and liabilities		
Intangible fixed assets	106.5	44.8
Tangible fixed assets	222.9	351.5
Other assets	966.4	725.5
<i>Of which proportion of equity in associated company</i>	21.5	25.9
Total assets	1,295.8	1,121.8
Total liabilities	914.9	779.9
Other segment information		
Investment for the year in intangible fixed assets	76.3	9.9
Investment for the year in tangible fixed assets	50.8	43.3

Secondary segments – by geographical area (in millions of Swedish kronor, MSEK)

	Sweden		Outside Sweden		Total	
	2004	2003	2004	2003	2004	2003
Sales to external clients	1,750.1	1,683.6	385.8	310.4	2,135.9	1,994.0
Assets	1,065.8	1,044.8	230.0	77.0	1,295.8	1,121.8
Investment for the year in intangible assets	20.9	7.8	55.4	2.1	76.3	9.9
Investment for the year in tangible assets	44.5	41.6	6.3	1.7	50.8	43.3

2 Net sales and profit/loss**Parent company**

During the year, the parent company sold services to Group companies for an amount equivalent to 97 (98) percent of operating income and bought services from Group companies for an amount equivalent to 24 (22) percent of operating expenses.

3 Other operating income and expenses

Other operating income and other operating expenses refer to income and expenses relating to property management.

Rental income in the Group amounted to SEK 40,821,000 (2003: 33,693,000) and in the parent company to SEK 39,978,000 (SEK 30,246,000), of which the sums of SEK 40,177,000 (SEK 32,315,000) and SEK 39,334,000 (SEK 28,874,000) respectively were rent from subsidiaries.

The profit of SEK 23,611,000 from the sale of the Group's properties in 2004 is reported in the accounts under "Other operating income". The loss from the sale of properties of SEK 225,000 is reported in the parent company's accounts under "Other operating expenses".

4 Other external costs

Fees and remuneration of auditors

	Group		Parent company	
	2004	2003	2004	2003
Accountants KPMG audit assignments	2,209	1,604	220	220
other assignments	1,241	341	846	144
Accountants Ernst & Young audit assignments	—	190	—	23
other assignments	—	104	—	18
Other accounting companies audit assignments	184	248	—	—
other assignments	258	—	218	—
	3,892	2,487	1,284	405
Operating leases				
Leasing fees during the year				
Premises	61,774	45,312	28,071	4,465
Other	13,321	15,833	2,222	2,295

The Group's agreed future lease payments amount to SEK 45,174,000 (SEK 55,270,000) for 2005, SEK 81,751,000 (SEK 105,242,000) for 2006–2009 and SEK 48,590,000 (SEK 12,500,000) for 2010 onwards. The Group's operating leases cover not only properties but also vehicles and some office equipment. Leasing fees for vehicles have been entered without half of the VAT. Leasing agreements under which employees assume the financial risks and benefits associated with the vehicles have been included under operating leases.

Vehicles are generally leased for three years. The outstanding leasing stock is worth around SEK 21,000,000.

5 Personnel

Average number of employees by gender

	2004		2003	
	Women	Men	Women	Men
Parent company				
Sweden	30	32	23	25
Subsidiaries				
Sweden	380	1,697	396	1,683
Finland	45	198	0	2
Norway	7	52	9	38
France	55	15	8	61
Germany	6	14	4	11
Group total	523	2,008	440	1,820
Total average number of employees		2 531		2,260
Total for associated companies		116		339
Total average number of employees including associated companies		2,647		2,599

Proportion of women in leading management positions

	2004		2003	
	Percentage of women	Percentage of women	Percentage of women	Percentage of women
Parent company				
Board members	33		22	
Other senior positions	9		11	
Group overall				
Board members	19		12	
Other senior positions	9		8	

Salaries, other remuneration and payroll overheads

	2004		2003	
	Salaries and remunerations	Social costs	Salaries and remunerations	Social costs
Parent company				
Board & President/CEO	3,726	2,423	3,854	1,627
(of which pension expenses)		1,229		388
Other employees	20,135	12,172	16,817	8,733
(of which pension expenses)		4,896		3,022
	23,861	14,595	20,671	10,360
Group				
Boards & Managing Directors	22,541	12,862	21,534	13,014
(of which pension expenses)		5,400		5,948
Other employees	898,434	453,922	801,412	403,586
(of which pension expenses)		68,034		135,261
	920,975	466,784	822,946	416,600

Salaries and other remuneration by country

	2004		2003	
	Boards and MDs	Other employees	Boards and MDs	Other employees
Parent company				
Sweden	3,726	20,135	3,854	16,817
(of which bonus and performance-related earnings)	288	220	515	—
Subsidiaries				
Sweden	11,397	751,208	14,373	736,246
(of which bonus and performance-related earnings)	772	2,819	1,515	4,751
Finland	758	64,572	—	—
(of which bonus and performance-related earnings)	—	—	—	—
Norway	3,092	29,371	1,406	18,509
(of which bonus and performance-related earnings)	73	105	83	—
France	2,108	27,599	951	26,240
(of which bonus and performance-related earnings)	—	—	—	—
Germany	1,460	5,549	950	3,600
(of which bonus and performance-related earnings)	—	—	—	—
	18,815	878,299	17,680	784,595
Group total	22,541	898,434	21,534	801,412

In addition, a profit-related bonus of SEK 1,400,000 (SEK 1,600,000) has been paid out.

This bonus relates to provisions to ÅFOND, the ÅF Group Trust, for future pensions. The bonus is extended to all permanent employees of the Group's Swedish-based companies.

Remuneration to senior executives

The Board

As resolved by the Annual General Meeting, a total of SEK 700,000 (SEK 700,000) was paid to the Board of Directors. Of this amount, the Chairman received SEK 300,000 (SEK 300,000) as resolved by the Board. Remuneration to the employee representatives totalled SEK 40,000 (SEK 80,000). No agreements have been signed concerning future pensions or severance pay for the Chairman or other members of the Board.

Note 5, cont'd

President/CEO

In 2004 salary payments and bonus totalling SEK 3,026,000 (SEK 3,074,000) were made to the Chief Executive Officer and President of AB Ängpanneföreningen: this also incurred social costs of SEK 2,194,000 (SEK 1,009,000). Company car benefits are payable. A bonus of SEK 288,000 (SEK 335,000) was paid which will impact on the current year's accounts. This bonus is based on the earnings for the Group and may amount to a maximum of 60 percent of the fixed annual salary.

Former President Gunnar Grönkvist reached retirement age during the year, triggering an unfunded defined-benefit pension cost, including tax, of SEK 1,750,000 in 2003. No corresponding cost was incurred in 2004.

The President of the parent company is subject to two years' notice from the company and has the right to a pension at the age of 60. The President's pension is a defined-contribution pension, for which provisions are made each year for an amount corresponding to 27.5 percent of the President's salary and bonus for that specific year.

An unchanged monthly salary is paid out as usual during the period of notice. The requirement to continue working during the period of notice cannot be extended beyond a maximum of one year.

Group Boards of Directors and Managing Directors

Salary payments, bonus and other remuneration to Boards of Directors and Managing Directors in the Group totalled SEK 22,541,000 (SEK 21,534,000). Company car benefits are payable. For managers of subsidiaries and three senior staff executives in the parent company, the period of notice varies, depending on age and length of service, from 12 to 18 months. In certain instances, these senior officers of the company have a right to a pension two years before the retirement age specified under the SAF/PTK agreement.

Group Management, excluding President

For salaries and remuneration to Group Management, consisting of ten (eight) executives excluding the President, a total of SEK 12,888,000 (SEK 8,960,000) was expensed, as well as social costs of SEK 8,774,000 (SEK 6,208,000) in the respective companies. Bonus payments totalled SEK 859,000 (SEK 722,000). Benefits to Group Management include company cars.

Determination of remuneration

The level of remuneration paid to the President/CEO for financial year 2004 was set by the Board of Directors following a proposal drafted by the Board's Remuneration Committee. Remuneration paid to other senior executives was set by the President/CEO in consultation with the Chairman of the Board.

Absence from work due to illness

	Parent company	
	2004	2003
Total sick leave as a percentage of ordinary working time	4.7 %	2.6 %
Portion of the total sick leave that is accounted for by absences of 60 consecutive days or more	31.0 %	17.0 %
Sick leave as a percentage of total ordinary working time:		
By gender:		
Men	4.1 %	3.1 %
Women	5.5 %	2.1 %
By age group:		
29 years old or below	4.1 %	4.0 %
30–49 years	2.8 %	2.0 %
50 years or above	6.9 %	2.7 %

6 Depreciation

Depreciation for the year consists of the following elements:

	Group		Parent company	
	2004	2003	2004	2003
Goodwill	-13,348	-6,705	-	-
Capitalised expenditure for development work	-1,128	-	-	-
Equipment	-44,890	-51,943	-5,377	-5,012
Buildings	-3,659	-5,957	-3,297	-4,856
	-63,025	-64,605	-8,674	-9,868

7 Results from participations in Group companies

	Parent company	
	2004	2003
Dividends	26,700	53,871
Result of divestments	45,826	13,355
Impairment of assets	-54,664	-33,035
	17,862	34,191

8 Results from participations in associated companies

	Group		Parent company	
	2004	2003	2004	2003
Dividends	—	—	—	901
Result of divestments	—	-444	-4	-4,384
	0	-444	-4	-3,483

9 Interest income and similar profit/loss items

	Group		Parent company	
	2004	2003	2004	2003
Dividends from other securities	146	17	2	7
Interest income from Group companies	—	—	6,186	8,986
Other interest income and similar profit/loss items	4,231	4,360	2,356	2,392
	4,377	4,377	8,544	11,385

10 Interest expenses and similar profit/loss items

	Group		Parent company	
	2004	2003	2004	2003
Interest expenses to Group companies	—	—	-442	-1 830
Other interest expenses *)	-9,529	-10,168	-6,901	-7,941
	-9,529	-10,168	-7,343	-9,771

*) including interest on PRI liability

11 Appropriations

	Parent company	
	2004	2003
Liquidation of tax allocation reserve	30,500	16,844
Difference between book depreciation and depreciation according to plan	402	5,537
	30,902	22,381

12 Tax

	Group		Parent company	
	2004	2003	2004	2003
Actual tax expense				
Tax for the year	-4,751	-3,399	—	—
Adjustment of tax with regard to previous years	-118	-64	—	70
Tax on Group contributions made/received	—	—	-1,510	-3,326
Deferred tax	4,000	-12,712	-525	-18,840
Share of associated companies' tax	-1,683	-771	—	—
	-2,552	-16,946	-2,035	-22,096
<i>Reconciliation of income tax</i>				
Result for the year before tax	32,619	46,641	25,424	107,493
Tax at current standard rate (28 percent)	9,133	13,059	7,119	30,098
Correction for previous year	118	64	—	-70
Tax effect of:				
depreciation of goodwill in Group	3,083	2,825	—	—
other non-deductible costs and non-taxable income	-9,312	1,764	-4,891	-7,932
other items	-470	-766	-193	—
	2,552	16,946	2,035	22,096

13 Goodwill

	Group	
	2004	2003
Acquisition value brought forward	74,614	106,208
Investment for the year	70,293	8,153
Divestments	—	—
Disposal of fully-depreciated goodwill	—	-39,688
Translation differences	16	-59
Acquisition value carried forward	144,923	74,614
Accumulated depreciation brought forward	-9,673	-42,662
Depreciation for the year	-13,348	-6,705
Divestments	—	—
Disposal of fully-depreciated goodwill	—	39,688
Translation differences	2	6
Accumulated depreciation carried forward	-23,019	-9,673
Accumulated impairment brought forward	-21,776	-20,472
Impairment of assets over the year	-150	-1,304
Accumulated impairment carried forward	-21,926	-21,776
Residual value carried forward	99,978	43,165

14 Capitalised development expenditure

	Group		Parent company	
	2004	2003	2004	2003
Acquisition value brought forward	1,661	—	—	—
Investment for the year	5,995	1,661	—	—
Acquisition value carried forward	7,656	1,661	—	—
Accumulated depreciation brought forward	—	—	—	—
Depreciation for the year	-1,128	—	—	—
Accumulated depreciation carried forward	-1,128	—	—	—
Residual value carried forward	6,528	1,661	—	—

15 Buildings and land

	Group		Parent company	
	2004	2003	2004	2003
Buildings				
Acquisition value brought forward	299,429	312,383	204,122	241,957
Investment for the year	1,346	3,280	1,323	325
Divestments	-141,215	-16,234	-52,833	-35,938
Write-downs	—	—	—	-2,222
Acquisition value carried forward	159,560	299,429	152,612	204,122
Accumulated depreciation brought forward	-68,267	-67,336	-50,057	-51,862
Depreciation for the year	-3,659	-5,957	-3,297	-4,856
Divestments	29,066	5,026	15,810	6,661
Accumulated depreciation carried forward	-42,860	-68,267	-37,544	-50,057
<i>Residual value carried forward according to plan</i>	116,700	231,162	115,068	154,065
Accumulated accelerated depreciation	—	—	-955	-1,358
Fiscal residual value	—	—	114,113	152,707
<i>of which impairment reversals</i>				
Opening values	2,744	4,857	—	—
Divestments	-2,216	-2,034	—	—
Depreciation for the year on reversed impairment value	-33	-79	—	—
Closing values	495	2,744	—	—
Land				
Acquisition value brought forward	23,395	23,857	15,413	20,767
Divestments	-11,829	-462	-4,056	-5,354
Acquisition value carried forward	11,566	23,395	11,357	15,413
Residual value according to plan for properties in total	128,266	254,557	126,425	169,478
Assessed value	159,834	284,262	159,000	265,041
(of which land)	(67,066)	(69,187)	(67,000)	(66,780)

16 Equipment

	Group		Parent company	
	2004	2003	2004	2003
Acquisition value brought forward	356,041	442,766	37,420	32,774
Investment for the year	49,409	40,306	10,617	4,706
Divestments/disposals	-51,477	-116,797	-766	-60
Translation differences	-289	-1 234	—	—
Acquisition value carried forward	362,684	365,041	47,271	37,420
Accumulated depreciation brought forward	-268,102	-331,062	-29,268	-24,268
Divestments/disposals	45,666	114,061	674	12
Depreciation for the year	-44,890	-51,943	-5,377	-5,012
Translation differences	-771	842	—	—
Accumulated depreciation carried forward	-268,097	-268,102	-33,971	-29,268
Residual value according to plan	94,587	96,939	13,300	8,152

Equipment covered by finance leases was expensed under the Group accounts for 2004 at SEK 7,826,000.

Future payments relating to financial leasing obligations entered as liabilities are expensed under the headings of Current and Long-term liabilities respectively.

17 Participations in Group subsidiaries

	Corporate ID	Reg'd office	2004			2003	
			Number of shares	Interest, percent ¹⁾	Book value	Interest, percent ¹⁾	Book value
ÅF-Data AB	556205-6050	Stockholm	—	—	—	100	2,400
Ångpanneforeningen-Data AS		Norway	—	—	—	100	—
ÅF-Industri AB	556074-0416	Stockholm	30,000	100	9,700	100	9,300
ÅF-Industri & System AS		Norway	—	100	—	—	—
ÅF-Installation AB	556070-5039	Stockholm	60,000	100	20,770	100	15,970
ÅF-WVS Projekt AB	556069-7004	Stockholm	—	100	—	100	—
Intriso It AB	556582-3910	Stockholm	—	100	—	100	—
ÅF-Nielsen og Borge AS		Norway	—	100	—	100	—
ÅF-Elektro Rådgiverne AS		Norway	—	100	—	50	—
ÅF-Andresen & Jacobsen AS		Norway	—	100	—	100	—
ÅF-Berg-Nilsen & Reinertsen AS		Norway	—	100	—	—	—
ÅF-Lars Myhre AS		Norway	—	100	—	—	—
ÅF-BST AS		Norway	—	100	—	—	—
ÅF-Sandbeck & CO AS		Norway	—	100	—	—	—
ÅF-INR AB	556203-3984	Malmö	—	100	—	100	—
ÅF-Funktionspartner AB	556099-8071	Malmö	—	100	—	100	—
PUAB Projektutveckling Aktiebolag	556265-7824	Gävle	—	100	—	—	—
ÅF-Energi & Miljö AB	556329-2159	Stockholm	300,000	100	22,000	100	20,100
ÅF-International AB	556426-2292	Stockholm	—	100	—	100	—
Graphium Consult AB	556056-2018	Stockholm	—	100	—	100	—
Svenska Miljöforskargruppen AB	556245-3893	Kil	—	100	—	100	—
Göteborg Energi International AB	556317-6014	Gothenburg	—	100	—	100	—
ÅF-Processdesign AB	556329-5186	Malmö	—	100	—	100	—
Cresita AB	556279-2837	Helsingborg	—	100	—	100	—
ÅF-Teknik & Miljö AB	556534-7423	Stockholm	—	100	—	—	—
ÅF-Fastighets AB	556040-7651	Stockholm	18,460	100	8,436	100	26,376
ÅF-Fastighet i Luleå AB	556238-5996	Stockholm	—	100	—	100	—
ÅF-Fastighet i Norrköping AB	556418-6509	Stockholm	—	100	—	100	—
ÅF-System AB	556092-4044	Stockholm	60,000	100	23,409	100	41,409
Holotech CAD/CAM AB	556547-0225	Köping	—	100	—	100	—
K.O.M. Industridesign AB	556575-9767	Stockholm	—	100	—	100	—
3 D Teknik Sverige AB	556457-7327	Möndal	—	100	—	100	—
ÅF-Industri & System AS		Norway	—	—	—	100	—
ÅF-Systemdesign AB	556158-7261	Stockholm	—	100	—	100	—
ÅF-Communicator AB	556495-0409	Solna	—	100	—	100	—
Arjano Data AB	556257-0563	Stockholm	—	100	—	100	—
Inometer AB	556313-1837	Sollentuna	—	100	—	100	—
RealFast Software Consulting AB	556593-7157	Västerås	—	100	—	100	—
ÅF-Data AB	556205-6050	Stockholm	—	100	—	—	—
Ångpanneforeningen-Data AS		Norway	—	100	—	—	—
ÅF-Infrateknik AB ²⁾	556185-2103	Stockholm	1,000	100	16,514	100	11,314
ÅF-Trafikkompentens AB	556402-4726	Stockholm	—	100	—	100	—
ÅF-Teleplan AB	556078-4489	Solna	—	100	—	100	—
SwedRail AB	556209-1644	Stockholm	—	100	—	100	—
ÅF-Celpap AB ³⁾	556101-7384	Stockholm	50,000	100	9,609	100	6,809
Chleq Froté & Cie S.A.		France	—	65	—	65	—
ÅF-Celpap Engineering GmbH		Germany	—	60	—	60	—
ÅF-SPEAB AB	556147-9022	Sundsvall	—	100	—	100	—
ÅF-CTS OY		Finland	—	89	—	—	—
ÅF-Kontroll AB	556033-5977	Stockholm	20,000	100	5,379	100	5,379
Nordiska Certifieringsinstitutet AB	556136-0560	Halmstad	—	100	—	100	—
ÅF i Sjöbefälsskolan AB	556074-0408	Gothenburg	2,500	100	162	100	162
AB Energikonsult	556208-9879	Stockholm	1,000	100	80	100	83
Celpap AB	556199-5597	Stockholm	—	100	—	100	—
Scanmanagement AB	556397-7163	Stockholm	—	100	—	100	—
SIKOB Svensk Industris Konstruktions- och Beräkningskontor AB	556196-6531	Stockholm	—	100	—	100	—
AB Sveriges Tekniska Kontrollinstitut	556361-2737	Stockholm	—	100	—	100	—
Swetec Konsult AB	556348-6397	Stockholm	—	100	—	100	—

Note 17, cont'd

	Corporate ID	Reg'd office	2004			2003	
			Number of shares	Interest percent ¹⁾	Book value	Interest percent ¹⁾	Book value
AB Svensk Energiförsörjning	556158-1249	Stockholm	2,000	100	155	100	500
WO Konsult AB	556155-8338	Stockholm	55,000	100	493	100	493
Communicator AB	556559-1483	Solna	1,000	100	6,633	100	6,984
Byggledning & Kontroll i Åmål AB	556140-2909	Stockholm	1,000	100	160	100	734
Kungspannan AB	556650-5011	Stockholm	—	—	—	100	100
					123,500	148,113	

¹⁾ Participating interest refers to both the voting share and the proportion of the total number of shares.

²⁾ Renamed ÅF-Infrastruktur AB in 2005.

³⁾ Renamed ÅF-Process AB in 2005.

Specification of the changes in book values during the year

	Parent company	
	2004	2003
Book value brought forward	148,113	198,731
Acquisitions	200	4,323
Additional purchase price	651	—
Shareholders' contribution	31,900	53,200
Impairments	-54,664	-33,035
Divestments	-2,700	-75,106
Book value carried forward	123,500	148,113

18 Share of equity in associated companies

Group	2004			2003	
	Number of shares	Interest, percent ¹⁾	Book value	Interest, percent ¹⁾	Book value
AF-Proinstall Sp.z.o.o., Poland	38	48	—	48	-19
ÅF-CTS Oy	—	—	—	20	10,098
Hansen & Henneberg AS	3,267	49	13,305	49	14,161
ÅF-Tuv Nord AB	5,000	50	2,402	50	1,615
ÅF-Incepal S.A	18,664	30	2,585	—	—
Konsultgruppen STIBI AB	1,470	49	3,216	—	—
			21,508		25,855
Parent company					
AF-Proinstall Sp.z.o.o., Poland	—	—	—	48	4
			0		4

¹⁾ Participating interest refers to both the voting share and the proportion of the total number of shares.

Specification of the changes in book values during the year

	Group		Parent company	
	2004	2003	2004	2003
Book value brought forward	25,855	27,603	4	19,048
Acquisitions	4,620	—	—	—
Translation differences	-52	-161	—	—
Divestments	—	-458	-4	-19,044
Redistribution to shares in Group company, ÅF-CTS Oy	-10,098	—	—	—
Share in profit/loss for the year:				
AF-Proinstall Sp.z.o.o., Poland	0	-22	—	—
Hansen & Henneberg AS	383	-434	—	—
CTS Oy	—	248	—	—
ÅF-Tuv Nord AB	788	943	—	—
Calvia Datakonsult AB	—	-145	—	—
Konsultgruppen STIBI AB	-981	—	—	—
ÅF-Incepal S.A	2,418	—	—	—
Less dividend	-1,425	-1,719	—	—
Book value carried forward	21 508	25,855	0	4

19 Other long-term securities held

Group	2004			2003	
	Qty	Par value	Book value	Par value	Book value
Company					
Share in IVL Foundation	1	100	100	100	100
OM Group	5,347	10	10	10	10
Parent company total			110		110
AB Scandinavian Engineering Corporation SEC	2,500	50	90	50	50
Miljöforskargr. Danmark ApS	43	31 DKK	31	31 DKK	31
NB Östeuropafond	—	—	—	414	300
NB Optimafond	—	—	—	400	400
Gensidige NOR	—	—	—	—	468
Incepal S.A	—	—	—	—	200
UAB Terma IR KO	135	—	35	—	35
HVR Water	5,280	54	54	54	54
Nordea FDR	5,100	270	270	—	—
Others	—	51	51	—	38
Group total			641		1,586

Company	Market value	
	2004	2003
Share in IVL Foundation	100	100
OM Group	10	10
Parent company total	110	110
AB Scandinavian Engineering Corporation SEC	90	50
Miljöforskargr. Danmark ApS	31	31
NB Östeuropafond	—	300
NB Optimafond	—	300
Gensidige NOR	—	468
Incepal S.A	—	200
UAB Terma IR KO	35	35
HVR Water	54	54
Nordea FDR	270	—
Others	51	38
Group total	641	1,586

Specification of the change in book values during the year

	Group		Parent company	
	2004	2003	2004	2003
Book value brought forward	1,586	1,066	110	110
Acquisitions	352	720	—	—
Divestments/impairments	-1,300	-200	—	—
Translation difference	3	—	—	—
Book value carried forward	641	1,586	110	110

20 Investments

	Group		Parent company	
	2004	2003	2004	2003
Book value				
Shares and participations	24	—	—	—
	24	—	—	—
Market value				
Shares and participations	24	—	—	—
	24	—	—	—

21 Financial instruments

Through its operations the Group is exposed to various kinds of financial risk. Financial risks denote fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates, re-financing and credit risks. Responsibility for the Group's financial transactions and risks is handled centrally by the parent company through the Corporate Finance department. The overall aim is to ensure cost-effective financing while minimising negative effects on the Group's earnings from market fluctuations.

Financial risks can be divided into exchange rate, interest rate and credit risks.

Exchange rate risk is the risk of fluctuations in the value of a financial instrument due to movements in exchange rates. This risk is relatively limited in the ÅF Group because loans and investments are made in the local currency. Exchange rate risks relating to changes in expected and contractual payment flows are also relatively limited in the ÅF Group because most payments are made in the local currency. Where this is not the case, large amounts are hedged using derivatives. At the end of the year the Group had outstanding derivatives corresponding to SEK 24,888,000 for selling contracts and SEK 4,077,000 for purchasing contracts. The effects of revaluing foreign subsidiaries' assets and liabilities in foreign currency (translation exposure) are also relatively limited because foreign subsidiaries account for only a small proportion of the Group's balance sheet.

Interest rate risk is relatively limited in the ÅF Group. In accordance with Group policy cash and cash equivalents are mainly deposited in accounts at local banks. Loans from credit institutions are mainly bank loans. However, the Group is exposed to interest rate risk in that interest rates may hamper or stimulate investment by the company's clients and so impact on the market for the Group's services.

Credit risk relates to the substantial accounts receivable that the Group will have at all times, in other words the credit granted to clients. This risk is limited through advance payments and by aiming to avoid clients with a poor capacity to pay. Historically the Group has recorded very limited bad debts. Altogether the Group's financial risks are relatively small.

Outstanding derivatives 2004	Market value		Book value	
Currency forward agreements				
Receivables				
EUR	308		—	
GBP	1,412		—	
MYR	284		—	
Liabilities				
USD	-506		—	

Exchange rate differences that have affected the result

	Group		Parent company	
	2004	2003	2004	2003
Exchange rate differences that have affected operating profit/loss	49	—	20	—
Financial exchange rate differences	—	—	—	—

22 Shareholders' equity

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Statutory reserve

The aim of the statutory reserve is to set aside part of net profit, which is not required to cover losses brought forward.

Non-restricted equity

Profits brought forward

Profits brought forward consist of the preceding year's non-restricted equity, after any transfers to statutory reserves, and after any profit distribution. Added to the net profit for the year, this item represents total non-restricted equity, i.e. the amount available for distribution to shareholders.

The share capital is divided into 402,219 series A shares (10 votes per share) and 5,522,157 series B shares (1 vote per share). The total number of shares is 5,924,376, and the total number of votes is 9,544,347.

The Board of Directors and the President propose that, of the profits at the disposal of the annual general meeting, SEK 15,501,569 shall be distributed to the shareholders.

The accumulated translation differences in foreign operations at the close of the financial year amounted to SEK 715,000.

Specification of accumulated translation differences in equity:

	2004	2003
Accumulated translation difference at the start of the year	847	2,469
Trans. diff. for year for foreign subsidiaries	-84	-1,461
Trans. diff. for year for foreign associated companies	-48	-161
<i>Total translation difference for the period</i>	<i>-132</i>	<i>-1,622</i>
Accumulated translation difference at close of year	715	847

23 Earnings per share

	2004	2003
<i>Earnings per share before dilution</i>		
Profit for the period	30,057	30,114
Number of outstanding shares	5,924,376	5,748,569
Number of outstanding shares (average)	5,880,424	5,748,569
Earnings per share before dilution, SEK	5.11	5.24
<i>Earnings per share after dilution</i>		
Profit for the period	30,057	30,114
Interest expense on convertible debt instruments	182	1,190
Tax attributable to interest expense	-51	-333
Adjusted income	30,188	30,971
Number of outstanding shares	5,924,376	5,748,569
Adjustment for conversions of convertible debt instruments exercised	609,840	609,840
Number of shares included in the calculation of EPS	6,534,216	6,358,409
Earnings per share after dilution, SEK	4.62	4.87

Earnings per share before full dilution are computed from the net profit divided by the weighted average number of shares.

Earnings per share after full dilution are computed from the net profit adjusted for the interest expense on convertible debt instruments divided by the average number of shares adjusted for the conversions of the convertible debt instruments exercised.

The share price as at 31 December 2004 is unaffected by dilution.

24 Untaxed reserves

	Parent company	
	2004	2003
Tax allocation reserve, 2001	11,356	41,856
Tax allocation reserve, 2002	18,000	18,000
Tax allocation reserve, 2003	14,250	14,250
Difference between book depreciation and depreciation according to plan	955	1,358
	44,561	75,464

25 Provisions

Changes during the year:

	Group		Parent company	
	2004	2003	2004	2003
Rec. net amount pensions in balance sheet				
Net amount in balance sheet 31 Dec 2003	35,925	32,377	17,909	17,526
Effect of change to RR29, 1 Jan 2004	-2,236	—	—	—
Net amount, 1 Jan 2004	33,689	32,377	17,909	17,526
Cost, defined-benefit plans	3,010	1,492	1,245	851
Payment of remuneration	-990	446	—	-329
Effects of acquired businesses	19,567	—	7,726	—
Redemption of liabilities	-252	—	—	—
Translation differences	21	—	—	—
Other	-458	2,502	-450	139
Net amount in balance sheet 31 Dec 2004	54,587	35,925	26,430	17,909
Defined-benefit obligations				
Current value of unfunded defined-benefit obligations	54,587	35,925	26,430	17,909
Net amount in balance sheet	54,587	35,925	26,430	17,909
Net amount reported for following balance sheet items:				
Provisions for pensions	54,587	35,925	26,430	17,909
Net amount in balance sheet	54,587	35,925	26,430	17,909
The net amount is divided among the following countries:				
Sweden	47,860	32,904	26,430	17,909
Norway	6,727	3,021	—	—
Net amount in balance sheet	54,587	35,925	26,430	17,909
Pension cost, defined-benefit plans				
Cost pensions earned during the year	77	—	—	—
Interest expense	2,900	1,492	1,325	851
Actuarial loss (+)/gain(-) reported during year	33	—	-80	—
Cost, defined-benefit plans	3,010	1,492	1,245	851
Pension cost, defined-contribution plans				
Cost, defined-contribution plans	72,109	140,779	6,205	3,257
	72,109	140,779	6,205	3,257

The cost of defined-contribution and defined-benefit plans is reported under Personnel costs in the income statement, with the exception of costs for the Group of SEK 1,685,000 (SEK 1,062,000) and the parent company SEK 1,325,000 (SEK 698,000), which are reported under Interest expense and similar profit/loss items.

Actuarial assumptions

The following essential actuarial assumptions have been implemented when calculating obligations (weighted average values):

Discount rate	5.1 percent
Income basic amount	3.0 percent
Annual increase of paid-up policy	2.0 percent
Future salary increases	0.3 percent
Future pensions increases	2.0 percent
Anticipated remaining period of employment	18 years

Note 25, cont'd

	Group		Parent company	
	2004	2003	2004	2003
Restructuring				
Provisions brought forward	0	69,507	0	69,507
Utilised provisions during the year	—	-69,507	—	-69,507
New provisions	3,017	—	—	—
Provisions carried forward	3,017	0	0	0

These provisions include costs for the termination of employment contracts and systems. It is anticipated that these provisions will have been utilised prior to the end of June 2005.

	Group		Parent company	
	2004	2003	2004	2003
Other provisions				
Provisions brought forward	—	—	—	—
Utilised provisions during the year	—	—	—	—
New provisions	1,871	—	—	—
Provisions carried forward	1,871	0	0	0

26 Deferred tax liabilities and tax assets

	Group		Parent company	
	2004	2003	2004	2003
Deferred tax liability with regard to				
other fixed assets	1,346	625	—	-622
provisions and untaxed reserves	26,478	34,502	—	—
current receivables and liabilities	-2,945	-2,420	—	—
Total deferred tax liability	24,879	32,707	0	-622
Deferred tax asset with regard to				
other fixed assets	1,259	—	—	—
provisions and other long-term liabilities	1,668	—	—	—
current receivables and liabilities	374	—	—	—
fiscal loss carry-forwards	3,851	—	96	—
Total deferred tax asset	7,152	0	96	0
Net deferred tax liability	17,727	32,707	-96	-622

27 Liabilities

Liabilities to credit institutions

	Group		Parent company	
	2004	2003	2004	2003
Due for payment within 1 yr of accounting year end	154,727	163,795	150,000	161,200
Due for payment 2-5 yrs after accounting year end	8,176	12,065	—	—
Due for payment more than 5 yrs after accounting year end	—	—	—	—
	162,903	175,860	150,000	161,200

Convertible bond

In 2000 AB Ångpanneföreningen gave its employees in the Swedish organisation the opportunity to subscribe to a convertible bond. The bond will attract an annual interest of 12 month's STIBOR less 2.70 percentage points. The conversion rate is, after a recalculation in 2002, SEK 155.00. The bond may be converted to shares during the period 21 January 2004 up to and including 20 May 2005. If fully converted, this will result in the issue of a further 609,840 shares, which corresponds to 9.3 percent of the share capital and 6.0 percent of the votes.

The Board intends to propose to the Annual General Meeting that a new convertible for a nominal value of SEK 96 million be issued once the existing loan has expired.

28 Accrued expenses and prepaid income

	Group		Parent company	
	2004	2003	2004	2003
Personnel-related liabilities	194,880	155,497	6,498	4,945
Other accrued expenses and prepaid income	45,715	47,547	5,633	8,750
	240,595	203,044	12,131	13,695

29 Pledged assets

	Group		Parent company	
	2004	2003	2004	2003
<i>For own liabilities</i>				
Blocked bank accounts	639	587	—	—
Property mortgages	—	16,000	—	—
	639	16,587	—	—

30 Contingent liabilities

	Group		Parent company	
	2004	2003	2004	2003
Guarantees in favour of Group companies	—	—	34,564	25,256
Sureties	34,564	25,256	—	—
Other contingent liabilities	1,013	9,649	526	9,355
	35,577	34,905	35,090	34,611

31 Contingent assets

According to the ÅF Group's assessment, there are no contingent assets to be taken into account.

32 Cash flow analyses

During the year the interest paid by the Group amounted to SEK 8,647,000 (SEK 10,168,000) and that by the parent company to SEK 6,914,000 (SEK 9,073,000). The interest received by the Group totalled SEK 3,721,000 (SEK 2,379,000) and that received by the parent company totalled SEK 8,542,000 (SEK 10,120,000).

Adjustment for items not included in the cash flow

	Group		Parent company	
	2004	2003	2004	2003
Interest calculation on PRI liability	1,685	1,062	1,325	698
Depreciation	63,025	64,605	8,674	9,868
Impairment of goodwill	150	1,304	—	—
Other write-downs	2,193	—	54,664	35,305
Result of divestments	—	-7,960	18	-4,466
Other	-4,039	-6,705	6,544	514
	63,014	52,306	71,225	41,919

Acquisition/Divestment of subsidiaries

Value of acquired companies' and divested companies' assets and liabilities

	Acquisitions		Divestments	
	2004	2003	2004	2003
Intangible assets	-65,539	-2,351	—	—
Tangible assets	-6,145	-297	—	1,961
Financial assets	-4,187	-934	—	5,956
Operating receivables	-75,674	-3,465	—	14,900
Cash and cash equivalents	-61,102	-3,337	—	936
Loan from AB Ångpanneföreningen	—	—	—	-3,000
Provisions	23,337	511	—	—
Operating liabilities	99,596	5,471	—	-13,354
Minority shareholding	-4,769	-1,226	—	-3,359
Profit on sales	—	—	—	7,960
Purchase price paid	-94,483	-5,628	—	12,000
Repayment of loan (see above)	—	—	—	3,000
New share issue	22,328	—	—	—
Cash equivalents in companies acquired	61,102	3,337	—	-936
Effect on the Group's liquid assets	-11,053	-2,291	—	14,064

Stockholm, Sweden, 14 March 2005

Carl-Erik Nyquist
Chairman of the Board

Ulf Dinkelspiel

Magnus Grill

Eva-Lotta Kraft

Peter Sandström

Helena Skåntorp

Gunnar Svedberg
Deputy Chairman

Karin Bäcker

Jan Fröjd

Our auditors' report was presented on 23 March 2005

Bo Ribers
Authorised Public Accountant
KPMG

Björn Flink
Authorised Public Accountant
KPMG

Auditors' Report

To the Annual General Meeting of AB Ångpanneföreningen (publ)
Corporate Identity Number 556120-6474

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president/CEO of AB Ångpanneföreningen for the year 2004. These accounts and the administration of the company and the application of the Swedish Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the president/CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evi-

dence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president/CEO and significant estimates made by the board of directors and the president/CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president/CEO. We also examined whether any board member or the president/CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We

believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president/CEO be discharged from liability for the financial year.

Our auditors' report was presented on 23 March 2005

Bo Ribers
Authorised Public Accountant
KPMG

Björn Flink
Authorised Public Accountant
KPMG

The Board of Directors

Carl-Erik Nyquist

Born 1936. M.Sc.
Former CEO of Vattenfall AB. Chairman of the Board and Board member of AB Ångpanneföreningen since 2002. Board member of Vitec AB, Maingate AB and Kraftkommission AB. Dept. Chair of the Royal Swedish Academy of Military Science and member of the Royal Swedish Academy of Engineering Sciences.
Holding: 900 shares.

Ulf Dinkelspiel

Born 1939. Graduate business administrator, Stockholm School of Economics, Ambassador. Board member of AB Ångpanneföreningen since 2004. Chairman of the Association for Swedes Worldwide (SVIV) and The Sweden in Europe Foundation. Board member of E. Öhman & Söner AB, Nordnet AB, Springtime AB, The Swedish School of Economics Association, ICC Sweden, the Royal Swedish Institute of Technology (KTH) and Bockholmen Hav och Restaurang AB. Member of the Royal Swedish Academy of Engineering Sciences.
Holding: 5,800 shares.

Helena Skåntorp

Born 1960. Graduate business administrator. Senior Executive President Canal Plus. Board member of AB Ångpanneföreningen since 2002. Board member of Mekonomen AB and Stockholm Football Association.
Holding: 0 shares.



Peter Sandström

Born 1948. M.Sc.
Board member of AB Ångpanneföreningen since 2002. Chairman of the ÅFOND Trust. Employed in the Process Division of the ÅF Group.
Holding: 486 shares. Convertibles: SEK 0.

Magnus Grill

Born 1945. Graduate business administrator. President Oresundskraft AB. Board member of AB Ångpanneföreningen since 2002. Vice Chairman of Ångpanneföreningen's Foundation for Research and Development since 2002. Chairman of the Board of VÄRMEK (the Swedish Heating Plant Association) and SweHeat (the Swedish Council for District Heating). Board member of Elforsk AB.
Holding: 100 shares.

Per-Åke Östling

Born 1965. Engineer.
Employee representative (deputy) for AB Ångpanneföreningen since 2004.
Employed by AB Ångpanneföreningen.
Holding: 0 shares.
Convertibles: SEK 100,000.

Jan Fröjd

Born 1956. Design engineer, communications and safety systems.
Employee representative for AB Ångpanneföreningen since 2000. Employed in the Infrastructure Division.
Holding: 0 shares. Convertibles: SEK 0.

**Gunnar Svedberg**

Born 1947. PhD (Engineering).
Vice Chancellor of Göteborg University.
Professor of Energy Technology at the Swedish Royal Institute of Technology.
Board member of AB Ångpanneföreningen since 2001.
Chairman of Ångpanneföreningen's Foundation for Research and Development since 2002.
Chairman of the Swedish National Defence College. Board member of IRECO Holding AB (Institute for Research and Competence) and Lindholmen Science Park AB.
Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Holding: 300 shares.

Karin Bäcker

Born 1952. Engineer.
Employee representative for AB Ångpanneföreningen since 2003.
Employed in the Process Division.
Holding: 24 shares. Convertibles: SEK 20,000.

Eva-Lotta Kraft

Born 1951. M.Sc, MBA.
Strategy and Marketing Manager at the Swedish Defence Research Agency (FOI).
Board member of AB Ångpanneföreningen since 2002.
Board member of Munters AB and Karlstad University.
Holding: 1,200 shares.

Senior Management Group

Jonas Wiström

Born 1960. M.Sc.
President and Board member of AB Ångpanneföreningen since 2002. Acting Divisional Manager for ÅF Systems since 2005.
Board member of the Association of the Swedish IT and Telecom Industry and the Confederation of Swedish Enterprise.
Employed by ÅF since 2002.
Holding: 1,300 shares Convertibles: SEK 0.

Jörgen Backersgård

Born 1964. M.Sc.
Managing Director, ÅF-Kontroll since 2002.
Employed by ÅF since 1998.
Shareholding: 100. Convertibles: SEK 200,000.

Gunilla Fladvad

Born 1947. DIHM Marketing & Communication.
PA to the President.
Employed by ÅF since 1979.
Shareholding: 630. Convertibles: SEK 500,000.

Karl-Anders Eriksson

Born 1950. Graduate business administrator.
Executive Vice President, Corporate Resources since 1989.
Employed by ÅF since 1988.
Shareholding: 850. Convertibles: SEK 300,000.

Peter G Johansson

Born 1957. Engineer.
Regional Manager, ÅF Sweden North since 2005.
Employed by ÅF since 2000.
Shareholding: 0. Convertibles: 0.

Åke Rosenius

Born 1957. Engineer.
Senior Vice President, Infrastructure Division since 2005.
Employed by ÅF since 1994.
Shareholding: 0. Convertibles: SEK 300,000.

Per Göransson

Born 1953. M.Sc.
Senior Vice President, Process Division since 2005.
Employed by ÅF since 1987.
Shareholding: 0. Convertibles: SEK 1,000,000.





Johan Olsson

Born 1956. M.Sc.
Senior Vice President, Systems Division from June 2005.
Employed by ÅF since 2005.
Shareholding: 0. Convertibles: SEK 0.

Eva Nilsson

Born 1953. M.Sc.
Regional Manager ÅF Sweden South since 2005.
Employed by ÅF 1976–89 and again since 2003.
Shareholding: 2,340. Convertibles: SEK 0.



Anders Gabrielsson

Born 1948. Graduate business administrator.
Executive Vice President and CFO since 1986.
Employed by ÅF since 1980.
Shareholding: 3,200. Convertibles: SEK 1,000,000.

Jan Nordling

Born 1949, M.Sc.
Senior Vice President, Acquisitions & New Markets since 2005.
Employed by ÅF since 1982.
Shareholding: 400. Convertibles: SEK 500,000.



Christer Karlsson

Born 1958. Engineer.
Regional Manager, ÅF Sweden West since 2005.
Employed by ÅF since 1984.
Shareholding: 100. Convertibles: SEK 250,000.

Viktor Svensson

Born 1975. Graduate business administrator.
Executive Vice President, Corporate Information since 2003.
Employed by ÅF since 2003.
Shareholding: 1,000. Convertibles: SEK 0.

Other senior executives

Jean-Paul Bernateau

Born 1944, M. Sc.
Président-Directeur Général,
Chleq Froté, France

Elisabeth Ekener Petersen

Born 1963, Graduate business administrator.
Environmental Director since 2002.
Employed by ÅF since 1997.
Shareholding: 0. Convertibles SEK 0.

Peter Gitzen

Born 1959, Dipl.-Ing.
Geschäftsführer, ÅF- Celpap,
Germany.
Shareholding: 0.

Timo Juvonen

Born 1955, M.Sc.
Managing Director, ÅF-CTS Oy
Finland.
Shareholding: 0.

Ralf Teuchert

Born 1965, Dipl.-Ing.
Geschäftsführer, ÅF- Celpap,
Germany.
Shareholding: 0.

Arnold Risa

Born 1965, Engineer
Managing Director, ÅF-Nielsen
og Borge, Norway.
Shareholding: 0.

Annual General Meeting

Shareholders in AB Ångpanneföreningen (publ) are invited to the General Meeting of the company that will take place at 17.00 (5.00 pm) on Thursday 28 April 2005 at AB Ångpanneföreningen's head office at number 7 Fleminggatan in Stockholm, Sweden.

Entitlement to attend

Shareholders who wish to participate in the Annual General Meeting must

- have their names entered in the shareholders' register maintained by the Swedish Securities Register Centre (VPC AB) by Monday 18 April 2005 at the latest, and
- confirm their intention to participate to the company's head office by 16.00 (4.00 pm) on Monday 25 April 2005 at the latest.

Only the registered owners of shares, i.e. shareholders who are registered in their own name in the shareholders' register maintained by VPC (The Swedish Central Securities Depository and Clearing Organisation) may participate in the meeting.

This means that shareholders who have elected to use a nominee for their shareholding must temporarily re-register their shares in their own name by 18 April 2005 at the latest if they wish to exercise the right to participate in the Annual General Meeting.

Registration

Notice of an intention to participate in the Annual General Meeting must be made to:

AB Ångpanneföreningen,
Corporate Information,
Box 8133, SE-104 20 Stockholm,
Sweden

Tel. +46 (0)8-657 10 00,

Fax +46 (0)8-653 56 13,

or by e-mail via

www.afconsult.com/bolagsstamma2005

Please specify your name, personal or corporate identity number, address, phone number and your registered shareholding. The notification of attendance must be accompanied by documentary proof of entitlement to attend the meeting (power of attorney, registration certificate, etc).

Dividend

The Board of Directors proposes a dividend to shareholders of SEK 2.60 per share. It is proposed that Tuesday 3 May 2005 be made the record day for the right to receive this dividend. It is anticipated that payment will be made via VPC on Monday 9 May 2005.

Financial information – schedule for 2005

Interim report (3 months): 28 April.

Interim report (6 months): 19 August.

Interim report (9 months): 9 November.

ÅF's Capital Market Day will be held in September.

The Annual Report is distributed to all shareholders.

These reports will be published in Swedish and English.

Financial information about the ÅF Group is also posted on the Group's website www.afconsult.com

Addresses

Offices in Sweden

Avesta	Karlstad	Strömstad
Arboga	Kiruna	Sundsvall
Bengtstors	Kista	Söderhamn
Borlänge	Kristianstad	Söderköping
Borås	Köping	Södertälje
Ed	Linköping	Trollhättan
Enköping	Luleå	Tyresö
Falun	Malmö	Uddevalla
Gävle	Norrköping	Umeå
Gothenburg	Nynäshamn	Uppsala
Halmstad	Oskarshamn	Varberg
Helsingborg	Piteå	Västerås
Hudiksvall	Skara	Växjö
Hässleholm	Skellefteå	Åmål
Jönköping	Skövde	Örebro
Karlshamn	Solna	Örnsköldsvik
Karlskoga	Stenungsund	
Karlskrona	Stockholm	

International offices

Czech Republic
Denmark
Finland
France
Germany
Guatemala
Lithuania
Norway
Poland
Spain
Republic of South Africa

Group Head Office

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For further information about addresses
and contact details, please see www.afconsult.com

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ÅF co-workers were photographed in their offices in Stockholm, Solna, Kista and Gothenburg.

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The ÅF Group is a leading name in technical consulting.

We offer highly qualified services and solutions for process industries, infrastructure projects and the development of products and IT systems. We also carry out certified third-party testing and inspection work.

Our proven proficiency in engineering is founded on the in-depth specialist knowledge of many branches of industry that we have built up over more than one hundred years. Today the ÅF Group comprises almost 2,700 employees based in some 50 locations in Sweden and in almost a dozen other European countries.

