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Notes and accounting principles

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

1 Accounting principles

1.1 Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission for application in the EU. The Swedish Financial Accounting Standards Council's recommendation RR 30:6 "Supplementary accounting regulations for groups" has also been applied.

The parent company applies the same accounting policies as the Group except as stated below in the section "Parent company accounting policies". The differences between the accounting policies of the parent company and the Group are due to limitations in the parent company's scope to apply IFRS imposed by the Swedish Annual Accounts Act and the act on the safeguarding of pensions benefits (Tryggandelagen), and in some cases due to tax reasons.

1.2 Basis of preparation of the parent company and consolidated financial statements

The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the parent company and the Group. This means that the financial statements are presented in SEK. All amounts are rounded to the nearest thousand unless otherwise stated.

Assets and liabilities are reported at historical cost, with the exception of various financial assets and liabilities which are carried at fair value. The financial assets and liabilities which are carried at fair value are derivative instruments and financial assets classified as available for sale. Non-current assets held for sale are carried at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires management to make judgements and estimates, and to make assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a number of other factors deemed reasonable under the circumstances. The results of these estimates and assumptions are then used to judge the carrying amounts of assets and liabilities where these are not clear from other sources. The actual outcome may differ from these estimates and judgements.

These estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change affects only that period, or in both the period in which the change is made and future periods if the change affects both the current period and future periods.

Judgements made by management in applying IFRS which have a significant effect on the financial statements, and estimates made which could result in material adjustments in subsequent years' financial statements, are described in more detail in Note 35.

The following accounting policies for the Group have been applied consistently to all periods presented in the Group's financial statements unless otherwise stated below. The Group's accounting policies have been applied consistently in the reporting and consolidation of the parent company, subsidiaries and the inclusion of associated companies in the consolidated accounts.

The annual report and consolidated financial statements were approved for release by the Board of Directors on 18 February 2008. The consolidated income statement and balance sheet and the parent company income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 23 April 2008.

1.3 Amended accounting policies and disclosure requirements

1.3.1 Amended and new accounting policies for the year

During the year, the Group adopted the following EU-endorsed, new and amended standards and interpretations from IFRIC, which have affected the financial statements and disclosures:

IFRS 7 Financial Instruments – Disclosures

This standard requires the Group to provide information enabling users of its financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from these instruments.

Addition to IAS 1 Presentation of Financial Statements

The addition requires the Group to provide information enabling users of its financial statements to evaluate the company's objectives, policies and processes for managing capital.

1.3.2 Future amendments of accounting policies

The new and revised standards and interpretations approved by IASB/IFRIC with effective dates after the reporting period have not been judged to affect the Group's financial statements other than through requirements for changes in presentation and additional disclosures. The following standards are judged to be applicable:

IFRS 8 Operating Segments

This standard contains disclosure requirements in respect of the Group's operating segments, and replaces the requirement to define primary and secondary segments for the Group based on lines of business and geographical areas. IFRS 8 is effective for annual periods beginning on or after 1 January 2009 (earlier application is encouraged).

Revised IAS 1 Presentation of Financial Statements

The standard has been revised to increase the value of the information in the financial statements. Among other things, equity transactions with owners are to be presented in a separate statement, while other transactions directly to equity are to be presented either as a continuation of the statement of comprehensive income or in a separate statement. The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009.

Note 1 continued**1.4 Segment reporting**

A segment is a distinguishable component of the Group which provides either particular products or services (business segment) or products or services within a particular economic environment (geographical segment) and which is subject to risks and returns that are different from those of other segments.

The Group's internal reporting system is designed to follow up the return on the Group's services, and so business segments are the primary format for reporting segment information. Geographical segments are the Group's secondary format.

Segment information is provided only for the Group (in accordance with IAS 14).

1.5 Classification, etc.

In both the parent company and consolidated financial statements, non-current assets and non-current liabilities consist essentially of amounts expected to be recovered or settled more than 12 months after the end of the reporting period. Current assets and liabilities consist essentially of amounts expected to be recovered or settled within 12 months of the end of the reporting period.

1.6 Basis of consolidation*1.6.1 Subsidiaries*

Subsidiaries are companies over which AB Ängpanneföreningen has a controlling influence. A controlling influence means, directly or indirectly, the power to govern a company's financial and operating policies with a view to deriving economic benefits. Potential voting rights which are currently exercisable or convertible are taken into account when assessing whether a controlling influence is held.

Subsidiaries are accounted for using the purchase method. This means that the acquisition of a subsidiary is treated as a transaction where the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined by means of an analysis undertaken in connection with the acquisition of a business. The analysis determines the acquisition value of participations or businesses, the fair value of acquired identifiable assets and assumed liabilities, contingent liabilities and equity instruments issued as consideration for the net assets acquired, plus transaction costs directly attributable to the acquisition.

The difference between the cost of the shares in the subsidiary and the fair value of the assets acquired on the one hand, and liabilities and contingent liabilities assumed on the other, is treated as goodwill.

Subsidiaries' financial statements are consolidated from the date of acquisition until such time as the controlling influence is relinquished.

1.6.2 Associates

Associates are companies over whose operational and financial management the Group exercises a significant but not controlling influence, generally through a holding of 20–50 percent of the votes. Investments in associates are accounted for in the consolidated financial statements using the equity method from the time significant influence is obtained. This means that the carrying amount of the shares in the associate recognised in the consolidated financial statements consists of the Group's share of the associate's equity plus goodwill and any other remaining fair value adjustments. The Group's share of the associate's profit/loss after tax and minority interests, adjusted for any amortisation, write-down or reversal of fair value adjustments, is recognised in the consolidated income statement under "Share of

associated companies' profit/loss". Any dividends received from the associate reduce the carrying amount of the investment.

Any difference at the time of acquisition between the cost of the investment and the investor's interest in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised in accordance with IFRS 3 "Business combinations".

If the Group's interest in the recognised losses of an associate exceeds the carrying amount of the shares in the consolidated balance sheet, the carrying amount of the shares is reduced to nil. Losses are also allocated against unsecured non-current financial balances which effectively form part of the investor's net investment in the associate. Further losses are not recognised unless the Group has issued guarantees to cover losses arising at the associate. The equity method is applied until such time as significant influence is relinquished.

1.6.3 Transactions eliminated on consolidation

Intra-group receivables, liabilities, income and expenses, and unrealised gains and losses arising on transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements. Unrealised gains arising on transactions with associates and joint ventures are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

1.7 Foreign currency*1.7.1 Transactions in foreign currency*

Transactions in foreign currency are translated into the functional currency at the exchange rate ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate ruling at the end of the reporting period. Exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate ruling on the transaction date. Non-monetary assets and liabilities carried at fair value are translated into the functional currency at the exchange rate ruling when their fair value was determined, and changes in exchange rates are then recognised in the same way as other changes in the value of the asset or liability.

The functional currency is the currency of the primary economic environments in which the companies in the Group operate. The parent company's functional currency and reporting currency is the Swedish krona (SEK). The Group's reporting currency is SEK.

1.7.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and other fair value adjustments, are translated into SEK at the exchange rate ruling at the end of the reporting period. The income and expenses of foreign operations are translated into SEK at an average exchange rate which approximates the exchange rates on the various transaction dates.

Translation differences arising on the translation of net investments in foreign operations are recognised in a translation reserve in equity. When a foreign operation is sold, the accumulated translation differences attributable to the operation are realised net of any currency hedging in the consolidated balance sheet.

Since 1 January 2004, i.e. the date for the transition to IFRS accounting, translation differences have been reported in the translation reserve included in equity.

Note 1 continued**1.8 Revenue**

Revenue from services rendered is recognised in accordance with IAS 18. The percentage of completion method is applied to all assignments whose outcome can be measured reliably. The majority of assignments are performed on an open-account basis, according to which income is entered into the accounts when the work is performed, and clients are normally invoiced one month after the work is carried out. Where assignments are carried out on a fixed-price basis, revenue is recognised in the income statement on the basis of the stage of completion at the end of the reporting period. The stage of completion is determined by having an assignment manager or section manager make a written assessment of the amount of work completed and remaining. Revenue is not recognised if it is probable that the economic benefits will not flow to the Group. In the event of significant uncertainty about payment or associated expenses, no revenue is recognised.

1.9 Operating expenses and financial income and expenses*1.9.1 Operating lease agreements*

Payments under operating leases are recognised in the income statement on a straight-line basis over the lease term. Benefits received in connection with signing a lease are reported as part of the total lease cost in the income statement. Contingent rents are recognised in the periods in which they arise.

1.9.2 Finance lease agreements

Minimum lease payments are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is spread over the lease term so that the amount charged in each reporting period corresponds to a fixed rate of interest on the liability recognised in that period. Contingent rents are recognised in the periods in which they arise.

1.9.3 Financial income and expenses

Financial income and expenses consist of interest receivable on bank balances and receivables, interest payable on loans, dividend income and exchange differences.

Interest receivable on receivables and interest payable on liabilities are calculated using the effective interest rate method. The effective interest rate is the rate of interest which makes the present value of all future inflows and outflows over the life of the receivable or liability equal to its carrying amount. The interest component of finance lease payments is recognised in the income statement by applying the effective interest rate method. Interest receivable includes accrued transaction costs and any discounts, premiums or other differences between the original value of the receivable and the amount received at maturity.

Dividend income is recognised when the right to receive payment has been ascertained.

The Group and parent company do not capitalise interest in the cost of assets.

1.10 Financial instruments

Financial instruments recognised on the asset side of the balance sheet include cash and cash equivalents, trade receivables, shares and other equity instruments, and derivatives. Included in equity and liabilities are trade payables, issued debt and equity instruments, borrowings and derivatives.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instru-

ment. Trade receivables are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised once the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are transferred or expire or the company loses control over them. The same applies to parts of a financial asset. A financial liability is derecognised when the obligation in the contract is discharged or in some other way extinguished. The same applies to parts of a financial liability.

Acquisitions and disposals of financial assets are recognised on the trade date, which is the day when the company makes a binding commitment to buy or sell the asset.

The fair value of quoted financial assets is the asset's quoted bid price at the end of the reporting period. For further information, see Note 26.

1.10.1 Classification and valuation

Financial instruments that are not derivatives are recognised initially at an acquisition value equivalent to the fair value of the instrument with the addition of transaction costs for all financial instruments except those in the financial assets category, which are recognised at fair value excluding transaction costs. A financial instrument is classified on initial recognition on the basis of the purpose for which the instrument was acquired. The classification determines how the financial instrument is to be valued after initial recognition, as described below.

Derivative instruments are recognised initially at fair value, indicating that transaction costs are charged to profit or loss for the period. Subsequent to the initial recognition, derivative instruments are recognised in the manner described below. If a derivative instrument is used for hedging, to the extent that this is effective, changes in value of the derivative instrument are recognised on the same line in the income statement as the hedged item. Even if hedge accounting is not applied, increases or decreases in the value of the derivative are recognised as income or expense in the operating profit/loss or in net financial income/expense depending on the intention behind the use of the derivative and whether the use related to an operating item or a financial item. With hedge accounting, the ineffectiveness of the hedge is recognised in the same way as changes in the value of a derivative which is not used for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated on the date of acquisition. Assets with a short term are not discounted.

Accounts receivable are recognised at the amount which it is estimated will be received, i.e. after the deduction of bad debts, after individual evaluation. Impairments of accounts receivable are recognised in operating expense.

Other receivables are classified as non-current receivables if the holding period exceeds one year and if it is shorter than other receivables.

Cash and cash equivalents consist of cash, immediately accessible deposits with banks and similar institutions, and short-term liquid investments with a maturity of less than three months from the date of purchase, which are subject to only an insignificant risk of changes in value.

Note 1 continued*Available-for-sale financial assets*

The category available-for-sale financial assets includes financial assets that are not classified in any other category or financial assets that the company initially designated in this category. Holdings of shares and participations that are not recognised as subsidiaries, associated companies or joint ventures are recognised here. Assets in this category are valued at fair value, with changes in value recognised in equity, except for those due to impairment, interest on debt instruments and dividend income, as well as exchange differences on monetary items, which are recognised in profit or loss. On derecognition of the asset, accumulated gain/losses previously recognised in equity, are recognised in profit or loss.

Financial investments constitute, depending on the intention with which they are held, either non-current assets if the holding period is longer than one year or current assets if the holding period is less than one year.

Other financial liabilities

Loans and other financial liabilities, e.g. accounts payable, are included in this category. The liabilities are valued at amortised acquisition value. Accounts payable have a short expected term, and are valued without discounting at their nominal amount.

Non-current liabilities have an expected term longer than one year, while current liabilities have a term shorter than one year.

Convertible debentures can be converted into shares by the counterparty exercising his option to convert the instrument into shares, and are recognised as a compound financial instrument comprising a liability component and an equity component. The fair value of the liability is calculated by discounting future cash flows using the current market interest rate for an equivalent liability without a conversion right. The value of the equity instrument is calculated as the difference between the issue proceeds when the convertible debenture was issued and the fair value of the financial liability at the time of issue. Any deferred tax attributable to the liability on the date of issue is deducted from the recognised value of the equity instrument. The transaction costs relating to the issue of a compound financial instrument are apportioned between the liability component and the equity component in the same proportions as the issue proceeds. The interest cost is recognised in the income statement and calculated using the effective interest rate method.

1.11 Derivative instruments and hedging

ÅF makes only limited use of derivatives to hedge future flows. Derivatives used for hedging future cash flows are recognised in the balance sheet at fair value. The changes in value are recognised directly in equity in the hedge reserve until such time as the hedged flow affects profit or loss, upon which the accumulated changes in value of the hedging instrument are recycled into profit or loss simultaneously with the profit or loss effects of the hedged transaction. Flows from both contracted and forecast transactions can be hedged.

To meet the requirements for hedge accounting under IAS 39, there must be an unequivocal link to the hedged item. In addition, the hedging of the item must be effective, hedging documentation must have been prepared and it must be possible for effectiveness to be measured. Gains and losses on hedging are recognised in the income statement on the same date as gains and losses on the hedged items are recognised.

1.12 Tangible assets*1.12.1 Owned assets*

Tangible (non-current) assets are recognised as assets in the balance sheet if it is probable that future economic benefits will flow to the company, and that the cost of the item can be measured reliably. Tangible assets are recognised in the consolidated financial statements at cost less accumulated depreciation and any impairment losses. Cost is defined as the purchase price plus any additional expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Examples of directly attributable additional expenses included in cost are the costs of delivery and handling, installation, title deeds, consulting services and legal services. Borrowing costs are not included in the cost of self-constructed assets. The accounting policies for impairment are set out below.

Tangible assets which consist of parts with different useful lives are treated as separate components of tangible assets.

The carrying amount of an asset is derecognised from the balance sheet on retirement or disposal or when no future economic benefits are expected to flow from the use or retirement/disposal of the asset. The gain or loss arising on the disposal or retirement of an asset is the difference between the disposal proceeds and the carrying amount less direct costs to sell. The gain or loss is recognised under other operating income/expenses.

Future expenditure

Future expenditure is added to the acquisition value only if it is probable that future economic benefits that are attributable to the asset will flow to the company, and the acquisition value can be measured reliably. All other future expenditure is recognised as an expense in the period in which it arises. In determining when an additional expenditure is to be added to the acquisition value, the decisive factor is whether the expenditure relates to the replacement of identified components, or parts of such components, in which case the expenditure is capitalised. Even in instances where a new component has been created, the expenditure is added to the acquisition value. Any undepreciated carrying amount on replaced components, or parts of components, is retired and recognised as an expense when the replacement is carried out. Repairs are recognised as an expense as they are carried out.

Depreciation principles

Linear depreciation is applied over the estimated useful life of the asset. Land is not depreciated. The Group applies component depreciation, which means that the estimated useful life of the components forms the basis for depreciation.

1.12.2 Leased assets

Leased assets are accounted for in accordance with IAS 17. Leases are classified as either finance leases or operating leases in the consolidated financial statements. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Otherwise it is classified as an operating lease.

Assets held under finance leases are recognised as assets in the consolidated balance sheet. The liability to make future lease payments is recognised under non-current and current liabilities. The leased assets are depreciated on a straight-line basis, while the lease payments are recognised as a finance charge and a reduction in the liability.

Note 1 continued

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

1.12.3 Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of an asset. Estimated useful lives:

Computer equipment	3 years
Vehicles	5 years
Office equipment	5 years
Office furnishings	10 years
Buildings (business premises)	40–100 years

Business premises consist of a number of components with different useful lives. The primary division is between buildings and land. No depreciation is applied to the land component, which is regarded as having an unlimited useful life. The buildings, however, consist of many components with varying useful lives. The useful lives of these components have been assessed as varying between 40 and 100 years.

The following main groups of components have been identified, and they form the basis for depreciation of buildings:

Structure and foundations	100 years
Outer surface finish; facades, roofs, etc.	67 years
Floors, doors and electrical installations	67 years
Installations; heating, water, sanitation, ventilation, lifts, etc.	40 years

An asset's residual value and useful life are reviewed annually.

1.13 Intangible assets**1.13.1 Goodwill**

Goodwill is the difference between the cost of a business combination (i.e. corporate acquisition, takeover, etc.) and the fair value of the assets acquired and liabilities and contingent liabilities assumed.

When it comes to goodwill arising on business combinations before 1 January 2004, the Group has not applied IFRS retroactively; instead the carrying amount on that date will continue to be the historical cost of acquisition in the consolidated financial statements, net of impairment losses.

Goodwill is apportioned between cash-generating units and is instead tested annually for impairment (see §1.14 below). Thus goodwill is carried at cost less accumulated impairment losses. Goodwill arising on the acquisition of associates is included in the carrying amount of the investment in the associate.

Where the cost of a business combination is less than the net fair value of the assets acquired and liabilities and contingent liabilities assumed, the difference is recognised immediately in the income statement.

1.13.2 Research and development

Expenditure on research aimed at obtaining new scientific or technical knowledge is recognised as expense as it is incurred.

Expenditure on development where research results or other knowledge is applied to achieve new or improved products or processes is recognised as an asset in the balance sheet if the product or process is technically and commercially feasible and the company has sufficient resources to complete its development and then use or sell the intangible asset. The carrying amount

includes the cost of materials, direct payroll costs and indirect costs which can reasonably and consistently be attributed to the asset. Other development expenditure is recognised in the income statement as expense as it is incurred. Development expenditure recognised in the balance sheet is carried at cost less accumulated amortisation and impairment losses.

1.13.3 Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less accumulated amortisation (see below) and impairment losses (see §1.14 below).

Costs incurred in respect of internally generated goodwill and internally generated trademarks are recognised in the income statement as they are incurred.

1.13.4 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is recognised as an asset in the balance sheet only if it increases the future economic benefits from the specific asset to which it relates. All other expenditure is recognised as expense as it is incurred.

1.13.5 Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the asset, unless its useful life is indefinite. Goodwill and intangible assets with an indefinite life are tested for impairment annually or as soon as there are indications that the asset in question has diminished in value. Amortisable intangible assets are amortised from the date they become available for use. The estimated useful lives are as follows:

Capitalised development expenditure:	1–3 years
Acquired intangible assets:	1–5 years

1.14 Impairment

The carrying amounts of the Group's assets – with the exception of assets held for sale recognised in accordance with IFRS 5 and deferred tax assets – are tested at the end of each reporting period to assess whether there is any indication of impairment. If there is any such indication, the asset's recoverable amount is determined. The carrying amounts of the exceptions stated above are tested in accordance with the relevant standard.

1.14.1 Impairment tests for tangible and intangible assets and participations in subsidiaries and associated companies

The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, future cash flows are discounted at a discount rate which reflects the risk-free rate of interest and the risk associated with the specific asset. Where an asset does not generate cash flows which are essentially independent of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. The impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses in respect of cash-generating units are allocated in the first instance to goodwill and then to the other assets included in the unit on a *pro rata* basis.

In the case of goodwill and other intangible assets with an indefinite life, and intangible assets not yet ready for use, the recoverable amount is calculated annually.

Note 1 continued*1.14.2 Impairment tests for financial assets*

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence consists both of observable circumstances that have arisen and which have a negative effect on the ability to recover the acquisition cost, and of significant and long-lasting reductions in the fair value of an investment in an available-for-sale financial asset.

On the impairment of an equity instrument designated as an available-for-sale financial asset, accumulated gains or losses already recognised in equity are recycled to the income statement.

The recoverable amount of assets in the loans and receivables category which are recognised at amortised cost is measured as the present value of the future cash flow discounted at the effective interest rate current on the date on which the asset was first recognised. Assets with a short term are not discounted. Impairment is charged to profit or loss.

1.14.3 Reversal of an impairment loss

An impairment loss is reversed if there are indications that the impairment requirement no longer exists and there has been a change in the assumptions which formed the basis for the measurement of the recoverable amount. Impairment of goodwill is never reversed. A reversal is made only to the extent that the carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

Impairment of loans and receivables that has been recognised at amortised cost is reversed if a subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment had been made.

Impairment losses on equity instruments designated as available-for-sale financial assets, that have already been recognised in profit or loss may not subsequently be reversed on the income statement. The impaired value is the value from which subsequent revaluations are made, and these are recognised directly in equity. Impairment losses on interest-bearing instruments designated as available-for-sale financial assets, are reversed in the income statement if the fair value increases and the increase can be attributed objectively to an event occurring after the impairment had been made.

1.15 Dividends

Dividends are recognised as a liability once approved by the general meeting.

1.16 Employee benefits*1.16.1 Defined-contribution retirement benefit plans*

Obligations to contribute to defined-contribution plans are recognised as an expense in the income statement as they arise.

1.16.2 Defined-benefit retirement benefit plans

The Group's obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in both the current and prior periods. These benefits are discounted to present value. The discount rate is the market yield at the end of the reporting period on a first-class corporate bond with a maturity corresponding to that of the Group's retirement benefit obligations. Where there is no active market for such corporate bonds, the market yield on government bonds with a corresponding maturity is used instead. The calculations are performed by a qualified actuary using the projected unit credit method.

When the benefits under a plan are increased, that part of the increase

relating to employees' service in prior periods is recognised as expense in the income statement on a straight-line basis over the average period until the benefits become fully vested. If the benefits are fully vested, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in equity.

Where there is a difference between how retirement benefit costs are determined by the Group and its constituent companies, a provision or receivable is recognised in respect of special employer's contributions to reflect this difference. The provision or receivable is not discounted to present value.

1.16.3 Other long-term employee benefits

The same principles are applied as to defined-benefit retirement benefit plans.

1.16.4 Termination benefits

A provision is made for termination benefits only when the company is demonstrably committed to terminating employment before the normal date, or when the benefits are the result of an offer made in order to encourage voluntary redundancy. In the event that the company is obliged to make members of staff redundant, a detailed plan is drawn up specifying as a minimum the location, function and approximate number of employees involved, the benefits for each job classification or function, and the time at which the plan will be implemented.

1.17 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and when it is probable that an outflow of economic resources will be required to meet this obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of when payment takes place is significant, provisions are calculated by discounting expected future cash flows at a rate of interest before tax which reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

Provisions for restructuring are booked once the Group has adopted a detailed and formal restructuring plan, and the work of restructuring has either begun or been publicly announced. No provisions are made for future operating expenses.

1.18 Tax

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except where the underlying transaction is recognised in equity, in which case the associated tax effect is also recognised in equity.

Current tax is the tax payable or recoverable in respect of the current year, based on the tax rates enacted or substantively enacted as at the end of the reporting period, including adjustments of current tax in respect of prior periods.

Deferred tax is calculated using the liability method on the basis of temporary differences between the carrying amount and tax base of assets and liabilities. The following temporary differences are disregarded: temporary differences arising on the initial recognition of goodwill; the initial recognition of assets and liabilities which do not constitute business combinations and affect neither recognised nor taxable income at the time of the transaction; and temporary differences attributable to investments in subsidiaries and associates, in cases where the parent company, investor or joint owner can exert some influence over the point in time when the temporary differences

Note 1 continued

will be reversed and when it is not anticipated that this reversal will take place in the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or adjusted. Deferred tax is calculated using the tax rates and tax rules enacted or substantively enacted as at the end of the reporting period.

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised only to the extent that it is probable that they can be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

Any additional income tax arising on the payment of dividends is recognised at the same time as the dividend is recognised as a liability.

1.19 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered primarily through sale and not through use.

When first classified as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

1.20 Contingent liabilities

A contingent liability is reported when there is a potential obligation relating to past events whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

1.21 Earnings per share

The calculation of earnings per share is based on the consolidated profit or loss attributable to the parent company's shareholders and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the profit or loss and the weighted average number of shares are adjusted to take account of the effects of potential diluting ordinary shares, which derive during the reporting period from convertible debentures and options issued to employees.

1.22 Parent company accounting policies

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR 32:06 "Accounting for legal entities". RR 32:06 requires that the parent company's annual report applies all IFRS standards and interpretations approved by the EU as far as is possible within the constraints of the Annual Accounts Act and the act on the safeguarding of pensions benefits (Tryggandelagen), and while taking into account the relationship between reporting and taxation. The recommendation specifies which exceptions and supplements are to be made with respect to IFRS. The differences between the accounting policies of the Group and parent company are presented below.

The accounting principles outlined below have been applied consistently to all periods presented in the parent company's financial statements.

Differences between accounting policies for the Group and the parent company*1.22.1 Subsidiaries and associated companies*

Shares in subsidiaries and associated companies are recognised in the parent company using the acquisition method. Only dividends received are recognised as revenue provided that they derive from profits earned after the acquisition. Dividends in excess of these earned profits are regarded as a repayment of the investments and reduce the carrying amount of the shares.

*1.22.2 Revenue***Sales of goods and rendering of services**

The parent company recognises services rendered when the service is completed in accordance with Chapter 2, section 4 of the Swedish Annual Accounts Act. Until then, work in progress is recognised at the lower of cost and net realisable value at the end of the reporting period.

Dividends

Dividend income is recognised when the right to receive payment is considered to be certain.

*1.22.3 Tangible non-current assets***Leased assets**

The parent company reports all leases on the basis of the rules for operating leases.

*1.22.4 Intangible assets***Research and development**

The parent company recognises all development expenditure as expense in the income statement.

1.22.5 Non-current assets held for sale

The parent company applies IFRS 5 with the exceptions set out in RR 32:06.8–9. Under the provisions of IFRS 5, assets held for sale are recognised separately in the balance sheet, and discontinued operations are recognised separately in the income statement. This does not, however, correspond to the layout in the Annual Accounts Act. The information referred to, along with other information which must be disclosed under IFRS 5, is, therefore, presented in notes. In addition, the rules in IFRS 5 which prescribe that non-current assets held for sale are not to be depreciated are not applied. Depreciation is calculated in accordance with the Annual Accounts Act.

1.22.6 Financial guarantees

The parent company's financial guarantee contracts consist primarily of guarantees for the benefit of subsidiaries and associated companies. Financial guarantees mean that the company has an obligation to recompense the holder of a debt instrument for losses incurred due to the failure of a specified debtor to make full payment on the due date in accordance with the terms of the contract. For the recognition of financial guarantee contracts, the parent company applies the Swedish Financial Accounting Standards Council's recommendation RR 32:06.70, which involves a relief compared with the provisions of IAS 39 in respect of financial guarantee contracts issued for the benefit of subsidiaries and associated companies. The parent company recognises financial guarantee contracts as a provision in the balance sheet when the company has an obligation for which payment will probably be required to settle the obligation.

Note 1 continued*1.22.7 Employee benefits***Defined-benefit plans**

The parent company applies a different basis for the calculation of defined-benefit plans to that set out in IAS 19. The parent company complies instead with the provisions of the act on the safeguarding of pensions benefits (Tryggandelagen) and the regulations of the Swedish financial supervisory authority (Finansinspektionen), as this is a requirement for tax deductibility. The most important differences relative to the provisions of IAS 19 are the way in which the discount rate is determined, the calculation of defined-benefit obligations on the basis of current salary levels without making assumptions about future wage growth, and the recognition of all actuarial gains and losses in the income statement as they arise.

1.22.8 Taxes

The parent company reports untaxed reserves inclusive of deferred tax liabilities. In the consolidated financial statements, untaxed reserves are apportioned between a deferred tax liability and equity.

1.22.9 Group contributions and shareholder contributions for legal entities

The company reports group contributions and shareholder contributions in accordance with the statement issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholder contributions are recognised by the recipient in equity and capitalised under shares and participations by the contributor net of impairment losses.

Group contributions are reported on the basis of economic reality. This means that Group contributions paid in order to minimise the Group's overall tax liability are recognised in retained earnings net of their current tax effect. Group contributions comparable with dividends are treated as dividends. This means that Group contributions received and their current tax effect are recognised in the income statement. Group contributions paid and their current tax effect are recognised in retained earnings. Group contributions comparable with shareholder contributions are recognised by the recipient in retained earnings taking account of the current tax effect. The contributor reports the Group contribution and its current tax effect under "Participations in Group companies" net of impairment losses.

2 Segment reporting

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

	Inspection		Infrastructure		Process		Engineering		Systems		Others & elim.		ÅF Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Income														
Sales to external clients	268.3	214.3	1,156.7	957.9	875.0	1,011.1	1,100.5	584.9	409.1	288.4	52.0	57.0	3,861.6	3,113.6
Other operating income											0.7	20.0	0.7	20.0
Sales between segments	1.6	1.3	50.9	36.1	99.7	81.1	9.7	17.4	23.8	20.4	-185.7	-156.3	—	—
Total income	269.9	215.6	1,207.6	994.0	974.7	1,092.2	1,110.2	602.3	432.9	308.8	-133.0	-79.3	3,862.3	3,133.6
Operating expenses	-222.4	-188.8	-1,075.9	-901.9	-893.8	-1,061.5	-1,002.7	-547.3	-268.5	-287.8	-18.3	79.3	-3,481.6	-2,907.3
Depreciation and impairment of intangible assets	-0.9	-0.9	-2.1	-1.5	-3.2	-10.4	-1.3	-1.6	-1.0	-0.5	-0.6	-1.0	-9.1	-15.9
Depreciation and impairment of tangible assets	-5.2	-5.0	-10.2	-10.5	-10.2	-10.5	-0.6	-0.4	-2.8	-3.5	-10.7	-12.2	-39.7	-42.1
Operating profit/loss	41.4	20.9	119.4	80.1	67.5	9.8	105.6	53.0	36.5	17.0	-38.5	-12.5	331.9	168.3
<i>Of which participations in profit/loss of associated companies</i>	2.5	1.7	1.0	1.3	0.6	0.8	—	—	—	—	—	—	4.1	3.8
Operating margin, %	15.3	9.7	9.9	8.1	6.9	0.9	9.5	8.8	8.4	5.5	28.9	15.8	8.6	5.4
Assets and liabilities														
Intangible assets	0.5	1.3	158.0	127.9	395.6	200.2	488.0	478.1	41.6	45.4	—	—	1,083.7	852.9
Tangible assets	10.8	10.3	27.4	23.8	126.3	22.1	1.2	0.6	5.0	5.8	40.0	40.7	210.7	103.3
Other assets	130.4	46.9	446.4	328.9	853.0	612.2	94.3	11.4	156.3	109.6	-179.2	53.3	1,501.1	1,162.3
<i>Of which proportion of equity in associated companies</i>	4.2	2.6	0.9	15.4	6.1	5.5	—	—	—	—	—	—	11.2	23.5
Total assets	141.7	58.5	631.8	480.6	1,374.9	834.5	583.5	490.1	202.9	160.8	-139.2	94.0	2,795.6	2,118.5
Total liabilities	58.9	41.3	362.5	230.0	1,233.3	505.8	465.7	458.1	124.7	88.5	-788.7	-463.4	1,456.4	860.3
Other segment information														
Investment for the year in intangible assets	0.0	0.6	31.4	79.1	215.4	130.2	9.3	486.1	-2.7	42.3	—	—	253.4	738.3
Investment for the year in tangible assets	5.8	22.0	17.4	9.6	117.8	17.8	3.6	9.4	2.0	3.5	22.0	10.2	168.6	72.6

Segment reporting

The primary basis for classification into segments is line of business, i.e. the Group's divisions. The aim is to classify the divisions with reference to their clients and their own expertise. The Group's operational structure and internal reporting to Group management and the board is based on reporting by division. Intra-group sales between segments take place at

an internal market price on an "arm's length" basis, i.e. between parties who are independent of each other, are well-informed and who have an interest in completing the transactions.

All the Group's operational assets and liabilities have been attributed directly to divisions or allocated per division. Investment in tangible assets within the segment includes all investment.

	Sweden		Outside Sweden		Total	
	2007	2006	2007	2006	2007	2006
Sales to external clients	2,914.9	2,310.9	947.4	822.7	3,862.3	3,133.6
Assets	2,045.4	1,723.1	750.2	395.4	2,795.6	2,118.5
Investment for the year in intangible assets	32.2	735.4	221.2	2.9	253.4	738.3
Investment for the year in tangible assets	76.0	68.6	92.6	4.0	168.6	72.6

3 Discontinued business operations

Net assets of companies being disposed of on date of disposal, in millions of Swedish kronor, MSEK

	CTS	Chleq Froté	Total companies disposed of
Date of disposal	29 June 2007	29 June 2007	29 June 2007
Tangible assets	2,565	252	2,817
Accounts receivable and other receivables	37,045	35,077	72,122
Cash and cash equivalents	16,072	140	16,212
Interest-bearing liabilities	0	-1,418	-1,418
Accounts payable and other liabilities	-29,377	-41,357	-70,734
Net identifiable assets and liabilities	26,305	-7,306	18,999
Consolidated goodwill	18,214	—	18,214
Adjustment for capital gain or loss	-7,635	7,306	-329
Selling price	36,884	0	36,884
Deduct:			
Cash balance (disposed)	16,072	140	16,212
Net cash inflow	20,812	-140	20,672

4 Acquisition of business operations

In 2007 ÅF acquired all the shares in the following companies: Osauh Automaatika Inseneriburoo, Colenco Power Engineering Ltd. ECC Teknik AB, Cordinor Energi & Miljö AB, LHT Konsult AB, Ing. Kjell Adolfsen AS, Elektrokon-sult Civ. Lars Svensson AB, Bennolund AS. The former associate Hansen & Henneberg AS became a subsidiary of ÅF in the second quarter of 2007. At the start of the year a line of business was also acquired from Xdin AB.

Effects of acquisitions

The effects that the acquisitions have had on the Group's assets and liabilities are shown below. The effect of the acquisition of Colenco Power Engineering Group (Colenco Group) on 1 July 2007 is shown separately, while the acquisitions of other companies are recognised under the heading "Other acquisitions".

Colenco Group's acquired net assets on the date of acquisition

	Recognised value of Colenco Group before acquisition	Fair value adjustment	Fair value recognised in Group
Intangible assets	0	6,143	6,143
Tangible assets	83,641	24,572	108,213
Financial assets	5,603	—	5,603
Accounts receivable and other receivables	71,486	—	71,486
Cash and cash equivalents	95,023	—	95,023

	Recognised value of Colenco Group before acquisition	Fair value adjustment	Fair value recognised in Group
Non-current provisions	-2,829	—	-2,829
Interest-bearing liabilities	-41,823	—	-41,823
Accounts payable and other liabilities	-50,325	-8,749	-59,074
Net identifiable assets and liabilities	160,776		182,742
Consolidated goodwill			207,445
Purchase price paid, cash			390,187
Deduct:			
Cash (acquired)			95,023
Liability to seller			79,447
Net cash outflow			215,717

Goodwill which arose on the acquisition of the Colenco Group relates to staff as well as to strategic opportunities and synergies. Other intangible assets recognised in connection with the acquisition are customer base. Adjustment in fair value for tangible assets refers to buildings and land improvements.

Note 4 continued

Net assets of other acquired companies on the date of acquisition

	Recognised value of Other companies	Fair value adjustment	Fair value recognised in Group
Intangible assets	423	1,400	1,823
Tangible assets	2,080	—	2,080
Financial assets	925	—	925
Accounts receivable and other receivables	23,058	—	23,058
Cash and cash equivalents	18,557	—	18,557
Interest-bearing liabilities	-23	—	-23
Accounts payable and other liabilities	-28,840	-610	-29,450
Net identifiable assets and liabilities	16,180		16,970
Consolidated goodwill			35,904
Correction for former ownership in Hansen & Henneberg			-3,933
Purchase price paid, cash			48,941
Deduct:			
Cash (acquired)			18,557
Liability to sellers			4,793
Shares issued (number of shares 90,951)			16,826
Net cash outflow			8,765

Goodwill which arose on the acquisition of Other companies relates to staff and to strategic opportunities and synergies. Other intangible assets recognised in connection with the acquisition are customer base and brands.

Net assets of the acquired companies on the date of acquisition

	Recognised value of Total acquired companies	Fair value adjustment	Fair value recognised in Group
Intangible assets	423	7,543	7,966
Tangible assets	85,721	24,572	110,293
Financial assets	6,528	—	6,528
Accounts receivable and other receivables	94,544	—	94,544
Cash and cash equivalents	113,580	—	113,580
Non-current provisions	-2,829	—	-2,829
Interest-bearing liabilities	-41,846	—	-41,846
Accounts payable and other liabilities	-79,165	-9,359	-88,524
Net identifiable assets and liabilities	176,956		199,712
Consolidated goodwill			243,349
Correction for former ownership in Hansen & Henneberg			-3,933
Purchase price paid, cash			439,128

	Recognised value of Total acquired companies	Fair value adjustment	Fair value recognised in Group
Cash (acquired)			113,580
Liability to sellers			84,240
Shares issued (number of shares 90,951)			16,826
Net cash outflow			224,482

Acquisition analyses for 2007 were preliminary at the end of the year.

Financial effects of operating acquisitions

Estimated sales after time of acquisition

Colenco Group	MSEK 191.0
Other companies	MSEK 62.8
Total acquired companies	MSEK 253.8

Estimated effect on earnings after time of acquisition

Colenco Group	MSEK 24.6
Other companies	MSEK 6.3
Total acquired companies	MSEK 30.9

If the acquisitions of the Colenco Group and other companies had taken place on 1 January 2007, the ÅF Group's sales and operating profit for the year would have totalled SEK 4,046 million and SEK 348 million respectively. All last year's acquisitions are shown below.

Net assets of acquired companies at the time of acquisition in 2006

	Recognised value of Total acquired companies	Fair value adjustment	Fair value recognised in Group
Intangible assets	10,047	21,392	31,439
Tangible assets	12,166	—	12,166
Financial assets	8,186	—	8,186
Accounts receivable and other receivables	323,044	—	323,044
Cash and cash equivalents	177,190	—	177,190
Non-current provisions	-2,149	-5,554	-7,703
Interest-bearing liabilities	-9,629	—	-9,629
Accounts payable and other liabilities	-315,339	—	-315,339
Net identifiable assets and liabilities	203,516		219,354
Consolidated goodwill			703,034
Purchase price paid			922,388
Deduct:			
Cash (acquired)			177,190
Liability to seller			32,582
Shares issued (number of shares 1,121,527)			155,554
Net cash outflow			557,062

5 Other operating income

Group

	2007	2006
Profit from sale of line of business	—	19,423
Rental income	727	545
	727	19,968

The profit recognised above from the sale of one of the Group's lines of business in 2006 has been reduced by costs of SEK 1,577,000 incurred in connection with the sale.

Parent company

	2007	2006
Rental income	54,510	47,065

Of the total amount of rental income received by the parent company, SEK 53,783,000 (2006: SEK 46,520,000) relates to rental payments from Group companies.

6 Research and development

The Group's costs for research and development totalled SEK 26.5 million (2006: SEK 27.7 million). The amount comprises mostly costs for time spent on research and development projects by ÅF's own salaried employees.

7 Fees and remuneration of auditors

	Group		Parent company	
	2007	2006	2007	2006
Accountants				
Ernst & Young				
Audit assignments	2,349	—	595	—
Other assignments	1,224	—	974	—
	3,573	—	1,569	—
Accountants KPMG				
Audit assignments	106	3,489	—	332
Other assignments	1,613	1,051	1,313	847
	1,719	4,540	1,313	1,179
Other accounting companies				
Audit assignments	776	851	—	—
Other assignments	326	—	52	—
	1,102	851	52	—

Audit assignments refer to the auditing of the annual report, the accounting records and the administration by the Board of Directors and the Managing Director, other duties which it is incumbent upon the company's auditors to carry out, as well as advice and other assistance stemming from observations made during such audits or the execution of such other duties. Everything else falls under the heading "Other assignments".

8 Employees and personnel costs

Total remuneration is recognised in "Personnel costs".

Average number of employees by gender

	2007		2006	
	Women	Men	Women	Men
Parent company				
Sweden	28	18	26	35
Subsidiaries				
Sweden	486	2,299	468	1,976
Finland	52	309	63	388
Norway	24	119	17	101
Denmark	11	63	0	13
Switzerland	26	106	—	—
Germany	4	16	6	26
Others	6	56	9	39
	609	2,968	563	2,543
Group total	637	2,986	589	2,578

Total average number of employees

	3,623	3,167
Total for associated companies	75	104

Total average number of employees including associated companies

	3,698	3,271
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Proportion of women in senior management positions

	Women %	
	2007	2006
Parent company		
Board members	33	45
Other senior positions	10	10

Group overall

Board members	8	12
Other senior positions	11	12

Salaries, other remuneration and payroll overheads

	2007		2006	
	Salaries and remunerations	Social costs	Salaries and remunerations	Social costs
Parent company				
Board & President/CEO	6,872	3,106	4,943	2,516
(of which pension expenses)		878		1,179
Other employees	22,216	12,458	29,498	16,204
(of which pension expenses)		5,649		6,897
	29,088	15,564	34,441	18,720

Note 8 continued

Group	2007		2006	
	Salaries and remunerations	Social costs	Salaries and remunerations	Social costs
Boards & Managing Directors	35,576	12,823	30,670	11,606
(of which pension expenses)	—	4,377	—	4,498
Other employees	1,601,328	564,941	1,296,423	512,918
(of which pension expenses)	—	188,047	—	164,031
	1,636,904	577,764	1,327,093	524,534

Salaries and other remuneration by country

Parent company	2007		2006	
	Boards and MDs	Other employees	Boards and MDs	Other employees
Sweden	6,872	22,216	4,943	29,432
(bonus/performance-related earnings)	2,341	1,588	979	1,855
Subsidiaries				
Sweden	12,037	1,139,023	15,615	967,645
(bonus/performance-related earnings)	2,612	24,973	2,338	20,419
Finland	953	200,887	1,351	175,557
(bonus/performance-related earnings)	—	—	—	4,424
Norway	3,363	88,679	3,108	68,864
(bonus/performance-related earnings)	288	199	244	138
Denmark	6,393	47,560	1,051	11,923
(bonus/performance-related earnings)	231	701	—	—
Switzerland	1,104	67,882	—	—
(bonus/performance-related earnings)	400	4,477	—	—
Germany	2,571	8,397	1,953	10,643
(bonus/performance-related earnings)	472	—	—	—
Other countries	2,283	26,684	2,649	32,359
(bonus/performance-related earnings)	—	—	—	—
Group total	35,576	1,601,328	30,670	1,296,423

Other personnel costs total SEK 95,541,000 (2006: SEK 63,810,000).

Remuneration to senior executives*Remuneration to the Board approved by the 2007 AGM*

The AGM on 8 May 2007 approved remunerations totalling SEK 1,250,000 for 2007 for the work of the board. The Chairman received SEK 350,000 and members of the board not employed in the ÅF Group received SEK 150,000 each.

In addition, it was resolved to pay fees for committee work of SEK 25,000 to each committee member who is not employed in the ÅF Group, and that a fee of SEK 50,000 be paid to the Chair of the Audit Committee. The total remuneration payable to the board is thus SEK 1,425,000, of which SEK 1,250,000 is for the ordinary work of the board and SEK 175,000 for committee work.

Remuneration to the Board in 2007

Remuneration to the board is payable quarterly. This means that the remuneration to the board was at the rate determined by the AGM in 2006 for two quarters and at the rate determined by the AGM in 2007 for two quarters.

During 2007 a total of SEK 1,287,000 (2006: SEK 975,000) was booked as remuneration to the board in the parent company accounts. Of this total amount the retiring Chairman received SEK 175,000. The newly appointed Chairman received SEK 175,000 as Chairman and SEK 62,500 for service prior to his appointment as Chairman. In addition the employee representatives on the board received SEK 50,000 (SEK 20,000). No agreements have been signed concerning future pensions or severance pay for the Chairman or other members of the board.

Information relating to remuneration to members of the board

Director	Remuneration in SEK		
	Board	Committee	Total
Ulf Dinkelspiel	237,500	37,500	275,000
Patrik Enblad	75,000	—	75,000
Eva-Lotta Kraft	137,500	25,000	162,500
Magnus Grill	137,500	25,000	162,500
Jon Risfelt	75,000	—	75,000
Helena Skåntorp	137,500	50,000	187,500
Lena Treschow Torell	137,500	12,500	150,000
Carl-Erik Nyqvist	175,000	25,000	200,000
Total	1,112,500	175,000	1,287,500

President/CEO

In 2007 salary payments and bonus totalling SEK 5,535,000 (2006: SEK 3,968,000) were made to the Chief Executive Officer, who is also the President of AB Ångpanneföreningen: this also incurred social costs of SEK 2,673,000 (SEK 2,516,000), of which SEK 878,000 (SEK 1,179,000) related to pension expenses. A company car benefit is payable. A bonus of SEK 2,341,000 (SEK 979,000) was paid which will impact on the accounts. This bonus is based on the earnings for the Group and may amount to a maximum of 75 percent of the fixed annual salary. The fixed annual salary for 2007 is SEK 3,172,000 (SEK 2,989,000).

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 basic salary 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 35,576,000 (2006: SEK 30,670,000). Company car benefits are payable.

Note 8 continued*Group Management, excluding President*

Group management consists of eight (2006: thirteen) people excluding the President. During the first six months of the year the Group management team comprised nine people excluding the President.

Group management includes the managing directors/presidents of five subsidiaries. For the members of the Group management team costs for salaries and other remunerations have been recognised in the respective company's accounts totalling SEK 20,576,000 (SEK 19,295,000), as well as social costs of SEK 10,148,000 (SEK 11,093,000). This includes bonus payments totalling SEK 6,245,000 (SEK 3,975,000).

Benefits to Group management include company cars.

For managers of subsidiaries and for two departmental managers in the parent company, the period of notice from the company's side is 12 months. During the period of notice, the salary payable will remain unchanged.

The managers of two subsidiaries have retirement benefit conditions in line with the ITP occupational pension plan. Others have defined-contribution retirement benefits, to which an amount equivalent to 27.5 percent of basic salary is contributed annually.

Reward system

At the beginning of 2007, the ÄF Board approved the establishment of a three-year reward system for around 30 key management personnel. The scheme runs from 2007–2009, and aims to bind the interests of key individuals to ÄF. The payment will be made if the profit trend for the company is better than that of a number of competing firms, and if ÄF's share price reaches preset targets. During 2007, a provision of SEK 4.4 million was made in the income statement in respect of this reward system.

Severance pay for senior officers of the company who have terminated their employment

During the past year no employees who have previously served in ÄF's Group management team have received severance payments.

Determination of remuneration

The level of remuneration paid to the President/CEO for financial year 2007 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

(Figures in percent)	Parent company	
	2007	2006
Total sick leave as a percentage of ordinary working time	4.3	4.2
Portion of the total sick leave comprising more absences of 60 consecutive days or more	35.2	39.4
Sick leave as a percentage of total ordinary working time for each of the following groups:		
By gender		
Men	3.9	4.1
Women	4.6	4.3
By age		
29 years old or below	0.7	2.5
30–49 years	2.9	2.5
50 years or above	6.5	6.4

9 Other operating expenses

Group	2007	2006
Overheads	12,888	59,513
Loss in conjunction with sale of subsidiary	329	—
	13,217	59,513
Parent company	2007	2006
Overheads	75,868	66,911
	75,868	66,911

10 Net financial income/expense

Group	2007	2006
Interest income	14,829	8,647
Dividends	12	38
Profit on sale of the dormant subsidiary	6	10
Profit on sale of investments in securities, etc.	42	909
Net changes in exchange rates	—	398
Financial income	14,889	10,002
Interest expense*	-18,245	-20,035
Loss in connection with liquidation of dormant subsidiary	-104	-386
Net loss on the disposal of financial assets held for sale	-88	—
Net changes in exchange rates	-6,279	—
Financial expense	-24,716	-20,421
Net financial expense	-9,827	-10,419

Profit from participations
in Group companies

Parent company	2007	2006
Dividends	—	8,988
Capital gain on the disposal of participations	—	2,575
	—	11,563

Note 10 continued

	Results from other securities and receivables treated as non-current assets		Interest income and similar profit/loss items		Interest expense and similar profit/loss items	
	2007	2006	2007	2006	2007	2006
Parent company						
Interest, Group companies	—	—	24,964	13,590	-1,402	-471
Interest, other*	—	—	2,554	2,106	-12,596	-15,520
Dividends	—	38	—	—	—	—
Other	—	783	2	—	—	-177
	—	821	27,520	15,696	-13,998	-16,168

* including interest on retirement benefit provisions

11 Appropriations

Parent company	2007	2006
Difference between depreciation in accounts and depreciation according to plan	-1,638	479
Tax allocation reserve, liquidation during the year	85,546	13,430
Tax allocation reserve, transfers during the year	—	-33,270
	83,908	-19,361

12 Earnings per share

SEK	Before dilution		After dilution	
	2007	2006	2007	2006
Earnings per share	13.15	7.38	13.11	7.16

To facilitate comparisons, the number of shares in 2006 has been recalculated to accord with figures after the 2:1 split made in May 2006. Likewise the shareholding before the new issue in September 2006 has been recalculated using an adjustment factor of 1.074661 due to the bonus issue element of the new issue.

The calculation of the numerators and denominators used in the above calculations of earnings per share is explained below.

Earnings per share before dilution

The calculation of earnings per share for 2007 is based on the net profit for the year attributable to the parent company's ordinary shareholders amounting to SEK 217,528,000 (2006: SEK 107,629,000) and on a weighted average number of outstanding shares during 2007 amounting to 16,543,598 (2006: 14,587,519).

Weighted average number of outstanding ordinary shares, before dilution

	2007	2006
Total number of ordinary shares 1 January	16,277,975	12,804,416
Effect of new issue on acquiring Hansen & Henneberg in May 2007	55,567	—
Effect of conversion of conv. debentures to shares August 2007	206,897	—
Effect of conversion of conv. debentures to shares December 2007	3,159	—
Effect of new issue on acquiring ÅF-Ingemansson AB in February 2006	—	193,363

Note 12 continued

	2007	2006
Effect of new issue on acquiring Benima companies in May 2006	—	478,310
Effect of new issue on acquiring ÅF-Combra AB in July 2006	—	61,355
Effect of new issue in Sept 2006	—	1,050,075
Weighted average number of ordinary shares during the year, before dilution	16,543,598	14,587,519

Earnings per share after dilution

In calculating earnings per share after dilution, the weighted number of outstanding ordinary shares is adjusted for the dilution effect of all outstanding potential ordinary shares. The parent company has a category of potential ordinary shares with dilution effect: convertible debentures.

In calculating earnings per share after dilution, the convertible debentures are assumed to have been converted into ordinary shares. The net profit is adjusted to eliminate the interest expense relating to the convertible loan less tax effect.

**Profit attributable to the parent company's
ordinary shareholders, after dilution**

	2007	2006
Profit attributable to the parent company's ordinary shareholders	217,528	107,629
Effect of interest on convertible debentures (after tax)	518	1,246
Profit attributable to the parent company's ordinary shareholders, after dilution	218,046	108,875

**Weighted average number of outstanding
ordinary shares, after dilution**

	2007	2006
Weighted average number of ordinary shares during the year, before dilution	16,543,598	14,587,519
Effect of conversion of convertible debentures	94,337	625,000
Weighted average number of ordinary shares during the year, after dilution	16,637,935	15,212,519

13 Intangible assets

Group	Goodwill	Development expenditure	Other intangible assets	Total
Accumulated acquisition cost				
Balance brought fwd 1 Jan 2006	124,076	10,154	5,178	139,408
Corporate acquisitions	711,241	148	23,084	734,473
Internally developed assets	—	3,859	—	3,859
Disposals and retirements	—	-1,008	—	-1,008
Exchange rate differences for the year	-438	2	30	-406
Balance carried fwd 31 Dec 2006	834,879	13,155	28,292	876,326
Balance brought fwd 1 Jan 2007	834,879	13,155	28,292	876,326
Corporate acquisitions	243,349	—	7,966	251,315
Other acquisitions	1,053	—	1,022	2,075
Disposals and retirements	-18,214	—	—	-18,214
Exchange rate differences for the year	4,510	6	143	4,659
Balance carried fwd 31 Dec 2007	1,065,577	13,161	37,423	1,116,161
Accumulated depreciation and write-downs				
Balance brought fwd 1 Jan 2006	-2,518	-3,947	-1,145	-7,610
Disposals and retirements	—	129	0	129
Write-downs during the year	-78	-6,458	-92	-6,628
Depreciation during the year	—	-1,748	-7,537	-9,285
Balance carried fwd 31 Dec 2006	-2,596	-12,024	-8,774	-23,394
Balance brought fwd 1 Jan 2007	-2,596	-12,024	-8,774	-23,394
Disposals and retirements	—	—	—	—
Write-downs during the year	—	—	—	—
Depreciation during the year	—	-892	-8,155	-9,047
Balance carried fwd 31 Dec 2007	-2,596	-12,916	-16,929	-32,441
Carrying amounts				
Per 1 Jan 2006	121,558	6,207	4,033	131,798
Per 31 Dec 2006	832,283	1,131	19,518	852,932
Per 1 Jan 2007	832,283	1,131	19,518	852,932
Per 31 Dec 2007	1,062,981	245	20,494	1,083,720

Goodwill

Goodwill has been apportioned between cash-generating units, corresponding in the first instance to the Group's divisions, but also to major identifiable corporate investments. Goodwill is tested annually for impairment, after the third quarter or when a need for impairment is indicated, by discounting the expected future cash flow by a weighted average cost of capital per cash-generating unit. The present value of cash flows, the recoverable amount, is compared with the carrying value including goodwill.

In calculating the recoverable amounts of the cash-generating units, a number of assumptions on future circumstances and estimates of parameters have been made. Changes in these assumptions and estimates would affect the carrying amount of goodwill.

The forecasts of future cash flows used are based on the budget set by the company management for the following year supplemented with an overall assessment of a further four years. The cash flows forecast are based on an estimated annual growth rate of 2 to 3 percent. The net present values of forecast cash flows have been calculated using a discount rate of 10 percent before tax.

At the end of 2007, goodwill amounted to SEK 1,062,981,000 (2006: SEK 832,283,000). The carrying amount of goodwill is allocated as follows:

Division	2007	2006
Process	384,282	191,748
Infrastructure	155,105	123,526
Systems	40,224	43,138
Engineering	483,370	473,871
Inspection	—	—
AB ÄF	—	—
Total	1,062,981	832,283

In assessing goodwill, the value in use exceeded the goodwill values. It is, therefore, the view of the company management that no reasonably conceivable changes in the important assumptions for the cash generating units would lead to an impairment need.

14 Tangible assets

Group	Equipment, tools, fixtures and fittings	Land and buildings	Total
Acquisition costs			
Balance brought fwd 1 Jan 2006	399,169	—	399,169
Acquired via corporate acquisitions	12,166	—	12,166
Other acquisitions	60,368	—	60,368
Disposals	-170,001	—	-170,001
Exchange rate differences	-3,121	—	-3,121
Balance carried fwd 31 Dec 2006	298,581	—	298,581
Balance brought fwd 1 Jan 2007	298,581	—	298,581
Acquired via corporate acquisitions	8,518	101,775	110,293
Other acquisitions	58,293	—	58,293
Disposals	-106,916	—	-106,916
Exchange rate differences	4,724	-12	4,712
Balance carried fwd 31 Dec 2007	263,200	101,763	364,963
Depreciation and write-downs			
Balance brought fwd 1 Jan 2006	-312,663	—	-312,663
Depreciation during the year	-42,148	—	-42,148
Disposals	156,718	—	156,718
Exchange rate differences	2,856	—	2,856
Balance carried fwd 31 Dec 2006	-195,237	—	-195,237
Balance brought fwd 1 Jan 2007	-195,237	—	-195,237
Depreciation during the year	-38,586	-1,194	-39,780
Disposals	85,394	—	85,394
Exchange rate differences	-4,625	—	-4,625
Balance carried fwd 31 Dec 2007	-153,054	-1,194	-154,248
Carrying amounts			
Per 1 Jan 2006	86,506	—	86,506
Per 31 Dec 2006	103,344	—	103,344
Per 1 Jan 2007	103,344	—	103,344
Per 31 Dec 2007	110,146	100,569	210,715

The Group

Financial leasing

Equipment held under financial leasing agreements is included in the Group at the carrying value of SEK 26,432,000 (2006: SEK 20,771,000).

Current and non-current liabilities in the consolidated balance sheet include future payments in respect of leasing obligations entered as liabilities. See also Note 20 "Liabilities to credit institutions".

	Equipment, tools, fixtures and fittings
Parent company	
Acquisition costs	
Balance brought fwd 1 Jan 2006	58,888
Acquisitions	10,424
Disposals	-19,059
Balance carried fwd 31 Dec 2006	50,253
Balance brought fwd 1 Jan 2007	50,253
Acquisitions	8,758
Disposals	-16,179
Balance carried fwd 31 Dec 2007	42,832
Depreciation	
Balance brought fwd 1 Jan 2006	-40,686
Depreciation during the year	-7,971
Disposals and retirements	18,274
Balance carried fwd 31 Dec 2006	-30,383
Balance brought fwd 1 Jan 2007	-30,383
Depreciation during the year	-4,370
Disposals and retirements	6,564
Balance carried fwd 31 Dec 2007	-28,189
Carrying amounts	
Per 1 Jan 2006	18,202
Per 31 Dec 2006	19,870
Per 1 Jan 2007	19,870
Per 31 Dec 2007	14,643

15 Participations in associated companies

Group	2007	2006
Carrying value at start of year	23,487	24,307
Change in the treatment of untaxed reserves	—	-326
Acquisition of associated companies	—	—
Conversion to participations in Group companies	-15,789	131
Participations in the results of associated companies after tax	4,131	3,768
Dividend received and repayment of shareholders' contribution	-1,050	-3,831
Translation difference	437	-562
Carrying value at end of year	11,216	23,487

The total earnings, profit, assets and liabilities of associated companies are specified in the tables below.

Associated companies 2007

	Country	Earnings	Profit/loss	Assets	Liabilities	Equity	Ownership %
ÄF-TÜV Nord AB	Sweden	36,038	2,546	13,878	9,686	4,192	50
ÄF-Incepal S.A	Spain	2,784	1,295	25,885	13,687	12,198	47
NDT Training Center AB	Sweden	13,034	3,665	9,658	3,788	5,870	33
ITP-Infra Trans Project Ltd	Albania	694	1,032	2,123	-71	2,194	49
		52,550	8,538	51,544	27,090	24,454	

Associated companies 2006

	Country	Earnings	Profit/loss	Assets	Liabilities	Equity	Ownership %
Hansen & Henneberg AS*	Denmark	43,150	3,641	21,824	8,951	12,873	49
ÄF-TÜV Nord AB	Sweden	26,877	1,601	10,695	7,449	3,246	50
ÄF-Incepal S.A	Spain	28,024	1,740	22,200	10,986	11,214	47
NDT Training Center AB	Sweden	8,653	1,851	5,452	2,497	2,955	33
ITP-Infra Trans Project Ltd	Albania	931	-1,028	216	1,250	-1,034	49
		107,635	7,805	60,387	31,133	29,254	

* A further 31 percent of the shares in Hansen & Henneberg AS was acquired during 2007.

16 Financial investments

Group	2007	2006
Financial assets which are non-current assets		
Listed shares and participations	115	424
Unlisted shares and participations	480	89
Tenant-owner property holdings	351	1,437
	946	1,950

Specification of changes in carrying values for the year

	Group		Parent company	
	2007	2006	2007	2006
Carrying value brought forward	1,950	2,930	—	110
Acquisitions	433	589	—	—
Disposals/impairments	-1,496	-1,519	—	-110
Change in realisable value	7	—	—	—
Translation difference	52	-50	—	—
Carrying value carried forward	946	1,950	—	0

The carrying value of participations is deemed to be equivalent to the realisable value.

17 Accounts receivable

Accounts receivable are recognised after taking account of bad debt losses arising during the year of SEK 1,271,000 (2006: SEK 5,722,000) in the Group. The losses arose in conjunction with bankruptcies and projects where no agreement has been reached.

No bad debt losses relate to the parent company.

18 Prepaid expenses and accrued income

	Group		Parent company	
	2007	2006	2007	2006
Rent	26,106	26,015	16,998	14,606
Support and maintenance contracts	4,872	4,526	903	1,146
Other	35,127	26,559	7,245	5,135
	66,105	57,100	25,146	20,887

19 Equity

Summary of changes in the Group's equity

Group	Equity attributable to shareholders in parent company						Total equity
	Share capital	Other contributed capital	Reserves	Profits brought forward included in profit for the year	Total	Minority interest	
Equity brought forward 1 Jan 2006	119,243	23,097	3,316	435,475	581,131	46	581,177
Adjustment of previous recognition of convertible debentures issued		527	-527		0		0
Adjusted equity 1 Jan 2006	119,243	23,624	2,789	435,475	581,131	46	581,177
Change in translation reserve for the year			-8,807		-8,807	23	-8,784
Change in fair value reserve for the year			-854		-854		-854
Change in hedging reserve for the year			140		140		140
Actuarial losses on calculation of retirement benefit obligations				328	328		328
Tax attributable to items recognised in equity			200	-114	86		86
Total changes in assets recognised in equity, excl. transactions with the company's owners	0	0	-9,321	214	-9,107	23	-9,084
Profit for the year				107,629	107,629	157	107,786
Total changes in assets, excl. transactions with the company's owners	0	0	-9,321	107,843	98,522	180	98,702
Dividends				-30,365	-30,365		-30,365
New issue	43,537	399,298			442,835		442,835
Change in minority interest				-590	-590	-226	-816
Equity carried forward 31 Dec 2006	162,780	422,922	-6,532	512,363	1,091,533	0	1,091,533
Equity brought forward 1 Jan 2007	162,780	422,922	-6,532	512,363	1,091,533	0	1,091,533
Change in translation reserve for the year			14,558		14,558	25	14,583
Change in fair value reserve for the year			7		7		7
Change in hedging reserve for the year			-206		-206		-206
Actuarial losses on calculation of retirement benefit obligations				-2,735	-2,735		-2,735
Tax attributable to items recognised directly in equity			56	788	844		844
Total changes in assets recognised in equity, excl. transactions with the company's owners	0	0	14,415	-1,947	12,468	25	12,493
Profit for the year				217,528	217,528	2,473	220,001
Total changes in assets, excl. transactions with the company's owners	0	0	14,415	215,581	229,996	2,498	232,494
Dividends				-48,834	-48,834	-378	-49,212
New issue	6,572	55,676			62,249		62,248
Change in minority interest					0	2,101	2,101
Equity carried forward 31 Dec 2007	169,352	478,598	7,883	679,110	1,334,944	4,221	1,339,164

Note 19 continued**Share capital and premium**

	Number of ordinary shares	Share capital	Premium
31 Dec 2005	5,962,142	119,243	23,624
Split	11,924,284		
Issue for acquisition of subsidiary	1,121,527	11,215	144,338
New issue	3,232,164	32,322	254,960
31 Dec 2006	16,277,975	162,780	422,922
Issue for acquisition of subsidiary	90,951	910	15,916
Issue for conversion of convertible loan	566,307	5,663	39,760
31 Dec 2007	16,935,233	169,352	478,598

Reserves

	Translation reserve	Hedging reserve	Fair value reserve	Total reserves
Balance brought forward as at 1 Jan 2006	2,204	-30	615	2,789
Exchange differences for the year	-8,807			-8,807
Cash flow hedging recognised in equity		140		140
Cash flow hedging liquidated in the income statement			-854	-854
Tax attributable to items recognised in equity		-39	239	200
Balance carried forward as at 31 Dec 2006	-6,603	71	0	-6,532
Balance brought forward as at 1 Jan 2007	-6,603	71	0	-6,532
Exchange differences for the year	14,558			14,558
Revaluations recognised in equity			7	7
Cash flow hedging recognised in equity		-206		-206
Tax attributable to items recognised in equity		58	-2	56
Balance carried forward as at 31 Dec 2007	7,955	-77	5	7,883

Other contributed capital

This refers to equity which has been contributed by the shareholders. It includes premium reserve transferred to statutory reserve as at 31 December 2005. Provisions to the premium reserve on and after 1 January 2006 are also to be recognised as contributed capital.

Translation reserve

The translation reserve includes all exchange differences arising on the translation of financial reports from foreign operations which have prepared their financial reports in a currency other than that in which the consolidated financial reports are presented. The currency in which the parent company and the Group present their financial reports is the Swedish krona (SEK).

Fair value reserve

The fair value reserve includes the accumulated net changes in fair value of financial assets which may be sold until such time as these assets are derecognised from the balance sheet.

The total number of shares as at 31 December 2007 is divided into 804,438 class A shares (10 votes per share) and 16,130,795 class B shares (1 vote per share). Holders of ordinary shares are entitled to dividends which are determined in due course. All shares have the same right to the company's remaining net assets. The dividends paid out during 2007 and 2006 amounted to SEK 48,834,000 (SEK 3.00 per share) and SEK 30,365,000 (SEK 2.50 per share) respectively. At the Annual General meeting on 23 April 2008, a dividend in respect of financial year 2008 of SEK 6.50 per share will be proposed: the total pay-out will be SEK 110,079,000. The proposed dividend has not been recognised in these financial reports.

The parent company has potential ordinary shares with a dilution effect in the form of convertible debentures equivalent to 94,337 class B shares (Note 21).

The quotient value of the share for 2007 was SEK 10 (2206: SEK 10).

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net changes of fair value of a cash-flow hedging instrument attributable to hedging transactions which have not yet taken place.

Actuarial gains and losses

Actuarial gains and losses in respect of the retirement benefit liability recognised in the balance sheet are recognised in equity.

Convertible debentures

Convertible debentures which can be converted into shares by the counterparty exercising the option to convert the instrument into shares are recognised as a compound financial instrument comprising a liability component and an equity component.

Profits brought forward including net profit for the year

Profits brought forward including net profit for the year include profits earned by the parent company and its subsidiaries and associated companies. Previous transfers to the statutory reserve, excluding premium reserve transferred, are included in this equity item.

Note 19 continued**Summary of changes in the parent company's equity**

	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Premium reserve	Profit carried forward	Profit carried for the year	
Parent company						
Equity brought forward 1 Jan 2006	119,243	46,948	—	335,928		502,119
Loss for the year					-6,429	-6,429
Total change in assets, excl. transactions with the company's owners	0	0	0	0	-6,429	-6,429
Dividends				-30,365		-30,365
New issue	43,537	0	399,298			442,835
Group contributions				104,954		104,954
Equity carried forward 31 Dec 2006	162,780	46,948	399,298	410,517	-6,429	1,013,114
Equity brought forward 1 Jan 2007	162,780	46,948	399,298	404,088		1,013,114
Profit for the year					42,009	42,009
Total change in assets, excl. transactions with the company's owners	0	0	0	0	42,009	42,009
Dividends				-48,834		-48,834
New issue	6,572	0	55,676			62,248
Group contributions				188,086		188,086
Equity carried forward 31 Dec 2007	169,352	46,948	454,974	543,340	42,009	1,256,623

Restricted reserves

Restricted reserves must not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to block a portion of net profits, which are not to be used to cover losses brought forward. With effect from 2006, it is no longer obligatory to make transfers to the statutory reserve.

Premium reserve

When shares are issued at a premium, i.e. when shareholders pay more than the par value of the shares, an amount equivalent to the amount received in excess of the par value of the shares is transferred to the premium reserve.

Premium reserves attributable to transactions before 1 January 2006 have been transferred to the statutory reserve. Premium reserves which arise after that date are recognised as non-restricted equity.

Non-restricted equity*Profits brought forward*

These constitute non-restricted equity from previous years after any transfer to reserves and after the payment of any dividends. Along with net profit for the year and any reserve for fair value, these constitute total non-restricted equity, i.e. the amount available for dividends to shareholders.

20 Liabilities to credit institutions

The note includes information on the company's contractual terms in respect of interest-bearing liabilities.

For more information on the company's interest rate risk and exchange rate risk, please refer to Note 27.

Group

Non-current liabilities	2007	2006
Bank loans	48,894	10,423
Financial leasing liabilities	19,705	16,270
	68,599	26,693

Current liabilities

Short-term bank loans	254,961	214,722
Current portion of financial leasing liabilities	6,727	5,091
	261,688	219,813

Parent company

Non-current liabilities	2007	2006
Bank loans ¹⁾	243,195	200,000
	243,195	200,000

¹⁾ Current liabilities have a maturity of between 6 and 12 months from the end of the reporting period. During the year overdraft facilities have been arranged up to a limit of SEK 300 million, of which SEK 143.2 million had been utilised as per 31 Dec 2007.

Conditions and amortisation periods

Group	Interest rate, %	Nom. amount in original currency	Carrying amount	Due, year	Fair value
Long-term bank loans					
Norway, NOK, floating interest	6.0	1,800	2,138	2010	2,138
Sweden, SEK, floating interest	5.3	—	4,750	2010	4,750
Switzerland, CHF, fixed interest	2.5	2,000	11,397	2010	11,397
Switzerland, CHF, fixed interest	3.5	6,000	30,088	2010	29,981
Finland, EUR, fixed interest	1.0	55	521	2009	497
			48,894		48,763
Short-term bank loans					
Norway, NOK, floating interest	6.4	772	917		917
Norway, NOK, floating interest	4.5	9,106	10,813		10,813
Sweden, SEK, floating interest	4.8	—	243,195		243,195
Latvia, EEK, floating interest	—	60	36		36
			254,961		254,961

For the bank loan of SEK 243,195,000 taken out by the parent company, there are certain special obligations stemming from the credit agreement. There are limitations on changes in the operation, securities and equity/assets ratio, as well as on the debt/equity ratio and the interest coverage ratio.

Financial leasing liabilities

Financial leasing liabilities fall due for payment as shown in the table below:

Group	2007			2006		
	Min. leasing fees	Interest	Principal amount	Min. leasing fees	Interest	Principal amount
Within one year	7,991	1,264	6,727	5,813	722	5,091
1–5 years	20,496	791	19,705	16,923	653	16,270
	28,487	2,055	26,432	22,736	1,375	21,361

21 Convertible debenture

In 2005 AB Ängpanneföreningen raised a convertible debenture loan aimed at employees in Sweden, Norway and Finland. The loan carries an annual interest rate of STIBOR 360. The debentures fall due in three years from the date of issue at their nominal value, or may be converted to shares at the request of the holder at a price of SEK 81.36 per share. The conversion to shares can take place during the periods 2–13 July 2007, 12–30 November 2007, 18 February–7 March 2008 or 5–30 May 2008.

During the year, the value of the convertible loan fell by SEK 44,858,000 after conversion and the issue of 566,307 new shares. Full conversion of the remaining debentures would involve a subscription for 94,337 shares, equivalent to 0.6 percent of the share capital and 0.4 percent of the votes.

Convertible debentures

	2007	2006
Value after the issue of convertible debentures	7,675	53,750
Transaction costs	-250	-1,754
Net proceeds	7,425	51,996
Amount classified as equity	-106	-742
Capitalised interest 2005	57	401
Capitalised interest for 2006	117	816
Capitalised interest for 2007	120	—
Recognised liability 31 December	7,613	52,471

The fair values of the liability component and the equity component were determined in connection with the issue of the debentures.

The fair value of the liability component, included in non-current liabilities, was calculated using a market rate of interest for equivalent non-convertible debentures. The residual amount, which represents the value of the equity component, was included in the 2005 accounts in equity in the Reserves item, recognised after the deduction of deferred tax. The equity component of the convertible debenture since 2005 amounts to SEK 106,000 (2006: SEK 742,000) after the deduction of SEK 4,000 (SEK 25,000) for transaction costs, but before the deduction of deferred tax.

The fair value of the liability component of the convertible debentures as at 31 December 2007 amounted to SEK 7,613,000 (SEK 52,431,000). The fair value was obtained by using cash flows discounted at a loan interest rate of 3.35 percent.

Interest expense for the instruments is calculated using the effective interest rate method, using an effective rate of 3.35 percent for the liability component.

22 Retirement benefit obligations

Defined-benefit plans

Group	2007	2006
Present value of unfunded obligations	60,135	55,855
Net amount recognised in respect of defined-benefit plans (see below)	60,135	55,855

Net amount recognised in the balance sheet under the heading "Provisions for pensions".

Survey of defined-benefit plans

The ÄF Group has defined-benefit plans in Sweden and Switzerland. The defined-benefit plans provide payments to employees when they retire.

Changes in obligations for defined-benefit plans recognised in the balance

Group	2007	2006
Obligations for defined-benefit plans as at 1 January	55,855	57,933
Acquisition of companies ¹⁾	2,849	—
Disposal of companies	-1,440	—
Benefits paid	-2,109	-1,676
Profit reduction	-58	-2,187
Actuarial profit/losses recognised in equity	2,735	-328
Cost recognised in the income statement	2,239	2,333
Exchange differences	64	-220
Obligations for defined-benefit plans as at 31 December	60,135	55,855

¹⁾ The acquired net pension liability to Colenco, as calculated in the preliminary acquisition analysis.

Note 22 continued**Actuarial profit/losses recognised in equity**

Group	2007	2006
Recognised in equity as at 1 Jan	5,088	5,416
Recognised in equity during the year	2,735	-328
Recognised in equity as at 31 Dec	7,823	5,088

Cost recognised in the income statement

Group	2007	2006
Interest expense for the obligation	2,239	2,333
Total net cost in the income statement	2,239	2,333

The cost of defined-benefit plans is recognised in the Personnel costs row in the income statement, apart from SEK 2,438,000 (2006: SEK 1,625,000) which is recognised under Interest expense and similar profit/loss items. The cost for defined-benefit plans in 2008 is expected to be on a par with the cost recognised in 2007.

Assumptions for defined-benefit obligations

The most significant actuarial assumptions as at the end of the reporting period (expressed as weighted averages).

Group	2007	2006
Discount rate as at 31 December, %	4.7	4.2
Future increase in retirement benefits, %	2.0	2.0
Annual increase in paid-up policies, %	2.0	2.0
Anticipated remaining period of service, in years	0.0	0.8

The above parameters have been set on the basis that almost all individuals covered by the defined-benefit obligation are retired or holders of paid-up policies. For 2008 the assumptions are not expected to differ significantly from the parameters established for 2007 in view of the fact (as mentioned above) that those to whom the obligation relates are pensioners or holders of paid-up policies.

For some of the Group's employees, the obligations in respect of retirement pension and family pension for salaried staff in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this is a defined-benefit plan covering a number of employers. For financial year 2007, the company has not had access to the information required to recognise this plan as a defined-benefit plan. The ITP supplementary pensions for salaried employees' retirement benefits plan secured through insurance with Alecta is, therefore, recognised as a defined-contribution plan. Contributions during the year for retirement benefit insurance with Alecta amounted to SEK 79,283,000 (2006: SEK 79,344,000). Alecta's surplus may be allocated to the insurance policy holder and/or the insured. At the close of 2007, Alecta's surplus in the form of the collective funding ratio was 152.0 percent (2006: 143.1 percent). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions, which are not in conformity with IAS 19.

Historical information

Group	2007	2006
Present value of defined-benefit obligations	60,135	55,855
Experienced-based adjustment in respect of administration liabilities (decrease + / increase -)	-62	328

Parent company's retirement benefit obligations

Group	2007	2006
Present value of unfunded obligations ¹⁾	27,161	26,969

Recognised in respect of defined-benefit plans	2007	2006
	27,161	26,969

Of which covered by a credit insurance through FPG/PRI	2007	2006
	27,161	26,969

¹⁾ In accordance with Swedish principles for calculating pensions obligations.

Net present value of pension obligations

	2007	2006
Net present value of pension obligations at start of year	26,969	26,693
Cost excl. interest expense charged to profit	273	154
Interest expense	1,191	1,126
Pensions paid	-1,272	-1,004
Net present value of pension obligations at end of year	27,161	26,969

Expense recognised in the income statement

	2007	2006
Cost of credit insurance	273	154
Interest expense on obligations	1,191	1,126
Total net expense in the income statement	1,464	1,280

The actuarial assumptions for the retirement benefit obligations of the parent company for 2007 are inflation of 2.2 percent (2006: 1.5 percent) and a discount rate of 3.6 percent (3.6 percent).

Defined-contribution plans

The ÅF Group has defined-contribution plans in Sweden and abroad. Contributions to these plans are made continuously in accordance with the regulations for each plan.

	Group		Parent company	
	2007	2006	2007	2006
Cost of defined-contribution plans	192,623	163,937	6,562	8,150

Of the Group's total expense for defined-contribution plans, SEK 79,283,000 (2006: SEK 79,344,000) refers to the ITP plan financed through Alecta, see above.

23 Provisions

Group	2007	2006
Provisions which are non-current liabilities		
Restructuring costs	546	1,252
Provisions for future removal costs	—	9,211
Other	8,328	6,988
Total	8,874	17,451
Provisions which are current liabilities		
Provisions for future removal costs	9,211	—
Other	397	1,349
Total	9,608	1,349
Total provisions	18,482	18,800
Restructuring		
Carrying amount at start of period	1,252	4,814
Amount used during period	-706	-3,562
Carrying amount at end of period	546	1,252
Future removal costs		
Carrying amount at start of period	9,211	9,211
Carrying amount at end of period	9,211	9,211
Other provisions		
Carrying amount at start of period	8,337	2,240
Transfers during reporting period	4,400	285
Transfers during period via acq'd co's	—	6,534
Amount used during period	-4,409	-715
Other	—	-7
Carrying amount at end of period	8,328	8,337
Group's total provisions		
Total carrying amount at start of period	18,800	16,265
Transfers during reporting period	4,400	285
Transfers during period via acq'd co's	—	6,534
Amount used during period	-5,115	-4,277
Other	—	-7
Total carrying amount at end of period	18,085	18,800
Parent company		
Provisions	2007	2006
Provisions for future removal costs	9,211	9,211
Provisions for incentive programme	4,400	—
Total	13,611	9,211

Change in provisions	2007	2006
Carrying amount at start of period	9,211	9,346
Transfers during reporting period	4,400	—
Amount used during period	—	-135
Carrying amount at end of period	13,611	9,211

During 2005 provisions for future removal costs were made as the agreement reached with the new owner of the Group's premises makes the removal of the Group's business activities inevitable. As the move will take place in October 2008, the provisions made in 2005 remained on the books in 2007.

During 2007 provisions were also made for an incentive programme. (See Note 8.)

It is anticipated that non-current provisions will be settled within the next three years.

24 Taxes

Recognised in the income statement

Group	2007	2006
Current tax		
Tax expense for the period	-117,563	-50,551
Adjustment of tax attributable to previous years	-5,083	276
Deferred tax		
Deferred tax in respect of temporary differences	24,161	-5,438
Deferred tax receipts for the tax base of loss carry-forwards capitalised during the year	—	5,599
Deferred tax expense resulting from the utilisation of the tax base of loss carry-forwards previously capitalised	-3,566	—
Total recognised tax expense in the Group	-102,051	-50,114
Parent company		
Current tax		
Tax expense for the period	-91,114	-25,949
Adjustment of tax attributable to previous years	134	-200
Tax in respect of group contributions paid/received	73,144	40,816
Deferred tax		
Deferred tax in respect of temporary differences	1,336	-2,508
Total recognised tax receipt in the parent company	-16,500	12,159

Reconciliation of effective tax

Group	2007 (%)	2007	2006 (%)	2006
Profit before tax		322,052		157,900
Tax in accordance with current tax rate	28.00	90,175	28.00	44,212
Effect of other tax rates for foreign subsidiaries	0.06	205	-1.25	-1,972
Non-deductible expenses	3.47	11,165	4.86	7,675
Non-taxable income	-3.73	-12,016	-1.31	-2,076
Increase in loss carry-forwards without the corresponding capitalisation of deferred tax	0.95	3,073	2.62	4,138
Tax attributable to previous years	1.58	5,083	-0.17	-276
Standardised interest rate on tax allocation reserve	0.21	678	0.32	505
Other	1.15	3,688	-1.32	-2,092
Recognised effective tax	31.69	102,051	31.74	50,114

Reconciliation of effective tax

Parent company	2007 (%)	2007	2006 (%)	2006
Profit before tax		58,508		-18,588
Tax in accordance with current tax rate for the parent company	28.00	16,382	-28.00	-5,205
Non-deductible expenses	0.41	241	1.17	217
Non-taxable income	-1.02	-599	-21.85	-4,062
Tax attributable to previous years	-0.23	-134	1.08	200
Standardised interest rate on tax allocation reserve	1.04	610	2.25	418
Other	—	—	-20.05	-3,727
Recognised effective tax	28.20	16,500	-65.41	-12,159

Recognised in the balance sheet

The current tax liability in the Group totals SEK 40,352,000. In 2006 the Group had a tax asset of SEK 9,164,000.

The current tax liability in the parent company amounts to SEK 66,153,000 (SEK 4,486,000).

Note 24 continued**Deferred tax assets and tax liabilities****Recognised deferred tax assets and tax liabilities**

Deferred tax assets and tax liabilities relate to the following:

Group	Deferred tax assets		Deferred tax liability		Net	
	2007	2006	2007	2006	2007	2006
Non-current assets	924	1,425	-12,387	-6,235	-11,463	-4,810
Shares and participations	—	1,933	-2	-165	-2	1,768
Current receivables and liabilities	4,177	3,249	—	—	4,177	3,249
Other non-current liabilities	—	—	-5	-109	-5	-109
Provisions	5,783	5,177	-9,100	-968	-3,317	4,209
Loss carry-forwards	8,491	13,632	—	—	8,491	13,632
Untaxed reserves	—	—	-7,012	-28,826	-7,012	-28,826
Tax assets/tax liabilities	19,375	25,416	-28,506	-36,303	-9,131	-10,887
Set-off	-7,772	-12,930	7,772	12,930	—	—
Tax assets/tax liabilities, net	11,603	12,486	-20,734	-23,374	-9,131	-10,887

The unutilised loss carry-forwards include losses in Norway equivalent to SEK 6,928,000 (2006: SEK 3,855,000), where losses that arose before 1 January 2006 have a time limitation of 10 years, while losses after that date have no time limitation.

Parent company	Deferred tax assets		Deferred tax liability		Net	
	2007	2006	2007	2006	2007	2006
Interest-bearing liabilities	—	—	-5	-109	-5	-109
Provisions	3,811	—	—	—	3,811	—
Tax assets/tax liabilities	3,811	0	-5	-109	3,806	-109

Temporary difference between the carrying amount and the tax base of participations directly owned by the parent company

ÄF recognises no deferred tax in respect of temporary differences relating to investments in subsidiaries. Any future effects (tax deduction at source and other deferred tax on profit-taking within the Group) are recognised when ÄF is no longer able to control the reversal of such differences or when, for other reasons, it is no longer unlikely that the reversal will take place in the foreseeable future.

Unrecognised deferred tax assets

Deductible temporary differences and loss carry-forwards for tax purposes for which deferred tax assets have not been recognised in the income statements and balance sheets:

Group	2007	2006
Loss for tax purposes	8,847	20,816
	8,847	20,816

Deferred tax assets have not been recognised in respect of these losses for tax purposes since it has not yet been deemed likely that the Group will be able to utilise them against future taxable profits. The loss is attributable largely to the Group's German and Norwegian operations. The reduction from the levels recognised in 2006 is due primarily to the sale of the Finnish and French units.

Note 24 continued**Change in deferred tax on temporary differences and loss carry-forwards**

Group	Balance 1 Jan 2007	Recognised in the income statement	Recognised in equity	Acquisition disposal of business	Balance 31 Dec 2007
Non-current assets	-3,042	984		-9,405	-11,463
Current receivables and liabilities	3,249	872	54		4,175
Interest-bearing liabilities	-109	104			-5
Provisions	4,209	388	788	-8,702	-3,317
Untaxed reserves	-28,826	21,814			-7,012
Utilisation of loss carry-forwards	13,632	-3,566		-1,575	8,491
	-10,887	20,596	842	-19,682	-9,131

Parent company	Balance 1 Jan 2006	Recognised in the income statement	Balance 31 Dec 2006
Interest-bearing liabilities	-180	71	-109
Provisions	2,579	-2,579	0
	2,399	-2,508	-109

Parent company	Balance 1 Jan 2007	Recognised in the income statement	Balance 31 Dec 2007
Interest-bearing liabilities	-109	104	-5
Provisions		3,811	3,811
	-109	3,915	3,806

25 Accrued expenses and prepaid income

	Group		Parent company	
	2007	2006	2007	2006
Personnel-related liabilities	333,456	306,932	10,943	11,443
Accrued interest expense	291	1,320	291	1,320
Prepaid rental income	617	537	96	140
Accrued expenses, sub-consultants	10,705	9,230	—	—
Other	48,636	52,734	4,371	4,229
	393,705	370,753	15,701	17,132

26 Financial assets and liabilities

Fair value and carrying amount are reported in the balance sheet below:

Thousands of SEK	Group 2007					Group 2006				
	Derivatives used in hedge accounting	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Financial investments		3,873		3,873	3,873		1,950		1,950	1,950
Non-current receivables		2026		2,026	2,026		2,895		2,895	2,895
Accounts receivable		799,854		799,854	799,854		698,147		698,147	698,147
Other receivables				—	—	99			99	99
Cash and bank		306,508		306,508	306,508		257,474		257,474	257,474
Total		1,108,388		1,112,261	1,112,261	99	960,466		960,565	960,565
Non-current interest-bearing liabilities			64,815	64,815	64,684			79,164	79,164	79,088
Other non-current liabilities			25,470	25,470	25,470			38,971	38,971	38,971
Current interest-bearing liabilities			273,085	273,085	273,085			219,813	219,813	219,813
Accounts payable			181,798	181,798	181,798			172,351	172,351	172,351
Other liabilities	206			206	206				—	—
Total	206		545,168	545,374	545,243			510,299	510,299	510,223

Thousands of SEK	Parent company 2007					Parent company 2006				
	Derivatives used in hedge accounting	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value	Derivatives used in hedge accounting	Accounts receivable and loan receivables	Financial liabilities	Total carrying amount	Fair value
Accounts receivable		2,995		2,995	2,995		1,647		1,647	1,647
Other receivables		11,838		11,838	11,838		569,556		569,556	569,556
Cash and bank		2,415		2,415	2,415		101,728		101,728	101,728
Total		17,248		17,248	17,248		672,931		672,931	672,931
Convertible debenture			7,613	7,613	7,613			52,471	52,471	52,471
Liabilities to credit institutions			243,195	243,195	243,195			200,000	200,000	200,000
Accounts payable			27,307	27,307	27,307			14,683	14,683	14,683
Other liabilities			3,852	3,852	3,852			48,781	48,781	48,781
Total			281,967	281,967	281,967			315,935	315,935	315,935

Note 26 continued**Age analysis of portfolio assets past due but not impaired**

	Group		Parent company	
	2007	2006	2007	2006
< 30 days	118,676	67,331	34	11
30–90 days	26,774	17,783	8	—
91–180 days	21,096	6,068	5	—
> 180 days	19,690	19,801	—	—
Total	186,236	110,983	47	11

Change in doubtful receivables

Provision for doubtful receivables	Group		Parent company	
	2007	2006	2007	2006
Provision at start of year	5,722	3,770	—	—
Provision for probable losses	1,983	3,360	—	—
Realised losses	-31	-152	—	—
Recovered losses	-3,364	-1,256	—	—
Provision at end of year	4,310	5,722	—	—

Calculation of fair value

Fair value agrees in all essentials with recognised value, except in the case of certain fixed-interest non-current liabilities to credit institutions and the convertible debenture loan (Note 21).

The following provides a summary of the main methods and assumptions used to determine the fair value of the Group's financial instruments.

Securities

Fair value is based on the quoted market price at the end of the reporting period less transaction costs.

Derivative instruments

Forward contracts are valued by discounting the forward price and deducting the spot price.

Non-current liabilities

Non-current liabilities are valued by adding to the loan the discounted interest rate difference between the agreed loan interest rate and the market rate up to maturity for equivalent loans.

27 Financial risks and financial policy

The Group's overall risk management policy focuses on the unpredictability of the financial markets. The aim is to ensure cost-effective financing while minimising the negative effects of market fluctuations on the Group's earnings. Derivative instruments are used to hedge some risk exposure.

The Group's risk management is handled centrally by the parent company's Corporate Finance department on the basis of policies adopted by the Board of Directors. Corporate Finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

The Group is exposed to many different kinds of financial risk through its operations, including exchange rate risk, interest rate risk, credit risk and financing risk.

Exchange rate risk

Exchange rate risk covers future business transactions, recognised assets and liabilities in foreign currency, and net investments in foreign operations. Exchange rate risk is relatively limited in the ÄF Group.

Loans are raised, and investments made, in the functional currency.

Translation exposure

Foreign subsidiaries account for a relatively small part of the Group's total assets, and so translation exposure resulting from the revaluation of foreign subsidiaries' net assets is relatively limited. The ÄF Group therefore has a policy of not hedging currency translation exposure.

Transaction exposure

Exchange rate risks are also relatively limited as most payments are made in the functional currency. Where this is not the case, large sums are hedged using derivatives. The Group classifies the forward contracts used for hedging forecast transactions as cash flow hedges. The net fair value of these forward contracts was equivalent to SEK -206,000 (2006: SEK 99,000). The hedges were performed during the fourth quarter of 2007 and mature in the period 4 January 2008 to 14 May 2008. Assets totalled SEK 42,000 (SEK 99,000) and liabilities SEK 248,000 (SEK 0). The net liability of SEK 206,000 has been included in the balance sheet under "Other liabilities".

	2007		2006	
	Fair value	Book value	Fair value	Book value
Receivables				
EUR	—	—	9	9
USD	42	42	90	90
Liabilities				
EUR	87	87	—	—
DKK	161	161	—	—
Net	-206	-206	99	99

Interest rate risk

In accordance with ÄF policy, the Group's cash and cash equivalents are deposited in bank accounts at local banks. There are no other material interest-bearing assets, and so income and cash flows from operating activities are essentially independent of changes in market interest rates.

Liabilities to credit institutions consist largely of bank loans at variable interest rates, but since indebtedness is not very great, the exposure to changes in market interest rates is not significant. Information about the terms of the loans, effective annual rates and maturity structure is provided in Note 20.

Credit risk

Credit risk is a result of the company having at all times a substantial number of outstanding trade receivables, in other words the credit granted to clients. This risk is limited through the Group's set principles for ensuring that sales are made to clients with an appropriate payment history, and through advance payments. ÄF's ten largest clients, which together account for 20 percent of the Group's invoiced sales, are all large listed companies or government institutions. There is, therefore, not deemed to be any significant credit risk with regard to any single major client. Counterparties for derivative contracts and cash transactions are limited to financial institutions with a high credit rating. Historically ÄF has suffered very limited credit losses.

Financing risk

Financing risk is the risk of not being able to obtain financing at all, or only at a greatly inflated price. For ÄF, prudent management of financing risk means having adequate cash and cash equivalents and committed credit lines.

The Group's indebtedness increased during 2007 as a consequence of corporate acquisitions. See Note 20 for information on maturity structure and interest rate levels.

Sensitivity analysis

Interest rate

84 percent of the Group's total borrowings at the close of the reporting period comprise loans at floating interest rates. A +/- 0.5 percent change in interest rate of the annual average interest rate on these loans affects interest expense by +/- SEK 1.1 million.

Foreign currency

29 percent of the Group's earnings arise from foreign units, with 16 percent arising from units with EUR as the local currency and 8 percent with CHF as the local currency. A change in the average exchange rate of the Euro (EUR) for 2007 of +/- SEK 0.25 would have affected pre-tax earnings by +/- SEK 0.9 million, and a change in the average exchange rate of the Swiss franc (CHF) of +/- SEK 0.25 would have affected pre-tax earnings by +/- SEK 0.8 million.

28 Operating leases

Leasing agreements where the company is the lessee

Operating leases cover rental agreements for properties, leasing agreements for vehicles under which employees assume all the financial risks and benefits associated with the vehicles, and the lease of certain items of office equipment. Vehicles are generally leased for three years. The outstanding leasing stock is worth approximately SEK 27 million (SEK 23 million).

Non-revocable leasing payments are as follows

	Group		Parent company	
	2007	2006	2007	2006
Within one year	109,053	90,369	72,485	57,994
1-5 years	436,330	351,927	385,277	317,004
More than 5 years	458,912	413,299	457,524	397,608
	1,004,295	855,595	915,286	772,606

Leasing payments during the year

	Group		Parent company	
	2007	2006	2007	2006
Premises	102,174	123,832	60,194	55,897
Other	22,700	21,755	684	1,162
	124,874	145,587	60,878	57,059

29 Pledged assets, contingent liabilities and contingent assets

	Group		Parent company	
	2007	2006	2007	2006
Pledged assets				
<i>In the form of pledged assets for the Group's own liabilities and provisions</i>				
Property mortgages	41,485		—	—
Floating charges	132,755	101,100	—	—
Blocked bank accounts	38	36	—	—
Pledged assets, others	5,243	17,189	—	—
Total pledged assets	179,521	118,325	—	—
Contingent liabilities				
Guarantees, FPG/PRI	1,059	1,046	543	539
Other guarantees	—	3,801	—	—
Sureties given for the benefit of subsidiaries	—	—	140,372	120,347
Sureties given	159,003	81,942	—	—
Total contingent liabilities	160,062	86,789	140,915	120,886

Pledged assets have arisen in the Group in conjunction with the acquisition of companies during 2007.

The change in the value of sureties given by the parent company between the years refers primarily to an increase in the guarantees issued by the parent company.

Contingent assets

The Group does not anticipate that any contingent assets will arise.

30 Transactions with related parties

The parent company has a related party relationship with its subsidiaries, see Note 31.

Summary of related party transactions

Group

The term "related parties" in the Group refers primarily to Ångpanneföreningen's Foundation for Research and Development and associated companies. Transactions with these parties took place on market terms.

Related party relationships

	Year	Sale of services to related parties	Purchase of services from related parties	Liabilities to related parties: 31 Dec.	Receivables from related parties: 31 Dec.
Associated companies	2007	9,114	2,532	—	722
Associated companies	2006	10,503	20,789	187	1,148
Ångpanneföreningen's Foundation for R&D	2007	271	—	—	28
Ångpanneföreningen's Foundation for R&D	2006	485	—	—	22

During 2007, in addition to the above, the Group received grants from Ångpanneföreningen's Foundation for Research and Development amounting to SEK 1,914,000 (2006: SEK 2,321,000). These grants were for projects administered by the Group.

31 Group subsidiaries

Companies owned directly by the parent company

	Corporate ID	Reg'd office	2007			2006	
			Number of shares	Interest, percent ¹⁾	Carrying value	Interest, percent ¹⁾	Carrying value
ÅF-System AB	556092-4044	Stockholm	60,000	100	71,517	100	47,757
ÅF-Infrastruktur AB	556185-2103	Stockholm	1,000	100	258,507	100	135,643
ÅF-Consult AB	556101-7384	Stockholm	50,000	100	582,798	100	520,590
ÅF-Kontroll AB	556033-5977	Stockholm	20,000	100	73,923	100	43,899
ÅF AB	556158-1249	Stockholm	2,000	100	155	100	155
ÅF-Teknik & Miljö AB	556534-7423	Stockholm	3,076	100	10,494	100	10,494
ÅF-Engineering s r o	263 66 550	Czech Rep.	20,000	10	1,069	—	—
ÅF Brasil Consultoria Em Processos Industriais Ltda	08.164.752/0001-08	Brazil	10	1	—	—	—
					998,463		758,538

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

Specification of the change in carrying values during the year

	Parent company	
	2007	2006
Carrying value brought forward	758,538	—
Acquisitions	1,069	532,721
Shareholders' contributions	238,856	105,797
Disposals	—	-125,969
Value carried forward	998,463	512,549

For remuneration to senior executives, see Note 8.

The subsidiaries ÅF-CTS Oy and ÅF-Chleq Froté SA have been sold to the respective company management in accordance with the decision of an extraordinary general meeting of shareholders.

Related party relationships

Parent company

	Year	Sale of services to related parties	Purchase of services from related parties	Liabilities to related parties: 31 Dec.	Receivables from related parties: 31 Dec.
Subsidiaries	2007	126,409	11,572	77,880	687,292
Subsidiaries	2006	168,948	17,015	48,781	569,242
Associated companies	2007	781	—	—	60
Associated companies	2006	794	—	—	292
Ångpanneföreningen's Foundation for R&D	2007	271	—	—	28
Ångpanneföreningen's Foundation for R&D	2006	485	—	—	22

Note 31 continued

Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2007			2006	
			Number of shares	Interest, percent ¹⁾	Carrying value	Interest, percent ¹⁾	Carrying value
ÅF-System AB	556092-4044	Stockholm	60,000	100	71,517	100	47,757
Arjano Data AB	556257-0563	Stockholm	—	100	—	100	—
ÅF-Combra AB	556562-3245	Sollentuna	—	100	—	100	—
Combra Industriteknik AB	556498-6221	Sollentuna	—	100	—	100	—
Combra Systemutveckling AB	556498-6239	Sollentuna	—	100	—	100	—
Combra Syd AB	556662-7203	Lund	—	100	—	100	—
ÅF-Infrastruktur AB	556185-2103	Stockholm	1,000	100	258,507	100	135,643
SwedRail AB	556209-1644	Stockholm	—	100	—	100	—
ÅF-Installation AB	556070-5039	Stockholm	—	100	—	100	—
ÅF-Consult AS ²⁾	955 021 037	Norway	—	100	—	100	—
Geir Höiem AS	937 173 873	Norway	—	—	—	100	—
Benolund AS	977 263 425	Norway	—	100	—	—	—
ÅF-Funktionspartner AB	556099-8071	Malmö	—	100	—	100	—
ÅF-Infraplan AB	556345-9600	Umeå	—	100	—	100	—
ÅF-STIBI AB	556583-9973	Stockholm	—	100	—	100	—
ÅF-Ingemansson AB	556067-5067	Malmö	—	100	—	100	—
Brekke & Strand akustikk AS	959 138 923	Norway	—	100	—	100	—
Ingemansson Automotive AB	556555-2022	Malmö	—	100	—	100	—
Lekab i Dalarna AB	556142-1818	Orsa	—	100	—	100	—
JämtTeknik vid Storsjön AB	556601-0624	Östersund	—	100	—	100	—
Sidus Konsult AB	556371-7874	Stockholm	—	100	—	100	—
Elektrokonsult i Jönköping AB	556069-7103	Jönköping	—	100	—	100	—
ÅF-Hansen & Henneberg AS	13 59 08 85	Denmark	—	80	—	49	—
ECC Teknik AB	556446-9855	Falun	—	100	—	—	—
LHT Konsult AB	556209-3160	Uppsala	—	100	—	—	—
Ingenjörbyrån Elektrokonsult Civilingenjör Lars Svensson AB	556320-3602	Gothenburg	—	100	—	—	—
ÅF-Consult AB	556101-7384	Stockholm	50,000	100	582,798	100	520,590
ÅF-Chleq Froté S.A.	582 009 197	France	—	—	—	65	—
ÅF-Process GmbH	218 403 818	Germany	—	90	—	90	—
ÅF-Process b.v	09157996	Netherlands	—	100	—	—	—
ÅF-CTS Oy	0935556-1	Finland	—	—	—	100	—
ÅF-Energi & Miljö AB	556329-2159	Stockholm	—	100	—	100	—
Graphium Consult AB	556056-2018	Stockholm	—	100	—	100	—
Göteborg Energi International AB	556317-6014	Gothenburg	—	100	—	100	—
ÅF-Industri AB	556074-0416	Stockholm	—	—	—	100	—
ÅF-Industri & System AS	911 733 412	Norway	—	—	—	100	—
IMKAB-Industriell Miljökontroll AB	556525-6152	Enköping	—	—	—	100	—
A.B.I.K. Industrikonstruktioner i Floda AB	556228-2342	Gothenburg	—	—	—	100	—
ÅF-Proinstall Sp.z.o.o	0000252538	Poland	—	99	—	99	—

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

²⁾ The Norwegian company Ing. Kjell Adolfsen AS (corp. ID 976907981) acquired in 2007 was merged in 2007 with ÅF Consult AS.

Note 31 continued

Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2007			2006	
			Number of shares	Interest, percent ¹⁾	Carrying value	Interest, percent ¹⁾	Carrying value
ÅF Brasil Consultoria Em Processos Industriais Ltda	08.164.752/0001-08	Brazil	—	99	—	—	—
Colenco Power Engineering AG	CH400.3.924.101-4	Switzerland	—	100	—	—	—
International Power Design Ltd.	CH400.3.025.445-4	Switzerland	—	100	—	—	—
Colenco Italia S.r.l	MI-1808529	Italy	—	100	—	—	—
Colenco Engineering S.R.L.	17 669 779	Romania	—	51	—	—	—
Colenco Thailand Ltd.	3 011 879 733	Thailand	—	100	—	—	—
ÅF-Enprima Oy	18001896	Finland	—	100	—	100	—
LLC Enprima	1037800096641	Russia	—	100	—	100	—
AS Enprima Estivo	10 449 422	Estonia	—	100	—	100	—
UAB "Enprima"	300 544 325	Lithuania	—	100	—	100	—
Enprima Engineering Oy	18 001 896	Finland	—	100	—	100	—
Enprima Deutschland GmbH	24/388/00843	Germany	—	100	—	100	—
Fortum Engineering Romania S.r.l	R10224145	Romania	—	100	—	100	—
Fortum Engineering UK in liquidation	2 873 332	England	—	100	—	100	—
ÅF A/S	21 007 994	Denmark	—	100	—	100	—
Benima Finland Oy	0725503-0	Finland	—	100	—	100	—
Benima Norway AS	936 097 367	Norway	—	100	—	100	—
Benima AB	556212-3728	Möndal	—	100	—	100	—
Benima SydVäst AB	556224-8012	Möndal	—	100	—	100	—
Benima SydÖst AB	556443-6722	Kalmar	—	100	—	100	—
Benima Mellan AB	556366-5156	Stockholm	—	100	—	100	—
Benima Norr AB	556223-5621	Piteå	—	—	—	100	—
ÅF Engineering s.r.o	263 66 550	Czech Rep.	—	90	—	—	—
Cordinor Energi & Miljö AB	556344-7787	Luleå	—	100	—	—	—
OÜ Automaatika Inseneribüroo	11297301	Estonia	—	100	—	—	—
ÅF-Kontroll AB	556033-5977	Stockholm	20,000	100	73,923	100	43,899
ÅF AB	556158-1249	Stockholm	2,000	100	155	100	155
ÅF-Teknik & Miljö AB	556534-7423	Stockholm	3,076	100	10,494	100	10,494
ÅF Engineering s.r.o	263 66 550	Czech Rep.	20,000	10	1,069	—	—
ÅF Brasil Consultoria Em Processos Industriais Ltda	08.164.752/0001-08	Brazil	10	1	0	—	—
					998,463		758,538

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

32 Untaxed reserves

Parent company

Accumulated depreciation in excess of plan	2007	2006
Opening balance 1 January	—	479
Disposals and retirements, bldgs	—	—
Depreciation during the year, equipment & fittings	1,638	-479
Closing balance 31 December	1,638	—
Tax allocation reserves		
Tax allocation reserve, 2002	—	18,000
Tax allocation reserve, 2003	—	14,250
Tax allocation reserve, 2006	—	20,026
Tax allocation reserve, 2007	—	33,270
Closing balance 31 December	—	85,546
Total untaxed reserves	1,638	85,546

33 Cash flow statement

Interest paid and dividends received

	Group		Parent company	
	2007	2006	2007	2006
Dividends received	12	38	—	9,026
Interest received	13,291	7,357	27,519	15,696
Interest paid	-17,080	-19,080	-13,883	-15,991
	-3,777	-11,685	13,636	8,731

Adjustment for items not included in cash flow

	Group		Parent company	
	2007	2006	2007	2006
Depreciation/amortisation	48,827	51,433	4,370	7,971
Impairment/retirements	11,298	6,628	4,695	1,585
Results of disposals	—	-19,423	—	-3,357
Interest-bearing PRI liability	2,438	1,625	1,183	1,126
Other	11,041	-8,876	3,409	-985
	73,604	31,387	13,657	6,340

Transactions which do not lead to payments

	Group		Parent company	
	2007	2006	2007	2006
Acquisition of assets through financial lease	13,199	20,543	—	—
Conversion of convertible loan	46,075	—	46,075	—

Acquisition of subsidiaries and other business units

Group

Acquired assets and liabilities	2007	2006
Intangible assets	251,315	734,473
Tangible assets	110,293	12,166
Financial assets	6,528	8,186
Operating receivables	94,544	323,044
Cash and cash equivalents	113,580	177,190
Non-current provisions	-2,829	-2,149
Non-current interest-bearing liabilities	-41,846	-7,694
Deferred tax liabilities	-17,998	-5,554
Current interest-bearing liabilities	—	-1,935
Current operating liabilities	-70,526	-315,339
Minority interest previously acquired	-3,933	—
Total acquired net assets	439,128	922,388
Purchase price:	439,128	922,388
Deduct: New issue	-16,826	-155,554
Sales promissory notes	-84,240	-32,582
Purchase price paid	338,062	734,252
Deduct: Cash and cash equivalents in the acquired operation	113,580	177,190
Effect on cash and cash equivalents	-224,482	-557,062

34 Events after the accounting year-end

On 19 February ÅF acquired the consulting business Proplate IT with 22 members of staff in Karlstad, Örebro and Karlskoga (Sweden). Proplate IT is a well established consulting company which offers qualified IT services for Swedish industry. Proplate IT is to be consolidated into the ÅF Group with effect from 1 March 2008.

35 Critical estimates and assumptions

Key sources of estimation uncertainty

The Group makes estimates and assumptions about the future. By definition, the resulting accounting estimates will rarely correspond to the actual outcome. Estimates and judgements are reviewed regularly and are based on historical experience and other factors, including expectations of future events, which are considered reasonable under the circumstances.

Those estimates and assumptions which, if changed, could result in material adjustments to the carrying amounts of assets and liabilities during the coming financial year are presented below.

Impairment of goodwill

When calculating the recoverable amount of cash-generating units, a number of assumptions about future circumstances and estimates of parameters have been made. Changes to these assumptions and estimates could have an effect on the carrying amount of goodwill (see Note 13).

The forecasts of future cash flows used are based on the budget adopted by management for the coming year supplemented with a general assessment covering a further five years. The forecast cash flows have been based on an estimated annual growth rate of 2–3 percent. The forecast cash flows have been discounted to present value at a discount rate of 10 percent before tax.

The impairment test for the year did not give rise to any impairments.

A lower assumed rate of growth would result in a lower recoverable amount. The reverse applies if the calculation of the recoverable amount is based on a higher assumed growth rate. Were future cash flows to be discounted at a higher rate of interest, the recoverable amount would be lower, while the recoverable amount would be higher with a lower discount rate.

Retirement benefit obligations

The Group's net obligations under defined-benefit plans are calculated separately for each plan by estimating the future benefits earned by employees through their employment in prior periods. These benefits are discounted to present value. The calculation of the size of the Group's total retirement benefit obligations is based on a number of assumptions (see Note 22). The discount rate is the market yield at the end of the reporting period on government bonds with a maturity corresponding to that of the Group's estimated average retirement benefit obligations. The discount rate used is 4.7 percent. The calculations have been performed by a qualified actuary using the projected unit credit method. Were a lower discount rate to be used, the obligations would increase and have a negative effect on the Group's equity. The reverse applies if a higher discount rate is used.

Stage of completion of contracts

The percentage of completion method is applied to all assignments whose outcome can be measured reliably. The majority of assignments are performed on an open-account basis, and clients are normally invoiced one month after the work is carried out. Where assignments are carried out on a fixed-price basis, revenue is recognised in the income statement on the basis of the stage of completion at the end of the reporting period. The stage of completion is determined by having an assignment manager make an assessment of the amount of work that has been completed in relation to the amount of work still remaining. In the event of significant uncertainty about its value, no revenue is recognised.

36 Information about the parent company

AB Ångpanneföreningen is registered in Sweden as a joint-stock company. The parent company's shares are listed on the Stockholm stock market. The address to the company's registered office is Fleminggatan 7, Box 8133, SE-104 20 Stockholm, Sweden.

The Group consolidated accounts for the financial year 2007 comprise the accounts for the parent company and its subsidiaries, which together form "the Group". The Group also includes participations in associated companies.