

Ready to grow and build on a strong market position

The Infrastructure Division offers consulting services to develop and improve infrastructure in industry and society. The division consists of five business areas: Electrical Power Systems, Installations, Communications & Defence, Sound & Vibrations and Infrastructure Planning. Infrastructure accounts for 30 percent of ÄF Group sales.

Infrastructure

The division attracts clients among network owners and operators in the electric power and telecom sectors, local authorities, industrial companies, property companies, publicly owned companies and the defence sector. The division's domestic market is Sweden, Norway and Denmark, but assignments are carried out all over the world.

The Infrastructure Division is a leading name in the market, with all five business areas enjoying a position as number one or two

in their respective areas of expertise. Profitability, too, is good, drawing upon factors such as proximity to clients, an organisation that is well matched in size to the demands of the division's assignments, and high levels of expertise and experience among a well educated workforce.

The division is looking to expand, both organically and via strategic acquisitions. The potential for growth is greatest in Norway and Denmark, while Poland is one market under consideration for a new establishment. One of the sectors where the division sees a clear potential for growth is building and improving roads.

The division currently employs just under 1,200 members of staff, who work from around 40 offices in Sweden, four in Norway and two in Denmark.

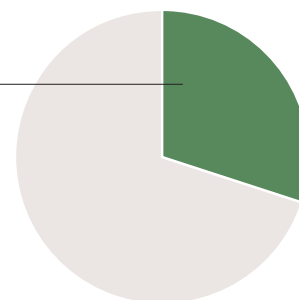
Offer – breadth backed up by substantial resources

Infrastructure is organised into five business areas: Electrical Power Systems, Installations, Communications & Defence, Sound & Vibrations and Infrastructure Planning. Through these the division offers a broad spectrum of services, from strategic studies and project engineering to large, complex, full-service undertak-

Key figures	2007	2006	Proforma 2006
Net sales (in millions of SEK)	1,208	994	1,038
Operating profit (in millions of SEK)	119.4	80.1	82.7
Operating margin, percent	9.9	8.1	8.0
Share of Group sales, percent	30	32	29
Number of co-workers (FTEs)	1,107	946	992
Operating profit/FTE (in thousands of SEK)	108	85	83

Proforma values indicate what the key figures would have been if the companies Ingemansson Technology and JämtTeknik that were acquired in 2006 had been consolidated into the Infrastructure Division throughout the whole of 2006.

Share of sales
Infrastructure 30 %



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ings that require a combination of technical, financial, environmental and maintenance expertise.

In the field of Electrical Power Systems, the division works chiefly with major operators and network owners, but also has clients in heavy industry, who are major consumers of electricity and have much to gain by adopting new technology to make their operations more energy efficient.

ÅF is Sweden's largest installations consultant, and the Installations business area employs about half of the division's resources to serve large numbers of clients in Sweden and Norway, primarily property owners and regional and municipal authorities. Typical projects include technically sophisticated construction and modernisation projects for commercial, industrial and public-sector premises. The business area also offers full-service concepts that give clients excellent control over both functionality and costs throughout the entire life cycle of an investment. Areas of expertise include heating, ventilation, cooling, sanitation, electrics, telecommunications, fire and safety, energy-efficiency audits, inspections, training, creating applications for new technical solutions, and various types of environmental services.

For assignments in Communications & Defence the division offers consulting services in fixed and mobile telephony, maintenance technology and intelligent logistics support (ILS). Clients are operators, network owners and principals with links to the defence industry, and assignments are split roughly 50/50 between the civilian and defence sectors. Maintenance technology is a new and expanding area of expertise, as clients increasingly seek to reduce their operating and maintenance costs.

Sound & Vibrations is a new business area in the Infrastructure Division that has evolved from the acquisition of the market leader in the area of acoustics and vibrations, Ingemansson Technology,

in 2006. Demand for sound-related services – ranging from improving residential and working environments and carrying out noise surveys of outdoor environments to optimising product characteristics with regard to sound and vibrations – is rising in an increasing number of projects and operations.

The Infrastructure Planning business area concentrates mostly on services within urban and rural planning, rail traffic, wind power and public transport. The business area enjoys a very strong position in all these areas in the market, which has helped to secure a number of large and prestigious assignments in rail engineering and the wind-power sector.

Clients – diversity minimises sensitivity to economic cycles

The client structure is diverse and reflects the market in each of the various business areas: for example, Installations has a rela-

“Success factors include proximity to clients, an organisation well matched in size to the demands of the division’s assignments, and high levels of expertise and experience among a well educated workforce.”

tively large number of clients, whereas Infrastructure Planning's clients are fewer in number, but greater in size. 60 percent of the division's sales originate in the public sector and 40 percent derive from privately owned companies.

As the need to develop and improve infrastructure is ongoing, the division is relatively unaffected by the ups and downs of the economic cycle. Moreover, the investment horizon for many projects extends far beyond a single economic cycle, while other projects are driven by demands for energy and environmental adaptations that must be met within a certain time.

In addition, new business models and new models for financing are reducing the sector's dependence on grants and subsidies, and enabling risk to be shared among a greater number of stakeholders: this, too, makes for longer-term undertakings that are less sensitive to economic cycles.

Among the division's major clients are the National Swedish Rail Administration (Banverket), Stockholm's regional transport authority (SL), the Swedish Defence Materiel Administration (FMV), Diligentia, Fortum, Skanska, the Västfastigheter property management company, and local and regional government.

2007 in brief – growth and prestige projects

Business continued to develop positively in Norway, where the division won a relatively large installations contract from Stavanger Concert Hall during the first quarter.

In Denmark the division expanded by increasing its stake in the Danish technical consulting company Hansen & Henneberg from 49 to 80 percent. The agreement also includes an option to acquire the remaining shares. Hansen & Henneberg brings to the division qualified technical expertise in the areas of lighting systems, traffic control and electrical engineering.

In the second quarter the division was commissioned to carry out two noise surveys for the Swedish Road Administration and the Municipality of Norrköping respectively.

Another assignment was the project engineering of electrical and HVAC and sanitation installations for the Psychiatric Unit at Uppsala University Hospital.

At the end of the second quarter, the division won a commission to plan key aspects of the projected Citybanan rail link in Stockholm in an assignment estimated to be worth around SEK 200 million to ÅF.

Also during the year eleven consultants were officially certified as energy experts.

Market and trends – continued strength and consolidation

Demand for the division's services was strong in 2007 in all business areas and is expected to remain so throughout 2008. Many future projects will focus on energy and environmental improvements and efficiency gains. Demand is also strong with regard to investments in the Swedish road and rail networks, where ÅF has important undertakings relating to both the City Tunnel project in Malmö and the Citybanan rail link in Stockholm. In installations demand is driven by the enduring boom in the construction and property markets and by the steady increase in interest for consulting services in energy-efficiency. Wind power is another sector where demand is expected to remain very good.

One clear trend is towards ever larger projects. One effect of this is to reduce the number of players and to increase the scope of their undertakings. This process of consolidation is expected to continue, and Infrastructure is firmly committed to playing a leading role in this development

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Goals and strategies for the Infrastructure Division

Åke Rosenius, Divisional President, speaks about the challenges and opportunities ahead

What are the most important goals for the Infrastructure Division?

“Our overriding ambition is to continue to develop the business concept. Our working methods and key figures are already in good shape, and to steer us in our day-to-day work, we have set ourselves detailed targets with regard to quality and profits. As far as the future is concerned, we have some crucially important development work ahead of us: we need to advance our positions even further and to take the step from being a traditional consultant to becoming progressively more of a strategic business partner for our clients. That means adopting new ways of thinking, but we can see enormous potential in this – for our clients and ourselves alike.”

Where will the focus lie in 2008?

“We are constantly engaged in learning how to become even better at exploiting ÅF’s structural capital at the same time as we ensure that projects stay within budget and schedule and meet the quality criteria. This is a cornerstone of our business. To increase the degree of partnership with our clients, we are looking at the possibility of creating incentive structures to pave the way for a more lasting sense of involvement, where both parties benefit from the enduring value of what we create rather than, as is so often the case today, simply negotiating the lowest possible price. For this reason we are looking for long-term undertakings where we can partner our clients throughout the entire duration of the project and where we shoulder a greater responsibility for the full life cycle of the projects, from initial idea to ongoing administration and management. That way both we and our clients have a mutual interest in the targets we set. And finally, as far as strategic acquisitions are concerned, these too will be considered – providing that they complement and reinforce our existing business.”

“Huge efforts will be needed to transform our society into one that forestalls global warming. We have the competence to meet tomorrow’s challenges.”

Åke Rosenius, Divisional President



I N F R A



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The world's **biggest** **land-based** **wind farm**

“There is a huge demand for energy that does not affect our climate. In 2005 ÄF was commissioned by Markbygden Vind (a subsidiary to Svevind Holding AB) to investigate and report on the potential of a site for a large-scale wind farm in the municipality of Piteå. A 500 sq.km. section of countryside has been earmarked for this development in an area where the wind conditions are very favourable. Planning permission has already been granted for an initial pilot project comprising twelve wind turbines that represent an investment of approximately SEK 500 million.

Full-scale implementation would probably mean that the project would be the world's largest land-based wind farm, with between 800 and 1,200 turbines and an investment cost of SEK 40–50 billion. The total amount of energy generated would be around 12 billion kWh, which is approx-

imately twice that generated by hydropower along the River Skellefteälven or the same as that produced by two nuclear power plants. The project calls for close liaison between different areas of expertise within ÄF and with the local and regional authorities and the government ministries concerned. The need for infrastructure planning is extensive: disruptions to local historical and cultural environments and, not least, to people living close to the wind farm must be minimised, and an extensive network of access roads must be built. If the project is realised, the wind farm should be completed around 2020.”

**Stellan Lundberg, Business Area Manager,
Infrastructure Division**