

Rapidly growing top-flight consultant in energy and pulp & paper

The Process Division offers technical consulting services for clients in the energy sector and process industries, chiefly in the pulp & paper industry. Acquisitions in 2007 strengthened the division's energy consulting business substantially, making ÅF one of the largest European consultants in its sphere and a world leader in the field of nuclear power. Consulting activities in pulp & paper extend worldwide. The Process Division accounts for 24 percent of ÅF Group sales.

Key figures	2007	2006	Proforma	Proforma
			2007	2006
Net sales (in millions of SEK)	975	1,092	1,133	915
Operating profit (in millions of SEK)	67.5	9.8	84.5	-6.3
Operating margin, percent	6.9	0.9	7.5	-0.7
Share of Group sales, percent	24	35	28	26
Number of co-workers (FTEs)	752	1,023	872	855
Operating profit/FTE (in thousands of SEK)	90	10	97	-7

Proforma 2007 values indicate what the key figures would have been if the Colenco company that was acquired in 2007 had been consolidated into the Process Division throughout the whole of the year.

Proforma 2006 values indicate what the key figures would have been if the Enprima Group that was acquired in 2006 had been consolidated into the Process Division throughout the whole of the year, and excluding the mechanical engineering operations transferred to the Engineering Division in 2007.

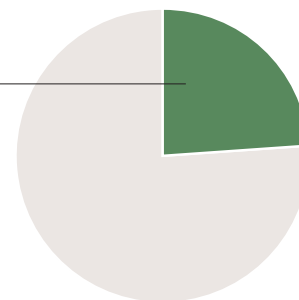
Process – realignment and strong growth in energy

2007 saw the realignment of business in the Process Division, with a new organisation that focuses on two markets: the energy sector and pulp & paper industry. The division's most important asset is the breadth of its experience in technical consulting assignments and its capacity to deal with complex projects. Operations are international in scope at the same time as they have strong local roots.

In the energy sector, the division is a market leader in Sweden, Finland, Switzerland and the Baltic states, and business is growing rapidly in Russia and South-East Asia. The acquisition of the Swiss energy consultant Colenco has substantially reinforced the division's position in Europe and South-East Asia, particularly in the areas of nuclear power and hydropower. Today ÅF is one of the largest independent international companies in energy consulting and enjoys a position as a world leader in nuclear power.

Share of sales

Process, 24 %



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The division is one of Europe's leading consultants in the field of conventional power generation and has secured a strong position in renewable energy, where it is the number one name in consulting for biofuel power plants in Sweden, Finland and the Baltic region.

In the pulp & paper industry, which for the most part consists of global players, the division is among the world's top five technical consulting companies. Process Division consultants are currently involved in major projects in Europe, South Africa and Asia.

In terms of revenues, approximately 20 percent of business derives from projects in Sweden, while there is a 75:25 percent ratio between energy and pulp & paper assignments.

The division has around 30 offices in 20 countries, a total of approximately 800 permanent employees and more than 100 others who are currently employed on fixed-term contracts to work on special projects. Projects are currently being carried out in more than 50 countries. The greater part of the division's resources are concentrated in Finland, Sweden and Switzerland. 25 percent of the workforce is based in Sweden.

Offer – consulting services for the entire investment phase

In the energy sector clients' needs include project engineering services for new power plants, the upgrading of existing facilities and help with environmental adaptation. Pulp & paper industry clients, for example, may commission the Process Division to plan new production lines or to make more efficient use of existing production lines.

The division offers consulting services for the entire life cycle of an investment: analyses and feasibility studies in the early phases, pre-engineering and engineering once a decision to

invest has been taken, and overall project management on behalf of the client during the implementation phase, which can include services such as project control, the basic design of process solutions, procurement negotiations, design review, manufacturing inspections, installations inspections and functionality testing. During the life cycle of the plant the division can assist with a number of services from trouble-shooting to maintenance planning. The division also offers consulting services that are not directly linked to investment projects, such as investigations, environmental reviews, safety studies, and capacity-expansion programmes.

Clients – big projects, long-term relationships

Clients are industrial companies, private and publicly owned energy companies, banks, investment companies, public institutions and aid organisations. Investments are often large-scale and extend over many years, and as the Process Division is involved in these projects from an early stage, it is natural for relationships

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with the client to be both close and long-term. The division enjoys a good reputation among its clients, and cooperation is characterised by a sense of partnership. The division always scores well in the regular customer surveys that are carried out.

The division's biggest clients in the energy sector include Atel, Fortum, TVO, Eesti Energia, Russian energy companies, Suez and power companies in South- and South-East Asia.

Major clients in the pulp & paper industry are Holmen, EMCE, Mercer, Mondi, Portucel, Sappi and Stora Enso.

2007 – realignment, expansion and new assignments

The past year saw the completion of work to realign the division's business operations. The division's own mechanical construction and design operations were, in part, transferred to the Engineering Division and, in part, sold off. Part of the Finnish subsidiary ÅF-CTS Oy and the French subsidiary ÅF-Chleq Froté were sold to the respective company's management teams.

In the third quarter ÅF acquired all the shares in the Swiss energy consulting company Colenco with 250 employees in Europe and Asia and ongoing projects in the company's focus

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areas of nuclear power, hydropower, electrical networks and conventional power plants.

A South American subsidiary was set up during the year to reinforce the division's local platform in the pulp & paper industry.

Thanks to a large order intake in 2007, the division's order books have never been fuller. Over the past year the division has won major consulting contracts for, for example, a new district-heating plant and a new peat and biofuel-fired heating plant in Finland, a new heating facility in Tartu, Estonia, and a project management assignment at the Illisu hydroelectric power complex in Turkey.

Market and trends – very promising prospects in energy

In 2007 the market was very strong in all energy-related areas, particularly in renewable energy and nuclear power. The situation is expected to remain much the same as the global energy shortage creates huge needs for investment.

In the pulp & paper industry demand was high with regard to chemical pulp projects in 2007 and this trend is expected to continue. Economic expansion in Asia is generating local investments in pulp & paper, while the relatively low costs of raw materials in South America are attracting investors to build new pulp and paper mills there. Growth in Europe remains modest by contrast, where investments relate primarily to environmental improvements and the rationalisation of existing facilities.

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Goals and strategies for the Process Division

Eero Auranne, Divisional President, speaks about what lies ahead

What are the most important goals for the Process Division?

“On the whole we have our sights set on becoming the market leader in those markets where we have established a presence. We will give priority to markets and clients with the potential for growth. Now that we have focused operations on the energy market and the pulp & paper industry, we have two important goals before us: to re-establish profitability in our operations in the pulp & paper sector and, on the energy side, to manage our very large stock of orders in the best possible way so that we can continue to grow while maintaining good levels of profitability both for ourselves and for our clients.”

Where will the focus lie in 2008?

“Prices for technical consulting services have been under severe pressure on almost all of our markets. In view of the high rates of utilisation, especially on the energy side, I think that prices will even out as resources are attracted to the markets that generate the best earnings. Another consequence of the strong growth in the energy sector is that we will need to recruit even more talented and experienced engineers. As far as energy is concerned, I see especially good opportunities for growth on our domestic market and in Russia and South-East Asia. With regard to our acquisitions strategy, we may well be involved in further takeovers of energy consulting businesses as we seek to take an active role in the ongoing process of consolidation in the industry.”

“In 2007 our stock of orders broke all records. Now the focus is on delivering high quality solutions with good levels of profitability both for ourselves and our clients.”

Eero Auranne, Divisional President



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Iventus
INTERNATIONAL

SVENSK/RYSK
ORDBOK

SVENSK-
KROATISKT
LEXIKON

ŠVEDSKO
HRVATSKI

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Gas-fired power plant with cultural challenges

“The Croatian state-owned power utility Hrvatska Elektroprivreda (HEP) wanted to offset the purchase of Russian power plant equipment for a new, gas-fired power plant in Croatia against the erstwhile Soviet regime’s outstanding debts to former Yugoslavia. HEP was familiar with ÅF’s skills following the successful planning and construction of a power plant in St Petersburg. In 2003 HEP commissioned ÅF to develop a state-of-the-art gas-fired power plant in Croatia based mainly on Russian equipment. Since then, ÅF has liaised closely with HEP on technical design reviews and technical and commercial negotiations with the Russian contractor Teknopromexport, who has designed

and delivered the plant on a turnkey basis. For ÅF the project also included the development of advanced financing and debt-refund solutions between Croatia and Russia. The project presented a major multicultural challenge. On occasions meetings included more than 25 negotiators working through interpreters. ÅF continues to provide Owner’s Engineer services for the power plant that is scheduled for completion in 2010.”

Ilkka Huttunen, Senior Advisor, Process Division