Annual Report 2007

Innovation by experience

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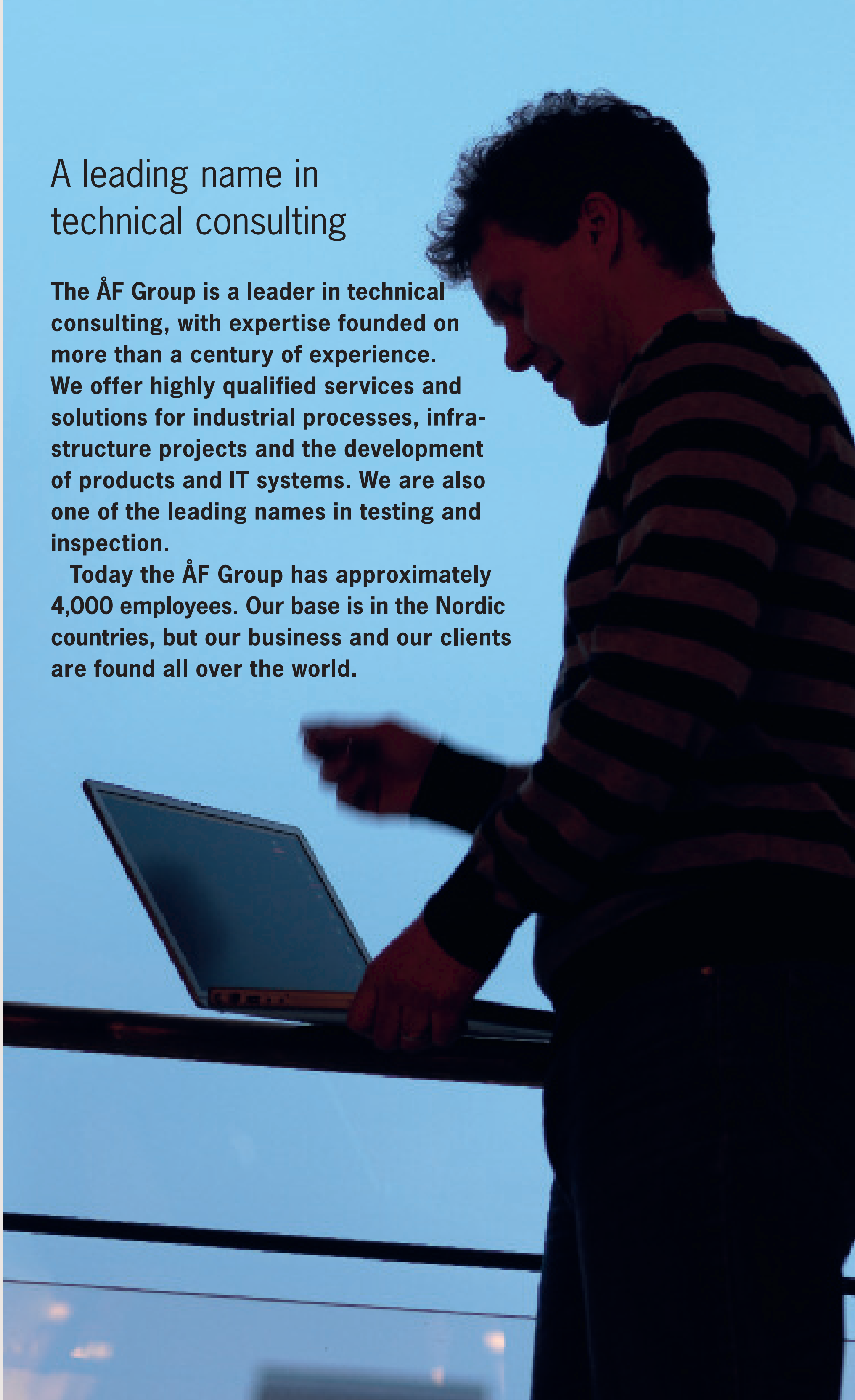


A leading name in technical consulting

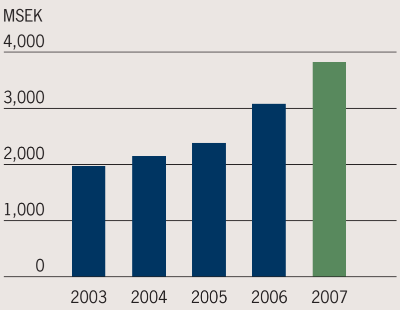
The ÅF Group is a leader in technical consulting, with expertise founded on more than a century of experience. We offer highly qualified services and solutions for industrial processes, infrastructure projects and the development of products and IT systems. We are also one of the leading names in testing and inspection.

Today the ÅF Group has approximately 4,000 employees. Our base is in the Nordic countries, but our business and our clients are found all over the world.

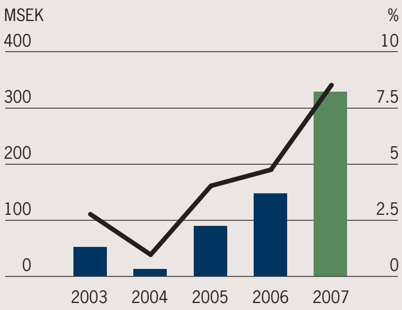
The year at a glance

- Net sales totalled SEK 3,862 million (2006: SEK 3,114 million)
- Operating profit excl. other operating income totalled SEK 331 million (SEK 148 million)
- Profit after tax amounted to SEK 220 million (SEK 108 million)
- Earnings per share before dilution: SEK 13.15 (SEK 7.38)
- Objectives for 2008:
  – to continue to show improvements in earnings and margins and to grow more quickly than the market as a whole
  (Swedish Association of Architects and Consulting Engineers STD index)
  – expansion will take place primarily in the Nordic countries, Eastern Europe and Russia.

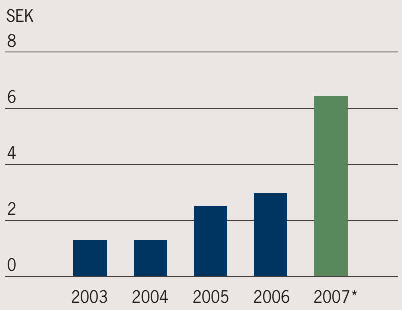
Group net sales, (in millions of SEK)



Group operating profit and operating margin



Dividend per share



* Proposed dividend

ÅF at a glance

Division **ÅF offices**

Engineering

Consulting services for industrial projects in the fields of industrial IT, electrical engineering and automation, mechanical engineering and pipe design, and combinations of these. Assignments are carried out both as competence development projects for our clients or as full-service undertakings for a complete delivery or function.

Infrastructure

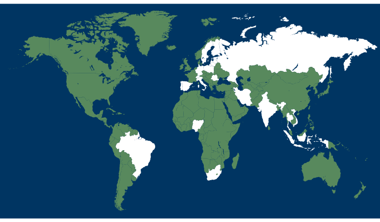
Consulting services for developing and improving infrastructure in the five business areas: Electrical Power Systems, Installations, Communications & Defence, Sound & Vibrations, and Infrastructure Planning.

Inspection

Services relating primarily to third-party inspection, testing and certification, but also a number of supplementary services such as calibration, training, risk analysis, CE marking and the implementation of various EU directives.

Process

Consulting services chiefly in the fields of energy and the environment, and in the pulp & paper industry.



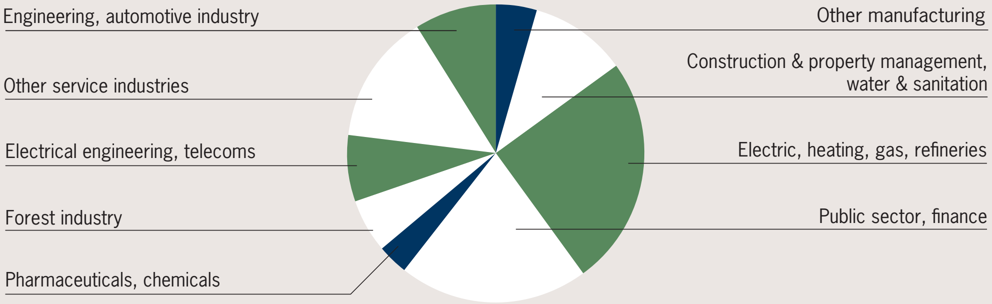
Systems

ÅF's IT consulting services, focusing on product development and high-tech IT applications. Assignments include both one-off projects and full-service solutions, from initial idea and concept development to implementation, testing and product care.

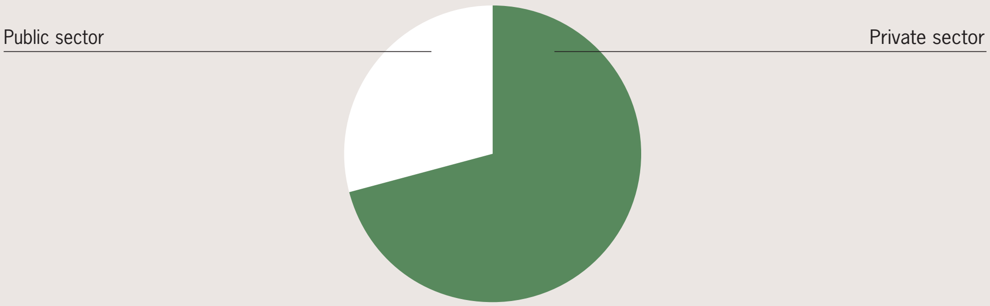
Clients	Operating income	Operating profit	Employees (FTE's)	Operating profit per FTE
• All sectors of industry, primarily manufacturing industries	28 % MSEK 1,110	29 % MSEK 105.6	30 % 1,068	SEK 99,000
• State-controlled authorities and government offices • Swedish Armed Forces • Telecom operators and network owners • Industry • Property owners and property management bodies	30 % MSEK 1,208	32 % MSEK 119.4	31 % 1,107	SEK 108,000
• All industries and sectors	7 % MSEK 270	11 % MSEK 41.4	7 % 257	SEK 161,000
• Power industry and energy companies • Trade organisations • Aid and development organisations • Pulp & paper industry	24 % MSEK 975	18 % MSEK 67.5	21 % 752	SEK 90,000
• Telecommunications • Motor industry • Medical technology • Defence industry • Engineering industry	11 % MSEK 433	10 % MSEK 36.5	11 % 379	SEK 96,000
Total, all divisions	**MSEK 3,995**	**MSEK 370.4**	**3 563**	**SEK 104,000**
Other/Eliminations	**MSEK –133**	**MSEK –38.5**	**60**	**—**
Total including eliminations	**MSEK 3,862**	**MSEK 331.9**	**3 623**	**SEK 92,000**

Divisional share of Group totals for 2007 (in percent).

Business areas – share of Group sales 2007



Client base – sales by customer segment 2007



Financial summary

	2007	2006
Net sales, in millions of SEK (MSEK)	3,861.6	3,113.6
Operating profit excluding other operating income, MSEK	331.2	148.4
Operating margin excluding other operating income, percent	8.6	4.8
Capacity utilisation, percent	75.1	72.9
Profit after net financial items, MSEK	322.1	157.9
Profit margin, percent	8.3	5.0
Co-workers (FTE's)	3,623	3,167
Equity per share, SEK	78.8	67.1
Equity/assets ratio, percent	47.9	47.5
Return on equity, percent	18.1	12.9
Earnings per share after tax, SEK	13.15	7.38
Dividend per share, SEK	6.50*	3.00

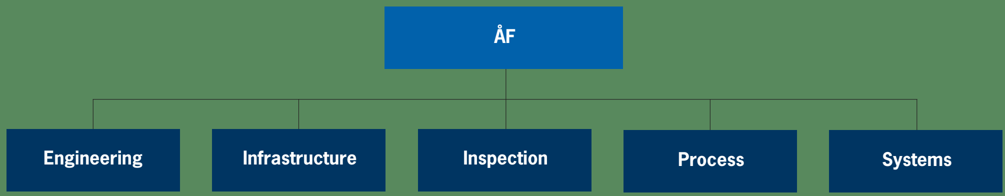
*Proposed dividend

Organisation

The ÅF Group is an international technical consulting company with the Nordic countries, the Baltic countries and Switzerland as its domestic market. A local presence among clients and in the labour market is essential for success. For that reason ÅF has more than 90 of its own offices in some 20 countries.

ÅF's organisation and management is characterised by a decentralised structure which contributes to quick decision-making processes.

ÅF consists of five divisions: Engineering, Infrastructure, Inspection, Process and Systems. The divisions are based on the requirements of our clients as reflected in our own spectrum of skills.



A brief historical summary

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

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

Today AB Ångpanneföreningen, which has been listed on the Stockholm Stock Exchange since January 1986, is one of Europe's largest technical consulting companies.

Profitable growth and international expansion

Jonas Wiström is the President and CEO of ÅF. Below he sums up a strong 2007, outlines some current projects and reports on ÅF's international growth in the expansive energy and environment sectors.

Jonas Wiström, last year you predicted that all ÅF's divisions would report improved earnings in 2007. Were you right?
"For 2007 we reported an operating profit of SEK 332 million compared to SEK 168 million in 2006. All divisions reported a better or significantly better result, not only compared to the year before, but also in comparison with the industry as a whole. At the same time we continued to grow strongly, appearing during the year in *Business Week's* list of the 500 fastest growing companies in Europe.

"The Engineering Division witnessed particularly high levels of activity. In January, for example, we acquired Automaatika in Estonia, which offers consulting service for automatic solutions for industrial processes. In our Infrastructure Division business is developing steadily on the back of a major contract for the Citybanan rail project in Stockholm and thanks, too, to significantly improved profitability in Norway. For the Process Division, the takeover of the Swiss energy consultant Colenco with 250 members of staff has considerably strengthened the division's offer to the energy market: 80 percent of the Process Division's sales are now generated outside Sweden, and today ÅF is the world's largest independent consulting company to the nuclear power sector. The Inspection Division consolidated its market position significantly through organic growth, with good progress in the nuclear power segment being particularly noticeable. And, for the Systems Division, 2007 saw a continued steep rise in organic growth, underpinned by a steady improvement in earnings."

What does expansion mean for the ÅF brand?
"At a time of rapid growth it is important to take measures to safeguard the good reputation of ÅF. Our clients continue to give us very high marks in market surveys, and our brand, too, is becoming stronger all the time. Early in 2007 we recruited Susanna Kallur, one of the top athletes in the world, to our Corporate Information team, and this attracted a lot of positive attention. Like her ÅF colleagues, Susanna has an indomitable winning instinct and is passionate about environmental issues. There was a tremendous upsurge of interest in the environment and energy issues in 2007, and I must say that ÅF is very well placed to take full advantage of this in the years to come."

What are the most immediate challenges facing ÅF?
"We need to grow while still maintaining good levels of profitability. That means our greatest challenge is to develop the most valuable of all ÅF's assets – its co-workers. 2007 saw the start of a new educational initiative, the ÅF Academy, which will be holding a large number of courses in 2008. Many consultants, will be trained as certified project leaders in accordance with the European IPMA standard. We are also determined to recruit even more co-workers with the right skills, experience and motivation. At the end of 2007 we had a workforce of 4,000, but the target is to increase this to 5,000 by 2010.

"As far as investments in the market are concerned, our priorities are to grow our business in the infrastructure and energy sectors. Russia is just one example of the enormous potential in these spheres.

"Another constant challenge is to continue to develop the 'One ÅF' concept – our decentralised, business-oriented internal networking structure."

What about future expansion?
"Our aims in this regard are clear. We have set ourselves the target of averaging annual growth of 15 percent over a period of time – half organic and half via acquisitions. In practice this means that growth is greater some years than others. The board and senior management have also resolved that ÅF will have net debt, with a gearing ratio that doesn't exceed 40 percent of equity. This, together with a strong cash flow, gives us the financial muscle we need to make further acquisitions."

What is your opinion of the prospects in the market?
"They continue to look good. Of course, we need to realise that the situation can change quickly as a result of turbulence on the financial markets. But the fact is that today our expertise is in demand across more of the world than ever before. Globalisation continues to drive developments and we can see clear evidence of increases in investments in Europe that are a direct consequence of the progress that is being made in India, China and South-East Asia. ÅF's international strategy is clear: we are committed to becoming number one or two in the markets where we are most active. This will enable us to complement a broad portfolio of services on our domestic markets in the Nordic countries, the Baltic region and Switzerland, with global cutting-edge skills within certain selected areas."

How would you sum up the current situation?
"First of all I would like to thank our clients for the confidence they have shown in us. I would also like to emphasise just how much we have strengthened our offer right across the board, particularly in the energy sector. The bigger we become, the more synergies we can benefit from and the stronger we can make our offer to our clients. Today ÅF is a more cost-effective organisation than it has ever been. And that benefits our clients at least as much as it benefits us.

"To our shareholders I would say that we are proud of what we have achieved so far – but we're not satisfied yet! We still have the potential to improve earnings even more.

"And finally, I would like to offer my sincere thanks to all our co-workers for their outstanding efforts during the year. I can promise that the future will be every bit as exciting – and at least as much fun!"

Stockholm, February 2008

Jonas Wiström
President and CEO

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

The hallmarks of the ÅF Group are:

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

MISSION

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

ÅF makes its clients' businesses more profitable, safer and better adapted to environmental sustainability. In fact, ÅF does much more – but this is our main task. Every day.

Experience, a passion for innovation and a thorough understanding of each client's business enables ÅF to determine the best solution in each individual instance. ÅF has expanded and diversified together with industry, which is one reason why it shares its clients' values.

The solution ÅF delivers is not always the most technically sophisticated – but it's the best! ÅF never experiments with its clients or their businesses, especially when their interests are best served by tried and tested technology.

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

Growth:
ÅF sales will rise to SEK 5 billion by 2010

Focus:
ÅF will be number one or two in the fields within which the company is active.

VISION

Development:
In concrete terms the ÅF vision means building customer relations founded on value added.

The time ÅF devotes to an assignment is important; but more important still is the value this represents to the client. By always focusing on the value it adds, ÅF works more effectively and with greater commercial appeal.

This is what makes ÅF stand out from the crowd. ÅF is a partner that is driven to exceed expectations. Clients and ÅF alike share a common interest in staying within or below the agreed cost of an assignment, as value added is of importance to both parties.

It is ÅF's conviction that productivity – and, by extension, profitability for its clients – can be significantly improved by doing more business on a fixed-price basis. The aim is to do the job at the lowest possible price in the shortest possible time. By calculating costs correctly and working within the parameters established, ÅF can create confidence and the right expectations among clients.

Growth:
ÅF is proud to be one of the leading technical consulting companies in the Nortic countries with an unparalleled track record of experience. It is important for us to maintain this initiative. And expansion is one way to do this.

ÅF is committed to growth, both organically and through takeovers. We acquire a majority share in the companies we take over and are careful to ensure that every acquisition can make a positive contribution to the profitability and culture of ÅF.

By 2010 the target is for the ÅF Group to have sales of SEK 5 billion. Or more! To do this, we must increase our rate of growth.

Focus:
ÅF is committed to becoming number one or two in size in each market where it chooses to establish operations. This will give improved access to assignments by ensuring that ÅF is perceived as a consulting company in the foremost rank of the industry.

Mission, Vision, Objectives and Strategies

Strategies:

Operations will be decentralised

- under one and the same brand,
- with common processes and systems,
- with shared values and a common corporate culture in order to concert efforts and fully exploit the potential of all the experience that is represented within the ÅF Group.

One ÅF

One ÅF is a huge, shared bank of knowledge available to all ÅF co-workers. One ÅF extends to both technical and cultural aspects of ÅF operations, enabling us to solve clients' problems more quickly by referring whenever possible to similar assignments previously carried out within the Group. One ÅF is a common workplace where co-workers are encouraged to change jobs within the Group. One ÅF is a joint sale organisation where the entire portfolio of ÅF's services is made available to every client. And, last but not least, One ÅF is the firm base for the corporate culture and shared values of ÅF.

Acquisitions strategy

ÅF's acquisitions policy is based on the above, and every effort will be made to develop the business when the right opportunities arise. However, expansion will not take place at the expense of profitability.

Business support and shared processes

Business support system

ÅF is constantly developing its consulting business and its capacity to carry out assignments in the best possible way. The ambition is to assure successful, sustainable, long-term development for both clients and ÅF.

Long-term objectives

Financial objectives

ÅF shall be the most profitable company among its closest comparable competitors in the industry and achieve an operating margin (EBIT) of at least 10 percent over a business cycle.

ÅF shall have net debt. Net indebtedness shall not exceed 40 percent of equity.

Growth objective

Sales of SEK 5 billion by 2010.

Market objective

Customer surveys to show that at least 90 percent of clients are satisfied with the service ÅF provides.

Human resources objectives

Better balance in the gender ratio. An initial target is for at least 20 percent of consultants to be women.

Staff turnover to be 7–13 percent.

All employees (with at least one year's service) to take part in a personal development interview each year.

Environmental objectives

Since autumn 2005 ÅF has two environmental targets, one for resource management in client assignments and one for travel. See pages 21–23 for details.

One example of this is the introduction of the ÅF Business Support System, a central operational control system that makes ÅF's business operations considerably more cost-effective at the same time as it assures the quality and consistency of the company's approach. Work started in 2007 to change the IT platform for the business system. The new platform will be accessible for all ÅF co-workers regardless of the country in which they are working and whether they are connected to the ÅF intranet or the Internet.

The system enables ÅF management to control and support operations and meet the criteria for certification for environmental and quality management in accordance with ISO 14001:2004 and ISO 9001: 2000.

Pooling knowledge, methods and skills in this way and making information more easily accessible improves opportunities for securing and succeeding in more advanced assignments and conventional projects alike. It helps ÅF to make full use of its size and breadth of experience. The system also supports a methodical approach by gathering tools and assignments in one place in a common structure supported by document management functions. The system's search functions enable the best ideas to be "recycled" and provide easy access to ÅF's structural capital and references.

The system also serves as a guide for ÅF employees, regardless of their assignment, position or geographical location. Here best practice routines at ÅF are described from start to finish, complemented by tools such as checklists, templates, guidelines and forms. The system, which also contains descriptions of Group policy on a variety of issues, is adapted to assignments and available via Internet.

Personnel administration system

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

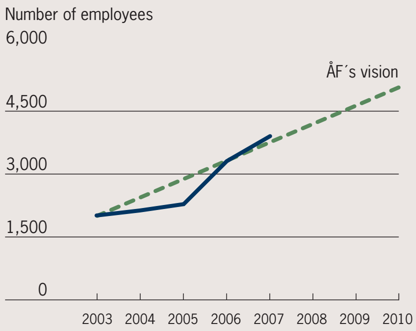
IT support

Since February 2007 ÅF's central IT operations have been outsourced to an external supplier. This not only reduces ÅF's costs, but also provides access to all the experience and expertise of a big-name IT partner with stringent criteria in matters of IT security.

EUROPE'S 500 CHAMPION OF GROWTH 2007

ÅF emerged as one of the 500 fastest growing companies in Europe in 2007. The winners are chosen each year by the trade journal Business Week in collaboration with the organisation, Europe's Entrepreneurs for Growth. ÅF was ranked 171 overall, and 13 in Sweden.

Growth target (in millions of SEK)



At the end of 2007 ÅF had approximately 4,000 employees. The aim is to increase this number to 5,000 by 2010.

The market and the world around us

ÅF's services – a summary

Each year ÅF carries out around 57,000 assignments for some 21,000 clients. Projects vary in duration from just a few hours to over 200,000 hours commanding contract fees of from just a few thousand kronor to as much as SEK 200 million.

ÅF works with technical consulting for industry (approximately 70 percent of revenue) and infrastructure projects (approximately 30 percent).

ÅF works with both process and manufacturing industries throughout the entire chain from product development (Systems Division) to automation and industrial IT (Engineering Division), as well as with the planning and development of production plant and the processes and environmental considerations associated with this (Process Division).

The Infrastructure Division supplies systems, mostly electrical, IT and HVAC and sanitation, to commercial properties and plant: examples include sophisticated climate control technology for buildings and factories and also railway signalling systems.

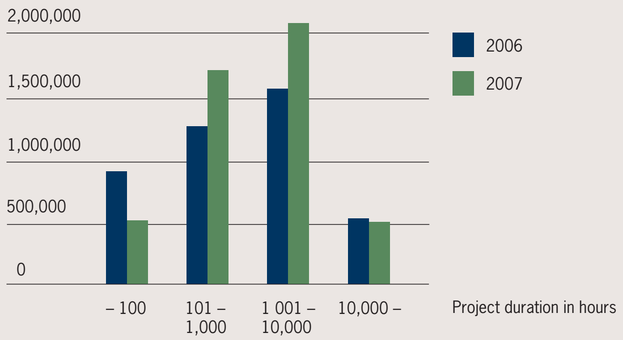
The Inspection Division inspects, tests and certifies plant and systems for clients in both industry and infrastructure

Clients

ÅF's ten largest clients in 2007 were Banverket (the Swedish National Rail Administration), Ericsson, FMV (the Swedish Defence Materiel Administration), Fortum, LKAB, Sappi, Stockholm's regional transport authority (SL), Vattenfall, Volvo Cars and Westinghouse.

Together these clients accounted for 20 percent of total invoiced sales.

Size of ÅF projects, in number of hours



In order to better secure activity levels and thus improve profitability, ÅF is making active endeavours to increase the proportion of long-term assignments.

Market

Technical consulting is a very large industry in Sweden. According to the Swedish Federation of Consulting Engineers and Architects (STD), sales for Swedish companies working in this field totalled some SEK 40.5 billion in 2007, with the ÅF Group accounting for almost 10 percent of this amount. The industry employed 43,100 people, slightly more than 8 percent of whom worked for the ÅF Group.

During 2007 the market for ÅF's services as a whole was good.

The market for the Engineering Division was strong in all segments, with investments in the environment and energy industries continuing to drive developments.

Demand was also strong for all of the services offered by the Infrastructure Division. Environmental improvements and efficiency gains are major driving forces in this sector.

Demand for the services of the Inspection Division developed well and by more than for the market in general. The trend is for more and more sectors to be regulated by technical inspections at the same time as ongoing harmonisation processes in the EU are fuelling an increase in demand.

For the Process Division the market remained very buoyant in all energy-related segments, particularly nuclear power, hydropower and thermal power stations. In the pulp & paper industry demand was brisk from the chemical pulp segment in 2007.

The market for the Systems Division was good in all segments and industries in 2007, with telecoms performing particularly well.

Outlook – Nordic countries

Demand is expected to remain strong for consulting services despite certain warning signals about a downturn in the economy. The trend towards globalisation that has driven demand and intensified the competitive situation for industry in Sweden and its Nordic neighbours seems set to continue.

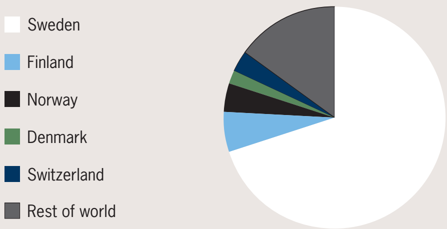
Many industrial plants in Sweden need to be modernised to improve efficiency, and the country is also on the threshold of extremely extensive investments in road and rail infrastructure, so the market for consulting services in these areas is considered to be very good. The situation in Norway is similar.

Efficiency investments in industry often focus on energy and the environment and this will fuel demand for consulting services throughout the Nordic region for a long time to come.

ÅF anticipates that demand for services in the energy sector will remain strong in both Sweden and Finland, particularly in renewable fuels.

For the pulp & paper sector projects in the Nordic countries and the rest of Europe alike are focused on maintenance investments, which is expected to lead to moderate rates of growth in ÅF's case.

Geographical spread of ÅF business



ÅF's domestic markets are the Nordic countries, the Baltic countries and Switzerland, but the company is becoming increasingly international. It has its own establishments in around 20 countries, but conducts business activities and attracts clients all over the world. Of a total of some 4,000 employees, approximately 900 are based outside Sweden.

High energy prices continue to drive a brisk process of change in Norway's oil and gas industries, but, in addition, demand for consulting services in infrastructure remains strong in Norway.

In Denmark, while foodstuffs and pharmaceuticals remain strong sectors, demand for consulting services is also rising as a result of the pressure for change in the Danish oil and gas industries.

Outlook – Other markets

There is great potential in Russia, Eastern Europe and South-East Asia. Industry is in dire need of modernisation and demand for energy is great. However, there are signs that the market is becoming overheated in the energy sector in Russia and Eastern Europe. Feasibility studies lead almost invariably to investment phases, and suppliers have raised their prices significantly. However, in view of the extent of the new investments needed, it is difficult to see how the market can cool off in the immediate future.

The enlargement of the EU, and the increased demand for the harmonisation of technical safety regulations that follows in its wake, means that demand for third-party inspections is rising continuously. This clearly benefits ÅF's inspection operations.

In the pulp & paper industry most of the big investments are being made in Asia and South America where the raw materials cost less.

Increased internationalisation

ÅF is becoming an increasingly international company and work is taking place continuously to standardise the structure of our internal information banks, develop the ÅF intranet, adopt a common graphic profile and develop guidelines in the form of methods, systems and processes, and shared corporate values and aims.

Of a total of approximately 4,000 ÅF co-workers, some 900 now work outside Sweden.

Re-acceleration of growth after brief slow-down

The Chief Economist of Handelsbanken, Jan Häggström, shares his insights into international economic trends over the coming years.

How do you see the prospects for the international economy for 2008–2009?
"2008 will be slightly weaker than 2007. But there are huge variations between countries and sectors, so the picture is far from uniform. The USA is still experiencing a slow-down, with GNP growth of around 2 percent this year, and growth in Europe will slow to just over 1.5 percent. Although there will also be a downturn in the emerging economies, this should be viewed in the light of their previously extremely high levels of growth. For example, Asia excluding Japan will slip just slightly from an average growth of 8.5 percent to around 8 percent. The picture is much the same in other emerging markets, such as Russia, the Middle East and certain South American countries. In these areas, growth will continue to be strong, averaging between 4 and 6.5 percent. In the second half of 2008, we expect the forecasts for the USA to improve. The decline in the construction of new homes will flatten out, and as it does so, growth will accelerate both in Europe and the rest of the world. By 2009, global GNP growth could be back to the levels we saw in 2006 and 2007."

What signs of continuing prosperity do you see?
"Demand for raw materials, energy and food will remain high. A shortage of capacity in these areas has forced up prices. That's why investment in areas such as oil extraction, mining operations and agricultural production has been so lucrative – and will continue to be so! Emerging economies have consistently shown extremely strong growth in productivity, and have been less dependent on credit expansion than the USA and Western Europe. Consequently, the impact of the credit crisis has been less severe in these countries. In a global perspective, these factors provide a strong counterbalance to falling house prices and a contracting construction market for new homes in the USA and Western Europe."

Are there any dark clouds on the horizon?
"In both the OECD economies and the new emerging economies, a shortage of labour and wage increases may continue to contribute to overheating. That is why many countries have tightened up their monetary policies. As a result, rising interest rates are now beginning to impact on private consumption and the construction of new homes in the western world. Although the USA has started to reduce its interest rates, it will take some time before the consequences of this work their way through the system. As a result, we will continue to have two faces to the world economy, not one. And the brakes will have to be applied – albeit gently – in the emerging countries as well, in order to keep inflation under control."

What impact has international nervousness about the credit market had on business activities in the industrial sector?
"Financial concern in the USA is linked primarily to the real estate market. This means that the areas of the industrial sector most closely linked to the real estate sector are affected most: for example, suppliers of sawn timber and consumer products, such as furniture. Industries that focus on producer goods have, however, suffered only a limited impact, thanks to strong demand from the emerging economies. And the pattern is similar in Europe."

Which sectors will perform best over the next few years?
"Energy, raw materials and foodstuffs remain strong, and this will continue to fuel investment. Many investors are also showing an interest in new and profitable technologies, including alternative sources of energy. Many of the most rapidly expanding economies, such as Russia and some South American and Middle Eastern states, are now enjoying the benefits of large amounts of oil-related revenue, which they are reinvesting in the transport sector and in other forms of infrastructure."

An increasingly international workplace

ÅF has changed rapidly in recent years. Today, ÅF is represented locally in around twenty countries, and is involved in assignments all over the world. Some 25 percent of the Group's 4,000 members of staff now work abroad. This increasing internationalisation is reflected in the activities aimed at the Group's employees.

One ÅF

"One ÅF" is a decentralised network which allows all ÅF consultants to communicate with each other. The underlying idea is that a joint systems platform and a shared bank of experience will facilitate the rapid start-up of new projects. When a client engages ÅF to solve a problem or develop a new solution, it is more than likely that ÅF's consultants will already have encountered a similar request somewhere else, at some other time.

In spring 2007, the "One ÅF" concept was unveiled to ÅF's Nordic consultants during a nationwide conference "road show" together with the ÅF career paths programme, "Five of Five Thousand".

Pathways to development

ÅF aims to have 5,000 employees by 2010. To achieve this, ÅF must constantly develop in its role as an employer and offer its members of staff good opportunities for them to develop as well. "Five of Five Thousand" is the name of a programme that explains the career paths offered by ÅF. In this internal information campaign launched in 2007, five ÅF co-workers from different backgrounds and working in different roles describe their respective career paths.

ÅF offers three distinct career paths: project manager, specialist/expert and manager. Each of these pathways to development consists of a number of different levels.

In practice, there may be far more development routes than these: for example, with certain opportunities for international assignments and switching between different roles within the company. But these three main routes provide support in the creation of individual targets and action plans, not least in the annual personal development interviews between managers and staff.

ÅF Academy

The ÅF Academy is ÅF's own training facilitator which provides support for the ÅF career paths. Launched in 2007, the ÅF Academy offers extensive basic courses for new consultants as well as highly specialised advanced courses and training that is tailored to meet individual requirements as part of the ÅF career paths concept. ÅF's views on business acumen and entrepreneurial skills – talents that, within the organisation, have become known under the heading of "businessmanship" – provide the foundation for all the courses on offer. In 2008, some 40 training exercises will be conducted, enlisting the aid of teachers and lecturers from within ÅF as well as outside the organisation.

Certification

At the ÅF Academy, ÅF project managers undergo training to obtain certification in accordance with the European accreditation standard, IPMA. There are four levels of certification: A, B, C and D. For project managers involved in international projects, the certification process is conducted in English.

Variable remuneration and wages

ÅF has adopted systems for variable remuneration that are both specific to the various divisions and group-wide. The remuneration paid under these systems reflects the results of the individual division and the Group respectively.

ÅF also has a system of variable wages, where up to 40 percent of an employee's salary may comprise a variable component that is directly linked to that employee's performance.

Co-ownership

ÅF sees great value in involving employees as part-owners in the company. Employees have a financial stake in operations directly through their ownership of shares and convertibles, and indirectly through ÅFOND, the ÅF Group Trust. For 2007, SEK 13 million was transferred to ÅFOND (2006: SEK 7 million).

In 2008, a new profit-sharing system will be introduced that is adapted to the increasingly international nature of ÅF operations. The new profit-share foundation will invest in ÅF shares, creating a clear link between the efforts of the workforce and ÅF's commitment to generating a profit for its shareholders.

An attractive place to work

In Universum's Career Barometer survey for 2007, ÅF came seventh among Sweden's most attractive employers, and number one among consulting companies. More than 5,000 engineering graduates and young professionals took part in the study.

ÅF maintains a regular presence at various careers fairs hosted by Sweden's technical universities, from Luleå in the north to Lund in the south. These give ÅF personnel an opportunity to meet thousands of technology students, among whom the general impression of ÅF seems to be an attractive employer able to offer a wide variety of stimulating career opportunities.

To intensify this work, ÅF has now appointed a Talent Manager tasked with marketing ÅF as an employer among universities and institutes of technology in Sweden and abroad.

A workplace where individuals can develop

ÅF wants its staff to take pride in their work and the company, to feel confidence for their managers and to enjoy the company of their colleagues. This requires focused, long-term efforts at all levels within the company. It is important to provide employees with feedback on how they are performing in their work. This means regular personal development interviews between individuals and their managers – dialogues that also form the basis for individual development plans.

When a member of staff leaves ÅF, an exit interview is held. The purpose is to gather information on the person's impressions of the time spent at ÅF and to create a positive platform for any future relations.

Healthcare takes the form of both occupational healthcare and support for employees' personal preferences with regard to leisure activities.

Club ÅF is the collective name for the local staff clubs which are involved in activities aimed at promoting social interaction and meaningful leisure activities. The activities are open to all ÅF employees and also include a wide variety of cultural activities.

Cottages for rent

All ÅF Group employees are entitled to rent one of the cottages or apartments owned, managed or leased by the Ångpanneföreningen Staff Foundation. A couple of hundred families take advantage of this opportunity every year.

Other benefits

ÅF employees have access to a wide range of benefits. These vary from country to country, depending, for example, on the local tax regime. In Sweden, benefits include occupational pensions, attractive insurance options, access to company cars and various discounts.

Policies

To make clear its position in a number of employee-related issues, the ÅF Group has formulated policies in key areas such as human resources, salaries, equal opportunities and the work environment.

A workplace for both men and women

ÅF strives to be a workplace where both men and women can feel comfortable and enjoy the opportunity to develop. Traditionally, the engineering industry has been male-dominated, but ÅF's stated ambition to create a more balanced gender distribution is reflected in the organisation's recruitment activities. The first stage towards this is to raise the proportion of female consultants to 20 percent of the total. The proportion of female consultants was 14 percent at the end of 2007 (2006: 15 percent). The proportion of female senior consultants was 9 percent (11 percent) and the overall proportion of female managers was 13 percent (12 percent). Female employees made up 18 percent (19 percent) of the total workforce. The decrease in the proportion of women is due to the gender distribution in companies acquired during the year.

Female representation on the board

Three of the eight members of the board of Ångpanneföreningen (37 percent) elected by the Annual General Meeting are women, as is one of the four employee representatives on the board.

Capacity utilisation

The ÅF Group's invoiced-time ratio – the proportion of time charged to clients relative to the total number of hours spent at work by all employees – was 75.1 percent (2006: 72.9 percent). Non-invoiced time includes marketing, training, technical development, management and administration activities. 92 percent of employees work mainly with invoiceable assignments for external clients, while the remaining 8 percent are employed in a purely administrative capacity.

YP Ideal Ranking Engineers 2007

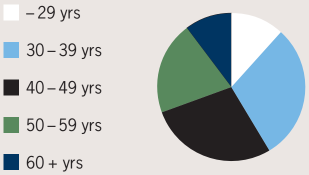
Volvo Group	1
Ericsson	2
Sony Ericsson	3
Volvo Car Corporation	4
IKEA	5
ABB	6
ÅF	**7**
Scania	8
SWECO	9
Saab Technologies	10

ÅF best in class in Universum's Career Barometer survey

In a survey of 5,000 professional engineers, ÅF was ranked in seventh place among Sweden's most attractive employers.

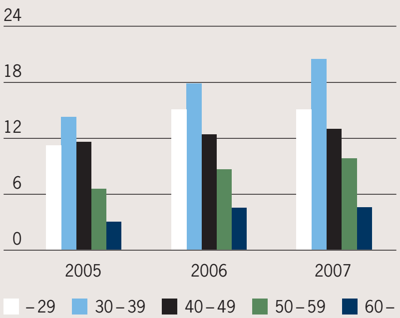
The Career Barometer is an annual attitude survey conducted by Universum Communications. All respondents are "young professionals", which means that they have a degree in engineering from a university or college of similar standing and between two and eight years of working experience in their specialist area.

Age distribution, %



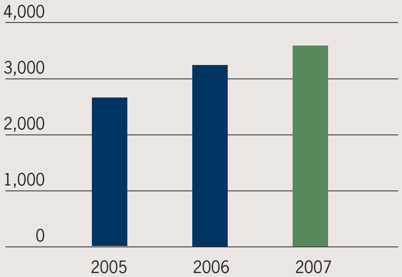
The average age was 43.5 years (2006: 43.1 years).

Staff turnover, %

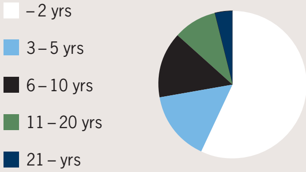


Staff turnover based on resignations
Total 2007: 14.1 percent

Full-time equivalents (FTE's)

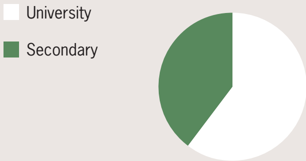


Length of employment, %



Average length of employment was 4.6 years (2.8 years). Employees in newly acquired companies are considered new employees

Education, %



Financial data

	SEK '000/year/FTE		
	2005	2006	2007
Net sales *	894	983	1,066
Profit **	33	46	90
Personnel costs	586	605	611
Value added ***	618	650	701

*) Revenue excl. other operating income.

**) Operating profit before net financial items, excluding participation in profit/loss of associated companies and other operating income.

***) Salaries and social security contributions including profit/loss before net financial items excluding other operating income.

Training and R&D

	SEK '000/year/FTE		
	2005	2006	2007
Training	9	14	17
Research & development	11	9	7
Total per FTE	20	23	24

Each employee receives an average of 49 hours of training per year.

Meet Sanna Kallur

You've now been with ÅF for a year. What are your impressions after the past twelve months?

"Wow! There are so many. My first real meeting with ÅF and my new colleagues was during the 'road show' that senior management and I took part in last April. The diversity within the company and the huge range of skills and talents among my co-workers made a big impression on me. Since then I've had the chance to speak to all sorts of experts in their fields, which has confirmed my initial and highly positive impressions. I think it's just great that there are so many different kinds of consultants at ÅF."

Has it been a positive experience for you, as a top-flight athlete, to work for such a large company with such a breadth of skills and experience?

"It's been great fun! And I've been highly privileged to get such a good insight into the business. In practice, I've been mostly closely involved with the company's corporate information work. It's been an exciting year that I'm sure will help provide me with a good platform on which to build a career after my time on the athletics track is over."

When you started at ÅF, you made a point of how positive it was that the company worked with environmental issues. Has this been confirmed during your first year with ÅF?

"Most certainly! And it's also made me want to learn more about these issues and dig a little deeper. I'm really passionate about the environment."

You've been able to discuss the situation in China with an ÅF consultant who has spent a lot of time there. Is this an opportunity that more athletes should be given?

"Issues relating to China and the Olympics were hot news for a while and the heat will no doubt be turned up again as the Olympic Games approach. It's a big advantage to be well-informed about the kind of issue journalists like to focus on, especially as this is a subject that most of us know relatively little about."

Are you still as positive about ÅF as you were when you were first employed with the company?

"Yes. Without a doubt. In fact, I'm even more positive today, now that I have got to know the company and more of my co-workers so much better."

ÅF's work towards sustainable development

ÅF contributes to sustainable development by exerting a positive influence on society, stakeholders and its own business operations. Sustainable development is predicated on financial, social and environmental change, and there is a social dimension to ÅF's mission statement in that the company's day-to-day operations promote and support the development of technology.

Social responsibility

ÅF is a knowledge company: it sells the skills and collective experience of its consultants and the ability to solve complex tasks and problems. Resolute, long-term work in areas such as competence development and corporate culture that are crucial to the company's ability to recruit and retain personnel has given ÅF a solid reputation as a good place to work. Survey after survey reveals that many people, particularly engineers, are eager to join the company.

Diversity leads to a broader exchange of experiences, new perspectives, increased creativity and innovative solutions. ÅF is convinced that a balance between the sexes creates a better working climate, which leads in turn to a more profitable company. The aim is that at least one ÅF consult in five will be a woman.

For more about ÅF's work in Human Resources, please see pages 16–20 of the Annual Report.

Sustainability and corporate social responsibility are high on the agenda in many assignments that ÅF undertakes for aid organisations such as the Swedish International Development Cooperation Agency (Sida), the EU and the World Bank. Here ÅF helps companies and organisations to work proactively and in socially responsible ways in areas such as financial transparency, environmentally adapted production, equality and HIV/AIDS in the workplace. One example is the international Strategic Business Management education programme that ÅF conducts on behalf of Sida for managers of companies in Eastern Europe, Asia, Africa and Latin America. Sustainability is a key component in the strategic business plans produced for each participating company.

Environmental responsibility

ÅF is extensively involved in environmental consulting operations. Efforts focus on improving environmental performance and/or energy efficiency in clients' plants and businesses. In this way ÅF makes a positive contribution to society's environmental work.

AB Ångpanneföreningen and its subsidiaries are certified in accordance with ISO 9001 (quality) and ISO 14001 (environment). The most significant aspect of ÅF's environmental work is the effect that its consulting services have on clients' environmental performance. Other aspects are the company's own environmental impact in the form of business travel and electricity consumption.

Since autumn 2005 ÅF has two environmental targets, one for resource management in client assignments and one for travel. See page 22 for details.

Examples of energy-saving assignments

ÅF has been commissioned by Akelius Fastigheter AB to work with the project planning of heat and electricity-saving measures in the Centrumhuset premises in Lysekil. These date from the 1960s and host both office, commercial and residential properties. The project is estimated to reduce electricity consumption by 25 percent and heat by 33 percent after energy-efficiency measures have been implemented in 2008.

Since 2005 ÅF has been investigating energy use in certain premises on behalf of the Swedish Energy Agency. ÅF estimates, based on these studies, that the potential for energy savings in all Sweden's schools and pre-schools is approximately 1.4 TWh a year. This could be achieved by, for example, simply modernising lighting and ventilation without any adverse effects on the interior climate.

On behalf of Undervisningsbygg, the city of Oslo's educational buildings office, ÅF has conducted an energy-efficiency analysis of the total heated area of 10,200 sq.m. in Lamverseter School's nine buildings, most of which date from the mid 1950s. It is estimated that the measures proposed, which focus on improving the insulation, will slash energy use by around 40 percent after they are implemented in 2008.

Collaboration in organisations and networks

ÅF contributes actively to sustainable development through its involvement in a number of organisations and networks.

ÅF is, for example, actively engaged in assisting with the work behind producing the ISO 26000 global standard for corporate social responsibility and has entered into a long-term commitment to support the Swedish Childhood Cancer Foundation.

The *Swedish Association of Environmental Managers (NMC)*, the country's largest network for companies and organisations eager to support and stimulate sustainable development, was established 14 years ago on the initiative of ÅF. Today ÅF still runs the NMC secretariat.

The NMC's overarching goal is to make it easier for its 300 or so member companies to actively pursue and develop their environmental and sustainability work. A further aim is to increase awareness in society about what trade and industry are doing in these areas. The association represents several industries and works to spread knowledge and experience among companies and organisations. Some 45 activities were arranged by NMC during 2007.

The Climate Network is an ÅF forum for climate issues that works to coordinate the various areas of expertise that the company possesses in this field. The aim is to highlight the climate issue so that it is given greater prominence throughout the ÅF Group.

ÅF can bring to bear both breadth and depth in climate issues, and these insights are of great benefit to the company's clients. Internal collaboration is important and is encouraged as it leads to increased knowledge and value added in climate-related undertakings. The network organized a very well attended seminar on emissions trading in May 2007.

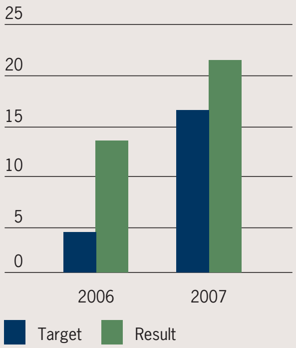
Environmental targets for resource management

In the ten largest energy-efficiency assignments during the period 2005–2007 the energy savings achieved must be:

- *2 percentage points greater in 2006 than in 2005*
- *3 percentage points greater in 2007 than in 2006*

This target means that ÅF must become better at proposing energy-efficiency measures to its clients. The key figures are measured as the energy saving proposed by ÅF divided by the client's total energy use.

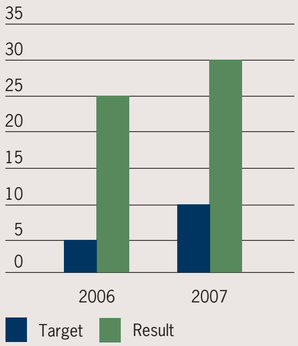
Energy savings for ÅF clients, %



Environmental targets for business travel

The proportion of environmentally adapted vehicles in the company's fleet of company cars and pool cars will rise to 50 percent by 2010. The target for 2007 was 10 percent, but a follow-up shows that the proportion of environmentally adapted vehicles was actually no less than 30 percent.

Environmentally adapted vehicles, %



Sustainable transport has grown in prominence and urgency over recent years with both private and public organisations now reviewing their transportation strategies. Thanks to ÅF's many years of experience and know-how in energy, the environment, traffic, logistics and fuel systems, the company is virtually unsurpassed in offering a truly holistic perspective in this field.

EcoDesign Center

ÅF is ideally placed to offer full-service solutions founded upon the three cornerstones of technology, economy and environmental sustainability. The EcoDesign Center is the latest new investment in environmentally adapted product development.

Initially this exists as a virtual competence centre to which "eco managers" and specialists are seconded to offer clients new services in environmentally adapted product development. ÅF already has five "eco managers", and the focus is now firmly on high-tech solutions that enable people to maintain or even increase their standard of living without any negative impact on the environment.

Sustainable ownership

Ångpanneföreningen's Foundation for Research and Development was established in 1983 as the heir to the Ångpanneföreningen organisation founded in 1895 that was the company's previous owner. Today the foundation is the company's largest shareholder with one sixth of the capital.

The foundation's strong involvement as an owner is directly linked to the company's commitment to the sustainable development of society.

Through research grants and scholarships that have averaged SEK 10 million a year over recent years, the foundation supports projects at Sweden's universities, colleges and research institutes in areas of relevance to sustainable development in energy, environmental engineering, security, forest processes and products, to name but a few.

For details about past and present research supported by the foundation, see www.aforsk.se.

E N G I N

A leading international name – with a firm focus on client profitability

The Engineering Division has a leading position in industrial electrical engineering and automation, industrial IT and mechanical engineering. The Nordic region is its domestic market, but the division is also represented in the Czech Republic and Estonia. Engineering is active in all sectors of industry and accounts for 28 percent of ÅF Group sales.

Engineering – customer focus and geographic proximity
The Engineering Division was formed on 1 January 2007 when the former ÅF-Benima Division merged with the Process Division's mechanical engineering operations. This immediately established the new division as an international engineering consulting partner with an impressive capacity and a multidisciplinary portfolio of skills.

The focus is on client profitability, and the basis for this is simple: no matter what the project, the chances are great that Engineering has already conducted a similar project somewhere else. This is knowledge that is quickly and efficiently brought to benefit the client. Geographic proximity to clients is another way in which we have chosen to maximise the benefits we can offer our clients.

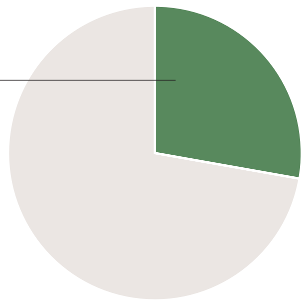
The division is involved in most sectors of industry and is particularly well established in nuclear power, energy, pharmaceuticals, mining, pulp & paper and other process industries.

Engineering has around 1,200 employees working from more than 50 offices in Sweden, Norway, Denmark, Finland, Estonia and the Czech Republic. The proportion of assignments outside Sweden is increasing all the time, not only as a result of the fact that the division accompanies its clients when they expand their business internationally, but also because ÅF is increasingly attracting new clients. By the end of 2007 international projects accounted for around 30 percent of sales.

Key figures	2007	2006	Proforma 2006
Net sales (in millions of SEK)	1,110	602	1,049
Operating profit (in millions of SEK)	105.6	53.0	84.6
Operating margin, percent	9.5	8.8	8.1
Share of Group sales, percent	28	19	29
Number of co-workers (FTEs)	1,068	624	1,061
Operating profit/FTE (in thousands of SEK)	99	85	80

Proforma values indicate what the key figures would have been if the Benima Group that was acquired in 2006 had been consolidated into the Engineering Division throughout the whole of 2006, together with the mechanical engineering operations that were transferred from the Process Division.

Share of sales
Engineering, 28 %



E E R I N G

The offer – more profitable industrial processes

Engineering is Northern Europe's largest independent consultant in its field. Services comprise the project engineering, design, calculation, programming and commissioning of industrial projects, and the division is active in many areas of technology – industrial IT, automation, electrical engineering, mechanical engineering and piping design – with clients in all sectors that work with industrial processes. The pace of development is fast and there is often great potential for improving industrial processes and, by so doing, boosting profitability. Individual consultants can work close to the client's own organisation, or the division can assume total overall responsibility for the delivery of either an entire project or a specific function.

Typical client requirements include the need to rationalise or modernise an existing production process or plant, for example through the introduction of new steering and control technology in a nuclear power plant, or the need to expand capacity or add a new production line. Examples here include ÅF's patented solution for commissioning new boilers, and the expansion of facilities or the construction of new plant in the pulp & paper industry.

Clients – a broad cross-section

Engineering operates predominantly in mature industries, where companies often have active, long-term strategies to rationalise operations by boosting productivity, saving energy, improving safety and reducing environmental impact. Regardless of the size of a project, every client has access to the collective know-how and resources of the entire division, thus reducing sensitivity to, for example, staff turnover.

The Engineering Division has more than 2,000 active clients, representing most industries. The division conducts continual client surveys and the responses are highly positive. The customer base is broad and the ten largest clients together account for no more than around 30 percent of the division's earnings. The largest single client accounts for seven percent.

Clients include ABB, Siemens, Fortum, Alstom, Billerud, LKAB, Metso, the Swedish Nuclear Fuel and Waste Management company (SKB), Stora Enso, Westinghouse, Volvo and Sweden's nuclear power plants at Forsmark, Oskarshamn and Ringhals.

"The proportion of assignments outside Sweden is increasing. By the end of 2007 international projects accounted for around 30 percent of sales."

E N G I N

2007 in brief – ongoing expansion

In January 2007 the division acquired Automaatika, a well established Estonian consulting company, with 20 members of staff offering services in automation and industrial IT.

January also saw the transfer of some 130 mechanical engineering co-workers from the Process Division to Engineering.

In March one of the units of the Xdin organisation was acquired, reinforcing the division's consulting services in investment and rationalisation issues with regard to production and logistics systems.

In April Engineering took over the Process Division's office in the Czech Republic, with just over 20 technical consultants.

During the year the technical consulting company Cordinor with 15 members of staff in Luleå and Kiruna was acquired, strengthening the division's offer to the mining industry.

The division won assignments from clients that include Tallinn's water purification plant, Foster Wheeler in Finland, ALK Abello in Denmark, the Swedish nuclear power plant at Forsmark, the Swedish Road Administration's car ferry operations, Iggesund, Braviken Paper Mill and Metso Paper in Portugal, India and China.

Market and trends – potential for growth

The market was strong in 2007 in all areas and the prospects for 2008 look good, with investments in environment and energy remaining the main driving force behind development.

With clients in so many industries, and in view of the fact that many projects are long-running or governed by public investments that extend over a number of business cycles, the division's sensitivity to economic cycles is relatively limited.

Although Engineering is the market leader in the Nordic countries, its overall share of the market is not even 10 percent, which leaves plenty of potential for continued growth.

"With clients in so many industries, the division's sensitivity to economic cycles is relatively limited."

E E R I N G

Goals and strategies for the Engineering Division

Per Magnusson, Divisional President, speaks about the challenges ahead

What are the most important goals for the Engineering Division?

"To achieve organic expansion of ten percent a year and to make that expansion profitable. Right now the focus is on developing the markets where we are already represented. We are determined to improve our margins by becoming even better at 'recycling' methods and ideas and, as a result, becoming more cost-effective. We are continuing to build a 'bank of experience' that includes not only technical solutions, but also administrative, financial and project management routines. This will enable us to reduce our costs at the same time as we can supply clients with the right solution more quickly than ever. We are also eager to develop the degree of partnership we enjoy with our clients. This provides an increased sense of security both for us and our clients."

Where will the focus lie in 2008?

"We have recently gained footholds in the Czech Republic and Estonia. These are two countries with great potential, where we can achieve great things if we focus our resources correctly. We have done well in the division in recruiting talented co-workers and that work will continue in 2008. We will also be developing our controller organisation for fixed-price projects and will be training project leaders for IPMA certification. Another exciting development is the establishment of new competence centres for certain industries or areas of technical expertise. This makes it easier to share experiences among colleagues and to create specialist project organisations that complement our geographical proximity to our clients. The result will make ÅF's offer of local consultants and international expertise even clearer. In 2007 we set up competence centres for the pulp & paper industry. In 2008 we will expand this initiative into more areas, such as nuclear power. There is also a chance of some minor takeovers, but only if they add something to our offer in the form of a new market, a new customer segment, or a new area of expertise."

"Our job is to do such a good job for our clients that they don't think of our services as a cost, but as a way to earn more money."

Per Magnusson, Divisional President


ENGIN

E E R I N G

Increased production with reduced emissions

"Sappi is one of the world's biggest producers of dissolving pulp, a high quality pulp with a high cellulose content. Their South African unit is the most profitable of all. They saw the potential to increase their market share dramatically but wanted to do so without increasing emissions to air and water. So they called in ÅF, together with our South African partner, Murray & Roberts, to do the project engineering and project management for a rebuild of Sappi's pulp mill. It is one of the biggest orders ÅF has ever won. ÅF has contributed with staff on site in South Africa backed up by project engineering resources in various offices in Sweden. For example, project engineering for a new steam turbine was done in Karlstad at the same time as ÅF's Norrköping office was working on a new batch digester and a sulphur dioxide recycling unit. From South Africa ÅF's project leaders for the digester house and staff for the overall project engineering of the entire plant liaised closely with their colleagues from the Process Division. We established many new contacts and gathered a lot of valuable experience. And, in addition, seeing new parts of the world and encountering new cultures has meant a great deal for our personal development."

Per Lager, Section Manager, Engineering Division

I N F R A

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 ÅF 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

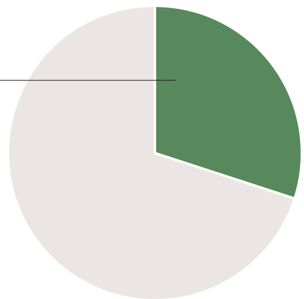
Infrastructure is organised into five business areas: Electrical Power Systems, Installations, Communications & Defence, Sound & Vibrations and Infrastructure Planning. Through these the division offers a broad spectrum of services, from strategic studies and project engineering to large, complex, full-service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

Key figures

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 %



S T R U C T U R E

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."

INFRA

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

STRUCTURE

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?

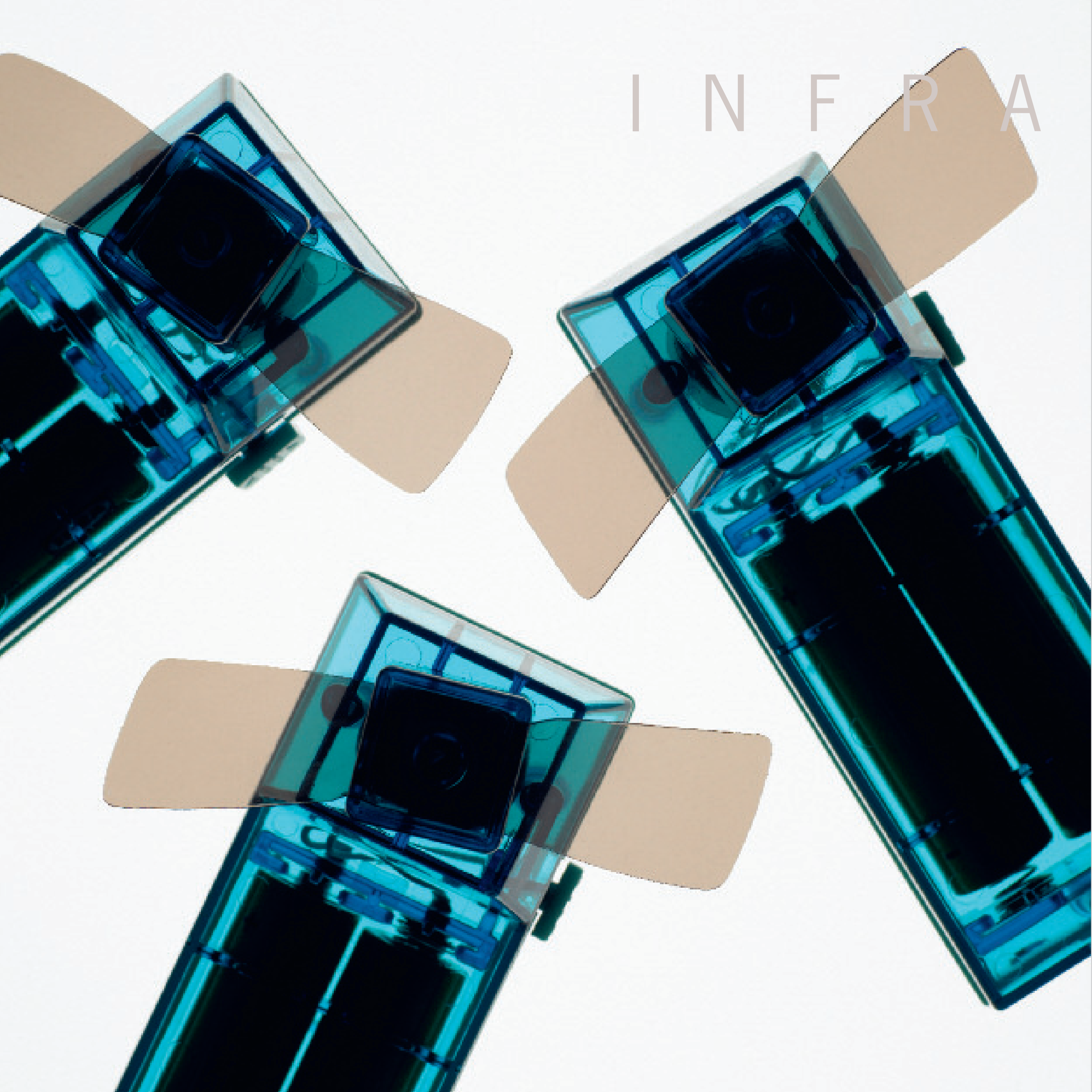
"Our overriding ambition is to continue to develop the business concept. Our working methods and key figures are already in good shape, and to steer us in our day-to-day work, we have set ourselves detailed targets with regard to quality and profits. As far as the future is concerned, we have some crucially 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


INFRA

STRUCTURE

The world's biggest land-based wind farm

"There is a huge demand for energy that does not affect our climate. In 2005 ÅF 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 approximately 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 ÅF 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

I N S P E

Rapidly expanding third-party inspections for improved quality and safety

The Inspection Division offers services within the areas of technical inspections, testing and certification. Clients are found in many industries and the business spans numerous areas, from safety checks on ski-lifts and fairground attractions to inspections of construction sites and nuclear power stations. The division accounts for around 7 percent of ÅF sales.

Inspection – improved safety for workers, operations and the environment

The overriding aim of the Inspection Division is to assure the safety and operational reliability of clients' plant in the best interests of workers, production and the environment.

The division is accredited by the Swedish Board for Accreditation and Conformity Assessment (SWEDAC) to carry out impartial inspections of clients' facilities and operations in order to verify compliance with ordinances and regulations issued by authorities such as Sweden's Work Environment Authority, National Board of Housing, Nuclear Power Inspectorate and Rescue Services Agency. Almost all new production is regulated by corresponding ordinances at EU level, and the division is also a "notified body" for inspections required by EU directives for pressure vessels, lifts and machinery.

Inspection has enjoyed several years of strong growth averaging approximately 15 percent p.a. with good profitability.

The division's domestic market is Sweden, where it has approximately 275 employees working from 25 offices nationwide, from Malmö in the south to Luleå in the north. Staff turnover is low.

The division also performs an increasing number of assignments abroad: in recent years projects have been undertaken in around 40 countries.

Key figures

	2007	2006
Net sales (in millions of SEK)	270	216
Operating profit (in millions of SEK)	41.4	20.9
Operating margin, percent	15.3	9.7
Share of Group sales, percent	7	6
Number of co-workers (FTEs)	257	235
Operating profit/FTE (in thousands of SEK)	161	89

Share of sales

C T I O N

Offer – expertise, cooperation and straight talking

Inspection is an independent third-party inspection body, which maintains a high degree of integrity vis-à-vis other parts of the ÅF Group. Operations are decentralised, offering rapid processing times and close geographical proximity to clients. Openness between Inspection and its clients is essential in order to be able to verify that plant, individual items and working procedures meet satisfactory standards of safety, and to jointly develop solutions that ensure compliance with rules and directives. Clear, straightforward information as early as possible in the process is a hallmark of the division's way of working. Other important factors behind the division's success are a resolutely commercial approach and a corporate culture that rewards good service to clients and a positive team spirit among colleagues. The atmosphere in the company and the ways in which the division liaises with its clients are very important for Inspection's good reputation in the market.

The business focuses on three main areas: Inspection, Testing and Certification. Inspection involves periodic independent checks of lifts, lifting devices, boilers, escalators, ski-lifts, fairground attractions, tanks, pressure vessels, etc. The results are documented in detail and made available to clients through a dedicated website. Testing involves examining components and devices using non-destructive techniques, such as radiography, ultrasound and visual checks. The division also offers advanced testing services for manufacturing inspection, calibration, condition monitoring and the certification of clients' quality and environmental management systems. Certification is carried out by ÅF-TÜV Nord, a 50/50 joint venture with Germany's TÜV Nord Group, and examples of certifications include ISO 9000, ISO 14000 and ISO/TS 16949 (Automotive). ÅF-TÜV Nord also acts as an accredited inspection body for a significant proportion of the inspection activities at Sweden's nuclear power stations.

In addition, the division offers advisory services, training, and consulting services in CE-marking and the interpretation and implementation of various EU directives. It also serves as a consulting body for authorities prior to the introduction of new legislation.

Clients – a very broad spectrum

The Inspection Division's database contains a portfolio more than 200,000 individual objects that require regular inspection and checks. The client base is also extensive, comprising some 20,000 clients across a broad spectrum of trade and industry: energy, processing, petrochemicals, property, public sector, forestry and pulp & paper, etc. More than 12,000 of these clients are classed as "active", which means that they purchase one or more services each year. There is a good spread between small,

"The division performs an increasing number of assignments abroad: in recent years projects have been undertaken in around 40 countries."

I N S P E

medium-sized and large clients, of whom around 35 purchase services for more than SEK 1 million a year. The 20 largest clients account for 37 percent of the division's sales. These include Cramo, EuroMaint, Fortum Värme, Peab, LKAB, Metso, Shell, Södra Cell, Tågia, Uddcomb, VEÅ, Volvo, Westinghouse Electric, YIT and Sweden's nuclear power plants at Forsmark, Oskarshamn and Ringhals. The engineering and nuclear power industries each account for about 20 percent of sales: the processing industry for around 10 percent.

Customer surveys confirm high levels of client satisfaction, and a great deal of the work is repeat business.

2007 – strong growth in Sweden and abroad

Organic growth was strong in 2007. Some 40 new members of staff were recruited – many of them in the Testing business area – and new local offices were opened in Uppsala and Kalmar.

During the year the division won several contracts in the nuclear power industry, such as the development of sophisticated testing systems for the Ringhals and Forsmark reactors. Joint-owned ÅF-TÜV Nord won a contract with OKG, which operates the three nuclear reactor units at Oskarshamn, to carry out third-party inspections of mechanical equipment in OKG's three reactors in an assignment that will run over several years.

"Organic growth was strong in 2007 and Inspection expects growth to continue."

Other projects include status reports on kraft recovery units in Argentina, Indonesia, Thailand and South Africa, training courses in work environment safety for the construction company Peab, technical inspections of the pressure equipment at Öresundsverket's gas-fired power station (at the request of Hitachi), testing the same power station's pipelines for Koch de Portugal, and performing a technical inspection for a Metso Power delivery to Celbi's pulp mill in Portugal.

Market and trends – stronger market position

Inspection is the biggest Swedish-owned inspection company, and the division consolidated its position in the market considerably during 2007. On the back of especially strong demand from the nuclear power and petrochemical industries, sales rose by around 25 percent, which is considered to be significantly better than the development of the market as a whole. The division's share of the overall market is estimated to be around 30 percent.

Sensitivity to the economic cycle is low throughout the division.

The opinion is that Inspection will continue to grow as more and more areas and industries are subjected to technical inspections.

The enlargement of the EU and the process of technical harmonisation that follows in its wake are making the market more international. Inspection activities are changing character, from a state-controlled function to an industry like any other. This development is attracting investors who have identified the industry's potential for profitability and growth, and consolidation is a natural consequence of this.

Inspection is involved in strategic collaboration with other accredited inspection companies in Europe, and 2007 saw the start of a new alliance with a company in the Czech Republic.

C T I O N

Goals and strategies for the Inspection Division

Jörgen Backersgård, Divisional President, speaks about the challenges ahead

What are the most important goals for the Inspection Division?

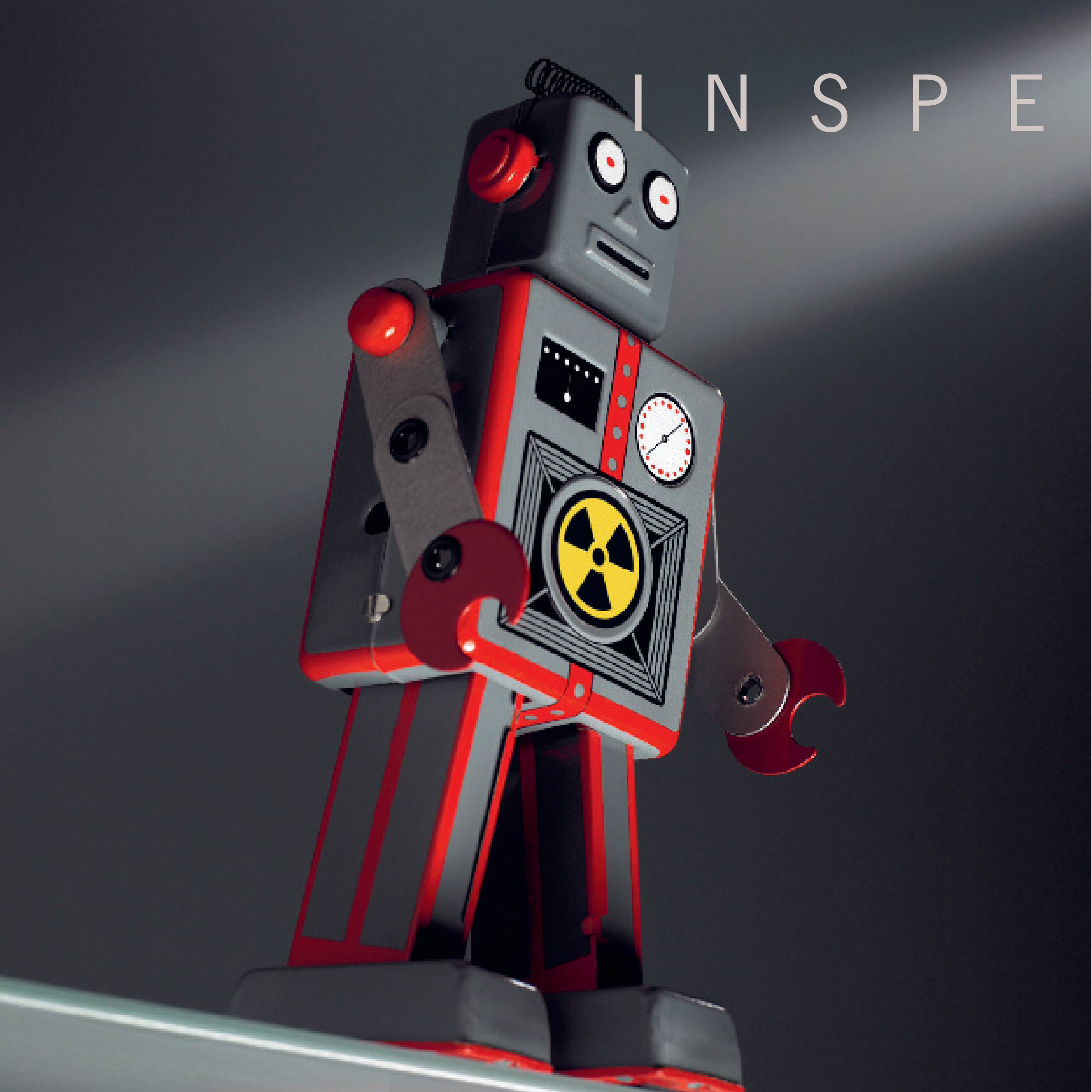
"To grow while still maintaining our current levels of profitability. The aim is to create organic growth of 10 to 15 percent a year over a five-year cycle. We are of the opinion that we can continue to grow for many years to come on the Swedish market. Another of our aims is to be the industry's most attractive employer, offering job satisfaction, and combining an entrepreneurial spirit and business acumen with a clear focus on the client. From a geographical perspective we are also eager to extend our market presence in Scandinavia and in Central and Eastern Europe."

Where will the focus lie in 2008?

"Growth is important. One way to achieve this is to expand out portfolio of products with new services linked to inspection. We will be doing this, for example, in the rail sector and also offering certifications for various operator activities, such as power operators and production engineers. We will also be investigating the opportunities of geographic expansion into new markets. We already have strategic alliances with other inspection companies in Europe and this is a type of collaboration that we will continue to pursue. To meet the growing number of assignments in which we are engaged outside Sweden we have built up a pool of engineers whom we can use as a resource to satisfy demand, and this, too, is a function that we will develop and expand in 2008."

"For Inspection, expertise, job satisfaction and a pride among our co-workers in what they do are the key to developing the entrepreneurial spirit on which our successes are based."

Jörgen Backersgård, Divisional President



C T I O N

Our robot checks the nuclear power plant

"The Forsmark nuclear power plant needed someone to develop a mechanised solution for penetrant testing of the connecting welds of the valves. There is no way of doing this from the outside of the valves; they must be tested internally. Previously much of this work was conducted manually, but this subjected technicians to high doses of radiation. So ÅF's Inspection Division was commissioned to devise a mechanical solution to quality-assure the equipment, and to carry out the tests on the Forsmark 3 reactor. It took just three months from the first idea to the fully finished and highly sophisticated solution. Technically, it was a complex challenge: developing equipment with nozzles and cameras able to penetrate 80 mm valve openings, travel to the connecting welds half a metre away and carry out the penetrant testing procedure in pipes with an internal diameter of as little as 100 mm. When we conducted the test in the Forsmark 3 plant in the summer of 2007 the radiation dose emitted was minimal. This is one of the most advanced assignments we have carried out to date and it would never have been possible without a thorough knowledge of engineering and extensive experience from previous similar undertakings. This project has further reinforced our position as the leading name in testing for the Swedish nuclear power industry."

Magnus Strand, Project Leader, Inspection Division

P R O C

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.

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.

Key figures

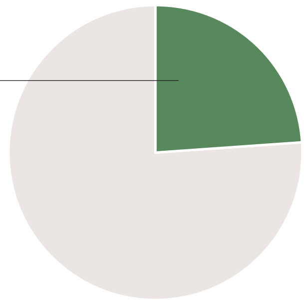
Key figures	2007	2006	Proforma 2007	Proforma 2006
Net sales (in millions of SEK)	975	1,092	1,133	915
Operating profit (in millions of SEK)	67.5	9.8	84.5	–6.3
Operating margin, percent	6.9	0.9	7.5	–0.7
Share of Group sales, percent	24	35	28	26
Number of co-workers (FTEs)	752	1,023	872	855
Operating profit/FTE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

Share of sales

Process, 24 %



E S S

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

"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."

P R O C

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 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.

"Today ÅF is one of the largest independent international companies in energy consulting and a world leader in nuclear power."

E S S

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

P R O C


Iventus
INTERNATIONAL
SVENSK/RYSK
ORDBOK
SVENSK-
KROATISKT
LEXIKON
ŠVEDSKO
HRVATSKI

E S S

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

S Y S T

Profitable growth for ÅF's product development and IT consultant

The Systems Division offers consulting services in product development and high-tech IT. Assignments include both one-off projects and full-service solutions across a broad spectrum of services from idea and concept development to implementation, testing and product care. The Systems Division accounts for 11 percent of ÅF Group sales.

Systems Division – a product development and IT consultant for Swedish industry

Systems offers services in five client segments: telecoms, the automotive, life science and defence industries, and the industrial segment. The division has long and extensive experience of product development and high-tech IT assignments in a variety of industries, and enjoys widespread confidence in the fields of product development and IT solutions relating to administrative systems in telecommunications, as well as in medical technology, the automotive industry and other industrial processes.

The division's domestic market is Sweden, but the proportion of international assignments is increasing constantly as the division accompanies its Swedish and international clients in their global expansion plans.

Systems employs approximately 400 people, mainly in offices in Stockholm, Gothenburg and the Malmö/Lund region, but also in a number of strategically placed local offices throughout Sweden. In Stockholm Systems has established a reputation as a leading name in product development. Operations in Gothenburg and Malmö/Lund have expanded significantly in 2007 and sights are set on establishing Systems as a market leader in these locations, too. The division has grown organically through the systematic recruitment of almost 130 new employees during the past year, and this has given a substantial boost to both sales and earnings.

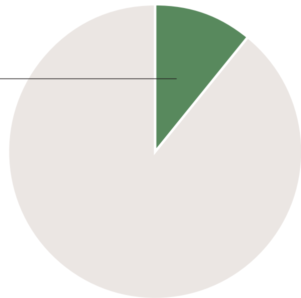
Key figures

Key figures	2007	2006	Proforma 2006
Net sales (in millions of SEK)	433	309	340
Operating profit (in millions of SEK)	36.5	17.0	16.7
Operating margin, percent	8.4	5.5	4.9
Share of Group sales, percent	11	10	10
Number of co-workers (FTEs)	379	279	309
Operating profit/FTE (in thousands of SEK)	96	61	54

Proforma values indicate what the key figures would have been if the Combra company that was acquired in 2006 had been consolidated into the Systems Division throughout the whole of 2006.

Share of sales

Systems, 11 %



E M S

Offer – product development close to the client
Systems works in close geographical proximity to its clients and their research and development units. Some concrete examples of the services provided are project management, software development, mechanical engineering, testing, verification, industrialisation, operational management, further development and product care. The most sought-after services include everything from embedded systems to IT solutions.

Assignments vary between one-off projects and full-service solutions, with some clients choosing to use ÅF as a one-stop shop for all their outsourcing.

The breadth of the division's competence is widely acknowledged, encouraging clients to seek assistance throughout the entire chain from product development to product care. Many clients are under pressure to launch new products on the market at the same time as the need to take due care of and develop earlier generations of products increases as a company's product portfolio grows. In such instances Systems offers a product care concept that is developed as a unique business solution specially tailored to each client's needs. This new package of services, which can be performed either on the client's own premises or off-site at ÅF and carried out on a fixed-price or current account basis, has been well received by the market as a highly profitable way of freeing up internal resources.

Concrete examples of assignments that Systems has worked with include business support and shared process systems, mammography equipment, mobile phones, mobile logistics and transport monitoring systems for trucks, night-vision systems for cars, separator systems, the design of handheld computers, global positioning systems for vessels, indoor/outdoor mobile base stations, telematics solutions and pacemakers.

Clients – dialogue and partnership
The division's ten largest clients account for around two thirds of the division's earnings. With these clients Systems enjoys a relationship that is characterised by partnership and close dialogue.

The proportion of large assignments is growing and Systems is actively endeavouring to win more full-service undertakings. These enable clients to focus more firmly on their core activities while Systems is able to create synergies and economies of scale within the division and the rest of the ÅF Group.

Customer surveys confirm that Systems' clients enjoy peace of mind with this relationship and are more than happy to recommend the division to other business contacts. The level of repeat business is high.

Clients include ABB, Alfa Laval, Ascom, AstraZeneca, Atlas Copco, Autoliv, Bombardier, ClimateWell, Electrolux, Ericsson, FMV (the Swedish Defence Materiel Administration), GE Healthcare, Hertz, Maquet, Network Automation, Saab, Scania, Sony Ericsson, St. Jude Medical, TAC, Tetra Pak. Tilgin, Trimble, Whirlpool, Westinghouse and Volvo.

"The division's domestic market is Sweden, but international assignments are increasing constantly as the division accompanies its Swedish and international clients in their global expansion plans."

S Y S T

2007 – strong organic growth

One trend that became even clearer in 2007 was an increasing tendency among clients to request that environmental solutions be factored into their products right from the drawing board stage. To meet this new and growing need, Systems launched the new EcoDesign service concept in collaboration with the Royal Swedish Institute of Technology (KTH).

Recruitment progressed successfully during 2007, with the addition of approximately 130 new employees. Seen in terms of the number of new recruits, overall organic growth was more than 30 percent over the year. The strongest performance came from the Öresund region (Malmö/Lund-Copenhagen), where the division now has more than 50 consultants.

Major assignments included a multimedia project for Sony Ericsson, a data communication system for rail traffic commissioned by Bombardier, a product development assignment for separator equipment for GE Healthcare, the development of testing systems for Ericsson, a life science development project relating to a new generation of RaySearch products, and a fleet management development project for Scania.

Market and market trends

In 2007 all segments of the market in all industries performed well. Strong demand for services in product development, test systems and product care confirmed that Systems has chosen to specialise in the skills that are most relevant to today's needs. The telecom sector was especially buoyant in 2007, and in southern Sweden development was strong across the board.

The order books suggest that progress in all segments and all regions will be just as good in 2008.

The division's sensitivity to the economic cycle is limited as there is a need to pursue product development activities regardless of the state of the economy. This, together with the fact that Systems works with a number of different industries, helps to offset the fluctuations in demand that nevertheless do occur from time to time.

While the industry remains fragmented with a great number of competitors, Systems expects the current process of consolidation to continue, partly as a result of acquisitions and mergers, and partly as the various players increase their degree of specialisation.

"The order books suggest that progress in all segments and all regions will be just as good in 2008."

E M S

Goals and strategies for the Systems Division

Johan Olsson, Divisional President, speaks about the main focus areas and what lies ahead

What are the most important goals for the Systems Division?
"One important aim is for us to increase our clients' understanding about what we can do for them. We need to fill our brand with content and create a clearer image of our offer in people's minds. Parallel with this we will continue to grow and further improve our profitability. Growth with profitability is the key to creating the freedom of action we need to meet tomorrow's challenges. As far as the market is concerned, our aim is to achieve a leading position in the markets and segments where we are active."

Where will the focus lie in 2008?
"In order to improve profitability and boost growth it is strategically important for us to develop our offer so that more clients choose us for major projects and full-service undertakings. We also need to increase the benefits we can provide for our clients by offering attractively packaged services, such as EcoDesign and product care solutions. This, in turn, paves the way for new pricing models. In addition, we want to follow the trend of transferring parts of the production of hi-tech solutions and product development to low-cost countries and we are already collaborating with the Swedish Trade Council to create the right conditions for this. One important task in order to strengthen our brand is to improve our service culture. That's why we are continuing to invest in our 'Consulting School' initiative, where co-workers are trained in how to react to different situations. We will also be looking at new ways of recruiting talented co-workers."

"Systems is a profitable and growing division. Now our sights are set on winning more business – especially in wireless communication."

Johan Olsson, Divisional President


SYST

E M S

Developing a solar-powered heat pump is a hot topic

“In 2001 our client, ClimateWell, unveiled an exciting innovation that would lead to a new product, CW10. This makes it possible to use solar energy for heating and cooling buildings. The solution is based on the fact that energy can be stored in salt ready for subsequent conversion into heating or cooling by mixing with water. Not only does storing energy in salt dramatically reduce the energy loss associated with conventional techniques, but it also produces no CO_2 emissions. In view of the fact that one third of the energy consumed in the world is used for heating and cooling buildings, the adoption of this technology would result in huge energy savings. Today ‘cleantech’ technology has caught the attention of the world, and CW10 appears to be on the threshold of a commercial breakthrough. We at ÅF have been supplying technical expertise to the project over a number of years. Our strength is the collective fund of experience we possess relating to the development of products that combine elements of electronics and mechanical engineering. At the same time, our size means that we can contribute cutting-edge skills in a wide range of other areas.”

Henric Flöjs, Section Manager, Systems Division

Positive development for the ÅF share

ÅF's class B shares have been quoted on the Stockholm Stock Exchange since January 1986. Prior to this, Ångpanneföreningen traded as a co-operative association from 1895 until 1980, and as a joint-stock company from 1981. ÅF's B shares are traded on the Nordic Exchange's Mid Cap list under the 'Angp B' ticker symbol. At the end of 2007 the combined market value of the company's shares was SEK 2,862 million (2006: SEK 2,376 million).

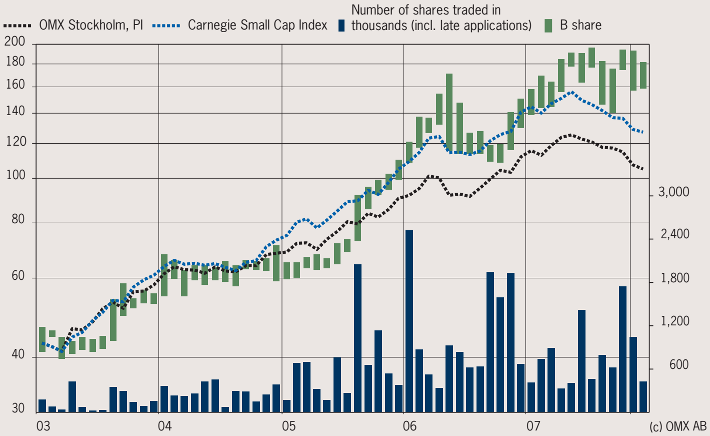
Share movements and turnover

The quotient value of the share is SEK 10. A trading lot comprises 100 shares. Ångpanneföreningen's B shares traded at SEK 169 at the end of 2007, compared with SEK 146 at the beginning of the year, an increase in value of 16.5 percent. During the same period the Stockholm (OMXS-PI) all-share index fell by 6.0 percent. During the year a total of 9,230,962 shares were traded (2006: 10,975,396) for an aggregate value of SEK 1,585 million (SEK 1,622 million). Turnover per trading day averaged SEK 6.34 million (SEK 6.46 million). The share was traded on 100 percent (100 percent) of trading days.

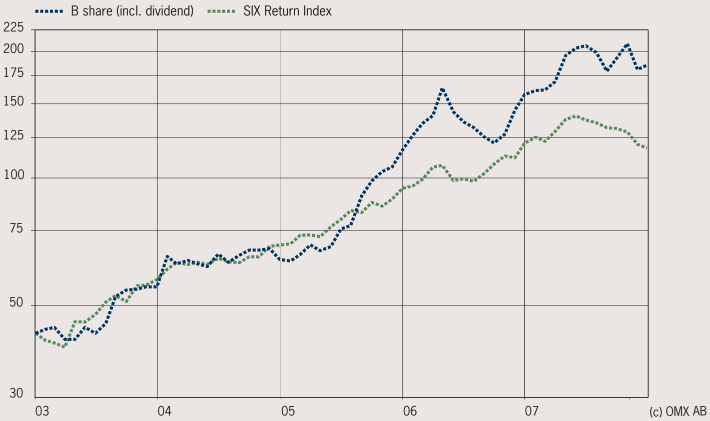
Liquidity guarantee

In order to guarantee the liquidity of ÅF shares, HQ Bank acts as a liquidity provider under an agreement from 2006 that, in essence, means that HQ Bank undertakes to quote bid and offer prices for ÅF shares.

ÅF share – 5-year trend



Total yield – 5 years



The spread, which must not exceed 2 percent calculated on the offer price, averaged 0.89 percent in 2007 (0.78 percent in 2006).

The costs relating to the liquidity guarantee are borne by Ångpanneföreningen's Foundation for Research and Development.

Dividend policy and dividend

The board has adopted a dividend policy according to which the dividend should correspond to approximately 50 percent of the consolidated profit after tax excluding capital gains. For the company's operations during 2007 the board proposes a dividend of SEK 6.50 per share (2006: SEK 3.00 per share).

Shareholding and convertible debentures among employees

The profit-sharing scheme outlined on page 17 allows employees to share in the increase in the net worth of the company by creating funds using ÅF shares (and others) as investment capital. At the turn of the year 2007/2008 approximately 10 percent of the shares in the company were owned by ÅF employees.

A convertible debenture programme for SEK 54 million was initiated in 2005 to run until 30 June 2008. There were two opportunities in 2007 to utilise the conversion option at a conversion rate of SEK 81.36 per share. A total of 566,307 shares from a maximum of 660,644 have been issued within the framework permitted for this convertible instrument 2005/2008. If the conversion option is fully utilised, the additional shares will represent a dilution of 3.8 percent of capital and 2.7 percent of the votes.

Investor relations

ÅF's positive development has been reflected in the interest shown in the ÅF share. The company adopts a long-term approach to its communications with the capital market.

This included a Capital Market Day on 20 September 2007, which this year focused on the Process Division. ÅF President/CEO Jonas Wiström outlined the Group's current situation and sketched future scenarios. The guest speaker for the day was the athletics coach Arne Bergvall, and the audience comprised around 40 analysts, institutional shareholders, asset managers and representatives for the media.

To meet the interest in ÅF shown by the international capital market, ÅF's CEO undertook a "road-show" to London, Paris and Amsterdam.

Analysts who regularly monitor the progress of ÅF

Stefan Wård, Handelsbanken Capital Markets
Johan Dahl, Swedbank Markets
David Jacobsson, Öhman Fondkommission

Photo: Björn Leijon

Johan Dahl is a stock market analyst at Swedbank Markets. He has followed developments in the technical consulting industry for a number of years, and has kept an eye on the progress of ÅF for some time.

"ÅF is one of the major companies in an expanding sector. They have achieved a notable turn-around. All divisions are performing well, with good margins and rising levels of capacity utilisation. This is a gratifying and impressive performance. As far as the future of the sector is concerned, it appears that the investment cycle has peaked in Sweden. Despite this, we believe that gross investment will continue to rise at a steady rate. There is room for further improvement in the industry's capacity utilisation rate and costs appear to be under control. In addition, there are opportunities for one or two value-generating acquisitions, so there is still plenty of potential in the sector. By far the brightest prospects are those for energy and the environment, where investment is set to increase sharply. This will clearly benefit ÅF. ÅF is an attractive proposition for investors looking for a long-term growth scenario in an investment-intensive sector."

Historical development of share capital

			Change in number of shares		Numbers of shares		Share total	Share capital
Year	Par value	Change	A shares	B shares	A shares	B shares		SEK '000
1984	50	ÅF issues conv. debentures to employees			727,460		727,460	36.373
1985	50	Redesignation	–42,600	42,600	684,860	42,600	727,460	36.373
1986	50	New issue and B share floated on A list		300,000	684,860	342,600	1,027,460	51.373
1987	20	Bonus issue and split	684,860	1,370,060	1,369,720	1,712,660	3,082,380	61.648
1990	20	Conversion of conv. debentures from 1984	269,420	480,580	1,639,140	2,193,240	3,832,380	76.648
1994	20	Redesignation	–810,475	810,475	828,665	3,003,715	3,832,380	76.648
1996	20	Bonus issue	414,332	1,501,857	1,242,997	4,505,572	5,748,569	114.971
1997	20	Redesignation	–840,778	840,778	402,219	5,346,350	5,748,569	114.971
2004	20	New issue		175,807	402,219	5,522,157	5,924,376	118.488
2005	20	New issue		37,766	402,219	5,559,923	5,962,142	119.243
2006	10	Split 1:2	402,219	5,559,923	804,438	11,119,846	11,924,284	119.243
2006	10	New issue		1,121,527	804,438	12,241,373	13,045,811	130.458
2006	10	New issue		3,232,164	804,438	15,473,537	16,277,975	162.780
2007	10	New issue		90,951	804,438	15,564,488	16,368,926	163.689
2007	10	Conversion of conv. debentures from 2005/2008		566,307	804,438	16,130,795	16,935,233	169.352
2008	*10*	*Dilution on full conversion of loan 2005/2008*		*94,337*	*804,438*	*16,225,132*	*17,029,570*	*170.296*

Shareholders in Sweden and abroad

28 December 2007	Percent of capital
Sweden	55.9
Other Nordic countries	5.2
Rest of Europe	25.5
USA	11.6
Others	1.8

The number of shareholders fell by 558 during 2007 to a total of 4,609.

Shareholder categories

28 December 2007	Percent of capital
Foreign owners	44
Swedish owners	56
of which:	
Institutions	90
Private individuals (incl. close companies)	10

Size of shareholding

28 December 2007		Percent of capital
Number of shares	Shareholders	Percentage of shares
<500	3,636	3.1
500–5,000	829	7.4
>5,000	144	89.5
Total	**4,609**	**100.0**

The ten largest owners on 28 December 2007

Owner	A shares	B shares	Holding percent	Votes percent
Ångpanneföreningen's Foundation for Research & Development	690,934	2,001,348	15.90	36.86
Deutsche Bank	0	1,045,000	6.17	4.32
Skandia Liv	0	879,025	5.19	3.64
SEB Investment Management	0	878,275	5.19	3.63
Swedbank Robur Fonder	0	776,812	4.59	3.21
BNY GCM Client Accounts	0	761,700	4.50	3.15
BNP Paribas Securities Services	0	691,483	4.08	2.86
ÅFOND (ÅF Group Trust)	108,704	550,848	3.89	6.78
JP Morgan Chase Bank	0	535,987	3.16	2.22
Handelsbanken funds incl. XACT	0	448,520	2.65	1.86
Total, 10 largest owners	**799,638**	**8,568,998**	**55.32**	**68.52**
Total, other owners	**4,800**	**7,561,797**	**44.68**	**31.48**
Total 28 Dec 2007	**804,438**	**16,130,795**	**100.00**	**100.00**

Key ratios per share (SEK), before dilution

	2003	2004	2005	2006	2007
Share price, 31 Dec.	58	66	118	146	169
Pre-tax profit	3.73	2.54	17.33	10.81	19.26
Profit after tax	2.44	2.92	15.96	7.38	13.15
After full conversion 05/08	—	—	15.63	7.16	13.11
Equity, incl. minority interests	28	31	46	67	79
Yield, percent	2.2	2.0	2.1	2.1	3.8[1]
Dividend	1.30	1.30	2.50	3.00	6.50[2]
Annual turnover rate, times	16.3	28.9	65.3	95.3	59.7

1) Based on proposed dividend for 2007

2) Proposed dividend

Controlled risks – a winning way forward

Operational risks

Business-cycle dependence

At present, the Nordic region is ÅF's largest market, where clients operate in a number of industries, including construction, engineering, the public sector and energy. This means that ÅF is dependent on a reasonably stable trend in these areas to achieve its targets. The general economic situation and propensity to invest are also highly significant, but ÅF's diversification over a number of markets and in areas that experience different business cycles reduces any risk.

To reduce the dependence on the Nordic market, and to take advantage of growth opportunities, ÅF is expanding outside the Nordic region. ÅF's strategy is to grow in the segments in which the Group is already a market leader in the Nordic countries. Increasing the geographical spread will help even out the effect of local business cycles.

Capacity utilisation and hourly rates

A consulting firm's capacity utilisation rate is important for its ability to generate a profit. Every percentage point difference in this invoiced-time ratio equates to a rise or fall of SEK 40 million in ÅF's annual earnings. The hourly rate itself is also, of course, another essential component behind the profitability of a consulting company. Increasing the hourly rate by SEK 10 would, if all other factors remained unchanged, improve profits for ÅF by some SEK 44 million a year.

Various approaches are adopted to reduce sensitivity, including employing contracted consultants and personnel on fixed-term contracts, increasing the variable component in salaries, broadening expertise and markets, and developing "packages" of services to increase competitiveness and reduce clients' sensitivity to prices. ÅF is also increasingly taking over the management of large-scale projects for its clients and liaising directly with subcontractors with regard to the detailed project planning services that are necessary during the various phases of the project.

Fixed-price contracts

Fixed-price contracts for carefully specified consulting services can be beneficial to both parties. Often consultants are able to make use of past experience to serve their clients more efficiently and are well placed to make an accurate assessment of the amount of time and resources required. A fixed-price contract may, however, involve an increased risk – for client and consultant alike – if the time required to complete the assignment is not correctly estimated. In the event that the fixed price is exceeded, ÅF suffers a write-down in its fee. Training and tuition in factors such as project management and the formulation of constructive terms and conditions is the key to reducing the risks associated with this kind of agreement. Continuous monitoring and evaluations of the amount of work remaining in fixed-price contracts also reduce this risk. Major fixed-price assignments may be led only by assignment managers who have received the appropriate training.

Acquisition risks

Over the past decade or so the technical consulting sector has undergone a process of consolidation and this process continues unabated. Failure to follow this industry trend could result in the gradual erosion of competitive strength. While ÅF remains committed to taking an active part in this process, it also recognises that growth and the takeover of other consulting companies is not risk-free. To minimise the risks, ÅF has adopted a systematic approach to acquisitions with strict criteria for obligatory documentation and thorough reviews. The ÅF board conducts an annual evaluation of any companies that have been taken over, and a special Acquisitions Unit has been set up to ensure a proactive and systematic approach to corporate acquisitions and expansion into new geographical markets.

Employees

To achieve the targets that have been set, it is crucial that employees in a consulting company are motivated and possess the relevant skills and knowledge. There is always a risk that skilled employees may join competitors or clients, or set up their own businesses. The risk is exacerbated if these people are able to use their inside knowledge of the company to cherrypick the best of their colleagues. A situation like this could make it difficult for ÅF to deliver the services it is contracted to supply and incur extra costs for the company.

In order to attract and retain co-workers of the right calibre ÅF invests, for example via the ÅF Academy, in continuous professional development, skills development and management training. It is highly unusual for large numbers of key employees to leave the ÅF Group, and regular attitude surveys show that employees are largely happy in their work. ÅF is able to offer the opportunity to work on large and highly sophisticated international projects, which is attractive to potential ÅF employees. Competition for qualified members of staff at all levels is increasing, and with it the pressure on ÅF to present itself as an attractive employer. For this reason ÅF invests large sums each year in recruitment and induction activities.

Competitors

Competition in the technical consulting industry comes from a number of major international companies and various small local competitors in each individual market. Competition is fierce, both for projects and for the best personnel. And, at the same time, competition from consulting companies in countries with significantly lower cost structures is increasing. However, the impact of international consulting firms in the Nordic region remains limited, and, thanks to the company's breadth and depth of skills, ÅF's own competitive appeal is steadily increasing.

Business support system

In 2004 a shared process system was rolled out among the Swedish-based companies in the ÅF Group for managing, following up, controlling and documenting both fixed-price and open-account assignments in the most efficient way. The system has been certified in accordance with ISO 9001 and ISO 14001:2004. In 2007 work began on paving the way for the integration into this system of other units within the ÅF Group.

Environmental risks

Under the provisions of current environmental legislation the ÅF Group does not require any environmental permits nor has any obligations to report on its activities. The business's environmental risks are restricted to the possible consequences of contravening existing environmental legislation. However, ÅF has sophisticated follow-up procedures built into its certified business support system to safeguard that all units within the Group comply with environmental law. ÅF is not involved in any environmental disputes or incidents.

Legal risks

ÅF's business activities do involve a risk of dispute. Disputes may arise if ÅF disagrees with a client about the conditions that apply for a certain assignment. Disputes can also arise in conjunction with takeovers. Drawing up contracts for all assignments and detailing the terms of the agreement reduces the risk. In most instances, ÅF contracts are carried out under the terms of "The General Conditions for the ÅF Group", which in turn are based on ABK96 (General Conditions for Consulting Assignments for Architects and Engineers, 1996). For corporate acquisitions and purchases of the net assets of businesses, a standard contract is used that has been drawn up by ÅF's legal advisors. ÅF has a tried and tested body of rules and regulations to be used when taking over another company's business operations. For more complex transactions, legal advice is always sought. The ÅF Group is involved in a small number of disputes that may have to be settled in court.

Insurance

In order to reduce risk in its business activities, ÅF has a high level of insurance cover. In line with good practice in the industry, the Group has taken out consulting liability insurance. This covers ÅF for the liability involved in any given project (normally the same as the project fee), up to a ceiling of 120 times the so called "basic amount" used in Sweden in these contexts. The maximum cost borne by ÅF in conjunction with an insurance claim is usually restricted to SEK 100,000, except for in a few instances where the excess is set at a maximum of SEK 250,000. ÅF is covered for loss of contribution to cover fixed or additional costs in the event that its premises/equipment are damaged, stolen or in any other way rendered unusable.

IT risks

The majority of ÅF's IT support has been outsourced to highly reputable suppliers. Although agreement has been reached with these service providers on response and action times, there can be no cast-iron guarantees that unplanned interruptions will not lead to loss of income at one or more of the Group's offices.

Financial risks

Finance policy

In its operations, the ÅF Group is exposed to several types of financial risk in the form of fluctuations in the company's results and cash flow as a consequence of changes in exchange rates, interest rates, refinancing and credit risks. Responsibility for the Group's financial transactions and risks is handled centrally by the parent company's Corporate Finance department in accordance with policies laid down by the Board of Directors. The overall goal is to provide cost-effective financing and to minimise the negative effects of market fluctuations on the Group's earnings. Overall, the financial risks within the Group are relatively low.

Currency risk

Currency risk comprises the risk that fluctuations in exchange rates will have a negative impact on the consolidated income statement, balance sheet and cash flow. Currency risk can be split into transactions exposure and translation exposure. Transactions exposure is the net of operating and financial inflows and outflows in foreign currencies. Currency risks related to changes in expected and contracted payment flows are relatively limited for ÅF, as the majority of sales and expenses take place/arise in local currencies. In the event of a currency risk in excess of EUR 50,000 the risk is hedged through derivatives.

Translation exposure comprises foreign subsidiaries' net assets and profits/losses in foreign currency. The effects of the translation of non-Swedish subsidiaries' net assets and profits/losses in foreign currency (translation exposure) are fairly limited, since non-Swedish subsidiaries represent only a minor part of ÅF's balance sheet total. ÅF does not hedge translation exposure.

Interest rate risk

Interest rate risk comprises the risk that changes in interest rates will affect the Group's net interest income/expense and/or cash flow. The Group's financing expense is affected by changes in market interest rates. For the purpose of reducing the effect of changes in interest rates on the Group's performance, ÅF's policy is that the average fixed-rate period on loans taken out must be between three and twelve months. During 2007, the fixed-rate period has been around 3 months. The current borrowing requirements mean that the effect on the Group's profit/loss of a change of 1 percent in interest rates will be in the region of SEK 3.6 million. ÅF's policy is for cash and cash equivalents to be deposited in bank accounts with local banks. Loans from credit institutions consist largely of overdraft facilities.

Credit risk

Financial credit risk

ÅF's financial transactions give rise to credit risks in relation to financial counterparties. The risk of a counterparty being unable to fulfil its obligations is reduced through the careful selection of creditworthy counterparties and the capping of involvement with each counterparty.

Bad debt risk

This form of credit risk relates to the outstanding accounts receivable at any given time: in other words, the credit extended to ÅF's clients. This risk is limited through ÅF's highly-effective credit policy, which specifies how the company's credit management procedures are to be implemented to avoid any uncontrolled assumption of risks and prevent any unnecessary bad debt losses. This includes, for example, rules on advance payments and advice on how to avoid clients who are likely to have payment problems. Historically the Group has reported only very limited credit losses. ÅF's ten largest clients, who represent 20 percent of the Group's sales, are all large listed companies or publicly owned institutions. There are, therefore, no exceptional credit risks in relation to any one major client.

Sensitivity analysis

Factor	Change (all other factors unchanged)	Effect on earnings SEK/share (after tax)
Capacity utilisation	±1%	±1.69
Hourly rate	±1%	±1.28
Payroll costs	±1%	±0.92
Overheads	±1%	±0.24
Number of co-workers (FTEs)	±1%	±0.12

Definitions

Operating margin
Operating profit/loss in relation to operating income.

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

Equity ratio
Equity including minority interests in relation to the balance sheet total.

Current ratio
Current assets in relation to current liabilities and current provisions.

Return on equity
Profit/loss after tax in relation to average shareholders' equity including minority interests.

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

Return on capital employed
Profit/loss after net financial items and restoration of interest expense in relation to the average balance sheet total, minus current liabilities and the net figure for deferred tax liabilities.

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

Earnings per share
Earnings attributable to the parent company's shareholders relative to the average number of shares.

Dividend yield
Dividend per share relative to the total number of shares.

Equity per share
Equity attributable to the parent company's shareholders relative to the total number of shares.

Cash flow per share
Cash flow from operating activities in relation to the average number of shares.

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

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

Five-year financial summary

Figures in millions of SEK unless otherwise stated	2003*	2004	2005	2006	2007
Operating income and profit					
Operating income	1,995.4	2,159.8	2,405.4	3,133.6	3,862.3
Operating profit	52.9	36.5	226.3	168.3	331.9
Operating profit excl. other operating income	51.5	12.2	89.9	148.4	331.2
Profit after net financial items	46.6	31.3	221.8	157.9	322.1
Profit for the year	30.1	36.0	204.4	107.8	220.0
Capital structure					
Non-current assets	424.6	237.9	254.1	997.1	1,320.2
Current assets	697.2	1,063.9	966.0	1,303.1	1,475.4
Equity incl. minority interests	342.5	390.9	581.2	1,091.5	1,339.2
Non-current provisions	68.6	84.4	90.1	96.7	89.7
Non-current liabilities, excluding provisions	109.3	109.8	63.1	118.1	185.9
Current provisions	—	—	1.5	1.4	9.6
Current liabilities, excluding provisions	601.3	716.7	484.3	992.5	1,171.1
Balance sheet total	1,121.8	1,301.7	1,220.1	2,300.2	2,795.6
Equity (annual average)	336.5	367.5	486.0	836.4	1,215.3
Total capital (annual average)	1,107.0	1,211.7	1,260.9	1,760.2	2,547.9
Capital employed (annual average)	520.1	528.1	646.9	1,010.2	1,450.3
Key figures					
Operating margin, percent	2.7	1.7	9.4	5.4	8.6
Operating margin excl. other operating income, percent	2.6	0.6	4.0	4.8	8.6
Profit margin, percent	2.3	1.4	9.2	5.0	8.3
Equity ratio, percent	30.5	30.0	47.6	47.5	47.9
Current ratio, times	1.2	1.5	2.0	1.3	1.2
Return on equity, percent	8.9	9.8	42.0	12.9	18.1
Return on total capital, percent	5.1	3.4	18.1	10.1	13.4
Return on capital employed, percent	10.9	7.9	35.4	17.5	23.4
Interest cover, times	5.5	4.8	32.8	9.3	18.7
ÅF share					
Earnings per share, SEK	2.4	2.9	16.0	7.4	13.1
Earnings per share after dilution 2005–2007, SEK	—	—	15.6	7.2	13.1
Yield, percent	2.2	2.0	2.1	2.1	3.8
Equity per share, SEK	27.7	31.3	45.6	67.1	78.8
Equity per share after dilution, SEK	—	—	47.4	67.7	78.8
Cash flow from operating activities per share, SEK	4.1	4.4	–4.7	8.3	18.9
Cash flow from operating activities per share after dilution, SEK	—	—	–4.4	8.0	18.8
Buying rate 31 Dec, SEK	58	66	118	146	169
Market value	333.4	379.4	699.1	2,376.6	2,862.1
Ordinary dividend per share, SEK	1.30	1.30	2.50	3.00	6.50**
Other					
Invoiced-time ratio, percent	67.6	68.5	71.5	72.9	75.1
Gross investment in equipment	40.0	49.4	44.7	60.4	45.0
Gross investment in property	3.3	1.3	—	—	101.8
Employees (FTEs) excluding associated companies	2,260	2,531	2,538	3,167	3,623

* Not recalculated in accordance with IFRS

** Proposed dividend

Annual Report

Administration Report 2007

AB Ångpanneföreningen (publ)

Corporate identity number 556120-6474

The Board of Directors and the President of AB Ångpanneföreningen (publ) herewith submit their annual report for the year 2007. AB Ångpanneföreningen, which has its registered office in Stockholm, is the parent company of the ÅF Group (ÅF).

Group and parent company
ÅF is a leading company in the technical consulting industry, with expertise founded on more than a century of experience. ÅF offers highly qualified services and solutions for industrial processes, infrastructure projects and the development of products and IT systems. ÅF is also one of the leading names in testing and inspection. The Group's operational base is in Northern Europe, but its business and clients are found all over the world.

ÅF bases its consulting business on the development of systems and products, and on investments, maintenance measures and ongoing modification work relating to its principals' plant, processes, machinery and buildings. The majority of projects originate in Swedish and international industrial companies, service companies and the real estate sector.

Sales and earnings
ÅF performed well during 2007. Net sales rose by 24 percent and operating profit improved by 97 percent.

The improved result is due first and foremost to a successful integration of the businesses acquired and a strong performance by the industrial sector.

ÅF advanced its positions significantly during 2007, especially within the fields of energy and the environment.

ÅF maintained its position as an attractive employer. In Universum's annual survey of engineering graduates, the verdict of the 5,500 respondents was to rank ÅF in seventh place among all categories of Swedish companies in the league table of "ideal employers".

Net sales amounted to SEK 3,862 million (2006: SEK 3,114 million), an increase of 24 percent.

Operating profit totalled SEK 332 million (SEK 168 million). The operating margin was 8.6 (5.4) percent.

In making comparisons with 2006, it should be noted that the result in the first quarter of 2006 benefited from a capital gain of SEK 19 million on the sale of PX Business Solutions. The operating profit for 2006, excluding this sale, was SEK 148 million, and the operating margin was 4.8 percent.

The capacity utilisation rate was 75 (73) percent.

Profit after tax was SEK 220 million (SEK 108 million).

Earnings per share, before dilution, totalled SEK 13.15 (SEK 7.38).

Divisions
Engineering
Operating margin 12 months: 9.5% (2006: 8.8)
The Engineering Division, which offers services within automation, industrial IT and mechanical engineering, is a leader in its field in the Nordic countries.

A continuing strong performance by the industrial sector helped ensure a high level of demand during the year with a high utilisation rate for the Engineering Division. Demand was particularly brisk in energy and mining.

During the year, cutting edge expertise in selected sectors and areas has been concentrated in the form of "competence centres". This new approach is expected to improve our ability to carry out more advanced projects and consulting assignments in the future.

Activity has remained strong in the nuclear power area. The division has an excellent position in this market in Sweden, and is also winning international assignments. During the third quarter, for example, assignments were won at nuclear power installations in both Finland and France.

Mechanical engineering operations, with 150 staff, which was incorporated into the Engineering Division with effect from 1 January 2007, has performed well.

In addition, the Division had two patents approved in Finland relating to Balance+, a system developed in-house for controlling boilers which use a variety of biofuels.

Infrastructure
Operating margin 12 months: 9.9% (2006: 8.1)
The Infrastructure Division offers infrastructure consulting services in the following business areas: Communications & Defence, Installations, Infrastructure Planning, Electrical Power Systems and Sound & Vibrations.

The market remained strong in all business areas. A large number of assignments in heavy investment and infrastructure areas such as electrical power, roads and railways means that the division is now engaged in a number of projects that extend over several years. The high oil price and more stringent environmental standards are generating increasing interest in future public transport issues and transport in general, and this has resulted in several exciting projects.

The largest business area, Installations, with 500 staff in Sweden and Norway, is benefiting from a strong property and construction market. A wide range of services for energy-saving measures in properties is coinciding with a high level of demand for energy declarations of the kind that the Infrastructure Division is also accredited to carry out.

New assignments include a very substantial order from the Swedish National Rail Authority for the Citybanan rail link project in Stockholm. The assignment comprises three technical projects: Tomteboda freight yards, the double-track tunnel and new commuter stations, and a risk and safety management assignment. ÅF's involvement with regard to the Tomteboda project and the twin-track tunnel relates to the project engineering of all aspects of the technical rail installations, including ground survey work, track, electrics, signalling and telecommunications, SCADA and channelling, as well as technical support up to the time when the facilities are taken into use. The assignment is estimated to be worth around SEK 200 million to ÅF, and is expected to continue until 2016.

Inspection
Operating margin 12 months: 15.3% (2006: 9.7)
The Inspection Division works with technical inspections, chiefly in the areas of periodic inspections, testing and certification. Major clients include the engineering and nuclear power industries.

Demand for the services of the Inspection Division was relatively strong during 2007. The division continued to win new market share and strengthened its position within the expanding nuclear power and petrochemical industries.

A number of new local offices were opened, including those in Uppsala and Kalmar, and the recruitment of new staff continued on a broad front – especially in Testing.

To enable the division to take better advantage of new growth areas and more clearly profile the Inspection Division's specialist services, a new business area, "Projects and New Markets", was launched in the fourth quarter.

The division won several strategic orders. For example, Inspection has been commissioned to develop advanced testing systems on behalf of the Ringhals and Forsmark nuclear power stations. ÅF-TÜV Nord, which is 50 percent-owned by ÅF-Inspection, has been engaged by OKG for mechanical engineering inspections at the three nuclear power installations in Oskarshamn.

Process

Operating margin 12 months: 6.9% (2006: 0.9)

The Process Division offers consulting services for all aspects of industrial processes. The division has a world-leading position within sections of the pulp & paper industry and the energy sector.

The Process Division underwent a far-reaching process of realignment during 2007. A new management team appointed at the end of 2006 introduced a new strategy and focused the division's offer on the energy and pulp & paper industries.

Two underperforming operations in Finland and France were sold during the summer. In July, the Swiss energy consulting company, Colenco was acquired.

ÅF-Colenco is an international energy consulting company based in Baden, Switzerland. The company has 250 staff, of whom 180 work from Switzerland. The acquisition of Colenco strengthens ÅF's market position in Europe, the Baltic countries, Russia, South-East Asia and South Asia. The acquisition has made the Process Division one of the largest international consulting companies in the energy field, with a world-leading position in nuclear power.

A strike which affected large technical consulting companies in Finland had a negative effect on capacity utilisation in the division for about two weeks in the fourth quarter.

Among the larger orders won by the division is the provision of technical consulting services for the construction of a gas-fired power station in Sisak, Croatia, on behalf of the state-owned energy company, HEP. Another major assignment was for planning and project management at a hydropower station in India.

Systems

Operating margin 12 months: 8.4% (2006: 5.5)

The Systems Division offers services in the field of embedded systems, mechanical engineering and IT systems.

The Systems Division's market remained strong during 2007, especially in the telecoms sector. The division's primary expertise in product development, test systems and product management is very much in demand.

A new trend is that clients are increasingly looking for environmental expertise in product development. To meet this need, the Systems Division has established the EcoDesign Center – a network which allows clients to benefit from division's core competence while supplementing this with ÅF's extensive environmental expertise.

Organic growth remained high. During 2007, the division recruited around 130 new members of staff. In line with the strategy adopted, the average age has been reduced in recent years as a consequence of the recruiting process.

New projects include the further development of a multimedia project for Sony Ericsson. Systems also won a development project for a new control computer for trains on behalf of Bombardier, and a fleet management development project for Scania.

The division's newly established offices in Gothenburg and the Öresund region showed excellent growth and profitability.

Acquisitions, disposals and alliances

In January, ÅF acquired a unit from the technical consulting company Xdin: Xdin Order to Delivery, as it is known, employs seven members of staff in Gothenburg.

In February, ÅF increased its holding in the Danish technical consulting company, Hansen & Henneberg, which has around 60 staff, from 49 percent to 80 percent. The acquisition was a result of the successful collaboration between ÅF and Hansen & Henneberg in recent years. ÅF bought 49 percent of the shares in 2001. In connection with the acquisition, the ÅF Board of Directors, as authorised by the Annual General Meeting in 2006, resolved on a new issue of 90,951 class B shares, directed to the shareholders of Hansen & Henneberg. This led to a dilution equivalent to about 0.6 percent of the share capital and 0.4 percent of the votes.

In May, ÅF acquired the technical consulting firm, Cordinor, with 15 members of staff and around a dozen sub-consultants in Luleå and Kiruna. Cordinor, which was founded in 1995, is a well-established consulting firm which offers advanced engineering services for the mining industry. The largest client is LKAB.

In June, ÅF sold the Finnish subsidiary, ÅF-CTS Oy, with 130 staff, for EUR 4 million, which was in line with the carrying amount. The purchaser was the management of ÅF-CTS Oy and the venture capital company, Nordic Mezzanine Ltd. The sale was a step in the realignment of the ÅF Process Division.

In June, ÅF also sold its French subsidiary, AF-Chleq Froté S.A., with 50 staff. The company was purchased by Chleq Froté's management. The selling price was EUR 1. The sale was a step in the realignment of the ÅF Process Division.

An extraordinary general meeting held on 14 August 2007 approved the sale of the subsidiaries ÅF-CTS Oy and ÅF-Chleq Froté S.A. to their respective managements.

In July, ÅF acquired the Swiss energy consulting company, Colenco, with 250 employees in Europe and Asia. Colenco is an international energy consulting company based in Baden, Switzerland. The company has a staff of 250, of whom 180 work from Switzerland. Colenco has offices in eleven countries and the company's current projects in more than 40 countries focus chiefly on nuclear power, hydropower, electrical networks and conventional power stations. Colenco's sales in 2006 totalled SEK 271 million: the profit margin was 7.4 percent.

The purchase price, was SEK 300 million in cash (EUR 33 million) for 100 percent of the shares in Colenco, along with a supplementary purchase price, contingent on earnings over the next three years, limited to a maximum of approximately SEK 100 million (EUR 11 million). On the transaction date, Colenco had a net cash balance of SEK 95 million and owned premises valued at SEK 102 million. Based on a supplementary purchase price of SEK 79 million, intangible assets are estimated at SEK 213 million, of which SEK 207 million is regarded as goodwill.

Goodwill

When consulting businesses are acquired, the price paid relates not solely to the carrying amount of tangible assets in the company, but also includes a premium to reflect the benefit of acquiring expert, well-qualified and experienced consultants. This premium in the form of human capital, which is recorded as an asset in the acquired company, is recognised primarily as goodwill in the ÅF Group.

The goodwill item on the acquisition of Colenco was SEK 207 million, and on the acquisition of additional shares in Hansen & Henneberg goodwill was estimated at SEK 13 million. Other acquisitions gave rise to goodwill of SEK 11 million. In total, the value of ÅF's goodwill rose by SEK 231 million net to SEK 1,063 million. For further information on goodwill, see note 13.

Other significant events in 2007

In August, the board of AB Ångpanneföreningen formulated the following overall financial targets:

ÅF shall be the most profitable company among its closest comparable competitors in the industry and achieve an operating margin (EBIT) of at least 10 percent over a business cycle.

ÅF shall have net debt. Net indebtedness shall not exceed 40 percent of equity.

The previously formulated growth target, which committed ÅF to achieve minimum sales of SEK 5 billion by 2010, remains valid.

Events after the close of the period

In February the Systems Division acquired the consulting business Proplate IT with 22 employees in Sweden. Proplate IT will feature in the ÅF Group's accounts with effect from 1 March 2008.

Research and development

The divisions carry out research and development work in conjunction with universities and trade organisations, but also internationally with EU funding. In-house method development also forms part of this R&D work. For the Group as a whole, investment in R&D during the year totalled SEK 26.5 million (SEK 27.7 million), mostly in the form of the costs for time spent on R&D projects by ÅF's own salaried employees.

Cash flow and financial status

Cash flow amounted to SEK 53 million (SEK 15 million). Before dividends and the raising and amortisation of loans, cash flow amounted to SEK 85 million (SEK –156 million).

The Group's cash and cash equivalents totalled SEK 310 million (SEK 257 million).

Equity per share amounted to SEK 78.83. The equity/assets ratio was 47.9 percent. As at 1 January 2007, equity per share was SEK 67.06, and the equity/assets ratio was 47.5 percent.

The Group's net loan debt (cash and cash equivalents less interest-bearing liabilities) at the end of December was SEK 88 million (SEK 97 million), which corresponds to 6.6 percent of equity.

Investment

Gross investment in plant and machinery for the period January to December 2007 was SEK 45 million (SEK 40 million).

Parent company

Parent company sales totalled SEK 197 million (SEK 188 million), yielding a loss after net financial items of SEK 25 million, as opposed to a profit in 2006 after net financial items of SEK 1 million.

Environmental work

ÅF has an important duty to work together with its stakeholders towards sustainable development through its positive influence on society, stakeholders and its own business. In many instances, ÅF is tasked with introducing new and better technology, implementing rationalisations and reducing emissions. With more than a century's experience as an established name in technical consulting, ÅF adopts a long-term perspective to business and has its sights firmly set on making a positive contribution to sustainable development.

ÅF frequently participates in collaboration between different players in trade and industry, the public sector and the world of research. Its role as a consultant is to act as a bridge by facilitating understanding and the exchange of knowledge among those involved. ÅF is also taking an active part in work to produce international guidelines for Corporate Social Responsibility, ISO 26000. For more details of ÅF's environmental policy and its work in this field, please see pages 21–23 of the 2007 Annual Report.

Employees

Over the year the average number of employees in the Group was 3,623 (2006: 3,167). Of these 792 (662) were employed outside Sweden. The average number of employees in the parent company was 46 (61).

ÅF adopts an active, long-term perspective to attract and retain skilled employees. This work involves marketing ÅF as an employer externally, but also providing clear information to both current and presumptive employees about the various career paths and opportunities for development available at ÅF.

In 2007 the "Five of Five Thousand" project defined three main career paths within ÅF: as specialist/expert, project manager and manager. To support the development of co-workers and assist managers in this task, an internal training organisation, the ÅF Academy, was also formed in 2007. All training includes modules of entrepreneurial skills. For more details about ÅF's work with human resources, please see pages 16–20 of the Annual Report.

Sensitivity and risk analysis

The capacity utilisation rate of a consulting company is crucial for its ability to generate a profit. Every percentage point change affects ÅF's results by plus/minus approximately SEK 40 million. The hourly rate, of course, is also a key component in the results of a consulting company. An increase in the hourly rate of SEK 10 would, if all other factors remained unchanged, improve profits for ÅF by around SEK 44 million. Methods of reducing sensitivity include the use of sub-consultants, fixed-term employment, increasing the variable salary component, broadening expertise and markets, and productising services. This last involves packaging a number of services, which improves competitiveness and reduces price sensitivity.

While most ÅF assignments are carried out on an open-account basis, fixed price contracts are also agreed in a number of cases. This does, of course, represent a financial risk if the costs involved in a project are misjudged. Careful estimates of costs and follow-ups of fixed-price assignments are carried out to minimise the risk of impairment.

If the set targets are to be reached, it is absolutely crucial for a consulting company that the staff are motivated and possess the relevant skills and expertise. There is always a risk that skilled employees may leave ÅF and set up their own company or be headhunted by the competition. With the aim of attracting and retaining staff, ÅF invests in continual training, skills development and leadership development. ÅF's ambition is to make every employee perceive some form of added value in working for ÅF.

ÅF's business activities involve a risk of dispute. Drawing up contracts for all assignments and specifying in detail the terms of the agreement reduces the risk. In most instances, ÅF's Swedish contracts are carried out in accordance with ÅF's General Conditions (based on ABK96: General Conditions for Consulting Assignments for Architects and Engineers, 1996).

ÅF's ambition is to increase growth by acquiring other consulting companies. While this can involve increased risk, the risk is minimised through a systematic approach to acquisitions, as well as requirements for obligatory documentation and reviews. An annual evaluation of completed acquisitions is carried out by the ÅF Board.

Through its operations, ÅF is exposed to a range of financial risks, such as currency risk, interest rate risk, financial credit risk and customer credit risk. Responsibility for the Group's financial transactions and risks is held centrally by the parent company's Corporate Finance department in accordance with the policies adopted by the board. The overriding goal is to provide cost-effective financing and to minimise the negative impact on the Group's earnings of market fluctuations. To minimise the currency risk in contracted payment flows in foreign currencies, large contracts are hedged using derivatives.

For a more detailed description of risk management and sensitivity analysis, please see pages 57–60 of the Annual Report.

Shares

ÅF's B shares have been quoted on the Stockholm Stock Exchange (Mid Cap) since January 1986. Prior to that, Ångpanneföreningen traded as a co-operative association from 1895 until 1980 and as a joint-stock company from 1981.

ÅF shares traded at SEK 169 at the end of 2007, an appreciation in value of 17 percent over the year. The Stockholm Stock Exchange's (OMXS-PI) all-share index fell by 6 percent during the same period.

ÅF's market capitalisation as at 31 December 2007 was SEK 2,862 million (SEK 2,377 million).

During the year there was a turnover of 9,230,962 (10,975,396) shares, valued at a total of SEK 1,585 million (SEK 1,622 million).

The average turnover per trading day was SEK 6.34 million (SEK 6.46 million). Shares were traded on 100 (100) percent of trading days.

The total number of ÅF shares on 31 December amounted to 16,935,233, of which 804,438 were class A shares and 16,130,795 were class B shares.

The ten largest shareholders in ÅF are listed on page 56 of the 2007 Annual Report.

Convertible debenture

On 28 April 2005 the Annual General Meeting of shareholders in ÅF resolved to offer ÅF's permanent employees in Sweden, Finland and Norway a convertible debenture programme. Employees subscribed for SEK 53,750,000. The conversion price was set at SEK 81.36. On full conversion, share capital will increase by SEK 6,606,440 and the number of shares will increase by 660,644. This is equivalent to a dilution effect of approximately 3.9 percent of the share capital and 2.7 percent of the votes.

As a result of the first conversion opportunity for ÅF's staff convertibles 2005/2008 in July/August, 523,608 new B shares (of a possible total of 660,644) were issued. This represents a dilution of 3.1 percent of the share capital and 2.2 percent of the votes.

As a result of the second conversion opportunity for ÅF's staff convertibles 2005/2008 in November/December, 42,699 new class B shares were issued, which gave a dilution of 0.2 percent of the share capital and 0.2 percent of the votes.

This means that 566,307 new shares (of a possible total of 660,644) have been issued under the framework of staff convertibles 2005/2008. The new share total in AB Ångpanneföreningen amounted therefore to 16,935,233: 804,438 A shares and 16,130,795 B shares.

The remaining number of convertibles is equivalent, on full conversion, to 94,337 B shares, which gives a dilution of 0.6 percent of the share capital and 0.4 percent of the votes. After full conversion, the number of shares will be 17,029,570: 804,438 A shares and 16,225,132 B shares.

Liquidity guarantee

In order to increase the liquidity of ÅF shares the HQ Bank acts as a liquidity provider.

In essence, the agreement means that HQ Bank undertakes to quote bid and offer prices for ÅF shares. The spread must not exceed 2 percent calculated on the offer price.

Board of Directors

For 2007 eight directors were elected by the Annual General Meeting: Ulf Dinkelspiel, Magnus Grill, Eva-Lotta Kraft, Peter Sandström, Helena Skåntorp and Lena Treschow Torell were re-elected, and Patrik Enblad and Jon Risfelt were elected to serve a first term as a director of the company. Ulf Dinkelspiel was elected as Chairman of the Board.

Svante Karlsson and Eva Lindén, with their deputies Oscar Stridh and Daniel Westman, were appointed as employee representatives on the board.

At its inaugural meeting following the general meeting, the board elected Lena Treschow Torell as its Deputy Chair.

Please turn to pages 122–123 for a presentation of board members.

Work of the Board of Directors

During the 2007 financial year, the board held nine meetings, of which one was the inaugural meeting. The work of the board focuses chiefly on strategic issues, business plans, financial statements, major investments and takeovers and other decisions which, according to the written rules of procedure, shall be dealt with by the board. A presentation of developments in the company's business operations and financial position is a permanent item on the agenda. At the board meeting in August a strategy seminar was arranged with a special review of each division. In conjunction with each ordinary meeting of the board one business area within the company is scrutinised in greater detail.

Other ÅF employees have participated in board meetings to present reports.

The Secretary of the Board is the company's Executive Vice President, Corporate Information.

An evaluation of the work of the board was carried out by an external consultant.

ÅF's Corporate Governance Report is presented separately on pages 118–121 in the Annual Report for 2007.

Group management

In 2007 senior group management comprised Jonas Wiström (President and CEO), Jonas Ågrup (Executive Vice President and CFO), Viktor Svensson (Executive Vice President, Corporate Information), together with the Divisional Presidents, Jörgen Backersgård, Eero Auranne, Åke Rosenius, Per Magnusson and Johan Olsson. Gunilla Fladvad is the secretary for the senior group management team. Anders Gabrielsson, Karl-Anders Eriksson and Jan Nordling left their positions on the senior management team during the year, but continue to serve the ÅF Group in other capacities.

Please turn to pages 124–125 of the Annual Report for 2007 for a presentation of the senior officers in the company.

Guidelines for the remuneration of the Group's key management personnel

The Annual General Meeting in 2007 resolved that the following principles for remuneration and other conditions of employment relating to the Group's key management personnel are to apply for new contracts signed and existing contracts changed after the Annual General Meeting. The Group's key management personnel comprises the CEO and other members of the Group management team.

The remuneration of the Group's key management personnel will be on market terms, and will also at the same time support the interests of the shareholders. Remuneration will primarily consist of fixed salary, variable salary, retirement benefits and other benefits, such as a company car. The guidelines for remuneration are intended to ensure that ÅF can attract and retain the market's best resources, in order to support ÅF's vision and strategy. The fixed salary will be determined on the basis of expertise, responsibilities and performance, and will be on market terms. The variable salary will be based on a performance-based scheme, maximised at a percentage of the fixed annual salary, varying between 60 and 100 percent. The variable salary will not be pensionable.

The period of notice from key management personnel will be six months. In the event of the company giving notice, the total of the period of notice and the period during which severance pay will be paid will be a maximum of 24 months.

Post-employment benefits will be either defined-benefit or defined-contribution, or a combination of both. The normal retirement age is 65. In the event of retirement before the normal retirement age, key management personnel will receive a paid-up pension policy from the age of 60.

The Board proposes that the Annual General Meeting approve principles for remuneration and other conditions of employment for the Group's key management personnel for 2008 which are in line with the principles approved for 2007.

The Board intends to propose that the Annual General Meeting approve the establishment of a long-term performance-related share scheme in 2008. The intention is that the performance-related share scheme will be aimed at up to 150 key individuals including the CEO.

Dividend

The Board of Directors proposes a dividend for 2007 of SEK 6.50 per share (2006: SEK 3.00 per share). The proposed dividend is in line with the dividend policy, which states that dividends are to correspond to around 50 percent of Group net profit, excluding any capital gains.

Prospects for 2008

The outlook for 2008 is positive. At present there is nothing to indicate that the economy is about to slow down, even though the pace of growth may well slacken slightly during the year. ÅF's financial status is strong, and ÅF will continue to seize the initiative in the process of structural change that the industry is currently undergoing. The goal is continued growth, first and foremost in the Nordic region and Eastern Europe.

Proposed appropriation of profits

Non-restricted profits of SEK 1,040,322,822 are at the disposal of the Annual General Meeting.

The Board of Directors and CEO propose that these profits be appropriated as follows:

To the shareholders:	
A dividend of SEK 6.50 per share	110,079,015
To be carried forward	930,243,807
Total, SEK	**1,040,322,822**

The board's motivation with regard to the proposed appropriation of profits will be posted on the company's website, www.afconsult.com It can also be ordered from the company on request.

Consolidated income statement

1 January – 31 December (in thousands of SEK)	Note	2007	2006
Operating income			
Net sales	2	3,861,618	3,113,590
Other operating income	5	727	19,968
		3,862,345	**3,133,558**
Operating expenses	6		
Other external costs	7, 28	–1,162,344	–936,005
Personnel costs	8	–2,310,209	–1,915,428
Depreciation and write-downs of tangible and intangible assets	13, 14	–48,827	–58,061
Other operating expenses	9	–13,217	–59,513
Share of associated companies' profit/loss	16	4,131	3,768
Operating profit/loss	2	**331,879**	**168,319**
Result from financial investments			
Financial income		14,889	10,002
Financial expenses		–24,716	–20,421
Net financial items	10	–9,827	–10,419
Profit after financial items		**322,052**	**157,900**
Tax	24	–102,051	–50,114
Profit for the year		**220,001**	**107,786**
Attributable to:			
Shareholders in the parent company		217,528	107,629
Minority interest		2,473	157
		220,001	**107,786**
Earnings per share with regard to profit attributable to shareholders in the parent company	12		
before dilution, SEK		13.15	7.38
after dilution, SEK		13.11	7.16

Statement of consolidated recognised income and expense

1 January – 31 December (in thousands of SEK)	Note	2007	2006
Change in translation reserve for the year		14,583	–8,784
Cash flow hedging, recognised in equity		–206	140
Financial assets held for sale:			
Recognised in income statement on disposal		—	–854
Fair value, adjustment securities		7	—
Actuarial gains and losses		–2,735	328
Tax attributable to items recognised in equity		844	86
Changes in assets recognised in equity, excluding transactions with the company's owners		**12,493**	**–9,084**
Profit for the year	19	**220,001**	**107,786**
Total change in assets, excluding transactions with the company's owners		**232,494**	**98,702**
Attributable to:			
Shareholders in parent company		229,996	98,522
Minority interest		2,498	180
		232,494	98,702

Consolidated balance sheet

As per 31 December (in thousands of SEK)	Note	2007	2006
Assets	3, 4		
Intangible assets	13	1,083,720	852,932
Tangible assets	14	210,715	103,344
Participations in associated companies	15	11,216	23,487
Financial investments	16, 28	946	1,950
Non-current receivables		2,026	2,895
Deferred tax asset	24	11,603	12,486
Total non-current assets		**1,320,226**	**997,094**
Accounts receivable	17	799,854	698,147
Revenue generated but not invoiced		261,025	243,192
Tax assets	24	—	9,164
Other receivables	30	37,986	38,056
Prepaid expenses and accrued income	18	66,105	57,100
Cash equivalents		310,382	257,474
Total current assets		**1,475,352**	**1,303,133**
Total assets		**2,795,578**	**2,300,227**
Equity	19		
Share capital		169,352	162,780
Other contributed capital		478,599	422,922
Reserves		7,883	–6,532
Retained earnings including profit for the year		679,110	512,363
Equity attributable to shareholders in parent company		**1,334,944**	**1,091,533**
Minority interest		4,220	—
Total equity		**1,339,164**	**1,091,533**

Consolidated balance sheet (continued)

As per 31 December (in thousands of SEK)	Note	2007	2006
Liabilities	3, 4		
Liabilities to credit institutions	20, 27	68,599	26,693
Convertible debenture	21	7,613	52,471
Provisions for pensions	22	60,135	55,855
Other provisions	23	8,874	17,451
Deferred tax liabilities	24	20,734	23,373
Other liabilities		109,710	38,971
Total non-current liabilities		**275,665**	**214,814**
Liabilities to credit institutions	20, 27	261,688	219,813
Work invoiced but not yet carried out		140,595	89,868
Accounts payable – trade		181,798	172,351
Current tax liability	24	40,352	0
Other liabilities	30	153,003	139,746
Accrued expenses and prepaid income	25	393,705	370,753
Provisions	23	9,608	1,349
Total current liabilities		**1,180,749**	**993,880**
Total liabilities		**1,456,414**	**1,208,694**
Total equity and liabilities		**2,795,578**	**2,300,227**

For information about the Group's pledged assets and contingent assets, please refer to Note 29.

Cash flow analyses for the Group

1 January – 31 December (in thousands of SEK)	Note	2007	2006
Operating activities	3, 4, 33		
Profit after financial items		322,052	157,900
Adjustment for items not included in cash flow		73,604	31,387
Income tax paid		–77,992	–74,778
Cash flow from operating activities before changes in working capital		**317,664**	**114,509**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in operating receivables		–79,771	17,102
Increase (+)/Decrease (–) in operating liabilities		75,231	–10,305
Cash flow from operating activities		**313,124**	**121,306**
Investing activities			
Acquisition of tangible assets		–45,094	–39,847
Disposal of tangible assets		6,970	8,347
Acquisition of intangible assets		–1,022	–3,859
Disposal of intangible assets		—	600
Acquisition of subsidiaries		–224,482	–557,062
Disposal of line of business		20,672	21,000
Acquisition of financial assets		–433	–524
Disposal of financial assets		7,366	6,579
Cash flow from investing activities		**–236,023**	**–564,766**
Financing activities			
Proceeds from borrowing		42,900	209,022
Amortisation of loans		–18,260	–7,011
New share issue		—	287,281
Dividend paid to shareholders in the parent company		–48,833	–30,365
Cash flow from financing activities		**–24,193**	**458,927**
Cash flow for the year		**52,908**	**15,467**
Cash and cash equivalents brought forward		257,474	242,007
Cash and cash equivalents carried forward		**310,382**	**257,474**

Parent company income statement

1 January – 31 December (in thousands of SEK)	Note	2007	2006
Operating income			
Net sales		142,077	140,624
Other operating income	5	54,510	47,065
		196,587	**187,689**
Operating expenses	6		
Other external costs	7, 28	–99,117	–66,788
Personnel costs	8	–56,152	–57,714
Depreciation and write-downs of tangible and intangible assets	13, 14	–4,371	–7,415
Other operating expenses	9	–75,868	–66,911
Operating loss		**–38,921**	**–11,139**
Result from financial investments			
Result from shares in Group companies	10	—	11,563
Result from other securities and receivables that are non-current assets	10	—	821
Interest income and similar profit/loss items	10	27,520	15,696
Interest expense and similar profit/loss items	10	–13,998	–16,168
		13,522	**11,912**
Profit/Loss after financial items		**–25,399**	**773**
Appropriations	11	83,908	–19,361
Pre-tax profit/loss		**58,509**	**–18,588**
Tax	24	–16,500	12,159
Profit/loss for the year		**42,009**	**–6,429**

Statement of parent company's recognised income and expense

1 January – 31 December (in thousands of SEK)	Note	2007	2006
Changes in assets recognised in equity, excluding transactions with the company's owners		**—**	—
Profit/loss for the year	19	**42,009**	**–6,429**
Total change in assets, excluding transactions with the company's owners		**42,009**	**–6,429**

Parent company balance sheet

As per 31 December (in thousands of SEK)	Note	2007	2006
Assets			
Non-current assets			
Tangible assets	14	14,643	19,870
Participations in Group companies	31	998,463	758,538
Deferred tax asset	24	3,811	—
Total non-current assets		**1,016,917**	**778,408**
Current assets			
Accounts receivable	17	2,995	1,647
Receivables from Group companies	30	687,292	569,242
Receivables from associated companies	30	60	292
Receivables from other related parties	30	28	22
Revenue generated but not invoiced		1,447	1,694
Other receivables		4,445	4,220
Prepaid expenses and accrued income	18	25,146	20,887
Total current receivables		721,413	598,004
Cash and bank balances		2,415	101,728
Total current assets		**723,828**	**699,732**
Total assets		**1,740,745**	**1,478,140**
Equity and liabilities			
Equity	19		
Restricted equity			
Share capital (804,438 class A shares and 16,130,795 class B shares: total 16,935,233 shares with a quotient value of SEK 10)		169,352	162,780
Statutory reserve		46,948	46,948

Parent company balance sheet (continued)

As per 31 December (in thousands of SEK)	Note	2007	2006
Non-restricted equity			
Share premium reserve		454,974	399,298
Profit brought forward		543,340	410,517
Profit/loss for the year		42,009	–6,429
Total equity		**1,256,623**	**1,013,114**
Untaxed reserves	32	1,638	85,546
Provisions			
Provisions for pensions and similar obligations	22	27,161	26,969
Provisions for tax	24	5	109
Other provisions	23	13,611	9,211
Total provisions		**40,777**	**36,289**
Non-current liabilities			
Convertible debenture	21	7,613	52,471
Other liabilities		—	1,887
Liabilities to Group companies		156	156
Total non-current liabilities		**7,769**	**54,514**
Current liabilities			
Liabilities to credit institutions	20, 27	243,195	200,000
Accounts payable – trade		27,307	14,683
Liabilities to Group companies	30	78,894	48,781
Current tax liabilities	24	66,153	4,486
Other liabilities		2,688	3,595
Accrued expenses and prepaid income	25	15,701	17,132
Total current liabilities		**433,938**	**288,677**
Total equity and liabilities		**1,740,745**	**1,478,140**
Pledged assets and contingent liabilities for the parent company			
Pledged assets	29	None	None
Contingent liabilities	29	140,915	120,886

Cash flow analyses for the parent company

1 January – 31 December (in thousands of SEK)	Note	2007	2006
	3, 4, 33		
Operating activities			
Profit/Loss after financial items		–25,399	773
Adjustment for items not included in the cash flow		13,657	6,340
Income tax paid		–31,892	–28,080
Cash flow from operating activities before changes in working capital		**–43,634**	**–20,967**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in receivables		168,116	–141,341
Increase (+)/Decrease (–) in liabilities		10,103	2,120
Cash flow from operating activities		**134,585**	**–160,188**
Investing activities			
Acquisition of tangible assets		–8,758	–10,424
Disposal of tangible assets		4,920	—
Acquisition of financial assets		–239,392	–564,259
Disposal of financial assets		16,857	192,867
Cash flow from investing activities		**–226,373**	**–381,816**
Financing activities			
Proceeds from borrowing		41,308	202,859
Dividends paid		–48,833	–30,365
New share issue		—	287,281
Cash flow from financing activities		**–7,525**	**459,775**
Cash flow for the year		**–99,313**	**–82,229**
Cash and cash equivalents brought forward		101,728	183,957
Cash and cash equivalents carried forward		**2,415**	**101,728**

Table of notes

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 Ångpanneföreningen 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 instrument. 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
Of which participations in profit/loss of associated companies	*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
Of which proportion of equity in associated companies	*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.

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

	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**

Proportion of women in senior management positions

	Women %	
Parent company	2007	2006
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 Salaries and remunerations	2007 Social costs	2006 Salaries and remunerations	2006 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 Boards and MDs	2007 Other employees	2006 Boards and MDs	2006 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 Pres-ident. 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 ÅF 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 ÅF. The payment will be made if the profit trend for the company is better than that of a number of competing firms, and if ÅF'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 ÅF'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

	Parent company	
(Figures in percent)	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

Parent company	Results from other securities and receivables treated as non-current assets 2007	2006	Interest income and similar profit/loss items 2007	2006	Interest expense and similar profit/loss items 2007	2006
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

	Before dilution		After dilution	
SEK	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 ÅF	—	—
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”.

Parent company	Equipment, tools, fixtures and fittings
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 %
ÅF-TÜV Nord AB	Sweden	36,038	2,546	13,878	9,686	4,192	50
ÅF-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
ÅF-TÜV Nord AB	Sweden	26,877	1,601	10,695	7,449	3,246	50
ÅF-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	Share capital	Other contributed capital	Reserves	Profits brought forward included in profit for the year	Total	Minority interest	Total equity
	Equity attributable to shareholders in parent company						
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**

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).

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.

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
Parent company	Share capital	Statutory reserve	Premium reserve	Profit carried forward	Profit carried for the year	
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:

	2007			2006		
Group	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 Ångpanneföreningen 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 ÅF 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

	2007	2006
Present value of unfunded obligations[1]	27,161	26,969
Recognised in respect of defined-benefit plans	**27,161**	**26,969**
Of which covered by a credit insurance through FPG/PRI	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

Provisions which are non-current liabilities	2007	2006
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

Current tax	2007	2006
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	2007	2006
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
ÅF 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 ÅF 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:

	Group 2007					Group 2006				
Thousands of SEK	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**

	Parent company 2007					Parent company 2006				
Thousands of SEK	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

	Group		Parent company	
Provision for doubtful receivables	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 ÅF 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 ÅF 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	
Receivables	Fair value	Book value	Fair value	Book value
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 ÅF 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. ÅF'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 ÅF 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 ÅF, 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 *In the form of pledged assets for the Group's own liabilities and provisions*				
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.

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

31 Group subsidiaries

Companies owned directly by the parent company

			2007			2006	
	Corporate ID	Reg'd office	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 Industrias 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**

Note 31 continued

Comprehensive list of Group subsidiaries

	Corporate ID	Reg'd office	2007 Number of shares	2007 Interest, percent[1]	2007 Carrying value	2006 Interest, percent[1]	2006 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	—	—	—
Ingenjörsbyrån 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

			2007			2006	
	Corporate ID	Reg'd office	Number of shares	Interest, percent[1]	Carrying value	Interest, percent[1]	Carrying value
ÅF Brasil Consultoria Em Processos Industrias Ltda	08.164.752/0001-08	Brazil	—	99	—	—	—
Colenco Power Engineering AG	CH-400.3.924.101-4	Switzerland	—	100	—	—	—
International Power Design Ltd.	CH-400.3.025.445-4	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 Deutchland 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	Mölndal	—	100	—	100	—
Benima SydVäst AB	556224-8012	Mölndal	—	100	—	100	—
Benima SydOst 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 Industrias 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.

The undersigned declare that the consolidated accounts and annual report have been drawn up in accordance with IFRS, as approved by the EU, and with generally accepted accounting practice, to give a faithful representation of the position and performance of the Group and the company, and that the Group administration report and the administration report give a faithful review of the progress of the Group's and the company's operations, position and performance, as well as describing the material risks and uncertainty factors to which the companies that are members of the Group are exposed.

Stockholm, Sweden – 6 March 2008

Ulf Dinkelspiel
Chairman of the Board

Jonas Wiström
President/CEO

Patrik Enblad
Director

Magnus Grill
Director

Eva-Lotta Kraft
Director

Jon Risfelt
Director

Peter Sandström
Director

Helena Skåntorp
Director

Lena Treschow Torell
Deputy Chair

Eva Lindén
Employee Representative

Svante Karlsson
Employee Representative

Our Audit Report was presented on 6 March 2008

Lars Träff
Authorised Public Accountant

Ernst & Young AB

Marine Gesien
Authorised Public Accountant

Ernst & Young AB

Audit report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President/CEO of AB Ångpanneföreningen for the financial year 2007. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 62–117. The Board of Directors and the President/CEO are responsible for these accounts and the administration of the company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and the application of international financing reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President/CEO and significant estimates made by the Board of Directors and the President/CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president/CEO. We also examined whether any board member or the president/CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financing reporting standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

Stockholm, Sweden – 6 March 2008

Ernst & Young AB

Lars Träff
Authorised Public Accountant

Ernst & Young AB

Marine Gesien
Authorised Public Accountant

Corporate governance report

AB Ångpanneföreningen (ÅF) is a Swedish public company whose shares are listed on the Stockholm Stock Exchange. ÅF is governed in accordance with Swedish company law, which means that the company's articles of association are a central document. ÅF also complies with other applicable Swedish and foreign laws and regulations, and with the Stockholm Stock Exchange listing agreement. Since 1 July 2005, this agreement has also incorporated the Swedish Code of Corporate Governance. The application in practice of the Swedish Code of Corporate Governance at ÅF began during 2005.

This corporate governance report does not form part of the formal annual report documents, and has not been reviewed by the Company's auditors.

Annual General Meeting

The procedure for convening the shareholders' meeting is set out in the articles of association. Notification of the meeting is to be given through advertisements in the Swedish Official Gazette (*Post- och Inrikes Tidningar*), and in the business newspaper, *Dagens Industri*. Notification of an ordinary shareholders' meeting (annual general meeting: AGM) and notification of other shareholders' meetings, at which any changes to the articles of association are to be discussed, must be given no earlier than six weeks and no later than four weeks before the meeting. Notifications of other shareholders' meetings are to be issued no earlier than six weeks and no later than two weeks before the meeting.

At the shareholders' meeting, the shareholders exercise their voting rights, in accordance with Swedish company law and ÅF's articles of association, to make decisions affecting the composition of the Board of Directors and other key issues. Shareholders or their representatives may vote for the full number of shares they own or represent at the meeting.

The AGM for 2007 was held in Stockholm on 8 May. It was attended by 62 shareholders, representing 47 percent of the share capital and 63 percent of the total number of votes. The minutes of the shareholders' meeting are supplied to shareholders who wish to receive them, and are published on the company's website.

Share structure and voting rights

Shares in ÅF are issued in two classes: A and B. Each class A share carries an entitlement to ten votes, and each class B share to one vote. All shares carry the same right to participate in the company's assets and profits, and are entitled to the same dividend. For the distribution of the number of shares and votes, and for the ownership structure, see pages 54–56.

On request, shares of class A can be converted into shares of class B. Such a conversion request must be made in writing to the Board of Directors in January or February. After the conversion is approved, it is to be reported to the Swedish Companies Registration Office. Conversion takes effect on registration.

Composition of the Board of Directors

The Board of Directors shall consist of a minimum of six and a maximum of ten members, with a maximum of five deputies. The members are elected at the general meeting. Employees are represented on the board. Members of the board are elected for a term of one year. In 2007, the number of directors elected by the AGM was eight. In addition, two employee representatives joined the board, along with the same number of deputies. The President/CEO is not a member of the board.

One of the members of the board, Magnus Grill, holds a position of dependence with the largest shareholder, Ångpanneföreningen´s Foundation for Research & Development. Another of the members, Peter Sandström, holds a position of dependence with the shareholder, ÅFOND (the ÅF Group Trust) and with the company.

Nomination procedure

The 2007 AGM resolved that, for the period until a new Nomination Committee is appointed under a mandate from the next AGM, the Nomination Committee shall consist of the Chairman of the Board together with one representative from each of the company's three largest shareholders as at the end of the third quarter. The Nomination Committee shall appoint a Chair from the largest shareholder in terms of votes. If any member of the Nomination Committee leaves before the work of the committee is completed, if it is considered necessary, a replacement shall be appointed by the same shareholder who appointed the departing member or, if this shareholder is no longer one of the largest shareholders, by another shareholder from among the largest shareholders. Fees shall not be payable to members of the Nomination Committee.

The composition of the Nomination Committee for the 2008 AGM was announced on 2 November 2007. The Nomination Committee has since consisted of Gunnar Svedberg, Chair, representing Ångpanneföreningen's Foundation for Research & Development, Ulf Dinkelspiel, Chairman of the Board of ÅF, Lars-Göran Orrevall, representing Skandia Liv, and Anders Oscarsson, SEB Fonder.

The Nomination Committee held two meetings for the purpose of submitting proposals to the 2008 AGM with regard to the Board of Directors, auditors and fees.

Work of the Board of Directors

During the 2007 financial year, the board held nine meetings, of which five were ordinary meetings and one an inaugural meeting. The work of the board revolves mostly around strategic issues, business plans, annual accounts, major investments and acquisitions, in addition to other decisions which, under the provisions of the company's rules for decision-making, are to be dealt with by the board. Reports on the progress of the company's operation and its finances are a standing item on the agenda. At the meeting in August, a strategic seminar was held, with a special review of each division. At every ordinary board meeting, there is a more in-depth presentation of one of the various lines of business.

Other key management personnel in ÅF have participated in board meetings to present reports. The Executive Vice President, Corporate Information, has served as secretary to the Board.

The table below shows the attendance rate at board meetings:

Attendance

Number of meetings:	9
Ulf Dinkelspiel	9/9
Patrik Enblad*	4/4
Magnus Grill	7/9
Eva-Lotta Kraft	9/9
Jon Risfelt*	4/4
Peter Sandström	8/9
Helena Skåntorp	7/9
Lena Treschow Torell	8/9
Employee representatives:	
Eva Lindén	8/9
Svante Karlsson*	4/4
Oskar Stridh, deputy*	3/4
Daniel Westman, deputy	8/9

* Elected by the 2007 AGM

An evaluation of the work of the board carried out by an external consultant showed that the board was performing effectively, with good leadership and open and constructive dialogue.

Rules of procedure

At the inaugural board meeting, the board adopted written rules of procedure, as well as written instructions with regard both to the division of responsibilities between the board and the President/CEO, and the information which the board is to receive on a regular basis. The formal rules of procedure will ensure that the board receives all necessary information.

Chairman of the Board

The Chairman of the Board leads the work of the board. The Chairman is responsible for ensuring that this work is well organised and efficiently conducted, and that the board discharges its duties properly. The Chairman maintains regular contact with the President/CEO to monitor the Group's operations and progress, and to represent the Company in matters relating to ownership.

Directors' fees

The AGM on 8 May 2007 approved remuneration for the work of the board for 2007 of a total of SEK 1,250,000. 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 (apart from those serving in the Nomination Committee) 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 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.

Employee representatives receive no directors' fees.

Remuneration Committee

The board appoints a Remuneration Committee from among its members. Until the 2008 AGM, the members of this committee are Ulf Dinkelspiel (Chair), Magnus Grill and Lena Treschow Torell.

The Remuneration Committee is tasked with considering matters of remuneration and other terms of employment for the President/CEO and other senior officers of the company. These comprise the President/CEO and other members of the senior management group.

The Remuneration Committee met on three occasions.

Audit Committee

The board appoints an Audit Committee from among its members. Until the 2008 AGM, the members of this committee are Helena Skåntorp (Chair), Ulf Dinkelspiel and Eva-Lotta Kraft. All members are independent of the shareholders and the company management. In 2007, the committee held two minuted meetings. In addition, the committee's chair has taken part in the auditors' report of the final accounts and in meetings to prepare for the auditing of the company's accounts for the period 2008 to 2011. The company's auditors participated in all Audit Committee meetings during the year. The President/CEO attends as a co-opted member, as does the Group CFO and the manager responsible for ÅF's internal accounting procedures.

CEO, company management and specialist staffs

The Board of Directors has delegated operational responsibility for the administration of the company and the ÅF Group to the company's CEO. The CEO leads the operation within the framework laid down by the board. The board has adopted instructions for the division of responsibility between the board and the CEO.

The CEO has appointed a senior management team with day-to-day responsibility for various aspects of the Group's operation. During 2007, ÅF's senior management team consisted of divisional presidents, the Executive Vice President, Corporate Information and the CFO. For information about the members of the senior management team, see pages 124–125.

Group management meets once a month as a rule.

Business units

ÅF's business activities are organised into five divisions, each led by a president.

ÅF's organisation reflects a far-reaching decentralisation, in which each unit has a considerable degree of autonomy and authority. Group management's control of the divisions is exercised through regular contacts, but principally through monthly internal reports presented by the divisional presidents and finance managers.

The ÅF Group has an authorisation plan and written rules for decision-making procedures that clearly define the authority exercised at every level in the company, from individual consultant to senior management. The areas covered include issuing quotations and making tenders, investments, rental and leasing agreements, overhead expenses and guarantees.

Approximately 57,000 assignments are carried out each year. The organisation for a project varies according to the size, location and complexity of the assignment. Each assignment is run by a contract manager. ÅF and its Swedish subsidiaries are certified under quality and environmental management systems in accordance with ISO 9001:2000 and 14001:2004. Quality and environmental audits are carried out on a regular basis by external auditors.

Fixed-price assignments of an invoiced value of more than EUR 50,000 are monitored at Group management level.

Internal controls

Under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance, the ÅF Board is responsible for ensuring that ÅF implements an effective system of internal controls. Board members must keep themselves informed about the state of affairs in the company and evaluate the internal controls on a regular basis.

The internal controls at ÅF are so designed to ensure that the company's operation is efficient and fit for purpose, that financial reporting is reliable and that applicable laws and regulations are complied with.

ÅF's approach to internal controls is described in a framework which is included in the ÅF Accounting Manual, and which has been communicated in Swedish and English to everyone involved by means of the ÅF intranet.

ÅF divides its internal controls into the following components: control environment, risk assessment, control measures, information and communication, and follow-up.

The basis for internal controls is the *control environment*, which describes the organisation, decision paths, authority and responsibility for financial reporting. Financial reporting is governed by a number of documents relating to policies, guidelines and manuals. These are included in the Accounting Manual. Checklists setting out a number of questions that relate to the control environment have been completed by ÅF's management and published on the ÅF intranet.

Through its operations, ÅF is exposed to a variety of business and financial risks. It is extremely important that these risks are managed within the framework laid down and that a *risk assessment* is carried out in accordance with ÅF's guidelines. The risks to which ÅF is exposed and how they are managed is described in the Sensitivity Analysis section on pages 57–60. Checklists that set out a number of questions that relate to risk assessment work have been completed by ÅF's management and published on the ÅF intranet.

ÅF's financial reporting is based on a number of control measures implemented in all reporting units in ÅF. *Control measures* are needed to prevent, reveal and rectify any errors and deviations. Comprehensive checklists are included in the Control Measures section and have been completed by the reporting units' Finance Departments. These checklists include questions which investigate in some detail how ÅF handles assignments, purchasing, investment, HR issues, IT, etc. In addition, a large number of questions relate to the accuracy of the accounts and the financial reports. Each question is supplemented with a brief description of best practice within ÅF. The various companies' Finance Departments carry out a self-assessment regarding their compliance with the control questions in relation to best practice.

Information and communication in respect of policies, manuals and guidelines that relate to financial reporting are contained in the ÅF Accounting Manual. This is a work in progress, which is updated regularly as internal rules and external accounting rules change. A checklist with control questions has been drawn up for this area.

Follow-up to ensure the quality of the internal controls is carried out through ÅF's management and financial organisation. Information about any errors discovered and what action is taken to rectify these is to be submitted to the next level in the corporate hierarchy. Here too, there is a checklist with control questions. From 2007 onwards, the internal audit procedure of the Swedish quality system is being supplemented with an internal audit of internal controls. The intention behind expanding the scope of internal auditing in this way is to guarantee the quality and efficacy of internal controls and to check those parts of the operation which are not currently covered by the internal audit within the Operational System. Prioritised areas for internal control are fixed-price assignments, cash flow, acquisitions, employment issues and authorisation. The internal auditor reports directly to the President/CEO and also reports his/her observations directly to the Audit Committee.

Auditors

Auditors are appointed by the AGM every four years. The auditors work for and on behalf of the shareholders to audit the company's accounting records, the annual accounts and the administration of the Board of Directors and the managing director. The 2007 AGM elected the accounting firm Ernst & Young (represented by Lars Träff as auditor in charge, and Marine Gesien) as the company's auditors to serve for a period of four years.

Ernst & Young carries out the audit of AB Ångpanneföreningen and major units. A "hard close" audit is performed for the period January–September, and for the annual accounts. At the same time, an audit of internal routines and control systems is carried out. The audit of the annual accounts and the annual report takes place in January–February. During 2007, the auditors reported to the ÅF board on one occasion and, in addition, to the Audit Committee and to the President/CEO on two occasions. The auditors have also participated in the meetings of the Audit Committee.

Over and above the audit assignments, ÅF has used Ernst & Young for consultations relating to tax matters, for various accounting issues and for investigations in conjunction with major projects such as acquisitions. The remuneration paid to the auditors is shown in note 7.

Information to the capital market

ÅF provides the market with continuous updates on the Group's financial position and performance, in the form of interim and annual reports in both Swedish and English. In addition, press releases are issued relating to news and events that, it is considered, may have an effect on the value of the ÅF share. Presentations are made to shareholders, financial analysts and investors in Sweden and abroad. ÅF also hosts an annual capital market day in Stockholm in September. The information described above is also published on the Group's website, www.afconsult.com.

1 Ulf Dinkelspiel

Born 1939. Graduate business administrator, Stockholm School of Economics. Ambassador, E Öhman j:or AB. Director of AB Ångpanneföreningen since 2004 and Chairman since 2007. Chairman of Landshypotek AB, Sveriges Allmänna Hypoteksbank, Springtime AB, the Sweden in Europe Foundation, the Association for Swedes Worldwide and ICC Sweden. Deputy Chairman of the Royal Swedish Institute of Technology (KTH). Director of E. Öhman j:or AB, Nordnet AB, Premiefinans AB and Bockholmen Hav och Restaurang AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholding in ÅF: 21,300 shares.

2 Patrik Enblad

Born 1966. Active in Böös & Enblad AB. Director of AB Ångpanneföreningen since 2007.
Director of ORC Software, the Swedish Ski Association and the Royal Swedish Yacht Club.
Shareholding in ÅF: 0 shares.

3 Magnus Grill

Born 1945. Graduate business administrator. Director of AB Ångpanneföreningen since 2002.
Chair of Ångpanneföreningen's Foundation for Research and Development since 2006.
Chair of the Board of HS Kraft AB and the Swedish Environmental Technology Council (Swentec).
Director of Elforsk AB.
Shareholding in ÅF: 250 shares.

4 Svante Karlsson

Born 1960. Inspection engineer authorised by the Swedish Electrical Committee (EN).
Staff representative on the board of AB Ångpanneföreningen since 2007.
Employed in the Infrastructure Division of the ÅF Group.
Shareholding in ÅF: 3 shares.

5 Eva-Lotta Kraft

Born 1951. M.Sc. (Engineering) from the Royal Swedish Institute of Technology (KTH), MBA. Director of AB Ångpanneföreningen since 2002.
Director of Munters AB, Samhall AB, Morphic Technologies AB and Svolder AB.
Shareholding in ÅF: 4,000 shares.

6 7 8 9 10

6 Eva Lindén

Born 1961, M.Sc. (Engineering) from the Royal Swedish Institute of Technology (KTH).
Employee representative on the board of AB Ångpanneföreningen since 2005.
Employed in the Infrastructure Division of the ÅF Group.
Shareholding in ÅF: 0 shares.

7 Jon Risfelt

Born 1961, M.Sc. (Chemical Technology) from the Royal Swedish Institute of Technology (KTH).
Director of AB Ångpanneföreningen since 2007.
Chairman of the Board of XponCard Group AB and Wayfinder AB.
Director of TeliaSonera AB, Bilia AB, Enea AB and Ortivus AB.
Shareholding in ÅF: 250 shares.

8 Peter Sandström

Born 1948. M.Sc. (Engineering). Director of AB Ångpanneföreningen since 2002. Chair of the ÅFOND Trust. Employed in the Systems Division of the ÅF Group.
Shareholding in ÅF: 444 shares.

9 Helena Skåntorp

Born 1960. Graduate business administrator. President and CEO of SBC (the Swedish Owner-Occupier Centre AB). Director of AB Ångpanneföreningen since 2002.
Director of Mekonomen AB.
Shareholding in ÅF: 0 shares.

10 Lena Treschow Torell

Born 1946. Professor, Chalmers University of Technology.
President of the Royal Swedish Academy of Engineering Sciences (IVA). Director of AB Ångpanne-föreningen since 2006. Director of Saab AB, Micronic Laser System AB, IRECO Holding AB, Investor AB, SKF AB and the Chalmers University of Technology Foundation.
Shareholding in ÅF: 0 shares.

Not pictured:

Oscar Stridh

Born 1978, automation engineer.
Employee representative (deputy) on the board of AB Ångpanne-föreningen since 2007. Employed in the Engineering Division of the ÅF Group.
Shareholding in ÅF: 0 shares.

Daniel Westman

Born 1973, M.Sc. (Engineering).
Employee representative (deputy) on the board of AB Ångpanne-föreningen since 2006.
Employed in the Inspection Division of the ÅF Group.
Shareholding in ÅF: 0 shares.

Group Management

1 **Eero Auranne**
Born 1959, M.Sc.
President, Process Division since 2006.
Employed by ÅF since 2006.
Shareholding in ÅF: 1,000 shares

2 **Jörgen Backersgård**
Born 1964, M.Sc.
President, Inspection Division since 2004.
Employed by ÅF since 1998.
Shareholding in ÅF: 6,432 shares

3 **Gunilla Fladvad**
Born 1947, DIHM Marketing & Communication.
PA to the President.
Employed by ÅF since 1979.
Shareholding in ÅF: 1,285 shares

4 **Per Magnusson**
Born 1954, B.Sc.
President, Engineering Division since 2006.
Employed by ÅF since 2006.
Shareholding in ÅF: 0 shares

5 **Johan Olsson**
Born 1956, M.Sc.
President, Systems Division since 2005.
Employed by ÅF since 2005.
Shareholding in ÅF: 6,002 shares

6 **Åke Rosenius**
Born 1957, B.Sc.
President, Infrastructure Division since 2005.
Employed by ÅF since 1994.
Shareholding in ÅF: 0 shares

7 **Viktor Svensson**
Born 1975, Graduate business administrator.
Executive Vice President, Corporate Information since 2003.
Employed by ÅF since 2003.
Shareholding in ÅF: 4,000 shares

8 **Jonas Wiström**
Born 1960, M.Sc.
President and CEO since 2002.
Employed by ÅF since 2002.
Shareholding in ÅF: 8,500 shares

9 **Jonas Ågrup**
Born 1960, Graduate business administrator
CFO since 2007.
Employed by ÅF since 2007.
Shareholding in ÅF: 1,000 shares

Annual general meeting

Shareholders in AB Ångpanneföreningen (publ) are invited to the Annual General Meeting that will take place at 17.00 (5.00 pm) on Wednesday 23 April 2008 at the company's head office at number 7 Fleminggatan in Stockholm, Sweden.

Entitlement to attend
Shareholders who wish to participate in the Annual General Meeting must:

- have their names entered in the shareholders' register maintained by VPC AB (the Swedish Securities Register Centre) by Thursday 17 April 2008 at the latest, and
- confirm their intention to participate to the company's head office by Monday 21 April 2008 at the latest.

Shareholders who have elected to use a nominee for their shareholding must temporarily re-register their shares in their own name if they wish to exercise the right to participate in the Annual General Meeting. Shareholders who wish to do this must inform their nominee of their intention in good time before 17 April.

Registration
Notice of an intention to participate in the Annual General Meeting may be made to:
AB Ångpanneföreningen,
Corporate Information,
Box 8133, SE-104 20 Stockholm,
Sweden
Tel. +46 (0)10-505 00 00,
Fax +46 (0)8-653 56 13
www.afconsult.com/arsstamma2008

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

Dividend
The Board of Directors proposes a dividend to shareholders of SEK 6.50 per share. It is proposed that Monday 28 April 2008 be made the record day for the right to receive this dividend. It is anticipated that payment will be made via VPC on Friday 2 May.

Financial information – schedule for 2008
Interim report (3 months): 23 April
Interim report (6 months): 25 July
Interim report (9 months): 23 October

ÅF's annual Capital Market Day will be held in September.
The annual report is sent to shareholders who request information about the company.

The annual report is published in a Swedish and an English version. Financial information about the ÅF Group is also posted on the Group's website www.afconsult.com

ÅF and IAAF in international cooperation

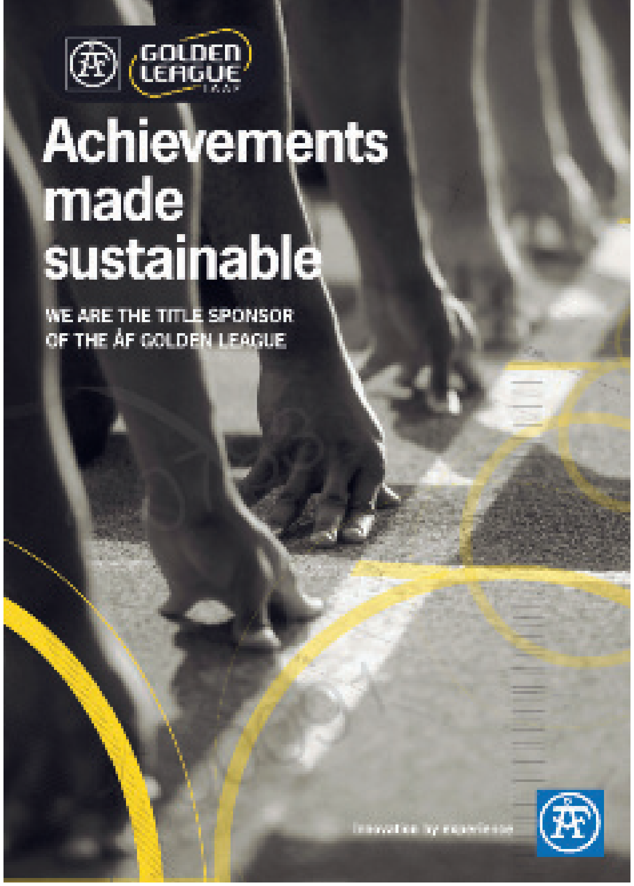
The technical consulting company ÅF is expanding its international cooperation with athletics by embarking on a major new sponsorship venture. In January 2007 the world star athlete Susanna Kallur was employed in the ÅF organisation, and in February 2008 ÅF signed a far-reaching agreement with the International Association of Athletics Federations (IAAF). One of the consequences of this agreement is that the IAAF's annual circuit of one-day international competitions, the Golden League, will henceforward be known as the ÅF Golden League.

"In ÅF we have gained an active and well-informed partner. I look forward to a long and rewarding collaboration that will benefit both parties," says the IAAF's Senior Vice President, Sergey Bubka.

ÅF is a modern technical consulting company with a long history and almost 4,000 employees in around 20 countries. Cooperation with the IAAF is an important aspect of the company's endeavour to strengthen the ÅF brand in the international market.

"We see this collaboration as a step towards achieving our ambition of raising ÅF to a new international level. We want to be an active partner and we believe that our expertise within technology and the environment can benefit athletics," said Jonas Wiström, President and CEO of ÅF.

The ÅF Golden League attracts a large and devoted following. Most of the meetings are quickly sold out and television broadcasts are watched by large audiences, particularly in Europe. In Sweden TV4 will broadcast live from all six meetings in 2008. The fact that the Olympic Games will be held this summer lends special interest to athletics in 2008. Four of the ÅF Golden League meetings will be held prior to the Beijing Olympics and two afterwards. This year's ÅF Golden League venues are Berlin (1 June), Oslo (6 June), Rome (11 July), Paris (18 July), Zurich (29 August) and Brussels (5 September).



"The ÅF Golden League presents an ideal opportunity for ÅF to strengthen its brand internationally," says Jonas Wiström. "The competition takes place in major European cities where we are already active – not least Zurich and Oslo."

ÅF institutes Swedish Innovation Award!

"The Swedish Innovation Award, founded in 2007 by ÅF in partnership with Swedish business magazine Veckans Affärer, is one way of honouring those people who have succeeded in taking an innovation all the way from initial idea to commercial success. Such people deserve attention, no matter whether they work in the R&D division of a major multinational or in the garage at home. The prize is worth SEK 100,000 and the very first award went to Johan Löf, CEO of RaySearch, a company that develops radiation therapy software for the treatment of cancer. The prize provides us with an important platform from which to voice our ideas on how to maximise the commercial potential of the inventiveness and innovative thinking in Sweden. This is a matter close to our heart at ÅF."

Jonas Wiström, President and CEO (www.va.se/innovationspriset)

SVENSKA INNOVATIONSPRISET
INSTIFTAT AV VECKANS AFFÄRER OCH ÅNGPANNEFÖRENINGEN

ÅF's offices

SWEDEN
Arboga
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Borås
Ed
Enköping
Eskilstuna
Fagersta
Falun
Gävle
Gothenburg
Halmstad
Helsingborg
Hudiksvall
Hässleholm
Jönköping
Kalmar
Karlshamn
Karlskoga
Karlskrona
Karlstad
Kiruna
Kista
Kristianstad
Linköping
Ludvika
Luleå
Lund
Lysekil
Malmberget
Malmö
Mora
Mölndal
Norrköping
Nynäshamn
Oskarshamn
Piteå
Skara
Skellefteå
Skövde
Sollefteå
Solna
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Stockholm
Strängnäs
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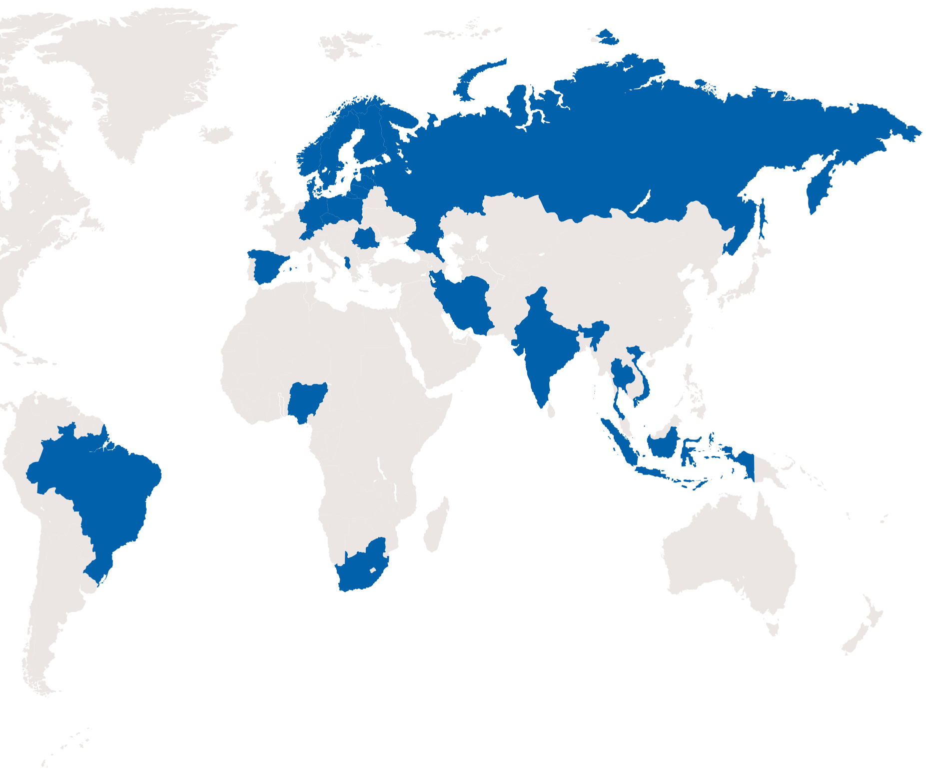

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For further information about addresses and contact details, please see www.afconsult.com

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The ÅF Group is a leader in technical consulting, with expertise founded on more than a century of experience.

We offer highly qualified services and solutions for industrial processes, infrastructure projects and the development of products and IT systems. We are also one of the leading names in testing and inspection.

Today the ÅF Group has approximately 4,000 employees. Our base is in the Nordic countries, but our business and our clients are found all over the world.

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