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Studsvik AB – Interim Report, January-March 2001

- *On April 19, Atle's General Meeting of Shareholders decided to distribute Studsvik's shares to the shareholders.*
- *Studsvik to be listed on Stockholmsbörsen's (Stockholm stock exchange) O list on May 4, 2001.*
- *Net sales increased by 5 per cent to SEK 196.9 million (183.1).*
- *The result before amortization of goodwill, less non-recurring items including legal fees in the USA, amounted to SEK -17.3 million (0.7). The business in Erwin, with a result of SEK -20.0 million (4.3) is included.*
- *The first patients were treated at the BNCT facility.*
- *Following an extensive program to implement corrective measures, the operational performance of the Erwin facility is now largely as intended. However, market prices and volumes are still low.*
- *The result after net financial items including non-recurring items amounted to SEK -36.2 million (18.1) and less non-recurring items amounted to SEK -24.0 million (-3.0).*
- *A new share issue and shareholder's contribution injected SEK 320.5 million into Studsvik.*

Listing of Studsvik

On February 19, 2001, Ratos AB and 3i Group plc made a cash offer to the shareholders of Atle AB for the acquisition of the shares in Atle. One condition of the offer was that Atle should distribute its entire shareholding in Studsvik to Atle's shareholders. Atle's shareholders decided to distribute the shares at the General Meeting of Shareholders on April 19, 2001, which means that 67.2 per cent of the equity capital and voting power in Studsvik is distributed to Atle's shareholders.

SEK 320.5 million was injected into Studsvik through a directed new share issue in combination with an unconditional shareholder's contribution.

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Studsvik AB has been approved for listing on Stockholmsbörsen's (Stockholm stock exchange) O list. The first day of listing is May 4, 2001.

Business

Studsvik's business is normally characterized by a weak first quarter. This is particularly the case for the Industrial Services SBU where the second and third quarters account for a larger part of net sales for the year and for virtually the entire result for the year, whereas the cost for employees and technical equipment is evenly distributed throughout the year.

When comparing the first quarter of 2001 with the same period in 2000, it should be noted that the facility in Erwin, USA, was still in the investment stage during the first quarter of 2000. The facility was not depreciated and interest expense accrued during the construction period was capitalized. During the first quarter of 2001, the facility in the USA was in operation and accrued interest expense and depreciation costs were charged to the result. The total amount of these expenses was SEK 11.8 million.

SEK 12.2 million in non-recurring costs, for an arbitration process in the USA and for winding up the business in Studsvik Instrumentteknik AB, were also charged to the result. The arbitration process concerns the construction of the Erwin facility, where Studsvik is demanding damages from the supplier, Metric Duke.

The performance of Studsvik's four SBU during the first quarter is described below.

Nuclear Technology

The re-structuring of an essential company for the SBU, namely Studsvik Nuclear AB, is being conducted as planned. Measures have been taken to complete a major test program to increase nuclear fuel burnup, commissioned by customers in Japan. In autumn 2000, Studsvik found that the project results were not compatible with the test program that had been agreed. This situation is now being corrected. However, the corrective measures entail extra expenses which have resulted in a deterioration in the financial performance of the SBU.

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The sales trend for in-core fuel management codes continues to be positive. However, major changes in the ownership structure of power producers on several geographical markets could lead to delays in closing transactions.

The business in Studsvik Instrumentteknik AB is being wound up. However, the expenses will be somewhat higher than expected. Most of the close-down expenses have been charged to the result for the first quarter.

For the first quarter, the operating result before the amortization of goodwill for the SBU was SEK -6.7 million (7.8). If the non-recurring items in connection with the winding up of Studsvik Instrumentteknik AB are eliminated, the result is SEK -1.0 million.

Waste & Decommissioning

Business within Studsvik RadWaste AB developed well during the period, with a positive trend for orders received and production.

Measures have been implemented to correct the technical deficiencies in the facility for volume reduction of ion-exchange resins in Erwin, USA. Both the production capacity and volume reduction have more or less reached the levels that were originally intended. The result is currently under pressure due to low volumes as well as low prices.

For the first quarter, the operating result before amortization of goodwill for the SBU was SEK -13.1 million (1.7). SEK -20.0 from the business in the USA was charged to the result for this period.

Industrial Services

After having disposed of a business in eastern Germany which provides services to process industries, SINA now conducts business exclusively on the nuclear market. The development of the health physics segment was positive and the SBU now provides health physics services to customers in Sweden and Germany as well as England and the USA.

For the first quarter, the operating profit before amortization of goodwill for the SBU was SEK 2.0 million (1.2).

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Nuclear Medicine

The BNCT facility at Studsvik treated its first cancer patients during the quarter. Based on the initial experience, the facility and treatment method are both performing as planned.

For the first quarter, the operating profit before amortization of goodwill for the SBU was SEK 0.1 million (0.3).

The Market for Studsvik's Products and Services

Studsvik operates primarily on the market for nuclear products and services, which is highly dependent on developments within the international nuclear power industry. Electricity market deregulation has reduced electricity prices. Plant modernization and certain maintenance work have been postponed, resulting in shorter refueling and maintenance outages in order to minimize downtime.

In Studsvik's assessment, the underlying, long-term trends on the markets where the company operates are creating favorable conditions for a positive development of the company's business. Increasingly stringent regulatory requirements on nuclear power plants in terms of environmental protection, safety and quality, are continuing to create business opportunities for Studsvik. The increasing age of operating reactors also means that there is a growing need for maintenance services. Increasing outsourcing by nuclear power plants, following electricity market deregulation, has led to a significant growth in the market for nuclear services. In the company's assessment, the outsourcing trend will continue. At the same time, the company's expertise can be applied in other areas, such as nuclear medicine.

Net Sales

In the first quarter of 2001, net sales increased by 7.5 per cent to SEK 196.9 million (183.1). The increase is primarily explained by the increase in net sales within the Waste & Decommissioning SBU and the Industrial Services SBU.

Result

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The result before amortization of goodwill was SEK -29.5 million (20.9). The result for 2000 includes the SEK 20.1 million refund from SPP.

The operating result declined to SEK -32.0 million (18.8). The result after net financial items amounted to SEK -36.2 million (18.1).

Financial Position and Liquidity

At March 31, liquid assets amounted to SEK 321.2 million (67.7) and the equity-assets ratio was 46.8 (36.6) per cent.

Interest-bearing liabilities amounted to SEK 299.1 million.

At the end of the period, group equity amounted to SEK 658.2 million (342.3).

In the first quarter, investments in tangible fixed assets amounted to SEK 17.3 (42.7), of which fuel for the R2 reactor amounted to SEK 6.0 million.

Cash Flow

Cash flow from operating activities after investment in intangible and tangible assets amounted to SEK -28.7 million (-56.1).

Personnel

The average number of employees during the period was 1,111 (1,141).

Parent Company

Net sales for the parent company amounted to SEK 4.7 million (5.0). Profit after financial items amounted to SEK 14.7 million (-2.1). At March 31, liquid assets amounted to SEK 297.4 million (49.6). No investments were made during the period.

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Significant Events after the End of the Period

Atle's General Meeting of Shareholders decided on April 19, 2001 to distribute Atle's entire shareholding in Studsvik, corresponding to 67.2 per cent of the equity capital and voting power in Studsvik, to Atle's shareholders.

Outlook for the Year

The result for financial year 2001 as a whole is largely dependent on the market for the facility in Erwin, USA. A critical factor is the price of the final disposal of customers' waste, which is currently putting pressure on Studsvik's income. In the long term, in the light of current legislation and the environmental and safety advantages of the THOR method, the conditions exist for a recovery.

There has been a good order inflow into Waste & Decommissioning's other business where the trend towards an increased focus on radioactive waste management in the ageing stock on nuclear reactors is making an impact.

Nuclear Technology's result is affected by the extra expenses relating to the nuclear fuel burnup project.

Industrial Services' business in Germany is expected to develop favorably with increased outsourcing, health physics contracts and decommissioning projects.

The treatment of patients at the BNCT facility that was initiated at the end of the first quarter was conducted as planned. The status of the treated patients will be continuously monitored. If the results of the treatment are positive, the number of patients treated will successively increase.

The result for the whole of 2001 is expected to be low for the Group as a whole, primarily due to the USA facility.

Nyköping, April 26, 2001

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See also www.studsvik.se

The interim report has not been audited by the company's auditors.

The interim report is a translation of the Swedish original.

Forthcoming Financial Information

Interim report for January-June	August 17, 2001
Interim report for January-September	November 12, 2001

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Consolidated Income Statement	Note 1	2001 3-mth	2000 3-mth	2000 Full year
Amounts in SEK million				
Net sales		196.9	183.1	818.8
Cost of services sold		-180.8	-142.6	-680.0
Gross profit		16.1	40.5	138.8
Selling expenses		-10.0	-9.6	-45.2
Administrative expenses		-28.1	-24.6	-131.3
Research and development costs		-10.5	-8.1	-39.3
Refund from SPP etc.		-	20.1	130.8
Other operating income		0.1	0.1	0.9
Other operating expenses		-	-0.1	-0.2
Result from participations in associated companies		0.4	0.5	2.0
Operating result		-32.0	18.8	56.5
Interest income and other similar profit/loss items		1.1	0.7	3.1
Interest expense and other similar profit/loss items		-5.3	-1.4	-16.2
Result after financial items		-36.2	18.1	43.4
Tax		-5.7	-0.8	-50.8
Minority interests		-	-	0.0
Result for the period		-41.9	17.3	-7.4
Result per share after share issues		-7.07	2.98	-1.28

Note 1 Changed accounting policies

As of 2001, the company is applying the eight new recommendations that take effect as of this year. The application of the Swedish Financial Accounting Standards Council's recommendation no. 10, Work on Contract and Similar Work means that income, expenses and profit are reported in accordance with the percentage of completion method. The comparative figures for the previous year have been accordingly re-stated. The effect on the result in connection with the change in accounting policy has been transferred directly to non-restricted equity. Otherwise, the application of the new recommendation has no material effect on financial performance and position.

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Condensed Consolidated Balance Sheet	2001 3-mth	2000 3-mth	2000 Full year
Amounts in SEK million			
Goodwill	87.2	73.4	87.8
Other intangible fixed assets	15.2	17.5	15.7
Tangible fixed assets	716.1	525.7	678.3
Financial fixed assets	22.2	12.8	22.6
Inventories etc.	7.0	10.5	15.0
Accounts receivable – trade	107.7	108.0	104.7
Other current receivables	129.6	118.9	180.1
Cash and bank balances	321.2	67.7	31.8
Total assets	1 406.2	934.5	1 136.0
Equity	658.2	342.3	356.1
Provisions	172.7	156.9	163.2
Long-term liabilities	296.3	217.0	281.2
Current liabilities	279.0	218.3	335.5
Total liabilities and equity	1 406.2	934.5	1 136.0
Changes in equity			
Equity, opening balance	356.1	318.5	318.5
Effect of changed accounting policies	-	3.4	3.4
New share issue	159.7	-	-
Shareholder's contribution transferred to non-restricted equity	160.8	-	-
Result for the period	-41.9	17.3	-7.4
Translation differences	23.5	3.1	41.6
Equity at the end of the period	658.2	342.3	356.1

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Condensed Consolidated Cash Flow Statement	2001 3-mth	2000 3-mth	2000 Full year
Amounts in SEK million			
Cash flow from operating activities			
Operating result	-32.0	18.8	56.5
Depreciation	22.9	12.0	73.0
Other non-cash items	9.3	57.4	58.7
	0.2	88.2	188.2
Financial items, net	-4.2	0.6	-11.9
Income taxes paid	-29.7	-16.3	-28.9
Cash flow generated from operations before working capital changes	-33.7	72.5	147.4
Working capital changes	22.3	-85.9	-59.6
Cash flow from operating activities	-11.4	-13.4	87.8
Cash flow from investing activities			
Investments	-17.3	-42.7	-219.5
Other changes from investing activities	0.4	-2.0	-9.4
Cash flow from investing activities	-16.9	-44.7	-228.9
Cash flow from financing activities			
New share issue and shareholder's contribution	320.5	-	-
Repayment of liability/Loans received	-3.8	10.8	58.0
Other changes from financing activities	-	-	-1.1
Cash flow from financing activities	316.7	10.8	56.9
Change in liquid assets	288.4	-47.3	-84.2
Liquid assets at the beginning of the year	31.8	115.0	115.0
Translation differences	1.0	0.0	1.0
Liquid assets at the end of the year	321.2	67.7	31.8

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Key Figures and Ratios for the Group	2001 3-mth	2000 3-mth	2000 Full year
Amounts in SEK million			
Operating result			
Operating result before depreciation	- 9.1	30.8	134.2
Operating result before amortization of goodwill	-29.5	20.9	66.4
Margins			
Operating margin before depreciation (%)	neg	5.9	0.0
Operating margin before amortization of goodwill (%)	neg	4.7	neg
Operating margin (%)	neg	neg	neg
Profit margin (%)	neg	neg	neg
Profitability			
Return on total assets (%)	neg	neg	neg
Return on operating capital (%)	neg	neg	neg
Return on capital employed (%)	neg	neg	neg
Return on equity (%)	neg	neg	neg
Capital Structure			
Total capital	1 406.2	934.5	1 136.0
Operating capital	636.4	492.4	667.0
Capital employed	957.6	560.1	698.8
Equity	658.2	342.3	356.1
Net interest-bearing debt	-22.0	149.8	310.7
Net debt-equity ratio (times)	0.0	0.4	0.9
Interest cover	neg	neg	neg
Equity-assets ratio (%)	46.8	36.6	31.3
Cash Flow			
Degree of self-financing (times)	-0.7	-0.3	0.4
Investments	17.3	42.7	219.5
Employees			
Average number of employees	1 111	1 141	1 204
Net sales per employee	0.7	0.6	0.7

Refund received from the SPP pension insurance company have been excluded from the calculation of margins, profitability and interest cover for 2000.

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Result Per Share	2001 3-mth	2000 3-mth	2000 Full year
Amounts in SEK			
Number of shares at the end of the period *	8 114 211	5 800 000	5 800 000
Average number of shares	5 930 012	5 800 000	5 800 000
Result per share	-7.07	2.98	-1.28
Equity per share	81.11	59.03	61.39

* 2001 after share issue, new share issue
2000 pro forma after share issue

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Financial Data per SBU	2001 3 -mth	2000 3 -mth	2000 Full year
Amounts in SEK million			
Nuclear Technology			
Net sales	89.4	90.3	319.3
Operating result before amortization of goodwill	-6.7	7.8	11.3
Operating result	-6.7	7.8	11.3
Investments	8.7	11.3	31.4
Average number of employees	211	250	250
Waste & Decommissioning			
Net sales	42.1	33.9	159.5
Operating result before amortization of goodwill	-13.1	1.7	-50.3
Operating result	-13.1	1.7	-50.3
Investments	3.2	24.6	145.4
Average number of employees	54	60	61
Industrial Services			
Net sales	74.1	69.9	376.1
Operating result before amortization of goodwill	2.0	1.2	29.5
Operating result	-0.3	-0.5	20.3
Investments	3.2	1.4	24.9
Average number of employees	812	796	857
Nuclear Medicine			
Net sales	0.6	2.5	16.0
Operating result before amortization of goodwill	0.1	0.3	1.5
Operating result	0.1	0.3	1.5
Investments	2.0	5.0	17.1
Average number of employees	7	6	7

Refund from the SPP pension insurance company were excluded from the calculation of operating result.