

Studsvik AB (publ) – Interim Report January-September 2001

- *Hans-Bertil Håkansson to take over as Chief Executive Officer and President on December 1, 2001.*
- *The result after net financial items for the third quarter amounted to SEK -35.0 million (-23.3) and for the period of January-September, SEK -99.1 million (79.8). A material amount of non-recurring items was also reported in the third quarter, SEK -30.5 million, amounting to SEK -62.1 million for the period of January-September.*
- *The production capacity of the Erwin facility is now in line with the original plan. However, the terrorist attacks of September 11 have limited business at present.*
- *Short refueling and maintenance outages in the Swedish and German nuclear power industry in 2001 resulted in lower sales volumes in Industrial Services.*
- *During the third quarter, 7 patients were treated at Studsvik's BNCT facility for neutron irradiation of brain tumors.*
- *After the reporting period, Studsvik signed its first contract in the important US Government waste market sector.*

Business

During the third quarter, most of the annual refueling and maintenance outages in the nuclear power industry were completed. Compared with the previous year, in both Germany and Sweden, the outage time was more concentrated and no significant outage extensions occurred.

The first step in the ongoing rationalization and change program has been completed. A new organization has now been implemented at Studsvik Nuclear AB and the number of employees reduced by 13-15. The cost of consultants and personnel redundancies has been charged to earnings for the quarter. When the first step of the program has been completed, at least SEK 15 million in sustainable savings per year are expected. The second stage of the program, focusing on other units within the Swedish part of the Group, is expected to start in the first quarter of 2002.

The company's current Chief Executive Officer and President will be retiring from these positions on December 1, 2001. A new Chief Executive Officer has been

appointed, Dr. Hans-Bertil Håkansson. Hans-Bertil Håkansson has extensive industrial and commercial experience and is currently President of Gadelius K.K. in Japan. Studsvik AB's Technical Director, formerly President of Studsvik Nuclear AB, will be taking early retirement at the beginning of 2002.

The retiring President of Studsvik will receive severance pay in accordance with an agreement as well as a reduction in his retirement age from 60 to 59 years with otherwise unchanged pension terms. In accordance with an agreement signed in 1992, the Technical Director will receive severance pay corresponding to 38 months of salary. The cost of these retirements has been charged to earnings for the quarter.

The facility for the treatment of ion-exchange resins in Erwin can now be operated continuously at a level of 60,000 cubic feet per year, following an extensive program to correct technical deficiencies. This corresponds to the original capacity in the facility specification. In July and August, the utilization was 80 % and the possibility of reaching full utilization towards the end of the year was expected to be good.

However, the terrorist attacks of September 11 have altered this outlook. Shipments to and from the nuclear power plants were severely limited as a result of decisions by the US Nuclear Regulatory Commission (NRC) and recommendations from the US Department of Transportation. The deliveries of material to the Erwin facility decreased substantially and production in September only corresponded to about 30 % of capacity. The transportation restrictions were reduced to some extent at the end of October. In the meantime, the customers are storing the ion-exchange resins at the nuclear power plants, which means that there is an emerging need for the handling and treatment of these resins.

In Germany, the increased safety requirements mean that foreign nationals must be accompanied by a German national on the plant site. This has limited SINA's activities to a certain extent.

The date for the negotiations in the ongoing arbitration process with Metric Duke, the supplier of the Erwin facility, has now been determined. The negotiations will start on January 8, 2002 and are expected to be completed in the first quarter of 2002. All of the expert investigations to support Studsvik's claim have been concluded and, in the opinion of the management of Studsvik, they reinforce the possibility for a positive outcome to Studsvik's claims.

Negotiations concerning participation in several projects with the potential of opening up the DOE market for the THOR process have continued. The purpose of the projects is to demonstrate the suitability of the THOR process for the treatment of the nuclear waste in the USA for which the US Department of Energy (DOE) is responsible. The DOE estimates the total cost for the final disposal of this

waste at between USD 150-300 billion. The management of Studsvik estimates that the THOR process can be applied to a significant portion of this waste.

After the reporting period, Studsvik signed a contract with a major US construction company valued at USD 0.6 million to demonstrate the ability of the THOR technology to process various government owned waste streams. The demonstration is anticipated to be completed during the second quarter of 2002. The US Government waste market sector is estimated to have a total value of over USD 200 billion for waste cleanup operations over the next 20 to 30 years.

A total of SEK -30.5 million in non-recurring items was charged to earnings for the quarter. The amount includes the cost of personnel redundancies (-23.3), costs relating to the arbitration process in the USA (-3.5), consulting costs for the rationalization program (-0.8) and the cost of the winding-up of the business in Studsvik Instrumentteknik AB (-2.3).

The performance of Studsvik SBUs during the third quarter of 2001 is described below.

Nuclear Technology

Quality assurance work for the fuel testing projects for Japanese customers, the BOCA projects, is in progress and it is expected that the promised delivery deadlines will be met. Quality assurance is resource-intensive and thereby limits the company's capacity to conduct new projects, which has a negative impact on earnings for the year in question.

Production capacity for industrial isotopes and neutron-doped silicon (semi-conductors) has been fully utilized.

Capacity utilization within consulting in reactor technology, environmental technology and other nuclear technology (EcoSafe) has been high with an even and high order inflow.

The operating result before amortization of goodwill for the SBU was SEK -15.0 million (-5.7) for the third quarter and for the period of January-September, SEK -19.3 million (5.9). This amount includes SEK -10.4 million (0) and -19.4 million (0) in non-recurring items.

Waste & Decommissioning

The facility for the destruction of ion-exchange resins in Erwin, USA has now reached a stable and high production capacity. In July and August, the production

level was about 80 % of full capacity. However, capacity declined to about 30 % due to transport restrictions introduced after September 11. The average price of treated ion-exchange resins, compared to the second quarter, was largely unchanged, at USD 353 per cubic foot. Adjusted for legal and expert costs of the arbitration process, the cash flow from operating activities was positive during the third quarter.

Studsvik RadWaste AB's business continues to develop well. Income during the period of January-September was 7 % higher than the previous year and the improvement in operating profit was just over SEK 7 million. The improved earnings are largely due to increased production and margins.

The operating result before amortization of goodwill for the SBU was SEK -9.6 million (-19.5) for the third quarter and, for the period of January-September, SEK -41.8 million (-26.8). This amount includes SEK -3.5 million (-6.0) and SEK -19.4 million (-10.9) in non-recurring items, respectively. The Erwin facility started commercial operation on April 1, 2000. Consequently, the comparative figures for the nine-month periods of 2000 and 2001 do not correspond. The exchange rate trend for the US dollar during the period of January-September 2001 has had a negative impact on the operating result, of SEK 6.0 million.

Industrial Services

The annual refueling and maintenance outages in the nuclear power industry in Sweden and Germany were largely concluded in September. This year, the impact of these outages was in the third quarter. The sales volume for this SBU was lower than in the previous year due to the fact that several of the outages were completed as scheduled. No essential defects or technical deficiencies in reactor systems and components which normally result in additional sales for the SBU were detected.

On July 1, the business in Baumann Nuklear Service GmbH in Germany was acquired. The acquisition involves taking over a multi-year contract within the area of decommissioning/dismantling which, at the time of acquisition, employs about 45 people. The acquisition is having a positive impact on earnings already in 2001.

The operating result before amortization of goodwill for the SBU amounted to SEK 15.8 million (15.3) for the third quarter and, for the period of January-September, to SEK 24.4 million (29.6).

Nuclear Medicine

The BNCT facility for the neutron irradiation of brain tumors treated 13 patients during the period of January-September. Seven of these were treated during the third quarter.

Production capacity for the medical radioisotopes of phosphorus (P-32) and sulfur (S-35) is being developed. Other medical radioisotopes have had a low sales volume during the year.

The operating result before amortization of goodwill for the SBU amounted to SEK -0.3 million (0.7) for the third quarter and, for the period of January-September, to SEK -0.6 million (1.2).

Orders Received and Net Sales

Net sales for the Group for the quarter amounted to SEK 140.6 million (145.6) and, for the period of January-September, to SEK 592.9 million (606.5).

Net sales for the Group for the third quarter amounted to SEK 247.9 million (210.1) and, for the period of January-September, to SEK 656.4 million (618.0).

Result

The result for the Group is analyzed below.

	July-Sept 2001	July-Sept 2000	Jan-Sept 2001	Jan-Sept 2000
Operating result	-33.9	-18.7	-92.9	88.0
Non-recurring items	30.5	6.0	62.1	-104.7
Adjusted operating result	-3.4	-12.7	-30.8	-16.7
Amortization of goodwill	2.7	2.5	7.7	7.1
Adjusted result before amortization of goodwill	-0.7	-10.2	-23.1	-9.6

For the period of January-September, non-recurring items include SEK -19.4 million (-10.9) for the arbitration process in USA, SEK -5.3 million (0) for the rationalization program in Sweden, SEK -8.2 million (0) in winding-up expenses for Studsvik Instrumentteknik AB, SEK -5.3 (0) in expenses related to the initial public offering, SEK -23.3 million (0) in personnel redundancies and an SEK 0 million (115.6) refund from the SPP pension insurance company.

Financial Position and Liquidity

At September 30, liquid assets amounted to SEK 265.0 million (36.8) and the equity-assets ratio amounted to 43 (35) %. Of liquid assets SEK 190 million has been pledged as collateral for loans in USD.

Interest-bearing liabilities amounted to SEK 343.1 million (316.5).

Group equity amounted to SEK 591.7 million (422.5) at the end of the period.

Investments in tangible fixed assets amounted to SEK 20.0 million (-60.9) during the third quarter and, for the period of January-September, to SEK 50.6 million (205.1). The amounts include SEK 0.1 million (0) and SEK 6.4 million (18.6) respectively in fuel for the R2 reactor.

Cash Flow

For the period of January-September, the cash flow from operating activities after investment was SEK -103.9 million (-110.8).

Personal

The average number of employees during the period of January-September amounted to 1,236 (1,231).

Parent Company

In the third quarter, net sales for the parent company amounted to SEK 4.0 million (4.0) and, for the period of January-September to SEK 12.7 million (13.4). The operating result amounted to SEK -21.7 million (-8.1) and SEK -45.7 million (-30.1) respectively. The result for the quarter includes SEK -16.0 million (0) in non-recurring items. For the period of January-September, the non-recurring items amounted to SEK -22.7 million (0). The items include SEK -15.3 million (0) in personnel redundancies, SEK -2.1 million (0) in consulting costs for the rationalization program in Sweden, and SEK -5.3 million (0) in expenses related to the initial public offering. At September 30, liquid assets amounted to SEK 247.8 million (12.1). Investments during the third quarter amounted to SEK 0.2 million (0.2).

Ownership Structure

At September 28, 2001, the number of shareholders was 7,125, a marginal decrease compared with the previous reporting period. The shareholdings of the 10 largest shareholders corresponded to about 60 (60) % of the number of shares. Just over 17 (17) % of the shares were held by Swedish natural persons, just over 32 (26) % were held by Swedish legal entities and 51 (57) % were held by foreign legal entities.

Outlook for the Fourth Quarter and for the Whole Year

Earnings, particularly in the US operations, are highly dependent on when the transport restrictions for radioactive material are reduced or lifted and the heightened levels of security in the nuclear power industry return to normal. These factors are associated with considerable uncertainty at present. If the situation is prolonged, there is a risk that the nuclear power industry may be forced to re-allocate budgeted funding to meet the high safety and control requirements. Furthermore, there is a certain uncertainty in the market in the light of the recent granting of a license for a new waste landfill in Utah. If the license becomes legal as a result of the outcome of the ongoing appeal process, it could have a negative impact on the market conditions for the company's treatment of ion-exchange resins from the nuclear power industry. In the light of this, the result for the Group is expected to deteriorate further during the fourth quarter. Therefore, the result for the whole of 2001 could be somewhat reduced compared with the forecast made in the six-month report.

Consolidated Income Statement	July-Sept 2001	July-Sept 2000	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million					
Net sales Note 2	247.9	210.1	656.4	618.0	818.8
Cost of services sold	-209.8	-181.4	-556.5	-509.3	-680.0
Gross profit	38.1	28.7	99.9	108.7	138.8
Selling expenses	-9.5	-11.0	-29.8	-30.6	-45.2
Administrative expenses	-52.0	-27.9	-130.4	-81.5	-131.3
Research and development costs	-11.1	-9.2	-34.3	-26.5	-39.3
Refund from SPP etc	—	—	—	115.7	130.8
Other operating income	0.1	0.3	0.2	0.8	0.9
Other operating expenses	-0.1	—	-0.2	—	-0.2
Result from participations in associated companies	0.6	0.4	1.7	1.4	2.0
Operating result	-33.9	-18.7	-92.9	88.0	56.5
Interest income and other similar profit/loss items	2.9	0.6	7.2	2.3	3.1
Interest expense and other similar profit/loss items	-4.0	-5.2	-13.4	-10.5	-16.2
Result after financial items	-35.0	-23.3	-99.1	79.8	43.4
Tax	3.1	4.7	-6.2	-24.9	-50.8
Result for the period	-31.9	-18.6	-105.3	54.9	-7.4
Result per share	-3:93	-3:31	-14:22	9:46	-1:28

Condensed Consolidated Balance Sheet	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million			
Assets			
Goodwill	93.4	88.2	87.8
Other intangible fixed assets	14.2	16.5	15.7
Tangible fixed assets	721.1	687.7	678.3
Financial fixed assets	21.9	12.9	22.6
Inventories etc	6.5	12.3	15.0
Accounts receivable - trade	131.5	128.3	104.7
Other current receivables	107.9	210.3	180.1
Cash and bank balances	265.0	36.8	31.8
Total assets	1,361.5	1,193.0	1,136.0
Equity and liabilities			
Equity	591.7	422.5	356.1
Provisions	176.9	194.8	163.2
Long-term liabilities	328.1	255.0	281.2
Current liabilities	264.8	320.7	335.5
Total liabilities and equity	1,361.5	1,193.0	1,136.0

Changes in equity	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million			
Equity at the beginning of the period	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	-105.3	54.9	-7.4
Translation differences	20.4	45.7	41.6
Equity at the end of the period	591.7	422.5	356.1

Condensed Consolidated Cash Flow Statement	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million			
Operating activities			
Operating result	-92.9	88.0	56.5
Depreciation	68.3	49.2	73.0
Other non-cash items	1.8	102.6	58.7
	-22.8	239.8	188.2
Financial items, net	-6.2	-6.9	-11.9
Income taxes paid	-40.3	-16.2	-28.9
Cash flow generated from operations before working capital changes	-69.3	216.7	147.4
Working capital changes	16.0	-122.4	-59.6
Cash flow from operating activities	-53.3	94.3	87.8
Investing activities			
Investments	-50.6	-205.1	-219.5
Other changes from investing activities	1.3	-0.8	-9.4
Cash flow from investing activities	-49.3	-205.9	-228.9
Financing activities			
New share issue and shareholder's contribution	320.5	—	—
Repayment of debt/Borrowings	13.9	32.4	58.0
Other changes from financing activities	—	—	-1.1
Cash flow from financing activities	334.4	32.4	56.9
Change in liquid assets	231.8	-79.2	-84.2
Liquid assets at the beginning of the year	31.8	115.0	115.0
Translation differences	1.4	1.0	1.0
Liquid assets at the end of the year	265.0	36.8	31.8

Financial Ratios for the Group	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million			
Operating result			
Operating result before depreciation	-24.6	137.2	134.2
Operating result before amortization of goodwill	-85.2	95.1	66.4
Margins			
Operating margin before depreciation, %	neg	3.5	0.0
Operating margin before amortization of goodwill, %	neg	2.3	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	1,361.5	1,193.0	1,136.0
Operating capital	670.0	702.5	667.0
Capital employed	935.0	739.2	698.8
Equity	591.7	422.5	356.1
Net interest-bearing debt	78.1	279.7	310.7
Net debt-equity ratio (times)	0.1	0.7	0.9
Interest cover	neg	neg	neg
Equity-assets ratio, %	43.5	35.4	31.3
Cash Flow			
Degree of self-financing (times)	neg	0.2	0.4
Investments	50.6	205.1	219.5
Employees			
Average number of employees	1 236	1 231	1 204
Net sales per employee	0.7	0.7	0.7

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

Data per share	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
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	7 399 528	5 800 000	5 800 000
Result per share	-14:22	9:46	-1:28
Equity per share	72:92	73:43	61:39

* 2001 after share issue, new issue

2000 pro forma after share issue

Financial data per SBU	July-Sept 2001	July-Sept 2000	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Amounts in SEK million					
Nuclear Technology					
Net sales	72.5	63.4	243.7	243.7	319.3
Operating result before amortization of goodwill	-15.0	-5.7	-19.3	5.9	11.3
Operating result	-15.0	-5.7	-19.3	5.9	11.3
Investments	0.9	0.0	13.0	31.4	31.4
Average number of employees	227	255	224	245	250
Waste & Decommissioning					
Net sales	60.5	38.9	148.1	112.4	159.5
Operating result before amortization of goodwill	-9.6	-19.5	-41.8	-26.8	-50.3
Operating result	-9.6	-19.5	-41.8	-26.8	-50.3
Investments*	3.3	-68.0	10.5	130.3	145.4
Average number of employees	54	55	44	59	61
Industrial Services					
Net sales	124.2	116.5	293.4	292.2	376.1
Operating result before amortization of goodwill	15.8	15.3	24.4	29.6	29.5
Operating result	12.8	12.4	16.9	22.8	20.3
Investments	12.0	1.4	18.9	21.8	24.9
Average number of employees	956	1 056	936	892	857
Nuclear Medicine					
Net sales	3.3	5.2	10.6	11.8	16.0
Operating result before amortization of goodwill	-0.3	0.7	-0.6	1.2	1.5
Operating result	-0.3	0.7	-0.6	1.2	1.5
Investments	3.5	3.6	7.5	13.7	17.1
Average number of employees	6	6	6	6	7

Refunds from the SPP pension insurance company have been excluded from the calculation of the operating result for 2000.

* In 2000, the Group redeemed the options that were made out to the executive management of Studsvik. Inc. The value was anticipated to be USD 13.1 million and is reported in the acquisition value of the facility. During the third quarter of 2000, the amount was established at USD 6.6

million. During the period of July-September 2000, the acquisition value was therefore reduced by USD 6.5 million.

Note 1 **Changed accounting policies**

As of 2001, the eight new recommendations that apply as of this year, including RR20. Interim Reports. The application of the Swedish Financial Accounting standards Council's recommendation no. 10, Work on Contract and Similar Work, means that income, expenses and results are reported in accordance with the percentage of completion method. The comparative figures for the previous year have been accordingly restated, which entails a change in accounting policy. The effect on the result of the change in accounting policy has been transferred directly to non-restricted equity. Otherwise, the application of the new recommendations have no material effect on the reported financial performance and position. However, on a number of points, the new recommendations entail greater requirements on supplementary disclosures.

Note 2 **Sales per geographical market**

Amounts in SEK million	July-Sept 2001	July-Sept 2000	Jan-Sept 2001	Jan-Sept 2000	Full Year 2000
Sweden	90.0	100.1	230.2	263.1	350.1
Europe, excluding Sweden	73.2	71.4	225.1	204.5	275.1
North America	41.5	29.1	139.0	95.6	134.2
Asia	40.9	9.5	59.8	50.3	54.2
Other markets	2.3	—	2.3	4.5	5.2
Total	247.9	210.1	656.4	618.0	818.8

Definitions of Financial Ratios

Margins

Operating margin before depreciation

Operating result before depreciation as a percentage of net sales.

Operating margin before amortization of goodwill

Operating result before amortization of goodwill as a percentage of net sales.

Operating margin

Operating result after depreciation as a percentage of net sales.

Profit margin

Result after financial items as a percentage of net sales.

Profitability

Return on total assets

Result for the year in relation to average equity.

Return on operating capital

Operating result as a percentage of average operating capital.

Return on capital employed

Result after financial items, with financial expenses added back, as a percentage of average capital employed.

Return on equity

Result for the year as a percentage of average equity.

Capital structure

Total capital

Balance sheet total.

Operating capital

Balance sheet total, less non-interest-bearing liabilities, current investments, cash and bank balances. The average operating capital has been calculated as the opening balance plus the closing balance of operating capital divided by two.

Capital employed

The balance sheet total less non-interest-bearing liabilities. The average capital employed has been calculated as the opening balance plus the closing balance of capital employed divided by two.

Equity capital

The total of non-restricted and restricted equity at the end of the year. The average equity has been calculated as the opening balance plus the closing balance of equity divided by two.

Net interest-bearing debt

The total of current and long-term interest-bearing liabilities less current investments as well as cash and bank balances.

Net debt-equity ratio

Interest-bearing net liabilities divided by equity including minority interests. A negative net debt-equity ratio means that the total of current investments plus cash and bank balances exceeds interest-bearing liabilities.

Interest cover

Result after financial items plus financial expenses, divided by financial expenses

Equity-assets ratio

Equity including minority interests as a percentage of the balance sheet total.

Cash Flow

Degree of self-financing

Cash flow before investments divided by investments.

Investments

The total of the acquisition of businesses/subsidiaries as well as the acquisition of intangible and tangible fixed assets.

Employees

Average number of employees

Average number of employees at the end of each month.

Net sales per employee

Net sales for the year divided by the average number of employees.

Data per Share

Result per share

Result for the year divided by the average number of shares. The average number of shares has been calculated as a weighted average of the number of outstanding shares for the year.

Equity per share

Equity divided by the number of shares at the end of the period.

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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

Press Release, January-December – February 20, 2002.

Nyköping, November 12, 2001

Carsten Olsson
President

Facts about Studsvik

Studsvik is a high-tech company, focusing on the nuclear power industry and nuclear medicine. Business is conducted through four Strategic Business Units (SBUs): **Nuclear Technology, Waste & Decommissioning, Industrial Services and Nuclear Medicine**

Nuclear Technology offers products and services related to nuclear power plant operation. These include the testing and analysis of nuclear fuel and materials, computer codes for reactor operation and consulting. Activities are dependent on Studsvik's nuclear reactors and specialist laboratories, located outside Nyköping.

Waste & Decommissioning

Waste & Decommissioning treats low and intermediate level waste from nuclear reactors and provides services for the dismantling of nuclear facilities. European operations focus on the treatment of low level waste in Studsvik's incineration and melting facilities located outside Nyköping. US operations, conducted at Studsvik's facilities in Erwin, Tennessee, include volume and weight reduction of ion-exchange resins from commercial nuclear power plants in the USA.e

Industrial Services

Industrial Services mainly provides services to the nuclear power industry and also offers services to other industries. Operations include decontamination, health physics/personal dosimetry, chemical cleaning and dismantling of nuclear facilities as well as process cleaning. Activities have historically been concentrated to Sweden. However, since the German company, SINA, was acquired in 1998, the German business accounts for more than a half of the SBU's income.

Nuclear Medicine

Nuclear Medicine provides a number of nuclear-related products and methods for medical use. The range includes a method for the treatment of brain tumors and a number of radioisotopes.