

SWECO AB (publ)

Interim report for January-June 2004

Continued strong earnings: Operating profit up 54 per cent to MSEK 97 (63)

- Profit after net financial items rose by 77 per cent to MSEK 115 (65)
- Profit after tax was MSEK 78 (45), corresponding to SEK 4.70 per share (3.10)
- Net sales increased by 46 per cent to MSEK 1,577 (1,082)
- Operating margin strengthened to 6.2 per cent (5.8)

Comments from CEO Wigon Thuresson:

– SWECO's strong earnings, increasing operating margin and robust finances provide scope for active participation in the ongoing restructuring of the industry.

– The market is stable. SWECO has been successful in the market and has been awarded several qualified new assignments, including work on the Norra Länken traffic route in Stockholm, a large-scale environmental project in Jordan and several major industrial assignments in Finland. We stand by our earlier forecast of improved economic conditions towards the end of the quarter.

– During the period we intensified our efforts to cut costs and optimise efficiency throughout the Group's operations, which has given us good potential for additional earnings growth when the economy revives.

– All in all, the general outlook for the remainder of the year remains favourable.

PROFIT AND FINANCIAL POSITION

Consolidated sales and profit

For the first half of 2004 the SWECO Group reported net sales of MSEK 1,577.4 (1,081.6) an increase of 46 per cent. Growth in sales is mainly attributable to acquisitions.

SWECO carried out assignments outside Sweden for a total of MSEK 604.0 (169.1). International assignments accounted for 38 per cent (16) of net sales.

Profit summary, MSEK	2004, 6 mths	2003, 6 mths
SWECO FFNS (Architecture)	11.8	10.0
SWECO BLOCO (Structural Engineering)	0.8	6.4
SWECO Theorells (Building Service Systems)	6.5	8.1
SWECO VBB (Transportation & Civil Engineering)	15.0	16.1
SWECO VIAK (Water & Environmental Technology)	27.2	14.5
SWECO Projektleddning (Project Management)	5.6	7.4
SWECO Energuide (Energy)	7.4	2.9
SWECO Position (Geographical Information Systems)	2.0	0.6
SWECO Connect (IT Development)	0.2	0.1
SWECO Grøner (Norway)*	11.9	-
PIC Engineering (Industrial Engineering)**	20.3	1.3
Group-wide, etc.***	-11.7	-4.4
Operating profit	97.0	63.0
Consolidated net financial items	18.3	2.1
Minority share	-3.4	-0.3
Profit before tax	111.9	64.8

* Energy, Water and Environment, Structural and Industrial Engineering, Transportation, Civil Engineering and Building Service Systems

** With effect from the second quarter of 2004, SWECO Industriteknik is included in PIC Engineering. The comparative figures for 2003 refer to SWECO Industriteknik.

*** Of group-wide, etc., MSEK 7.0 refers to goodwill amortisation.

Operating profit for the first half of 2004 reached MSEK 97.0 (63.0), up 54 per cent over the year-earlier period. Profit in SWECO VIAK includes a gain of MSEK 10.0 on the sale of the environmental laboratory SWECO Ecoanalys. The Group's overall operating margin amounted to 6.2 per cent (5.8). The billing ratio, including all administrative personnel, was 71.4 per cent (69.5).

Profit after net financial items rose by 77 per cent to MSEK 115.3 (65.1). Consolidated net financial items totalled MSEK 18.3 (2.1). Market valuation of listed shares strengthened the period's net financial items by MSEK 15.0 (-1.5).

Profit before tax is reported at MSEK 78.3 (45.3). Profit was charged with a tax rate of 30 per cent which is expected to be applied for the full financial year.

Net sales for the second quarter totalled MSEK 791.4 (532.0), up 49 per cent over the prior year. Operating profit amounted to MSEK 32.7 (27.3) and the operating margin to 4.1 per cent (5.1). The billing ratio was 73.0 per cent (70.8), an improvement over the first quarter of 2004.

Earnings per share

Earnings per share amounted to SEK 4.70 (3.10).

Investments

The Group's investments in equipment during the year totalled MSEK 18.2 (17.1) and referred primarily to computers and other IT investments. Depreciation of equipment amounted to MSEK 24.0 (20.1).

Cash flow and financial position

The Group's cash flow from operating activities reached MSEK 45.4 (23.9). Liquid assets and interest-bearing receivables totalled MSEK 194.3 (231.6 at year-end). During the reporting period, dividends were paid in the amount of MSEK 49.7 and shares were repurchased for a total of MSEK 15.4. The company raised MSEK 30.9 through a new share issue in connection with conversion of the warrant programme 2001/2004. Interest-bearing liabilities are reported at MSEK 240.5 (24.1). The net interest-bearing liability was MSEK 46.2 (net receivable of 112.3).

Return on equity amounted to 24 per cent (10) and return on capital employed to 28 per cent (17). The equity/assets ratio was 35 per cent, compared with 34 per cent at year-end.

Personnel

The number of employees at the end of the period was 3,577 (2,414). The average number of employees in the Group during the period was 3,350 (2,369).

Parent Company

The Parent Company reported net sales of MSEK 29.0 (42.2) and a profit before tax of MSEK 16.2 (0.3).

The SWECO share

The price of the SWECO class B share at the end of the period was SEK 100, representing an increase of 34 per cent since the beginning of the year. The Affärsvärlden General Index improved by 11 per cent over the same period.

In June some 20 institutional investors, both Swedish and foreign, acquired 1,892,947 class B shares in SWECO, corresponding to 11.1 per cent of the share capital and 5.6 per cent of the votes. Of the placed shares, 1,498,207 were sold by CapMan, which received the shares as partial consideration in connection with SWECO's acquisition of PIC Engineering Oyj. In addition, senior executives in SWECO sold 340,000 subscription warrants which were exercised to subscribe for 394,740 class B shares in SWECO.

The total number of shares after conversion of the warrant programme 2001/2004 amounts to 17,082,870, consisting of 15,205,055 class B shares and 1,877,815 class A shares. After deduction of repurchased shares, the total number of shares at the end of the period was 16,911,170, of which 15,033,355 class B shares.

Share buy-back

Within the framework of the share buy-back programme approved by the AGM, 60,300 class B shares were repurchased in the second quarter. During the first quarter, 111,400 SWECO shares were repurchased. The total number of repurchased shares at the end of the reporting period thus amounted to 171,700, with an average buy-back price of around SEK 89.50. The repurchased shares correspond to 1 per cent of the total number of shares

Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reports. As of 1 January 2004, SWECO applies the Swedish Financial Accounting Standards Council's recommendation RR 29, Employee benefits. Due to the unavailability of necessary information from the insurers, the defined benefit pension plans have been reported as defined contribution plans. In all other respects, this interim report was prepared according to the same accounting and valuation principles used in the most recent annual report.

THE MARKET

During the early part of the period, the market for architectural and consulting engineering services was characterised by continued weak development. However, an increase in inquiries was noted towards the end of the period.

As a whole, the market for consulting engineering and architectural services is expected to recover in the second half of 2004 and return to growth in 2005.

Sweden

The Swedish construction market has been impacted by persistent low investment in housing and commercial space, while demand in the infrastructure sector has shown a rising trend. Investments are continuing to increase in the energy sector. Stable growth is also anticipated in certain industrial segments, thereby stimulating demand for several of SWECO's subsidiaries.

Norway

Demand in the energy sector has continued to grow, particularly for renewable energy sources, where SWECO Grøner has strong market position. Demand for environmental impact assessments (EIA) and consulting services related to water supply also remains favourable.

Finland

The Finnish market consists of industry-related consulting assignments and demand is dependent on industrial investments, production volumes and structural changes. Increased investment in production facilities and R&D was noted in the latter half of the period. Rising production volumes are also being seen in the Finnish forestry industry, generating stronger demand for PIC Engineering's services.

Outside the Nordic region

The general assessment is that the international industrial market is starting to pick up speed. However, there are still a few storm clouds on the horizon, such as uncertainty in the oil market.

The global trend of urbanisation and industrialisation is continuing, creating a steadily rising demand for urban and traffic planning, water and wastewater systems, roads, bridges, building construction, waste management, energy supply, environmental systems and industrial development. With cutting-edge expertise in all of these areas, SWECO has excellent potential for long-term international volume growth.

OPERATIONS

SWECO is the Nordic region's leading consulting company with combined expertise in consulting engineering, environmental technology and architecture. Engineers, architects and environmental experts in the SWECO companies collaborate to build a safer, more ecologically sustainable and growing society. The home market is the Nordic region, but the company also conducts extensive international operations with projects currently underway in over 45 countries.

During the second quarter, SWECO was awarded several major assignments both in Sweden and abroad.

Together with Carl Bro, SWECO has been given responsibility for planning and design of traffic interchanges and tunnels on the new Norra Länken traffic route, a project aimed at improving traffic congestion in Stockholm. The order is worth close to MSEK 100. Earlier in the year, SWECO was also commissioned to participate in design of the new Citybanan railway line, which will increase rail capacity through central Stockholm. The assignment volume amounts to at least MSEK 20.

SWECO has won an assignment to investigate how Tanzania's rural population can be given access to electricity. SWECO's energy consultants will assess the potential to develop domestic renewable energy sources. The assignment is worth MSEK 20.

SWECO's Finnish subsidiary PIC Engineering has received several major assignments in areas such as the pulp and paper, chemical industry and offshore industries.

During the spring, SWECO was awarded a contract to plan and design a large wastewater treatment plant in Tromsø, Norway. SWECO has previously had responsibility for designing all of the city's major wastewater treatment plants.

In Jordan, SWECO will act as adviser to the Jordanian Government in connection with a new wastewater treatment plant to be built outside the city of Amman. The new plant, As-Samra, will treat wastewater from 2.3 million people. The project is the first BOT (Build, Operate, Transfer) project in the Middle East, where a private operator is building and commissioning a plant that will later be handed over to the authorities. The assignment is worth close to MSEK 50.

In Sweden, SWECO won several new environmental assignments such as modernisation of the wastewater treatment plants in Oxelösund and Sala. The two assignments have a

combined value of more than MSEK 12. A similar assignment is being carried out in the Henriksdal area of Stockholm and SWECO is also involved in planning of wastewater treatment plants in the Baltic countries, Hungary, the Czech Republic and Russia.

The integration of PIC Engineering Oyj is proceeding according to plan. SWECO Industriteknik AB is being merged with PIC Engineering's Swedish operations, thereby forming an industrial consulting company with 250 employees in the Swedish market. The company is part of PIC Engineering, for which reason the figures for SWECO Industriteknik have been included in PIC Engineering with effect from this interim report.

After the end of the reporting period PIC Engineering signed an agreement to acquire the Finnish consulting firm of Kemira Engineering from the Kemira Group. Kemira Engineering has 70 employees and an annual turnover of 5 million Euro. The acquisition will enhance PIC's expertise in chemical engineering and advance its positions in the process industry.

Following the merger with SWECO Industriteknik and the acquisition of Kemira Engineering, PIC Engineering will have around 1,000 consultants.

OUTLOOK FOR 2004

Our assessment is that the Nordic market for consulting engineering and architectural services is expected to recover in the second half of 2004 and begin growing in 2005. In view of this, the outlook for 2004 is relatively bright.

Stockholm, 17 August 2004
SWECO AB (publ)

Wigon Thuresson
Managing Director and CEO

This interim report has not been reviewed by the company's auditors.
The interim report for the period January-September will be published on 21 October 2004.
The year-end report for 2004 will be published on 8 February 2005.

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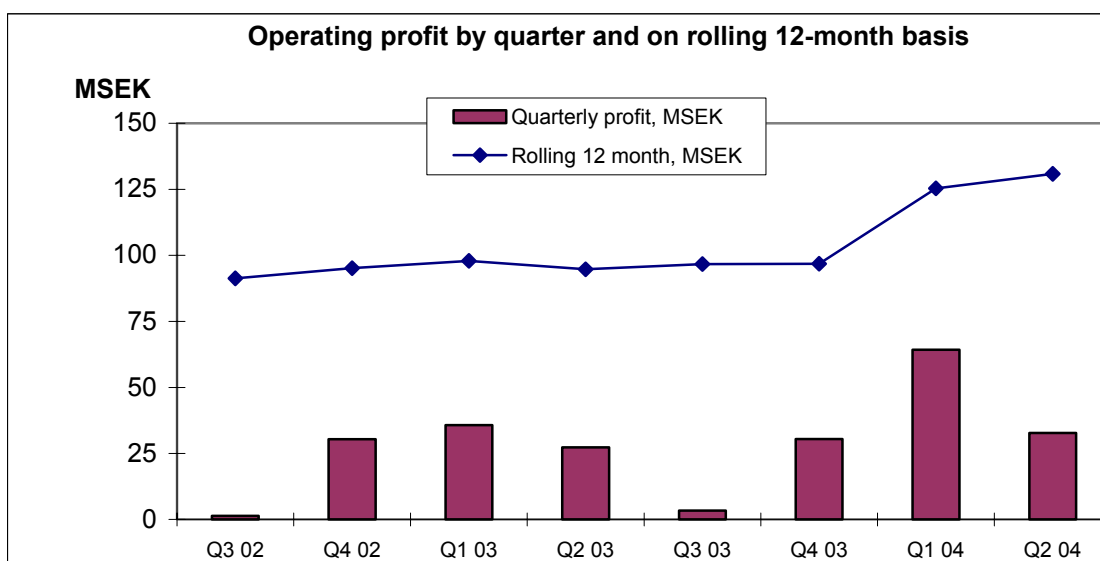
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Income statement, MSEK	Apr-June 2004	Apr-June 2003	Jan-June 2004	Jan-June 2003	July 2003	Full year 2003
Net sales	791.4	532.0	1 577.4	1 081.6	2 707.2	2 211.4
Other external costs	-215.7	-139.8	-417.3	-282.5	-779.1	-644.3
Staff costs	-525.7	-354.1	-1 028.8	-714.4	-1 737.9	-1 423.5
Depreciation	-17.3	-10.8	-34.1	-21.7	-58.7	-46.3
Share in profit of associated companies	-	-	-0.2	-	-0.7	-0.5
Operating profit	32.7	27.3	97.0	63.0	130.8	96.8
Net financial items	2.2	2.6	18.3	2.1	39.9	23.7
Profit after net financial items	34.9	29.9	115.3	65.1	170.7	120.5
Minority share	-2.1	-0.2	-3.4	-0.3	-4.1	-1.0
Profit before tax	32.8	29.7	111.9	64.8	166.6	119.5
Tax	-9.9	-9.0	-33.6	-19.5	-49.8	-35.7
Profit after tax	22.9	20.7	78.3	45.3	116.8	83.8

Earnings per share, SEK	1.40	1.40	4.70	3.10	7.30	5.70
Earnings per share after dilution, SEK	1.30	1.40	4.60	3.00	7.20	5.60

Average number of shares	16,671,977	14,690,272	16,654,870	14,746,938	15,763,973	14,810,007
Average number of shares after dilution	17,058,977	14,926,513	17,041,870	14,983,179	16,012,415	14,983,069

Cash flow statement, MSEK	Apr-June 2004	Apr-June 2003	Jan-June 2004	Jan-June 2003	July 2003	Full year 2003
Cash flow from operating activities before change in working capital and paid tax	50.2	38.3	124.9	88.5	184.7	148.3
Paid tax	-11.5	-20.9	-27.4	-35.9	-46.7	-55.2
Change in working capital	25.0	-1.6	-52.1	-28.7	-42.8	-19.4
Cash flow from operating activities	63.7	15.8	45.4	23.9	95.2	73.7
Cash flow from investing activities	-15.8	-6.9	-40.0	-13.8	-135.5	-109.3
Cash flow from financing activities	-26.5	-126.9	-43.0	-128.0	100.3	15.3
Change in liquid assets	21.4	-118.0	-37.6	-117.9	60.0	-20.3



Balance sheet, MSEK	30 June 2004	30 June 2003	31 Dec 2004
Intangible assets	295.5	11.3	284.3
Tangible assets	106.2	78.8	114.6
Financial assets	191.3	104.9	175.7
Other current assets	927.9	669.0	844.0
Cash and bank, short-term investments	194.3	136.4	231.6
Total assets	1,715.2	1,000.4	1,650.2
Equity	604.2	380.2	562.1
Minority share	15.4	2.2	18.6
Provisions	167.5	119.2	170.8
Long-term liabilities	198.6	20.5	198.9
Current liabilities	729.5	478.3	699.8
Total equity and liabilities	1,715.2	1,000.4	1,650.2

Changes in equity, MSEK	Jan-June 2004	Jan-June 2003	Full year 2003
Equity, opening balance	562.1	464.0	464.0
Translation difference in foreign currency	-2.0	-2.9	-3.9
Net profit for the period	78.3	45.3	83.8
Dividends rendered	-49.7	-103.6	-103.6
Repurchase of own shares	-15.4	-22.6	-22.6
Issue of repurchased shares	-	-	23.1
Conversion	-	-	10.8
New share issue	30.9	-	110.5
Equity, closing balance	604.2	380.2	562.1

Key ratios	Jan-June 2004	Jan-June 2003	Full year 2003
Operating margin, %	6.2	5.8	4.4
Profit margin, %	7.3	6.0	5.4
Return on equity, % ¹⁾	23.7	10.1	16.3
Return on capital employed, % ¹⁾	28.2	17.1	19.5
Equity/assets ratio, %	35.2	38.0	34.1
Equity per share, SEK	36	26	34
Equity per share after dilution, SEK	36	26	34
Interest-bearing liabilities, MSEK	240.5	24.1	228.6
Average number of employees	3,350	2,369	2,437
Number of shares on closing date	16,911,170	14,463,605	16,688,130
Number of shares on closing date after dilution	16,911,170	14,699,846	16,688,130
Number of shares on closing date after full dilution	16,911,170	15,280,346	17,268,630

¹⁾ The return figures are calculated on rolling 12-month values.

Net sales, operating profit (excluding items affecting comparability) and operating margin

Company	Net sales, MSEK		Operating profit, MSEK		Operating margin, %		No. of employees	
	2004, 6 mths	2003, 6 mths	2004, 6 mths	2003, 6 mths	2004, 6 mths	2003, 6 mths	2004, 6 mths	2003, 6 mths
SWECO FFNS	168.3	164.1	11.8	10.0	7.0	6.1	305	320
SWECO BLOCO	67.8	81.4	0.8	6.4	1.2	7.9	156	184
SWECO Theorells	152.4	185.4	6.5	8.1	4.3	4.4	354	456
SWECO VBB	269.6	246.8	15.0	16.1	5.6	6.5	441	454
SWECO VIAK	262.6	258.3	27.2	14.5	10.4	5.6	412	471
SWECO Projektløding	72.8	74.1	5.6	7.4	7.7	10.0	114	114
SWECO Energuide	78.8	67.9	7.4	2.9	9.4	4.2	113	106
SWECO Position	21.0	18.5	2.0	0.6	9.6	3.1	42	42
SWECO Connect	25.4	25.5	0.2	0.1	0.8	0.5	40	38
SWECO Grøner	229.4	-	11.9	-	5.2	-	416	-
PIC Engineering ¹⁾	355.3	58.5	20.3	1.3	5.7	2.3	897	132
Group-wide, etc.	-126.0	-98.9	-11.7	-4.4	-	-	60	52
TOTAL GROUP	1,577.4	1,081.6	97.0	63.0	6.2	5.8	3,350	2,369

1) With effect from the second quarter of 2004, SWECO Industriteknik is included in PIC Engineering.
The comparative figures for 2003 refer to SWECO Industriteknik.