

Studsvik AB – Interim Report, January – June 2001

- *Studsvik was listed on Stockholmsbörsen's (Stockholm stock exchange) O list on May 4.*
- *In March 2001, SEK 320.5 million was injected into Studsvik through a directed share issue in combination with an unconditional shareholders' contribution.*
- *The result after net financial items for the second quarter was SEK -28.0 million (84.9) and, for the period of January-June, SEK -64.1 million (103.0). Non-recurring items have had a material impact on the result for the second quarter.*
- *Technical adjustments continued to be made to the Erwin facility and a considerable improvement in production was thereby achieved.*
- *An agreement was signed to acquire a decommissioning business in Germany. This will have a positive impact on margins already this year.*
- *A rationalization program has been launched and is expected to result in sustainable savings on the order of SEK >15 million per year, starting in 2002.*
- *During the second quarter, 6 patients were treated at Studsvik's BNCT facility where brain tumors are treated by neutron irradiation.*

Business

During the second quarter, the nuclear power industry started their annual refuelling and maintenance outages. However, in both Sweden and Germany, the outages started later, compared with the previous year. This is expected to have a positive impact on the third quarter.

Orders received by the Group amounted to SEK 257 million during the second quarter, which is an increase of 32 %, compared with the first quarter and 55 % , compared with the second quarter of 2000.

An extensive rationalization and change program has been launched. The exact cost of the program cannot yet be determined and has therefore not yet been reported as an expense. However, the cost is estimated at about SEK 20 million. The measures are expected to result in sustainable savings on the order of SEK >15 million, as of 2002. The program will involve downsizing and negotiations have started with the trade unions.

The arbitration process, where Studsvik is suing Metric Duke, the supplier of the waste management facility in Erwin, USA for damages, is expected to be resolved at the end of the year.

Non-recurring costs amounting to a total of SEK 21.1 million have been charged to the result for the quarter. The amount includes expenses for the arbitration process in the USA (11.1), consultants' expenses for the restructuring program (4.5), the winding up of the business in Studsvik Instrumentteknik AB (0.2) and the expenses for Studsvik's listing on Stockholmsbörsen (5.3).

In June, an agreement was signed to acquire the business in Baumann Nuklear Service GmbH in Germany and ownership was transferred to Studsvik on July 1. The acquisition will improve net sales for the Group in the second half of the year by about SEK 25 million and will enhance the Group's financial performance already this year.

The performance of Studsvik's four SBUs during the second quarter of 2001 is described below.

Nuclear Technology

Work on quality assurance for the fuel testing project for Japanese customers is progressing as planned.

The production capacity for silicon doping (semi-conductors) was fully utilized.

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

The SBU's operating profit before amortization of goodwill amounted to SEK 2.4 million (3.8) for the second quarter and to SEK -4.3 million (11.6) for the period of January-June.

Waste & Decommissioning

The business in Studsvik RadWaste AB developed well during the quarter. Sales for the period of January-June were 6 % higher than the previous year and the operating result improved by just over SEK 6 million.

Production figures have improved at the facility for the destruction of ion-exchange resins in Erwin, USA. The trend continued after the balance sheet date. In July, production figures reached 4,160 ft³, the highest figure for any single month. The average price has increased and, during the second quarter, was USD 351, a 29 % increase compared with the same period the previous

year. Adjusted for legal and expert advisory expenses relating to the arbitration process, the cash flow from operating activities was largely at break-even level during the second quarter.

The operating result before amortization of goodwill for the SBU for the second quarter was SEK -19.1 million (-9.0) and for the period of January-June, SEK -32.2 million (-7.3).

Industrial Services

The SBU is maintaining its strong position on the nuclear power market in Sweden. In Germany, the SBU has consolidated its market position through the launch of Bolero™, a robot used for mechanical decontamination of concrete structures.

The operating result of the SBU before amortization of goodwill amounted to SEK 6.6 million (13.1) for the second quarter and, for the period of January-June, SEK 8.6 million (14.3).

Nuclear Medicine

At the BNCT facility at Studsvik, where brain tumors are treated by neutron irradiation, 6 patients were treated during the second quarter of the year. At the beginning of next year, at the earliest, can a conclusion, on the basis of scientific evidence, be presented about the medical effects of the treatment. Nevertheless, so far, it can be said that the treatment is contributing to an increased quality of life for the patients.

The SBU's operating result before amortization of goodwill amounted to SEK -0.4 million (0.2) for the second quarter and to SEK -0.3 million (0.5) for the period of January-June.

Net Sales

Net sales for the Group for the second quarter amounted to SEK 211.6 million (224.8) and for the period of January-June, SEK 408.5 million (407.8).

Result

The result for the Group is analyzed below.

	April-June 2001	April-June 2000	Jan-June 2001	Jan-June 2000
Operating result	-27.0	87.9	-59.0	106.6
Non-recurring items	21.1	-93.0	31.6	-110.7
Adjusted operating result	-5.9	-5.1	-27.4	-4.1
Amortization of goodwill	2.5	2.5	5.0	4.6
Adjusted result before amortization of goodwill	-3.4	-2.6	-22.4	0.5

Non-recurring items for the period of January-June include the following SEK 15.9 million (4.9) in expenses for the arbitration process in the USA, SEK 4.5 million in consultants' expenses for the rationalization program in Sweden, SEK 5.9 million in winding-up expenses for Studsvik Instrument-teknik AB, SEK 5.3 million in expenses relating to the initial public offering and an SEK 0 million (115.6) refund from the SPP pension insurance company.

The Erwin facility started production on April 1, 2000 and therefore only the second quarter is included in the 6-month interim result for 2000.

Financial Position and Liquidity

At June 30, liquid assets amounted to SEK 305.6 million (70.3) and the equity-assets ratio was 45.9 (32.3) %.

Interest-bearing liabilities amounted to SEK 340.2 million (257.4).

At the end of the period, Group equity amounted to SEK 632.9 million (413.0).

During the second quarter, investments in tangible fixed assets amounted to SEK 13.3 million (223.3) and during the first half of the year to SEK 30.6 million (266.0). Fuel for the R2 reactor is included with SEK 0.3 million (23.5) and SEK 6.3 million (28.2), respectively.

Cash Flow

For the period of January-June, cash flow from operating activities after investment was SEK -62.7 million (-124.7).

Personnel

The average number of employees during the first half of the year amounted to 1,174 (1,218).

Parent Company

In the second quarter, net sales for the parent company amounted to SEK 4.0 million (4.4) and during the first half of the year, to SEK 8.7 million (9.4). Result after financial items amounted to SEK -8.5 million (6.8) and SEK 6.2 million (4.8). At June 30, liquid assets amounted to SEK 287.3 million (0.0). Investments during the second quarter amounted to SEK 0.2 million (0.3).

Ownership Structure

On June 29, 2001, the number of shareholders was 7,215. The shareholdings of the ten largest shareholders corresponded to just over 60 % of the shares. The shares were held by Swedish natural persons just over 17 %, Swedish legal entities 26 %, and foreign legal entities 57 %.

Outlook for 2001

Financial performance for the whole of 2001 will be strongly affected by the development of the Erwin business. The prices are showing a tendency to increase and the production figures for the facility are improving. The quantity of waste that is allowed to be deposited at the Barnwell waste disposal facility in South Carolina, is being reduced from 160,000 ft³ per year to 80,000 ft³ for the 12-month period starting on July 1, 2001. This can be expected to have a positive impact on prices.

Studsvik is now in the process of decisive discussions regarding its participation in three different projects where THORTM, the process applied at the Erwin facility, is a vital component. The purpose of the projects is to demonstrate the suitability of the THOR process for the processing of the nuclear waste in the USA for which the US Department of Energy (DOE) is responsible.

Studsvik RadWaste AB has had a good inflow of orders. The positive development of the company is expected to continue during the second half of the year.

The BNCT business has largely progressed as planned. Providing that the experience of the treatment continues to be positive, the number of patients will increase successively during the year. In 2002, the BNCT business is expected to enter a more commercial phase with an increase in the number of Swedish and foreign patients.

The financial performance of the Group for the second half of the year is expected to be better than that for the first half of the year, especially since the Erwin facility is now operating continuously. The development of Studsvik RadWaste AB's business and the fact that Industrial Services is now further consolidating its favorable market position in Germany are also positive.

Consolidated Income Statement	April-June 2001	April-June 2000	Jan-June 2001	Jan-June 2000	Full Year 2000
Amounts in SEK million					
Net sales Note 2	211.6	224.8	408.5	407.8	818.8
Cost of services sold	-165.9	-185.3	-346.7	-327.9	-680.0
Gross profit	45.7	39.5	61.8	79.9	138.8
Selling expenses	-10.2	-10.1	-20.2	-19.7	-45.2
Administrative expenses	-50.4	-28.9	-78.4	-53.5	-131.3
Research and development costs	-12.7	-9.2	-23.2	-17.3	-39.3
Refund from SPP etc.	–	95.6	–	115.7	130.8
Other operating income	0.1	0.5	0.2	0.5	0.9
Other operating expenses	-0.1	–	-0.2	–	-0.2
Result from participations in associated companies	0.6	0.5	1.0	1.0	2.0
Operating result	-27.0	87.9	-59.0	106.6	56.5
Interest income and other similar profit/loss items	3.2	0.9	4.4	1.7	3.1
Interest expense and other similar profit/loss items	-4.2	-3.9	-9.5	-5.3	-16.2
Result after financial items	-28.0	84.9	-64.1	103.0	43.4
Tax	-3.5	-28.8	-9.3	-29.6	-50.8
Minority interests	0.0	0.0	0.0	0.0	0.0
Result for the period	-31.5	56.1	-73.4	73.4	-7.4
Result per share	-3:87	9:68	-10:42	12:65	-1:28

Condensed Consolidated Balance Sheet	Jan-June 2001	Jan-June 2000	Full Year 2000
Amounts in SEK million			
Assets			
Goodwill	85.0	89.9	87.8
Other intangible fixed assets	14.7	16.9	15.7
Tangible fixed assets	737.7	710.1	678.3
Financial fixed assets	21.5	13.2	22.6
Inventories etc.	7.8	8.5	15.0
Accounts receivable – trade	104.5	117.8	104.7
Other current receivables	100.8	250.2	180.1
Cash and bank balances	305.6	70.3	31.8
Total assets	1,377.6	1,276.9	1,136.0
Equity and liabilities			
Equity	632.9	413.0	356.1
Provisions	184.9	190.7	163.2
Long-term liabilities	325.1	287.5	281.2
Current liabilities	234.7	385.7	335.5
Total liabilities and equity	1,377.6	1,276.9	1,136.0

Changes in equity	Jan-June 2001	Jan-June 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	-73.4	73.4	-7.4
Translation differences	29.7	17.7	41.6
Equity at the end of the period	632.9	413.0	356.1

Condensed Consolidated Cash Flow Statement	Jan-June 2001	Jan-June 2000	Full Year 2000
Amounts in SEK million			
Cash flow from operating activities			
Operating result	-59.0	106.6	56.5
Depreciation	46.4	33.2	73.0
Other non-cash items	8.8	116.8	58.7
	-3.8	256.6	188.2
Financial items, net	-5.1	-11.4	-11.9
Income taxes paid	-33.0	-15.5	-28.9
Cash flow generated from operations before working capital changes	-41.9	229.7	147.4
Working capital changes	9.8	-88.4	-59.6
Cash flow from operating activities	-32.1	141.3	87.8
Cash flow from investing activities			
Investments	-30.6	-266.0	-219.5
Other changes from investing activities	1.1	-0.4	-9.4
Cash flow from investing activities	-29.5	-266.4	-228.9
Cash flow from financing activities			
New share issue and shareholder's contribution	320.5	—	—
Repayment of liability/Loans received	13.9	80.2	58.0
Other changes from financing activities	—	—	-1.1
Cash flow from financing activities	334.4	80.2	56.9
Change in liquid assets	272.8	-44.9	-84.2
Liquid assets at the beginning of the year	31.8	115.0	115.0
Translation differences	1.0	0.2	1.0
Liquid assets at the end of the year	305.6	70.3	31.8

Financial Ratios for the Group	Jan-June 2001	Jan-June 2000	Full Year 2000
Amounts in SEK million			
Operating result			
Operating result before depreciation	-12.6	139.8	134.2
Operating result before amortization of goodwill	-54.0	111.2	66.4
Margins			
Operating margin before depreciation, %	neg	5.9	0.0
Operating margin before amortization of goodwill, %	neg	4.8	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	1,377.6	1,276.9	1,136.0
Operating capital	667.7	600.3	667.0
Capital employed	973.3	670.6	698.8
Equity	632.9	413.0	356.1
Net interest-bearing debt	34.6	187.1	310.7
Net debt-equity ratio (times)	0.1	0.5	0.9
Interest cover	neg	neg	neg
Equity-assets ratio, %	45.9	32.3	31.3
Cash Flow			
Degree of self-financing (times)	neg	0.2	0.4
Investments	30.6	266.0	219.5
Employees			
Average number of employees	1,174	1,218	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 the operating result for 2000.

Data per share	Jan-June 2001	Jan-June 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	7 040 213	5 800 000	5 800 000
Result per share	-10:42	12:65	-1:28
Equity per share	77:99	71:79	61:39

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

Financial data per SBU	April-June 2001	April-June 2000	Jan-June 2001	Jan-June 2000	Full Year 2000
Amounts in SEK million					
Nuclear Technology					
Net sales	81.8	90.1	171.2	180.3	319.3
Operating result before amortization of goodwill	2.4	3.8	-4.3	11.6	11.3
Operating result	2.4	3.8	-4.3	11.6	11.3
Investments	7.4	15.3	14.3	31.4	31.4
Average number of employees	220	251	230	252	250
Waste & Decommissioning					
Net sales	45.5	39.7	87.6	73.5	159.5
Operating result before amortization of goodwill	-19.1	-9.0	-32.2	-7.3	-50.3
Operating result	-19.1	-9.0	-32.2	-7.3	-50.3
Investments	4.0	173.7	7.2	198.3	145.4
Average number of employees	53	61	53	61	61
Industrial Services					
Net sales	95.1	105.8	169.2	175.7	376.1
Operating result before amortization of goodwill	6.6	13.1	8.6	14.3	29.5
Operating result	4.4	10.9	4.1	10.4	20.3
Investments	1.5	19.0	4.7	20.4	24.9
Average number of employees	835	833	858	870	857
Nuclear Medicine					
Net sales	6.7	4.1	7.3	6.6	16.0
Operating result before amortization of goodwill	-0.4	0.2	-0.3	0.5	1.5
Operating result	-0.4	0.2	-0.3	0.5	1.5
Investments	2.0	9.9	4.0	10.1	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.

Note 1 Changed accounting policies

As stated in the interim report for January-March 2001, the company is applying the eight new recommendations that take effect 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. Work for the previous year is reported as completed. The comparative figures for the previous year have been accordingly re-stated, 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	April-June 2001	April-June 2000	Jan-June 2001	Jan-June 2000	Full Year 2000
Sweden	43.6	100.2	140.2	163.0	350.1
Europe, excluding Sweden	88.4	71.9	151.9	132.9	275.1
North America	68.7	20.1	97.5	66.5	134.2
Asia	10.9	29.6	18.9	40.8	54.2
Other markets	—	3.0	—	4.6	5.2
Total	211.6	224.8	408.5	407.8	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 period divided by the average number of employees for the period.

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

Interim report for January-September

November 12, 2001

Nyköping, August 17, 2001

Carsten Olsson
President