

SWECO AB (publ)

Interim report for January-September 2004

Powerful earnings growth: Operating profit up 88 per cent to MSEK 125 (66)

- Profit after net financial items up 64 per cent to MSEK 144 (88)
- Profit after tax was MSEK 97 (61), corresponding to SEK 5.80 per share (4.10)
- Net sales increased by 45 per cent to MSEK 2,266 (1,559)
- Operating margin strengthened to 5.5 per cent (4.3)

Comments from the CEO, Wigon Thuresson:

– Operating profit increased significantly over the same period of last year and the operating margin has continued to improve. Above all, this strong performance is attributable to our success in the market and ongoing efforts to cut costs.

– Last year's acquisitions of SWECO Grøner in Norway and SWECO PIC in Finland have continued to develop favourably and produce strong earnings.

– The Nordic market is stable, with indications of growing demand in a few areas of operation. In the Finnish industrial sector we are seeing rising investment levels and production volumes. SWECO PIC was awarded several prestigious assignments during the period, including a product development project for Nokia. We stand by our previous assessment that the Nordic market will revive towards the end of the year.

– The EU is boosting investments in the new member nations and growth in the Baltic countries and Russia is strong. For SWECO this has stimulated demand for consulting services in several of our business areas.

– The outlook for the remainder of the year is bright.

PROFIT AND FINANCIAL POSITION
Consolidated sales and profit

The SWECO Group reported net sales of MSEK 2,266.1 (1,558.8), up 45 per cent over the year-earlier period. Growth in sales is mainly attributable to acquisitions.

SWECO carried out assignments outside Sweden for a total of MSEK 873 (244). International assignments accounted for 39 per cent (16) of net sales.

Profit summary, MSEK	2004, 9 mths	2003, 9 mths
SWECO FFNS (Architecture)	14.0	7.0
SWECO BLOCO (Structural Engineering)	-1.2	3.6
SWECO Theorells (Building Service Systems) ¹⁾	6.0	8.9
SWECO VBB (Transportation & Civil Engineering)	18.0	16.5
SWECO VIAK (Water & Environment)	30.3	17.3
SWECO Projektleddning (Project Management)	9.1	9.3
SWECO Energiguide (Energy)	10.3	4.6
SWECO Position (Geographical Information Systems)	3.3	1.5
SWECO Connect (IT Development)	0.4	1.0
SWECO Grøner (Norway) ²⁾	21.0	1.0
SWECO PIC (Industrial Engineering) ³⁾	30.7	0.8
Group-wide, etc.	-7.0	-5.0
Amortisation of consolidated goodwill	-10.4	-0.2
Operating profit	124.5	66.3
Consolidated net financial items	19.0	21.2
Minority share	-4.6	-0.4
Profit before tax	138.9	87.1

1) With effect from 1 January 2004, SWECO Theorell's Norwegian operations have been transferred to SWECO Grøner.

Operating profit for the first 9 months of 2003 in SWECO Theorell's Norwegian operations amounted to MSEK 4.0.

2) Energy, Water & Environment, Structural and Industrial Engineering, Transportation, Civil Engineering and Building Service Systems. The comparative figure for 2003 refers to one month.

3) With effect from the second quarter of 2004, SWECO Industriteknik is included in SWECO PIC. The comparative figure for 2003 refers to SWECO Industriteknik. PIC Engineering Oyj has changed name to SWECO PIC Oy.

Operating profit rose 88 per cent to MSEK 124.5 (66.3). Profit in SWECO VIAK includes a gain of MSEK 10.0 on the sale of the environmental laboratory SWECO Ecoanalys at the beginning of the year. SWECO BLOCO posted a minor loss for the reporting period due to costs incurred in connection with a structural change in the company. The Group's overall operating margin amounted to 5.5 per cent (4.3). The billing ratio, including all administrative personnel, was 71.7 per cent (68.9).

Profit after net financial items rose 64 per cent to MSEK 143.5 (87.5). Consolidated net financial items totalled MSEK 19.0 (21.2). Revaluation of listed shares to market value strengthened the period's net financial items by MSEK 17.3 (16.5).

Profit after tax is reported at MSEK 97.2 (61.0). Profit was charged with a tax rate of 30 per cent which is expected to apply for the full financial year.

Net sales for the third quarter of 2004 totalled MSEK 688.7 (477.2), up 44 per cent year-on-year. Operating profit for the third quarter was strong compared with the previous year and amounted to MSEK 27.5 (3.3). The operating margin was 4.0 per cent (0.7) and the billing ratio was 72.3 per cent (67.5).

Earnings per share

Earnings per share rose 41 per cent to SEK 5.80 (4.10).

Investments

The Group's investments in equipment during the year totalled MSEK 23,3 (26.9) and referred primarily to computers and other IT investments. Depreciation of equipment amounted to MSEK 37.0 (30.7).

Cash flow and financial position

The Group's cash flow from operating activities reached MSEK -4,5 (-29.7).

Liquid assets and interest-bearing receivables totalled MSEK 128.8 (135.4). During the reporting period, dividends were paid in the amount of MSEK 49.7 and shares were repurchased for a total of MSEK 17.6. 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 218.9 (152.3). Net interest-bearing debt was thus MSEK 90.1 (16.9).

Return on equity amounted to 23 per cent (15) and return on capital employed was 26 per cent (21).

The Group's financial position is strong and the equity/assets ratio at the end of the period was 38 per cent, compared with 34 per cent at year-end.

Personnel

The number of employees at the end of the period was 3,563 (2,764). The average number of employees in the Group during the period was 3,435 (2,353).

Parent Company

The Parent Company reported net sales of MSEK 42.9 (54.7) and a profit before tax of MSEK 21.7 (12.8).

The SWECO share

The price of the SWECO class B share at the end of the period was SEK 107, representing an increase of 44 per cent since the beginning of the year. The Affärsvärlden General Index improved by 10 per cent over the same period.

The total number of shares 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 16,890,270, of which 15,033,355 class B shares.

Share buy-back

Within the framework of the share buy-back programme approved by the AGM, 20,900 class B shares were repurchased during the third quarter and a total of 171,700 shares were repurchased earlier in the year. The total number of repurchased shares at the end of the reporting period thus amounted to 192,600, equivalent to a value of MSEK 17.6, which represents an average buy-back price of around SEK 91.40. The repurchased shares correspond to 1.1 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

The market for consulting engineering, architectural and industrial consulting services remains stable and certain of SWECO's areas of operation are noting an improvement.

Sweden

The Swedish market enjoyed a slight upturn in the latter half of the period. For building-related services, the improvement is most noticeable in planning and design of housing. Demand in the infrastructure sector is being stimulated by a rising volume of planning and design projects.

Market development for SWECO's consultants remained positive in the water, environment and energy sectors. In the industrial sector, indications of modest growth are being seen.

Norway

The Norwegian economy is marked by growing optimism about future development, not least in light of a dramatic surge in oil prices. The market for consulting engineering services was stable during the period, with an underlying positive tone.

Demand in the energy sector is expected to grow further, in areas such as renewable energy sources. The market for building-related consulting services is relatively stable but with major geographical variations. The infrastructure sector has noted rising demand and a continued positive trend is anticipated. Demand in the water & environment sector is also strong and expected to grow further.

Finland

SWECO's activities in the Finland are dominated by industry-related consulting assignments. The market for industrial consulting services is characterised by budding growth generated by increased investment and higher production volumes in most areas of industry, particularly energy, chemicals and electronics.

Outside the Nordic region

On the whole, SWECO's development outside the Nordic region has been favourable. 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. SWECO offers cutting-edge expertise in all of these areas.

Developments in Russia and the new EU member nations will be of particular interest over the next few years. EU-funded investments are rising and growth is strong. Demand for SWECO's services will remain keen in this region, above all in the water & environment sector.

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 work together 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.

SWECO was awarded several major assignments during the third quarter.

Through the subsidiary SWECO PIC, SWECO has been awarded a contract for energy and environmental optimisation of the Billerud paper mill in Skärblacka, Sweden. The goal of the project is to improve the paper mill's capacity for self-production of biomass electricity as a means for optimising energy efficiency. SWECO PIC has been given responsibility for planning and design of all the required rebuilding and construction. The assignment is worth MSEK 15.

SWECO has been commissioned to deliver a new Geographic Information System (GIS) to Sweden's largest forest owner, Sveaskog. The company currently uses several different GIS solutions to manage and plan activities but has decided to implement a new system throughout its forestry operations. SWECO's assignments include system design as well as development and implementation of the new system. The order is worth more than MSEK 6.

SWECO has been commissioned by the Stockholm Transport Authority's rail and track department to oversee subway renovations at four platforms and two bridges in Stockholm. SWECO Projektledning will supervise planning and design, preparation of tender documents, procurement of contractors, construction management and project completion. The assignment is worth MSEK 6.

SWECO's architects have been chosen to plan a new city for 20,000 residents outside Beijing, China. The ambition is to create a city with a distinct environmental profile and far-reaching ecocycle awareness. The contract is worth around MSEK 6. SWECO has previously planned a number of residential developments in China.

During the reporting period SWECO PIC's electronics division won several major assignments from Nokia in Finland, including product development projects for Nokia's network systems. The combined value of the assignments is close to MSEK 30.

On 1 October SWECO PIC completed its acquisition of the Finnish consulting company Kemira Engineering from the Kemira chemical group. The acquisition will enhance SWECO PIC's expertise in chemical engineering and strengthen its position in the process industry. Following the acquisition of Kemira Engineering, SWECO PIC will have more than 1,000 consultants.

OUTLOOK FOR 2004

Although no tangible rise in demand has occurred, the past few months have seen an increasing level of activity in the market. This reinforces our earlier assessment that the Nordic market for consulting engineering and architectural services will return to growth during 2005. In view of this, SWECO's outlook for the remainder of 2004 remains bright.

Stockholm, 21 October 2004
SWECO AB (publ)

Wigon Thuresson
Managing Director and CEO

This interim report has not been reviewed by the company's auditors.

The year-end report for 2004 will be published on 8 February 2005.

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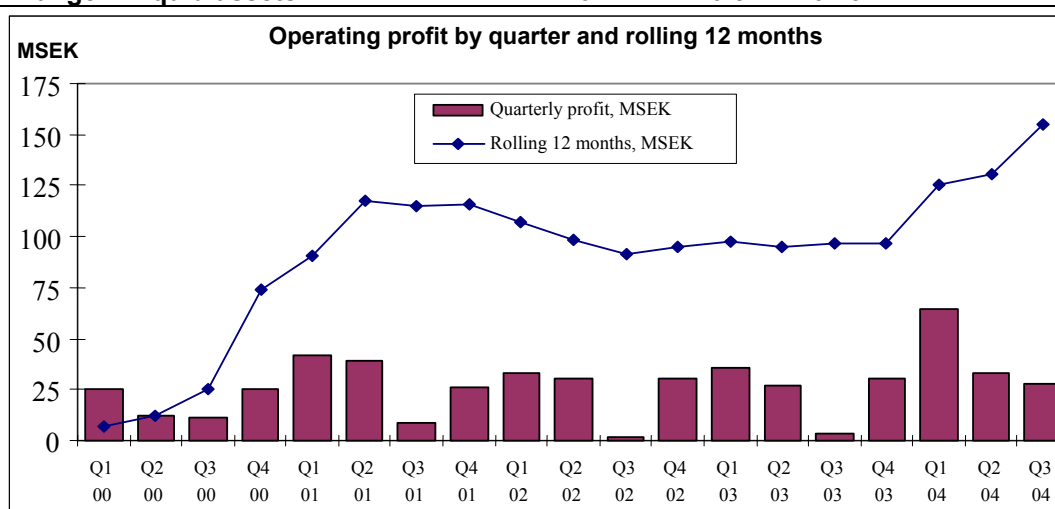
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Income statement, MSEK	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Oct 2003	Full year
	2004	2003	2004	2003	sep 2004	2003
Net sales	688.7	477.2	2,266.1	1,558.8	2,918.7	2,211.4
Other external costs	-229.1	-161.8	-646.4	-444.3	-846.4	-644.3
Staff costs	-414.0	-300.5	-1,442.8	-1,014.9	-1,851.4	-1,423.5
Depreciation	-18.1	-11.6	-52.2	-33.3	-65.2	-46.3
Share in profit of associated companies	-	-	-0.2	-	-0.7	-0.5
Operating profit	27.5	3.3	124.5	66.3	155.0	96.8
Net financial items	0.7	19.1	19.0	21.2	21.5	23.7
Profit after net financial items	28.2	22.4	143.5	87.5	176.5	120.5
Minority share	-1.2	-0.1	-4.6	-0.4	-5.2	-1.0
Profit before tax	27.0	22.3	138.9	87.1	171.3	119.5
Tax	-8.1	-6.6	-41.7	-26.1	-51.3	-35.7
Profit after tax	18.9	15.7	97.2	61.0	120.0	83.8

Earnings per share, SEK	1.10	1.00	5.80	4.10	7.40	5.70
Earnings per share after dilution, SEK	1.10	1.00	5.70	4.10	7.30	5.60

Average number of shares	16,901,803	14,749,341	16,737,181	14,747,739	16,302,089	14,810,007
Average number of shares after dilution	16,901,803	14,926,513	16,995,181	14,964,290	16,506,238	14,983,069

Cash flow statement, MSEK	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Oct 2003	Full year
	2004	2003	2004	2003	sep 2004	2003
Cash flow from operating activities before change in working capital and paid tax	41.1	16.9	166.0	105.4	208.9	148.3
Paid tax	-15.6	-21.2	-43.0	-57.1	-41.1	-55.2
Change in working capital	-75.4	-49.3	-127.5	-78.0	-68.9	-19.4
Cash flow from operating activities	-49.9	-53.6	-4.5	-29.7	98.9	73.7
Cash flow from investing activities	-6.4	-48.5	-46.4	-62.3	-93.4	-109.3
Cash flow from financing activities	-8.4	102.6	-51.4	-25.4	-10.7	15.3
Change in liquid assets	-64.7	0.5	-102.3	-117.4	-5.2	-20.3



Balance sheet, MSEK	30 Sept 2004	30 Sept 2003	31 Dec 2004
Intangible assets	288.1	66.6	284.3
Tangible assets	100.7	86.7	114.6
Financial assets	194.2	172.3	175.7
Other current assets	913.4	791.2	844.0
Cash and bank, short-term investments	128.8	135.4	231.6
Total assets	1,625.2	1,252.2	1,650.2
Equity	619.6	422.6	562.1
Minority share	16.4	9.1	18.6
Provisions	164.7	187.5	170.8
Long-term liabilities	188.3	92.9	198.9
Current liabilities	636.2	540.1	699.8
Total equity and liabilities	1,625.2	1,252.2	1,650.2

In all essential respects, pledged assets and Contingent liabilities are the same as in the annual accounts for 2003.

Changes in equity, MSEK	Jan-Sept 2004	Jan-Sept 2003	Full year 2003
Equity, opening balance	562.1	464.0	464.0
Translation difference in foreign currency	-3.3	-3.4	-3.9
Net profit for the period	97.2	61.0	83.8
Dividends rendered	-49.7	-103.6	-103.6
Repurchase of own shares	-17.6	-22.6	-22.6
Issue of repurchased shares	-	23.1	23.1
Conversion	-	4.1	10.8
New share issue	30.9	-	110.5
Equity, closing balance	619.6	422.6	562.1

Key ratios	Jan-Sept 2004	Jan-Sept 2003	Full year 2003
Operating margin, %	5.5	4.3	4.4
Profit margin, %	6.3	5.6	5.4
Return on equity, % ¹⁾	23.0	15.5	16.3
Return on capital employed, % ¹⁾	25.8	21.2	19.5
Equity/assets ratio, %	38.1	33.8	34.1
Equity per share, SEK	37	28	34
Equity per share after dilution, SEK	37	28	34
Interest-bearing liabilities, MSEK	218.9	152.3	228.6
Average number of employees	3,435	2,353	2,437
Number of shares on closing date	16,890,270	14,892,209	16,688,130
Number of shares on closing date after dilution	16,890,270	15,039,846	16,688,130
Number of shares on closing date after full dilution	16,890,270	15,620,346	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, 9 mths	2003, 9 mths	2004, 9 mths	2003, 9 mths	2004, 9 mths	2003, 9 mths	2004, 9 mths	2003, 9 mths
SWECO FFNS	240.4	222.8	14.0	7.0	5.8	3.1	301	310
SWECO BLOCO	93.1	108.9	-1.2	3.6	-1.3	3.3	151	177
SWECO Theorells ¹⁾	209.8	256.4	6.0	8.9	2.9	3.5	344	449
SWECO VBB	386.6	345.8	18.0	16.5	4.7	4.8	434	450
SWECO VIAK	372.0	371.0	30.3	17.3	8.1	4.7	418	457
SWECO Projektledning	106.8	118.1	9.1	9.3	8.5	7.9	113	111
SWECO Energuide	117.1	97.8	10.3	4.6	8.8	4.7	113	104
SWECO Position	31.2	27.0	3.3	1.5	10.6	5.6	43	40
SWECO Connect	38.1	37.5	0.4	1.0	1.0	2.7	41	38
SWECO Grøner ²⁾	329.1	32.3	21.0	1.0	6.4	3.1	407	34
SWECO PIC ³⁾	504.1	82.5	30.7	0.8	6.1	1.0	1.005	130
Group-wide, etc.	-162.2	-141.3	-7.0	-5.0	-	-	65	53
Amort. of consolidated gc	-	-	-10.4	-0.2	-	-	-	-
TOTAL GROUP	2,266.1	1,558.8	124.5	66.3	5.5	4.3	3,435	2,353

1) With effect from 1 January 2004, SWECO Theorell's Norwegian operations have been transferred to SWECO Grøner. Net sales and operating profit for the first 9 months of 2003 in SWECO Theorell's Norwegian operations amounted to MSEK 48.9 and MSEK 4.0 respectively.

2) The operative figures for 2003 refer to one month.

3) Starting from the second quarter of 2004, SWECO Industriteknik is included in SWECO PIC. The comparative figures for 2003 refer to SWECO Industriteknik.