

Studsvik

Interim Report
January–March 2010



- Net sales increased by 25 per cent to SEK 345.8 million (277.0).
- Operating profit improved by SEK 44.4 million to SEK 23.2 million (–21.2) due to substantially improved profitability in the US operations.
- Cash flow from operating activities after investments was SEK 19.0 million (–32.0).

	January– March 2010	January– March 2009	Full year 2009
Net sales, SEK million	345.8	277.0	1,216.3
Operating profit, SEK million	23.2	–21.2	–30.0
Profit after tax, SEK million	12.7	–19.8	–35.2
Cash flow after investments, SEK million	19.0	–32.0	–68.9
Profit per share after tax, SEK	1.55	–2.41	–4.28
Equity per share, SEK	65.91	74.82	65.82
Equity-assets ratio, %	37.4	39.7	37.2



Net sales

Net sales increased by SEK 68.8 million to SEK 345.8 million (277.0), which corresponds to an increase of 37 per cent, measured in local currencies. The increase is mainly attributable to the USA. Net sales increased in local currencies in all segments with the exception of Sweden, which reported a marginal decrease due to the shortage of easily processed metallic material.

Profit

Operating profit for the first quarter improved by SEK 44.4 million to SEK 23.2 million (–21.2). The operating margin was 6.7 per cent. The positive development of the fourth quarter of 2009 continued in the USA, which also reported a marked improvement in earnings compared with the previous year. Sweden, Global Services and Germany showed stable development and reported earnings improvements compared with 2009, while the United Kingdom reported a minor loss. Foreign exchange effects impacted the operating profit for the first quarter by SEK –2.2 million (–8.3).

Net financial income was SEK –5.7 million (–5.4).

Sweden

Net sales decreased to SEK 39.6 million (41.2). The operating profit increased to SEK 10.7 million (6.7). This includes effects of fair value measurement of forward exchange contracts of SEK 5.6 million (0). The operating margin, excluding these effects, was 12.9 per cent (16.3).

The profitability of the segment varies according to service and customer mix. The incineration facility operated at high capacity during the quarter and had at the end of March an order book equivalent to six months capacity utilization.

The metal recycling facility had a high workload of large components but had, due to delayed incoming deliveries, a shortage of easily processed material. The order book for metallic material is good as regards large components, but poor as regards easily processed material.

United Kingdom

Net sales were SEK 26.2 million (26.7). The operating loss was SEK –3.7 million (0.1), including depreciation for the metal recycling facility of SEK –0.9 million (0).

Workload and capacity utilization increased at the facility for treatment of metallic material. However, production volumes were too low to generate profitability. Several projects are at the tendering phase, but the market is in abeyance in light of the budget deficit and the coming parliamentary election. The value of the order book was low at the close of the quarter.

The engineering and consulting operations have recovered somewhat and the order book has grown.

Germany

Net sales increased to SEK 101.9 million (96.8). The operating profit increased to SEK 5.5 million (4.9). The operating margin was 5.4 per cent (5.0).

Towards the end of the first quarter a number of the annual refueling and maintenance outages started at German nuclear power plants. These continue to a varying extent for just over six months and provide a considerable workload.

Activity continued at a high level in decommissioning projects in Germany and Belgium and qualified technical consulting services continued to grow. The uncertainty about the future of nuclear power in Germany that has prevailed for a long time has been partially removed. The Government has stated that nuclear power plays an important part in the supply of energy and a Government Inquiry has been set up to extend the operating licenses for nuclear power plants. The order situation in the segment is good.

USA

Net sales increased to SEK 87.5 million (37.8). The operating profit improved to SEK 5.3 million (–33.7). The operating margin was 6.1 per cent (neg). The previous year's earnings include non-recurring items of SEK –10.2 million.

The increase in net sales and earnings is entirely attributable to the Erwin facility and increased production volumes of "wet waste". The contracted customer base of seven customers with a total of 51 reactors is expected to be sufficient to operate the Erwin facility at a profit. Incoming deliveries have been relatively stable over two consecutive quarters. Variations between quarters exist, however, partly due to customers' production cycles and the short-term forward planning of the order book.

Metallic and organic waste is treated at the Memphis facility. Production volumes continued to be low and operations reported a loss. Market activity continues to be low in light of the general economic developments. Customers are waiting before sending waste for treatment, thus making short-term savings.

Global Services

Net sales increased to SEK 77.9 million (64.0). The operating profit increased to SEK 12.1 million (9.3). The operating margin was 15.6 per cent (14.6). The increased net sales and improved earnings are entirely attributable to materials testing and consulting services. Demand is increasing and the order situation is good. Software operations were stable and on a level with last year. The business of the segment is favored both by plans to build new nuclear power and by the renovation and modernization of existing nuclear power plants.

Investments

The Group's investment in the first quarter amounted to SEK 5.5 million (25.6).

Cash flow

Cash flow from operating activities before working capital changes was SEK 27.7 million (0.4).

Working capital improved by SEK 1.0 million (–6.8).

Cash flow from operating activities after investments was SEK 19.0 million (–32.0) in the first quarter.

Financial position and liquidity

Cash and cash equivalents, including current investments, amounted to SEK 79.6 million (108.7).

Equity amounted to SEK 541.9 million (615.3) and the equity/assets ratio was 37.4 per cent (39.7).

Interest-bearing liabilities amounted to SEK 350.6 million (401.0). The Group's total borrowing is conducted entirely in foreign currencies through investments and business acquisitions in the USA, Germany and the UK. Foreign exchange effects on translation of interest-bearing liabilities to Swedish kronor amounted to SEK –7.0 million (19.3).

Net interest-bearing debt decreased and was SEK 271.0 million (292.3).

Personnel

The average number of employees was 1,144 (1,112).

Parent company

Parent company operations comprise the co-ordination of tasks for the Group and assets mainly consist of shares in subsidiaries. The parent company's net sales in the first quarter were SEK 2.6 million (2.7). The operating loss for the first quarter amounted to SEK –6.6 million (–8.4). Profit after financial items in the first quarter was SEK –6.3 million (12.8).

The parent company's investments amounted to SEK 0 million (0). Cash and cash equivalents amounted to SEK 36.6 million (96.2) and interest-bearing liabilities to SEK 191.1 million (235.6).

Risks and uncertainties

Studsvik operates in an international, competitive market and is thereby exposed to both business and financial risks and uncertainties.

The business uncertainties include the fact that Studsvik and Studsvik's customers handle radioactive material and waste, which requires legal or regulatory licensing. Licensing is required for production facilities, but also for individual activities, such as transport and transfer of material. This means that the operations of Studsvik and Studsvik's customers are exposed to delays in these licensing processes, which may result in shifts in delivery and production plans.

In all countries storage and final disposal of nuclear waste are subject to a strict regulatory framework, which for example establishes criteria that the waste must comply with physically and chemically when it is sent for final disposal. Changes in this regulatory framework could mean that the business competitiveness of some of Studsvik's services would be changed.

Issues concerning nuclear technology may be subject to various expressions of opinion and debate. In such a context it cannot be ruled out that opinion may emerge on matters that directly or indirectly change Studsvik's scope of business action.

Financial risks and uncertainties mainly include fluctuations in exchange rates and interest rates, and the company's ability to uphold key ratios (covenants) that regulate borrowing. The financial risks also include counterparty risk, i.e. that the Group can be exposed to losses due to counterparty insolvency.

An overall analysis of the Group's risks and how they are dealt with is given on page 16 of the Annual Report for 2009 and in note 2 in the Annual Report, "Financial risk management".

Apart from these risks, no further significant risks are estimated to have arisen.

Outlook

Modernization and increasing output of nuclear power plants is taking place in several of the countries where Studsvik operates. New nuclear power capacity is being planned and built in an increasing number of countries. Decommissioning of nuclear facilities is continuing and is expected to continue by and large at an unchanged rate. Demand for the services of the type Studsvik offers, including waste treatment, materials testing and consulting services is strong, which is reflected in a good order book in the segments Sweden, Germany and Global Services.

Current contract volumes for the Erwin facility create potential for long-term profitability in the USA operations. However, the market continues to be affected partially by the weak economy. The British market is also influenced by the weak economy, which is reflected in a thin order book. With the new metal recycling facility Studsvik holds a strong market position in the United Kingdom. The recycling facility is in a development phase with its focus on successively securing a stable inflow of material to build long-term profitable operations.

Accounting policies

This interim report was prepared in accordance with IAS 34, IAS 1 and the Swedish Financial Reporting Board recommendation RFR 2.3.

Stockholm, April 29, 2010

On behalf of the Board of Directors

Magnus Groth
President

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

Time schedule for financial information

Interim Report January–June 2010	July 21, 2010
Interim Report January–September 2010	October 25, 2010
Year-end Report January–December 2010	February 2011

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The interim report will be presented at a conference call to be held in English, on April 29, at 14:30 CET. Further information for those interested in participating is available at www.studsvik.se.

Group statement of comprehensive income

Amounts in SEK million

	January–March 2010	January–March 2009	Full year 2009
Net sales	345.8	277.0	1,216.3
Cost of services sold	–257.6	–217.0	–949.4
Gross profit	88.2	60.0	266.9
Other operating income	6.2	1.7	15.8
Selling and marketing expenses	–13.3	–15.3	–52.0
Administrative expenses	–46.5	–56.0	–201.1
Research and development costs	–12.8	–12.4	–46.1
Share in non-controlling interest	1.4	1.5	13.1
Other operating expenses	0.0	–0.7	–26.6
Operating profit	23.2	–21.2	–30.0
Financial income	2.1	0.5	4.8
Financial expenses	–7.8	–5.9	–24.5
Profit after financial items	17.5	–26.6	–49.7
Income tax	–4.8	6.8	14.5
Profit for the period	12.7	–19.8	–35.2
Other comprehensive income			
Translation differences on foreign subsidiaries	–5.0	25.2	–22.6
Cash flow hedges	–9.5	–1.8	–4.9
Income tax on items recognized in other comprehensive income	2.5	0.9	1.3
Other comprehensive income for the period, net after tax	–12.0	24.3	–26.2
Total comprehensive income for the period	0.7	4.5	–61.4
Income for the period attributable to			
Parent company's shareholders	12.7	–19.8	–35.2
Non-controlling interest	-	-	-
Total comprehensive income attributable to			
Parent company's shareholders	0.7	4.5	–61.4
Non-controlling interest	0.0	0.0	0.0
Earnings per share calculated on income attributable to the parent company's shareholders during the period, SEK			
Before dilution	1.55	–2.41	–4.28
After dilution	1.55	–2.41	–4.28

Group statement of financial position

Amounts in SEK million

	March 2010	March 2009	December 2009
Assets			
Goodwill	335.0	379.1	342.3
Other intangible non-current assets	43.9	55.0	45.2
Property, plant and equipment	510.7	530.8	527.8
Financial non-current assets	159.0	120.0	147.8
Total non-current assets	1,048.6	1,084.9	1,063.1
Inventories	25.1	38.7	17.9
Trade receivables	219.1	211.6	228.3
Other current receivables	77.3	107.2	69.3
Liquid assets	79.6	108.7	74.7
Total current assets	401.1	466.2	390.2
Total assets	1,449.7	1,551.1	1,453.3
Equity and liabilities			
Equity attributable to parent company's shareholders	541.6	615.0	540.9
Non-controlling interest	0.3	0.3	0.3
Borrowings	253.3	364.4	284.5
Provisions	173.9	132.1	169.9
Other non-current liabilities	11.9	10.7	11.4
Total non-current liabilities	439.1	507.2	465.8
Trade payables	70.2	92.2	70.7
Borrowings	97.3	36.6	85.4
Other current liabilities	301.2	299.8	290.2
Total current liabilities	468.7	428.6	446.3
Total equity and liabilities	1,449.7	1,551.1	1,453.3
Pledged assets	157.5	205.9	171.7
Contingent liabilities	81.6	62.0	66.8

Changes in equity

Amounts in SEK million

	Share capital	Other contributed capital	Reserves	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interest	Total equity
Opening balance at January 1, 2009	8.2	225.3	49.0	328.0	610.5	0.3	610.8
Total comprehensive income for the period			-26.2	-35.2	-61.4		-61.4
Dividend to shareholders				-8.2	-8.2		-8.2
Closing balance at December 31, 2009	8.2	225.3	22.8	284.6	540.9	0.3	541.2
Opening balance at January 1, 2010	8.2	225.3	22.8	284.6	540.9	0.3	541.2
Total comprehensive income for the period			-12.0	12.7	0.7		0.7
Closing balance at March 31, 2010	8.2	225.3	10.8	297.3	541.6	0.3	541.9

Statement of cash flow

Amounts in SEK million

	January–March 2010	January–March 2009	Full year 2009
Operating activities			
Operating profit	23.2	–21.2	–30.0
Depreciation	17.0	22.1	75.2
Adjustment for non-cash items	–1.8	4.8	18.0
	38.4	5.7	63.2
Financial items, net	–4.1	–4.7	–21.4
Income tax paid	–6.6	–0.6	–3.1
Cash flow from operating activities before changes in working capital	27.7	0.4	38.7
Changes in working capital	1.0	–6.8	–17.3
Cash flow from operating activities	28.7	–6.4	21.4
Investing activities			
Investments	–5.5	–25.6	–78.8
Other changes from investing activities	–4.2	-	–11.5
Cash flow from investing activities	–9.7	–25.6	–90.3
Cash flow from operating activities after investments and other changes from investing activities	19.0	–32.0	–68.9
Financing activities			
Change in borrowings	–12.2	–6.2	6.4
Dividend to shareholders	-	-	–8.2
Cash flow from investing activities	–12.2	–6.2	–1.8
Changes in liquid assets	6.8	–38.2	–70.7
Liquid assets at the beginning of the year	74.7	147.7	147.7
Translation difference in liquid assets	–1.9	–0.8	–2.3
Liquid assets at the end of the period	79.6	108.7	74.7

Financial ratios for the Group

Amounts in SEK million

	January–March 2010	January–March 2009	Full year 2009
Operating profit			
Operating profit before depreciation	40.2	0.9	45.3
Margins			
Operating margin before depreciation, %	11.6	0.3	3.7
Operating margin, %	6.7	neg	neg
Profit margin, %	5.1	neg	neg
Profitability			
Return on operating capital, %	11.2	neg	neg
Return on capital employed, %	11.2	neg	neg
Return on equity, %	9.4	neg	neg
Capital structure			
Operating capital	813.0	907.5	836.5
Capital employed	892.6	1,016.2	911.2
Equity	541.9	615.3	541.2
Interest-bearing net debt	271.0	292.3	295.3
Net debt-equity ratio	0.5	0.5	0.5
Interest cover ratio	3.24	neg	neg
Equity-assets ratio, %	37.4	39.7	37.2
Cash flow			
Self financing ratio	2.14	neg	0.3
Investments	5.5	25.6	78.8
Employees			
Average number of employees	1,144	1,112	1,132
Net sales per employee	1.2	0.9	1.1

Data per share

	January–March 2010	January–March 2009	Full year 2009
Number of shares at the end of the period	8,218,611	8,218,611	8,218,611
Average number of shares	8,218,611	8,218,611	8,218,611
Earnings per share before dilution, SEK	1.55	–2.41	–4.28
Earnings per share after dilution, SEK	1.55	–2.41	–4.28
Equity per share, SEK	65.91	74.82	65.82

Net sales per geographical segment

Amounts in SEK million

	January–March 2010	January–March 2009	Full year 2009
Sweden	71.3	47.1	219.9
Europe, excluding Sweden	155.9	156.0	716.3
North America	111.0	61.5	250.2
Asia	7.6	12.1	29.9
Other markets	-	0.3	0.0
Total	345.8	277.0	1,216.3

Quarterly review

Amounts in SEK million

	2010 Q1	2009 Q1	Q2	Q3	Q4	2008 Q1	Q2	Q3	Q4
Net sales	345.8	277.0	315.8	275.0	348.5	320.0	370.6	274.2	321.1
Operating expenses	–322.6	–298.2	–354.9	–282.8	–310.4	–327.0	–338.5	–278.6	–329.1
Operating profit	23.2	–21.2	–39.1	–7.8	38.1	–7.0	32.1	–4.4	–8.0
Financial items, net	–5.7	–5.4	–6.9	–5.5	–1.9	–3.5	–4.8	–3.1	–0.6
Profit after financial items	17.5	–26.6	–46.0	–13.3	36.2	–10.5	27.3	–7.5	–8.6

Financial data per segment

Amounts in SEK million

January–March 2010	Sweden	United Kingdom	Germany	USA	Global Services	Other	Eliminations	Group
External sales revenue	38.7	26.2	101.5	87.5	77.8	14.1	-	345.8
Revenue from segment	0.9	-	0.4	-	0.1	2.1	-3.5	0.0
Operating profit	10.7	-3.7	5.5	5.3	12.1	-6.7	-	23.2
Assets	160.3	196.1	269.1	649.1	175.9	420.0	-420.8	1,449.7
Liabilities	117.3	169.4	190.0	411.4	103.7	336.8	-420.8	907.8
Investments	1.6	0.3	0.4	1.6	1.0	0.6	-	5.5
Depreciation/amortization	2.6	1.6	1.0	9.0	1.4	1.4	-	17.0
Average number of employees	92	64	650	100	147	91	-	1,144
January–March 2009	Sweden	United Kingdom	Germany	USA	Global Services	Other	Eliminations	Group
External sales revenue	31.4	26.7	96.3	37.8	62.4	22.4	-	277.0
Revenue from segment	9.8	-	0.5	-	1.6	3.3	-15.2	0.0
Operating profit	6.7	0.1	4.9	-33.7	9.3	-8.5	-	-21.2
Assets	134.2	154.4	295.0	698.7	147.0	467.7	-345.9	1,551.1
Liabilities	80.6	119.1	224.1	409.6	95.2	353.1	-345.9	935.8
Investments	0.3	21.7	1.2	1.9	0.5	-	-	25.6
Depreciation/amortization	2.6	0.5	4.1	11.7	1.9	1.3	-	22.1
Average number of employees	85	67	603	129	131	97	-	1,112
Full year 2009	Sweden	United Kingdom	Germany	USA	Global Services	Other	Eliminations	Group
External sales revenue	152.8	86.1	448.3	213.1	262.7	53.3	-	1,216.3
Revenue from segment	18.5	-	2.2	0.2	1.6	10.3	-32.8	0.0
Operating profit	27.7	-50.2	27.8	-50.0	45.7	-31.0	-	-30.0
Assets	154.8	199.4	273.6	604.1	200.4	422.2	-401.2	1,453.3
Liabilities	88.6	167.9	193.0	371.0	162.0	330.8	-401.2	912.1
Investments	7.7	56.4	4.1	-0.2	8.3	2.5	-	78.8
Depreciation/amortization	10.4	3.2	8.3	40.8	7.0	5.5	-	75.2
Average number of employees	90	66	644	101	138	93	-	1,132

Parent company income statement

Amounts in SEK million

	January–March 2010	January–March 2009	Full year 2009
Net sales	2.6	2.7	11.2
Cost of services sold	–0.8	–2.0	–6.3
Gross profit	1.8	0.7	4.9
Other operating costs	–8.4	–9.1	–35.9
Operating profit	–6.6	–8.4	–31.0
Dividends from subsidiaries	-	22.0	32.0
Financial net	0.3	–0.8	–0.6
Profit before tax	–6.3	12.8	0.4
Appropriations	-	-	2.5
Income tax	1.6	2.3	7.8
Profit for the period	–4.7	15.1	10.7

Parent company balance sheet

Amounts in SEK million

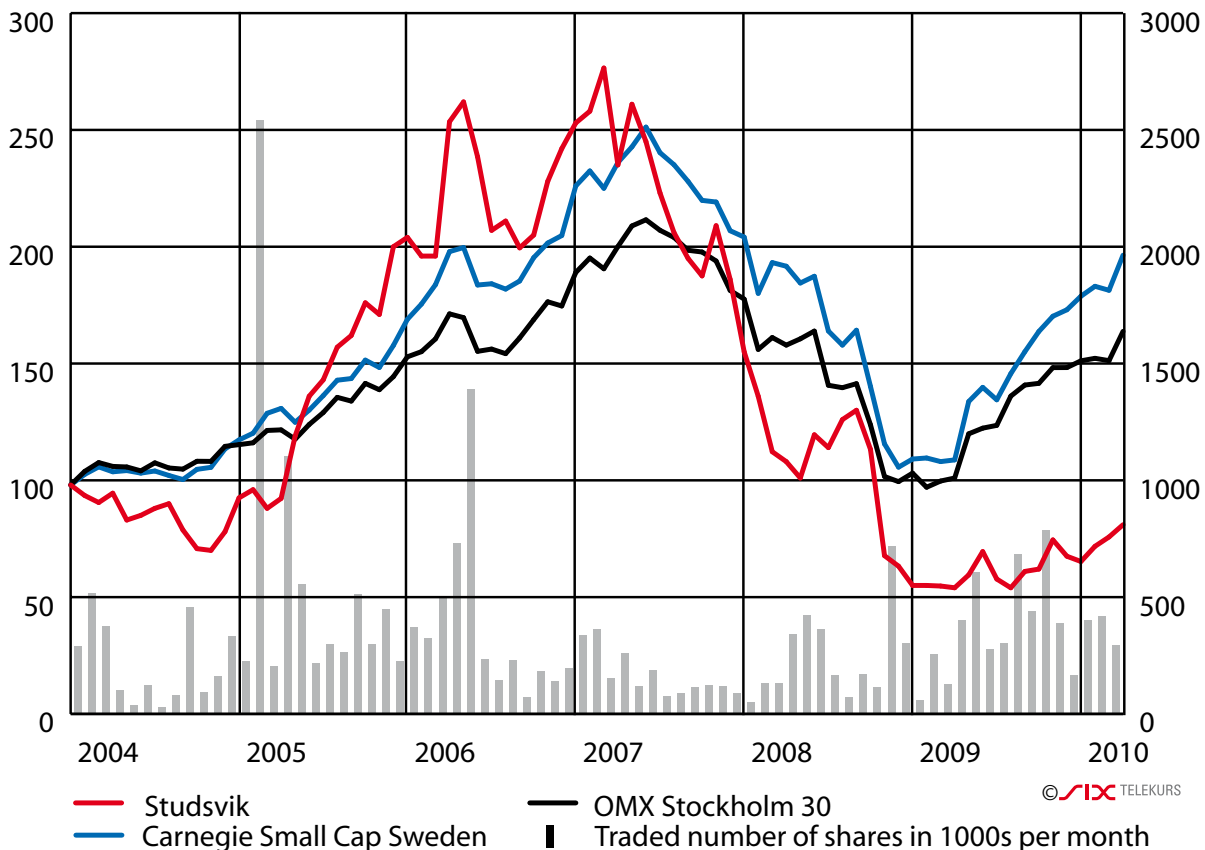
	March 2010	March 2009	December 2009
Assets			
Property, plant and equipment	0.3	0.6	0.4
Financial non-current assets	1,107.8	1 069.8	1 095.2
Total non-current assets	1,108.1	1,070.4	1,095.6
Current assets	45.1	11.1	48.9
Liquid assets	36.6	96.2	49.3
Total current assets	81.7	107.3	98.2
Total assets	1,189.8	1,177.7	1,193.8
Equity and liabilities			
Equity	852.1	839.9	856.8
Untaxed reserves	-	2.5	-
Non-current liabilities	173.8	252.3	182.5
Current liabilities	163.9	83.0	154.5
Total liabilities	337.7	335.3	337.0
Total equity and liabilities	1,189.8	1,177.7	1,193.8

Major shareholders, March 31, 2010

	Number of shares	Share, %
The Karinen Family	1,749,552	21.3
Briban Invest AB	1,285,492	15.6
Allianz Global Investors	714,561	8.7
Erste Bank Österreichische Sparkassen	410,929	5.0
State Street Bank, Boston	407,148	5.0
Credit Agricole Suisse SA	334,801	4.1
Invus Investment AB	199,800	2.4
Citibank NA, London	154,868	1.9
Blue Whale Ltd	131,246	1.6
Nordea, Placeringsfond Småbolag Norden	111,813	1.3
Total ten largest shareholders – holdings	5,500,210	66.9
Other shareholders	2,718,401	33.1
Total	8,218,611	100.0

The Studsvik share

During the first quarter, the share price varied between a high of SEK 84 on March 12, and a low of SEK 67.50 on January 13. The opening price was SEK 65.25 at the beginning of the year and the closing price on March 31 was SEK 81. During the first quarter, 1.11 million shares were traded.



Facts about Studsvik

Studsvik offers a range of advanced technical services to the international nuclear power industry in such areas as waste treatment, decommissioning, engineering & services, and operating efficiency. The company has 60 years experience of nuclear technology and radiological services. Studsvik is a leading supplier on a rapidly expanding market. The business is conducted through five segments: Sweden, United Kingdom, Germany, USA and Global Services. Studsvik has 1,100 employees in 8 countries and the company's shares are listed on the NASDAQ OMX Stockholm.

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