

Studsvik

Interim Report
January-March 2008



- High organic growth of 20 per cent. All segments contribute to the increase.
- Structural measures in the US create the right conditions for a return to profitability in the Memphis-based operations. Restructuring costs of SEK 12.6 million charged to the operating profit.
- Reported operating profit was SEK –7.0 million (22.2). Excluding capital gains and restructuring costs, earnings rose to SEK 5.6 million (–1.1).
- The associated company, UK Nuclear Waste Management (NWM), signed a multi-year contract for the operation of the United Kingdom's low-level radioactive waste depository.
- A decision has been made to build a facility for treatment of metallic waste in the United Kingdom. The facility will become operational at the end of 2008.

	January-March 2008	January-March 2007	Full Year 2007
Net sales, SEK million	320.0	273.2	1,314.7
Operating profit, SEK million	–7.0	22.2	62.1
Profit after tax, SEK million	–7.0	22.2	47.2
Profit per share after tax, SEK	–0.99	2.70	5.65
Equity per share, SEK	65.17	71.60	69.58
Equity-assets ratio, %	42.3	42.1	42.5



Net Sales

Net sales increased to SEK 320.0 million (273.2). On a like-for-like basis, net sales increased by SEK 35 million. The organic growth, measured in local currency, was 20 per cent, which is well above the Group target of 10 per cent. All segments contribute to the increase. Foreign exchange effects in connection with the translation of foreign subsidiaries' net sales amounted to SEK -19.1 million.

Sales abroad amounted to 84 (84) per cent of net sales.

Profit

The operating profit for the first quarter amounted to SEK -7.0 million (22.2). Capital gains of SEK 23.3 million were included in the earnings for 2007. This year's earnings are charged with non-recurrent costs referring to the American operations of SEK 12.6 million (0.0), which are commented on below. Adjusted for these non-recurrent items, the operating profit improved to SEK 5.6 million (-1.1).

Foreign exchange effects in connection with the translation of foreign subsidiaries' operating profit amounted to SEK 1.4 million (0.8).

Sweden

Net sales for the first quarter amounted to SEK 30.7 million (29.4). The operating profit for the first quarter amounted to SEK 0.9 million (4.5). The deviation in performance is mainly attributable to the incineration operations, where testing and demonstration of material with a low contribution ratio was carried out, which had a negative impact on profits. A somewhat greater volume of metallic material was treated during the quarter than in the corresponding period of 2007. Parallel treatment of two large components was started during the quarter. Both the incineration operations and treatment of metallic waste have a good volume of orders.

United Kingdom

Net sales for the first quarter amounted to SEK 40.5 million (22.7). About SEK 10 million of the increase is due to the acquisition in August 2007 of Studsvik Alpha Engineering. Organic growth in the United Kingdom thus continued to be high. The operating profit for the first quarter amounted to SEK 2.9 million (0.0). In March Studsvik's associated company, UK Nuclear Waste Management (NWM), signed the contract for operation of the United Kingdom's low-level radioactive waste depository. Studsvik owns 15 per cent of NWM. The contract runs initially for five years with options to extend up to 17 years. The contract is estimated to have an initial value of GBP 125 million. If all options are exercised, the value of the contract can be a maximum of GBP 500 million. The contract includes developing a national strategy for low and medium level waste. It is probable that a significant part of this waste will be treated for volume reduction and stabilization. Studsvik is well-positioned to do this through its presence in the market, combined with the Swedish facilities for treating both metallic and organic waste. During the quarter Studsvik received environmental and nuclear licenses for treatment of metallic waste in the company's Workington facility. A decision has been made to build a treatment plant that is expected to become operative at the end of 2008. Market activity in the UK continues to be high and the order situation is good.

Germany

Net sales for the first quarter amounted to SEK 77.4 million (67.3). The operating profit for the first quarter amounted to SEK 4.7 million (5.9). The segment's increase in net sales is partly related to the consulting operations acquired in the second quarter of 2007 and partly related to manufacture of

components to be delivered to the new reactors being built in Finland and France and to decommissioning of reactors in Germany.

The German power industry's service and maintenance outages started as planned on a small scale at the end of the quarter, which implies considerably lower capacity utilization than the previous year, when extensive servicing projects continued throughout the year. The order book included in the consulting operations acquired in 2007 will be derecognized as the contract portfolio is processed, over about two years, which explains more than half of the deterioration in profit compared with last year. The remaining part is mainly related to lower activity in service and maintenance. As the number of reactor outages for maintenance increases during the spring, capacity utilization and profit margin will improve. The order situation is good in the German operations.

USA

Net sales for the first quarter amounted to SEK 103.4 million (92.5). The operating profit for the first quarter amounted to SEK -13.4 million (-6,9). It includes non-recurrent items of SEK -12.6 million (0.0). Behind the business volume increase of more than 10 per cent lies a substantial expansion in operations in Erwin and a falling sales trend in the Memphis-based operations. The Erwin operations are currently benefiting from the fact that the Barnwell medium-level waste depository will close at the end of June. Customers are keen to process as much waste as possible to ensure access to final disposal of the waste. In practice the closure of Barnwell means that most American nuclear power plants will be without a final waste depository for medium-level waste. Through collaboration with Waste Control Specialists in Texas, which started at the end of 2007, Studsvik can offer the American nuclear power industry a competitive storage alternative for medium-level waste when Barnwell closes. Studsvik's market initiative provides good conditions for continued stable and profitable development of the Erwin-based operations.

The main underlying reasons for the weak trend in the Memphis-based operations are stiff competition and downward pressure on prices in the low-level waste processing area, as well as a general downturn in the transport market. Orders have been signed for treatment of a number of large reactor components, which have also been delivered to the facility after the close of the reporting period. The ongoing inflow of low-level waste for treatment is, however, too low for satisfactory profitability with the current organization and structure. It has therefore been decided to adapt the organization and cost structure to the prevailing market conditions. The one-off costs of this are SEK 12.6 million, which is charged to the profit for the quarter. The restructuring measures will create conditions for a return to profitability in the Memphis-based operations.

Global Services

Net sales for the first quarter amounted to SEK 47.2 million (45.1). The operating profit for the first quarter amounted to SEK 4.3 million (2.0). The in-core fuel management codes product area continued to show a positive trend. The materials technology operations are recovering after the weak trend of the second half of 2007. Both operations contributed to the earnings improvement compared with the previous year. The order situation is good in both operations.

Investments

The Group's investments amounted to SEK 20.7 million (25.1). The investments for the period include expansion investments of SEK 13 million, mainly in waste treatment.

Cash flow

Cash flow from operating activities before working capital changes amounted to SEK 4.0 million (8.9). The change in working capital amounted to SEK –22.2 million (–1.5). The increase in tied-up working capital is mainly attributable to Germany and the UK. Cash flow from operating activities after investment was SEK –38.9 million (–17.7).

Financial position and liquidity

Cash and cash equivalents, including current investments, amounted to SEK 130.8 million (291.9).

Equity amounted to SEK 535.6 million (588.4).

The equity-assets ratio was 42.3 per cent (42.1). Interest-bearing liabilities amounted to SEK 295.8 million (368.6). The Group's total borrowing was conducted entirely in foreign currencies and took place in connection with investments and business acquisitions in the USA, Germany and the UK.

Personnel

The average number of employees was 1,158 (1,067).

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 amounted to SEK 2.6 million (1.4). The operating profit was SEK –6.4 million (–6.3). The profit after financial items was SEK –6.2 million (29.3). The profit for the previous year included capital gains on the sale of Studsvik Stensand AB of SEK 35.0 million. The parent company's investments amounted to SEK 0.1 million (0.8). Cash and cash equivalents amounted to SEK 71.6 million (91.2) and interest-bearing liabilities to SEK 124.9 million (167.5).

Risks and uncertainties

Studsvik operates on an international market that is exposed to competition. With operations in seven countries Studsvik is exposed to both business and financial risks and uncertainties. The business uncertainties include the fact that Studsvik handles radioactive material and waste, which means that some of the operations must be licensed and are subject to decisions by government agencies, official regulations and supervision. Studsvik considers that it fulfills the requirements imposed by such regulations. The Group's high security culture means that it has a high capacity for adjustment to new rules and terms of reference.

The business uncertainties also include the fact that 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 grow on matters that directly or indirectly restrict Studsvik's scope of business action. Studsvik works consistently to maintain a high level of public confidence. Its approach to the world around is characterized by dialogue and the principle of the greatest possible transparency.

Financial risks and uncertainties mainly include fluctuations in exchange rates and interest rates, and counterparty risk, i.e. that the Group is exposed to losses due to a counterparty's insolvency.

The responsibility for assessing risk lies with the respective subsidiary, but is examined and followed up by the parent company. An overall analysis of the Group's risks and how they are dealt with is given in the Annual Report for 2007, which is also available on the company's website.

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

Outlook for 2008

The nuclear power market is an expanding market. Modernization and upgrading programs are underway in several countries. Within the framework of such projects, services of the type Studsvik offers, including waste treatment, materials testing and consulting services, are in demand. Decommissioning activities are expected to increase in proportion in the British market, and are expected to increase somewhat in Germany as well. It is estimated that the number of outage days in the German nuclear power industry will be fewer in 2008 than in 2007, which was characterized by several long unplanned reactor outages. The fierce competition in the American waste treatment market is expected to persist and leave its mark on some parts of the business. The closure of the Barnwell depository means that most American nuclear power plants must find alternative storage for their medium-level waste. The market provides good prospects for sound organic growth in most segments in 2008. This is in line with the assessment made in the year-end press release for 2007.

Accounting policies

This interim report has been prepared in accordance with IAS 34 and the Swedish Financial Reporting Board recommendation RFR 2.1. The new recommendations that apply as of January 1, 2008 have not affected the Group's financial performance or position.

Nyköping, April 22, 2008

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 2008	July 22, 2008
Interim Report January-September 2008	October 29, 2008
Year-end Report 2008	February 12, 2009

For Further Information Contact

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The Interim Report will be presented at a conference call held in English April 22, at 03:00 p.m. CET.

See also www.studsvik.se

Consolidated income statement

Amounts in SEK million

	January-March 2008	January-March 2007	Full year 2007
Net sales	320.0	273.2	1,314.7
Cost of services sold	-262.6	-210.1	-1,000.1
Gross profit	57.4	63.1	314.6
Other operating income	0.4	23.3	25.1
Selling and marketing expenses	-11.9	-12.9	-53.8
Administrative expenses	-44.0	-41.1	-180.4
Research and development costs	-8.8	-10.1	-41.8
Other operating expenses	-0.1	-0.1	-1.6
Operating profit	-7.0	22.2	62.1
Financial income	1.8	2.3	8.7
Financial expenses	-5.3	-6.0	-24.8
Profit after financial items	-10.5	18.5	46.0
Income tax	3.5	3.7	1.2
Profit for the period	-7.0	22.2	47.2
Attributable to			
– Parent company's shareholders	-8.1	22.2	46.5
– Minority interest	1.1	-	0.7
Earnings per share, SEK			
– Before dilution	-0.99	2.70	5.65
– After dilution	-0.99	2.70	5.65

Condensed consolidated balance sheet

Amounts in SEK million

	March 2008	March 2007	December 2007
Assets			
Goodwill	295.8	300.2	311.7
Other intangible fixed assets	50.2	50.2	57.0
Tangible fixed assets	394.1	417.1	406.6
Financial fixed assets	68.8	74.9	67.3
Total fixed assets	808.9	842.4	842.6
Inventories	22.9	6.7	22.5
Receivables - trade	210.2	181.2	206.0
Other current receivables	82.1	77.1	98.0
Liquid assets	130.8	291.9	176.9
Total current assets	446.0	556.9	503.4
Total assets	1,254.9	1,399.3	1,346.0
Equity and liabilities			
Equity attributable to parent company's shareholders	531.4	588.4	568.4
Minority interest	4.2	-	3.4
Borrowings	176.7	333.6	196.4
Provisions	103.0	104.4	102.2
Other non-current liabilities	7.8	4.1	8.0
Total non-current liabilities	287.5	442.1	306.6
Trade payables	75.7	41.1	63.3
Borrowings	119.1	35.0	122.2
Other current liabilities	237.0	292.7	282.1
Total current liabilities	431.8	368.8	467.6
Total equity and liabilities	1,254.9	1,399.3	1,346.0
Pledged assets	191.1	158.9	181.5
Contingent liabilities	88.0	36.0	93.3

Changes in equity

Amounts in SEK million

	March 2008	March 2007	December 2007
Equity at the beginning of the period	571.8	558.7	558.7
Dividend to shareholders	-	-	-16.4
Net result for the period	-7.0	22.2	47.2
Change in translation differences	-29.2	7.5	-17.7
Equity at the end of the period	535.6	588.4	571.8

Condensed consolidated cash flow statement

Amounts in SEK million

	January-March 2008	January - March 2007	Full Year 2007
Operating activities			
Operating profit	-7.0	22.2	62.1
Depreciations	16.5	13.8	60.1
Other non-cash items	-0.2	-22.8	-22.6
	9.3	13.2	99.6
Financial items, net	-3.5	-3.7	-16.1
Income tax paid	-1.8	-0.6	-6.8
Cash flow from operating activities before changes in working capital	4.0	8.9	76.7
Changes in working capital	-22.2	-1.5	-37.7
Cash flow from operating activities	-18.2	7.4	39.0
Investing activities			
Investments	-20.7	-25.1	-122.4
Other changes from investing activities	-	45.8	47.0
Cash flow from investing activities	-20.7	20.7	-75.4
Financing activities			
Change, borrowings	-9.0	14.5	-19.1
Dividend to shareholders	-	-	-16.4
Cash flow from financing activities	-9.0	14.5	-35.5
Change in liquid assets	-47.9	42.6	-71.9
Liquid assets at the beginning of the year	176.9	247.6	247.6
Translation difference in liquid assets	1.8	1.7	1.2
Liquid assets at the end of the period	130.8	291.9	176.9

Financial ratios for the Group

Amounts in SEK million

	January-March 2008	January-March 2007	Full Year 2007
Operating profit			
Operating profit before depreciation	9.5	36.0	122.2
Margins			
Operating margin before depreciation, %	3.0	13.2	9.3
Operating margin, %	neg	8.1	4.7
Profit margin, %	neg	6.8	3.5
Profitability			
Return on operating capital, %	neg	13.4	9.0
Return on capital employed, %	neg	10.5	7.9
Return on equity, %	neg	15.4	8.2
Capital structure			
Operating capital	700.2	665.2	713.6
Capital employed	831.2	957.1	890.5
Equity	535.6	588.4	571.8
Interest-bearing net debt	165.0	76.8	141.8
Net debt-equity ratio	0.3	0.1	0.2
Interest cover ratio	neg	4.1	2.9
Equity-assets ratio, %	42.3	42.1	42.5
Cash flow			
Self financing ratio	neg	0.3	0.3
Investments	20.7	25.1	127.3
Employees			
Average number of employees	1,158	1,067	1,141
Net sales per employee	1.1	1.0	1.2

Data per share

	January-March 2008	January-March 2007	Full Year 2007
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	-0.99	2.70	5.65
Earnings per share after dilution, SEK	-0.99	2.70	5.65
Equity per share, SEK	65.17	71.60	69.58

Net sales per geographical segment

Amounts in SEK million

	January-March 2008	January-March 2007	Full Year 2007
Sweden	52.4	44.2	258.7
Europe, excluding Sweden	149.0	114.7	564.3
North America	115.2	108.2	463.6
Asia	3.2	5.7	25.9
Other markets	0.2	0.4	2.2
Total	320.0	273.2	1,314.7

Financial data per segment

Amounts in SEK million

	January-March 2008	January-March 2007	Full Year 2007
Sweden			
Net sales	30.7	29.4	135.4
Operating profit	0.9	4.5	28.2
Assets	108.6	122.4	121.1
Liabilities	50.1	48.2	58.8
Investments	4.3	15.7	33.9
Depreciation and amortization	1.9	1.3	5.8
Average number of employees	80	75	78
United Kingdom			
Net sales	40.5	22.7	129.1
Operating profit	2.9	0.0	3.0
Assets	94.4	54.7	89.9
Liabilities	53.4	42.3	47.8
Investments	2.5	1.5	42.4
Depreciation and amortization	1.1	0.2	2.4
Average number of employees	90	47	65
Germany			
Net sales	77.4	67.3	341.3
Operating profit	4.7	5.9	25.3
Assets	234.1	210.5	244.4
Liabilities	167.9	165.6	179.1
Investments	1.9	0.8	17.6
Depreciation and amortization	2.5	0.7	5.2
Average number of employees	568	525	564
USA			
Net sales	103.4	92.5	427.7
Operating profit	-13.4	-6.9	6.3
Assets	598.1	710.4	624.6
Liabilities	335.3	391.4	326.3
Investments	8.4	3.2	21.4
Depreciation and amortization	8.2	8.9	35.5
Average number of employees	218	222	234
Global Services			
Net sales	47.2	45.1	178.8
Operating profit	4.3	2.0	14.4
Assets	100.2	197.3	183.3
Liabilities	89.4	177.3	158.7
Investments	1.0	1.8	5.3
Depreciation and amortization	2.0	2.0	8.1
Average number of employees	119	114	118
Other¹⁾			
Net sales	34.3	27.5	159.1
Operating profit	-6.4	-6.5	-38.3
Assets	403.9	541.7	389.5
Liabilities	284.3	400.5	285.0
Investments	2.6	2.1	6.7
Depreciation and amortization	0.8	0.7	3.1
Average number of employees	83	84	82
Group eliminations			
Net sales	-13.5	-11.4	-56.7
Operating profit	-	23.2 ²⁾	23.2 ²⁾
Assets	-284.4	-437.7	-306.8
Liabilities	-261.1	-384.4	-281.6
Investments	-	-	-
Depreciation and amortization	-	-	-

¹⁾ Other operations mainly refer to the Parent Company and AB SVAFO. AB SVAFO is responsible for management of older state-owned research waste and decommissioning of facilities related to previous state-owned research operations. The costs of the operations are covered by the Nuclear Waste Fund.

²⁾ Operating profit includes the capital gain on the sale of the shares in Studsvik Stensand AB with MSEK 23.3.

Quarterly review

Amounts in SEK million

	2006				2007				2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	251.6	317.5	321.3	329.2	273.2	345.8	325.1	370.6	320.0
Operating expenses	-251.2	-290.8	-298.3	-308.0	-251.0	-330.0	-316.3	-355.3	-327.0
Operating profit	0.4	26.7	23.0	21.2	22.2	15.8	8.8	15.3	-7.0
Financial items, net	-5.2	-6.4	-5.7	3.0	-3.7	-3.0	-4.2	-5.3	-3.5
Profit after financial items	-4.8	20.3	17.3	24.2	18.5	12.8	4.6	10.0	-10.5

Parent company income statement

Amount in SEK million

	January-March 2008	January-March 2007	Full Year 2007
Net sales	2.6	1.4	5.6
Cost of services sold	-2.0	-1.4	-5.4
Gross profit	0.6	0.0	0.2
Other operating costs	-7.0	-6.3	-38.5
Operating profit	-6.4	-6.3	-38.3
Financial net	0.2	35.6	35.7
Profit before tax	-6.2	29.3	-2.6
Appropriations	-	-	0.3
Income tax	1.7	2.8	10.5
Profit for the period	-4.5	32.1	8.2

Parent company balance sheet

Amounts in SEK million

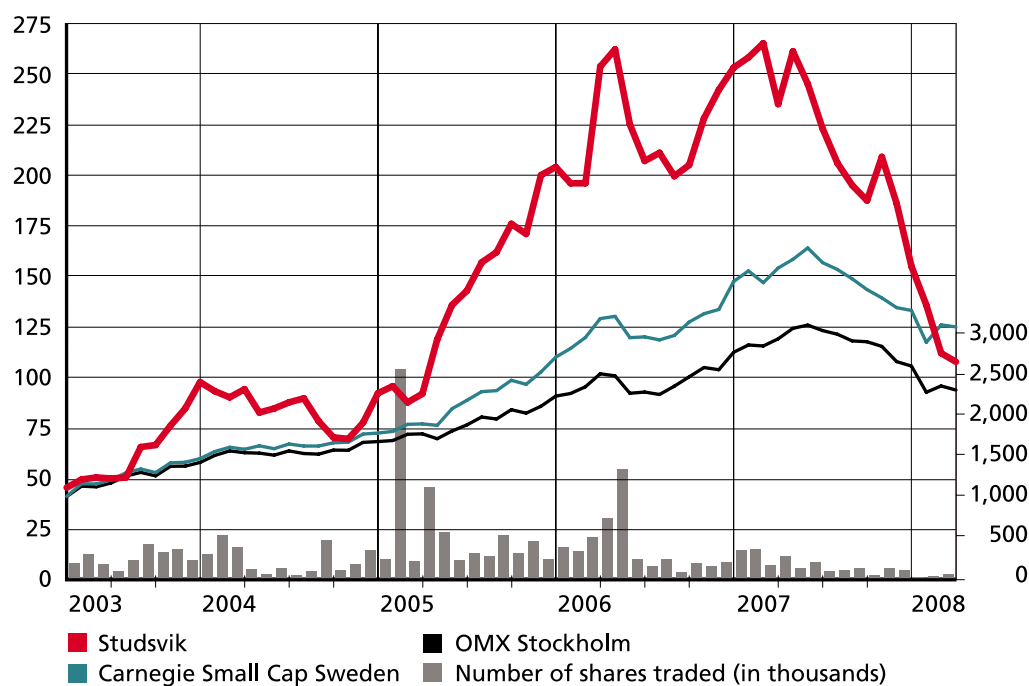
	March 2008	March 2007	December 2007
Assets			
Tangible fixed assets	1.7	1.7	2.1
Financial fixed assets	954.8	947.1	977.8
Total fixed assets	956.5	948.8	979.9
Current assets	58.5	56.1	56.3
Liquid assets	71.6	91.2	149.7
Total current assets	130.1	147.3	206.0
Total assets	1,086.6	1,096.1	1,185.9
Equity and liabilities			
Equity	828.6	833.1	814.5
Untaxed reserves	6.9	6.9	7.2
Non-current liabilities	180.8	193.2	237.2
Current liabilities	70.3	62.9	127.0
Total liabilities	251.1	256.1	364.2
Total equity and liabilities	1,086.6	1,096.1	1,185.9

Major shareholders, March 31, 2008

	Number of shares	Share, %
Karinen Family	1,593,012	19.4
Briban Invest AB	1,283,492	15.6
Allianz Global Inv	714,561	8.7
Goldman Sachs International Ltd	475,000	5.8
Invus Investment AB	184,800	2.2
Citibank NA, London	154,268	1.9
SEB Sverigefond Småbolag	140,100	1.7
The Northern Trust Co	132,750	1.6
Bank of New York, London	132,000	1.6
Blue Whale Ltd	131,246	1.6
Total ten largest shareholders - holdings	4,941,229	60.1
Other shareholders	3,277,382	39.9
Total	8,218,611	100.0

The Studsvik share

During the first quarter, the share price varied between a high of SEK 170 on January 3 and a low of SEK 105 on March 18. The opening price was SEK 155 at the beginning of the year and the closing price on March 31 was SEK 108. During the first quarter, 0.3 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 1,200 employees. The company's shares are listed on the OMX Nordic Exchange Stockholm, MidCap,

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