

Studsvik

Interim Report
January–March 2014

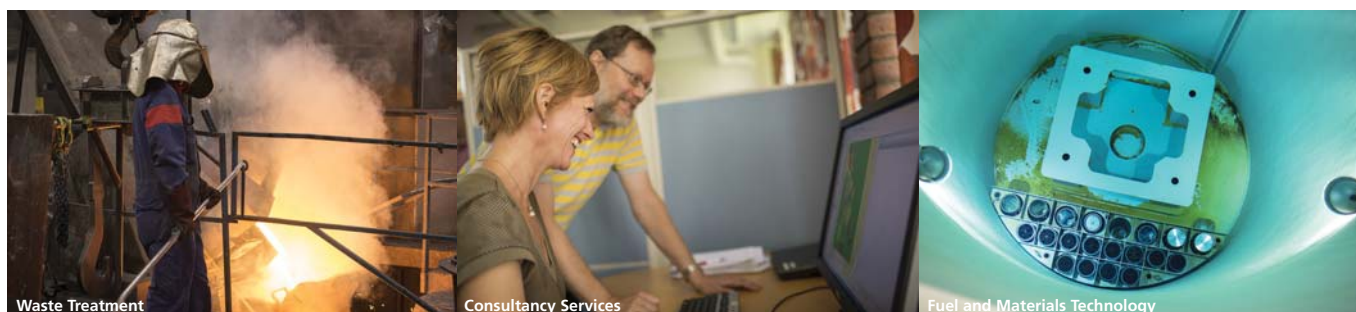


- In March Studsvik concluded the sale of the waste treatment operations in the USA. Comparative figures for sales and earnings exclude the divested operations.
- Sales for the first quarter were SEK 219.7 (250.9) million, a decrease in local currencies of 15.6 per cent.
- The operating profit for the first quarter was SEK 5.3 (7.3) million.
- Cash flow after investments was SEK –18.4 (–32.6) million.

	January–March 2014	January–March 2013	Full year 2013
Sales, SEK million	219.7	250.9	1,001.3
Operating profit, SEK million	5.3	7.3	16.0
Profit after tax, SEK million	1.6	–0.2	–22.9
Profit per share after tax, SEK	0.20	–0.02	–2.78
Cash flow after investments, SEK million *	–18.4	–32.6	–44.7
Equity per share, SEK	33.95	56.39	34.83
Interest-bearing net debt, SEK million	86.5	151.1	155.7
Net debt/equity ratio, %	31.0	32.6	54.4

* Refers to total operations.

There is a new organization from January 1, 2014. The report presents operations in accordance with that.



Sales

Sales in the first quarter were SEK 219.7 (250.9) million, a decrease in local currencies of 15.6 per cent. The decrease in sales is mainly due to reduced software sales and the impact of the major Berkeley Boiler order on revenue in 2013.

Profit

The operating profit for the first quarter amounted to SEK 5.3 (7.3) million. Items affecting comparability impact earnings by SEK 1.3 (–1.4) million. Adjusted for these, the operating margin was 1.8 (3.5) per cent.

Net financial income for the first quarter was SEK –6.6 (–4.9) million. The Group's tax for the first quarter was SEK 2.9 (–2.6) million. Profit/loss for the period after tax was 1.6 (–0.2) million.

Waste Treatment

Sales in the first quarter amounted to SEK 66.8 (92.9) million, a decrease of 32.8 per cent in local currency. The decrease is explained by a lower intake of metal for processing; in the first quarter 2014, 1,000 tonnes of metal were received, compared with 4,100 tonnes in the first quarter 2013. The intake of metal was unusually large in 2013 as a result of the major Berkeley project.

The operating profit for the first quarter increased to SEK 9.1 (7.1) million. There was a marked improvement in the operating margin to 13.7 (7.7) per cent through efficiency improvements, mainly in the treatment of large components, which resulted in high capacity utilization. Production problems in the UK facility were dealt with in the first quarter. In the first quarter 1,608 (1,245) tonnes of metallic material and 102 (117) tonnes of incineration material were treated. Projects for changing the price structure, improving efficiency of production and cost savings, mainly in administration and purchasing, are currently in progress in the business area.

The order book for metal treatment is sound, while the order book for incineration has been impacted negatively by reduced volumes from Germany.

Consultancy Services

Sales in the first quarter amounted to SEK 95.4 (94.5) million, a decrease of 4 per cent in local currency. The operating profit for the first quarter increased to SEK 9.1 (1.1) million. Items affecting comparability impact earnings by SEK 1.7 (–1.4) million. Adjusted for these, the operating margin was 7.8 (2.6) per cent.

The margin has improved in Germany as a result of reduced personnel costs. In the first quarter the share in earnings from UK Nuclear Waste Management was SEK 4.9 (1.0) million. Projects for an increased billed time ratio and cost savings are in progress in the business area.

The order book is sound in Sweden and England. Continued weak demand and downward pressure on prices for maintenance services can be seen in Germany, while the market for engineering services is expected to grow as decommissioning programs are started. The work of expanding the US-based consulting operations continues.

Fuel and Materials Technology

Sales in the first quarter amounted to SEK 51.7 (56.4) million, a decrease of 8.7 per cent in local currency. The operating profit/loss for the first quarter was SEK –0.8 (4.7) million. The operating margin was –1.6 (8.4) per cent.

The decrease is related to sales of software, where continued focus on costs in the energy sector in Europe and the USA tends to lengthen the sales cycle.

In Materials Technology, sales are on level with the previous year. The margin has, however, improved to 8.4 (–0.2) per cent, driven by both improved gross margins and reduced overheads. Projects for further cost savings are in progress in the business area.

The order book is somewhat thinner than the previous year, mainly in Materials Technology.

Investments

The Group's investments amounted to SEK 4.4 (4.9) million.

Cash flow

Cash flow from operating activities before working capital changes in the first quarter was SEK –2.5 (–3.8) million. Working capital increased in the first quarter by SEK 11.5 (23.9) million. Cash flow after investments in the first quarter was SEK –18.4 (–32.6) million. The sale of the American waste treatment operations gave an additional positive cash flow of SEK 82.9 million.

Financial position and liquidity

Cash and cash equivalents, including current investments, amounted to SEK 191.5 (187.8) million. Interest-bearing liabilities at the end of the quarter were SEK 278.0 (374.5) million. During the quarter dollar-denominated loans of SEK 25.4 million were repaid. Net interest-bearing debt was SEK 86.5 (151.1) million, which means that the net debt/equity ratio decreased to 31.0 (32.6) per cent.

Personnel

The average number of employees was 915 (987). The decrease is mainly attributable to the Consulting Services business area.

Transactions with related parties

During the quarter a dividend of SEK 1.3 million was received from UK Nuclear Waste Management Ltd.

Parent company

Parent company operations comprise the co-ordination of tasks for the Group and assets mainly consist of shares in subsidiaries. Parent company sales in the first quarter were SEK 3.5 (3.2) million. The operating profit for the first quarter amounted to SEK –12.0 (–7.5) million. Profits were reduced by SEK –2.9 million related to the work on the organizational change to business areas implemented in the first quarter, and SEK –0.6 million in increased bank costs for financing, mainly related to the bond loan. Loss after financial items in the first quarter was SEK –15.3 (–8.3) million.

Cash and cash equivalents, including current investments, amounted to SEK 110.9 (191.4) million and interest-bearing debt to SEK 269.3 (281.3) million.

Risks and uncertainties

After divestment of the American operations the Group's total risk exposure has decreased.

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. Licenses are required for production facilities, but also for individual activities such as transport and movement of material. This means that the operations of Studsvik and Studsvik's customers are exposed to delays in these licensing processes, or the withdrawal of licenses, 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 stipulates criteria that the waste must meet in physical and chemical terms 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 alter Studsvik's scope of business action.

The financial risks and uncertainties mainly include fluctuations in exchange rates and interest rates.

An overall analysis of the Group's risks and how they are dealt with is given in the Annual Report, which is available on the company's website. Apart from these risks, no further significant risks are estimated to have arisen.

Outlook

The need for electricity is increasing globally. New nuclear power capacity is being planned and built in many countries, in parallel with the modernization and output increase of nuclear power plants in several of the countries where Studsvik operates. The German decision to phase out nuclear power by 2022 has reduced demand for service and maintenance. Studsvik has adapted its organization to this, but the new market situation may require further adjustment. The German nuclear power reactors already taken out of operation, as well as those to be taken out of operation by 2022, will be subject to decommissioning. When this process will start is as yet not clear. Decommissioning and demolition of nuclear facilities in other markets is expected to expand in the long term. Studsvik has a strong product portfolio for decommissioning and an established market position.

Accounting policies

Studsvik AB applies International Financial Reporting Standards as adopted by the European Union. Material accounting policies and valuation principles are in accordance with those of the annual accounts for the financial year ended December 31, 2013. The new and revised standards and interpretations IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRIC 21 "Levies" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", applicable from January 1, 2014 have not had any material effect on Studsvik's financial statements. This interim report was prepared in accordance with IAS 34 and the Annual Accounts Act. The interim report for the parent company was prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for legal entities.

Stockholm, April 23, 2014

Michael Mononen
President

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

Time schedule for financial information

Interim Report January–June 2014	July 17, 2014
Interim Report January–September 2014	October 21, 2014
Year-end Report January–December 2014	February 2015

For further information please contact

Michael Mononen, President and Chief Executive Officer,
+46 155 22 10 86 or
Pål Jarness, Chief Financial Officer, +46 155 22 10 09.

The interim report will be presented at a conference call to be held in English, on April 23 at 2.30 pm. Further information for those interested in participating is available at www.studsvik.se.

Consolidated statement of profit or loss and other comprehensive income

Amounts in SEK million

	January–March 2014	January–March 2013	Full year 2013
Net sales	219.7	250.9	1,001.3
Cost of services sold	–165.7	–197.1	–748.4
Gross profit	54.0	53.8	252.9
Selling and marketing expenses	–10.6	–10.6	–43.7
Administrative expenses	–39.2	–32.8	–142.0
Research and development costs	–6.2	–6.3	–26.6
Share in non-controlling interest	5.0	1.0	7.3
Other operating income	3.1	5.2	10.2
Other operating expenses	–0.8	–3.0	–42.1
Operating profit	5.3	7.3	16.0
Financial income	0.4	0.2	1.2
Financial expenses	–4.4	–3.8	–19.7
Fair value gain/loss (realized and unrealized)	–2.6	–1.3	–0.3
Profit after financial items	–1.3	2.4	–2.8
Income tax	2.9	–2.6	–20.1
Profit/loss for the period from continuing operations	1.6	–0.2	–22.9
Operations for sale			
Profit/loss from operations for sale	–9.4	–11.1	–173.9
Profit/loss for the period	–7.8	–11.3	–196.8
Other comprehensive income			
Items that may later be reversed in the income statement			
Translation differences on foreign subsidiaries	0.5	–9.5	4.6
Cash flow hedges	–0.9	7.8	0.1
Income tax on items recognized in other comprehensive income	0.2	–1.7	0.0
Other comprehensive income for the period, net after tax	–0.2	–3.4	4.7
Total profit/loss and other comprehensive income for the period	–8.0	–14.7	–192.1
Income for the period attributable to			
Parent company's shareholders	–7.8	–11.3	–196.8
Non-controlling interest	–	–	–
Total comprehensive income attributable to			
Parent company's shareholders	–8.0	–14.7	–192.1
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			
Earnings per share before and after dilution			
Profit/loss from continuing operations	0.20	–0.02	–2.78
Profit/loss from operations for sale	–1.15	–1.36	–21.15
Profit/loss for the period	–0.95	–1.38	–23.93

Group statement of financial position

Amounts in SEK million

	March 2014	March 2013	December 2013
Assets			
Goodwill	158.2	295.2	158.8
Other intangible non-current assets	3.6	27.3	4.1
Property, plant and equipment	327.9	442.5	331.4
Financial non-current assets	123.5	125.2	112.7
Total non-current assets	613.2	890.2	607.0
Inventories	1.7	6.9	1.8
Trade receivables	159.0	196.0	151.7
Other current receivables	106.1	138.1	90.8
Other current investments	–	34.7	–
Liquid assets	191.5	187.8	151.4
Total current assets	458.3	563.5	395.7
Assets in disposal group held for sale	–	–	260.7
Total assets	1,071.5	1,453.7	1,263.4
Equity and liabilities			
Equity attributable to parent company's shareholders	278.7	463.2	286.0
Non-controlling interest	0.3	0.3	0.3
Borrowings	264.3	322.7	264.8
Provisions	185.3	224.5	182.1
Other non-current liabilities	40.1	40.8	40.6
Total non-current liabilities	489.7	588.0	487.5
Trade payables	35.1	46.1	43.0
Borrowings	13.7	51.8	42.3
Other current liabilities	254.0	304.3	232.4
Total current liabilities	302.8	402.2	317.7
Liabilities in disposal group held for sale	–	–	171.9
Total equity and liabilities	1,071.5	1,453.7	1,263.4
Pledged assets	148.9	138.6	148.9
Contingent liabilities	55.1	91.1	89.9

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
Equity at December 31, 2012	8.2	225.3	–10.8	255.2	477.9	0.3	478.2
Changes January 1 – March 31, 2013							
Comprehensive income for the period	–	–	–3.4	–11.3	–14.7	–	–14.7
Equity at March 31, 2013	8.2	225.3	–14.2	243.9	463.2	0.3	463.5
Changes April 1 – December 31, 2013							
Comprehensive income for the period	–	–	8.2	–185.4	–177.2	–	–177.2
Equity at December 31, 2013	8.2	225.3	–6.0	58.5	286.0	0.3	286.3
Changes January 1 – March 31, 2014							
Comprehensive income for the period	–	–	0.5	–7.8	–7.3	–	–7.3
Equity at March 31, 2014	8.2	225.3	–5.5	50.7	278.7	0.3	279.0

Statement of cash flow

Amounts in SEK million

	January–March 2014	January–March 2013	Full year 2013
Refers to total operations			
Operating activities			
Operating profit	–4.2	–3.9	–165.3
Depreciation	8.5	15.8	63.5
Adjustment for non-cash items etc.	–3.6	–6.8	89.7
	0.7	5.1	–12.1
Financial items, net	–3.9	–3.6	–18.5
Income tax paid	0.7	–5.3	–13.3
Cash flow from operating activities before changes in working capital	–2.5	–3.8	–43.9
Changes in working capital	–11.5	–23.9	19.3
Cash flow from operating activities	–14.0	–27.7	–24.6
Investing activities			
Investments	–4.4	–4.9	–20.1
Cash flow from investing activities	–18.4	–32.6	–44.7
Other changes from investing activities	87.8	–40.6	4.8
Cash flow from operating activities after investments and other changes from investing activities	69.4	–73.2	–39.9
Financing activities			
Change in borrowings	–29.2	147.4	74.5
Dividend to shareholders	–	–	–
Cash flow from investing activities	–29.2	147.4	74.5
Changes in liquid assets	40.2	74.2	34.6
Liquid assets at the beginning of the year	151.4	115.8	115.8
Translation difference in liquid assets	–0.1	–2.2	1.0
Liquid assets at the end of the period	191.5	187.8	151.4
Cash flow specification			
Adjustment for non-cash items etc.			
Changes in provisions	1.3	–6.0	6.2
Share in earnings from associated companies	–5.0	–1.0	–7.3
Impairment loss on property, plant and equipment	–	–	24.0
Impairment loss on intangible assets	–	–	67.6
Other	0.1	0.2	–0.8
Total	–3.6	–6.8	89.7
Other changes from investing activities			
Investment in non-current financial asset	–7.7	–	–
Dividend from associated companies	1.3	–	11.5
Sale of subsidiaries	93.9	–	–
Deposit of funds	–	–4.4	–5.3
Sale of non-current assets	0.1	0.3	–1.9
Current investments in commercial paper	–	–34.7	–
Other	0.2	–1.8	0.5
Total	87.8	–40.6	4.8
Change in borrowings			
Loans raised	–	200.9	207.8
Repayments of loans	–29.2	–53.5	–133.3
Total	–29.2	147.4	74.5

Financial ratios for the Group

Amounts in SEK million

	January–March 2014	January–March 2013	Full year 2013
Margins			
Operating margin, %	2.4	2.9	1.6
Profit margin, %	–0.6	1.0	–0.3
Profitability *			
Return on capital employed, %	4.0	1.5	3.5
Return on equity, %	0.6	–0.0	–6.0
Capital structure *			
Capital employed	556.9	851.2	504.6
Equity	279.0	463.5	286.3
Interest-bearing net debt	86.5	151.1	155.7
Net debt/equity ratio, %	31.0	32.6	54.4
Interest cover ratio	0.8	1.4	–0.9
Equity/assets ratio, %	26.0	28.2	26.2
Cash flow			
Self financing ratio	–3.2	–4.2	0.5
Investments	4.4	4.9	19.9
EBITDA/Net financial items, rolling 12 months	2.4	3.2	2.7
Employees			
Average number of employees	915	987	988
Net sales per employee	1.0	1.0	1.0

* Calculation based on closing balance.

Data per share

	January–March 2014	January–March 2013	Full year 2013
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 and after dilution			
Profit/loss from continuing operations	0.20	–0.02	–2.78
Profit/loss from operations for sale	–1.15	–1.36	–21.15
Profit/loss for the period	–0.95	–1.38	–23.93
Equity per share, SEK, total operations	33.95	56.39	34.83

Net sales per geographical segment

Amounts in SEK million

	January–March 2014	January–March 2013	Full year 2013
Sweden	35.5	37.4	175.9
Europe, excluding Sweden	160.5	185.3	713.8
North America – from continuing operations	14.7	23.8	98.3
Asia	9.0	4.4	13.3
Total	219.7	250.9	1,001.3
North America – from operations for sale	–	46.8	214.7
Total	219.7	297.7	1,216.0

Quarterly review

Amounts in SEK million

	2012				2013				2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	258.9	274.4	218.5	261.1	250.9	266.5	216.9	266.9	219.7
Operating expenses	-259.7	-265.0	-224.5	-248.5	-243.6	-253.4	-211.2	-277.0	-214.4
Operating profit	-0.8	9.4	-6.0	12.6	7.3	13.1	5.7	-10.1	5.3
Financial items, net	-3.0	-3.2	-3.8	-3.9	-4.9	-9.5	-0.3	-4.1	-6.6
Profit after financial items	-3.8	6.2	-9.8	8.7	2.4	3.6	5.4	-14.2	-1.3

Financial data per segment

Amounts in SEK million

January–March 2014	Waste	Consultancy	Fuel and	Other	Elimination	Group
	Treatment	Services	Materials			
External sales revenue	66.8	94.5	51.6	6.8	–	219.7
Revenue from segment	–	0.9	0.1	4.7	-5.7	0.0
Operating profit	9.1	9.1	-0.8	-12.1	–	5.3
Assets	356.3	330.3	177.7	463.2	-256.0	1,071.5
Liabilities	281.8	266.7	137.3	362.7	-256.0	792.5
Investments	2.0	0.1	2.0	0.3	–	4.4
Depreciation/amortization	4.6	0.6	2.1	1.2	–	8.5
Average number of employees	155	563	125	72	–	915

January–March 2013	Waste	Consultancy	Fuel and	Other	Elimination	Group
	Treatment	Services	Materials			
External sales revenue	92.1	93.5	56.4	8.9	–	250.9
Revenue from segment	0.8	1.0	–	4.1	-5.9	0.0
Operating profit	7.1	1.1	4.7	-5.6	–	7.3
Assets	353.1	828.8	178.9	478.6	-194.5	1,644.9
Liabilities	294.7	598.9	88.4	376.3	-194.5	1,163.8
Investments	2.9	0.9	0.5	0.6	–	4.9
Depreciation/amortization	3.1	1.1	2.1	1.9	–	8.2
Average number of employees	148	631	133	75	–	987

Full year 2013	Waste	Consultancy	Fuel and	Other	Elimination	Group
	Treatment	Services	Materials			
External sales revenue	328.0	408.4	234.2	30.7	–	1,001.3
Revenue from segment	2.8	3.5	0.4	17.0	-23.7	0.0
Operating profit	53.8	-15.0	17.8	-40.6	–	16.0
Assets	332.3	317.1	198.3	441.3	-286.3	1,002.7
Liabilities	272.4	341.6	117.4	360.1	-286.3	805.2
Investments	12.1	1.3	4.2	2.3	–	19.9
Depreciation/amortization	14.0	3.6	8.6	7.6	–	33.8
Average number of employees	155	628	129	76	–	988

Parent company income statement

Amounts in SEK million	January–March 2014	January–March 2013	Full year 2013
Net sales	3.5	3.2	13.1
Cost of services sold	–0.6	–0.7	–2.8
Gross profit	2.9	2.5	10.3
Other operating costs	–14.9	–10.0	–49.2
Operating profit	–12.0	–7.5	–38.9
Dividends from subsidiaries	–	–	–233.3
Financial net	–3.3	–0.8	–5.3
Profit before tax	–15.3	–8.3	–277.5
Income tax	3.2	1.7	0.4
Profit for the period	–12.1	–6.6	–277.1

Parent company balance sheet

Amounts in SEK million	March 2014	March 2013	December 2013
Assets			
Property plant and equipment	0.1	0.0	0.0
Financial non-current assets	567.0	763.5	608.1
Total non-current assets	567.1	763.5	608.1
Current assets	66.2	50.7	62.0
Liquid assets	110.9	156.7	56.5
Total current assets	177.1	207.4	118.5
Total assets	744.2	970.9	726.6
Equity and liabilities			
Equity	277.1	560.8	290.2
Provisions	0.0	0.5	0.4
Non-current liabilities	310.5	318.8	310.4
Current liabilities	156.6	90.8	125.6
Total liabilities	467.1	409.6	436.0
Total equity and liabilities	744.2	970.9	726.6

Note 1 Fair value estimation

The tables below show financial instruments at fair value on the basis of their classification in the fair value hierarchy. The definition of the various levels can be found in the Annual Report, Note 2.3.

The Group's assets and liabilities measured at fair value as at March 31, 2014

Assets	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	–	21,663	9,581
Derivatives used for hedging	–	4,148	–
Liabilities			
Derivatives used for hedging	–	953	–

The Group's assets and liabilities measured at fair value as at December 31, 2013

Assets	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	–	21,747	9,635
Derivatives used for hedging	–	5,555	–
Liabilities			
Derivatives used for hedging	–	865	–

Fair value of the Group's borrowings

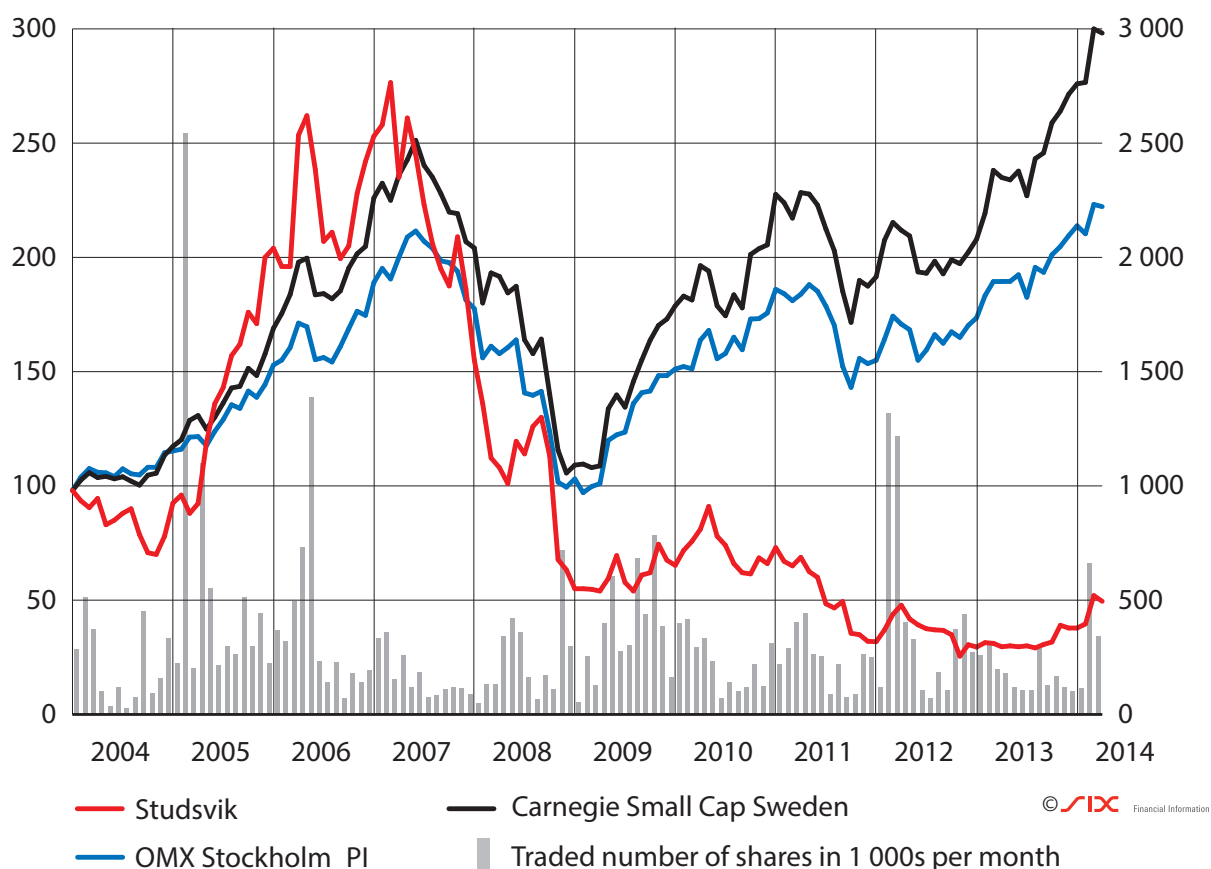
	March 31, 2014	December 31, 2013
Non-current loans	264.3	264.8
Current loans	13.7	42.3
Total loans	278.0	307.1

Major shareholders, March 31, 2014

	Number of shares	Share, %
The Karinen family	1,769,552	21.5
Briban Invest AB	1,285,492	15.6
Avanza Pensionsförsäkring AB	442,848	5.4
Credit Agricole Suisse SA	346,098	4.2
Eikos AB	262,987	3.2
Nordnet Pensionsförsäkring AB	262,889	3.2
Malte Edenius	230,000	2.8
Invus Investment AB	224,800	2.7
Leif Lundin	180,300	2.2
SIX SIS AG	155,752	1.9
Total ten largest shareholders – holdings	5,160,718	62.7
Other shareholders	3,057,893	37.3
Total	8,218,611	100.0

The Studsvik share

The share price in the first quarter varied between a high of SEK 56.50 on March 6, and a low of SEK 37.60 on January 2, 2014. The opening price was SEK 37.80 at the beginning of the year and the closing price on March 31 was SEK 49.20. During the first quarter, 1.12 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, consultancy services and fuel and materials technology. The company has more than 65 years experience of nuclear technology and radiological services. Studsvik has 1,000 employees in 7 countries and the company's shares are listed on the NASDAQ OMX Stockholm.

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Studsvik

Studsvik AB

P.O. Box 556, SE-611 10 Nyköping, SWEDEN

Telephone +46 155 22 10 00

Fax +46 155 26 30 00

E-mail studsvik@studsvik.se

www.studsvik.se