

Press release

## Interim report January – September 2001

- Operating profit 19 percent higher than the previous year
- Capital gains in net financial items further improve profits
- High inflow to the Swedish water reservoirs
- Slightly lower power prices during the third quarter
- Sales of heating and cooling significantly stronger than the previous year
- Birka Energi's annual report 2000, best in Sweden

| SEK M                        | Jan-Sept<br>2001 | Jan-Sept<br>2000 | Jan-Sept<br>1999 |
|------------------------------|------------------|------------------|------------------|
| Net turnover                 | 9,245            | 9,620            | 8,901            |
| Operating profit             | 1,961            | 1,644            | 1,899            |
| Profit after financial items | 821              | 339              | 759              |
| Operating margin, %          | 21.2             | 17.1             | 21.3             |

## Continued improvement in profit during the third quarter

Birka Energi showed improved operating profit during the first three quarters of 2001. Profit after financial items for the period amounted to SEK 821 million, representing a substantial increase in profits compared with the corresponding period of the previous year. This improvement in profit is partly accounted for by the capital gains in the net financial items resulting from the sale of subsidiaries that were not majority-owned or part of the core business.

Power production, in particular continued to show an improvement in profit during the third quarter. Inflow to the Swedish water reservoirs was high during the third quarter, while the water situation in Norway deteriorated further compared with the previous year.

Heating and cooling operations as well as electricity distribution also show strong profits. The expansion of district heating and cooling continues. In addition to the marked organic growth in Stockholm, Birka Energi's Norwegian company has been commissioned to supply heating and cooling to around 400,000 m<sup>2</sup> of dwellings and 300,000 m<sup>2</sup> of offices in Urban Sjöfront, a new area in Stavanger. Birka Energi's involvement in the Hammarby Sjöstad project, with its environmental profile, was instrumental in Birka Energi obtaining this important new commission.

At the beginning of October, Birka Energi won the distinction of having produced “Sweden’s best annual report” in Deloitte & Touche’s, Affärsvärlden’s and Företagsekonomiska Institutet’s (the Institute of Business Administration’s) competition for the best set of environmental and sustainability accounts. Sweden’s 50 largest companies as well as other companies previously noted for their environmental accounts were evaluated.

## Energy

The Group’s sales of heating during the third quarter, which for seasonal reasons is the weakest in terms of volume, slightly exceeded the previous year’s sales. Accumulated sales of heating, which amounted to 6.3 TWh (5.7), increased by 0.6 TWh compared with the previous year. This increase in sales is partly due to the continued expansion of heating operations, but is primarily the result of more favourable temperature conditions during the first half of the year.

The Group continues its efforts to increase the proportion of renewable fuels used within the heating business. Biofuel accounts for 26 percent of the fuel mix used in own production, while the total use of renewable fuels and recycled energy amounts to 65 percent. As regards the heating business, the Group operates on the basis of a certain flexibility within production, which means that electricity can either be used for heating production or be generated by simultaneous production of electricity and heating. The relatively high electricity prices during the year have resulted in increased power production within the heating business compared with the previous year, while at the same time, the use of electricity in production has been somewhat reduced.

The substantial development of cooling sales continued during the third quarter. By the end of September, the Group had achieved a sales volume of 292 GWh (181). Given that the year’s new sales of cooling due to be connected during the next few years have clearly exceeded expectations, the rate of expansion of cooling sales is also expected to remain rapid.

Sales of gas during the third quarter decreased slightly compared with the previous year. Accumulated sales volume, which amounted to 291 GWh (280), is nevertheless somewhat higher than at the corresponding time of the previous year.

At 16.6 TWh (18.1), electricity sales for the period are just over 1.5 TWh down compared with the previous year. As expected, electricity sales to customers are down compared with the previous year. Sales of physical power, primarily on the power exchange, amounting to around 10 percent of the total sales volume, are also somewhat lower than the previous year. Nuclear power production is around 1.7 TWh higher than the previous year, while hydroelectric power production in fully or part-owned plants is lower by just over 0.6 TWh. The Group’s total electricity turnover, including own use for heating production and for covering network losses, amounted to 18.5 TWh (20.2).

Due primarily to the acquisition in June last year of the regional network in Dalarna, the volume of the Group’s electricity distribution in fully or part-owned network areas, amounting to 23.6 TWh (20.9), has increased by around 13 percent compared with the previous year.

## Economy and finance

### Turnover and profit

At SEK 9,245 million (9,620), the Group's net turnover after the third quarter represents a decrease of approximately SEK 375 million compared with the previous year. Income from heating sales is significantly higher, as is income from electricity distribution. Sales of electricity to customers remain essentially unchanged compared with the previous year. However, total sales are down due to negative items referring to successive financial hedging of power sales. Corresponding positive items referring to financially hedged power purchases are listed under costs.

Operating profit for the period amounted to 1,961 (1,644), representing an improvement of SEK 317 million compared with the previous year. At 21.2 percent (17.1), the Group's operating margin after the third quarter constitutes an improvement compared with the corresponding period of the previous year, thus confirming the profit improvement reported after the second quarter. The Group's power and heating operations show a significant boost in profits. A higher volume of sales and the price adjustments implemented during the previous year have substantially contributed to the increase in profits from heating operations. In addition, this year's relatively high electricity prices compared with the previous year, in conjunction with substantial hydroelectric and nuclear power production, have resulted in continued improvement in the profits of the Group's power operations.

Due to higher indebtedness, net interest deteriorated during the initial months of the year. However, sales of assets within the Group have reduced indebtedness during the year to a level that, from June onwards, is lower than it was the previous year. Higher interest costs due to increased indebtedness throughout the beginning of the year have been offset by capital gains from sales of shares amounting to SEK 273 million. At SEK -1,140 million (-1,305), the Group's net financial items after the third quarter, were just over SEK 160 million lower than the previous year.

Profit after financial items amounted to SEK 821 million (339), representing a substantial improvement of SEK 482 million compared with the previous year.

|                              | July-Sept<br>2001 | Apr-June<br>2001 | Jan-Mar<br>2001 | Oct-Dec<br>2000 | Rolling<br>12-months<br>Sept 2001 | Rolling<br>12-months<br>Sept 2000 |
|------------------------------|-------------------|------------------|-----------------|-----------------|-----------------------------------|-----------------------------------|
| SEK M                        |                   |                  |                 |                 |                                   |                                   |
| Net turnover                 | 2,417             | 2,620            | 4,208           | 3,800           | 13,045                            | 13,421                            |
| Operating profit             | 243               | 404              | 1,314           | 994             | 2,955                             | 2,334                             |
| Profit after financial items | -60               | 42               | 839             | 636             | 1,457                             | 694                               |

Operating profit for the third quarter is essentially at the same level as the profit achieved during the corresponding period of the previous year, which means that the rolling operating profit remains at the level of the year's second quarter. The rolling profit after financial items has been affected by capital gains in the net financial items during the second and third quarters. Excluding these capital gains, the twelve months' profit after financial items amounts to approximately SEK 1,180 million, which is higher than both the corresponding profit the previous year and the annual profit shown in the last two annual accounts.

## Acquisitions and sales

|                  | Company                           | Share | New holding | Business                          |
|------------------|-----------------------------------|-------|-------------|-----------------------------------|
| Mar Sale         | Österede Kraft AB                 | 100%  | -           | Hydroelectric power production    |
| June Sale        | Katrineholms Energiförsäljning AB | 100%  | -           | Electricity sales                 |
| June Sale        | Katrineholm Energi AB             | 49%   | -           | Heating, electricity distribution |
| July Acquisition | Ryssa Elverk AB                   | 35%   | 98%         | Power production                  |
| July Sale        | AB Kallströmmen                   | 100%  | -           | Electricity distribution          |
| July Sale        | Svarthålsforsens Intressenter AB  | 100%  | -           | Hydroelectric power production    |
| July Acquisition | Puab Projektutveckling AB         | 40%   | 60%         | Technical consultancy services    |
| Aug Sale         | Etrem AB                          | 49%   | -           | Meter reading services            |

In order to further rationalise activities whilst at the same time reducing the amount of tied-up capital, Birka Energi continued to restructure its activities during the third quarter by exchanging and selling certain part-owned shareholdings.

On 2 July, a deal was struck with Vattenfall AB regarding the exchange of Vattenfall's shares in AB Ryssa Elverk for Birka Energi's fully-owned company, AB Kallströmmen, including the subsidiary AB Avesta Elnät. As a result, Birka Energi now owns 97.6 percent of the shares in AB Ryssa Elverk.

The sale of minority holdings in hydroelectric power assets, representing a normal annual production of 128 GWh, was also concluded on 2 July, when the subsidiary Svarthålsforsens Intressenter AB, including its shares in Gulsele AB, was sold to Graninge AB.

Also on 2 July, further shares in the associated company, Puab Projektutveckling AB, were acquired, making Birka Energi the holder of 60 percent of the company's shares.

In August, Birka Energi, Fortum, Karlstad Energi and Trondheim Energiverk sold all their shares in Etrem AB to Viterra Energy Services in Germany. The sale was completed after approval had been given by the competition authorities in the countries concerned.

## Cash flow statement

| SEK M                                | Quarter<br>30-09-2001 | Quarter<br>30-09-2000 | Full year<br>31-12-2000 |
|--------------------------------------|-----------------------|-----------------------|-------------------------|
| Net investments                      | 702                   | 1,369                 | 2,238                   |
| Cash flow after financing activities | 2,876                 | -1,644                | -755                    |
| Net debt                             | 29,209                | 30,714                | 31,332                  |
| Balance sheet total                  | 70,853                | 74,575                | 74,190                  |

The Group's total net investments in intangible and tangible fixed assets, excluding company acquisitions, amounted to SEK 702 million (1,369) for the period. Net investments have been affected by the sale of fixed assets to the value of SEK 559 million (10). Birka Värme and Birka Nät have undertaken the major part of these investments. Birka Värme's investments mainly cover expansion within heating and cooling. Network investments principally concern reinvestments in existing networks. During the year, companies to the value of SEK 419

million (2,165) have been acquired. Income generated by the sale of subsidiaries amounted to SEK 1,478 million (427) during the period.

Apart from sales of assets, the Group's cash flow has been affected by the substantial development in profit, resulting in both reduced indebtedness and balance sheet total since the beginning of the year. Net debt, which amounted to SEK 29,209 million (30,714), has decreased by SEK 2,123 million since the beginning of the year and by SEK 1,505 million since the same time the previous year. Average indebtedness during the year has been just under SEK 500 million higher than during the corresponding period of the previous year.

During the remainder of 2001, loans to the value of SEK 2,289 million will mature. The majority of these loans consist of short-term certificate borrowings. Refinancing is planned via continued short-term certificate borrowings. In addition to these short-term borrowings, the Group has, as at 30 September 2001, non-utilised credit facilities to the value of approximately SEK 10,000 million at its disposal.

As at 30 September, the average fixed interest term for the Group's net debt was approximately one year and ten months. SEK 9,539 million of the total portfolio will mature during the coming twelve months.

At the end of the period, the balance sheet total was approximately SEK 3,700 million less than at the same time the previous year. The equity/assets ratio had increased and amounted to 35.3 percent (33.3).

## Ecology

Birka Energi plays an active role in the development of regulations for a European market with so-called renewable and green certificates. In some countries, this market is already in place. During August, Birka Energi closed two international deals involving both physical supply and the supply of renewable certificates. A special report about the regulations for a certificate market in Sweden is currently being prepared for presentation during the autumn of 2001. The aim with the certificate market is to increase the proportion of renewable sources of energy.

A new Good Environmental Choice electricity agreement has been signed with, among others, Vasakronan for its properties outside Stockholm. Birka Energi's sales of Good Environmental Choice electricity this year are forecast to exceed those of last year, which amounted to 3.3 TWh. The Swedish Society for the Conservation of Nature has established new criteria for Good Environmental Choice Electricity. During 2002, electricity may be sold in accordance with both the old and the new criteria. In order to be able to meet customer demand, Birka Energi is currently preparing for the new criteria.

The expansion of district heating continues to contribute to the reduction of carbon dioxide emissions. In Hällefors, an agreement has been reached with Ovako Steel to connect district heating produced using biofuels, resulting in the substitution of approximately 23 GWh of oil and liquefied petroleum gas. This means a reduction in carbon dioxide emissions of approximately 4,000 tonnes per year. The next step will be to investigate the possibility of using waste heat generated by Ovako Steel.

In Grums, collaboration between Birka Energi, Gruvöns factory, Gruvöns sawmill and Grums local authority has meant that waste heat from the factory has replaced oil both in the sawmill and for municipal heating.

Sales of EcoTrim services, focussing on energy efficiency, to property customers have increased compared with the previous year. Customer interest in Birka Energi's investment in the three Es, i.e. monitoring energy use from both an economic (financial) and ecological (environmental) point view, remains strong.

Apart from environmental issues, social and ethical issues are becoming increasingly important. In order to further concentrate on these matters, Birka Energi participates in the European network, Respect Table, which focuses particularly on the climate issue and Corporate Responsibility.

Stockholm, November 2001

Tomas Bruce  
President and CEO

This report has not been the subject of special review by the Group's auditors. Accounting principles and bases for calculations are those used in the previous annual report.

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| <b>Profit and loss statement</b>                  | Jan-Sept     | Jan-Sept     | Full year    |
|---|--------------|--------------|--------------|
| SEK M   | 2001         | 2000         | 2000         |
| Net turnover excluding energy tax                 | 9,245        | 9,620        | 13,420       |
| Other operating income                            | 470          | 319          | 428          |
| Operating expenses                                | -6,345       | -6,996       | -9,369       |
| Depreciation                                      | -1,480       | -1,368       | -1,932       |
| Profit from participation in associated companies | 71           | 69           | 91           |
| <b>Operating profit</b>                           | <b>1,961</b> | <b>1,644</b> | <b>2,638</b> |
| Financial income                                  | 382          | 162          | 349          |
| Financial expenses                                | -1,522       | -1,467       | -2,012       |
| <b>Profit after financial items</b>               | <b>821</b>   | <b>339</b>   | <b>975</b>   |
| Minority shares                                   | -6           | 1            | -2           |
| Tax   | -228         | -95          | -312         |
| <b>Profit for the period</b>                      | <b>587</b>   | <b>245</b>   | <b>661</b>   |

| <b>Balance sheet</b>                        | 30-09-2001    | 30-09-2000    | 31-12-2000    |
|---|---------------|---------------|---------------|
| SEK M                                       |               |               |               |
| <b>Assets</b>                               |               |               |               |
| Fixed assets                                | 66,112        | 69,029        | 68,989        |
| Current assets                              | 4,258         | 4,864         | 4,872         |
| Liquid resources                            | 483           | 682           | 329           |
| <b>Total assets</b>                         | <b>70,853</b> | <b>74,575</b> | <b>74,190</b> |
| <b>Equity capital and liabilities</b>       |               |               |               |
| Equity capital                              | 24,065        | 23,857        | 24,273        |
| Minority interest                           | 967           | 992           | 959           |
| Allocation for latent tax liability         | 9,696         | 10,459        | 9,829         |
| Other allocations                           | 974           | 1,175         | 1,043         |
| Interest-bearing debt                       | 31,639        | 34,602        | 33,784        |
| Non-interest-bearing liabilities            | 3,512         | 3,490         | 4,302         |
| <b>Total equity capital and liabilities</b> | <b>70,853</b> | <b>74,575</b> | <b>74,190</b> |

| <b>Cash flow statement</b>                             | Jan-Sept      | Jan-Sept      | Full year     |
|--|---------------|---------------|---------------|
| SEK M  | 2001          | 2000          | 2000          |
| <b>Current operations</b>                              |               |               |               |
| Cash flow before changes in working capital            | 2,427         | 1,740         | 2,786         |
| Change in working capital                              | -196          | 29            | 620           |
| <b>Cash flow from current operations</b>               | <b>2,231</b>  | <b>1,769</b>  | <b>3,406</b>  |
| <b>Investment activities</b>                           |               |               |               |
| Investments in subsidiaries                            | -419          | -2,165        | -1,945        |
| Sale of subsidiaries                                   | 1,478         | 427           | 490           |
| Net investment in intangible and tangible fixed assets | -702          | -1,369        | -2,238        |
| Net investment in other fixed assets                   | 288           | -306          | -468          |
| <b>Cash flow from investment activities</b>            | <b>645</b>    | <b>-3,413</b> | <b>-4,161</b> |
| <b>Cash flow after investment activities</b>           | <b>2,876</b>  | <b>-1,644</b> | <b>-755</b>   |
| <b>Financing activities</b>                            |               |               |               |
| Loans raised and amortisations - net                   | -1,922        | 2,158         | 917           |
| Dividend   | -800          | -500          | -500          |
| <b>Cash flow from financing activities</b>             | <b>-2,722</b> | <b>1,658</b>  | <b>417</b>    |
| <b>Net change in liquid resources</b>                  | <b>154</b>    | <b>14</b>     | <b>-338</b>   |

| <b>Net turnover by line of business</b> | Jan-Sept      | Jan-Sept      | Full year     |
|---|---------------|---------------|---------------|
| SEK M                                   | 2001          | 2000          | 2000          |
| Electricity                             | 3,796         | 4,902         | 6,804         |
| Heating                                 | 2,692         | 2,272         | 3,224         |
| Network services                        | 2,808         | 2,708         | 3,752         |
| Gas                                     | 159           | 137           | 193           |
| Cooling                                 | 143           | 94            | 129           |
| Contracting and consultancy services    | 552           | 441           | 739           |
| Secondary income                        | 116           | 148           | 182           |
| <b>Net turnover incl. energy tax</b>    | <b>10,266</b> | <b>10,701</b> | <b>15,023</b> |
| Energy tax on electricity               | -1,021        | -1,081        | -1,603        |
| <b>Net turnover excl. energy tax</b>    | <b>9,245</b>  | <b>9,620</b>  | <b>13,420</b> |

| <b>Key indicators</b>                  | Jan-Sept | Jan-Sept | Jan-Sept |
|--|----------|----------|----------|
| SEK M unless stated otherwise          | 2001     | 2000     | 1999     |
| Net turnover excluding energy tax      | 9,245    | 9,620    | 8,901    |
| Electricity sales, GWh                 | 16,555   | 18,123   | 17,969   |
| Heating sales, GWh                     | 6,267    | 5,688    | 5,003    |
| Gas sales, GWh                         | 291      | 280      | 302      |
| Cooling sales, GWh                     | 292      | 181      | 137      |
| Operating profit                       | 1,961    | 1,644    | 1,899    |
| Profit after financial items           | 821      | 339      | 759      |
| Gross margin, %                        | 36.5     | 30.6     | 34.5     |
| Operating margin, %                    | 21.2     | 17.1     | 21.3     |
| Profit margin, %                       | 8.9      | 3.5      | 8.5      |
| Operating interest coverage ratio      | 2.96     | 2.26     | 2.69     |
| Interest coverage ratio                | 1.54     | 1.23     | 1.60     |
| Cash flow from current operations      | 2,231    | 1,769    | 2,044    |
| Net investments excluding acquisitions | 702      | 1,369    | 1,355    |
| Cash flow after investment activities  | 2,876    | -1,644   | -796     |
| Balance sheet total                    | 70,853   | 74,575   | 70,547   |
| Equity capital                         | 24,065   | 23,857   | 23,946   |
| Equity/assets ratio, %                 | 35.3     | 33.3     | 35.3     |
| Net debt                               | 29,209   | 30,714   | 28,609   |
| Net debt / equity ratio                | 1.17     | 1.24     | 1.15     |

| <b>Change in equity capital</b> | Sept   | Sept   | Full year |
|---------------------------------|--------|--------|-----------|
| SEK M                           | 2001   | 2000   | 2000      |
| Amount at start of year         | 24,273 | 24,112 | 24,112    |
| Dividends                       | -800   | -500   | -500      |
| Translation differences         | 5      |        |           |
| Profit for the period           | 587    | 245    | 661       |
| Amount at end of period         | 24,065 | 23,857 | 24,273    |