

Interim report January-September 1999

Steady improvement in Birka Energi's performance

- Sales volumes of heating remain stable despite the warm weather
- Cooling sales continue to climb
- Electricity sales volumes hold steady
- Electricity prices still low
- Interest rates historically low
- Financing drive underway

Acquisitions

- Holding in Ekerö Energi increased to 79%
- Holding in Ockelbo Kraft increased to 86%

The third quarter of 1999 saw Birka Energi continuing to show stable profit growth relative to last year. Sales volumes and margins rose despite the warm weather and tougher competition in the deregulated electricity market. Lower costs and the continued expansion of the group's heating and cooling operations contributed to this growth. The group's results were also boosted by historically low interest rates.

Acquisitions and restructuring

Birka Energi is continuing to play an active role in the restructuring of the Nordic power market and has acquired shares in Ekerö Energi from Ekerö Municipality during the year. The company subsequently made a public offer for Ekerö Energi and now has a 79% holding. The autumn brought the acquisition of additional shares in Ockelbo Kraft AB, increasing the company's holding to 86%.

The third quarter saw Birka Energi selling 9% of Birka Service AB and 35% of subsidiary Birka Teknik & Miljö AB to the Fortum group.

Financial performance

The following includes pro forma figures for 1998 for comparative purposes. The pro forma accounts have been prepared largely to take account of the amortisation of surplus values etc and of interest payable on loans in connection with the merger. No adjustments have been made to take account of the impact of anticipated synergies on earnings.

Net sales during the period totalled SEK 8 901 million (8 544).

Electricity sales volumes for the first nine months fell by just over 2% to 17 969 GWh (18 393). Lower electricity prices resulted in a slight drop in income from electricity sales, though an increase in hydroelectric power (HEP) output, along with lower costs in areas such as property tax on HEP, meant that profit was higher than last year in this area. Nuclear power output was lower than normal on account of the summer coast-down and longer audit periods. Birka Energi's net power purchases, via the power exchange and bilateral contracts, totalled 2 522 GWh during the period.

Despite the warm weather, extra sales meant that Birka Energi managed to sell 85 GWh more heating in the first nine months than during the same period in 1998. Sales for the period totalled 5 003 GWh (4 918), while cooling sales amounted to 137 GWh (80).

The group's operating profit rose to SEK 1 899 million (1 530) and its operating margin to 21.3% (17.9%). This increase was largely attributable to Birka Värme, Birka Kraft and Birka Marknad.

Profit after net financial items rose to SEK 759 (283) million, and the group's financial items were SEK 107 million better than last year, despite the loans raised in connection with the merger. Falling market rates have translated into lower interest charges than last year.

Investments

The group's total net investments, excluding acquisitions, amounted to SEK 1 355 million (1 469), with most of the investments focusing on subsidiaries Birka Nät and Birka Värme. In the case of Birka Nät, these related primarily to reinvestment in the existing network, while the investments at Birka Värme related mainly to the expansion of the heating and cooling operations. A total of SEK 775 million was spent on acquisitions.

Cashflow and financing

The group generated a net cash inflow from operating activities of SEK 2 233 million and a net outflow after investing activities of SEK 607 million.

The group's net interest-bearing liabilities rose SEK 206 million during the period to SEK 29 680 million, including pension liabilities, on 30 September 1999. The equity/assets ratio held steady at 35.3%.

1999 has brought a drive to refinance Birka Energi's interest-bearing liabilities. The group invited both Moody's and Standard & Poor's to give it a credit rating, resulting in a Baa1 from Moody's and a BBB+ from Standard & Poor's. Several major loan programmes got off the ground during the year. May saw several banks cooperating on the medium-term note (MTN) programme, which has a framework of SEK 5 000 million and allows Birka Energi to issue new notes at any point. In June Birka Energi also set up a programme allowing the group to issue commercial paper for up to a total of SEK 5 000 million. The group has successfully issued notes and commercial under the above programmes to the tune of just over SEK 2 500 million and SEK 3 000 million respectively. Birka Energi has also set up a global MTN programme for EUR 1 000 million, under which it issued debentures for EUR 500 million to major investors during October. These have been listed on the stock exchange in London.

Consolidated profit and loss account

<i>SEK million</i>	Pro forma		
	Jan-Sep 1999	Jan-Sep 1998	1998
Net sales, excluding energy tax	8 901	8 544	12 686
Other operating income	389	544	501
Operating costs	-6 219	-6 433	-9 260
Depreciation and write-downs of fixed assets	-1 225	-1 152	-1 475
Share in associated companies' profits	53	27	41
Operating profit	1 899	1 530	2 493
Financial income	130	334	191
Financial costs	-1 270	-1 581	-1 620
Profit after financial items	759	283	1 064
Profit in subsidiaries before acquisition	-		-496
Profit before tax	759	283	568
Minority interests	-2	-5	-3
Tax	-211	-79	-168
Net profit for the period	546	199	397

Consolidated balance sheet

<i>SEK million</i>	30/09/99	31/12/98
Assets		
Fixed assets	66 280	64 435
Current assets	3 751	3 981
Liquid assets	516	513
Total assets	70 547	68 929
Shareholders' equity and liabilities		
Shareholders' equity	23 946	23 397
Minority interests	960	939
Provision for deferred taxes	9 889	9 421
Other provisions	1 358	1 420
Interest-bearing liabilities	31 078	30 552
Non-interest-bearing liabilities	3 316	3 200
Total shareholders' equity and liabilities	70 547	68 929

Consolidated cash flow analysis

SEK million

Jan-Sep 1999

Operating activities

Cash flow before change in working capital	2 044
Change in working capital	189
Cash flow from operating activities	2 233

Investing activities

Acquisitions and net investment in other financial fixed assets	-1 485
Net investment in tangible fixed assets	-1 355
Cash flow from investing activities	-2 840

Financing activities

Change in loans and other long-term liabilities	603
Cash flow from financing activities	603

Net change in liquid assets	-4
------------------------------------	-----------

Further information is available from:

Tomas Bruce (President and CEO), tel +46 8 671 7960 or +46 70 771 7960

Lars-Håkan Ellenius (Vice President Finance and CFO), tel +46 8 671 7969 or +46 70 727 0386

Merril Boman (Vice President Communications), tel +46 8 671 7951 or +46 70 590 7975

This report has not been reviewed by Birka Energi's auditors.