

*Birka Energi Interim Report, Jan-June 2000*

- *Mild winter*
- *Continuing strong pressure on electricity prices*
- *Further acquisitions in heating and electricity sales*
- *Decision on disposal of property*

SEK m	2000-06-30	1999-06-30	Pro forma 1998-06-30
Net turnover	7,041	6,649	6,389
Operating profit	1,394	1,775	1,337
Profit after financial income and expense	555	1,038	511
Operating margin, %	19.8	26.7	20.9

**Continuing strong pressure on prices in the Swedish electricity market**

The pressure on electricity prices and the mild winter, together with rising interest rates in the market, have reduced Birka Energi's profit to the same level as in the first half of 1998. The long-term strategy for growth in heating and electricity distribution and electricity sales remains in place.

**Financial performance**

Business conditions during the second quarter have continued to be characterised by mild weather, stiffening competition and price pressure in the electricity market.

The Group's net turnover after the second quarter is slightly higher than in the previous year, amounting to SEK 7,041 million (6,649). The acquisition of further electricity sales and heating businesses has contributed to the increase in turnover.

Total sales of electricity during the period amounted to 12.4 TWh (12.7). In-house power production was 10.8 TWh (11.7). Both nuclear power production and hydroelectric power production were lower than in the previous year, and the Group accordingly purchased more power, 3.3 TWh (2.3) in total, via bilateral contracts and on the Nord Pool power exchange. The low electricity prices during the year also led to the increased use of electricity, 1.0 TWh (0.7), for heating production. Total electricity turnover, including own consumption for heating production, amounted to 14.1 TWh (14.0).

The water level in the reservoirs was comparable with a normal year at the end of June and slightly higher than in the previous year. During July, the high rainfall in Birka Energi's catchment areas resulted in the water level in the reservoirs being 93%, which is 6% higher than it was at the same time the previous year.

Heating sales amounted to 4.8 TWh (4.5). The second quarter was also characterised by mild weather. Heating sales accordingly took place at a lower level than normal. Income is slightly higher than in the previous year, however, thanks to the continuing expansion. The heating business accounted for 30% of the Group's operating profit up to the month of June.

Sales of cooling continue at a sound level and increased by 50% during the period compared with the previous year's sales. Cooling sales amounted to 100 GWh (66).

Sales of gas fell compared with the previous year to 210 GWh (235). This is explained mainly by the ongoing discarding of gas cookers and by the fact that the mild weather during the first half of the year generated lower earnings for heating from domestic/property customers.

The operating profit for the Group was SEK 381 million lower than in the previous year. Stiffening competition in electricity sales and the low and continuously falling price level for electricity caused the margins in the electricity sales sector to come under pressure. On top of this, the mild first half of the year resulted in lower profits for the heating division.

Net financial income/expense amounted to SEK –839 million (–737). Because of higher market interest rates and higher borrowings in conjunction with acquisitions, the Group's net financial expenses are SEK 102 million poorer than in the previous year.

Profit after financial income and expense was SEK 555 million (1,038), a decrease of SEK 483 million compared with the previous year. Of this decrease, SEK 381 million can be attributed to the business itself and SEK 102 million to financing activities.

## Acquisitions and sales

		Company/Business	Interest	Activity
Jan	Acquisition	Blåsjön Kraft AB	Customer contracts	Electricity sales
Jan	Acquisition	Ljusdal Energi Försäljning AB	50%	Electricity sales
Feb	Acquisition	Arvika Energi AB	100%	Electricity sales, power production
Mar	Sale	Gulsele AB	31.7%	Hydroelectric power production
May	Acquisition	Hammarby Flis AB	100%	District heating
May	Acquisition	Sigtuna Energi AB	100%	Power distribution, district heating
May	Acquisition	Brista Kraft AB	100%	Electricity sales, power production, district heating
May	Acquisition	District heating business from the Municipality of Upplands Väsby	100%	District heating
May	Acquisition	Energy Securities Europe AB	91.7%	Financial power trading
June	Acquisition	Stora Enso Energys Regional Network	100%	Power distribution

Birka Energi continues to take advantage of the restructuring of the energy market in order to reinforce and refine the structure of the business itself and its range of services. The acquisition of electricity sales, and electricity and district heating distribution businesses in conjunction with its own existing networks, is increasing the company's customer base and its opportunities for greater efficiency. This is also contributing to a better structure in the Swedish energy market.

In addition to the acquisitions above, an agreement has been entered into in respect of the acquisition of all the remaining shares in Energy Securities Europe AB. The company provides financial energy-trading solutions for major customers. Birka Energi has owned 91.7% of the company since May this year and will own 100% of the company after the latest acquisitions.

### Cash flow and financing

SEK m	2000-06-30	1999-06-30	1999-12-31
Balance sheet total	74,752	70,221	72,436
Equity capital	24,527	24,134	24,112
Interest-bearing net loan liabilities	31,439	29,684	29,726
Equity/assets ratio, %	34.1	35.7	34.7

The cash flow from current operations amounted to SEK 1,786 million (1,283). The lower result compared with the previous year was countered by the smaller amount of capital tied up in working capital.

The Group's total net investments in tangible fixed assets excluding company acquisitions amounted to SEK 887 million (886) for the period. The greater part of these investments was undertaken in the Birka Värme and Birka Nät subsidiaries. Birka Värme's investments for the most part relate to expansion in the heating and cooling businesses. The investments in network activities are essentially in the form of reinvestments in the existing networks. Investments in the acquisition of subsidiaries amounted to SEK 2,155 million (764). During the period, the Group sold 31.7% of its shares in Gulsele AB to Fortum.

Cash flow after investments amounted to SEK –1,053 million (– 441). Compared with the same period in the previous year, cash flow was affected by the acquisitions that took place during the second quarter.

The balance sheet total increased compared with the previous year as a result of the company acquisitions that took place during the latter part of 1999 and through the expansive level of investment in the district heating business and acquisitions during the second quarter of 2000. The balance sheet total has increased by SEK 2,316 million since the beginning of the year.

A decision has been taken to dispose of office premises to an estimated net value of around SEK 500 million. Other assets, such as minority holdings in peripheral power stations and isolated, small network sectors, may also be sold off.

Shareholders' equity amounted to SEK 24,527 million. A dividend of SEK 500 million has been approved but not yet issued. Interest-bearing net loan liabilities amounted to SEK 31,439 million, which corresponds to an increase of SEK 1,713 million since the beginning of the year.

Stockholm, August 2000

Tomas Bruce  
President and CEO

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### Profit and loss statement

SEK m	Jan-June 2000	Jan-June 1999	Jan-Dec 1999
Net turnover excluding selective taxes	7,041	6,649	12,702
Other operating incomes	196	255	560
Operating expenses	-4,985	-4,369	-9,063
Depreciation and write-downs	-905	-794	-1,694
Profit from participation in associated companies	47	34	84
<b>Operating profit</b>	<b>1,394</b>	<b>1,775</b>	<b>2,589</b>
Financial income	90	86	185
Financial expense	-929	-823	-1,660
<b>Profit after financial income and expense</b>	<b>555</b>	<b>1,038</b>	<b>1,114</b>
Minority share	-1	-4	1
Tax	-139	-297	-400
<b>Profit for the period</b>	<b>415</b>	<b>737</b>	<b>715</b>

### Balance sheet

SEK m	2000-06-30	1999-06-30	1999-12-31
<b>Assets</b>			
Fixed assets	70,054	65,590	66,932
Current assets	4,259	4,336	4,837
Liquid assets	439	295	667
<b>Total assets</b>	<b>74,752</b>	<b>70,221</b>	<b>72,436</b>
<b>Equity capital and liabilities</b>			
Equity capital	24,527	24,134	24,112
Minority interest	993	937	999
Allocation for latent tax liability	10,508	9,957	10,363
Other allocations	1,226	1,422	1,346
Interest-bearing debt	33,330	30,856	31,966
Non-interest-bearing liabilities	4,168	2,915	3,650
<b>Total equity capital and liabilities</b>	<b>74,752</b>	<b>70,221</b>	<b>72,436</b>

### Cash flow statement

SEK m	Jan-June 2000	Jan-June 1999	Jan-Dec 1999
<b>Current operations</b>			
Cash flow before changes in working capital	1,535	1,918	2,904
Change in working capital	251	-635	-601
<b>Cash flow from current operations</b>	<b>1,786</b>	<b>1,283</b>	<b>2,303</b>
<b>Investment activities</b>			
Acquisitions	-2,155	-764	-1,049
Sale of subsidiaries	427		
Net investment in tangible fixed assets	-887	-886	-2,116
Net investment in other fixed assets	-224	-74	-411
<b>Cash flow from investment activities</b>	<b>-2,839</b>	<b>-1,724</b>	<b>-3,576</b>
<b>Financing activities</b>			
Loans raised and amortisations-net	824	218	1,428
<b>Cash flow from financing activities</b>	<b>824</b>	<b>218</b>	<b>1,428</b>
<b>Net change in liquid assets</b>	<b>-229</b>	<b>-223</b>	<b>155</b>

This report has not been the subject of special review by the Group's auditors.

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