

Press release (code 663907)

Birka Energi year-end report 2000

- Significant improvement in fourth quarter profits compared with 1999
- Substantial hydroelectric power production and deregulated nuclear power
- Upward trend in power prices, both bulk and end-customer electricity prices
- Record temperatures reduced expected income from district heating
- Good new sales of district heating and cooling
- Entire Birka Group ISO 14001 certified
- Diversity and Integration prize to Birka Energi

SEK m	31/12/00	31/12/99	Pro forma 31/12/98
Net turnover	13,420	12,702	12,686
Operating profit	2,638	2,589	2,397
Profit after financial items	975	1,114	782
Operating margin, %	19.7	20.4	18.9

Significant improvement in fourth quarter profits

During the fourth quarter, the company's profits showed an improvement of SEK 281 million compared with 1999. Pressure on electricity prices and a mild winter led to a significant decrease in operating profit for the first half of the year. During the second half of the year, and the fourth quarter in particular, there was a recovery in the level of profits. The greatest improvement was due to a combination of increased hydroelectric power production and reduced purchasing of partly owned nuclear power. Birka Energi has also received SEK 179 million in pension repayments (SPP refunds), of which 144 million was received during the last quarter.

The year was characterised by stiff competition and continued price pressure in the electricity market. Nord Pool, the Nordic electricity exchange, periodically noted significant differences in electricity prices between Sweden and Norway. Spot prices in Sweden were periodically higher than the system price, which affected the Group's power division positively. At the same time, however, the electricity sales business met with an increase in the costs of power purchases, which, due to continued pressure on end-customer prices, could not be passed on to the customers. Nevertheless, for the Group as a whole, the effect of the price differences on profits was in fact marginal.

Towards the end of the year, prices in the power market began to rise, both for spot and forward prices. After three years of falling prices, the prices to end-customers in Sweden have also begun to show an upward trend.

Following the exceptional precipitation and inflow during the spring, summer and autumn, the availability of hydroelectric power was at record levels whilst nuclear power production was

lower than the previous year. Birka Energi's ownership-related costs for nuclear power production fell as a result of reduced purchasing of nuclear power.

Temperatures in the Stockholm region were at a record high during the most important times of the year in terms of heating, i.e. during the first and fourth quarter. As a result, the volume of district heating sales was considerably lower than expected. New sales of district heating and cooling developed well over the year.

Successful certification and excellence for integration

During only its second year of activity, the Birka Energi Group has already become ISO 14001 certified for its environmental management system. Birka Energi is thus the first entire energy group in the Nordic countries and amongst the first in the world to be environmentally certified.

The company was also awarded a prize for its work on ethnic diversity and integration. The Board for Diversity in the Workplace, consisting of SAF, LO and TCO amongst others, chose Birka Energi as the first ever recipient of "The Board's Accolade for forward-thinking work on diversity".

Financial performance

The Group's net turnover at the end of the fourth quarter is slightly higher than in the previous year at SEK 13 420 million (12 702). The acquisitions this spring of electricity sales, network and heating businesses contributed to the increase in turnover.

The Group's total sales of electricity during the period amounted to 24.8 TWh (24.0). The increase in sales is the net effect of increased sales to customers of 1.1 TWh and reduced sales of physical power on the power exchange of 0.3 TWh. Birka Energi's own power production amounted to 21.5 TWh (21.3), of which hydroelectric power accounted for 12.4 TWh (10.5) and nuclear power production for 8.2 TWh (9.8). The Group's total electricity turnover, including own consumption for heating production and coverage of distribution losses, amounted to 27.9 TWh (26.5).

Heating sales amounted to 8.1 TWh (7.5). The mild year resulted in a lower volume of sales than expected. The sales volume has nevertheless increased compared with the previous year, thanks to acquisitions made during the period. New sales of heating within existing network areas were also sound. Rising oil prices during the year led to a rise in heating prices at the end of the year.

Sales of cooling continued to remain at a good level and amounted to 219 GWh (192). New sales of cooling for the year exceeded expectations. Overall, the associated effect for the year was in an increase from 143 MW to 214 MW, an increase of almost 50%.

Sales of gas dropped to 381 GWh (399) compared with the previous year. This is mainly due to the mild weather, which resulted in a reduction in the amount of gas supplied for heating.

The electricity distribution business was reinforced during the year by the acquisition in June of Stora Enso Energy's regional network in Dalarna. Distributed volume amounted to 29.6 TWh (26.3), representing a 12.5% increase compared with the previous year.

The operating profit for the Group was SEK 2 638 million, which is some 49 million better than the previous year. Stiffening competition in electricity sales, with low and gradually falling price level, has put pressure on electricity sales margins. In addition, the heating division has a lower operating profit due to the lower than expected sales of temperature-dependent heating. The operating profit includes SEK 179 million refunded from SPP.

Net financial items for the Group amounted to SEK –1 663 million (–1 475). Increased borrowing in conjunction with acquisitions and higher market interest rates than the previous year had a negative effect on the net financial items of SEK 188 million.

The profit after financial items was SEK 975 million (1 114), representing a decrease of SEK 140 million compared with the previous year.

Acquisitions and sales

During the year, the Group continued to take part in the restructuring of the energy market in order to reinforce and refine the structure of both the business itself and its range of services. The acquisition of electricity sales, along with electricity and district heating distribution businesses connected to its own existing networks, increases the company's customer base and opportunities for greater efficiency. The following acquisitions and sales were undertaken during the year:

		Company/business	Share	New share	Activity
Jan	Acquisition	Customer contracts from Blåsjön Kraft AB	-	50%	Electricity sales
Jan	Acquisition	Ljusdal Energi Försäljning AB	50%	50%	Electricity sales
Feb	Acquisition	Arvika Energi AB	100%	100%	Electricity sales & power production
Feb	Acquisition	Värmlands Värme AB	30%	100%	District heating
Mar	Sale	Gulsele AB	31.7%	18.3%	Hydroelectric power production
May	Acquisition	AB Hammarbyflis	100%	100%	District heating
May	Acquisition	Sigtuna Energi AB	100%	100%	Power distribution & district heating
May	Acquisition	Brista Kraft AB	100%	100%	Electricity sales & district heating
May	Acquisition	District heating business from the Municipality of Upplands Väsby	-	-	District heating
May	Acquisition	Energy Securities Europe AB	63.2%	91.7%	Financial power trading
June	Acquisition	Stora Enso Energy's regional network	-	-	Power distribution
July	Acquisition	Energy Securities Europe AB	8.3%	100%	Financial power trading
Oct	Sale	Östernärkes Kraft AB	47%	0%	Power distribution
Nov	Sale	Sigtuna Energi AB	100%	0%	Power distribution
Dec	Sale	ABB Energy Information System AB	25%	0%	IT

Acquisitions that took place during the year worthy of particular mention are those of Stora Enso Energy's regional network in Dalarna and the acquisition of electricity sales and heating distribution businesses in Sigtuna and Upplands Väsby through the acquisition of Brista Kraft AB.

In addition to the above acquisitions, the Group increased its share in Ockelbo Kraft AB and Ekerö Energi AB during the year. At the end of the year, the share amounted to 96% and 79.5% respectively.

There is an ongoing overhaul of the Group's assets, which prompted the disposal of certain minority-owned assets in order to further refine the business and simultaneously reduce debt. During the year, disposal of business has mainly taken place within the areas of power production and electricity distribution. A decision has been reached regarding the disposal of office premises, to the estimated value of SEK 500 million. Other assets, such as minority holdings in peripheral power plants or isolated and small power distribution network areas, may be sold off.

Cash flow and financing

SEK m	31/12/00	31/12/99	31/12/98
Balance sheet total	74,190	72,436	68,929
Equity capital	24,273	24,112	23,397
Interest-bearing net loan liabilities	31,332	29,726	28,405
Interest-bearing net liabilities	32,307	30,738	29,474
Equity/assets ratio, %	34.0	34.7	35.3

Cash flow from current operations for the year amounted to SEK 3 406 million (2 303). The improvement on the previous year is largely a result of the lower amount tied up in working capital. The Group's total net investments in intangible and tangible fixed assets, excluding company acquisitions, amounted to SEK 2 238 million (2 185). The greater part of these investments was undertaken within Birka Värme and Birka Nät. Birka Värme's investments relate mainly to expansion within the heating and cooling businesses. The investments in network activities are essentially in the form of reinvestments in already existing networks. Investments in acquisitions of subsidiaries amounted to SEK 1 945 million (1 049) and income from sales of subsidiaries amounted to SEK 490 million (32).

Cash flow after investments amounted to SEK –755 million (–1 335). Compared with the same period in the previous year, cash flow was affected by the acquisitions that were undertaken during the second quarter.

The balance sheet total, amounting to SEK 74 190 million (72 436), has increased compared with the previous year. This increase is the result of the expansive level of investment in the district heating business and major acquisitions during the second quarter of 2000. Since the beginning of the year, the balance sheet total has increased by SEK 1 754 million.

Equity capital amounted to SEK 24 273 million (24 112). Interest-bearing net loan liabilities amounted to SEK 31 332 million (29 726), representing an increase of SEK 1 606 million since the beginning of the year. On average, these liabilities were approximately SEK 1 500 million higher than 1999. The increase in liabilities is mainly a result of the acquisition of Brista Kraft and Stora Enso Energy's regional network in Dalarna.

Stockholm, February 2001

Tomas Bruce
CEO

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

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Year-end report 2000**Birka Energi Group****Profit and loss statement**

SEK m	2000	1999	Pro forma 1998	1998
Net turnover excluding selective tax	13,420	12,702	12,686	12,686
Other operating income	428	560	501	501
Operating expenses	-9,369	-9,063	-9,282	-9,260
Depreciation and write-downs	-1,932	-1,694	-1,549	-1,475
Profit from participation in associated companies	91	84	41	41
Operating profit	2,638	2,589	2,397	2,493
Financial income	349	185	191	191
Financial expenses	-2,012	-1,660	-1,806	-1,620
Profit after financial items	975	1,114	782	1,064
Profit of subsidiaries before acquisition				-496
Minority shares	-2	1	-7	-3
Tax	-312	-400	-232	-168
Profit for the year	661	715	543	397

Balance sheet

SEK m	31/12/00	31/12/99	31/12/98
Assets			
Fixed assets	68,989	66,932	64,435
Current assets	4,724	4,837	3,981
Liquid resources	477	667	513
Total assets	74,190	72,436	68,929
Equity capital and liabilities			
Equity capital	24,273	24,112	23,397
Minority interest	959	999	939
Allocation for latent tax liability	9,829	10,363	9,421
Other allocations	1,043	1,346	1,420
Interest-bearing debt	33,784	31,966	30,552
Non-interest-bearing liabilities	4,302	3,650	3,200
Total equity capital and liabilities	74,190	72,436	68,929

Cash flow statement

SEK m	2000	1999
Current operations		
Cash flow before changes in working capital	2,786	2,904
Change in working capital	620	-587
Cash flow from current operations	3,406	2,317
Investment activities		
Acquisitions	-1,945	-1,049
Sale of subsidiaries	490	32
Net investment in intangible and tangible fixed assets	-2,238	-2,185
Net investment in other fixed assets	-468	-450
Cash flow from investment activities	-4,161	-3,652
Financing activities		
Loans raised and amortisations - net	917	1,490
Dividend	-500	
Cash flow from financing activities	417	1,490
Net change in liquid resources	-338	155