



Interim report for Graninge AB (publ) January – September 2001

- *Net sales for the period January-September totalled MSEK 1,625, a decrease of 27 per cent attributable to the sale of Forest & Timber operations.*
- *Profit before tax is reported at MSEK 521, down more than 30 per cent. The year-earlier figure included non-recurring items of MSEK 463. Excluding these, profit rose by over 70 per cent.*
- *High production in the hydropower plants. Production in the third quarter alone reached 1,124 GWh, which is 65 per cent more than normal.*
- *The new biomass fired co-generation plant in Finland is ready to go into commercial operation. Graninge owns 19.9 per cent of the plant, corresponding to a capacity of more than 50 MW.*

Income and profit

The Group's net sales for the first nine months of the year amounted to MSEK 1,625 (2,212), down 27 per cent compared with the corresponding period of last year. The decrease is attributable to the sale of the Group's forest properties, forestry operations and sawmills to Scaninge Holding AB at mid-year 2000. For comparable units – now comprising electricity, network and district heating operations – net sales improved by 4 per cent.

Profit after net financial items is reported at MSEK 521 (764), which represents a decrease of 32 per cent. The year-earlier figure included refunded pension premiums from the insurance company SPP and a capital gain on the sale of the Group's forestry operations, a total of MSEK 463. Excluding these non-recurring items, profit improved by 73 per cent.

This earnings growth is mainly a result of high production in the hydropower plants, energy that could be sold at significantly better prices than in 2000.

Graninge reduced its stake in Scaninge during the spring by selling off shares in the company. The sale gave rise to a loss in the Parent Company. However, the loss is tax deductible, which means that profit for the year will not be subject to taxation.

The period's profit corresponds to earnings per share of SEK 7.85 (10.00) including tax effects and non-recurring items.

The operating margin, i.e. profit after depreciation in relation to sales, for the period was 37 (19) per cent. Over the past 12-month period, return on capital employed was 11 (8) per cent and return on equity was 14 (18) per cent.

In the third quarter the Group reported net sales of MSEK 412 (443) with a profit after net financial items of MSEK 156 (77). In the figure for the year 2000 are non-recurring items not included.

Electricity operations – earnings doubled

The Group's electricity operations consist of power production in Sweden and Finland, sales of electricity, other energy and energy services to end-users in both of these countries, as well as management and trading of electricity derivatives.

Net sales in electricity operations during the period January-September amounted to MSEK 892 (903), on par with the preceding year.

Operating profit after depreciation is reported at MSEK 408 (198), up more than 100 per cent on the corresponding period of 2000.

The Group's total electricity sales declined by 2 per cent to 4,363 (4,467) GWh. Deliveries to end-users outside the Group amounted to 3,209 (3,390) GWh, which is 5 per cent less than in the same period of last year. The decrease should be seen in light of intense competitive pressure in the electricity market. This pressure appears to have eased somewhat and margins have improved, particularly in the household segment.

Production in the Group's hydropower plants amounted to 2,942 (2,556) GWh, which is 33 per cent more than normal.

In addition to well-filled reservoirs and comparatively high run-off at the beginning of the year, the summer was exceptionally rainy in the Swedish mountains with run-off far above the normal level. Production in the third quarter alone amounted to 1,124 (945) GWh, 65 per cent more than normal.

Spot market prices were forced up to high levels early in the year. In response to a meagre supply of snow, the Norwegians have been forced to begin importing power. Prices continued to rise until the summer but have fallen back somewhat since then. However, prices are still significantly higher than in the preceding year, especially when denominated in SEK. All prices in the spot market are quoted in NOK and the Norwegian krone has strengthened by close to 15 per cent in the past year.

Forward prices have also risen, particularly with regard to the coming year.

At the beginning of the year Gräninge had not sold any significant share of production on forward contracts, which meant that the increasingly high spot prices had an immediate impact on profit.

The operating margin for the period was 46 (22) per cent and return on capital employed was 13 (6) per cent.

Net sales for the third quarter totalled MSEK 249 (244) and profit after depreciation was MSEK 157 (46).

Network operations – higher volumes, stronger earnings

The Group's network operations include management, operation and maintenance of local power transmission networks. The networks are concentrated in three regions of Sweden and one in Finland. In addition, there are several smaller overlying regional networks in Sweden and Finland. The networks in the Stockholm area are showing particularly strong growth.

Net sales in network operations during the period January-September reached MSEK 556 (511), up 9 per cent on the preceding year.

Profit after depreciation is reported at MSEK 182 (153), an increase of 19 per cent. The improvement in earnings is attributable to increased transmission on both local and regional networks, but should also be seen in view of the fact that the second quarter of last year was charged with comparatively high maintenance costs. In 2001, these costs have been more evenly distributed throughout the year.

The increased transmission on local networks should be seen against the background of an unusually warm winter of 1999/2000. On the whole, transmission on local networks during January-September rose by 7 per cent to 2,434 (2,267) GWh. The transmission network in Upplands Väsby, which is consolidated in the Group as of 1 July, accounted for 50 GWh of the increase.

A total of 2,220 (2,018) GWh was transmitted on the Group's regional networks as a result of high production in the hydropower plants connected to the grid.

The operating margin for the period was 33 (30) per cent and return on capital employed is reported at 11 (9) per cent.

Net sales for the third quarter amounted to MSEK 164 (152) and profit after depreciation was MSEK 49 (46).

District heating operations – increased deliveries

The Group's district heating operations consist primarily of production and distribution of district heating. The major units include Grange Järfälla Värme and Grange Kalmar Energi, each of which accounts for deliveries in the range of 300 GWh. Grange Värme also handles sales of so-called ready heating, where Grange takes responsibility for fuel supply, operation, maintenance and financing.

Net sales in district heating operations during the period January-September totalled MSEK 283 (251), up 13 per cent on the preceding year.

Profit after depreciation is reported at MSEK 32 (27), an increase of 19 per cent attributable to certain non-recurring income. District heating operations felt the effects of rising oil prices early in the year, since oil is used for peak loads during the winter. However, the tariff adjustments made to cover higher costs will be visible only on a full-year basis.

Deliveries of district heating rose by 10 per cent to 635 (577) GWh, with Grange Järfälla Värme accounting for virtually all of the increase. In addition to the connection of new customers, deliveries of district heating to Birka Energi have increased.

In early June an agreement was signed for the sale of the shares in Graninge Roslags Energi Värme. The transfer of ownership has been postponed until the middle of November. In the mean time the capital gain of MSEK 29 has been reversed, which had a negative effect on profit for the quarter.

The operating margin for the period was 11 (11) per cent and return on capital employed amounted to 6 (5) per cent.

Sales for the third quarter reached MSEK 45 (58) and profit after depreciation was MSEK -17 (-2).

Acquisition – transmission networks and power production

On 1 July Graninge took over the Municipality of Upplands Väsby's power transmission network. The transaction, worth MSEK 191, included 18,000 customers. Graninge has thus strengthened its position in the Stockholm region where the company now has around 115,000 network customers.

As of 1 July, Graninge obtained an additional 130 GWh of hydropower through the acquisition of Birka Energi's shares in Gulsele Kraft AB. The purchase price of MSEK 318 includes a one-year option to purchase power.

An agreement has been signed with Svenska Cellulosa AB SCA for collaboration in the energy area. Under the agreement, Graninge Järfälla Värme will lease a CHP plant adjacent to one of SCA's major production plants. The agreement will give Graninge access to electricity production based on biomass fuel.

Investments and net financial items

The Group's investments during the period January-September totalled MSEK 602 (156). Investments in new plants accounted for MSEK 93 (156), down MSEK 63 on the preceding year. The year-earlier figure included Forest & Timber operations. For comparable units, the decrease was 23 per cent.

Graninge has a 19.9 per cent stake in Finland-based Oy Alholmens Kraft Ab, which has built a biomass-fired co-generation power plant in Jakobstad. The plant, which was synchronised to the national network on 11 July, will begin commercial production on 1 January 2002. The new power plant has an effective output of 240 MW. Graninge's holding carries entitlement to a capacity of 53 MW, as an older 25 MW facility is included in the company. The new power plant has cost a total of MFIM 1,080.

Net financial items are reported at MSEK -81 (-114). Consolidated net debt per 30 September totalled MSEK -2,310, an increase of MSEK 216 compared with the corresponding period of last year.

Sollefteå, 6 November 2001

Lars Enslöf
Managing Director & CEO

**Summary consolidated profit
& loss account**

	July- Sept 2001	July- Sept 2000	January- Sept 2001	January- Sept 2000	Full year 2000
MSEK					
Net sales (excl. power tax)	412	443	1,625	2,212	2,808
Participations in associated companies	-1	-1	-15	4	1
Operating expenses *)	-222	-352	-1,008	-1,801	-2,239
Non recurring items	<u>0</u>	<u>402</u>	<u>0</u>	<u>463</u>	<u>317</u>
Operating profit	189	492	602	878	887
Net financial items	<u>-33</u>	<u>-13</u>	<u>-81</u>	<u>-114</u>	<u>-137</u>
Profit after financial items	156	479	521	764	750
Tax	<u>0</u>	<u>-21</u>	<u>0</u>	<u>-101</u>	<u>-142</u>
Net profit for the period	156	458	521	663	608
*) Operating expenses include planned depreciation of	-56	-52	-166	-188	-236
Earnings per share (66,446,687), SEK	2,35	6,90	7,85	10,00	9,15

Net sales by business area

	July- Sept 2001	July- Sept 2000	January- Sept 2001	JanuaryS ept 2000	Full year 2000
MSEK					
Electricity	249	244	892	903	1,242
Distribution Network	164	152	556	511	699
Heat Supply	45	58	283	251	356
Forest & Timber				613	613
Intra-Group deliveries	-46	-11	-106	-66	-102
The Group	412	443	1,625	2,212	2,808

**Net operating profit by
business area**

	July- Sept 2001	July- Sept 2000	January- Sept 2001	January- Sept 2000	Full year 2000
MSEK					
Electricity	157	46	408	198	282
Distribution Network	49	46	182	153	215
Heat Supply	-17	-2	32	27	43
Forest & Timber			-20	37	30
Non-recurring items		402		463	317
The Group	189	492	602	878	887

Summary consolidated balance sheet

MSEK	30/09/2001	30/09/2000	31/12/2000
Assets			
Fixed assets	8,600	8,422	8,297
Bank deposits and short-term investments	201	104	98
Other current assets	768	722	796
<i>Total assets</i>	<i>9,569</i>	<i>9,248</i>	<i>9,191</i>
<i>Shareholders' equity, provisions and liabilities</i>			
Shareholders' equity	5,030	4,842	4,795
Minority interests	10	10	10
Provisions	65	80	72
Deferred tax	1,424	1,436	1,446
Long-term liabilities	1,272	1,776	1,871
Interest-bearing current liabilities	1,241	425	573
Other current liabilities	527	679	424
<i>Total shareholders' equity and liabilities</i>	<i>9,569</i>	<i>9,248</i>	<i>9,191</i>

Shareholders' equity

MSEK	30/09/2001	30/09/2000
Opening balance	4,795	4,261
New capital issue		110
Dividend	-286	-219
Increase in shareholders' equity through restructuring		27
Net profit for the period	521	663
Closing balance	5,030	4,842

Cash flow statement

MSEK	January-September 2001	January-September 2000	Full year 2000
Cash flow from operating activities before change in working capital	398	626	585
Cash flow from change in working capital	-53	238	91
Cash flow from operation activities	345	864	676
Cash flow from investing activities	-464	1,187	1,428
Cash flow from financing activities	222	-2,107	-2,166
Increase in liquid assets	103	-56	-62

Key ratios

	January- September 2001	January- September 2000	Full year 2000
Equity ratio, %	53	52	52
Equity per share, SEK	76	73	72
Return on capital employed, %	11	8	8
Return on shareholders' equity, %	14	18	13

This interim report is established in accordance to Redovisningsrådet's recommendation RR 20 Interim report. From the interim report first quarter 2001 follows the new recommendations from Redovisningsrådet:

- RR 9 Income taxes
- RR 11 Incomes
- RR 12 Tangible assets
- RR 18 Earnings per share

In other respects this interim report is established in accordance with the accounting principles the Annual report. The transitional regulations for the new recommendations have been used, which means that some comparative figures have been adjusted. The change in accounting principles have had an effect on shareholder's equity amounting to -116 MSEK.

Key ratios have been calculated in accordance with recommendations issued by the Swedish Society of Financial Analysts.

Financial information

Year-end report for 2002 19 February 2002

This report has not been subject to special examination by the Company's auditors.

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