



# **GRANINGE**

## **Year-end report for 2001**

- Sales were down 10 per cent to MSEK 2,538 (2,808), a decrease attributable to the sale of the Group's forest land, forestry operations and sawmills at mid-year 2000.
- Profit before tax, excluding non-recurring items, rose 67 per cent.to MSEK 716.
- Profit after tax corresponds to earnings per share of SEK 10.80 (9.15).
- The year's acquisitions included an additional 18 per cent of the shares in Gulsele Kraft and the transmission network in Upplands Väsby.
- The Board proposes that the shareholders be paid a dividend of SEK 5.50 (4.30) per share, of which SEK 2.00 (1.00) per share comprises a bonus.

## **Changed Group structure**

In 2000, Graninge AB (publ) – Graninge – formed Scaninge Holding AB together with Svenska Cellulosa AB SCA. The company acquired the Graninge Group's forest holdings, forestry operations and sawmills and purchased sold 150,000 hectares of productive forest and one sawmill from SCA.

In order to improve profitability, Scaninge's forestry operations and sawmills were coordinated with corresponding operations in SCA during the year. At the same time, Graninge was given the opportunity to sell its shares in Scaninge for MSEK 70. As part of the agreement, Graninge has subscribed for new shares for a small price. The new shares entitle Graninge to around 40 per cent of the share capital and 50 per cent of the votes in the company. SCA has the right – but not the obligation – to redeem Graninge's shares at par value by the end of 2008.

The sale of the shares in Scaninge did not affect the Group's profit, but gave rise to a loss of MSEK 720 in the Parent Company. However, because the loss is tax deductible, profit for 2001 will be essentially free from taxation. One consequence of the agreement is that Scaninge is no longer reported as an associated company in the Graninge Group. All in all, Graninge has obtained close to MSEK 2,400 after tax for its forest properties, forestry operations and sawmills.

## **Consolidated income and profit**

The Group's net sales after power tax amounted to MSEK 2,538 (2,808), down 10 per cent on the preceding year. The decrease is a result of the Scaninge transaction. Sales in the Group's power and energy operations rose by 16 per cent due to acquisitions and leased facilities.

Profit after net financial items is reported at MSEK 721 (750), which is 4 per cent lower than in 2000. However, the year-earlier figure included non-recurring items of MSEK 317. Excluding these, profit increased by MSEK 288 or 67 per cent.

The Group's reported post-tax profit corresponds to earnings per share of SEK 10.80 (9.15). The year's profit is virtually free from taxation. The tax expense in 2000 was also lower than normal, since the non-recurring items were largely tax-exempt.

The Group's fourth quarter income totalled MSEK 913 (596), an increase of 53 per cent. Profit before non-recurring items and tax was MSEK 200 (132), up 51 per cent on the preceding year.

## **Electricity operations – record production and high prices**

Net sales in electricity operation amounted to MSEK 1,371 (1,242), an improvement of 10 per cent compared with 2000. Profit after depreciation is reported at MSEK 570 (282), 101 per cent better than in 2000.

Production in the Group's hydropower plants reached an all-time high of 3,901 (3,549) GWh, which is 30 per cent more than in a normal year seen over the period 1950-90. The Group has thus set a new record for the second consecutive year. Of this production, the Finnish plants accounted for 348 (345) GWh.

The Group's participations in wholly and partly owned CHP plants, primarily Alholmens Kraft, provided 113 (11) GWh. This brings total production in the Group's wholly and partly owned power plants to 4,014 (3,560) GWh, an increase of 454 GWh or 13 per cent, of which recently added production capacity accounted for 190 (64) GWh.

This unprecedented hydropower production was attributable to unusually high run-off, particularly during the summer and autumn, whereas the spring flood was largely normal.

The production has been sold at high prices compared to the previous year 2000. Prices in both the spot and forward markets were raised at the beginning of the year as a meagre supply of snow in the Norwegian mountains compelled Norway to become a net importer of power.

Deliveries of electricity amounted to 6,085 (6,082) GWh, on a level with 2000. Contract and non-contract customers accounted for 4,587 (4,620) GWh, also on par with the preceding year.

Prices in the end-user segment were raised due to higher spot- and future prices.

Aside from a higher price for raw power, margins have also improved. However, margins in the end-user segment still barely cover the risks faced by electricity sellers in the deregulated market.

Return on capital employed in electricity operations amounted to 14 (7) per cent.

Operating profit in electricity operations during the fourth quarter was MSEK 162 (84), an increase of nearly 100 per cent.

### **Network operations – rising volumes**

Net sales in network operations amounted to MSEK 792 (699) with an operating profit after depreciation of MSEK 247 (215), which is 15 per cent better than in 2000.

Power transmission on the Group's local networks amounted to 3,452 (3,033) GWh, up 14 per cent on the year before. The increase is mainly explained by the addition of the transmission network in Upplands Väsby to the Group at mid-year. For comparable units, the volume grew by 6 per cent as a result of colder weather.

During the year, all network tariffs remained unchanged compared with 2000.

Profit in network operations after depreciation corresponded to a return of 12 (11) per cent on total capital employed.

In the fourth quarter network operations showed an operating profit of MSEK 65 (62).

### **District heating – increased deliveries to customers in existing networks**

Net sales in heating operations amounted to MSEK 520 (356). The increase is mainly attributable to the Group's leasing of a large-scale heating plant. The plant gives Granninge Järfälla Värme access to biofuel-fired electricity, which is exempt from taxation when used for production of heating.

Operating profit after depreciation is reported at MSEK 56 (43), an increase of 30 per cent on the preceding year.

Deliveries of district heating and so-called ready heating amounted to 940 (819) GWh, an increase of 14 per cent compared with the previous year. This includes deliveries of heating to Birka Energi within the framework of a long-term production collaboration aimed at optimising utilisation of the jointly owned plants. Excluding these deliveries, sales rose by 12 per cent to 795 (708) GWh through the connection of new customers to Granninge's various networks.

Tariffs have been raised to cover the rising cost of oil, which is now used only during periods of severe cold.

Profit after depreciation in heating operations corresponded to a return of 7 (6) per cent on total capital employed.

In the fourth quarter of 2001, heating operations reported an operating profit of MSEK 24 (16).

### **More hydropower, more customers**

The Group increased its production capacity during the year. At mid-year an additional 18.3 per cent of the shares in Gulsele AB were acquired for a total of MSEK 318. After the transaction Granninge owns 50 per cent of the company, with annual production of 700 GWh in the Gulsele and Hällby hydropower plants on the Ångerman River.

An agreement was also signed with the Municipality of Upplands Väsby to acquire the transmission network for a price of MSEK 191. The acquisition, which was carried out mid-year, gave Granninge 18,000 new network customers.

After year-end 2001, Granninge acquired all of the shares in Avesta Energi AB for MSEK 18. The company sells electricity to 13,000 households and small businesses primarily in the Municipality of Avesta.

Furthermore, Granninge increased its ownership in the Finland-based distribution company Kainuun Sähkö Oyj. The Group has held 25.6 per cent of the shares since 1997 but has now attained a 50.6 per cent holding after acquiring an additional 24.9 per cent

for MEUR 21 from three small municipalities in Kajanaland. The company sells and distributes electricity to over 55,000 customers in central and eastern Finland, as well as supplying district heating in the City of Kajana. Electricity and heating are produced in plants that have been leased on a 40-year contract. The company also has access to hydropower corresponding to nearly 50 GWh.

In December 2001 Oy Alholmens Kraft Ab, in which Gräninge owns 19.9 per cent, inaugurated the world's largest biofuel-fired CHP plant in Pietarsaari, Finland. The plant, which has cost a total of MEUR 200, has a generating capacity of 250 MW. Gräninge's share in the plant's production corresponds to just under 300 GWh per year.

### **Lower investment in plant and equipment**

The Group's investments in new plant and equipment during 2001 totalled MSEK 155 (228), of which MSEK 17 (12) was attributable to electricity operations, MSEK 96 (117) to network operations and MSEK 42 (61) to heating operations. In addition, a total of MSEK 560 (724) MSEK was invested in plant and equipment through acquisitions during the year.

### **Strong financial position**

Despite substantial investments, the Group's total net debt decreased to MSEK 2,135 (2,191) at year-end 2001. The visible equity ratio was 53 (52) per cent.

### **Dividends**

The Board proposes that the shareholders will be paid a dividend of SEK share 5.50 (4.30) per share. Of this dividend SEK 2.00 (1.00) per share comprises a special bonus.

The Annual Report will be published during week 14 and will be sent to the shareholders who have informed VPC that they wish to receive the Annual Report. It will also be available at the Gräninge offices in Danderyd and Sollefteå.

The Annual General Meeting will be held on April 29, 2002 at 3.00 p.m. in Nordbankssalen, Smålandsgatan 24, Stockholm.

Sollefteå, 19 February 2002

Gräninge AB (publ)

The Board of Directors

**Summary consolidated profit  
& loss account**

MSEK	Oct-Dec 2001	Oct-Dec 2000	Jan-Dec 2001	Jan-Dec 2000
<b>Net sales (excl. power tax)</b>	<b>913</b>	<b>596</b>	<b>2,538</b>	<b>2,808</b>
Participations in associated companies	-8	-3	-23	1
Operating expenses *)	-664	-438	-1,672	-2,239
Non recurring items	<u>0</u>	<u>-146</u>	<u>0</u>	<u>317</u>
<b>Operating profit</b>	<b>241</b>	<b>9</b>	<b>843</b>	<b>887</b>
Net financial items	<u>-41</u>	<u>-23</u>	<u>-122</u>	<u>-137</u>
<b>Profit after financial items</b>	<b>200</b>	<b>-14</b>	<b>721</b>	<b>750</b>
Tax	<u>-5</u>	<u>-41</u>	<u>-5</u>	<u>-142</u>
Net profit for the period	195	-55	716	608
*) Operating expenses include planned depreciation of	-55	-48	-221	-236
Earnings per share ( 66,446,687), SEK	2,95	-0,85	10,80	9,15

**Net sales by business area**

MSEK	Oct-Dec 2001	Oct-Dec 2000	Jan-Dec 2001	Jan-Dec 2000
Electricity	479	339	1,371	1,242
Distribution Network	236	188	792	699
Heat Supply	237	105	520	356
Forest & Timber				613
Intra-Group deliveries	-39	-36	-145	-102
<b>The Group</b>	<b>913</b>	<b>596</b>	<b>2,538</b>	<b>2,808</b>

**Net operating profit by  
business area**

MSEK	Oct-Dec 2001	Oct-Dec 2000	Jan-Dec 2001	Jan-Dec 2000
Electricity	162	84	570	282
Distribution Network	65	62	247	215
Heat Supply	24	16	56	43
Forest & Timber		-7		30
Nonrecurring items	-10	-146	-30	317
<b>The Group</b>	<b>241</b>	<b>9</b>	<b>843</b>	<b>887</b>

## Summary consolidated balance sheet

MSEK	31/12/2001	31/12/2000
<b>Assets</b>		
Fixed assets	8,679	8,325
Bank deposits and short-term investments	236	98
Other current assets	973	768
<i>Total assets</i>	<i>9,888</i>	<i>9,191</i>
<i>Shareholders' equity, provisions and liabilities</i>		
Shareholders' equity	5,212	4,795
Minority interests	6	10
Provisions	32	72
Deferred tax	1,553	1,446
Long-term liabilities	1,351	1,871
Interest-bearing current liabilities	1,134	573
Other current liabilities	600	424
<i>Total shareholders' equity and liabilities</i>	<i>9,888</i>	<i>9,191</i>

## Shareholders' equity

MSEK	31/12/2001	31/12/2000
Opening balance	4,795	4,377
Change of principle deferred tax		-116
Dividend	-286	-219
Increase in shareholders' equity through restructuring		19
Increase in shareholders' equity through new share issue		110
Translation differences	-13	16
Net profit for the period	716	608
Closing balance	5,212	4,795

## Cash flow statement

MSEK	Jan-Dec 2001	Jan-Dec 2000
Cash flow from operating activities before change in working capital	958	585
Cash flow from change in working capital	66	91
Cash flow from operation activities	1,024	676
Cash flow from investing activities	-707	1,428
Cash flow from financing activities	-179	-2,166
Increase in liquid assets	138	-62

**Key ratios**

	Jan-Dec 2001	Jan-Dec 2000
Equity ratio, %	53	52
Equity per share, SEK	78	72
Return on capital employed, %	12	8
Return on shareholders' equity, %	14	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**

Annual General Meeting	29/04/2002
Interim report January-March 2002	29/04/2002

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

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