



GRANINGE

Interim report January-March 2002

- Net sales for the first quarter totalled MSEK 1,003, up 43 per cent. The increase was mainly attributable to acquisitions during the year.
- Profit before tax is reported at MSEK 260, up 25 per cent on the preceding year. All business areas posted an improved operating profit.
- Graninge has acquired an additional 25 per cent of the shares in Kainuun Sähkö Oyj and has raised its stake to 51 per cent. The company is now consolidated in the Group as a subsidiary.
- Through the acquisition of AB Avesta Energi, the Group has gained 13,000 new electricity customers.

Graninge AB (publ)

Income and profit

The Grange Group's net sales for the first three months of the year amounted to MSEK 1,003 (699), up 43 per cent on the corresponding period of 2001. A number of companies have been added. One such example was the acquisition of an additional 25 per cent of the shares in the Finnish electricity distributor Kainuun Sähkö Oyj at the beginning of the year. The company is now consolidated in the Group as a subsidiary since Grange has raised its stake to 51 per cent.

For comparable units – now comprising electricity, network and district heating operations – net sales improved by 10 per cent.

Profit after net financial items is reported at MSEK 260 (208), an increase of 25 per cent. All business areas report an improvement in profit relative to the first quarter of the preceding year.

This profit includes non-recurring items of MSEK 25 (-) pertaining to the sale of shares and fixed assets. Among other things, the agreement signed in June last year regarding the sale of the shares in Grange Roslags Energi Värme AB has been completed. The sale, which generated proceeds of MSEK 54, has given rise to a capital gain of MSEK 24. Of this gain, MSEK 15 is included in profit for the year, since MSEK 9 corresponded to an advance payment that was included in profit for 2001.

First quarter profit corresponds to earnings per share after tax of SEK 2.80 (2.25).

Profit for the period corresponds to a return of 16 (13) per cent on capital employed and 11 (12) per cent on shareholders' equity. This return cannot be directly translated to full-year figures, since first quarter earnings are generally stronger than both the second and third quarters.

Electricity operations – continued high production

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. Sales of other energy include gas in Finland.

Net sales during the first quarter amounted to MSEK 524 (373) with an operating profit after depreciation of MSEK 145 (141), 3 per cent better than in the corresponding period of last year.

Thanks to unseasonably high run-off, the year started with high production in the Group's hydropower plants. This is the second consecutive year with

above-normal run-off. The Swedish and Finnish power plants produced a total of 940 (943) GWh, which is 133 GWh or 16 (15) per cent more than normal.

At the same time, the warm winter has caused prices in the spot market to fall from around NOK 200/MWh at year-end to around NOK 140/MWh at the end of March. Calculated as an average for the quarter, the spot price was NOK 160 (200)/MWh, which is 20 per cent lower than in 2001.

Since Graninge had already sold a significant share of the period's production on forward contracts during the preceding year, the falling spot price has not had any appreciable effect on profit.

Aside from hydropower and wind power, Graninge's production mix now also includes electricity generated with biofuels. Among other things, the Group owns just under 20 per cent of Ab Alholmens Kraft Oy in Finland, with world's largest biofuel-fired power plant, with a capacity of 240 MW_e. A total of 83 GWh has been obtained from the plant, which went into commercial operation at year-end.

Graninge sells electricity primarily to small and medium-sized consumers. Deliveries during the period amounted to 2,080 (1,775) GWh, up 17 per cent. The increase is mainly due to fact that Kainuun Sähkö is now consolidated in the Group.

The margins in electricity sales has improved. However, the improvement will not immediately affect profit since virtually all electricity sales are now carried out on 1 or 2-year contracts.

Profit after depreciation in electricity operations represents a return on capital employed during the first quarter of 14 (14) per cent.

Network operations – increased sales through acquisitions

The Group's network operations include management, operation and maintenance of local power transmission networks in central Norrland, the northern greater Stockholm area, parts of Småland and the Kajanaland region of Finland. Operation and maintenance activities for most of the Swedish operations are handled by Graninge Nät AB. The business area also includes a few smaller regional networks in Sweden and Finland.

Net sales during the first quarter reached MSEK 297 (225) with an operating profit after depreciation of MSEK 105 (83), 27 per cent better than in the corresponding period of last year. Of the increase Kainuun Sähkö accounts for MSEK 18.

Transmission on the Group's Swedish local networks amounted to 1,130 (1,027) GWh, up 10 per cent on the preceding year. The increase relative to

2001 should be seen in light of the acquisition of the transmission network in Upplands Väsby, which is included in the Group as of 1 July 2001. For comparable units, the increase was only 5 per cent. A large proportion of transmission on the networks consists of electricity for heating purposes.

Transmission on the Group's Finnish local networks amounted to 220 (-) GWh.

Profit after depreciation in network operations represents a return on capital employed of 18 (15) per cent.

District heating operations – warm winter leads to lower deliveries

The Group's district heating operations consist primarily of production and distribution of district heating. The major units include Grange Järfälla Värme AB, Grange Kalmar Energi AB and Kajanin Lämpö Oy, which is 50%-owned by Kainuun Sähkö Oyj. Each of these three units accounts for deliveries in the range of 300 GWh.

Net sales in district heating operations during the first quarter amounted to MSEK 225 (141) with an operating profit after depreciation of MSEK 27 (14), which is 93 per cent higher than in the corresponding period of 2001. Of this increase, MSEK 8 is attributable to Kainuun Sähkö.

Deliveries of district heating and so-called ready heating amounted to 383 (330) GWh, up 16 per cent on the year-earlier figure. These deliveries include 108 (-) GWh for Kajanin Lämpö. For comparable units, deliveries were down 9 per cent due to the warm winter.

Profit after depreciation in district heating operations represents a return on capital employed of 13 (8) per cent.

Breakthrough in Finland and acquisition of electricity sales

Grange started the year with a breakthrough in Finland through the acquisition of an additional 24.9 per cent of the shares in Kainuun Sähkö Oyj for MEUR 21, corresponding to around MSEK 190.

Grange has owned 25.6 per cent of the company since 1997. The increased holding has given Grange a controlling interest in Kainuun Sähkö, which is reported as a subsidiary as of year-end 2001.

In Kainuun Sähkö, Grange has gained an electricity distribution company with 57,000 customers. The company's operations include a comparatively large district heating business and production of heat and power in its own

and leased plants. Heating is distributed through Kajanin Lämpö, a company in which the City of Kajana has a 49 per cent holding.

Kainuun Sähkö represents a valuable complement to the earlier Finnish operations in Grange Energia Oy, where the bulk of Grange's Finnish hydropower production is concentrated. All in all, this has strengthened Grange's position and provided interesting opportunities for ongoing expansion in Finland.

As of 1 February this year, Avesta's electricity sales are included in the Group after Grange acquired all of the shares in AB Avesta Energi from Birka Energi AB for a price of MSEK 18. The transaction has given the Group 13,000 new customers.

Grange Kalmar Energi AB has owned Smäländsk Energi Försäljning AB together with the two municipalities of Emmaboda and Nybro. In connection with Grange's acquisition of 50 per cent of the shares in Grange Kalmar Energi, the municipalities obtained the right, but not the obligation, to sell their shares to Grange by autumn 2002 at the latest. The municipalities have now exercised this right, after which Grange directly owns 40 per cent of the sales company.

At the beginning of the year, Grange Kalmar Energi signed a 7-year agreement with AB Gustaf Kähr in Nybro for annual delivery of 50,000 – 60,000 tonnes of wood powder. The agreement, which covers the period 2002 – 2008, is worth around MSEK 300.

Investments and net financial items

The Group's investments in new plant and property during the first quarter totalled MSEK 55, on a level with the corresponding period of last year.

Net financial items are reported at MSEK -25 (-24). After the first quarter, the Group's net debt was MSEK 1,952 (2,023), down MSEK 235 since year-end 2001.

Sollefteå, 29 April 2002

Lars Enslöf
Managing Director

**Summary consolidated profit
& loss account**

MSEK	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Net sales (excl. Power tax)	1,003	699	2,538
Participation in associated companies	0	-2	-23
Operating expenses *)	-722	-465	-1 672
Operating profit	281	232	843
Net financial items	-25	-24	-122
Profit after financial items	256	208	721
Non-recurring items	25		
Minority shares	-21		
Profit before tax	260	208	721
Tax	-73	-58	-5
Net profit for the period	187	150	716
*) Operating expenses include planned depreciation of	-67	-54	-221
Earnings per share (66.446.687 st), SEK	2,80	2,25	10,80

Net sales by business area

MSEK	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Electricity	524	373	1,371
Distribution Network	297	225	792
Heat Supply	225	141	520
Intra-Group deliveries	-43	-40	-145
The Group	1,003	699	2,538

**Net operating profit by
business area**

MSEK	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Electricity	146	141	570
Distribution Network	108	83	247
Heat Supply	27	14	56
Forest & Timber		-6	-30
The Group	281	232	843

Summary consolidated

balance sheet

MSEK	31/03/2002	31/03/2001	31/12/2001
<i>Assets</i>			
Fixed assets	8,600	8,279	8,392
Bank deposits and short-term investments	279	234	236
Other current assets	1,164	762	1,260
<i>Total assets</i>	<i>10,043</i>	<i>9,275</i>	<i>9,888</i>
<i>Shareholders' equity, provisions and liabilities</i>			
Shareholders' equity	5,096	4,945	5,212
Minority interests	286	10	6
Provisions	32	72	32
Deferred tax	1,493	1,443	1,553
Long-term liabilities	1,408	1,190	1,291
Interest-bearing current liabilities	835	1 069	1 134
Other current liabilities	893	546	660
<i>Total shareholders' equity and liabilities</i>	<i>10,043</i>	<i>9,275</i>	<i>9,888</i>

Shareholders' equity

MSEK	31/03/2002	31/03/2001
Opening balance	5,212	4,795
Reversal of write-up and other	-303	
Net profit for the period	<u>187</u>	<u>150</u>
Closing balance	5,096	4,945

Cash flow statement

MSEK	Jan-Mar 2002	Jan-Mar 2001
Cash flow from operating activities before change in working capital	250	206
Cash flow from change in working capital	183	0
Cash flow from operation activities	433	206
Cash flow from investing activities	-198	-38
Cash flow from financing activities	0	-32
Increase in liquid assets	235	136

Key ratios

	Jan-Mar	Jan-Mar	Full year
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The Group follows all the applicable recommendations of the Swedish Financial Accounting Standards Council. This means that as of 1 January 2002, the Group applies the Council's new recommendations regarding intangible assets, provisions, write-downs and loan expenses, etc. None of these recommendations has had any material effect on the Group's profit or financial position. In all other respects the report has been prepared according to the previously applied accounting principles.

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

Interim report 2 22/08/2002

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