

INTERIM REPORT JANUARY – MARCH 2002

- *Earnings amounted to SEK 1.3 billion*
- *High levels of hydroelectric power production and nuclear power availability*
- *Modernization of Oskarshamn 1 proceeding according to plan*
- *Additional shares acquired in Norwegian company Hafslund*
- *Reduced ownership in consulting and data operations*

COMMENTS BY GROUP CEO

Sydkraft's operations are developing favorably. A good start was made during the first three months of 2002, despite the mild weather.

Energy sales showed a positive trend. Today, electricity sales are profitable, which means that the Marketing & Sales Business Sector is once again reporting positive earnings following a difficult 2001 during which an operating loss was reported.

Prices on the Nord Pool Exchange have declined slightly due to the warm weather. Thanks to the preceding year's forward contracts, Sydkraft's electricity production has been sold at relatively high prices to date this year. Electricity production based on both hydroelectric and nuclear power functioned well. Reservoir water levels remained at a high level during the period.

On a couple of occasions during the past winter, southern Sweden experienced severe weather conditions, which caused major problems for some 50 000 electricity customers in primarily Småland, Blekinge, Halland and northeastern Skåne. The Group's customers have been provided with information to the effect that Sydkraft will compensate all customers who were without electricity for periods of more than 24 consecutive hours. The customers entitled to such compensation have received a total of approximately SEK 15 M.

Group subsidiary ElektroSandberg, which showed a deficit during 2001, reversed the negative trend following streamlining and restructuring measures. Work at hand and order bookings are currently satisfactory.

Our expansion continues

Some time ago, in Norway, we acquired Vattenfall's shares in the publicly listed company, Hafslund, in which we now have a holding of slightly more than 25%. Hafslund is one of Norway's foremost energy companies, with substantial electricity production, distribution and sales.

Earlier this year Sydkraft, through its subsidiary, Sydkraft Danmark A/S, acquired the co-generation plant in Præstø and recently purchased Western Sjælland County's co-

generation plant and district heating operations in Nykøbing. This was the third acquisition made by Sydkraft in Denmark in less than a year and strengthens Sydkraft Denmark's position as one of the most active of the new players in the Danish energy market.

Sydkraft is also engaged in several activities in Poland. Recently, a contract was signed to acquire 51% of the shares in the district heating company serving the town of Slupsk in northern Poland. This is the largest acquisition made to date by Sydkraft in Poland. Slupsk, which is located about 20 km from the Baltic coast and has a population of about 120 000, is not far from the communities of Koszalin, where Sydkraft has a 32% holding in the local district heating company, and Ustka, where Sydkraft has signed a preliminary agreement to acquire 34% of the shares in the local district heating company.

Company divestments

Since the beginning of the current year, Sydkraft's workforce has been reduced by more than 1 000 employees. The subsidiary Sycon and the majority holding in WM-data Ellips have been divested. Danish company Carl Bro acquired Sycon in return for Sydkraft receiving an 11% stake in Carl Bro, among other considerations, and WM-data acquired the majority holding in WM-data Ellips in a similar manner, whereby Sydkraft received a holding in WM-data.

These two transactions are a logical continuation of the companies' expansion. Sydkraft's aim has been to develop Sycon into Sweden's leading technical consulting company. Carl Bro/Sycon is now the largest technical consulting company in the Nordic region, with approximately 3 200 employees.

WM-data Ellips will develop more rapidly as a subsidiary in an IT group than it would with Sydkraft as principal owner. At the same time, Sydkraft retains 40% of the shares in the company and can thus continue to benefit from WM-data Ellips' specialist skills and know-how.

Nuclear power is needed

According to the Government's energy bill, which was presented in mid-March, nuclear power will be phased out in Sweden in future through an agreement to be reached with representatives of the nuclear power industry. We at Sydkraft consider that there is a need for nuclear power but, as we have said before, if it is to be phased out it would be preferable to reach a voluntary agreement rather than to invoke the Decommissioning Act. The company is prepared to discuss the question of future energy supply, which for many years into the future will include nuclear power.

At the same time, all of the conditions need to be discussed in depth and naturally we shall be making firm demands during these discussions. One of our demands is that we want to see a guaranteed and environmentally compatible supply of electricity over time that will assure growth and well-being. Sweden's industry, which belongs to our customers, must not be placed at a disadvantage.

Another demand is that tax on nuclear power be eliminated. For Sydkraft, this amounts to approximately SEK 550 M annually. This tax should be abolished

immediately; it doesn't warrant being the only production tax in the EU, particularly within an electricity market that is open to competition.

Vision and values

Work to implement Sydkraft's corporate values model, which includes the company's vision, values, core brand values and interaction between management and personnel is continuing and has been assigned high priority. Increased cooperation and a shared vision and values will generate better results.

Customers must perceive our products and services as adapted to their needs and good value for money, simple and convenient, innovative and new. Customers must perceive the company's personnel as being accessible, reliable and creative. Customers must feel that Sydkraft is a pioneer, that we contribute to quality of life and create confidence and expectations.

The Sydkraft brand is important and valuable. It is the link to our history, the strength in our current position and the foundation for our future. Sydkraft has been a subsidiary of the E.ON Group since May 2001.

Forecast

Earnings for 2001 were affected to a significant extent by the capital gains arising from the sale of the holdings in HEW and E.ON AG. Excluding such effects, and bearing in mind the current market situation and the prevailing price scenario, it is estimated that earnings in 2002 will be in line with the level achieved in 2001.

Lars Frithiof

Sydkraft has adapted its consolidation principles and presentation to harmonize with those of the E.ON Group. This means that Sydkraft no longer applies the proportional consolidation method and that a functionally divided Income Statement is now being used. While comparative figures for 2001 have been recalculated in a corresponding manner, the figures for earlier fiscal years have not been recalculated.

SALES AND EARNINGS

Net sales

The Group's net sales for the period amounted to SEK 5 602 M (5 314), an increase of SEK 288 M, or 5%, compared with 2001.

The increase was due mainly to higher sales of heat as a result of the acquisitions made during 2001. Sales were also affected by higher price levels for various types of energy.

Energy sales were affected by the milder weather conditions but this was offset by sales in acquired units. Sales of electricity amounted to 10 913 GWh (11 188), a decrease of 2%. Sales of gas decreased by 4% to 2 715 GWh (2 826). Sales of heat rose by 10% to 2 532 GWh (2 297).

Operating profit

Operating profit decreased by SEK 160 M to SEK 1 573 M (1 733). Operating profit included capital gains totaling SEK 2 M, compared with SEK 143 M in the corresponding quarter of 2001.

Measures to improve margins within the Marketing & Sales and Consulting and Contracting business sectors generated good results and these operations showed strongly improved operating earnings. The trend of earnings for Energy Trading remained stable.

Operating expenses amounted to SEK 4 057 M (3 738). Operating expenses included depreciation amounting to SEK 554 M (550). SEK 54 M (37) pertaining to renewal and changes of administrative systems.

Earnings from participations in associated companies amounted to SEK 60 M (48) and related mainly to the holdings in Graninge and the Norwegian associated companies in Fredrikstad, Østfold and Hafslund. Commencing in the first quarter of 2002, results from participations in associated companies will be reported with a three-month time lag.

Profit after financial items

The net of financial income/expense amounted to expense of SEK 235 M (expense: 390). The improvement was primarily due to an improvement in net interest items and to the corresponding quarter of 2001 being charged with negative exchange-rate differences, as well as an otherwise positive cash flow. One of the reasons for the improvement in net interest items was that the level of net loan debt was substantially decreased through a cash contribution that arose in the second quarter of 2001 as a result of the sale of the holdings in HEW and E.ON AG.

Basically, the improvement in net financial items offset the decline in operating earnings in its entirety and profit after financial items thus remained largely unchanged at SEK 1 338 M (1 343).

PROFITABILITY

The operating margin, excluding participation in the results of associated companies, amounted to 26.8% (27.4), and the profit margin was 31.5% (23.7).

Based on the most recent 12-month period, the return on average equity after tax amounted to 17.9% (11.0) and the return on average capital employed, before tax, was 14.3% (10.4).

The increases in margins and returns were due to the capital gains that arose as a result of the divestment of the holdings in HEW and E.ON AG during the second quarter of 2001.

Earnings per share for the period amounted to SEK 5.12 (5.17).

BUSINESS SECTORS

Net sales and earnings per business sector

<i>SEK M</i>	<i>Net sales</i>		<i>Of which, external</i>		<i>Earnings</i>	
	<i>Q1</i>	<i>Q1</i>	<i>Q1</i>	<i>Q1</i>	<i>Q1</i>	<i>Q1</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Marketing and Sales	2 616	2 489	2 470	2 206	78	36
Production	3 026	2 968	581	737	811	902
Distribution	1 848	1 801	1 342	1 254	482	492
Consulting and Contracting	572	642	377	403	29	-7
Energy Trading	2 144	1 685	822	576	284	185
Result from participations in associated companies	-	-	-	-	60	48
Other	88	140	10	138	-171	77
Intra-Group trading	-4 692	-4 411	-	-	-	-
Net sales	5 602	5 314	5 602	5 314		
Operating profit					1 573	1 733
Net financial items					-235	-390
Profit after net financial items					1 338	1 343

Marketing and Sales Business Sector

Net sales for the period totaled SEK 2 616 M (2 489), of which sales to customers outside the Group accounted for SEK 2 470 M (2 206). Operating profit amounted to SEK 78 M (36).

The development of price strategies focusing on fewer customer-tailored products in combination with improved margins led to an improvement in the business sector's earnings. Profitability was restored for all types of energy in the business sector.

In terms of volume, the business sector's sales of electricity remained at the same level as in the corresponding quarter of 2001 but margins improved for all customer segments and types of agreement.

Natural gas sales declined, mainly as a result of the milder weather conditions during the period in southwestern Sweden. LPG operations were transferred in their entirety to the Distribution Business Sector at the end of 2001.

Overall sales of heat increased as a result of newly added operations, despite the warmer weather conditions, particularly in southern Sweden, which led to a slight decrease in district heating sales per customer. Higher margins and volumes enabled heat operations to make a greater contribution to the business sector's earnings.

Production Business Sector

Net sales totaled SEK 3 026 M (2 968), of which sales to customers outside the Group accounted for SEK 581 M (737). Operating profit amounted to SEK 811 M (902).

Electricity

During the first quarter, Sydkraft had a total of 9 044 GWh (9 070) of electricity production at its disposal. This consisted of production in Group companies, less minority shares and plus access to electricity production in associated companies.

Hydroelectric power production was slightly lower than in the corresponding period of 2001 and amounted to 3 742 GWh (3 869). The first quarters of both 2002 and 2001 were good periods in terms of hydroelectric power, with high reservoir levels at the beginning of each year.

Nuclear power produced in Group companies amounted to 3 686 GWh (4 444). Of this amount, Sydkraft's minority share of production in OKG amounted to 1 674 GWh (2 022). In addition, Sydkraft had access to 2 951 GWh (2 428) of production in associated companies. Taken as a whole, this means that during the first quarter of 2002, Sydkraft had 4 963 GWh (4 850) at its disposal. During 2001, Sydkraft increased its share of production in Forsmark, while nuclear power production was adversely affected by Oskarshamn 1 having been out of commission since December. The block is scheduled to be restarted in October 2002. In other respects, availability in OKG's plants during the period was extremely high.

A total of 339 GWh (351) of electricity was produced via co-generation, gas turbine and windpower plants during the period. The decrease was due to slightly lower electricity production in connection with the production of heat.

Heat

Heat production amounted to 2 493 GWh (2 282).

District heating production increased, primarily as a result of the acquisition of heat operations during the latter part of 2001, and amounted to 2 109 GWh (1 926). This was due to colder weather conditions compared with the preceding year and to the acquisition of heat operations during the latter part of 2001. Deliveries of Total Heat rose to 384 GWh (356) as a result of newly contracted volumes in combination with colder weather conditions in northern Sweden.

Heat operations outside Sweden continued to develop during the period through the acquisition of several small heat operations. In Denmark, the Western Sjælland County's co-generation plant and district heating operations in Nykøbing were acquired, as was the co-generation plant in Præstø. In Poland, a contract was signed to acquire 51% of the shares in the district heating company serving the town of Slupsk. In addition, 23% of the shares in the district heating company serving Ostrow was acquired.

Waste-handling

During the period, 32 000 (29 000) tons of waste were handled by the Waste-Handling business segment, which consists of the operations in Sydkraft Sakab and Sydkraft EcoPlus.

Distribution Business Sector

Net sales totaled SEK 1 848 M (1 801), of which sales to customers outside the Group accounted for SEK 1 342 M (1 254). Operating profit amounted to SEK 482 M (492).

During the period, the sector distributed 10 042 GWh (9 807) of electricity. Since the corresponding period of the preceding year, Nora Bergslags Energi and Östnät VSÅ have been added, which more than offset the decrease noted by the sector's weather-dependent operations. Natural gas deliveries amounted to 2 746 GWh (2 603) and LPG deliveries to 241 GWh (-).

Difficult weather conditions were encountered at the end of the preceding year and at the beginning of 2002, with freezing temperatures, snow and high winds in southern Sweden. This led to operating disruptions and electricity outages in the Province of Småland in particular. Extensive restoration work was conducted during the period, which in combination with compensation paid for electricity outages led to expenses of approximately SEK 32 M being charged against earnings for the quarter.

Consulting and Contracting Business Sector

Net sales totaled SEK 572 M (642). Sales to customers outside the Group accounted for SEK 377 M (403). The sector reported operating profit of SEK 29 M (loss: 7).

The improvement in earnings was mainly attributable to the reversal in the trend of earnings in ElektroSandberg, which was negative in 2001.

A restructuring of the business sector was commenced during the period. In December 2001, the Sycon Group was sold to Carl Bro A/S and in conjunction with this transaction Sydkraft became a part owner in Carl Bro A/S. In April, Sydkraft's 25% holding in WM-data Ellips was sold to WM-data. As a result, WM-data Ellips is no longer a Sydkraft subsidiary and will be consolidated as an associated company in future.

Following these divestments, the business sector has approximately 1 600 employees, primarily in contracting and support operations.

After an unsatisfactory trend of earnings in 2001, all remaining operations in the business sector are now showing positive results and are developing according to plan.

Broadband

The market situation for the broadband sector is weak. There are a number of reasons for this: delays in the build-out of the third generation of mobile communication network, tardy payment of government subsidies for the building of municipal networks and the prevailing competitive situation. These factors are resulting in short-term goals having to be revised. A program of measures designed to reduce the negative effect on earnings and to postpone investments has been initiated.

Energy Trading

Net sales for Energy Trading during the period totaled SEK 2 144 M (1 685), of which sales to customers outside the Group amounted to SEK 822 M (576). The rise was due to increased trading volumes and higher prices in hedging operations. Operating profit amounted to SEK 284 M (185).

The improvement in earnings compared with the corresponding quarter of 2001, was mainly due to the sharp rise in forward contract prices during the preceding year. As a result, parts of the current year's production will be hedged at higher prices than could be attained in 2001. The improvement in earnings was offset by a slightly lower trading result, however.

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Total investments in fixed assets and shares during the period amounted to SEK 621 M (2 658).

Fixed-asset investments in existing operations during the first quarter amounted to SEK 606 M (320) and primarily related to customary renewal and efficiency-enhancement programs. The investments mainly related to Sydkraft's production and distribution facilities.

Notable investment projects during the period included the modernization of Oskarshamn 1, the construction of a waste-fueled boiler for district heating in Norrköping and a new incineration line for Sydkraft Sakab.

Acquisitions of new subsidiaries amounted to SEK 14 M (2 314) and acquisitions of associated companies and other companies to SEK 1 M (24).

At year-end 2001, the subsidiary Sycon AB was sold and in April this year 25% of Sydkraft's holding in WM-data Ellips was also sold, which means that this latter company will become an associated company in the Sydkraft Group as of the second quarter.

CASH FLOW AND FINANCIAL POSITION

Sydkraft's cash flow from operations totaled SEK 553 M (409) during the period. Cash flow after investments amounted to SEK 61 M (neg. 1 809).

Interest-bearing net loan debt amounted to SEK 22 221 M (26 962) at the end of the period. At year-end 2001, net loan debt amounted to SEK 22 283 M. The decrease in net loan debt compared with the corresponding quarter of 2001 was principally due to the cash contribution that arose in the second quarter of 2001 as a result of the sale of the holdings in HEW and E.ON AG.

Including cash investments, the Group had liquid funds of SEK 3 658 M (3 412), at the end of the period. At year-end 2001, the Group had liquid funds of SEK 3 722 M.

The equity/assets ratio was 41% (36). At year-end 2001, the equity/assets ratio was 40%.

OUTLOOK FOR 2002

Earnings for 2001 were affected to a significant extent by the capital gains arising from the sale of the holdings in HEW and E.ON AG. The Group's various operations are currently developing according to plan. Accordingly, the earnings estimate made in conjunction with the 2001 year-end report stands firm.

This means that excluding the capital gains named above, and bearing in mind the current market situation and the prevailing price scenario, it is estimated that earnings in 2002 will be in line with the level achieved in 2001.

Malmö, May 17, 2002

Lars Frithiof, CEO

Financial information from Sydkraft in 2002

Q1 interim report	May 17
Q2 interim report	August 15
Q3 interim report	November 15

Figures in parentheses refer to the corresponding period in 2001.

This report has not been subject to special examination by Sydkraft AB's auditors.

Encloses: Consolidated Income Statement, Balance Sheet and Cash Flow Statement

KEY FIGURES	2002 Q 1	2001 Q 1	2000 ¹⁾ Q 1
Net sales, SEK M	5 602	5 314	4 382
Operating profit, SEK M	1 573	1 733	1 290
Profit after financial items, SEK M	1 338	1 343	1 084
Total assets, SEK M	68 931	68 007	51 914
Investments, SEK M	621	2 658	1 079
Operating margin, % ^{2) 3)}	26.8	27.4	21.3
Profit margin, % ³⁾	31.5	23.7	19.4
Return on equity, % ³⁾	17.9	11.0	9.3
Return on capital employed, % ³⁾	14.3	10.4	9.4
Equity/assets ratio, %	41	36	42
Earnings per share, SEK ⁴⁾	5.12	5.17	3.78
Electricity sales, GWh	10 913	11 188	8 574
Gas sales, GWh	2 715	2 826	2 908
Heat sales, GWh	2 532	2 297	1 637

- 1) For certain Sydkraft production companies, consolidated accounting was based on the proportional method.
- 2) The operating margin has been calculated excluding participation in the results of associated companies.
- 3) Latest 12-month period.
- 4) The total number of shares in the Parent Company is 191 000 332.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK M

	2002 Jan-March	2001 Jan-March	Apr 2001- March 2002	2001 Full-year
Net sales	5 602	5 314	19 501	19 213
Cost of goods sold	-3 581	-3 297	-13 522	-13 238
Gross profit	2 021	2 017	5 979	5 975
Selling expenses	-124	-114	-414	-404
Administrative expenses	-314	-303	-1 220	-1 209
Research and development costs	-38	-24	-168	-154
Other operating revenue/expense	-32	109	1 052	1 193
Result from participations in associated companies	60	48	208	196
Operating profit	1 573	1 733	5 437	5 597
Financial income	98	106	2 353	2 361
Profit before financial expense	1 671	1 839	7 790	7 958
Financial expense	-333	-496	-1 650	-1 813
Profit after financial income and expense	1 338	1 343	6 140	6 145
Taxes	-362	-348	-1 426	-1 412
Minority interest	2	-8	-35	-45
Net profit for the period	978	987	4 679	4 688
Earnings per share	5.12	5.17	24.50	24.54

CONSOLIDATED BALANCE SHEET

Amounts in SEK M

	March 31, 2002	March 31, 2001	December 31, 2001
Assets			
Fixed assets	58 208	57 647	58 036
Current assets	7 065	6 948	7 046
Liquid funds	3 658	3 412	3 722
Total assets	68 931	68 007	68 804
Equity and liabilities			
Equity	26 552	22 708	25 601
Minority interest	1 639	1 717	1 605
Provisions for deferred tax	8 198	7 367	8 182
Other provisions	666	580	618
Interest-bearing liabilities	25 879	30 374	26 005
Non interest-bearing liabilities	5 997	5 261	6 793
Total equity and liabilities	68 931	68 007	68 804

CONSOLIDATED EQUITY

Amounts in SEK M

	2002 Jan-March	2001 Jan-March	2001 Full-year
Opening balance	25 601	21 982	21 982
Effect of change in accounting principles ¹⁾	-	-305	-305
Adjusted opening balance	25 601	21 677	21 677
Translation differences	-27	44	143
Dividend	-	-	-907
Profit for the period	978	987	4 688
Closing balance	26 552	22 708	25 601

¹⁾ During 2001, adjustment has been made to conform to recommendation no. 9 of the Swedish Financial Accounting Standards Council, "Accounting of Income taxes," as a consequence of which shareholders' equity has been reduced by SEK 305 M and deferred tax liability has been increased by a corresponding amount.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK M

	2002 Jan-March	2001 Jan-March	Apr 2001- Mar.2002	2001 Full-year
Cash flow before change in working capital	1 435	1 398	5 147	5 110
Change in working capital	- 882	- 989	- 80	-187
Cash flow from operations	553	409	5 067	4 923
Fixed assets sold, including shares	42	176	8 312	8 446
Acquisitions of Group companies	72	- 2 074	- 4 220	-6 366
Investments in plants	- 606	- 320	- 3 238	-2 952
Cash flow after investments	61	-1 809	5 921	4 051
Net borrowing/amortization	- 125	4 132	- 4 619	-362
Dividends paid	-	-	- 1 057	-1 057
Change in liquid funds	- 64	2 323	245	2 632

