Mid-year report January-June 2002

- Net sales for the first quarter totalled MSEK 1,632, up 35 per cent on the same period of last year.

- Profit before tax is reported at MSEK 389, an increase of 7 per cent.

- The spring flood, which was abundant but brief, has been followed by a period of low run-off resulting from warm and dry weather. Profit in electricity operations amounted to MSEK 251, on par with the preceding year.

- The Finnish distribution company Kainuun Sähkö Oyj, in which Graninge has a 25.7 per cent holding, is consolidated as a subsidiary since year-end 2001 after Graninge acquired an additional 24.9 per cent of the share capital.

- As of 1 February, the Group's electricity trading operations gained 13,000 new customers through the acquisition of AB Avesta Energi.

Graninge AB (publ)

Income and profit

The Graninge Group's net sales for the first six months of the year amounted to MSEK 1,632 (1,213), up 35 per cent on the corresponding period of 2001. The increase is mainly attributable to acquisitions.

For comparable units, net sales rose 18 per cent. Among other things, electricity sales in Finland have increased after the addition of new production capacity.

Profit before tax is reported at MSEK 389 (365), an increase of 7 per cent. This improvement in earnings is a result of the enlarged operations. This profit should bee seen in light of the fact that production in the Group's hydropower plants has been higher than normal for the second consecutive year. This figure includes non-recurring items of MSEK 25 (29).

Profit for the period corresponds to earnings per share of SEK 4.20 (5.50), a decrease of SEK 1.30 per share compared with the preceding year. The sale of the shares in Scaninge Holding in May 2001 gave rise to a loss carryforward in the Parent Company which meant that the preceding year's profit was exempt from taxation.

For the first six months of the year, return on capital employed was 12 (13) per cent and return on shareholders' equity was 11 (15) per cent.

Net sales in the second quarter amounted to MSEK 629 (514). Profit before tax is reported at MSEK 129 (157), a decrease of 18 per cent. The year-earlier figure included non-recurring items of MSEK 29.

Electricity operations – abundant but brief spring flood

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, the latter of which is subject to regulation by the Swedish Financial Supervisory Authority.

Net sales during the first half of the year reached MSEK 810 (643) with an operating profit after depreciation of MSEK 251 (251), unchanged compared with the preceding year.

Electricity sales are reported at 3,744 (3,016) GWh, an increase of 24 per cent owing to both acquisitions and the addition of new production capacity.

The Group's own power plants produced a total of 2,127 (1,801) GWh, of which 1,749 (1,801) GWh in the form of hydropower. Alholmens Kraft, in which Graninge has a 19.9 per cent holding, opened a new biofuel-fired back-pressure and CHP plant in Pietarsaari, Finland, at the end of last year.

After an initial period of cold weather, we had a very mild winter with unseasonably high run-off for the second consecutive year. Consequently, production of hydropower for the period January-June was 5 (9) per cent higher than normal.

The mild winter was followed by a warm and dry spring. The year's spring flood, which started two weeks earlier than normal as an effect of the warm weather, was relatively abundant to start out with but peaked after only two weeks and then decreased sharply. Unlike the previous year, when the spring flood was followed by heavy rainfall in the mountains and high run-off, production of hydropower in June was only 60 (124) per cent of the normal volume. Due to the continued warm and dry weather in northern Sweden, run-off has decreased further during the summer to very low levels for the season. The reservoirs are now around 80 per cent full, which is 10 percentage units lower than normal.

The average spot price for electricity during the first half of the year was NOK 144 (207)/MWh. This price is normally lower during the summer season and was quoted at around NOK 120/MWh at the end of June. However, the dry conditions have caused the price to rise dramatically over the past few weeks. In addition, during the summer the price in the Swedish price area has exceeded the system price for the power exchange. These price area differences have been caused by shortcomings in transmission capacity between Norway and Sweden under conditions when the Norwegians have had good opportunities to export power thanks to well-filled reservoirs and low domestic consumtion.

The forward price has also crept upwards, albeit from a very low level. The current price is still low compared with prices one year ago. In 2001, Norway had a shortage of snowfall and prices surged when it became clear in the spring of 2001 that the reservoirs would not be filled to normal levels.

Deliveries of electricity to end-users amounted to 3,497 (2,846) GWh, while sales of electricity to the spot market reached 247 (170) GWh. Competition has let up somewhat, which has generated an increase in sales to end-users.

Return on capital employed was 12 (13) per cent.

For the second quarter, net sales in electricity operations amounted to MSEK 286 (270) with a profit after depreciation of MSEK 105 (110).

Network operations – acquisitions behind volume growth

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. The profit centre also includes a few smaller regional networks in Sweden and Finland.

Net sales during the first half of the year amounted to MSEK 504 (392) with an operating profit after depreciation of MSEK 170 (133), an improvement of 28 per cent on the corresponding period of last year. The improvement is attributable to the fact that Kainuun Sähkö, which is responsible for distribution in Finland, is now consolidated in the Group and included in profit.

Transmission on the Group's local networks amounted to 2,222 (1,988) GWh, up 12 per cent on the preceding year. The increase was attributable to the addition of Kainuun Sähkö and Upplands Väsby, the latter of which was acquired on 1 July 2001. For comparable units, net sales were down 6 per cent. A large proportion of transmission on the networks consists of electricity for heating purposes and one effect of the mild winter was a lower than normal heating requirement.

Transmission on the regional networks declined by 23 per cent to 1,208 (1,553) GWh. The decrease is explained by the sale of an older regional network in the Skellefteå area to Skellefteå Kraft.

Return on capital employed was 13 (12) per cent.

For the second quarter, net sales in network operations amounted to MSEK 207 (167) with an operating profit of MSEK 52 (50).

District heating operations – warm winter leads to lower sales

The Group's district heating operations consist primarily of production and distribution of district heating. The major units include Järfälla, Kalmar and Kajaanin Lämpö in Kajana, Finland, which is 50%-owned by Kainuun Sähkö. Small-scale district heating operations are found in Sollefteå, Nordmaling and Strömsund, as well as Bro and Kungsängen outside Stockholm. Since 1 July 2001, these operations include a leased CHP plant that produces steam and back-pressure power.

Net sales in district heating operations during the first half of the year amounted to MSEK 375 (238), an increase of close to 60 per cent compared with the corresponding period of last year. Profit after depreciation is reported at MSEK 51 (49), of which Kajaanin Lämpö accounts for MSEK 9 (-). In addition, profit includes a non-recurring item of MSEK 15 (29). For comparable units, profit was largely unchanged.

Energy sales amounted to 1,657 (508) GWh, of which 1,065 (-) GWh referred to deliveries of steam. For comparable units, sales were down 6 per cent as a result of the mild winter.

Return on capital employed was 8 (13) per cent.

For the second quarter, district heating operations reported net sales of MSEK 150 (97) with a profit after depreciation of MSEK 9 (35). The year-earlier figure included a non-recurring item of MSEK 29.

Acquisitions and restructuring

The Graninge Group has increased its presence in Finland through the consolidation of Kainuun Sähkö Oyj as a subsidiary since year-end. This was possible after Graninge's acquisition of an additional 24.9 per cent holding in the company for MEUR 21, corresponding to MSEK 190. Graninge thus owns 50.6 per cent of the shares in Kainuun Sähkö, which is primarily a distribution company with 57,000 customers.

Graninge acquired AB Avesta Energi at the beginning of the year. The company, which sells electricity to 13,000 customers in the Dalarna region, is consolidated in the Group since 1 February. The purchase price amounted to MSEK 18 and the seller was Birka Energi AB.

The sale of Graninge Roslags Energi Värme was completed at the beginning of the year. The purchase price was MSEK 53. The buyer was an owner alliance which included US Energy Corporation.

Investments and net financial items

The Group's investments in new plant and property during the first half of the year amounted to MSEK 129 (62). The increase of over 100% is mainly due to the addition of Kainuun Sähkö and a significant increase in other investments in network operations.

Net financial items are reported at MSEK -61 (-48). The Group's net debt has increased by close to MSEK 200 since 30 June 2001.

Parent Company

Net sales in the Parent Company during the first half of the year totalled MSEK 38 (47) MSEK and profit is reported at MSEK -33 (-751).

At the Annual General Meeting in May, Gerald Wingrove, CFO of London Electricity PLC, was elected as a new regular board member. He will replace Marc Boudier, head of EDF's Central European division.

Sollefteå, 22 August 2002

Lars Enslöf
Managing Director

Consolidated profit and loss account in summary

MSEK	April-June 2002	April-June 2001	Jan-June 2002	Jan-June 2001	Full year 2001
Net sales (excl. power tax)	**629**	**514**	**1,632**	**1,213**	**2,538**
Share in profit of associated companies, etc.	0	-12	0	-14	-23
Operating expenses *)	-463	-321	-1,160	-786	-1,672
Operating profit	**166**	**181**	**472**	**413**	**843**
Net financial items	-36	-24	-61	-48	-122
Profit after net financial items	**130**	**157**	**411**	**365**	**721**
Minority shares	-1	0	-22	0	0
Net profit before tax	**129**	**157**	**389**	**365**	**721**
Tax	-36	58	-109	0	-5
Net profit for the period	93	215	280	365	716
*) Operating expenses include planned depreciation of	-65	-56	-132	-110	-221
Earnings per share (66,446,687), SEK	1.40	3.25	4.20	5.50	10.80

Net sales by area of operation

MSEK	April-June 2002	April-June 2001	Jan-June 2002	Jan-June 2001	Full year 2001
Electricity	286	270	810	643	1,371
Networks	207	167	504	392	792
District Heating	150	97	375	238	520
Intra-group deliveries	-14	-20	-57	-60	-145
Total	**629**	**514**	**1,632**	**1,213**	**2,538**

Operating profit by area of operation

MSEK	April-June 2002	April-June 2001	Jan-June 2002	Jan-June 2001	Full year 2001
Electricity	105	110	251	251	570
Networks	52	50	170	133	247
District Heating	9	35	51	49	56
Forest & Timber		-14		-20	-30
Total	**166**	**181**	**472**	**413**	**843**

Consolidated balance sheet

in summary

MSEK	30 June 2002	30 June 2001	31 Dec. 2001
Assets			
Fixed assets	8,602	8,116	8,392
Cash and bank	279	287	236
Other current assets	1,060	816	1,260
Total assets	*9,941*	*9,219*	*9,888*
Shareholders' equity, provisions and liabilities			
Shareholders' equity	4,853	4,874	5,212
Minority interests	279	10	6
Provisions	32	72	32
Deferred tax	1,488	1,428	1,553
Long-term liabilities	1,378	1,272	1,291
Interest-bearing current liabilities	1,129	993	1,134
Other current liabilities	782	570	660
Total shareholders' equity, provisions and liabilities	*9,941*	*9,219*	*9,888*

Shareholders' equity

MSEK	30 June 2002	30 June 2001
Opening balance	5,212	4,795
Dividends	-365	-286
Reversal of write-up and other	-274	
Net profit for the period	280	365
Closing balance	4,853	4,874

Cash flow statement
in summary

MSEK	Jan-June 2002	Jan-June 2001	Full year 2001
Cash flow from operating activities before change in working capital	44	186	956
Cash flow from change in working capital	292	-47	66
Cash flow from operating activities	336	139	1,022
Cash flow from investing activities	-315	76	-707
Cash flow from financing activities	22	-26	-179
Increase in liquid assets	43	189	136

Key ratios

	Jan-June 2002	Jan-June 2001	Full year 2001
Visible equity, %	49	53	53
Equity per share, SEK	73	73	78
Return on capital employed, %	12	13	12
Return on equity, %	11	15	14

Accounting principles

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.

With effect from the interim report 30 March 2002, the earlier write-downs of power assets in an amount of MSEK 381 have been reversed against shareholders' equity in order to adapt the IAS valuation rules. Consequently, this reversal is not matched by any corresponding value depreciation with regard to these fixed assets.

The key ratios have been calculated according to the recommendations of the Swedish Association of Financial Analysts.

Financial calendar

Review report

We have carried out a review of this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants FAR. A review is significantly limited in comparison with an audit.

Nothing has come to our attention which would cause us to believe that the interim report does not meet the requirement of the (Swedish) Securities Exchange and Annual Accounts Acts.

Stockholm, 22 August 2002

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