



**GRANINGE**

## Interim report January-September 2002

- Net sales for the first nine months amounted to MSEK 2,270, up 40 per cent on the same period of last year. The increase was mainly attributable to acquisitions during the year. For comparable units, net sales rose 6 per cent.
- Profit before tax is reported at MSEK 472, a decrease of 9 per cent.
- Due to warm and dry weather, run-off during the summer and autumn fell to just over 30 per cent of normal. Production of hydropower in the third quarter thus amounted to slightly more than 400 GWh, a full 40 per cent of normal.
- At the beginning of the year Graninge acquired AB Avesta Energi, which sells electricity to 13,000 customers in Dalarna. In addition, 24.9 per cent of the shares were acquired in Kainuun Sähkö – now called Graninge Kainuu. Graninge already held 25.7 per cent of the shares in the company, which is now consolidated in the Group.

Graninge AB (publ)

## **Income and profit**

Net sales for the first nine months of 2002 amounted to MSEK 2,270 (1,625), up 40 per cent on the corresponding period of last year. The increase is mainly attributable to acquisitions. In addition to the year's acquisitions, the Group took over the transmission network in Upplands Väsby as of 1 July 2001.

For comparable units, net sales rose 6 per cent.

Profit after net financial items is reported at MSEK 472 (521), a decrease of 9 per cent. The drop in earnings is mainly attributable to lower production in the Group's hydropower plants during the third quarter.

Profit for the period corresponds to earnings per share of SEK 5.10 (7.85). The sale of the shares in Scaninge Holding in the spring of 2001 gave rise to a loss carryforward in the Parent Company, which meant that the preceding year's profit was exempt from taxation.

Return on capital employed was 10 (13) per cent and return on shareholders' equity was 9 (14) per cent.

Net sales in the third quarter amounted to MSEK 638 (412). Profit before tax is reported at MSEK 83 (156), a decrease of 47 per cent.

## **Electricity operations – dry weather impacts earnings**

The Group's electricity operations consist of power production in Sweden and Finland, sales of electricity, other energy and energy services to small and medium sized customers as well as trading of electricity derivatives.

Net sales in electricity operations during the first nine months totalled MSEK 1,149 (892), an increase of 29 per cent.

Profit after depreciation is dropped 32 per cent to MSEK 278 (408).

The Group's total electricity sales rose 19 per cent to 5,166 (4,339) GWh, of which 4,845 (3,818) GWh referred to contracted deliveries and 321 (521) GWh to sales of spot power.

The Group's own power plants produced a total of 2,756 (2,997) GWh, of which 2,208 (2,918) GWh in the form of hydropower. Production of hydropower decreased by 24 per cent compared with the corresponding

period of last year and 7 per cent compared with normal. Run-off to the reservoirs in the third quarter of last year was extremely high, with subsequently high production in the hydropower plants. This high production continued into the first half of the current year. However, the dry summer and autumn has reduced run-off dramatically to just over 30 per cent of the normal level. Production of hydropower has been adjusted to the unseasonably low run-off, but a certain lowering of the reservoirs has been unavoidable. Total production during the third quarter reached 419 (1,069) GWh, only 40 per cent of the normal volume. At the end of September the reservoirs were 71 per cent full, which is 20 percentage units less than normal.

Norway also had a dry summer and autumn, which meant that the overall hydrological balance – i.e. water and water equivalents stored in the mountain reservoirs, ground and snow – for Norway and Sweden is around 20 TWh lower than normal. As a result, in a short span of time spot market prices have more than doubled from NOK 120/MWh at the beginning of August to the current level of NOK 250/MWh. In spite of this, the average spot price of NOK 155/MWh during the first ten months of 2002 is lower than in the preceding year's average of NOK 188/MWh.

The rising spot price has driven up forward prices, especially for the immediately following periods. Thus, prices in the end-users market have risen.

Although Graninge's deliveries to end-users outside the Group rose by 1,098 GWh to 4,307 GWh, the increase should be seen in the light of the addition of electricity sales in Avesta Energi and the fact that Graninge Kainuu is now consolidated in the Group.

For the second quarter, net sales in electricity operations amounted to MSEK 339 (249) with a profit after depreciation of MSEK 27 (157). The sharp drop in earnings is an effect of the dry weather and resulting decrease in run-off.

### **Network operations – strong growth in profit**

The Group's network operations include management, operation and maintenance of primarily local power transmission networks. The networks are concentrated in three areas of Sweden and Finland. The profit centre also includes a few overlying regional networks in Sweden and Finland.

Net sales in network operations during the first nine months of the year amounted to MSEK 720 (556), which is an increase of 29 per cent.

Profit after depreciation is reported at MSEK 258 (182), up 42 per cent on the preceding year mainly due to the effects of acquisitions. Aside from the addition of the transmission network in Upplands Väsby, the distribution company Kainuun Sähkö – which has changed name to Grange Kainuu – is now consolidated in the Group.

For comparable units, net sales decreased by 4 per cent while profit rose by 4 per cent.

Transmission on the Group's local networks amounted to 2,324 GWh (2,455), which is 5 per cent lower than in the preceding year. The mild weather is the main reason for the decrease.

Transmission on the regional networks declined by 42 per cent to 1,331 (2,285) GWh. The regional networks are used mainly for transmission of power to the national grid from the power plants. The decrease is explained by considerably lower production of power compared to last year.

Net sales in network operations during the third quarter totalled MSEK 216 (164), an increase of 32 per cent. Profit after depreciation was MSEK 88 (49).

Return on capital employed amounted to 14 (10) per cent.

### **District heating operations – lower heating requirement**

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

Net sales in district heating operations during the first nine months amounted to MSEK 501 (283), up 77 per cent on the corresponding period of last year. Profit after depreciation is reported at MSEK 35 (32). For comparable units, sales rose by 2 per cent and profit by 5 per cent.

Energy sales amounted to 2,280 (635) GWh, of which 1,550 (-) referred to deliveries of steam. For comparable units, sales were down 6 per cent to 554 GWh as a result of the mild weather.

For the third quarter, district heating operations reported net sales of MSEK 126 (45) with a profit after depreciation of MSEK -1 (-17).

Return on capital employed was 5 (5) per cent.

### **Acquisitions and restructuring**

At the beginning of the year Grange acquired an additional 24.9 per cent of the shares in Grange Kainuu for MEUR 21, equivalent to MSEK 190. The Group already held 25.7 per cent of the shares, which means that the company is now consolidated in the Group. Grange Kainuu is primarily responsible for distribution of electricity to nearly 60,000 customers in the Kajanaland region of central Finland. The company produces power and heat, for which the production facilities are primarily leased. Heat is distributed through Kajaanin Lämpö, which is owned jointly with the City of Kajana.

Aside from the shares in Grange Kainuu, Grange has acquired all the shares in AB Avesta Energi. The company, which sells electricity to 13,000 customers in the Dalarna region, is consolidated in the Group as of 1 February. The purchase price amounted to MSEK 18.

The sale of Grange Roslags Energi Värme was completed at the beginning of the year. The shares were sold for a price of MSEK 53, of which MSEK 24 is a capital gain. The buyer was an owner alliance which included US Energy Corporation, among others.

### **Investments and net financial items**

The Group's investments in new plant and property during the first nine months amounted to MSEK 193 (93).

The major investments included the conversion of a boiler in Järfälla for use of wood powder in order to reduce oil consumption.

Investments in network operations increased, partly due to the addition of Grange Kainuu and partly to the agreement between the industry and the government to reinforce the rural networks and limit the effects of major disturbances.

Net financial items are reported at MSEK –86 (–81). The Group's net debt decreased by MSEK 130 during the third quarter and amounted to MSEK –2,036 at the end of September. The equity/assets ratio on the same date was 50 (53) per cent.

### **Parent Company**

Net sales in the Parent Company during the first nine months of the year totalled MSEK 57 (71) and profit is reported at MSEK –42 (–22).

Sollefteå, 6 November 2002

Lars Enslöf  
Managing Director

**Consolidated profit and loss  
account in summary**

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
<b>Net sales (excl. power tax)</b>	<b>638</b>	<b>412</b>	<b>2,270</b>	<b>1,625</b>	<b>2,538</b>
Share in profit of associated companies, etc.	0	-1	0	-15	-23
Operating expenses *)	<u>-524</u>	<u>-222</u>	<u>-1,684</u>	<u>-1,008</u>	<u>-1,672</u>
<b>Operating profit</b>	<b>114</b>	<b>189</b>	<b>586</b>	<b>602</b>	<b>843</b>
Net financial items	<u>-25</u>	<u>-33</u>	<u>-86</u>	<u>-81</u>	<u>-122</u>
<b>Profit after net financial items</b>	<b>89</b>	<b>156</b>	<b>500</b>	<b>521</b>	<b>721</b>
Minority shares	-6	0	-28	0	0
<b>Net profit before tax</b>	<b>83</b>	<b>156</b>	<b>472</b>	<b>521</b>	<b>721</b>
Tax	<u>-23</u>	<u>0</u>	<u>-132</u>	<u>0</u>	<u>-5</u>
Net profit for the period	60	156	340	521	716
*) Operating expenses include planned depreciation of	-55	-56	-187	-166	-221
Earnings per share ( 66,446,687), SEK	0.90	2.35	5.10	7.85	10.80

**Net sales by area of  
operation**

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
Electricity	339	249	1,149	892	1,371
Networks	216	164	720	556	792
District Heating	126	45	501	283	520
Intra-group deliveries	-43	-46	-100	-106	-145
<b>Total</b>	<b>638</b>	<b>412</b>	<b>2,270</b>	<b>1,625</b>	<b>2,538</b>

**Operating profit by area  
of operation**

MSEK	Jul-Sep 2002	Jul-Sep 2001	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
Electricity	27	157	278	408	570
Networks	88	49	258	182	247
District Heating	-1	-17	50	32	56
Forest & Timber				-20	-30
<b>Total</b>	<b>114</b>	<b>189</b>	<b>586</b>	<b>602</b>	<b>843</b>

**Consolidated balance sheet  
in summary**

MSEK	30 Sep 2002	30 Sep 2001	31 Dec. 2001
<i>Assets</i>			
Fixed assets	8,636	8,600	8,392
Cash and bank	232	201	236
Other current assets	892	768	1,260
<i>Total assets</i>	<i>9,760</i>	<i>9,569</i>	<i>9,888</i>
<i>Shareholders' equity, provisions and liabilities</i>			
Shareholders' equity	4,913	5,030	5,212
Minority interests	285	10	6
Provisions	31	65	32
Deferred tax	1,483	1,424	1,553
Long-term liabilities	1,339	1,272	1,291
Interest-bearing current liabilities	949	1,241	1,134
Other current liabilities	760	527	660
<i>Total shareholders' equity, provisions and liabilities</i>	<i>9,760</i>	<i>9,569</i>	<i>9,888</i>

### **Shareholders' equity**

MSEK	30 Sep 2002	30 Sep 2001
Opening balance	5,212	4,795
Dividends	-365	-286
Reversal of write-up and other	-274	
Net profit for the period	340	521
Closing balance	4,913	5,030

### **Cash flow statement in summary**

MSEK	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
Cash flow from operating activities before change in working capital	190	398	585
Cash flow from change in working capital	340	-53	91
Cash flow from operating activities	530	345	676
Cash flow from investing activities	-379	-464	1,428
Cash flow from financing activities	-155	222	-2,166
Increase in liquid assets	-4	103	-62

### **Key ratios**

	Jan-Sep 2002	Jan-Sep 2001	Full year 2001
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Visible equity, %	50	53	53
Equity per share, SEK	74	76	78
Return on capital employed, %	10	11	12
Return on equity, %	9	14	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**

Year-end report 2002                      18 February 2003

Sollefteå, 6 November 2002

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