GRANINGE

Year-end report for 2002

- Sales were up 34 per cent to MSEK 3,391 (2,538). The increase was attributable to units added during the year.
- Profit before tax amounted to MSEK 701 (721), on par with the preceding year.
- Profit after tax corresponds to earnings per share of SEK 7.50 (10.80), a decrease of SEK 3.30/share. The decrease is explained by the fact that profit for 2001 was virtually free from taxation.
- The Board proposes that the shareholders be paid a dividend of SEK 4.00 (5.50, including a bonus of SEK 2.00) per share.

Changes in Group structure

At the beginning of the year Graninge AB (publ) – Graninge – acquired 24.9 per cent of the shares in the distribution company Kainuun Sähkö Oyj for MEUR 21. After the acquisition Graninge controls 50.6 per cent of the shares, for which reason the company – now called Graninge Kainuu Oy – is reported as a subsidiary in the Group as of 1 January 2002. The company sells and distributes electricity to 53,000 customers in central and eastern Finland and district heating in the City of Kajana.

Aside from Graninge Kainuu, Graninge acquired all of the shares in AB Avesta Energi, which conducts electricity sales in southern Dalarna.

Sales and profit

Consolidated net sales after power tax amounted to MSEK 3,391 (2,538), up 34 per cent over the preceding year. The increase is mainly attributable to the consolidation of Graninge Kainuu with effect from 2002.

For comparable units, net sales were down 2 per cent.

Profit before tax is reported at MSEK 701 (721), a decrease of 3 per cent. This figure includes gains of MSEK 36 (9) on the sale of shares and participations.

The year was characterised by a dry summer and autumn with subsequently low production in the Group's hydropower plants. In spite of this, profit was only marginally lower than in 2001, which was something of a record year for hydropower after heavy rainfall during the summer and autumn.

The Group's reported profit corresponds to earnings per share of SEK 7.50 (10.80), a decrease of SEK 3.30. The explanation for this is that profit for 2001 was essentially free from taxation.

Return on capital employed in the Group amounted to 11 (12) per cent. Return on shareholders' equity was 10 (14) per cent.

Fourth quarter sales amounted to MSEK 1,121 (913). Profit before tax is reported at MSEK 229 (200), an improvement of 14 per cent compared with the year-earlier figure.

Electricity operations – hydropower down but prices up

Net sales in electricity operations amounted to MSEK 1,723 (1,371), up 26 per cent compared with the previous year. Operating profit after depreciation was MSEK 413 (570), a decrease of 28 per cent.

The Group’s electricity deliveries amounted to 7,233 (6,085) GWh, of which 3,498 (4,105) GWh was produced in own and leased power plants.

Of the Group’s own production, hydropower accounted for 2,736 (3,902) GWh, down 30 per cent on 2001 and around 430 GWh or 14 per cent less than in a normal year.

The year started with relatively well-filled reservoirs. In addition, production during the first months of the year was significantly higher than normal due to the very mild winter with unseasonably high run-off.

The winter was followed by a warm and dry spring, causing a short but intensive spring flood which started three weeks earlier than normal. It initially appeared that the reservoirs would be filled to the normal extent, thanks to high water levels at the beginning of the year, but the continued warm and dry weather caused run-off volumes to quickly recede. Run-off during the third quarter, which usually sees relatively abundant precipitation, was unusually low at only 33 per cent of normal. Fourth quarter run-off was also significantly lower than normal.

The high proportion of hydropower in the Nordic system means that prices tend to rise when production declines as a result of low run-off, since the shortfall of hydropower must be replaced with power sources for which the variable costs are considerably higher. However, prices did not start to climb until the end of August when the dry weather reached Norway. At first price growth was moderate, but the failure of the autumn rains and the arrival of cold weather sent prices spiralling upwards with the average spot rate in December reaching an astonishing 67 öre/kWh.

Electricity deliveries to end-users totalled 6,797 (5,413) GWh, up 26 per cent on the year-earlier figure. Contract and non-contract customers accounted for 6,183 (4,587) GWh, an increase of 35 per cent.

Rising spot prices during the autumn forced electricity sellers to introduce dramatic price hikes in the end-user segment. Price increases for non-contract customers have continued into the current year, in many cases to twice the levels seen early last autumn.

Return on capital employed in electricity operations was 10 (14) per cent.

Fourth quarter profit in electricity operations reached MSEK 138 (162), down 15 per cent on the previous year.

Network operations – rising volumes

Net sales in network operations totalled MSEK 1,020 (792), an increase of 29 per cent. Operating profit after depreciation improved by 41 per cent to MSEK 349 (247).

Power transmission on the Group's local networks amounted to 4,519 (3,640) GWh, up 24 per cent over the preceding year. Of this increase, Graninge Kainuu accounted for 675 (-) GWh or 19 per cent.

At the same time, transmission on the regional networks declined. These networks are used primarily to transmit electricity from the power plants connected to the grid. The decrease, which was as large as 35 per cent, should been seen in view of the low hydropower production in 2002.

Costs for operation and maintenance of the networks have continued to decrease, particularly in the Stockholm-Mälardalen region where recent years' mergers are starting to bear fruit. Activities have now been centralised in new offices with a joint control centre that went into operation in Upplands Väsby after year-end.

Return on capital employed in network operations was 15 (12) per cent.

In the fourth quarter network operations showed an operating profit of MSEK 89 (65), an increase of 37 per cent.

District heating – shortage of biofuel

Net sales in heating operations amounted to MSEK 742 (520), an improvement of 43 per cent. Operating profit after deprecation is reported at MSEK 85 (56), up 52 per cent on the year-earlier figure.

Deliveries of district heating and so-called ready heating – where Graninge is responsible for fuel supply, operation and financing – reached 1,162 (940) GWh, an increase of 24 per cent. The increase was attributable to Graninge Kainuu, whose deliveries amounted to 295 (-) GWh. For comparable units the delivery volume was largely unchanged. Measured in so-called degree days the year 2002 was around 9 per cent warmer than normal, which was also the case in 2001.

The year's efforts to achieve new sales generated a surplus of 41 GWh on an annual basis.

Prices have been raised to compensate for mounting fuel costs and increasingly high taxes and charges.

A periodically troublesome shortage of processed biofuels arose in Sweden during the spring. The severe cold, particularly at the end of the year, also contributed to increased oil usage for peak load production. Total oil usage amounted to 183 (143) GWh, at the same time that the cost of purchased oil rose.

Deliveries of steam to the Östrand sulphate factory in Timrå were started at mid-year 2001 and amounted to 2,058 (961) GWh during 2002.

Return on capital employed in heating operations was 8 (7) per cent.

Heating operations reported an operating profit of MSEK 34 (24) in the fourth quarter, an increase of 42 per cent.

Investments

The Group's investments in new plant and equipment during 2002 totalled MSEK 299 (155), of which MSEK 28 (17) was attributable to electricity operations, MSEK 199 (96) to network operations and MSEK 72 (42) to heating operations. Furthermore, plant and equipment for a total of MSEK 810 (537) was added through acquisitions. Among other things, AB Gustaf Kährs' cogeneration plant in Nybro was acquired in December.

Strong financial position

Despite extensive investments, the Group's total net debt decreased to MSEK 1,959 (2,187) at year-end 2002. The visible equity ratio was 47 (53) per cent.

Dividend of SEK 4 per share

The Board proposes that the shareholders be paid a dividend of SEK 4 per share. The dividend for the previous year was SEK 5.50 per share, including a bonus of SEK 2 per share.

The annual report will be published in mid-April and will be sent to the shareholders who have notified VPC AB that they wish to receive a copy.

The Annual General Meeting will be held at the Nordea Conference Centre, Smålandsgatan 24 in Stockholm, at 3:00 p.m. on Tuesday, 29 April 2003.

Sollefteå, 18 February 2003

Graninge AB (publ)

The Board of Directors

This year-end report has not been subject to special examination by the auditors.

Consolidated profit and loss account in summary

MSEK	Oct-Dec 2002	Oct-Dec 2001	Full year 2002	Full year 2001
Net sales (excl. power tax)	**1,121**	**913**	**3,391**	**2,538**
Share in profit of associated companies, etc.	0	-8	0	-23
Operating expenses *)	-860	-664	-2,544	-1,672
Operating profit	**261**	**241**	**847**	**843**
Net financial items	-21	-41	-107	-122
Profit after net financial items	**240**	**200**	**740**	**721**
Minority shares	-11	0	-39	0
Net profit before tax	**229**	**200**	**701**	**721**
Tax	-71	-5	-203	-5
Net profit for the period	158	195	498	716
*) Operating expenses include planned depreciation of	-72	-55	-259	-221
Earnings per share (66,446,687), SEK	2.40	2.95	7.50	10.80

Net sales by area of operation

MSEK	Oct-Dec 2002	Oct-Dec 2001	Full year 2002	Full year 2001
Electricity	574	479	1,723	1,371
Networks	300	236	1,020	792
District Heating	241	237	742	520
Intra-group deliveries	6	-39	-94	-145
Total	**1,121**	**913**	**3,391**	**2,538**

Operating profit by area of operation

MSEK	Oct-Dec 2002	Oct-Dec 2001	Full year 2002	Full year 2001
Electricity	138	162	413	570
Networks	89	65	349	247
District Heating	34	24	85	56
Forest & Timber		-10		-30
Total	**261**	**241**	**847**	**843**

Consolidated balance sheet in summary

MSEK	31 Dec 2002	31 Dec 2001
Assets		
Fixed assets	9,064	8,702
Cash and bank	471	236
Other current assets	1,134	950
Total assets	*10,669*	*9,888*
Shareholders' equity, provisions and liabilities		
Shareholders' equity	5,044	5,212
Minority interests	376	6
Provisions	34	32
Deferred tax	1,685	1,553
Long-term liabilities	1,388	1,291
Interest-bearing current liabilities	1,064	1,134
Other current liabilities	1,078	660
Total shareholders' equity, provisions and liabilities	*10,669*	*9,888*

Shareholders' equity

MSEK	31 Dec 2002	31 Dec 2001
Opening balance	5,212	4,795
Dividends	-365	-286
Reversal of write-up and other	-301	-13
Net profit for the period	498	716
Closing balance	5,044	5,212

Cash flow statement in summary

MSEK	Full year 2002	Full year 2001
Cash flow from operating activities before change in working capital	875	1,053
Cash flow from change in working capital	242	66
Cash flow from operating activities	1,117	1,119
Cash flow from investing activities	-577	-707
Cash flow from financing activities	-305	-276
Increase in liquid assets	235	136

Key ratios

	Full year 2002	Full year 2001
Visible equity, %	47	53
Equity per share, SEK	76	78
Return on capital employed, %	11	12
Return on equity, %	10	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

Interim report January-March 2002 18 February 2003

Sollefteå, 18 February 2003

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