



GRANINGE

Interim report January-March 2003

- Income rose by 28 per cent, mainly as a result of the winter's high electricity prices.
- Profit was up by 4 per cent to MSEK 271.
- Profit improved by 15 per cent, excluding the non-recurring items of MSEK 25 that were included in the year-earlier figure.
- Production in the Group's hydropower plants was significantly lower than normal after the dry summer and autumn of 2002.
- The winter's high electricity prices compensated for the decrease in hydropower production.
- District heating operations in Nordmaling were sold to Sydkraft Värme AB.

Sales and profit

Net sales for the first three months of 2003 amounted to MSEK 1,283 (1,003), up 28 per cent over the corresponding period of last year. This growth is attributable to the winter's extremely high electricity prices and increased deliveries of district heating.

Profit after net financial items is reported at MSEK 271 (260), an increase of 4 per cent. The figure for the preceding year included non-recurring items of MSEK 25. Excluding these, profit improved by 15 per cent.

Production in the Group's hydropower plants during the first quarter was significantly lower than in the previous year and lower than normal. The high electricity prices and resulting improvement in margins, not least for the Group's CHP power, made up for the fall-off in production of hydropower.

Profit for the first quarter corresponds to earnings per share after tax of SEK 2.95 (2.80).

Return on capital employed was 11 (12) per cent calculated as an average for the past four quarters, while return on shareholders' equity was 10 (15) per cent.

Electricity operations – hydropower production reaches record low

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

Net sales in electricity operations reached MSEK 752 (524), an increase of 44 per cent. Profit improved by 45 per cent to MSEK 211 (146).

The Group's total electricity sales rose by 6 per cent to 2,266 (2,141) GWh, of which 2,210 (2,006) GWh referred to contract deliveries and 56 (135) GWh to sales of spot power. The increase in contract deliveries is an effect of the cold weather at the beginning of the year.

The Group's own power plants produced a total of 800 (1,152) GWh, of which 575 (950) GWh in the form of hydropower. Production of hydropower was down by 39 per cent compared with the corresponding period of last year and 30 per cent compared with normal. The decrease is due to the fact the reservoirs were only 43 per cent full at the beginning of the year, which is 21 percentage points less than normal. Furthermore, run-off during the first quarter was lower than normal for the season.

The situation is similar for all power producers, not only in Sweden but also in Norway.

In order to make up for the shortfall in hydropower, both Sweden and Norway have been forced to import power. Furthermore, the import volumes were insufficient during periods of severe cold at the beginning of the year and older oil-fired power plants – periodically even gas turbines – had to be used. This forced up prices in the spot market to levels previously only noted for individual hours. And while spot prices have fallen back since then, the average price for the period January– March was as steep as NOK 400/MWh, a full NOK 230/MWh higher than in the same period of last year.

The period's unprecedented spot prices have forced electricity sellers to introduce dramatic price increases in the end-user market, and non-contract customers have seen their rates double since last autumn. The peak has now been passed, but in view of the meagre supply of snow, especially in the Norwegian mountains, it may take time before the price returns to the autumn's level.

Gräninge continuously hedges all electricity sold on fixed-term agreements. For electricity sold on open-ended contracts, price hedges are made from time to time. Prices in the end-user market will be lowered in pace with the reduction in forward prices. Gräninge thus reduced the price of electricity sold on open-ended contracts by 10 per cent as of 1 April.

Profit after depreciation in electricity operations represents a return on capital employed of 13 (15) per cent.

Network operations – lower transmission on regional networks

The Group's network operations include electricity distribution in Sweden and Finland and sales of network services in Sweden. Local networks are found in central Norrland, the Stockholm-Mälardalen area, Småland and the Kajanaland region of Finland. The business area also includes a few small regional networks in Sweden and Finland.

Net sales during the first quarter amounted to MSEK 292 (297) with an operating profit after depreciation of MSEK 87 (118), which is 26 per cent lower than in the corresponding period of last year. The year-earlier figure included non-recurring items of MSEK 10.

Transmission on the Group's local networks amounted to 1,387 (1,378) GWh, on a level with the corresponding period of 2002. A period of severe cold at the beginning of the year led to a substantially higher volume and a subsequent increase in transmission losses that had to be compensated for through purchasing of power at the prevailing spot market prices. This is one factor behind the drop in profit relative to the previous year. Another explanation for the weaker profit is that after years of rationalisation measures, it is difficult to

compensate for rising operating and maintenance costs through further efficiency improvements. Tariffs have been unchanged since early 1998.

Transmission on the regional networks declined by 45 per cent to 495 (909) GWh. The regional networks are used mainly for transmission of power from the power plants connected to the grid. The decrease is explained by decreased production of power, but also by the fact that industries connected to the network chose to shut down production while power prices were at their highest in January.

Profit after depreciation in network operations represented a return on capital employed of 12 (11) per cent.

Heating operations – fuel expensive during cold snaps

The Group's heating operations consist of production, distribution and sales primarily of district heating and ready heating, where Gräninge takes responsibility for fuel supply, operation and financing. Since 1 July 2001, these operations include a leased cogeneration plant that produces steam.

Net sales during the first quarter amounted to MSEK 261 (225), an improvement of 16 per cent. Operating profit after depreciation is reported at MSEK 27 (42), down 36 per cent on the corresponding period of last year. The year-earlier figure included non-recurring items of MSEK 15. Excluding these, profit was unchanged.

Deliveries of district heating and ready heating rose by 16 per cent to 443 (383) GWh. The increase is an effect of the cold temperatures at the beginning of the year. However, this sales growth is not reflected in profit since the cold weather led to a greater need for oil.

Profit after depreciation in heating operations represented a return on capital employed of 6 (9) per cent. Return on capital employed has increased through the acquisition of Gustaf Kährs' cogeneration plant at the end of 2002.

Heating operations streamlined

A small district heating operation in Nordmaling has been sold to Sydkraft Värme AB. The transaction, which was completed in January, was effected through the transfer of Gräninge's entire shareholding in Nordmalings Energiverk AB to Sydkraft for a price of MSEK 12. After the sale of Gräninge's Forest & Timber division, there is no longer any connection between the Rundvik sawmill and district heating operations in Nordmaling, where the sawmill was responsible for both fuel supply and operation.

Investments and net financial items

The Group's investments in new plant and property during the first quarter totalled to MSEK 55 (54).

Net financial items are reported at MSEK –35 (MSEK -25). At the end of March, the Group's net debt amounted to MSEK 2,006 (1,977). Net debt has risen by MSEK 11 since year-end 2002.

Sollefteå, 29 April 2003

Lars Enslöf
Managing Director & CEO

**Consolidated profit and loss
account in summary**

MSEK	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Net sales (excl. power tax)	1,283	1 003	3,391
Operating expenses *)	<u>-958</u>	<u>-697</u>	<u>-2,544</u>
Operating profit	325	306	847
Net financial items	<u>-35</u>	<u>-25</u>	<u>-107</u>
Profit after net financial items	290	281	740
Minority shares	-19	-21	-39
Net profit before tax	271	260	701
Tax	<u>-74</u>	<u>-73</u>	<u>-203</u>
Net profit for the period	197	187	498
*) Operating expenses include planned depreciation of	-62	-67	-259
Earnings per share (66,446,687), SEK	2.95	2.80	7.50

**Net sales by area of
operation**

MSEK	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Electricity	752	524	1,723
Networks	292	297	1,020
District Heating	261	225	742
Intra-group deliveries	-22	-43	-94
Total	1,283	1,003	3,391

**Operating profit by area
of operation**

MSEK	Jan-Mar 2003	Jan-Mar 2002	Full year 2002
Electricity	211	146	416
Networks	87	118	347
District Heating	27	42	84
Total	325	306	847

**Consolidated balance sheet
in summary**

MSEK	31 Mar 2003	31 Mar 2002	31 Dec 2002
<i>Assets</i>			
Fixed assets	9,024	8,763	9,064
Cash and bank	349	279	471
Other current assets	1,240	1,001	1,134
<i>Total assets</i>	<i>10,613</i>	<i>10,043</i>	<i>10,669</i>
<i>Shareholders' equity, provisions and liabilities</i>			
Shareholders' equity	5,241	5,096	5,044
Minority interests	395	286	376
Provisions	34	32	34
Deferred tax	1,671	1,493	1,685
Long-term liabilities	1,267	1,408	1,388
Interest-bearing current liabilities	1,066	835	1,064
Other current liabilities	939	893	1,078
<i>Total shareholders' equity, provisions and liabilities</i>	<i>10,613</i>	<i>10,043</i>	<i>10,669</i>

Shareholders' equity

MSEK	31 Mar 2003	31 Mar 2002	31 Dec 2002
Opening balance	5,044	5,212	5,212
Dividends	-	-	-365
Reversal of write-up and other	-	-303	-301
Net profit for the period	197	187	498
Closing balance	5,241	5,096	5,044

**Cash flow statement
in summary**

MSEK	31 Mar 2003	31 Mar 2002	Full year 2001
Cash flow from operating activities before change in working capital	278	250	875
Cash flow from change in working capital	245	183	242
Cash flow from operating activities	523	433	1,117
Cash flow from investing activities	-44	-198	-577
Cash flow from financing activities	-601	0	-305

Change in liquid assets	-122	235	235
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Key ratios

	31 Mar 2003	31 Mar 2002	Full year 2002
Visible equity, %	49	51	47
Equity per share, SEK	78	77	76
Return on capital employed, %	11	12	11
Return on equity, %	10	15	10

Accounting principles

The Group follows all the applicable recommendations of the Swedish Financial Accounting Standards Council. None of these new 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.

The key ratios have been calculated according to the recommendations of the Swedish Association of Financial Analysts. Return on capital employed and return on equity is calculated using rolling 4-quarterly average profit.

Financial calendar

Interim report April-June 2003 22 August 2003

This report has not been subject to special examination by the Company's auditors

Sollefteå, 29 April 2003

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