



GRANINGE

Interim report for January-September 2003

- Net sales for the first nine months of the year amounted to MSEK 2,820, up 24 per cent over the corresponding period of last year. The increase is mainly attributable to high – periodically very high – electricity prices, particularly at the beginning of the year.
- Profit before tax is reported at MSEK 500, an increase of 6 per cent.
- Profit was charged with non-recurring expenses in the form of property, plant and equipment write-downs amounting to more than MSEK 30. Excluding these, profit improved by 13 per cent.
- Profit after tax amounted to MSEK 352, an increase of 4 per cent. Profit for the period corresponded to earnings per share of SEK 5.30 (5.10).
- Graninge is now a subsidiary of Sydkraft.

Sales and profit

The Group's net sales for the first nine months amounted to MSEK 2,820 (2,270), an increase of 24 per cent. Growth is primarily attributable to high – periodically very high – electricity prices, mainly at the beginning of the year.

Profit before tax is reported at MSEK 500 (472), up 6 per cent over the corresponding period of 2002.

Through the acquisition of distribution companies the Group has come to own a number of office properties. In connection with the concentration of operations we have attempted to sell off some of these properties. However, the property market has deteriorated and our assessment is that the book values of the remaining properties exceed their market values. This also applies to some of the properties in Norrland. In light of this, among other things, an extra write-down of more than MSEK 30 has been carried out in the accounts per 30 September.

Profit after tax amounted to MSEK 352, an increase of 4 per cent. Profit for the period corresponds to earnings per share of SEK 5.30 (5.10).

Return on capital employed was 12 (12) per cent, while return on shareholders' equity was 10 (11) per cent.

Net sales for the third quarter reached MSEK 698 (638), an increase of 9 per cent compared with the same period of last year. Profit before tax was MSEK 47 (83), a decrease of 44 per cent that is explained by the above-mentioned write-down.

Profit for the third quarter corresponds to earnings per share of SEK 0.50 (0:90).

Electricity operations – 2003 another dry year

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 during the first nine months of the year amounted to MSEK 1,593 (1,149), an increase of 39 per cent.

Profit after depreciation improved by 46 per cent to MSEK 390 (278).

This earnings trend should be seen against the background of high electricity prices. For example, the average spot price for the period January-September amounted to SEK 344 (246)/MWh, which is 40 per cent higher than in the corresponding period of the previous year.

At the same time, production of electricity in the Group's hydropower plants decreased as a result of low reservoir levels at the beginning of the year and meagre run-off during the summer. The year's spring flood, which initially

followed the normal pattern, turned out to be comparatively short and was followed by a period of very hot and dry weather.

Production of hydropower reached only 1,765 GWh, down a full 470 GWh or 21 per cent from the same period of last year and 26 per cent lower than normal.

The Group's power plants produced a total of 2,279 (2,756) GWh, a decrease of 17 per cent. Of total production, the Group's CHP plants accounted for 514 (521) GWh. The high electricity prices meant that the CHP plants made a significant contribution to profit, mainly during the first quarter.

The Group's electricity sales increased by 2 per cent to 5,258 (5,167) GWh, of which 5,139 (5,052) GWh referred to contract deliveries and 119 (115) GWh to sales of spot power. Sales of electricity to small and medium-sized customers in the Group's own and external networks have risen.

Return on capital employed in electricity operations amounted to 15 (12) per cent.

Net sales in electricity operations during the third quarter were up by 10 per cent to MSEK 372 (339). Profit after depreciation is reported at MSEK 43 (27), an increase of 59 per cent. The above-mentioned write-down is included in the quarterly profit of MSEK 16 (-).

Network operations – profit undermined by rising costs

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 nine months amounted to MSEK 722 (720) with an operating profit after depreciation of MSEK 205 (258), which is 14 per cent lower than in the corresponding period of 2002. Among other things, the drop in profit is explained by higher costs for replacement power to cover transmission losses in the networks. In this context it can also be mentioned that the Finnish operations suffered from extensive disruptions during September as a result of heavy autumn storms in Kajanaland. Furthermore, the year-earlier figure included capital gains of MSEK 10.

Network tariffs have been raised during the year in order to cover higher costs. Tariffs in Sweden had been unchanged since 2002.

Transmission on the Group's local networks declined by 1 per cent to 3,095 (3,119) GWh, while transmission on the regional networks was down by 21 per cent to 1,462 (1,840) GWh. The latter decrease is an effect of low production in the hydropower plants connected to the regional networks.

Average return on capital employed was 11 (12) per cent.

In the third quarter, network operations reported net sales of MSEK 216 (216) and a profit after depreciation of MSEK 53 (88), a 40 per cent decrease. Of total profit, the above-mentioned write-down accounts for MSEK 8 (-).

Heating operations – increased deliveries

The Group's heating operations consist of production, distribution and sales primarily of district heating and ready heating, where Grange 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 nine months totalled MSEK 567 (501), an improvement of 13 per cent over the same period of last year. Profit after depreciation is reported at MSEK 26 (50), down 48 per cent. Profit for the period has been charged with costs for a malfunction in one of the two heat pumps in Järfälla and a small fire at the heating plant in Kalmar. In addition, the year-earlier figure included capital gains of MSEK 15. District heating tariffs have been raised in order to compensate for higher fuel costs.

Energy sales amounted to 2,384 (2,280) GWh, an increase of nearly 5 per cent. Of this total, 1,592 (1,550) GWh referred to deliveries of steam. In the first nine months of the year, deliveries of district heating rose by 8 per cent to 792 (730) GWh. The increase is attributable to the addition of AB Gustaf Kähr. Furthermore, the year started with a very cold period in southern Sweden.

Return on capital employed amounted to 6 (8) per cent.

In the third quarter, heating operations achieved net sales of MSEK 131 (126), an increase of 4 per cent. Profit after depreciation is reported at MSEK -15 (-1), of which the above-mentioned write-down account for MSEK 9 (-).

Restructuring

In accordance with the agreement entered in December 2002 with Perhonjoki Oy, Grange signed over an additional 2.5 percentage points of its holding in Oy Alholmens Kraft Ab in Finland as of 1 May. Alholmen owns and operates the world's largest biofuel-fired power plant, located in Pietarsaari. The plant went into operation at the end of 2001 and has a capacity of close to 250 MW. After the transfer, Grange owns 14.9 per cent of the shares in Alholmen and has the right to a production share equivalent to its holding. All in all, the transaction with Perhonjoki has generated a reported capital gain of MSEK 14 which is included in profit for 2002.

Grange has sold its district heating operations in Nordmaling to Sydkraft Värme AB. The transaction was effected through the transfer of Grange's entire shareholding in Nordmalings Energiverk AB to Sydkraft for a price of MSEK 12. Nordmalings Energiverk, with annual sales of around MSEK 5, produces and

distributes district heating in the municipality of Nordmaling. Energy deliveries to the company's customers amount to around 12 GWh.

Investments and net financial items

The Group's investments in new property, plant and equipment during the first three quarters of the year amounted to MSEK 200 (193). More than half, MSEK 105, is attributable to reinforcement of the Group's distribution network. New investments in network operations totalled MSEK 41. New investments in heating operations, primarily for conversion to biofuel-fired boilers, amounted to MSEK 37.

Net financial items are reported at MSEK -91 (-86). Since year-end, net debt has decreased by MSEK 224 and amounted to MSEK -1,812 (-2,036) at the end of September.

Parent Company

The Parent Company's net sales for the period January-September amounted to MSEK 85 (51). Operating profit is reported at MSEK -60 (-42).

Sydkraft increases its holding

On 30 October, the European Commission gave the go-ahead for Sydkraft to acquire EDF's shareholding in Granninge. Sydkraft has taken possession of the shares, which means that Granninge is now a subsidiary of Sydkraft.

Sydkraft has also directed an offer to the remaining shareholders in Granninge to sell their shares on the same terms as EDF. E.ON and members of the Nordin/Rudbeck families have declared their intent to accept the offer.

Full-year forecast

As stated earlier, profit for the full year is expected to be around 10 per cent higher than in the previous year provided that run-off during the fourth quarter and weather conditions in general are normal.

Sollefteå, 5 November 2003

Lars Enslöf
Managing Director & CEO

**Consolidated profit and loss
account in summary**

MSEK	July-Sept 2003	July-Sept 2002	Jan-Sept 2003	Jan-Sept 2002	Full year 2002
Net sales (excl. power tax)	698	638	2,820	2,270	3,391
Operating expenses *)	<u>-617</u>	<u>-524</u>	<u>-2,199</u>	<u>-1,684</u>	<u>-2,544</u>
Operating profit	81	114	621	586	847
Net financial items	<u>-31</u>	<u>-25</u>	<u>-91</u>	<u>-86</u>	<u>-107</u>
Profit after net financial items	50	89	530	500	740
Minority shares	<u>-3</u>	<u>-6</u>	<u>-30</u>	<u>-28</u>	<u>-39</u>
Profit before tax	47	83	500	472	701
Tax	<u>-14</u>	<u>-23</u>	<u>-148</u>	<u>-132</u>	<u>-203</u>
Net profit for the period	33	60	352	340	498
*) Operating expenses include planned depreciation of	-62	-55	-191	-187	-259
Earnings per share (66,446,687), SEK	0.50	0.90	5.30	5.10	7.50

**Net sales by area of
operation**

MSEK	July-Sept 2003	July-Sept 2002	Jan-Sept 2003	Jan-Sept 2002	Full year 2002
Electricity	372	339	1,593	1,149	1,723
Networks	216	216	722	720	1,020
District Heating	131	126	567	501	742
Intra-group deliveries	-21	-43	-62	-100	-94
Total	698	638	2,820	2,270	3,391

**Operating profit by area
of operation**

MSEK	July-Sept 2003	July-Sept 2002	Jan-Sept 2003	Jan-Sept 2002	Full year 2002
Electricity	43	27	390	278	413
Networks	53	88	205	258	349
District Heating	-15	-1	26	50	85
Total	81	114	621	586	847

Consolidated balance sheet in summary

MSEK	30 Sept. 2003	30 Sept. 2002	31 Dec. 2002
<i>Assets</i>			
Fixed assets	9,040	8,799	9,064
Cash and bank	264	232	471
Other current assets	965	729	1,134
<i>Total assets</i>	<i>10,269</i>	<i>9,760</i>	<i>10,669</i>
<i>Shareholders' equity, provisions and liabilities</i>			
Shareholders' equity	5,130	4,913	5,044
Minority interests	406	285	376
Provisions	34	31	34
Deferred tax	1,678	1,483	1,685
Long-term liabilities	1,272	1,339	1,388
Interest-bearing current liabilities	804	949	1,064
Other current liabilities	945	760	1,078
<i>Total shareholders' equity, provisions and liabilities</i>	<i>10,269</i>	<i>9,760</i>	<i>10,669</i>

Shareholders' equity

MSEK	30 Sept. 2003	30 Sept. 2002
Opening balance	5,044	5,212
Dividends	-266	-365
Reversal of write-up, etc.	0	-274
Net profit for the period	352	340
Closing balance	5,130	4,913

Cash flow statement in summary

MSEK	Jan-Sept 2003	Jan-Sept 2002	Full year 2002
Cash flow from operating activities before change in working capital	307	190	875
Cash flow from change in working capital	29	340	242
Cash flow from operating activities	336	530	1 117
Cash flow from investing activities	-189	-379	-577
Cash flow from financing activities	-354	-155	-305
Increase in liquid assets	-207	-4	235

Key ratios

	30 Sept. 2003	30 Sept. 2002	Full year 2002
Visible equity, %	50	50	47
Equity per share, SEK	77	74	76
Return on capital employed, %	12	12	11
Return on equity, %	10	11	10

The key ratios have been calculated according to the recommendations of the Swedish Society of Financial Analysts. In calculating return on shareholders' equity and capital employed, the result for the past four quarters has been used.

Accounting principles

The Group follows all the applicable recommendations of the Swedish Financial Accounting Standards Council. 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.

Financial calendar

Year-end report 17 February 2004

Sollefteå, 5 November 2003

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