



## ANNUAL REPORT **1999**

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*The shareholders of Sydkraft AB are hereby called to attend the Annual General Meeting at the STORAN, Malmö Musikteater, Östra Rönneholmsvägen 20, Malmö, on Monday, May 8, 2000, at 5.00 p.m.*

*Shareholders wishing to participate in the Meeting must:*

- be registered in the list of shareholders
- notify Sydkraft

## Registration

*Registration must be recorded in the Securities Register maintained by VPC (Swedish Securities Register Center) not later than Friday, April 28, 2000.*

*Shareholders whose shares are held in trust must temporarily reregister the shares in their own names not later than April 28, 2000, in order to be entitled to participate in the Meeting.*

## Dividend

*The dividend approved by the Annual General Meeting is expected to be remitted by VPC on May 16, 2000, to shareholders recorded in the Securities Register, or in the special list of creditors. The Board of Directors will propose May 11, 2000 as the record date.*

## Change of address

*Changes of address of all persons for whom records are maintained in Sweden are now automatically updated at VPC. Other shareholders who have changed*

*either their addresses or account numbers, must inform VPC at the following address: VPC AB, Box 7822, S-103 97 Stockholm, as soon as possible in order to ensure that the dividend and other reports are sent to the correct address. In all correspondence with VPC, the shareholder's reference number (social security number or registration number) must be cited.*

## Notification

*Notification to Sydkraft regarding participation in the Meeting must be made in writing and received by Sydkraft at the below address **no later than 12.00 noon, May 3, 2000**. Business reply cards can take longer to distribute, so please ensure notification is mailed in good time.*

Sydkraft AB  
Legal Affairs  
SE-205 09 Malmö  
Telephone: +46 40-25 54 22

*Sydkraft cordially invites all participants in the Annual General Meeting to attend a buffet in the foyer immediately following the Meeting.*

## Financial information from Sydkraft 2000

Preliminary year end report	February 24
Annual Report	Mid April
Interim Report as per March 31	May 8
Interim Report as per June 30	August 21
Interim Report as per September 30	November 27

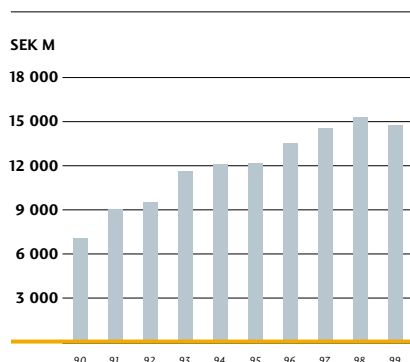
*The above reports can be ordered from Sydkraft AB, Information and Public Affairs, S-205 09 Malmö, Sweden.  
Telephone +46 40-25 50 00, fax +46 40-97 05 91, e-mail: [info@sydkraft.se](mailto:info@sydkraft.se)*

*Sydkraft's financial reports are also available for reading on the Sydkraft website, address: [www.sydkraft.se](http://www.sydkraft.se)*

*Sydkraft AB is a public company (publ)  
Organization no. 556006-8420.*

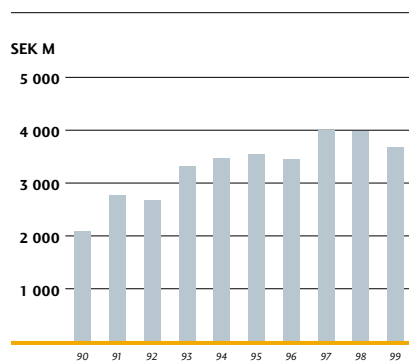
# 1999 in brief

## Net sales



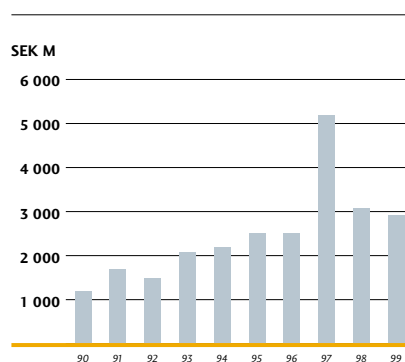
Sydkraft's net sales for 1999 totaled SEK 14 779 M, corresponding to a decrease of 3%. Sales of consulting and contracting services increased. Gas sales remained unchanged, while heat sales dropped slightly. Electricity sales declined due to reduced sales on the Electricity Exchange, which resulted from lower hydroelectric and nuclear power production. Price levels remain low in the electricity segment.

## Operating profit



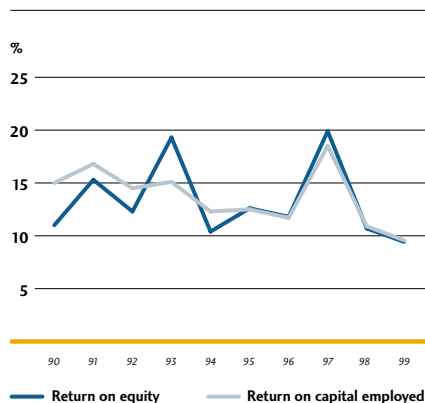
Operating profit declined by 7% to SEK 3 689 M, compared with SEK 3 988 M for 1998. The decrease was due to a combination of lower hydro-electric and nuclear power production, an unusually warm summer and low electricity prices.

## Profit after financial items



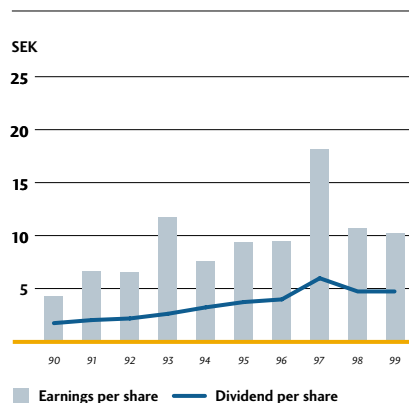
Lower interest-rate levels led to a SEK 121 M improvement in the financial net. However, this was unable to fully offset the lower operating profit. Accordingly, profit after net financial items decreased by 6% to SEK 2 908 M.

## Return ratios



The return on equity was 9.6% and on capital employed 9.5%, compared with 10.7% and 10.9%, respectively in 1998. The decreases were due primarily to a continued increase in shareholders' equity and interest-bearing liabilities in combination with a slightly lower level of earnings.

## Earnings and dividend per share



Earnings per share totaled SEK 10.15, compared with SEK 10.76 in the preceding year. The proposed dividend for 1999 is SEK 4.75, which corresponds to 47% of profit after tax.



# Message from the President

Sydkraft's process of change to meet the demands of the deregulated market is progressing at a rapid pace. Our customers can now make an active choice, enabling them to secure lower prices and more efficient energy consumption. To date, few customers have chosen to leave us, thanks to the range of competitively priced products and energy-related services we offer. At the same time, we have gained new customers from other suppliers.

Jointly with a number of important acquisitions, we increased our total customer base by approximately 70 000 to 850 000 during the past year. Based on this established strategy, we are continuing to grow in northern Europe. During 1999, we acquired shares and companies for a total of approximately SEK 3 billion.

For example, we acquired a 49% holding in Norrköping Miljö & Energi (Sweden) and in the Norwegian companies Østfold Energi Kraftsalg and Østfold Energi Nett. Østfold has nearly 100 000 customers and Norrköping more than 60 000. Norrköping Miljö & Energi and Østfold Energi will become two key bridgeheads for expansion in their respective regions. During spring 2000, a service company will be started in Norrköping and a contracting and consulting company in Østfold.

## Further acquisitions

The average spot market price for electricity fell by 5% during 1999. Due to the unusually warm summer, production of both hydroelectric and nuclear power was lower than in 1998. Despite this and the fact that earnings after financial items declined by 6%, 1999 was a strong year.

Sydkraft's equity/assets ratio exceeds the corporate target of 35%. Accordingly, we have a high financial reserve of several billion kronor for future acquisitions. The most attractive candidates are electricity trading

and network companies in Sweden, Norway and Germany, plus co-generation plants in Poland. Many want to sell and, as this report goes to press, several attractive objects are on offer. Some are also interested in establishing partnerships, which in many cases means that as the purchasing party, we bring new operations to the region. Sundsvall, Norrköping, Örebro, Härnösand and Østfold are good examples of regions where Sydkraft has boosted local business and industry and thus employment in the community.

## The Sydkraft brand

The development and protection of brands has become an important feature of the power industry. Sydkraft is currently at the beginning of a development campaign to build its brand. Our aim is to have the strongest brand in the industry. Strong brands attract customers. Moreover, customers are willing to pay more for the qualities represented by a well-known brand. Successful brands develop out of operations that have strong and clearly defined corporate values.

Sydkraft's strength lies in its service and the individual energy solutions it provides to increase the competitiveness, comfort and safety of its customers. Our work in this area will be conducted in a future-oriented manner, with the focus firmly on our Vision 2005. We have coined the new corporate maxim "TomorrowToday" to reflect our desire to look to the future without losing our grip on the present. Among other things, this means that we will be seen in a number of aggressive and highly challenging projects. The international housing exhibition "Bo01," which will take place in Malmö in summer 2001, is such a project. There, approximately one million visitors will see Sydkraft deliver 100% locally generated, renewable energy based on ecocycle principles, with sustained home comfort.

## Interested customers

Although very few customers have changed supplier, major interest is being shown in what is available in the market. Sydkraft's aim is to be the best alternative, with the best service and the best range of offers. In addition to a good price, a successful energy offer should contain such important ingredients as freedom of choice, reliability, simplicity and incentive schemes.

Considerable interest is also being shown in membership of Sydkraft's customer clubs, as reflected by the Group's Collect customer club, which attracted 40 000 members in just two months. The original goal was to attract 50 000 members during the first year.

## Greater added value

In the corporate market, Sydkraft currently has about 56 000 electricity customers, 3 300 natural gas customers, 200 LPG customers and approximately 5 500 heat customers.

Sydkraft's corporate customers are increasingly demanding and being offered tailor-made solutions. The Energi loop cooperation method is a good example of how customers can obtain energy solutions based on their own terms. Much of the product development work is also conducted jointly with customers. The gains in energy efficiency are often considerable. For example, Falcon Brewery in Falkenberg (Sweden), today saves more than SEK 500 000 annually, in addition to reduced emissions.

The marketing of individual solutions has exceeded expectations. Specialist skills and know-how are needed in order to achieve the very best solutions. Thanks to the Group's extremely well developed contracting and consulting operations, Sydkraft can offer the necessary level of skills and know-how. Within the important IT area, Sydkraft has approximately 500 experts in its

various subsidiaries. Our consulting and contracting companies, Sycon, ElektroSandberg and WM-data Ellips, strengthened their market positions during 1999 and today rank among the leading companies in Sweden in their respective fields.

### Exciting energy trading

Sydskraft's energy trading operations – which will eventually include the Group's entire range of energy products – continued to make strong progress during the year. Sydkraft Energy Trading is responsible for all trading operations and functions as the unifying link between production and sales.

Prices in the spot market fluctuated sharply during the year and the average spot price was about 2 öre/kWh lower than in the preceding year. Customers outside the Group accounted for approximately half of the total of SEK 6.7 billion in net sales. Operating profit amounted to SEK 230 M, which was a satisfactory result bearing in mind the circumstances.

During the year, Sydkraft Energy Trading was the first player in the market to receive a full permit from the Swedish Financial Supervisory Authority to conduct trading in energy derivatives on behalf of external customers. This also includes management of companies' energy portfolios. Swedish forest products company AssiDomän was one of the first customers to commission Sydkraft to manage its energy portfolio.

### Year 2000

The millennium shift and the extra day in February 2000 passed without incident. Thanks to comprehensive preparations, we were able to identify potential problems and take appropriate advance action. The final cost of the millennium shift quality-assurance project was SEK 70 M, which was about SEK 30 M lower than estimated.

### Barsebäck

Barsebäck 1 was decommissioned on November 30 as the result of a Government decision. An agreement was reached between Sydkraft, the Swedish Government and Vattenfall,

whereby Sydkraft's owners will receive reasonable compensation. In the respective opinions of an independent third party, Handelsbanken Markets, and the credit rating institute, Standard & Poor's, the agreement is not negative and is neutral from a shareholder viewpoint. The Government has presented the agreement to Sweden's Parliament for approval. The matter will be addressed by Parliament during its spring session in year 2000.

In a guideline decision, Parliament indicated at an earlier stage that it wants Barsebäck 2 to be decommissioned by June 30, 2001 at the latest. This would be conditional upon Barsebäck 2's capacity being replaced by renewable domestic electricity production and/or rationalized out. In my opinion, the current program to adjust Sweden's energy supply will not allow these conditions to be met by then.

### The future

During 1999, we invested SEK 175 M in R&D. Our work in this area focuses on projects that can rapidly result in lower costs, higher availability, new products and new business opportunities. At the same time, we are working to support and stimulate a sustainable energy system. During autumn 1999, we commenced construction of Innovision, a future center. The objective is to increase our pace and ability to evaluate, initiate and implement new ideas within the Group. When fully operational, Innovision will be

used by Sydkraft and its customers, suppliers and partners for joint projects to develop visions and find applications for creative ideas.

Through its ability to speed up the exchange of large volumes of information, broadband will be an important part of everyone's future. Today, many different people are investing in various broadband solutions. With its inherent know-how and skills, Sydkraft is one of the companies that is best equipped to participate in, develop and benefit from the infrastructure between households and the Internet. To date, we have made successful transmission tests of large volumes of information via the Internet through our power lines. About 100 customers in Malmö took part in the tests and evaluated the results.

The next major project is to jointly build an optofiber network with partners between Malmö, Gothenburg and Stockholm. As a result, we will be able to reach several million homes with broadband technology.

The abundance of water in the Norwegian and Swedish reservoirs means that prices, at least during the first half of the year, will be low. Growth in the Nordic electricity market is expected to be around 1-2% during 2000. The very mild start to the year means that Sydkraft's sales could be lower than in 1999. Heat and gas sales are also affected by the mild conditions.



A stylized, handwritten signature in dark ink, appearing to read 'Lars Frithiof'.

**LARS FRITHIOF**

*President and CEO*

A BRAND IS DEVELOPED THROUGH COMMUNICATION AND ITS STRENGTH IS DEPENDENT ON THE TOTAL ORGANIZATION BEHIND IT. SYDKRAFT'S STRENGTH LIES IN ITS SERVICE AND THE INDIVIDUAL ENERGY SOLUTIONS IT PROVIDES TO INCREASE THE COMPETITIVENESS, COMFORT AND SAFETY OF ITS CUSTOMERS.

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Free competition in the energy market means that customers themselves can choose which supplier they want. As in most other markets, the choice is usually made between various brands and what they stand for. Which is the most knowledgeable? Which is the most reliable? Which one do I like best? The cornerstone in all brand-development work is to create added value, so that customers will be willing to pay a premium for a special brand.

Sydkraft is currently at the beginning of a brand-development campaign to reinforce the Sydkraft name.

On the consumer side, a strong brand name is particularly important. Since there are a great many customers, it is impossible to meet them all personally and explain who Sydkraft is. Instead, we must rely on a brand that is easy to commit to. Accordingly, in Vision 2005, we have stated that Sydkraft will be the strongest brand in the industry.

A brand is developed through communication and its strength is dependent on the total organization behind it. All employees must have the same perception of the brand's importance, share the same philosophy, the same goal and the same recognition of the core values and key message upon which it is based. Successful brands are developed out of operations that share strong and clearly defined values.

Clearly defined for all parties with an interest in the brand. Time and again, the questions must be asked:

What is the core factor underlying the brand? What values and properties does it reflect? What skills shall be embodied in the brand, and what signals should it communicate? Sydkraft must be known, and known for something specific in order to ultimately be chosen.

Sydkraft's strength lies in its service and the individual energy solutions it provides to increase the competitiveness, comfort and safety of its customers. In our internal work, we shall focus on customer orientation, the participation and cooperation of all employees and constant improvement. This will be accomplished in a committed, responsible and future-oriented manner. We have coined the new corporate maxim "Tomorrow-Today" to reflect our desire to look to the future without losing our grip on the present.

Accordingly, communication is the key word in this process, both internally and externally. Corporate communication activities will focus on maintaining a constant dialog with all parties having an interest in the Sydkraft brand.

The dissemination of information through professional corporate communications activities is a vital prerequisite for developing, maintaining and strengthening the brand.

The nature of our operations attracts a high degree of public interest and they are also dependent to some extent on political decisions.



*We no longer merely sell products and services. To an increasing extent, we are selling a brand. This is no spur-of-the moment decision, or short-lived trend destined to eventually disappear without trace. On the contrary, we are just at the beginning of a development whereby our society will focus to an increasing degree on creating value by preserving and developing brands that consumers and companies alike perceive as strong.*

Efficiently managed communication shall create optimally favorable conditions for our business and customer orientation, thereby contributing to improved profitability.

Internal and external information activities in the Sydkraft Group shall increase knowledge about and confidence in the Group, communicating an image of a skilled and service-oriented organization that is intent on living up to the high demands placed on its business ability, ethics, willingness to change, environmental awareness and market orientation. In addition, it shall make a concrete contribution to the realization of our vision to have the strongest brand in the energy sector.

Our commitment to customers will be borne by the Group's visual iden-

tity. In 1999, it was a natural step to underline this change in direction by introducing a new visual identity that clearly illustrates the change.

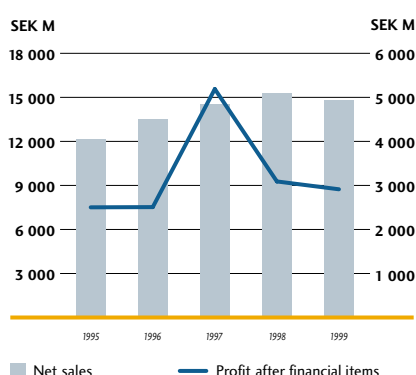
There is a specific reason for the new corporate emblem appearing as it does. Our aim, in terms of choice of colors and typography, is to emphasize that Sydkraft is a more flexible and less technically driven company than previously.

We have retained the original red color, since this is so firmly associated with Sydkraft. Used in combination with the orange ripple device, we achieve the desired effect, which is that Sydkraft radiates energy. The simple brush strokes used add an element of spontaneity.

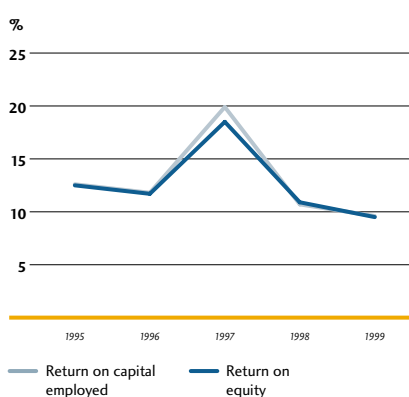
## ADMINISTRATION REPORT

### REPORT OF THE BOARD OF DIRECTORS AND THE PRESIDENT FOR 1999

#### Net sales and earnings



#### Return ratios



#### Financial targets

Sydkraft's principal financial objective is to generate an attractive return and value growth for its shareholders. Sydkraft aims to ensure that the share dividend and the share price trend are fully in line with the industry, and higher than the interest rate for risk-free long-term investment. In the long term, the dividend should amount to 30-50% of earnings after tax.

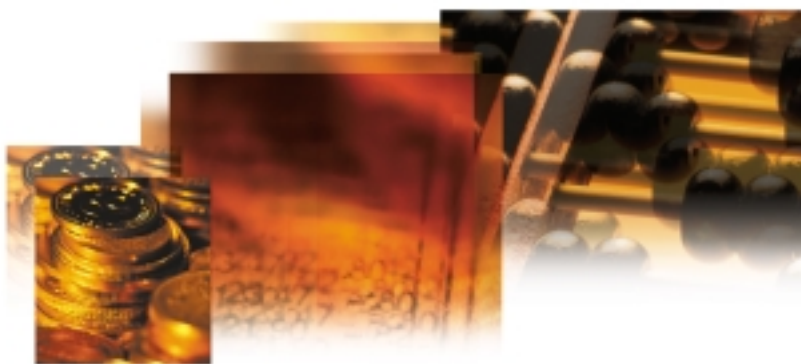
Achieving this overall return objective calls for a stable earnings capability and long-term profitability. As a result, Sydkraft gives priority to satisfactory market growth, while maintaining profitability. The Group must become increasingly competitive in terms of product range, product quality and productivity. Hence, each business sector aims to ensure that profitability fully matches the levels achieved by competitors.

Changed conditions in terms of the interest rate level, among other factors, have resulted in the former long-term return target of 15% for shareholders equity being adjusted downward to 11-13%, with a target of 12%. Expressed as an average, the return over the past ten years has been 13.1%.

In view of the capital-intensive nature of operations and the possibilities of achieving the required return on shareholders' equity, the Group's long-term goal is to achieve an assets/equity ratio of approximately 35%. Some deviation from this ratio may be permitted in periods of heavy investment. As one aspect of Sydkraft's ambition to maintain a high degree of financial flexibility, and to permit the company to undertake attractive acquisitions and participate in the restructuring of the energy industry,

#### Financial targets and key ratios

Key ratio	1995	1996	1997	1998	1999	5-year average	10-year average	Target
Profit margin, %	21	18	36	20	20	23	21	
Return on shareholders' equity, %	12.6	11.8	19.9	10.7	9.6	12.8	13.1	12.0
Return on capital employed, %	12.5	11.7	18.5	10.9	9.5	14.6	13.3	
Equity/assets ratio, %	38	38	40	40	41	40	37	35
Net indebtedness/risk-bearing capital, multiple	0.75	0.75	0.73	0.75	0.74	0.75	0.80	
Dividend as a percentage of earnings, %	40	42	33	44	47	38	38	30-50



the equity/assets ratio has exceeded this target in recent years. This has had a negative impact on return on shareholders' equity.

### Sales and earnings

The Group's net sales for 1999 totaled SEK 14 779 M (15 283), down approximately SEK 504 M, or 3%, compared with 1998.

Electricity sales totaled 29 257 GWh (32 980). The 11% decrease was mainly due to lower hydroelectric and nuclear power production. Gas sales remained largely unchanged at 8 259 GWh (8 237). Sales of heat declined by 2% to 4 187 GWh (4 270). Sales of consulting and contracting services to customers outside the Group rose by SEK 308 M.

Pressure on prices, particularly in the electricity market, remained strong. In the services area, operations continued to expand within several segments, due to the acquisition of El och Trafik teknik and the consulting company Tellus, among other factors.

Operating expenses amounted to SEK 9 914 M (9 954). As a result of the lower hydroelectric and nuclear power production, the relative proportion of power purchased from the electricity exchange and elsewhere increased. This is the main reason for operating expense not declining by more than SEK 40 M. Operating expense included SEK 12 M (16) for employee profit participation.

Write-downs of fixed assets during the year totaled SEK 43 M (236), most of which related to the oil-fueled Karlshamn plant.

Results from participations in associated companies, primarily related to the holdings in Hamburgische Electricitäts-Werke (HEW) and Gräninge Verken AB, amounted to SEK 468 M (431).

Combined, these factors resulted in a decline of SEK 299 M in operating profit to SEK 3 689 M (3 988). An analysis of the trend of operating profit is shown in the below table.

Change in operating profit	SEK M
Operating profit 1998	3 988
Volumes and margins	
Marketing and Sales Business Sector	-136
Production Business Sector	-471
Distribution Business Sector	4
Consulting and Contracting Business Sector	-19
Energy Trading	169
Result from participations in associated companies	37
Writedowns	193
Capital gain on sales of shares	-65
Other	-11
Operating profit 1999	3 689

The Group's financial net improved by SEK 121 M to an expense of SEK 781 M (expense: 902). This was mainly due to the Group being able to exploit the increasingly low level of interest rates during the year.

The improvement in the financial net was unable to fully offset the decrease in operating profit and Group profit after financial items amounted to SEK 2 908 M (3 086), corresponding to a decline of 6%.

The Group's effective tax expense amounted to 33.0% (32.7). The deviation from the Swedish corporate tax rate of 28% was largely due to higher tax in the German associated company HEW (see Note 7).

Group profit for the year amounted to SEK 1 939 M (2 055).

### The Marketing and Sales Business

Sector's net sales totaled SEK 6 059 M (7 333), of which sales to customers outside the Group totaled SEK 5 638 M (6 945). Operating profit amounted to SEK 96 M (236), down SEK 140 M.

The decline in sales and volumes was due to the transfer of a number of electricity distribution and major customer agreements to Sydkraft Energy Trading during the year.

Competition in the electricity market has become progressively tougher and electricity prices fell by about 5% compared with the preceding year. With the discontinuation of the hourly metering requirement in Sweden on November 1, 1999, the private market segment has also become fully exposed to competition.

In addition to reduced electricity sales volumes, the decrease in earnings was attributable to increased marketing costs and preparations for increased mobility in the private market segment. Earnings during the final quarter were also charged with slightly more than SEK 90 M for expected losses on an unprofitable agreement signed in autumn 1997.

For information about market conditions and development opportunities,



please refer to the description of this business sector on page 40.

*The Production Business Sector's* net sales totaled SEK 7 091 M (8 242), of which sales to customers outside the Group accounted for SEK 555 M (621). Operating profit amounted to SEK 1 690 M (1 987), a decrease of SEK 297 M. Operating profit was charged with write-downs totaling SEK 32 M (206) related primarily to the oil-fueled Karlshamn plant.

The decline in both sales and earnings was mainly due to lower electricity production and lower prices compared with the preceding year.

Electricity production totaled 27 535 GWh (30 937).

Total hydroelectric power production amounted to 11 370 GWh (13 514). The decrease should be viewed in the light of the extremely abundant water supply available in 1998, but hydroelectric power production in 1999 still exceeded a so-called normal year by approximately 0.8 TWh.

Nuclear power produced 15 357 GWh (16 509). The decrease was mainly due to an extended inspection of both Barsebäck 1 and 2 and Oskarshamn 2 and to a controlled cutback of nuclear power due to the good availability of hydroelectric power during the spring. All reactors are in full production, with the exception of Barsebäck 1, which was decommissioned on November 30, 1999. As of this date, Sydkraft receives replacement power from the Swedish Government.

A total of 808 GWh (914) was produced via co-generation, gas turbine and windpower plants. On January 1, 1999, blocks 1 and 2 at Karlshamn Kraft AB were shut down. An agreement has been signed with Svenska Kraftnät regarding compensation for reserve power from block 3 at the Karlshamn plant as of October 1, 1999, and up to April 2002.

Heat production amounted to 4 187 GWh (4 270). The decrease was due to a slightly milder winter in 1999 compared to 1998. Work to expand the district heating system between Hallsberg, Kumla and Örebro has been completed and placed in operation.

The pressurized gasification test program to obtain biofuel-based electricity and heat production from bio-fuels at the Värnamo plant was concluded as planned during October, following six years of research work.

For information about market conditions and development opportunities, please refer to the description of this business sector on page 44.

*Distribution Business Sector* net sales totaled SEK 4 619 M (4 658), of which sales to customers outside the Group accounted for SEK 4 173 M (4 034). Operating profit amounted to SEK 1 321 M (1 310), up by SEK 11 M.

All of the Sydkraft Group's electricity network and gas companies have been assembled in the Distribution Business Sector. The sector's companies are responsible for the operation

#### Net sales and earnings per business sector

SEK M	Net sales		Of which, external		Earnings	
	1999	1998	1999	1998	1999	1998
Marketing and Sales	6 059	7 333	5 638	6 945	96	236
Production	7 091	8 242	555	621	1 690	1 987
Distribution	4 619	4 658	4 173	4 034	1 321	1 310
Consulting and Contracting	2 565	2 186	1 347	1 039	133	148
Energy Trading	6 704	7 370	3 015	2 620	230	61
Result from participations in associated companies					468	431
Group eliminations, etc.	-12 259	-14 506	51	24	-249	-185
<b>Net sales</b>	<b>14 779</b>	<b>15 283</b>	<b>14 779</b>	<b>15 283</b>		
<b>Operating profit</b>					<b>3 689</b>	<b>3 988</b>
Net financial items					-781	-902
<b>Profit after net financial items</b>					<b>2 908</b>	<b>3 086</b>



and maintenance of the network and other facilities in order to transport electricity, natural gas and LPG to the network's customers. In addition, Sydgas is responsible for all purchasing and delivery of natural gas to distributors in Helsingborg, Lund and Ängelholm, as well as to the Heleneholm plant in Malmö.

During the year, the sector transported 31 554 GWh (31 363) of electricity. Unfortunately, the turbulent autumn weather in 1999 caused some prolonged disruptions in service to many customers in mainly southern Sweden. During the first weekend in December, gales reached hurricane force and Sydkraft experienced major problems with salt build-up on switchgear and blown-down transmission lines.

In cooperation with other main grid and regional network owners, Sydkraft is planning a fiber optic connection of the electricity network connecting Malmö-Gothenburg-Stockholm.

Natural gas deliveries during the year amounted to 7 313 GWh (7 294). As in 1998, the weather during the year was significantly warmer than usual, particularly during the spring and autumn periods. This led to a decrease in deliveries for heating purposes, while volumes for customers in the industrial segment increased.

For information about market conditions and development opportunities, please refer to the description of this business sector on page 48.

*The Consulting and Contracting Business Sector's* net sales totaled SEK 2 565 M (2 186). Sales to customers outside the Group accounted for SEK 1 347 M (1 039), which meant that external sales rose to 53% (48). Operating profit amounted to SEK 133 M (148), a decrease of SEK 15 M. Operating earnings were charged with write-downs of SEK 11 M (16) related to certain properties.

Acquisitions made during the year are helping to strengthen and expand the business sector's operations. Sycon's acquisition of the consulting company Tellus established Sydkraft in the environmental management segment, while ElektroSandberg's acquisition of El och Trafikteknik AB (ETA) strengthens operations in the traffic information segment. Through these acquisitions, the business sector gained approximately 200 new employees and additional sales of approximately SEK 200 M.

The trend of operating profit for IT operations was positive. For WM-data Ellips, the year was marked by strong growth for consulting services, while licensed sales of the company's various systems for the energy industry also increased.

Despite narrowing margins, ElektroSandberg's contracting and service operations showed favorable sales and earnings trends.

Operating earnings for Sycon decreased as a result of lower demand from the defense sector. Earnings were also charged with restructuring costs. The purpose of the restructuring work is to increase market share and volumes within the real estate sector, particularly within selected geographic growth areas.

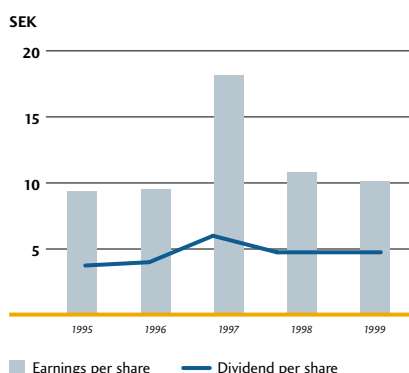
For information about market conditions and development opportunities, please refer to the description of this business sector on page 52.

*Energy Trading's* net sales totaled SEK 6 704 M (7 370), of which sales to customers outside the Group amounted to SEK 3 015 M (2 620). Operating profit amounted to SEK 230 M (61), up by SEK 169 M. The increase was primarily due to lower purchase prices for physical power in combination with the settlement of financial hedging contracts.

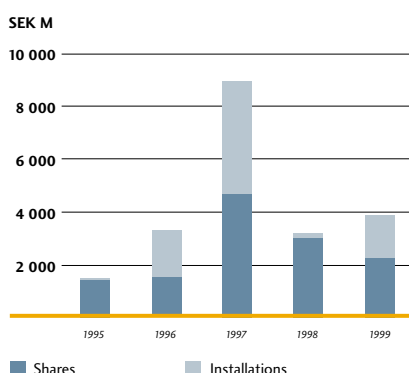
Prices in the spot market fluctuated sharply during the year and on average were about 2 öre/kWh lower than for



### Earnings and dividend per share



### Investments



the preceding year. Because of the price hedging conducted within the framework of Sydkraft's portfolio management, the lower spot market price levels did not have a full effect on Group earnings.

On November 1, 1999, Sydkraft Energy Trading AB became the first market player to receive full authorization from Sweden's Financial Supervisory Authority to conduct trading operations with energy derivatives – futures, options – and currencies on behalf of external customers, and to transact business deals based on energy derivative instruments between different parties.

For information about market conditions and development opportunities, please refer to the description on page 56.

### Profitability

During 1999, the Group's operating margin was 21.8% (23.3) and the profit margin 19.7% (20.2).

The return on average equity after tax during the year was 9.6% (10.7) and the return on average capital employed before tax was 9.5% (10.9). The decrease was mainly due to a continued increase in equity and interest-bearing liabilities in combination

with a slightly lower level of earnings.

Earnings per share totaled SEK 10.15 (10.76).

### Investments and acquisitions

During the most recent ten-year period, Sydkraft has made substantial strategic investments. Acquisitions have been made of new companies and investments made in production and distribution plants. Of the SEK 37 billion in net investments made by the Group during the past ten years, 80% could be financed through cash flow from operations.

Group investments during 1999 totaled SEK 3 857 M (3 185).

Fixed asset investments in existing operations amounted to SEK 1 652 M (1 956). Normal reinvestments totaled approximately SEK 1.6 billion. In addition to normal investments for renewal and increased efficiency, notable investments related to the modernization of block 1 at the Oskarshamn nuclear power plant, for which Sydkraft's share was SEK 137 M (345), and the expansion of the district heating network linking Hallsberg-Kumla-Örebro, for SEK 100 M.

During 1999, Sydkraft made a number of acquisitions and increased its ownership in several jointly owned

### Distribution of investments

	1999		1998	
	SEK M	%	SEK M	%
Electricity production plants				
- condensing power	561	34	686	35
- hydroelectric power	126	8	168	9
- windpower	7	-	7	-
Heat production/back pressure power	86	5	134	7
Transmission plants	52	3	60	3
Distribution plants	635	38	544	28
Other	185	12	357	18
Investments in existing operation	1 652	100	1 956	100
Plants in subsidiaries acquired	600		1 062	
Participations in associated companies	1 605		167	
Total investments	3 857		3 185	



companies. Investments in new subsidiaries and shares in associated companies totaled SEK 2 205 M (1 229).

In June, Sydkraft acquired the shares outstanding in Sydgas for SEK 325 M, making this company a wholly owned Sydkraft subsidiary.

In August, Sydkraft acquired Osby Energi AB for SEK 76 M. The district heating operations conducted by the company were retained by the Municipality of Osby. Osby Energi supplies approximately 70 GWh of electricity to 4 200 customers in the municipality.

In September, Sydkraft acquired 49% of the shares in Norrköping Miljö & Energi (NME) for SEK 1 350 M. The NME Group has approximately 800 employees and annual sales of SEK 1 100 M. Core operations focus on the electricity, district heating, water and waste-based energy development areas.

In April, Sydkraft acquired the consulting company Tellus, with 100 employees, through its subsidiary Sycon. In September, the Göteborg Energi subsidiary, El och Trafikteknik AB (ETA) was acquired by the Sydkraft subsidiary, ElektroSandberg. ETA, which is primarily active in the street lighting and traffic signals fields, has 90 employees and annual sales of SEK 120 M.

Jointly with other players, a number of electricity sales companies were established. At the beginning of 1999, Sydkraft formed the electricity sales company Elektra Energihandel A/S on the island of Sjaelland, Denmark, in cooperation with the Danish companies Københavns Belysningsvesen (KB), SEAS Distribution and Nordvest-sjællands Elforsyning (NVE). The four owners each have a 25% stake in the new company.

In June, Sydkraft and Birka Energi implemented a barter transaction within energy trading operations, which resulted in Sydkraft becoming the owner of the whole of Östernärkes KraftFörsäljning AB and

in Birka becoming the owner of the whole of Lidingö Energi Försäljning AB.

In January 2000, Sydkraft and Härmösand Energi & Miljö, jointly established HEMAB Elförsäljning AB, to initially serve approximately 16 000 customers. Sydkraft owns 75% of the new company and HEMAB the balance.

The acquisition of 49% of the shares in Østfold Energi Nett AS and Østfold Energi Kraftsalg AS for SEK 813 M was formally concluded on March 1, 2000.

### Cash flow and financial position

Sydkraft's cash flow from operations during the year was positive and amounted to SEK 3 466 M (positive: 3 536). Cash flow after investments was negative and amounted to SEK 157 M (positive: 479).

During the past ten years, cash flow from operations has been very favorable. The Group's reinvestment requirement is estimated to total SEK 1.6 billion a year, resulting in a free annual cash flow of about SEK 2 billion.

Interest-bearing net liabilities increased by SEK 0.7 billion, due mainly to company acquisitions and totaled SEK 19.3 billion (18.6) at year-end. The ratio between net borrowing liabilities and risk-bearing equity was 0.74 (0.75).

At year-end 1999, the equity/assets ratio was 41% (40) and the proportion of risk-bearing equity was 51% (50).

### Liquid funds

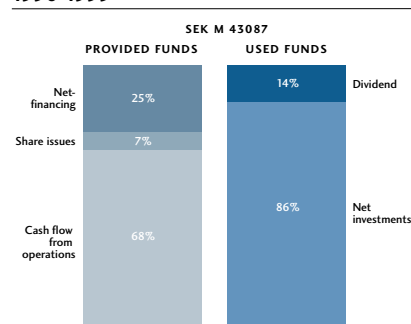
At the end of 1999, the Group's liquid funds, including cash investments, amounted to SEK 1 352 M (1 159), or 9% of sales.

### Interest-bearing liabilities

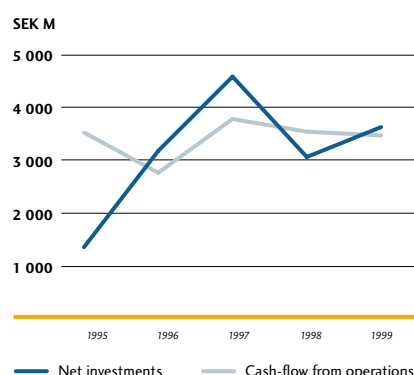
Interest-bearing liabilities are primarily long term, and amounted to SEK 20.7 billion at year-end (19.7). The increase of SEK 1.0 billion was mainly due to the acquisition of companies.

Interest-bearing liabilities at year-end consisted of 25% partner financing (see Note 24), 50% financing in

### Total statement of changes in financial position 1990-1999

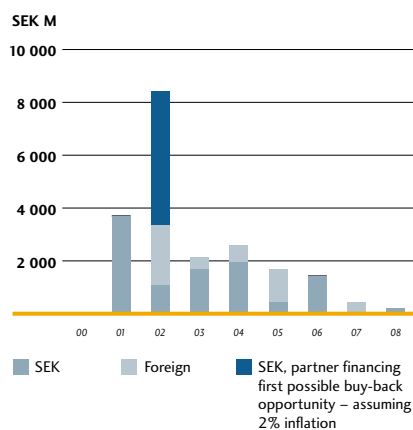


### Self-financing





### Maturity of debt



SEK, and 25% financing in DEM. Maturity dates and interest exposure for Group borrowing are indicated in the diagrams.

### Shareholders' equity

Shareholders' equity increased by SEK 1.0 billion to SEK 20.8 billion (19.8). Net earnings in 1999 contributed SEK 1.9 billion, while distribution of dividends to Sydkraft AB shareholders for the 1998 financial year reduced this amount by SEK 0.9 billion.

### Proposed dividend

The proposed dividend for 1999 is SEK 4.75 per share (4.75), corresponding to SEK 907 M.

The dividend proposed represents 47% of Group profit for the year. During the most recent five-year period, the dividend has averaged 38% of Group profit after tax, which is in line with Sydkraft's policy that the dividend should correspond to between 30% and 50% of profit after tax.

### Outlook for 2000

The strong economic conditions experienced in the Nordic region during 1999 are expected to continue through 2000. The anticipated growth in the Nordic market, particularly in the electricity segment, is based on forecasts of an approximately 1-2% rise in economic activity, but the very mild start to year 2000 means that sales could be lower. The good reservoir levels mean that prices in the electricity market are and will remain low, at least during the first half of the year. Both heat and gas sales are being adversely affected by the mild weather conditions at the beginning of the year. The business trend and the mild winter are expected to result in some earnings growth in the Consulting and Contracting Business Sector.

The foundations for an efficiency-improvement program were laid in 1999, the effects of which are expected

to be felt during the current year. This will offset to some extent the negative impact of increasing price competition and the mild weather conditions at the beginning of the year.

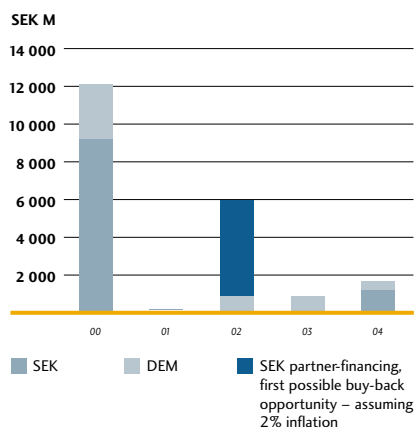
### Risk management

The Group's risk scenario is constantly changing. This is further accentuated by the deregulation of the electricity market. The need for a holistic approach, through which the Group's combined risks are managed in an integrated manner, is increasing. Such an approach will also provide the scope to decide which risks should be transferred out of the Group in return for some sort of premium, thereby creating the opportunity to increase risk-taking in other areas.

Many risks are handled within the Group's everyday operations. This applies particularly to the operating risks involved in such areas as health, the environment, safety, fire and disruptions as a result of various physical damage incidents. IT risks are handled by specialists. Financial risks are handled by the central treasury department, while management and personnel development issues are handled by the Human Resources departments. Risks associated with energy operations have been grouped in a special company.

In addition to these risks, external risks are increasing in significance. Examples of external risks are the effects of specific competitor actions and political decisions. Such matters place major demands on ensuring that the overall risk scenario is known and has been carefully considered. The assumption of risk is highly controlled, maintained at an acceptable level and contributes to company profitability and customer benefits. Risk management is a natural part of the operations performed on behalf of Group management. The largest risks are handled within Sydkraft AB's Board of Directors.

### Interest exposed capital indebtedness





#### *Financial risk management*

The Group's financial risks consist of currency risks, refinancing and interest-rate risks, and credit risks. Sydkraft's finance unit actively identifies and handles these risks for the entire Group. The hedging of electricity price risks by using power derivatives is described on pages 56-59.

##### **•Currency risk**

The Group's exposure in foreign currencies in the course of business operations mainly occurs in connection with the purchase and sale of electricity on the Nordic electricity exchange and transactions with other counterparties. This exposure primarily involves NOK, but it also applies to DEM and DKK. Other operative currency exposure occurs as a result of fuel purchases in DKK and USD.

Financial currency exposure occurs for interest expenses in DEM for the financing related to the shareholdings in VEBA, HEW and e.dis Energie Nord (formerly HEVAG), for which hedge accounting has been employed. About 50% these interest expenses are covered by inflows, mainly dividends, in DEM.

The Group applies a policy of minimizing flow risk by hedging the principal parts of net requirements on the futures market or via currency options.

##### **•Refinancing and interest-rate sensitivity**

The objective is to minimize the Group's refinancing risk by means of an even distribution of maturity dates and a diversified loan portfolio. Group policy is that the loan portfolio should have an average outstanding maturity of at least three years. As a result of its strong financial position, and hence its high credit rating, the Group has access to a large number of international credit markets. Sydkraft has a Standard & Poor's A+ credit rating for long-term borrowing and a K-1 and A1 rating for short-term borrowing.

Interest-rate sensitivity is offset by

achieving a balance between borrowing at variable and fixed interest rates. A maximum of 55% of interest-bearing net indebtedness may be based on variable interest rates.

The Group's liquid funds, which normally correspond to about 10% of sales, are invested in interest-bearing securities with high creditworthiness and high liquidity.

With its present financial structure, the Group has an interest-rate sensitivity of approximately +/- SEK 50 M to a general change in interest rates of 1 percentage point distributed evenly over the next 12-month period.

##### **•Credit risks**

The Group's financial credit risk is the counterparty risk involved in every transactions. Liquid funds are placed in interest-bearing securities or corresponding instruments, issued by counterparties with a K-1 rating and by major Swedish commercial banks.

Other credit risks take the form of derivatives, which are described below.

##### **•Derivative products**

Derivative instruments, such as currency futures, currency options, interest-rate futures and interest-rate and currency swaps, are employed to achieve the financial structure desired.

Currency futures and options are primarily used to hedge flow exposures in connection with fuel purchases, purchases and sales of electricity and interest expenses. Interest-rate futures of the FRA type (Forward Rate Agreement) and interest-rate swaps are used to hedge exposures to variable interest rates or to achieve the balance desired between fixed and variable rates. Interest-rate and currency swaps are employed to transform foreign currency loans into SEK, thus achieving the desired interest structure.

Outstanding derivative instruments at year-end 1999 amounted to a nominal sum of approximately SEK 10 bil-

lion. The Group's counterparties consist exclusively of Swedish banks or parties with a Standard & Poor's credit rating of at least A+. In such swaps, the Group's risk is the possibility that the counterparties on which the Group has claims will be unable to meet their contractual liabilities. The loss risk may be considered to be the cost of compensating for such swaps at market terms. At year-end 1999, this risk was estimated to be approximately SEK 380 M.

#### **Agreement regarding Barsebäck**

On November 30, 1999, the Swedish Government, Sydkraft and Vattenfall reached a solution – a framework agreement – regarding the Barsebäck nuclear power plant. The agreement relates to both of the Barsebäck reactors and means that Sydkraft will be compensated with a corresponding amount of electricity production, at the same cost and with the same environmental impact.

Barsebäck was decommissioned on November 30, 1999, at which time Sydkraft immediately received replacement power from the Government via Vattenfall. A special interim agreement regulates these deliveries until the framework agreement formally comes into force during year 2000.

The Barsebäck and Ringhals nuclear power plants will be merged to form a single corporate group, in which Sydkraft will have a 25.8% holding. If Barsebäck 2 is subsequently decommissioned as a result of a political decision, Sydkraft will receive a higher proportion, about 30%.

Sydkraft will pay SEK 113 M per year in addition to the production costs for Ringhals, since production costs in Barsebäck are approximately 1.4 öre/ kWh higher than at Ringhals.

The Government's costs include the additional costs incurred for so-called "single operation" of Barsebäck 2 and



for decommissioning and maintaining the service operations of Barsebäck 1. This compensation will be paid annually, with an initial amount of nearly SEK 400 M, which will be reduced each year to a figure of approximately SEK 240 M in the final year. Based on a present-value computation, this compensation will amount to approximately SEK 3.3 billion.

Decommissioning and demolition responsibility for the Barsebäck plant will continue to rest with Sydkraft, while the corresponding responsibility for the Ringhals plant will rest with Vattenfall.

At the Special General Meeting on December 22, 1999, shareholders voted to approve the proposed voluntary settlement. At the Special General Meeting, an independent third party – Handelsbanken Markets – presented its view of the proposed settlement to the shareholders. In its evaluation, Handelsbanken Markets stated that Sydkraft is not negatively affected by the financial transactions, or by the terms of the agreement in general. Furthermore, Standard & Poor's considers the agreement to be neutral from a credit-rating viewpoint and has accordingly affirmed the Sydkraft rating.

The proposed agreement is subject to the approval of the Swedish Government/Parliament, which is expected in spring/early summer 2000.

#### **Operations subject to permits in accordance with Sweden's environmental code**

The Group conducts some 50 operations that are subject to notification or permits in accordance with Sweden's Environmental Code, of which about one third are A-classified plants. In addition, Sydkraft conducts about 100 operations that are subject to conditions established in accordance with the rul-

ings of Sweden's Riparian Court.

Those Group operations subject to permits and notifications have an impact on the external environment, principally through the large power companies Barsebäck Kraft, OKG, Karlshamn Kraft, Sydkraft Värme Malmö and Sydkraft Värme Mälardalen. These companies conduct electricity and heat production operations that have an effect on the external environment mainly as a result of emissions into air and water and through the risk of accidents, visual impacts and noise. For information about Sydkraft's work in the environmental area, please refer to page 60.

#### **Information technology**

Information Technology, or IT, is an important component of Sydkraft's business strategy and investments are currently under way in several areas of the Group. Sydkraft has successfully used IT to automate its operations and to monitor its production plants and distribution network. The systems installed in these areas are supplemented and renewed as part of the Group's ongoing internal efficiency-enhancement measures.

Customer communications and trading will increasingly be conducted electronically – mainly via the Internet. The new systems being developed focus particularly on such possibilities.

New services are being opened up within the IT field as a result of personnel skills and a combination of large geographic coverage with the Group's special infrastructure. These services are being developed to support and package existing business concepts and to develop completely new business.

Sydkraft's shift into the new millennium was achieved exactly as planned and all production-critical IT systems



functioned normally. No interruptions or deviations were noted and energy supply to customers remained unaffected. The cost for safeguarding these systems amounted to approximately SEK 70 M, which was less than originally estimated.

### **Sydkraft and the euro**

The Sydkraft Group's preparations and planning for handling the new euro currency have mainly focused on providing estimates and issuing invoices in the new currency, should customers so require, and exploiting the supplier benefits that may result from increased pressure on prices due to euro pricing.

For the time being, Sydkraft is not planning to switch to the euro for its financial reporting or share price quotations.

### **Research and development**

Sydkraft's total costs for research and development within the Group during 1999 amounted to SEK 175 M (189). Of this amount, SEK 112 M (125) was used for the development of new technologies and operations and the continued demonstration of various facilities. The remaining SEK 63 M (64) was used for research and development and increased availability and safety in the Group's nuclear power plants.

### **Personnel**

The average number of employees in the Group during 1999 totaled 6 526 (6 226). Salaries, wages and other remuneration to employees totaled SEK 1 706 M (1 616).

### **Refund of consolidation surplus**

During October 1999, the Swedish Staff Pension Society (SPP) announced that approximately SEK 600 M had been reserved for allocation to compa-

nies in the Sydkraft Group. This sum has not been taken into account in the annual report. To date, no decision has been reached about the manner in which these funds may be used.

### **Parent company**

The Parent Company had net sales of SEK 6 412 M (7 440).

The Parent Company's net profit for the year totaled SEK 1 243 M (980).

Including cash investments, the Parent Company had liquid funds of SEK 937 M (1 097) at year-end 1999.

Total investments amounted to SEK 2 676 M (798) and related primarily to shares.

### **Work of the board during the year**

The Sydkraft AB Board of Directors consists of 14 members elected by the Annual General Meeting and two members, plus two deputies, elected by the employee organizations. Other members of the staff participate in the Board meetings in connection with specific presentations.

The main owners of Sydkraft, representing 88% of the voting rights, discuss the composition of the Board and proposals concerning members prior to the Annual General Meeting. The Nomination Committee consisted of representatives from PreussenElektra, Statkraft and the Municipalities. The Nomination Committee can be contacted through the Board Secretary. At the Annual General Meeting on May 10, 1999, the following Sydkraft AB Board members were elected: Bengt Ekberg, Halmstad, Heinz Dieter Waffel, Hannover, and Lars Wallstén, Landskrona. The following Sydkraft AB Board members declined reelection: Dr Hans-Ulrich Fabian, Per-Olof Järvegren and Anders Karlsson.

The Board's established working procedures govern the Board's work

and areas of responsibility, its duties and decision-making authority. They also include rules for the handling of information and guidelines for evaluating the work of both the Board and the president.

During 1999, the Board had six regular meetings, three special meetings and one statutory meeting.

In addition to the normal financial reports, the most important issues addressed by the Board during 1999 related to corporate acquisitions, the Group structure, organizational changes, Year 2000 problems and marketing issues, including the Group's new corporate image and brand development campaigns. Other matters that were addressed related to the Government's decision to prematurely decommission nuclear power.



# Consolidated statement of income

Note	Amounts in SEK M	1999	1998
1	Energy sales	12 889	13 800
2	Other sales	1 890	1 483
3	<b>Net sales</b>	<b>14 779</b>	<b>15 283</b>
4	Operating expense	-9 914	-9 954
5	Depreciation and write-downs of tangible and intangible assets	-1 680	-1 789
	Other operating revenue/expense	36	17
	Result from participations in associated companies	468	431
	<b>Operating profit</b>	<b>3 689</b>	<b>3 988</b>
6	Financial income	166	187
	<b>Profit before financial expense</b>	<b>3 855</b>	<b>4 175</b>
6	Financial expense	-947	-1 089
	<b>Profit after financial income and expense</b>	<b>2 908</b>	<b>3 086</b>
7	Taxes	-961	-1 010
8	Minority interest	-8	-21
	<b>Net profit for the year</b>	<b>1 939</b>	<b>2 055</b>

# Consolidated statement of cash flows

Note	Amounts in SEK M	1999	1998
	<i>Cash flow from operations</i>		
	Profit after financial income and expense	2 908	3 086
	Result from participations in associated companies, excluding dividends received	-277	-267
	Capital gain from sale of shares	-	-78
	Net capital gain/loss	-48	-15
6	Change in interest receivables/liabilities	-53	-251
	Depreciation and write-downs	1 680	1 789
	Paid taxes	-848	-747
	<b>Cash flow before change in working capital</b>	<b>3 362</b>	<b>3 517</b>
	Change in operating receivables	182	218
	Change in operating liabilities	-33	-308
	Change in inventories	-45	104
	<b>Cash flow from operations</b>	<b>3 466</b>	<b>3 536</b>
	<i>Investment operations</i>		
	Fixed assets sold, excluding shares	88	123
	Shares sold	11	-559 <sup>1)</sup>
	Investments in plants	-1 652	-1 956
	Investments in associated companies	-1 605	-167
	Long-term receivables	-42	113
9	Acquisitions of Group companies	-423	-3 623
	<b>Cash flow after investments</b>	<b>-157</b>	<b>479</b>
	<i>Financing operations</i>		
	Net borrowing	1 270	646
	Dividends paid (incl. dividends to minority)	-920	-1 153
	<b>Change in liquid funds</b>	<b>193</b>	<b>-28</b>
	<b>Liquid funds at year-end</b>	<b>1 352</b>	<b>1 159</b>

1) Of which tax in connection with sale of shares -645



# Consolidated balance sheet

## Assets

Note	Amounts in SEK M	Dec. 31, 1999		Dec. 31, 1998	
	<b>Fixed assets</b>				
10	<i>Intangible assets</i>		204		197
	<i>Tangible assets</i>				
10	Land and other real property	11 894		11 900	
10	Buildings	2 255		2 394	
10	Plant and machinery	19 719		19 199	
10	Equipment, tools, fixtures and fittings	440		462	
10	Construction in progress and advance payments	1 015	35 323	763	34 718
	<i>Financial assets</i>				
12,14	Participations in associated companies	7 816		6 721	
	Receivables from associated companies	82		126	
13,14	Other securities held as fixed assets	754		757	
	Other long-term receivables	200	8 852	108	7 712
	<b>Total fixed assets</b>		<b>44 379</b>		<b>42 627</b>
	<b>Current assets</b>				
	<i>Inventories</i>				
15	Raw materials and consumables	1 933		1 888	
	Prepayment to suppliers	15	1 948	30	1 918
	<i>Current receivables</i>				
	Accounts receivable, trade	2 092		2 103	
	Receivables from associated companies	251		366	
	Income taxes recoverable	89		-	
	Other receivables	250		99	
16	Prepaid expenses and accrued revenues	743	3 425	750	3 318
17	<i>Current investments</i>		876		977
	<i>Cash and due from banks</i>		476		182
	<b>Total current assets</b>		<b>6 725</b>		<b>6 395</b>
	<b>Total assets</b>		<b>51 104</b>		<b>49 022</b>
18	Tax assessment values		26 494		26 758
19	Funds for future handling of highly active spent nuclear fuel		6 630		6 713

# Consolidated balance sheet

## Equity and liabilities

Note	Amounts in SEK M	Dec. 31, 1999		Dec. 31, 1998	
20	<b>Equity</b>				
	<i>Restricted:</i>				
	Share capital	1 910		1 910	
	Restricted reserves	12 214	14 124	12 118	14 028
	<i>Unrestricted:</i>				
	Retained earnings	4 671		3 617	
	Net profit for the year	1 939	6 610	2 055	5 672
	<b>Total equity</b>	<b>20 734</b>		<b>19 700</b>	
8	<b>Minority interest</b>	<b>98</b>		<b>114</b>	
	<b>Provisions</b>				
	Provisions for pensions	72		97	
21	Provisions for deferred tax	5 150		4 861	
22	Other provisions	434	5 656	399	5 357
	<b>Total provisions</b>	<b>5 656</b>		<b>5 357</b>	
	<b>Liabilities</b>				
23,24	<i>Interest-bearing liabilities</i>				
	Bond loans	6 610		3 612	
	Liabilities to credit institutions	13 615		15 666	
	Liabilities to associated companies	32		10	
	Other interest-bearing liabilities	401	20 658	435	19 723
23	<i>Non interest-bearing liabilities</i>				
	Accounts payable, trade	1 074		812	
	Liabilities to associated companies	12		31	
	Income tax liability	-		198	
	Other non interest-bearing liabilities	935		1 258	
25	Accrued expenses and prepaid revenue	1 937	3 958	1 829	4 128
	<b>Total liabilities</b>	<b>24 616</b>		<b>23 851</b>	
	<b>Total equity and liabilities</b>	<b>51 104</b>		<b>49 022</b>	
26	Contingent liabilities	283		389	
27	Pledged assets	1 766		1 661	

## Statement of income

Amounts in SEK M	Note	1999	1998
Energy sales	1	6 326	7 322
Other sales	2	86	118
<b>Net sales</b>	31	<b>6 412</b>	<b>7 440</b>
Operating expense	4, 31	-6 846	-8 043
Depreciation and write-downs of tangible and intangible assets	5	-11	-21
Other operating revenue/expense		-	67
<b>Operating profit</b>		<b>-445</b>	<b>-557</b>
Financial income	6	2 916	2 440
<b>Profit before financial expense</b>		<b>2 471</b>	<b>1 883</b>
Financial expense	6	-950	-667
<b>Profit after financial income and expense</b>		<b>1 521</b>	<b>1 216</b>
Depreciation below plan	30	6	7
Transfer to tax-deferral reserve		-162	-139
<b>Profit before taxes</b>		<b>1 365</b>	<b>1 084</b>
Taxes		-122	-104
<b>Net profit for the year</b>		<b>1 243</b>	<b>980</b>

## Balance sheet

ASSETS			
Amounts in SEK M	Note	Dec. 31, 1999	Dec. 31, 1998
<b>Fixed assets</b>			
<i>Tangible assets</i>			
Land and other real property	10	139	152
Buildings	10	87	97
Plant and machinery	10	14	33
Equipment, tools, fixtures and fittings	10	1	5
Construction in progress and advance payments	10	- 241	23 310
<i>Financial assets</i>			
Participations in Group companies	11, 14	9 358	8 580
Receivables from Group companies		14 559	17 192
Participations in associated companies	12, 14	7 715	6 176
Receivables from associated companies		-	1
Other securities held as fixed assets	13, 14	745	742
Other long-term receivables	38	32 415	37 32 728
<b>Total fixed assets</b>		<b>32 656</b>	<b>33 038</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable, trade		125	193
Receivables from Group companies		7 161	4 426
Receivables from associated companies		108	106
Income taxes recoverable		90	94
Other receivables		182	65
Prepaid expenses and accrued revenue	16	21 7 687	37 4 921
Current investments	17	702	934
Cash and due from banks		235	163
<b>Total current assets</b>		<b>8 624</b>	<b>6 018</b>
<b>Total assets</b>		<b>41 280</b>	<b>39 056</b>
Tax assessment values	18	254	276

## Statement of cash flows

Amounts in SEK M	1999	1998
<b>Cash flow from operations</b>	<b>421</b>	<b>720</b>
<i>Investment operations</i>		
Fixed assets sold, excluding shares	71	15
Shares sold	13	-372 <sup>1)</sup>
Investments in plants	-13	-26
Investments in shares and participations	-2 663	-771
Long-term receivables	680 -1 912	-566 -1 720
<b>Cash flow after investments</b>	<b>-1 491</b>	<b>-1 000</b>
<i>Financing operations</i>		
Group contribution	88	291
Net borrowing	2 150	1 891
Dividends paid	-907 1 331	-1 146 1 036
<b>Change in liquid funds</b>	<b>-160</b>	<b>36</b>
<b>Liquid funds at year-end</b>	<b>937</b>	<b>1 097</b>

1) Of which tax in connection with sale of shares -645

EQUITY AND LIABILITIES			
Amounts in SEK M	Note	Dec. 31, 1999	Dec. 31, 1998
<b>Equity</b>	20		
<i>Restricted:</i>			
Share capital		1 910	1 910
Statutory reserve		2 743 4 653	2 743 4 653
<i>Unrestricted:</i>			
Retained earnings		13 484	13 221
Net profit for the year		1 243 14 727	980 14 201
<b>Total equity</b>		<b>19 380</b>	<b>18 854</b>
<b>Untaxed reserves</b>			
Accumulated excess depreciation	30	71	77
Tax-deferral reserve		1 530 1 601	1 368 1 445
<b>Total untaxed reserves</b>		<b>1 601</b>	<b>1 445</b>
<b>Provisions</b>			
Provisions for pensions		8	9
<b>Total provisions</b>		<b>8</b>	<b>9</b>
<b>Liabilities</b>			
<i>Interest-bearing liabilities</i>	23, 24		
Bond loans		5 732	2 298
Liabilities to credit institutions		6 890	8 313
Owed to Group companies		3 147	3 095
Liabilities to associated companies		32	10
Other interest-bearing liabilities		104 15 905	39 13 755
<i>Non interest-bearing liabilities</i>	23		
Accounts payable, trade		36	74
Owed to Group companies		4 145	4 592
Other non interest-bearing liabilities		6	120
Accrued expenses and prepaid revenue	25	199 4 386	207 4 993
<b>Total liabilities</b>		<b>20 291</b>	<b>18 748</b>
<b>Total equity and liabilities</b>		<b>41 280</b>	<b>39 056</b>
Contingent liabilities	26	4 163	4 688
Pledged assets	27	7	45

# Ten-year summary

Amounts in SEK M  
unless otherwise indicated

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GROUP										
<i>From the Statements of income:</i>										
Net sales	7 082	9 066	9 500	11 637	12 118	12 155	13 556	14 513	15 283	14 779
Depreciation according to plan	763	969	1 051	1 248	1 230	1 257	1 278	1 485	1 553	1 636
Operating profit	2 098	2 778	2 673	3 329	3 464	3 543	3 460	3 996	3 988	3 689
Financial items, net	-904	-1 078	-1 180	-1 248	-1 282	-1 044	-956	1 185	-902	-781
of which exchange rate differences	47	-23	-319	-143	46	-2	3	-49	-	11
Profit after net financial items	1 194	1 700	1 493	2 081	2 182	2 499	2 504	5 181	3 086	2 908
Net profit for the year	717	1 204	1 185	2 122	1 358	1 790	1 818	3 463	2 055	1 939
<i>From the Balance Sheets:</i>										
Fixed assets	16 788	21 043	23 448	32 983	33 215	33 428	35 315	41 054	42 627	44 379
Current assets	3 703	4 390	6 488	5 669	6 247	5 915	6 759	6 441	6 395	6 725
Equity incl. minority	6 432	9 314	10 157	11 872	13 763	15 041	16 157	18 882	19 814	20 832
Liabilities and provisions	14 059	16 119	19 779	26 780	25 699	24 288	25 917	28 613	29 208	30 272
Balance sheet total	20 491	25 433	29 936	38 652	39 462	39 343	42 074	47 495	49 022	51 104
Investments	1 151	5 008	3 508	12 087	1 628	1 473	3 301	8 956	3 185	3 857
<i>Key Ratios:</i>										
Earnings per share <sup>1)</sup> , SEK	4.30	6.65	6.55	11.73	7.64	9.37	9.52	18.13	10.76	10.15
Return on equity after taxes, %	11	15.3	12.3	19.3	10.4	12.6	11.8	19.9	10.7	9.6
Return on capital employed before taxes, %	15	16.8	14.5	15.1	12.3	12.5	11.7	18.5	10.9	9.5
Return on total capital before taxes, %	12	13.1	11.2	11.9	9.8	9.8	9.2	14.5	8.7	7.7
Equity/assets ratio, %	32	37	34	31	35	38	38	40	40	41
Risk-bearing capital/total capital, %	42	48	44	39	44	48	48	49	50	51
Degree of self-financing, %	105	49	64	33	209	261	87	82	116	96
Profit margin, %	17	19	16	18	18	21	18	36	20	20
Interest coverage ratio, multiple	2.0	2.3	1.9	2.0	2.3	2.8	3.1	5.0	3.8	4.1
Debt/equity ratio, multiple	1.5	1.1	1.3	1.6	1.3	1.0	1.1	1.0	1.0	1.0
<i>Other highlights:</i>										
Dividend per share <sup>1)</sup> SEK	1.76	2.05	2.20	2.64	3.25	3.75	4.00	6.00	4.75	4.75 <sup>2)</sup>
Sales of electricity, GWh	26 223	25 747	25 079	31 141	31 215	30 120	31 218	32 025	32 980	29 257
Sales of gas, GWh	5 508	6 047	6 999	7 655	7 565	7 709	8 079	8 075	8 237	8 259
Sales of heat, GWh	145	2 482	2 386	2 999	2 950	3 088	3 371	4 317	4 270	4 187
Average number of employees <sup>3)</sup>	4 272	5 009	5 751	5 746	5 622	5 568	5 392	5 646	6 226	6 526
Wages and salaries <sup>3)</sup>	718	903	1 111	1 218	1 198	1 260	1 260	1 447	1 616	1 706
Payroll expenses <sup>3)</sup>	331	422	428	484	510	520	551	647	761	791

<sup>1)</sup> Adjusted for share issues

<sup>2)</sup> Proposed dividend

<sup>3)</sup> Average number of employees shows the actual numbers in the consolidated companies. The personnel costs for the electricity production companies have been included according to Sydkraft's share of ownership (see note 28)

## Consolidated accounts

The consolidated accounts have been prepared in accordance with the purchase method and with Recommendation No. 1 of the Swedish Financial Accounting Standards Council.

The consolidated financial statements include production companies and other companies.

Production companies, in which ownership is governed by consortium agreements which stipulate that the owners have rights and obligations in proportion to their holdings, are reported in accordance with the proportional consolidation method, irrespective of share ownership. This means that the consolidated financial statements include participations corresponding to the ownership proportion in each individual balance sheet and income statement item.

Other companies:

- Subsidiaries are fully consolidated.
- Associated companies are reported in accordance with the equity method. The book value of shares and participations in associated companies is adjusted each year to take into account the current year's profit participation, after tax, less dividend received and depreciation on surplus values. For time-related reasons, it has not always been possible to include the financial results for associated companies in the Sydkraft report for the corresponding period. In such cases, reporting is based on predicted earnings for the final quarter for the company concerned, thus providing a fair seasonal account of the period. Adjustment for deviations from forecast amount is made in the subsequent quarter.
- Other shareholdings are reported in accordance with the acquisition cost method.

Revenue and expenses in companies acquired in the course of the year are included in the consolidated financial statements as from the date of acquisition. In the case of companies divested during the year, revenue and expenses are not included.

## Revenue

Operating revenue is reported at the time of delivery and exclusive of energy and value-added taxes. Consulting and contracting work on fixed-priced contracts are recognized as profit as the work on the contract develops. Work on current accounts has been recognized as profit on an ongoing basis.

## Energy derivatives

Trading in the energy derivatives market is conducted with a two-fold objective,

whereby the reporting method used is controlled by the purpose of the business transaction. When the intention of trading in the energy derivatives market is to hedge the price level of physical business flows, the outcome is reported in accordance with the so-called deferred-hedging method, which means that the results of such operations are reported at the redemption date.

Instruments that are traded without any connection to physical transactions are valued at actual value on an ongoing basis, which can be defined as market value less the costs related to the closure of open positions. The results of trading operations are reported as other sales. A provision is made in restricted reserves in an amount corresponding to the unrealized gains, which in turn means that no distribution of unrealized profit can be made.

## Reporting of leasing agreements

Only a relatively minor proportion of the Group's assets are utilized via leasing agreements. All of the agreements are of an operational character and extend for periods of less than three years. The cost to the Group of the leasing agreements in question is insignificant.

## Taxes

In the Group, taxes are reported in accordance with the full-tax method. This means that provisions are also made for deferred taxes relating to such revenue and expense items that affect both accounting and income tax, but during different periods of time. Such taxes are based on the tax charge in effect at year-end.

## Fixed assets

Plants and intangible assets are reported at acquisition value after deduction for accumulated depreciation. Depreciation is made on a straight-line basis for the estimated economic life of the plant, as indicated in note 5.

## Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the year-end exchange rate, with the exception of shares and related borrowing in DEM concerning the German companies e.dis Energie Nord, HEW and VEBA. For these items, hedge accounting is applied, which means, in the case of the Parent Company, that the rate of exchange at the time of acquisition is employed for both assets and liabilities. In the Group, the e. dis Energie Nord and VEBA shareholdings are reported, together with the related financing, in the same way as in the Parent Company, while for HEW both the equity portion and the relating financing have been adjusted with the difference between the year-end and acquisition rate.

Where there has been hedging by means

of forward contracts, the forward rate has been employed.

Changes in the currency and interest-rate composition of certain liabilities have occurred as a result of currency and interest-rate swap agreements. Valuation of these liabilities takes such agreements into account.

Exchange-rate differences on financial receivables and liabilities are reported in the income statement under "Financial income and expense," while other exchange-rate differences are included in "Operating expense."

## Inventories

Inventories primarily consist of nuclear fuel and oil. Valuation has been made in accordance with the lowest of acquisition value, as determined by the first in/first out (FIFO) principle, and replacement value.

## Receivables

Receivables are reported in accordance with the amounts expected to be received.

## Current investments

Bonds, commercial paper and other interest-bearing instruments are reported as "Current investments".

Current investments are valued, for the portfolio as a whole, at the lower of acquisition value or market value at year-end.

## Appropriations and untaxed reserves

Tax legislation in Sweden permits allocations to untaxed reserves. This results in postponement of tax payments, since untaxed reserves are not subject to tax until they are utilized.

In accordance with the Swedish Financial Accounting Standards Council's recommendation regarding consolidated financial statements, untaxed reserves are divided in the consolidated balance sheet into deferred taxes and equity, which are reported as a provision or restricted equity, respectively.

No appropriations are reported in the consolidated income statement. The tax cost of such appropriations has been calculated on the basis of a 28% rate of tax and is reported as a deferred tax expense.

## Provisions

Provisions are made for known measures, or anticipated risks, based on an individual assessment.

## Pensions

Various pensions plans exist in the Group. All commitments which have not been secured with external parties are entered as liabilities in the balance sheet.

# Notes

## 1 Energy sales

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Sales of electricity	7 074	8 039	6 326	7 321
Electricity distribution	3 247	3 150	-	-
Sales of gas	918	935	-	-
Sales of heat	1 650	1 676	-	1
<b>Total</b>	<b>12 889</b>	<b>13 800</b>	<b>6 326</b>	<b>7 322</b>

Sales do not include energy tax on electricity. Total tax on electricity for the Group amounted to SEK 1 455 M (1 463).

## 2 Other sales

Other sales consisted principally of contracting, services and sales of fuel.

## 3 Net sales and operating profit, by business sector

SEK M	Group		Parent Company	
	Net sales		Operating profit	
	1999	1998	1999	1998
Marketing and Sales				
Business Sector	6 059	7 333	96	236
Production Business Sector	7 091	8 242	1 690	1 987
Distribution Business Sector	4 619	4 658	1 321	1 310
Consulting and Contracting				
Business Sector	2 565	2 186	133	148
Energy Trading	6 704	7 370	230	61
Result from participations in associated companies	-	-	468	431
Group eliminations etc.	-12 259	-14 506	-249	-185
<b>Total</b>	<b>14 779</b>	<b>15 283</b>	<b>3 689</b>	<b>3 988</b>

Trading between business sectors is conducted on commercial terms.

## 4 Operating expense

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Raw materials and consumables	946	1 182	12	9
Goods for resale	3 179	3 141	6 140	7 383
Excise duties etc. (see below)	637	875	2	2
Other external costs	3 040	2 690	584	516
Personnel costs (see also note 31)	2 600	2 607	108	133
Capitalized work for own account	-488	-541	-	-
<b>Total</b>	<b>9 914</b>	<b>9 954</b>	<b>6 846</b>	<b>8 043</b>
<i>Excise duties etc.</i>				
Fuel taxes	207	202		
Property tax	107	325		
Nuclear power tax	323	348		
<b>Total</b>	<b>637</b>	<b>875</b>		

## 5 Depreciation and write-downs of tangible and intangible assets

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Intangible assets	43	43	-	-
Land improvements	15	31	3	3
Buildings	162	176	4	5
Plant and machinery	1 315	1 407	3	11
Equipment, tools, fixtures and fittings	145	132	1	2
<b>Total</b>	<b>1 680</b>	<b>1 789</b>	<b>11</b>	<b>21</b>

Of which write-downs of:

- plant and machinery	32	196	-	-
- buildings and land improvements	11	40	-	-

Depreciation is distributed in equal annual amounts over the estimated economic life of the assets. The following economic life-spans are used.

No depreciation for land and water rights	
Land improvements for all types of plants	20 years
Hydroelectric power plants	40-50 years
Other electricity and heat-production plants	15-25 years
Transmission and distribution plants	30-33 years
Storage and workshop buildings	25 years
Office buildings	50 years
Operations control system	10 years
Meters	10-20 years
Equipment	3-5 years
Intangible assets	5-10 years

Depreciation is based on the acquisition value of the assets.

Depreciation on buildings and land improvements corresponds to fiscal depreciation rules.

## 6 Financial income and expense

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Dividends from Group companies	-	-	1 077	551
Dividends from associated companies	-	-	191	166
Other dividends	55	50	52	48
Interest income from Group companies	-	-	1 519	1 584
Interest income from associated companies	8	9	5	5
Other interest income	86	111	58	72
Exchange gains	14	2	14	1
Capital gain from disposal of financial assets	-	13	-	13
Other financial income	3	2	-	-
<b>Total financial income</b>	<b>166</b>	<b>187</b>	<b>2 916</b>	<b>2 440</b>
Write-downs of financial assets	-	-	-330	-
Interest expense to Group companies	-	-	-131	-157
Interest expense to associated companies	-	-	-1	-
Other interest expense <sup>1)</sup>	-925	-1 079	-473	-503
Exchange losses	-3	-2	-2	-1
Other financial expense	-19	-8	-13	-6
<b>Total financial expense</b>	<b>-947</b>	<b>-1 089</b>	<b>-950</b>	<b>-667</b>
<b>Net financial income and expense</b>	<b>-781</b>	<b>-902</b>	<b>1 966</b>	<b>1 773</b>

<sup>1)</sup> The Group's interest payments amounted to SEK 975 M (1 329).

## 7 Tax on profit for the year

SEK M	Group	
	1999	1998
Current taxes	561	696
Deferred taxes	127	59
Share in taxes of associated companies	273	255
<b>Total</b>	<b>961</b>	<b>1 010</b>
%		
Nominal tax rate	28.0	28.0
Foreign tax	3.4	3.5
Non tax-deductible depreciations	2.3	1.9
Tax concerning previous periods	-0.9	-0.5
Other	0.2	-0.2
<b>Effective tax rate</b>	<b>33.0</b>	<b>32.7</b>

## 8 Minority interest

SEK M	1999		1998	
	Net Profit	Equity	Net Profit	Equity
Billeberga Kraft & Energi AB	-	52	-	-
Leabolaget AB	-	1	-	1
Korssellbränna AB	1	16	1	14
Sydgas AB	-	-	15	65
Sydkraft Vindön AB	-	1	-	1
WM-data Ellips AB	6	19	4	20
Västbo Kraft AB	1	9	1	13
<b>Total</b>	<b>8</b>	<b>98</b>	<b>21</b>	<b>114</b>

## 9 Acquisitions of subsidiaries

Value of acquired assets and liabilities

SEK M	Group	
	1999	1998
Fixed assets	600	1 062
Operating receivables	187	306
Liquid funds	51	94
Interest-bearing liabilities	-92	-353
Operating liabilities	-272	-404
<b>Purchase price</b>	<b>474</b>	<b>705</b>
Less: Liquid funds	-51	-94
<b>Total</b>	<b>423</b>	<b>611</b>

# Notes

## 10 Intangible and tangible assets

SEK M	Intangible assets <sup>1)</sup>	Land and other real property	Buildings	Plant & machinery	Equipment, tools, etc.	Construction in progress & advance payments
<b>Group</b>						
<i>Acquisition value</i>						
Opening balance	535	12 227	5 424	33 162	1 369	763
Investments	51	6	31	1 549	170	518
Sales/disposals		-5	-27	-163	-98	-20
Reclassifications		6	3	338	-19	-246
Closing balance	586	12 234	5 431	34 886	1 422	1 015
<i>Accumulated depreciation</i>						
Opening balance	-338	-312	-3 005	-13 691	-907	
Acquisitions	-1		-3	-54	-17	
Sales/disposals		2	5	153	87	
Depreciation for the year	-43	-15	-150	-1 283	-145	
Closing balance	-382	-325	-3 153	-14 875	-982	
<i>Write-downs</i>						
Opening balance		-15	-25	-272		
Write-downs for the year			-11	-32		
Sales/disposals			13	12		
Closing balance		-15	-23	-292		
<b>Book value</b>	<b>204</b>	<b>11 894</b>	<b>2 255</b>	<b>19 719</b>	<b>440</b>	<b>1 015</b>
<b>Parent Company</b>						
<i>Acquisition value</i>						
Opening balance		200	168	183	35	23
Investments				12	1	
Sales/disposals		-13	-9	-158	-34	-18
Reclassifications				5		-5
Closing balance		187	159	42	2	0
<i>Accumulated depreciation</i>						
Opening balance		-48	-71	-138	-30	
Sales/disposals		3	3	113	30	
Depreciation for the year		-3	-4	-3	-1	
Closing balance		-48	-72	-28	-1	
<i>Write-downs</i>						
Opening balance				-12		
Sales/disposals				12		
Closing balance				0		
<b>Book value</b>		<b>139</b>	<b>87</b>	<b>14</b>	<b>1</b>	

<sup>1)</sup> Intangible assets consist of power supply rights, usufruct and goodwill.

## 11 Participations in Group companies

(Business sector C=Consulting and Contracting, D=Distribution, M=Marketing and Sales, P=Production)

SEK 000s	Business sector	Organization number	Registered office	Number of shares	Holding <sup>1)</sup> %	Book value
<i>Participations in subsidiaries</i>						
Billeberga Kraft & Energi AB	D	556012-3274	Svalöv	30 051	50.49	69 174
ElektroSandberg AB	C	556075-7287	Malmö	150 000	100	61 697
Evicom AB	C	556371-2677	Malmö	5 000	100	6 000
Hofors Kraft KB	P	916584-6719	Hofors	1	100	18 447
Hässleholm Elförsäljning AB	M	556527-5236	Hässleholm	5 000	100	5 000
Karlshamn Kraft AB	P	556091-5265	Karlshamn	105 000	70	39 000
Kolbäckens Kraft KB	P	916578-5107	Fagersta	1	100	68 277
Leabolaget AB	C	556015-7645	Hallsberg	65 448	98.3	62 650
Lessebo Elförsäljning AB	M	556026-7204	Lessebo	1 000	100	1 641
Norrlands Energi Försäljnings AB	M	556526-1186	Sundsvall	20 000	100	122 500
OKG AB	P	556063-3728	Oskarshamn	490 500	54.50	407 558
Oskarshamnsverkets Linje AB	D	556100-9845	Malmö	1 000	100	6 400
Sycon AB	C	556013-2341	Malmö	3 000	100	1 800
Sydgas AB	D	556123-4740	Malmö	826 668	100	376 462
Sydkraft Elnät Hässleholm AB	D	556376-3639	Hässleholm	20 050	100	337 911
Sydkraft Elnät Malmö AB	D	556239-0673	Malmö	200 000	100	20 000
Sydkraft Elnät Mälardalen AB	D	556442-8273	Örebro	50 000	100	1 060 865
Sydkraft Elnät Nord AB	D	556428-5780	Sundsvall	50 000	100	102
Sydkraft Elnät Osby AB	D	556256-9429	Osby	10 000	100	75 669
Sydkraft Elnät Syd AB	D	556070-6060	Malmö	100 000	100	10 026
Sydkraft Energiförsäljning AB	M	556491-6475	Malmö	3 200	100	3 780
Sydkraft Energy Trading AB	-	556035-9829	Malmö	400 000	100	499 708
Sydkraft Fastigheter AB	C	556055-5970	Malmö	10 000	100	1 000
Sydkraft Försäkrings AB	-	516401-6551	Malmö	100 000	100	100 000
Sydkraft Försäljning AB	M	556014-5889	Malmö	1 000 000	100	137 607
Sydkraft Gas AB	D	556015-9492	Karlshamn	1 200	100	960
Sydkraft Gasturbiner AB	P	556112-5666	Malmö	1 000	100	100
Sydkraft Kraftcentrum AB	-	556042-5372	Malmö	1 890	100	240
Sydkraft Mälardalen AB	M	556462-9870	Örebro	10 000	100	1 200
Sydkraft ServicePartner AB	C	556457-0215	Malmö	10 000	100	1 000
Sydkraft Vattenkraft AB	P	556026-3120	Sundsvall	100 000	100	4 316 963
Sydkraft Vind AB	P	556294-9817	Malmö	1 000	100	126
Sydkraft Vindön AB	P	556449-2733	Malmö	901	90.1	4 794
Sydkraft Värme Malmö AB	P	556430-4599	Malmö	1 000	100	60 600
Sydkraft Värme Mälardalen AB	P	556146-1814	Örebro	11 813 500	100	986 075
Sydsvenska Värmekraft AB	P	556132-6371	Malmö	1 000 000	100	100 020
Söderhamn Elförsäljning AB	M	556374-1254	Söderhamn	10 000	100	6 318
Uppvidinge Eldistribution AB	D	556015-7603	Uppvidinge	14 984	99.89	50 512
Västbo Kraft AB	D	556401-5443	Gislaved	2 428 548	94.86	241 364
WM-data Ellips AB	C	556271-8360	Malmö	32 500	65	780
Östernärkes Kraftförsäljning AB	M	556496-9797	Örebro	500	100	12 900
Dormant companies						81 151
<b>Total subsidiaries</b>						<b>9 358 377</b>

# Notes

## 11 Participations in Group companies (continued)

(Business sector C=Consulting and Contracting, D=Distribution, M=Marketing and Sales, P=Production)

SEK 000s	Business sector	Organization number	Registered office	Number of shares	Holding <sup>1)</sup> %	Book value
<i>Participations in subsidiaries (owner in parentheses)</i>						
Barsebäck Kraft AB (Sydsvenska Värmekraft)	P	556094-5197	Malmö	400 000	100	99 900
Billeberga Kraft & Energi Försäljnings AB (Billeberga Kraft & Energi)	M	556526-3117	Billeberga	8 000	100	1 000
Billeberga Kraft & BioEnergi AB (Billeberga Kraft & Energi)	P	556538-8963	Billeberga	5 000	100	1 000
Bjurfors AB (Sydkraft Vattenkraft)	P	556061-2854	Sundsvall	20 000	100	984 527
Diatek Vibrationsteknik AB (ElektroSandberg)	C	556330-0234	Landskrona	1 000	100	3 100
Edsele Kraft AB (Sydkraft Vattenkraft)	P	556044-4407	Sundsvall	10 000	100	288 568
El- och Trafikteknik AB (ElektroSandberg)	C	556438-9038	Göteborg	51 800	100	31 080
Hammarforsens Kraft AB (Nikab Energi)	P	556046-5907	Sundsvall	1 000	100	1 000 053
Härsele AB (Sydkraft Vattenkraft)	P	556036-9398	Vännäs	10 114	50.57	666 068
Hjälta AB (Sydkraft Vattenkraft)	P	556020-7721	Sundsvall	21 000	100	1 343 840
Järnvägsforsens Kraft AB (Sydkraft Vattenkraft)	P	556005-0972	Sundsvall	11 520	100	794 146
Korsellbränna AB (Nikab Energi)	P	556063-4957	Sundsvall	320 000	83.8	2 419 000
Nikab Energi AB (Sydkraft Vattenkraft)	P	556407-6338	Sundsvall	90 000	9.33(50.7)	11 008
Nissans Kraftförvaltning AB (Sydkraft Vattenkraft)	P	556041-5118	Malmö	7 800	100	196 780
Nordkraft Service AB (ElektroSandberg)	C	556433-8001	Umeå	10 000	100	13 250
Osby Energihandel AB (Sydkraft Elnät Osby)	M	556526-9445	Osby	5 000	100	5 000
Pengfors AB (Sydkraft Vattenkraft)	P	556015-4261	Sundsvall	15 000	100	289 786
Ramsele Kraft AB (Sydkraft Vattenkraft)	P	556008-5820	Sundsvall	85 795	100	3 408 000
Sycon Energikonsult AB (Sycon)	C	556109-2601	Malmö	10 000	100	1 000
Sycon Teknikkonsult AB (Sycon)	C	556459-9198	Eskilstuna	16 000	100	17 000
Tellus Ekoteknik AB (Tellus Teknik)	C	556279-6895	Linköping	1 000	100	1 001
Tellus El & Teleteknik AB (Tellus Teknik)	C	556427-5872	Malmö	1 000	100	1 951
Tellus Miljömanagement AB (Tellus Teknik)	C	556157-6981	Stockholm	1 240	100	6 084
Tellus Teknik AB (Sycon)	C	556343-2953	Stockholm	1 000	100	9 481
Tellus VVS Teknik AB (Tellus Teknik)	C	556124-7502	Stockholm	1 000	100	1 985
Trångfors AB (Sydkraft Vattenkraft)	P	556063-5202	Sundsvall	10 000	100	609 292
Others						1 006 948
<b>Total sub-subsidiaries</b>						<b>13 210 848</b>

<sup>1)</sup> In instances where the share of capital differs from the share of voting rights, the latter is stated in parentheses.

## 12 Participations in associated companies

SEK 000s

	Organization number	Registered office	Number of shares	Holding <sup>2)</sup> %	Book value Parent Company	Group
Baltic Cable AB	556420-6026	Malmö	10 000	33.33	1 000	0 <sup>1)</sup>
Elektra Energihandel A/S		Köpenhamn	12 500	25	15 180	12 541
Gräninge AB	556537-0912	Kramfors	15 193 125	22.85	2 042 084	2 174 513
Hamburgische Electricitäts-Werke AG (see note 24)		Hamburg	20 064 010	21.81(20.1)	4 221 718	4 033 487
Karskär Energi AB	556018-9481	Gävle	14 999	49.997	150	0 <sup>1)</sup>
LRC Novo AB	556563-1677	Malmö	500	50	29 800	29 887
Norrköping Miljö & Energi AB	556004-7077	Norrköping	1 960	49	1 350 000	1 337 780
Oskarshamn Energi AB	556212-1441	Oskarshamn	7 500	50	500	79 611
Perstorps Fjärrvärme AB	556199-6504	Perstorp	50	50	50	6 586
Staffanstorps Energi AB	556447-6736	Staffanstorp	500	50	500	15 652
Värnamo Energi AB	556052-6872	Värnamo	1 896	44.89	158	56 518
Östernärkes Kraft AB	556013-7787	Hallsberg	17 077	52.38(48.9)	53 702	59 959
Others					283	283
<b>Parent company shareholdings in associated companies</b>					<b>7 715 125</b>	<b>7 806 817</b>
EPS Consulting AB (Sycon)	556509-2029	Vänersborg	1 350	45		732
Oslo Energi Konsult A/S (Sycon)		Oslo	1 470	49		6 972
Others						1 613
<b>Total associated companies</b>						<b>7 816 134<sup>3)</sup></b>

1) Reported in accordance with the proportional consolidation method.

2) In instances where the share of capital differs from the share of voting rights, the latter is stated in parentheses.

3) The difference between book value and share in capital of associated companies amounted to SEK 4 888 M.

## 13 Other securities held as fixed assets

SEK 000s

	Organization number	Registered office	Number of shares	Holding, %	Book value Parent Company	Group
e.dis Energie Nord AG (see note 24)		Fürstenwalde/Spree	2 269 031	1.0	58 632	58 632
Mellansvensk Kraftgrupp AB	556138-9643	Stockholm	4 089	5.35	4 089	4 089
VEBA AG (see note 24)		Düsseldorf	4 879 800	1.0	676 266	676 266
Energy Resources of Australia Ltd (OKG)		Sydney	1 025 000	0.537		7 424
Others					5 747	7 140
<b>Total</b>					<b>744 734</b>	<b>753 551</b>

# Notes

## 14 Financial assets

SEK M	Participations in Group companies	Participations in associated companies	Others securities held as fixed assets
Group			
Opening balance		6 721	757
Translation difference		-424	
Investments		1 602	3
Share in profit after tax of associated companies		312	
Depreciation of surplus values		-118	
Dividends received		-191	
Reclassification to subsidiaries		-82	
Write-downs		-	-6
Divestments		-4	
<b>Closing balance</b>		<b>7 816</b>	<b>754</b>
Parent Company			
Opening balance	8 580	6 176	742
Investments	1 052	1 608	3
Reclassifications	69	-69	
Write-downs	-330		
Divestments	-13		
<b>Closing balance</b>	<b>9 358</b>	<b>7 715</b>	<b>745</b>

## 15 Inventories

SEK M	Group	
	1999	1998
Nuclear fuel	1 495	1 436
Other fuel	293	296
Other	145	156
<b>Total</b>	<b>1 933</b>	<b>1 888</b>

## 16 Prepaid expenses and accrued revenue

Prepaid expenses and accrued revenue comprise accrued energy revenue, prepaid insurance charges etc.

## 17 Current investments

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Interest-bearing investments	847	948	673	905
Shares in Förenings- Sparbanken AB, 692 307	28	28	28	28
Shares in Mandamus AB, 23 076	1	1	1	1
<b>Total</b>	<b>876</b>	<b>977</b>	<b>702</b>	<b>934</b>

## 18 Tax assessment values

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Land	11 406	11 696	83	98
Buildings	15 088	15 062	171	178
<b>Total</b>	<b>26 494</b>	<b>26 758</b>	<b>254</b>	<b>276</b>

The Group's production installations (excluding heat-production installations), office buildings and warehouses are taxable properties.

Transmission lines, distribution networks and transformer buildings are not subject to tax.

## 19 Provisions for future handling of highly active spent nuclear fuel

In accordance with the law (1984:3) relating to nuclear technology operations (reprinted SFS 1992:1536), nuclear power companies have full responsibility for all current and future costs for the handling and permanent storage of highly active spent nuclear fuel. According to the law (1992:1537) relating to the financing of future costs for spent nuclear fuel, etc. (reprinted in SFS 1995:1544), a fee based on the energy produced by nuclear power plants is to be paid to Sweden's Nuclear Waste Fund and deposited in an account with the National Debt Office to finance these activities. These fees, which are calculated on an annual basis by the Swedish Nuclear Power Inspectorate (SKI) and approved by the Government, are expensed on an ongoing basis by the nuclear power companies. The fee for each MWh produced was SEK 6 (4) at Barsebäck and SEK 8 (8) at Oskarshamn. In those instances where the deposited funds deviate from the actual future cost of handling highly active nuclear waste, the nuclear power companies are obligated to cover any deficit and have the right to the refund of any surplus amounts. Refunds from the Nuclear Waste Fund are made in parallel with the payments made by the nuclear power companies for the handling of spent nuclear fuel, etc.

SEK M	Group	
	1999	1998
Allocated funds, January 1	6 713	6 836
Annual fee	102	93
Interest and value increase	-52	243
Utilized	-133	-459
<b>Allocated funds, December 31</b>	<b>6 630</b>	<b>6 713</b>

## 20 Equity

SEK M	Restricted Share capital	Restricted reserve <sup>1)</sup>	Unrestricted Retained earnings	Net profit for the year	Total
Group					
Opening balance	1 910	12 118	3 617	2 055	19 700
Transfer of previous year's net profit			2 055	-2 055	
Transfer among restricted and unrestricted equity		94	-94		
Dividend			-907		-907
Translation difference		2			2
Net profit for the year				1 939	1 939
<b>Closing balance</b>	<b>1 910</b>	<b>12 214</b>	<b>4 671</b>	<b>1 939</b>	<b>20 734</b>

<sup>1)</sup> Of which equity proportion reserve SEK 156 M (176).

SEK M	Restricted Share capital	Restricted reserve <sup>1)</sup>	Unrestricted Retained earnings	Net profit for the year	Total
Parent Company					
Opening balance	1 910	2 743	13 221	980	18 854
Transfer of previous year's net profit				980	-980
Dividend			-907		-907
Group contribution after tax			190		190
Net profit for the year				1 243	1 243
<b>Closing balance</b>	<b>1 910</b>	<b>2 743</b>	<b>13 484</b>	<b>1 243</b>	<b>19 380</b>

### Specification of classes of stock

	Total number	Percent of Capital	Votes	SEK 000s
A	111 108 088	58.2	93.3	1 111 081
C	79 892 244	41.8	6.7	798 922
<b>Total</b>	<b>191 000 332</b>	<b>100.0</b>	<b>100.0</b>	<b>1 910 003</b>

Par value SEK 10 per share.

## 21 Provisions for deferred taxes

Provisions for deferred tax relate to the difference between the value of fixed assets in accordance with the balance sheet and the taxable residual values and to the tax allocation reserve, capital-based tax equalization reserve, etc.

SEK M	Group	
	1999	1998
Fixed assets	14 412	13 710
Tax allocation reserve, Tax equalization reserve etc.	3 982	3 650
<b>Total</b>	<b>18 394</b>	<b>17 360</b>
<b>Provisions for deferred tax, 28%</b>	<b>5 150</b>	<b>4 861</b>

## 22 Other provisions

Other provisions comprise provisions for guarantee commitments, re-structuring measures etc.

## 23 Due dates of liabilities

SEK M	0-1 year	1-5 years	5- years	Total
Group				
<b>INTEREST-BEARING LIABILITIES</b>				
Bond loans	751	4 907	952	6 610
Liabilities to credit institutions	1 143	9 845 <sup>1)</sup>	2 627	13 615
Liabilities to associated companies	32	-	-	32
Other interest-bearing liabilities	94	138	169	401
Unutilized credit facility	-2 020	2 020	-	-
<b>Total interest-bearing liabilities</b>	<b>0</b>	<b>16 910</b>	<b>3 748</b>	<b>20 658</b>

### NON INTEREST-BEARING LIABILITIES

Accounts payable, trade	1 074	-	-	1 074
Liabilities to associated companies	12	-	-	12
Other non interest-bearing liabilities	513	12	410	935
Accrued expenses and prepaid revenue	1 613	316	8	1 937
<b>Total non interest-bearing liabilities</b>	<b>3 212</b>	<b>328</b>	<b>418</b>	<b>3 958</b>

Parent Company	0-1 year	1-5 years	5- years	Total
<b>INTEREST-BEARING LIABILITIES</b>				
Bond loans	658	4 146	928	5 732
Liabilities to credit institutions	917	3 366	2 607	6 890
Liabilities to Group companies	1 116	-	2 031	3 147
Liabilities to associated companies	32	-	-	32
Other interest-bearing liabilities	6	-	98	104
Unutilized credit facility	-2 729	2 729	-	-
<b>Total interest-bearing liabilities</b>	<b>0</b>	<b>10 241</b>	<b>5 664</b>	<b>15 905</b>

### NON INTEREST-BEARING LIABILITIES

Accounts payable, trade	36	-	-	36
Liabilities to Group companies	642	-	3 503	4 145
Other non interest-bearing liabilities	5	-	1	6
Accrued expenses and prepaid revenue	199	-	-	199
<b>Total non interest-bearing liabilities</b>	<b>882</b>	<b>-</b>	<b>3 504</b>	<b>4 386</b>

<sup>1)</sup> Including partner-financing SEK 5 072 M (see note 24)

# Notes

## 24 Interest-bearing liabilities

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Swedish bond loans	6 110	3 112	5 232	1 798
Foreign bond loans <sup>1)</sup>	500	500	500	500
Liabilities to credit institutions, SEK <sup>2)</sup>	8 994	10 600	2 225	3 628
Liabilities to credit institutions, foreign currency <sup>1)</sup>	4 621	5 066	4 665	4 685
Liabilities to Group companies	-	-	3 147	3 095
Liabilities to associated companies	32	10	32	10
Other interest-bearing liabilities	401	435	104	39
<b>Total</b>	<b>20 658</b>	<b>19 723</b>	<b>15 905</b>	<b>13 755</b>

Unutilized long-term credit facilities amounted to SEK 2 988 M (2 821) at year-end 1999.

1) The total debt in foreign currency, SEK 5 121 M, relates to the financing of Sydkraft's holdings of VEBA, HEW and e.dis Energie Nord shares. Applying the closing date price to the holding and the closing date's exchange rate to both the asset and the debt, results in a surplus value corresponding to SEK 48 M.

2) In connection with the acquisition of Sydkraft Vattenkraft, formerly Båkab Energi, effective January 1, 1993, Sydkraft also assumed the partner financing agreement originally entered into between SCA and Allmänna Pensionsfonden 1-3 (AP Funds). The agreement covers the period up to the year 2015. Nikab Energi, a company founded jointly with the AP Funds, owns 50% of the hydro power assets in Sydkraft Vattenkraft. Sydkraft Vattenkraft owns 50.7% of the voting rights and the AP Funds own the remaining 49.3%. Nikab Energi is thus a subsidiary of Sydkraft Vattenkraft and as a result its assets and liabilities are included in their entirety in the Sydkraft Group's balance sheet. The AP Funds share in Nikab Energi's shareholders' equity amounts to SEK 1 750 M and is included in the Group's liabilities to credit institutions.

Sydkraft Vattenkraft has the right, but not the obligation, to acquire AP Funds' shares and promissory notes during the following years: 2002, 2007, 2011 or 2015. The acquisition price will be the amount which, in combination with the annual payments, provides the AP Funds with a real return of 4.25% per year. If the option is not exercised, AP Funds has the right to instead acquire Sydkraft Vattenkraft's shares in Nikab Energi at book value. In 1999, capital payments amounted to SEK 310 M (305). At year-end 1999, the estimated repurchase price was SEK 5 941 M (5 938), which is SEK 869 M (866) more than the amount reported for the corresponding assets in the 1999 balance sheet.

Discussions are currently in progress between Sydkraft and AP Funds regarding the consequences for AP Funds' return in the event of deflation. AP Funds' position is that deflation should not be taken into account. If this interpretation is applied, the repurchase price will be SEK 102 M higher.

## 25 Accrued expenses and prepaid revenue

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Accrued wages and salaries	260	229	10	12
Accrued payroll expenses	147	134	4	9
Accrued interest expense	187	237	134	146
Accrued expenses for handling of spent nuclear fuel	373	457	-	-
Prepaid energy revenues	451	389	47	27
Other	519	383	4	13
<b>Total</b>	<b>1 937</b>	<b>1 829</b>	<b>199</b>	<b>207</b>

## 26 Contingent liabilities

Of the Group companies' contingent liabilities, SEK 1 300 M (1 178) related to guarantees pledged to the Nuclear Waste Fund for Barsebäck Kraft AB's and Oskarhamns Kraftgrupp AB's responsibility under law (1992:1537) for the financing of future costs for spent nuclear fuel, etc (reprinted in SFS 1995:1544). Also refer to Note 19. The balance consisted primarily of guarantees for borrowing by subsidiaries.

SEK M	Group		Parent Company	
	1999	1998	1999	1998
For the benefit of Group companies	-	-	3 990	4 485
For pension commitments	56	1	-	-
Other contingent liabilities	227	388	173	203
<b>Total</b>	<b>283</b>	<b>389</b>	<b>4 163</b>	<b>4 688</b>

## 27 Pledged assets

SEK M	Group		Parent Company	
	1999	1998	1999	1998
<i>For liabilities to credit institutions</i>				
Real estate mortgages	1 286	1 286	-	-
Chattel mortgages	267	296	-	-
Sub total	1 553	1 582	-	-
<i>For other liabilities and engagements</i>				
Chattel mortgages	34	34	-	-
Other	179	45	7	45
Sub total	213	79	7	45
<b>Total</b>	<b>1 766</b>	<b>1 661</b>	<b>7</b>	<b>45</b>

## 28 Average number of employees

	Group		Parent Company	
	1999	1998	1999	1998
Women	1 181	1 153	33	54
Men	5 345	5 073	66	122
<b>Total</b>	<b>6 526</b>	<b>6 226</b>	<b>99</b>	<b>176</b>
Deduction <sup>1)</sup>	-555	-572	-	-
<b>Total after deduction</b>	<b>5 971</b>	<b>5 654</b>	<b>99</b>	<b>176</b>

All are employed in Sweden. Reporting of the number of employees has been carried out in accordance with the recommendations of the Swedish Accounting Standards Board.

<sup>1)</sup> In the accounts, the personnel costs for the electricity production companies have been included in accordance with Sydkraft's share of ownership. Accordingly, the number of employees shown above has been reduced in a corresponding manner (see accounting principles).

## 29 Salaries, other remuneration and payroll expenses

SEK M	Group		Parent Company	
	1999	1998	1999	1998
Salaries and other remuneration, Board, President and Vice President	34	29	6	7
Salaries and other remuneration, others	1 672	1 587	47	71
<b>Total salaries and other remuneration</b>	<b>1 706</b>	<b>1 616</b>	<b>53</b>	<b>78</b>
Payroll expenses, Board, President and Vice President	32	21	12	3
(Of which pension costs)	(20)	(10)	(10)	(1)
Payroll expenses, other	759	740	39	39
(Of which pension costs)	(187)	(175)	(22)	(13)
<b>Total payroll expenses</b>	<b>791</b>	<b>761</b>	<b>51</b>	<b>42</b>
<b>Total</b>	<b>2 497</b>	<b>2 377</b>	<b>104</b>	<b>120</b>

In accordance with the decision of the Annual General Meeting, a total of SEK 1.1 M was paid in Board fees during 1999. Of this amount, the Chairman received SEK 202 000, as approved by the Board of Directors. No agreements in respect of future pensions or severance payments exist for either the Chairman or other members of the Board.

Group management was paid a total of SEK 9.5 M in the form of salaries and other remuneration. Of this amount, the Group CEO, who is also the President of Sydkraft AB, received SEK 2.5 M. In respect of employment termination notice from the Company's side, the Group CEO has the right to severance payment in an amount corresponding to two years of salary, as well as the right to retire prematurely, with a pension, at age 60. For other senior members of management, the premature pension rights apply at age 60 or 62, as well as severance payment corresponding to one-two years salary. The costs of these pension obligations are expensed on an ongoing basis. Annual compensation during the period up to normal retirement will correspond to 70% of the salary paid at the time of premature retirement. Bonuses are not paid to members of Group management.

The cost relating to the profit sharing scheme for employees amounted to SEK 12 M (16).

## 30 Excess depreciation, Parent Company

SEK M	1999		1998	
	Excess depreciation for the year	Accumulated excess depreciation	Excess depreciation for the year	Accumulated excess depreciation
Land improvements	1	4	-	5
Buildings	2	57	4	59
Plant and machinery	3	10	3	13
<b>Total</b>	<b>6</b>	<b>71</b>	<b>7</b>	<b>77</b>

## 31 Sales to/purchases from Group companies

Of the Parent Company's net sales, 73% (64) was accounted for by sales to other Group companies. Of the Company's operating expenses, 77% (79) related to expenses to other Group companies.

## 32 Fees and reimbursements paid to auditors

SEK 000s	Group		Parent Company	
	1999	1998	1999	1998
SET Revisionsbyrå	3 128	2 520	716	603
Ernst & Young	2 798	1 994	617	423
Other auditors	610	526	93	84
<b>Audit assignments</b>	<b>6 536</b>	<b>5 040</b>	<b>1 426</b>	<b>1 110</b>
SET Revisionsbyrå	1 201	605	647	445
Ernst & Young	688	544	240	485
Other auditors	247	203	-	-
<b>Other assignments</b>	<b>2 136</b>	<b>1 352</b>	<b>887</b>	<b>930</b>
<b>Total fees and expenses</b>	<b>8 672</b>	<b>6 392</b>	<b>2 313</b>	<b>2 040</b>

# Definitions and terms

*The values shown relate to Group operations in 1999, in SEK M.*

## Risk-bearing capital

Equity including minority interest	20 832
Deferred tax	5 150
<b>Risk-bearing capital</b>	<b>25 982</b>

## Capital employed

Equity including minority interest	20 832
Interest-bearing liabilities	20 658
<b>Capital employed</b>	<b>41 490</b>

## Return on equity

Profit after net financial items and estimated taxes	1 947
Average equity	20 323
<b>Return on equity, %</b>	<b>9.6</b>

## Return on capital employed

Profit before financial expense	3 855
Average capital employed	40 513
<b>Return on capital employed, %</b>	<b>9.5</b>

## Return on total capital

Profit before financial expense	3 855
Average total capital	50 063
<b>Return on total capital, %</b>	<b>7.7</b>

## Debt/equity ratio

Interest-bearing liabilities in relation to equity.

## Deferred tax liability

Deferred tax liability has been based on a 28% tax rate.

## Dividend as percentage of earnings

Dividend per share in relation to earnings per share.

## Dividend yield

Dividend divided by the market price for Sydkraft's C share at year-end.

## Equity/assets ratio

Equity as a percentage of the total capital reported in the balance sheet.

## Interest coverage ratio

Profit before financial expenses divided by financial expenses.

## Market price/equity

The market price of C share at year-end divided by equity per share at year-end.

## Net indebtedness

Interest-bearing liabilities minus liquid funds.

## Operating margin

Operating profit, excluding result from participations in associated companies, as a percentage of net sales.

## P/E ratio

The market price per C share at year-end in relation to earnings per share.

## Profit margin

Profit after financial income and expense as a percentage of net sales.

## Risk-bearing/total capital

Risk-bearing capital as a percentage of the total capital reported in the balance sheet.

## Self-financing ratio

Cash-flow from operations as a percentage of total net investments.

## Tax

The sum of current taxes, deferred taxes and share in taxes of associated companies (comprehensive tax allocation).

# Proposed distribution of profit

The Board of Directors and the President propose that the funds at the disposal of the Annual General Meeting, consisting of:

- retained earnings	13 483 448 908
- net profit for the year	<u>1 243 197 452</u>
Total, SEK	14 726 646 360

be disposed of as follows:

- distributed to shareholders, SEK 4.75 per share,	907 251 577
- balance carried forward as retained earnings	<u>13 819 394 783</u>
Total, SEK	14 726 646 360

Of the Group's unrestricted equity amounting to SEK 6 610 M, SEK 272 M will be transferred to restricted reserves, after which the funds available for distribution will amount to SEK 6 338 M.

Sydkraft's dividend policy is described on page 74.

*Malmö, April 6, 2000*

Hans-Dieter Harig  
*Chairman of the Board*

Göran Ahlström

Sören Andersson

Torsten Carlsson

Bengt Ekberg

Thomas Halvorsen

Sten K Johnson

Percy Liedholm

Ilmar Reepalu

Christian Rynning Tønnesen

Ulf Sjöberg

Per-Anders Svensson

Lars Thulin

Heinz Dieter Waffel

Lars Wallstén

Nils Yngvesson

Lars Frithiof  
*President*

# Auditors' report

*To the Annual General Meeting of the shareholders in Sydkraft AB.*

*Corporate identity number 556006-8420.*

We have audited the annual accounts, the consolidated financial statements, accounting records and the administration of the Board of Directors and the President of Sydkraft AB for the 1999 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and consolidated financial statements. To support our opinion in regard to freedom from liability, we have examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company of any Board member, or the President. We have also conducted examinations to establish whether any Board member or the President has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated financial statements have been prepared in accordance with the Annual Accounts Act and thus provide a true and fair picture of both the Company's and the Group's earnings and position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the Income Statements and Balance Sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report, and that the members of the Board and the President be discharged from liability for the financial year.

*Malmö, April 7, 2000*

Torbjörn Hanson  
*Authorized Public Accountant*

Gilbert Larsson  
*Authorized Public Accountant*

THE WINNERS IN THE ENERGY MARKET OF THE FUTURE WILL BE COMPANIES THAT SUPPLY AND SATISFY CUSTOMER DEMANDS FOR TOTAL ENERGY SOLUTIONS, HAVE THE MOST EFFICIENT PRODUCTION SYSTEM, THE LOWEST ENERGY TRANSPORTATION COSTS, EFFECTIVE ENERGY TRADING OPERATIONS AND A STRONG BRAND.

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Sweden belongs to the pioneers among those countries which have already deregulated their electricity markets. Many other countries will follow suit, as a result of an EU Directive that prescribes how Europe's electricity markets shall be deregulated, among other reasons. The gas markets in the EU will also be deregulated during the initial years of the 21st century. The changes are being effected far more rapidly than most people imagined.

Sydkraft responded to the increased competition at an early stage by applying strong customer-focus measures. This was followed by the review and development of corporate strategies, values, operations and organizational structure in order to raise efficiency and penetration in the Group's energy markets. Two particularly important factors were to establish unequivocal goals and to focus on common values. The route toward achieving these objectives leads through the USK (Swedish Quality Award) method, which also includes the goal that all Sydkraft companies must be environmentally certified in accordance with ISO 14001 no later than year-end 2001.

The winners in the energy market of the future will be companies which:

- supply and satisfy customer demands for total energy solutions that include electricity, heat, gas and a substantial element of related services
- have the most efficient production system
- have the lowest energy transportation costs

- have effective energy trading operations, and
- have a strong brand

The Sydkraft Group's business concept is to market and sell energy solutions and services designed to increase the competitiveness, comfort and security of its customers in northern Europe.

The Group is divided into four business sectors, an energy trading organization and a number of Group staff functions designed to support the business operations. The four business sectors are: Marketing and Sales, Production, Distribution, and Consulting and Contracting. The subsidiary Sydkraft Energy Trading is responsible for the Group's trading in energy and energy raw materials.

*Marketing and Sales.* This business sector has 340 employees and markets and sells electricity, gas, heat and cooling to slightly more than 800 000 customers, primarily in Sweden. The sector has a few customers in Norway and Denmark. The goal is to increase the customer base to at least three million in northern Europe. The business sector's overall role is to sell individually adapted energy solutions to industries and companies and to satisfy consumer needs for simplicity and freedom of choice in the area of energy supply and provide optimal comfort and convenience.

*Production.* This business sector, which has 2 100 employees, is responsible for the Group's production of electricity and for the production and distri-

bution of heat in a number of production facilities in southern Sweden and central Norrland. The Barsebäck and OKG nuclear power plants account for 50% of the sector's electricity production capacity. Approximately 100 hydroelectric plants, of which the five largest are located on rivers in Norrland, accounts for 40%, and the remaining 10% of capacity is accounted for by a combination of windpower, biofuel and oil-fired power. The largest heat production plants are in Malmö (natural gas) and Örebro (biofuel and peat), where the largest heat distribution networks are also located. The business sector's overall role is to produce electricity and heat in a safe and reliable manner and as inexpensively as possible.



THE AIM OF THE MARKETING AND SALES BUSINESS SECTOR'S CAMPAIGN IS TO SELL CUSTOMIZED ENERGY SOLUTIONS TO INDUSTRIAL CUSTOMERS.



*Sydkraft's Vision 2005*

- To have at least three million satisfied customers in northern Europe
- To have the strongest brand name in the energy sector
- To be one of the most attractive employers
- To be the most profitable energy group.

*Distribution.* With 1 100 employees, this business sector distributes electricity, natural gas and LPG to approximately 850 000 customers in primarily southern Sweden and the Örebro and Sundsvall areas. The sector is responsible for the operation and maintenance of regional and local electricity networks, the operation and maintenance of regional and local natural gas networks and LPG distribution, which includes two underground LPG storage facilities in Karlshamn, and the transportation of LPG. The Distribution Business Sector was expanded in 1999 through the acquisition of several network companies. Further acquisitions of network companies will be made during the next few years in order to increase the efficiency of the Group's energy distribution operations. The overall role of the sector is to distribute electricity, natural gas and LPG in a safe and reliable manner and as inexpensively as possible.

*Consulting and Contracting.* This business sector has 2 800 employees and conducts operations within five areas: IT, Technical Consulting, Contracting and Service, Energy Technology Information Systems and Support. The sector conducts a broad range of

consulting, contracting and service operations, mainly in Sweden and the rest of the Nordic region. International operations are increasing. Cooperation with other companies in the business sector aims at providing customers with a more integrated range of solutions. The Group operations established in Sundsvall and Örebro have enabled the business sector to make a contribution to Sydkraft's further expansion. The overall role of the sector is to develop the competitiveness of its customers by supplying products and services in all relevant phases: new installations, renovation, operation and maintenance, product development and training.

*Sydkraft Energy Trading,* with 70 employees, is responsible for Sydkraft's total power portfolio for production, sales and all financial trading. The company provides a unifying link between Sydkraft's production and sales. Accordingly, the Production Business Sector sells the whole of its production on strictly commercial terms to Sydkraft Energy Trading, which in turn sells as much electricity to the Marketing and Sales Business Sector as is needed by this sector's customers. Electricity surpluses and

deficits are traded via the Nord Pool electricity exchange and via bilateral agreements. The overall role of the company is to operate as a professional player in the physical and financial markets. This will reinforce the Group's commercial potential at the same time as it ensures that the risks are always within a predetermined mandate. The objective is to become the most skilful power portfolio manager in northern Europe.

*Group staff functions,* with a total of about 70 employees, have been established for Financial Control, Treasury, Research and Development, Internal Auditing, Information and Public Affairs, Information Technology, Legal Affairs, Human Resources and Operations Development and Strategic Business Development. The role of the Group staffs is to support the Sydkraft Group's business concept and operations.

The Group also has some 70 additional operating subsidiaries, of which about 45 are staffed with own personnel, and some 20 associated companies. In total the Sydkraft Group has 6 500 employees.



# Marketing and Sales Business Sector

IN THE SWEDISH CONSUMER MARKET, THERE IS A TENDENCY FOR COMPANIES WITH STRONG BRANDS TO TRY TO PERSUADE THE GENERAL PUBLIC TO BUY COMMODITIES OTHER THAN THEIR OWN CORE PRODUCTS.

SIMILAR TENDENCIES CAN BE SEEN IN THE CORPORATE MARKET, AND THERE IS INCREASING CUSTOMER DEMAND FOR CUSTOMIZED SOLUTIONS

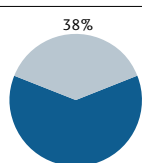
## Key data

	1999	1998
Net sales, SEK M	6 059	7 333
- of which non-Group	5 638	6 945
Operating profit, SEK M	96	236
Operating margin, %	2	3
Investments in fixed assets, SEK M	12	112
Average number of employees	341	314

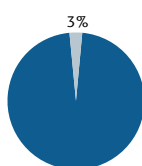


BUSINESS SECTOR PRESIDENT  
JONAS SVANTESSON

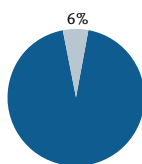
## Business sector's share of:



Group net sales



Group operating profit



Group number of employees

## The past year

- Net sales declined by 17% to SEK 6.1 billion, mainly due to the transfer of a number of distributor and major customer contracts to Energy Trading.
- Operating profit declined to SEK 96 M, due to the reduction in the volume of electricity sales and also higher costs for market development and preparations for greater mobility in the private-household market.
- Following the lifting of the requirement for hourly metering as from November 1, 1999, the entire electricity market has been open to free competition. Competition became increasingly keen, and electricity prices declined by about 5% compared with the preceding year.
- During the year, three subsidiaries were acquired: Lessebo Elförsäljning, Östernärkes Kraftförsäljning and Osby Elförsäljning. Sydkraft also acquired 49% of Norrköping Miljö & Energi (NME), an associated company whose activities include electricity sales.

## The business sector's assignment

The companies in this business sector supply 800 000 customers with electricity, gas and heat and associated services.



### Prerequisites

Price competition increased during the spring, in anticipation of the total deregulation of the electricity market on November 1, 1999. A number of new participants in the market – both Swedish and foreign – have gained market shares as a result of aggressive price competition. Joint purchases by home-owners' associations and similar organizations have become a common occurrence, and this also applies to framework agreements with national bodies such as trade unions, tenant housing associations, sports federations, etc.

Electricity transactions in the corporate market are currently characterized by short-term agreements, lower prices and virtually standardized price levels. The market price largely reflects developments on the electricity exchange spot and futures market, which has facilitated price comparisons. If profitability is to be achieved, a cost-effective process for obtaining, selling and supplying electricity is required, in combination with a complementary range of products.

Concentration by customers on their core activities leads to outsourcing. This opens up a market for extensive sales of services, and it also provides opportunities for closer cooperation. In the property sector, there is a tendency towards greater integration – for example of heating, ventilation and the indoor climate. It is more profitable to focus on the total costs rather than on individual cost components. This applies both for customers and for Sydkraft.

According to the official report on gas trading in a competitive market (SOU 1999:115), deregulation of the Swedish natural gas market will commence on August 10, 2000. The report states deregulation will be accomplished in two stages and be fully completed by 2006.

Initially, deregulation will apply to customers who use more than 5 million m<sup>3</sup> of natural gas per year (corresponding to approximately 55 GWh), and to producers and distributors of electricity who own their own natural gas pipelines.

### The energy market

Trends such as globalization, individualization, outsourcing, alliances, mergers and the blurring of industry-boundaries also have an impact on the energy market, which is developing into a multi-utility market, offering several utility services simultaneously. Energy is sold by a growing number of players, ranging from filling stations and oil companies, which have been

in the energy market for some time, to outside companies with a strong brand name in the consumer market. A similar trend is anticipated when the natural gas market is deregulated.

Energy procurement is becoming an increasingly strategic issue for international corporate groups, and this results in complex centralized tendering processes.

In Sweden, the number of traditional participants in the electricity sales market has declined from 1 500 in 1960 to 260, prior to deregulation in 1995. Today, there are about 90 companies with their roots in the industry and, in addition, there are some 20 companies from other industries or which are in the process of establishing their operations. There are also a few non-Swedish companies.

In the Swedish consumer market, there is a tendency for companies with strong brands to try to persuade the general public to buy commodities other than their own core products. The need to collect information from



market surveys, customer contacts, claims reports and similar sources means that business development is becoming increasingly IT-oriented. Electronic commerce operations have been commenced but consumers appear to have some initial doubts about transactions via the Internet. Many purchasing decisions are made on the basis of website information, however. The Internet is resulting in almost total price transparency, and this is exerting pressure on margins in all industries.

Similar tendencies can be seen in the corporate market, and there is increasing customer demand for customized solutions. Company requirements range from environmental compatibility, reliability and greater efficiency to simply wanting to concentrate on their core operations.

#### The business sector today

The development of Sydkraft's image as a technical support and service company is continuing, and the brand-building process has been intensified. Awareness of the Sydkraft brand increased during the year, and a positive attitude to Sydkraft could also be noted.

The restructuring of the electricity market is continuing, and Sydkraft is deeply committed to this development. During 1999, Sydkraft acquired three subsidiaries with a total of about 15 000 customers – Lessebo Energy, Östernärkes Kraftförsäljning and Osby Energi. Sydkraft also acquired 49% of Norrköping Miljö & Energi (NME), an associated company whose activities include electricity sales. In addition, the Sydkraft Group acquired 49% of the Østfold Energi electricity sales and distribution network at the beginning of the year 2000. Østfold Energi has 90 000 customers.

In operational terms, the business sector is currently divided into two units – one for the private-household market and one for the corporate market.

Sydkraft has been participating for

some time in a project that extends across traditional industry boundaries and involves a variety of partners. In 1999, for example, this resulted in the joint launching of the COLLECT customer and bonus club in cooperation with the Kinnevik Group.

Similar projects are under way in the corporate market. The development of improved service products and functional solutions has been intensified, and strategic alliances will lead to new concepts, for example in the indoor climate and environment fields.

#### Private-household market

##### •Customers and sales

There are 4 465 000 private-household customers in Sweden – 2 150 000 apartment units, 1 090 000 private houses with electrical heating, 700 000 houses with other forms of heating and 525 000 leisure homes.

Sydkraft has a market share of 13% in terms of direct sales. Sydkraft is underrepresented among apartment customers (11%), but has a higher proportion of the private dwelling and farm market (16% of this sector has

electrical heating and 19% household electricity).

During 1999, marketing primarily focused on existing customers and the national private-house category, particularly houses heated by electricity.

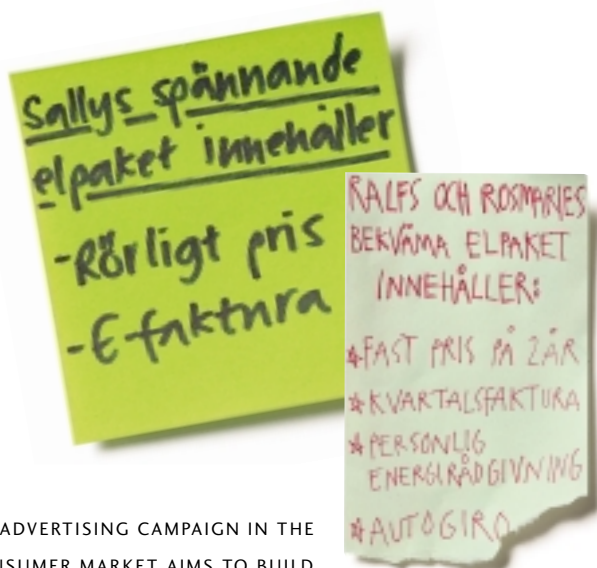
So far, customer mobility has been relatively limited. In a Nordic context, it may be noted that approximately 70 000 households have changed their supplier since the Norwegian market was totally deregulated in 1996. In Sweden, there were approximately 60 000 changes of supplier prior to November 1, 1999.

There continues to be growing interest in alternative sources of energy in the private-household market. Sydkraft supplies 9 000 customers in private homes with natural gas for heating purposes, and more than 350 contracts have been signed with homeowners in the existing market area.

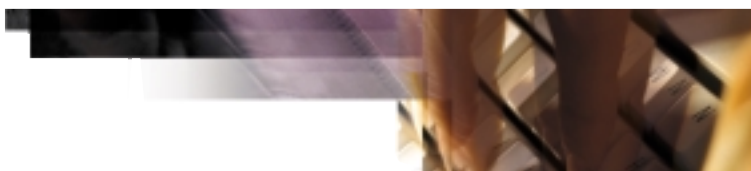
There are 120 000 private customers for district heating.

##### •Products

Sydkraft's product offering meets the requirements explicitly expressed in



THE ADVERTISING CAMPAIGN IN THE CONSUMER MARKET AIMS TO BUILD SYDKRAFT'S IMAGE AS SERVICE COMPANY, RATHER THAN A POWER PRODUCER.



market surveys, which indicate that private households want to purchase electricity in a great many different forms – short-term or long-term agreements, a variable price or a fixed price, or a combination. In its ambition to be a full-service company, Sydkraft has developed customer services on a round-the-clock basis, 365 days a year. It also offers a number of energy services such as Personal Energy Advice, Home and Child Safety Inspections, based on the “Tailor your own electricity package in 15 minutes” theme.

One third of Sydkraft’s customers choose a variable price. Two thirds prefer a fixed price, preferably with an agreement covering several years. Personal Energy Advice is the most popular complementary product. Since consumers can save an average of 10% of their electricity consumption if they have access to the right information, Sydkraft’s know-how can lead to considerable customer benefit.

#### *Corporate market*

##### • *Customers and sales*

Sydkraft has approximately 56 000 electricity customers in this market, 3 300 natural gas customers, 200 LPG customers and 5 500 district heating customers. The priority segments are properties and the food, wood products and engineering industries. Companies in these sectors see considerable advantages in having a national energy supplier.

In 1999, marketing primarily focused on establishing Sydkraft’s position as a supplier of energy solutions. The results exceeded the targets.

As in the past, there is considerable interest in the Total Heat concept, under which Sydkraft installs, owns and operates heating plant on behalf of the customer. The pace of expansion of Total Heat business will increase during 2000, based on Sydkraft’s nationwide market development program.

Deregulation of the natural gas market will commence during the coming

year. Sydkraft has considerable confidence in the development of a deregulated gas market, based on its experience of deregulation of the electricity market and its strong position as a total supplier in the gas market. Since there is only one route for the importation of natural gas – from Denmark to Sweden – there will not be a completely free market.

Sydkraft currently has high market coverage in its existing natural gas distribution area. There are only a limited number of potential customers in the industrial and property segments, but there is still a substantial market in the private-household sector. The successful sales record continued during 1999, and about 150 new contracts were signed, representing approximately 45 GWh.

Extension of the distribution network is continuing. The network has now reached the Bjäre peninsula and Höllviken area in Skåne in southern Sweden, where a high proportion of new customers have signed supply agreements.

##### • *Products*

Companies require functional solutions to an increasing extent. Many companies have insufficient resources to handle and implement profitable energy measures under their own auspices. In addition to a free choice of energy forms – electricity, gas, heat or cooling – Sydkraft’s energy portfolio offers a number of energy services. A high proportion of product development is now carried out in conjunction with customers. Sydkraft’s Energiloop® cooperation technique is one example of the provision of energy solutions on the customer’s terms, enabling the customer to rationalize the total utilization of energy. This technique is also used to reduce the impact on the environment and the risk of energy-related interruption of operations.

The Falcon brewery in Falkenberg is

an example of a company that uses the Energiloop. In addition to reduced discharges into the environment, the measures implemented so far have saved more than SEK 500 000 a year.

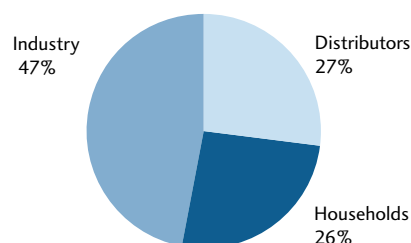
#### **Outlook**

High volumes, attractive services, efficient and modern administration and effective communications are key factors in maintaining success. The customer must feel that being a Sydkraft customer offers additional value.

Employee attitudes and their approach to assignments are fundamental factors in achieving success in a service company. Sydkraft’s personnel have a high degree of expertise and considerable experience of change processes.

There will be increased competition both from large international companies and from specialized niche players. The blurring of traditional industry boundaries may mean that market participants from other industries can “own” a customer relationship.

**Sales of electricity by customer category**



# Production Business Sector

FURTHER DEREGULATION AND HARMONIZATION OF TAXES AND ENVIRONMENTAL RULES ARE REQUIRED IF AN ELECTRICITY MARKET CHARACTERIZED BY COMPETITION ON EQUAL TERMS IS TO BE ESTABLISHED.

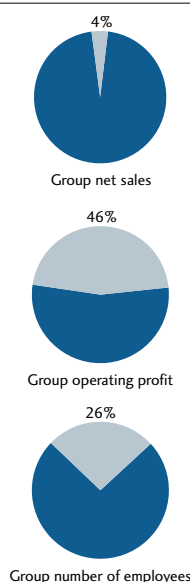
## Key data

	1999	1998
Net sales, SEK M	7 091	8 242
- of which non-Group	555	621
Operating profit, SEK M	1 690	1 987
Operating margin, %	24	24
Investments in fixed assets, SEK M	916	1 139
Average number of employees	2 127	2 228



BUSINESS SECTOR PRESIDENT  
GERT LYNCSJÖ

## Business sector's share of:



## The past year

- Reduced production of electricity, and lower prices resulted in a decline in net sales to SEK 7.1 billion. Operating profit declined to SEK 1.7 billion.
- Extended overhauls of the Barsebäck and the Oskarshamn 2 reactors resulted in a reduction of 1.2 TWh in nuclear power production, and hydroelectric production declined by 2.1 TWh compared with 1998, a year of abundant precipitation.
- The Barsebäck 1 reactor was shut down on November 30, 1999 as a result of a political decision. Electricity supplies to compensate for closure commenced simultaneously, under an arrangement reached with the Government.
- During the year, an agreement was concluded with Svenska Kraftnät (the Swedish National Grid) regarding standby status for the third oil-fired unit at the Karlshamn plant.

## The business sector's assignment

Companies in the Production Business Sector are totally responsible for operations and maintenance for the production of electricity and heat in the Group's plants. These companies produce electricity, heat and cooling, and distribute heat and cooling to customers in northern Europe.



## Prerequisites

### *Electricity in Europe*

Electricity accounts for an increasingly high proportion of energy consumption. In northern Europe, utilization of electricity has risen by 1-2% annually in recent years, and this growth rate is expected to be maintained in the near future. The rate of increase in other parts of Europe is expected to be slightly higher during the same period.

Several relatively old production plants with poor environmental performance will be shut down in the next few years. Gas-fired plants will probably account for any additional capacity in Europe in the next few years. The construction of windpower and bio-energy plants will depend on the availability of state subsidies.

### *Electricity in the Nordic region*

Total electricity production in the Nordic region amounted to slightly more than 380 TWh in 1999, of which Sydkraft produced approximately 7%.

Further deregulation and harmonization of taxes and environmental rules are required if an electricity market characterized by competition on equal terms is to be established. In the short term, it is important that electricity market legislation is amended to ensure that similar competitive conditions apply to Swedish producers and producers in other countries – such as Denmark – which have not yet fully opened up their electricity markets.

### *Electricity in Sweden*

Swedish production of electricity is being restructured as a result of deregulation of the electricity market. Both large and small production plants are subject to changes in ownership, and reserve facilities are being closed.

This has resulted in a deterioration in the balance in the Swedish electricity supply system, particularly in southern Sweden. According to a study prepared by the National Energy Authority, southern and central Sweden have a production deficit of about 2 400 MW, excluding the closure of Barsebäck 1. This deficit is met by imports. During the year, Svenska Kraftnät, which is responsible for maintaining a balance in supplies, signed an agreement for reserve operation of the third remaining unit at the Karlshamn plant. This improves the situation to some extent, but it is not sufficient to eliminate the deficit.

During the year, the Swedish Government instructed Svenska Kraftnät to initiate a tendering process for small-scale electricity production following the termination of the supply concession system on November 1, 1999. The tenders involved electricity plants with a power output of 1 500 kW or less, for example small hydroelectric power plants, windpower and co-generation units. The tendering process resulted in a price level of approximately 14 öre/kWh, which means that the Government will have to subsidize the difference between this price and the actual cost of supplies

from the plants concerned, which amounts to approximately 25 öre.

### *Heat in Sweden*

It is estimated that the total heating market in Sweden amounts to approximately 45 TWh. Demand is relatively stable.

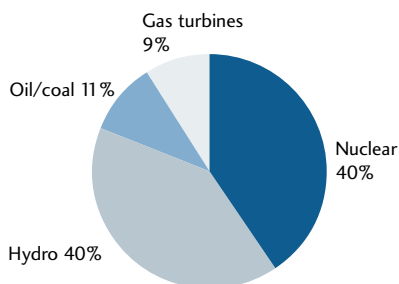
Large-scale district heating and cooling production and extension of the distribution network are only economically feasible in urban areas with considerable potential and concentration. Such large-scale networks also offer the best opportunities for the efficient utilization of local sources of waste heat, for example from industry and the burning of waste materials, thus providing a basis for co-generation. Small-scale and customized solutions are offered in locations with more dispersed population patterns.

Technical solutions have been developed for the storage and production of heat and cooling from the ground water in various subterranean aquifers, and porous crevice formations.

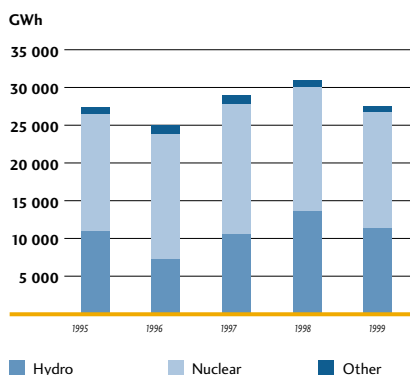
Taxes and government charges represent a high proportion of the cost of production, and they vary depending on the choice of fuel and the production method. This has a considerable impact on the competitive situation. Biofuel is completely exempt from taxation at the moment, while fossil fuels are subject to heavy taxation. In the case of coal-fired heat production, the cost of the coal itself only represents 20% of the total fuel cost – the rest is taxation. In the case of natural gas,



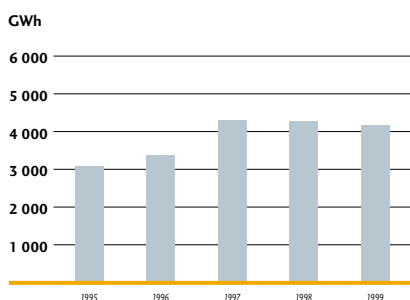
#### Power sources 5 900 GWh



#### Electricity production



#### Heat production



TOTAL ELECTRICITY PRODUCTION IN THE NORDIC REGION AMOUNTED TO SLIGHTLY MORE THAN 380 TWh IN 1999, OF WHICH SYDKRAFT ACCOUNTED FOR APPROXIMATELY 7%.

which has the lowest rate of fossil fuel taxation, the gas accounts for 60% of the cost, and 40% is taxation. This means that it is important to have a flexible production mix to cope with changes in taxation and fuel prices.

#### The business sector today

##### Electricity production

###### •Barsebäck

Electricity production in the Barsebäck plant amounted to 6 123 GWh (8 332). Production availability was 51% (84) for Barsebäck 1 and 67% (77) for Barsebäck 2. Barsebäck 1 was shut down on November 30, 1999 as the result of a political decision. Sydkraft received compensatory supplies amounting to 351 GWh in accordance with an agreement reached with the Government.

###### •OKG

The Sydkraft Group's share of OKG amounts to 54.5%.

Total production in the three reactor units at the OKG plant in Oskarshamn amounted to 15 013 GWh (13 777), and the Group's share was 8 182 GWh (7 509). Modernization of the

Oskarshamn 1 unit is expected to be completed during 2001. A major overhaul of Oskarshamn 3 was completed during the year. Production availability was 87% (33) for Oskarshamn 1, 64% (90) for Oskarshamn 2 and 89% (89) for Oskarshamn 3.

##### Other nuclear power

Sydkraft's nuclear power production from other sources amounted to 702 GWh (668), of which 324 GWh was accounted for by the ownership participation in Mellansvensk Kraftgrupp.

##### Hydroelectric power

Total hydroelectric production amounted to 11 370 GWh (13 514). There was abundant water supply in 1998 as a result of the strong spring run-off, resulting in substantial replenishment of reservoirs. Due to the dry summer of 1999, production during the latter half of the year was considerably lower than in the preceding year, although total water supply in 1999 was slightly higher than average.

##### •Other electricity production

Total production of electricity in oil-





fired, gas turbine and windpower plants amounted to 38 GWh (69). The reduction was due to lower production at the Karlshamn plant.

Two of the three Karlshamn Kraft AB units were shut down on January 1, 1999. During the year, an agreement was concluded with Svenska Kraftnät regarding payment for standby status for the third oil-fired unit at the Karlshamn plant. The agreement covers the period October 1, 1999 - April 2002.

Two new windpower plants each rated at 600 kW have come into operation near Trelleborg. In all, Sydkraft operates 18 windpower plants.

Electricity production in combination with heat production amounted to 770 GWh (845). Most of this electricity was produced by the Malmö and Örebro co-generation plants.

#### *Heat*

Total deliveries of heat amounted to 4 187 GWh (4 270).

#### •*District heating*

Deliveries of district heating amounted to 3 542 GWh (3 658). District heat is produced in Malmö, Örebro, Timrå and Gävle.

Construction of a pipeline linking the Örebro, Kumla and Hallsberg district heating networks commenced in 1998. The first stage between Kumla and Hallsberg is now in operation and the Örebro-Kumla link was completed in January 2000.

District heating production is based on a mix of fuels such as natural gas, oil, coal, waste, biofuels, electricity, heat from electric boilers, heat pumps, peat and industrial waste heat. Taxes and government fees represent a high proportion of the production cost, and vary in accordance with the type of fuel and production method.

The six-year test program for the production of electricity and heat at the Värnamo plant was completed during October, as scheduled. Production was based on the pressurized gasification of biofuels. The Värnamo plant was a full-scale installation, permitting tests of technical, environmental and economic aspects. Various fuels were tested, including straw, bark, energy forest and sorted household waste. Satisfactory technical and environmental results were achieved in all cases. This technology is not economically competitive at the moment, however.

#### •*Total Heat*

Deliveries of Total Heat amounted to 645 GWh (612). Deliveries were made to approximately 900 heat plants in various size categories in locations ranging from Skåne in the south to Jämtland in the north.

Production of Total Heat is individually linked to the specific production unit. Natural gas, oil, electricity and biofuel are currently used to produce heat.

#### *Fuel operations*

Sydkraft's fuel plant in Värnamo produced a total of 179 GWh (157) of fuel, mainly consisting of biofuel pellets. The fuel is delivered mainly to

municipal energy companies in southern Sweden.

#### **Environmental issues**

Updating of the previous Life Cycle Analysis report is expected to be completed during 2000. This analysis, which involves presentation of the environmental effects of Sydkraft's production operations, indicates low discharges from electricity production.

Sydkraft's windpower installation on Vindön island, close to Landskrona, has received environmental certification as part of the company's environmental operations.

The ISO 14001 certification process has commenced for companies in the business sector. All companies will be certified by December 2001.

#### **Outlook**

Cost-effective operation is becoming increasingly important in a deregulated market. As a result, extensive efforts are being devoted to improving power plant efficiency.

Initiatives will be taken at the national and international levels in the heating sector. Sydkraft Värme Norrland will own and manage heat installations in northern Sweden. At the national level, there will be continued acquisition of district heating networks in all size categories.

At the international level, the main focus will be on Poland. A new subsidiary to sell Total Heat is being formed in Poland – Sydkraft Energetyka Spolka zo.o. Acquisitions are planned in the co-generation and district heating distribution areas.

Sydkraft and Østfold Energi will develop and sell Total Heat in the Norwegian market under a partnership agreement with Østfold Energi.



# Distribution Business Sector

TO LIVE UP TO OUR VISION - TO BE THE LEADING NETWORK COMPANY IN NORTHERN EUROPE - WE MUST DEVELOP OUR AVAILABILITY, ELECTRICITY QUALITY AND SERVICE LEVELS IN ACCORDANCE WITH OUR CUSTOMERS' REQUIREMENTS, WHILE ALSO MAINTAINING A NETWORK PRICE LEVEL THAT IS ACCEPTABLE TO BOTH CUSTOMERS AND AUTHORITIES.

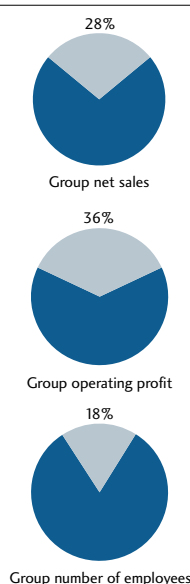
## Key data

	1999	1998
Net sales, SEK M	4 619	4 658
- of which non-Group	4 173	4 034
Operating profit, SEK M	1 321	1 310
Operating margin, %	29	28
Investments in fixed assets, SEK M	608	714
Average number of employees	1 082	1 166



BUSINESS SECTOR PRESIDENT  
CLAES JACOBSSON

## Business sector's share of:



## The past year

- Net sales were virtually unchanged, at SEK 4.6 billion.
- Operating profit, which amounted to SEK 1.3 billion, was maintained as the result of rationalization and efficiency-improvement measures.
- Hurricane-force winds resulted in protracted power failures for many customers in December, particularly in southern Sweden.
- The elimination of the hourly-metering requirement in connection with a change of electricity supplier resulted in considerable investment in new settlement systems.
- Osby Energi, which has more than 4 000 network customers, was acquired during the year. Sydkraft also acquired 49% of Norrköping Miljö & Energi (NME), an associated company that has 65 000 network customers.

## The business sector's assignment

The companies in this business sector are wholly responsible for the operation and maintenance of distribution networks and other installations for the transportation of electricity, natural gas and LPG to customers.

In addition, the business sector is responsible, via Sydgas AB, for all purchases of natural gas and deliveries to Helsingborg, Lund, Ängelholm and the Heleneholm plant in Malmö.



## Prerequisites

### *Electricity distribution in Europe and Sweden*

Harmonization of the various countries' national legislation with the EU electricity market directive was completed during the year. National applications range from solutions in which a central entity makes all arrangements, but is obliged to conduct transactions for customers who are entitled to such services, to the Swedish solution, in which all the participants in the electricity market are guaranteed access to the distribution network and are free to select their customers or suppliers.

The pricing of transmission services is a crucial factor in the development of a common electricity market. These issues have been solved in the Nordic countries (Nordel), but the manner in which prices are established for transactions between other EU countries, and between Nordel and other countries, has not yet been resolved.

In Sweden, the hourly metering requirement was replaced by a standard charge model as from November 1, 1999. This means that all Swedish customers have a free choice of electricity suppliers, at no extra cost. Considerable effort has been devoted to handling the standard charge system and changes of suppliers as rationally as possible.

A downward pressure on distribution network prices may be

anticipated, following the dramatic reduction in electricity trading prices. The supervisory authority is expected to be given greater resources and to impose more effective sanctions on the owners of networks that fail to comply with the authority's recommendations. The challenge facing Sydkraft's network companies is the need to reduce costs by means of more efficient management and operation of the electricity distribution network. More rational geographical distribution units are being established as a result of acquisitions and an increasing degree of outsourcing is achieving effective competition in the maintenance and investment contexts.

Meter reading and invoicing routines, including customer service, can also be rationalized, for example by employing external resources for meter reading duties, a greater emphasis on the development of remote meter-reading techniques and new systems and/or partnerships for invoicing routines.

The network authority (STEM) has ordered certain Sydkraft network companies to refund the price increase of 0.1 öre/kWh introduced on January 1, 1999 to local network customers. The authority has also embarked on an examination of Sydkraft's regional network tariffs in connection with this price increase. In addition, the Swedish Parliament has decided to impose a charge of 0.2 öre/kWh dur-

ing year 2000 on power taken from the national grid by regional network owners. This charge is to be used to subsidize small-scale power supplies, mainly windpower.

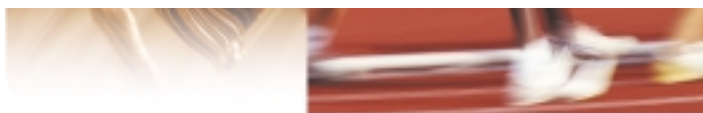
### *Sydkraft's electricity distribution*

Following the acquisition of electricity distribution companies in recent years, Sydkraft now distributes approximately 31.5 TWh of electricity to some 850 000 network customers via wholly and jointly owned network companies. Most of these customers – 560 000 – are in southern Sweden, 165 000 of them in Malmö. There are approximately 90 000 customers in and around Örebro and about 43 000 network customers in the Sundsvall district. Electricity distribution companies invest more than SEK 600 M a year, mainly in the form of reinvestment in network installations.

To live up to our vision - to be the leading network company in northern Europe - we must develop our availability, electricity quality and service levels in accordance with our customers' requirements, while also maintaining a network price level that is acceptable to both customers and authorities.

### *Gas distribution in Europe and Sweden*

There is a few years' lag between developments in the natural gas market and the deregulated electricity market. According to the EU natural gas directive, the natural gas market is to be



opened up for competition during 2000. As in the case of the electricity market, in addition to increased competition, deregulation will probably involve substantial structural changes in the form of company mergers and acquisitions. The traditional gas suppliers and transportation companies will also become more interested in the end-customer market and trading exchanges will be established for natural gas supplies. In other words, there will be new opportunities, both for customers and for gas extraction companies and distributors.

The EU natural gas directive, which is to be incorporated into Swedish legislation, is designed to increase competition in natural gas markets and create a single market for natural gas.

The directive's minimum requirement is an end-user consumption of more than 25 million m<sup>3</sup> of natural gas a year at any given location. The market will be opened up for customers who meet this requirement on August 10, 2000. The corresponding Swedish official report proposes a considerable wider implementation as from this date, calling for the market to be fully opened up for customers with a consumption of more than 5 million m<sup>3</sup> (approximately 55 GWh), and a completely free market as from January 1, 2006. In principle, this is a positive development. The problem is that all Swedish imports of natural gas are conducted via a state-owned company which, in practice, will have a monopoly as far as imports are concerned. In

other words, if there is to be effective competition in the Swedish market for natural gas, it is essential that competition also applies to the importation of natural gas into Sweden.

The Swedish natural gas market has enjoyed relatively satisfactory growth in areas covered by the distribution network since natural gas was launched in Sweden in 1985. In combination with the LPG market, natural gas now accounts for about 4% of Sweden's total energy supplies. Natural gas provides about 9.5 TWh and LPG approximately 6.5 TWh. The natural gas market share in areas covered by the network is 20-25%, which is the same proportion achieved in West European countries that have been using natural gas for many years.



SYDKRAFT GAS CONVERTED A FORMER UNDERGROUND OIL STORAGE CHAMBER INTO A REFRIGERATED LPG STORAGE UNIT DURING 1999.



TO REDUCE EMISSIONS, SOME 30 HEATING AND DISTRICT HEATING PLANTS HAVE BEEN CONVERTED FROM OIL TO LPG IN RECENT YEARS.



TODAY, SWEDEN'S NATURAL GAS MARKET ACCOUNTS FOR ABOUT 3% OF THE COUNTRY'S ENTIRE ENERGY SUPPLY.

### The business sector today

There has been a relatively substantial expansion of electricity network operations in recent years as a result of acquisitions. Sydkraft is also actively endeavoring to acquire further distribution companies, particularly in urban areas in existing network districts, and also in areas in the immediate neighborhood of Sydkraft's distribution network. Large networks which may constitute a rational distribution area, per se, and which provide a basis for further expansion, are also attractive investment targets – for example Örebro and Norrköping in Sweden, and Østfold in Norway.

Network distribution companies will be involved in the provision of broadband solutions as a result of participation in the expansion of the optofiber network, both on the national grid and on regional distribution networks. Sydkraft will also participate in building up urban or local networks in the urban areas it covers, and will be actively involved in various experiments to transmit information directly via the electricity supply network.

The operations of Sydkraft's gas companies, Sydgas AB and Sydkraft Gas AB, have been merged, and their marketing and sales departments have been transferred to the Group's Marketing and Sales Business Sector. The natural gas market expanded during the year as a result of extension of pipelines in the Höllviken area and the Bjäre peninsula. In addition, an application has been made for a permit for an extension to the Gnosjö district in Småland. Construction of a natural gas storage facility is under way in Halland, in cooperation with Gaz de France.

Sydkraft Gas has converted a former oil storage rock chamber in Karlshamn into a refrigerated LPG storage facility with a capacity of 50 000 tons. This facility came into operation in October 1999.

### Outlook

The main challenge in the coming year will be to maintain profitability by improving efficiency. More rational methods and increased competition for tasks performed under Sydkraft's own auspices will be achieved by a

greater degree of outsourcing and partnerships with suppliers and contractors. Expansion of the electricity distribution network will continue as a result of acquisitions – primarily electricity distribution companies in close proximity to existing operations in order to achieve cohesive, relatively large and rational electricity distribution centers. The reliability and quality of the electricity we supply must be on a par with that offered by comparable companies.

A prudent expansion of natural gas supplies will continue while, at the same time, the advantages of this product are clearly presented. The Baltic Gas Interconnector project, which is designed to establish a new route for gas imports from Germany to Sweden, will be developed on commercial lines, and the relevant permits will be obtained to enable the project to be realized.

During 2000, the optofiber development initiative should advance sufficiently to permit the initial construction of a number of urban networks for our customers, and for our own use.

# Consulting and Contracting Business Sector

EACH COMPANY IN THIS BUSINESS SECTOR AIMS TO BE ONE OF THE FIVE LARGEST COMPANIES IN ITS FIELD IN SWEDEN. THIS WILL ENSURE LONG-TERM DEVELOPMENT OF OPERATIONS IN CLOSE COOPERATION WITH CUSTOMERS, BOTH AT THE LOCAL AND GLOBAL LEVELS, AND ALSO PROVIDES AN OPPORTUNITY TO MAINTAIN STRATEGIC LEADING-EDGE EXPERTISE. IN TURN, THIS WILL ENABLE COMPANIES IN THE BUSINESS SECTOR TO REINFORCE THE COMPETITIVE CAPABILITY OF THE SYDKRAFT GROUP IN THE ENERGY SPHERE.

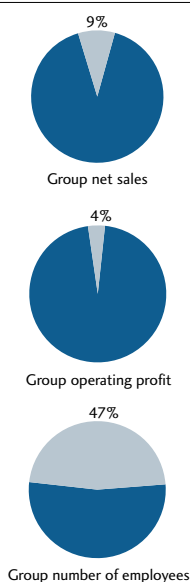
## Key data

	1999	1998
Net sales, SEK M	2 565	2 186
- of which non-Group	1 347	1 039
Operating profit, SEK M	133	148
Operating margin, %	5	7
Investments in fixed assets, SEK M	74	98
Average number of employees	2 779	2 402



BUSINESS SECTOR PRESIDENT  
GÖRAN SJÖHOLM

## Business sector's share of:



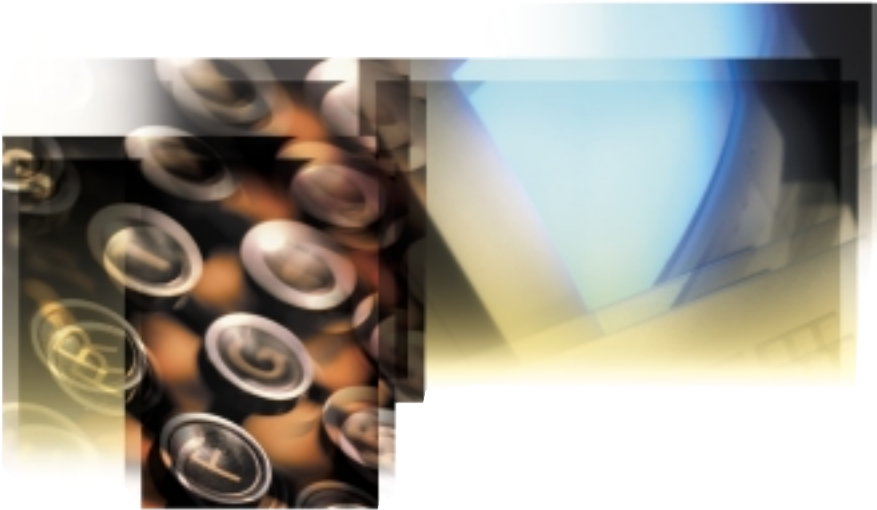
## The past year

- Net sales increased by 17% to SEK 2.6 billion. Customers outside the Group now account for 53% of sales.
- Operating profit declined by 10% to SEK 133 M, mainly due to reduced earnings from consulting operations.
- Sycon continued to expand, for example as a result of the acquisition of the Tellus environmental consulting company. Sycon is now the fifth largest consulting company in Sweden.
- WM-data Ellips developed very favorably, and achieved considerable success with its various systems for applications in the electricity industry.
- During the year, ElektroSandberg integrated the Sydkraft Group's contracting operations and acquired El och Trafikteknik in Gothenburg.

## The business sector's assignment

This business sector consists of five companies with operations in five different industries:

- WM-data Ellips – IT consultants
- Sycon – technical consultants
- ElektroSandberg – electrical and lighting contractors and traffic information
- Evicom – operation and maintenance of communications equipment and the processing of metering results
- Sydkraft ServicePartner – consultancy and services, and also property management, primarily for other Group companies



Each company in this business sector aims to be one of the five largest companies in its field in Sweden. This will ensure long-term development of operations in close cooperation with customers, both at the local and global levels, and it also provides an opportunity to maintain strategic leading-edge expertise. In its turn, this enables companies in the business sector to reinforce the competitive capability of the Sydkraft Group in the energy sphere.

### Prerequisites

Consulting and contracting operations are both characterized by keen competition, and are undergoing structural changes involving a shift in favor of larger units. Sycon and ElektroSandberg are particularly active participants in this process.

Similar developments may be noted on the customer side, and the number of customer units is diminishing as a result of takeovers and mergers. This restructuring process also means that the Swedish market is exposed to competition from global players with experience of a different volume approach and competition from companies that previously operated in other industries.

Outsourcing of support operations by customers and the subsequent concentration on core operations is another trend in this sector, although it is not as dramatic as the restructuring processes described above. In the main, outsourcing creates opportunities for companies in this business sector, although it also provides scope for new suppliers.

Expansion of the broadband network

in Sweden also creates opportunities, particularly for Evicom, which is building up this new IT infrastructure in cooperation with other companies in the business sector and in the market.

### The business sector today

#### *WM-data Ellips*

WM-data Ellips aims to be the best IT partner in the Nordic region for energy, environmental and water companies and is engaged in:

- Consulting operations focusing on the development and implementation of administrative systems for market planning, sales activities and debiting
- Sales of software products (licenses) for the operation and maintenance of computer systems
- Operation and servicing of central and local computer systems and networks.

The WM-data Ellips' K+ customer-information system has substantially increased the company's market share in the energy sector to more than 25%. Deregulation of the private-household electricity market has established an excellent basis for sales of the company's product for handling standard metering, now performed in partnership with the customer.

The trend towards a consultant-based integrated approach, which commenced in 1998, was accentuated during the year. Sales increased by about 35%, with a maintained earnings capability. Much of this improvement occurred in the consulting field.

The number of employees increased

by approximately 30%, corresponding to 50 staff members, mostly outside the Malmö area.

Computer service, which involves the operation and servicing of computer systems and networks, is developing as planned. The number of interruptions in customers' operations continues to be low.

The training and development of WM-data Ellips' employees is a key factor in competition. Substantial efforts are currently devoted to ensuring that employees apply a common approach that can be translated into operational and tactical terms in order to increase customer satisfaction. As our customers develop their procurement skills, our consultants must develop the corresponding capabilities.

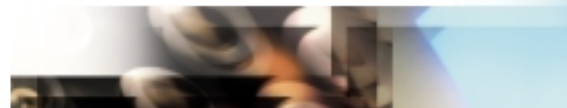
Cooperation with WM-data is developing in a satisfactory manner.

#### *Sycon*

Sycon has more than 800 consultants and sales of SEK 560 M, making it one of Sweden's largest technical consulting companies.

Sycon's task is to help its customers to be more successful, and to create maximum benefit for customers by developing their plants, buildings, operations, products and systems.

Sycon's customers are in the energy, property and manufacturing industries, and in the public and defense sectors. Sycon's home market is the whole of Sweden, and the international market is expanding. The major volume of Sycon's business may be described as technical consulting, although there is a growing volume of assignments in



operations development, environmental management, the IT infrastructure, safety and security, and management techniques. Sycon is continuing to develop its expertise, methods and tools in such areas.

Additional personnel are being appointed to offices in growth regions in Sweden, while adjustments are being made in locations where the market is declining. International operations are developing satisfactorily via Sycon International, which feeds back experience and know-how to customers in the Swedish market. Sycon has a substantial and growing proportion of leading-edge expertise in most of the areas it covers.

Sycon continued to expand during the year. Three companies were acquired. Tellus, which has approximately 100 employees, is the largest of these acquisitions, and includes Tellus Miljömanagement, which has about 30 highly qualified consultants in the environmental field. All Tellus operations have a clear environmental profile and are ISO 14001 certified. Tellus' energy, heating and plumbing and electricity consulting operations provide further reinforcement of Sycon's position.

Picon, a well-known company in Skövde with some 10 employees, was also acquired during the year. Finally, Sycon became a partner in EPS Consulting in Vänersborg during 1999. These acquisitions have strengthened Sycon's position in western Sweden.

Consulting operations are characterized by keen competition. The industry is undergoing a structural change toward larger units. Sycon continues to play an active part in this restructuring process.

The energy, property and defense sectors are important segments for Sycon. The defense sector has declined significantly, but Sycon has countered this trend by working purposefully and successfully to increase the volume of assignments in the con-

struction and property industry, in manufacturing and in the international market. As a result, Sycon's customer structure has changed and a basis for future development has been established. However, we also consider that the defense market has now stabilized at a lower level.

#### *ElektroSandberg*

ElektroSandberg aims to be the leading supplier of electrical contracting and servicing operations in the installation, network, power and industrial sectors.

The core activity in the installation field consists of traditional installation operations with a growing proportion of telecom/data assignments. In the network field, ElektroSandberg is involved in the erection and servicing of grid, regional and local networks, and also telecom networks, street lighting and traffic lights. In the power and industrial sectors, ElektroSandberg is responsible for contracting and maintenance assignments. Operations involving mechanical maintenance and rotary equipment were introduced during the year. The market potential in this area is estimated to be approximately SEK 500 M.

There has been further development of the partnership concept, which involves working closely with strategic partners on a long-term basis. "Network Partner" agreements were signed during the year, for example with Söderhamns Energi.

ElektroSandberg's operations are characterized by keen competition and, as a result, there is pressure on margins which has led the company to establish a strategy based on an expansion of operations to spread administrative and development costs over a greater volume.

ElektroSandberg aims to achieve nationwide coverage and to establish operations in the major urban centers. A company based on Gothenburg – El och Trafikteknik AB (ETA) – was

acquired during 1999. ETA has annual sales of SEK 120 M and 90 employees, and provides a base for ElektroSandberg's operation in western Sweden.

The acquisition of ETA involves a stronger focus on the street lighting and traffic lights segment. This is strategically important for ElektroSandberg since this market is expected to develop substantially.

Sydkraft has acquired 49% of Norrköping Miljö & Energi (NME). As a result, ElektroSandberg will also be establishing operations in the Norrköping area.

In Norway, ElektroSandberg will establish operations with 180 employees at Sarpsborg, as a result of Sydkraft's acquisition of 49% of Østfold Energi's electricity trading and distribution subsidiaries.

ElektroSandberg has acquired Diatek, a company that specializes in the measurement of vibrations in rotary equipment. This company and its products provide a basis for ElektroSandberg's operations in this area.

ElektroSandberg received ISO 9001 and 14001 certification during the year.

#### *Evicom*

Evicom's core operation focus on energy-technology information systems. Operations range from the supply of individual apparatus for electricity, gas, heat and water metering to complete systems for the collection of metering data and communications.

The communications market is developing rapidly, based on increasing demand for broadband communications. This is resulting in very rapid technological development and a greater degree of risk in infrastructure investments.

The electricity metering market is subject to the requirements stipulated by public authorities, which means that the prerequisites can change very rapidly. Demand and technological development are governed by the



ELEKTROSANDBERG'S GOAL IS TO BE THE LEADING SUPPLIER OF CONTRACTING AND SERVICES WITH THE INSTALLATION, NETWORK, POWER AND INDUSTRIAL SECTORS.

pressure on prices in the electricity market.

The common factor for communications and energy metering is that customers are increasingly demanding functional solutions and total-package undertakings. As a result, Evicom is developing a new concept for remote meter reading and the collection of metering data, and is also building up a new IT infrastructure in cooperation with other companies to meet the market demand for broadband communications.

#### *Sydskraft ServicePartner*

Sydskraft ServicePartner functions as a service partner for Group companies.

Sydskraft ServicePartner provides office and other services, mainly for other companies in the Group, in competition with external suppliers. The services provided include commercial law, purchasing, pay administration, office services, vehicles and premises. During the year, the company's sales and logistics operations for electrical distribution materials were divested to ELEF AB, a wholesale company.

The focus on core operations applied by other Group companies is leading to considerable growth in the service area. Many new companies are

moving into the field, leading to increased competition. As a result, Sydkraft ServicePartner aims to continually improve the factors that contribute to its success, namely: access to skilled personnel, large volumes, considerable flexibility, a high degree of access and efficient administrative systems.

Sydskraft ServicePartner's continuous development of its services and products, with a strong focus on IT and Internet solutions, enables it to offer concepts that comply with customers' preferences.

#### **Outlook**

WM-data Ellips considers that the trend established in the past year will continue. The company will expand organically, with a continued satisfactory earnings capability.

Sycon is endeavoring to establish unique expertise, involving an increased volume of highly qualified consulting services. Sycon is expected to continue to expand through organic growth and the acquisition of companies that complement its operations. Natural growth also occurs as a result of Sydkraft's acquisition of companies, whereby advanced engineering expertise is transferred to and developed by Sycon.

Expansion of the telecom and broadband network will be intensified during 2000, and this creates new opportunities for ElektroSandberg, as does the development of traffic information systems.

Expansion of broadband communications will also mean higher volumes for Evicom. The new prerequisites in the electricity market will result in a reduced volume for metering operations, however.

Sydskraft ServicePartner will develop new service concepts to reduce customer costs by increasing its cooperation with leading support firms that complement the company's basic resources.

THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY HAS GRANTED SYDKRAFT ENERGY TRADING AUTHORIZATION AS A SECURITIES COMPANY. ENERGY TRADING IS THE FIRST PLAYER IN THE MARKET TO RECEIVE A FULL PERMIT TO CONDUCT TRADING IN ENERGY DERIVATIVES – FORWARD CONTRACTS AND OPTIONS – AND FOREIGN CURRENCY ON BEHALF OF EXTERNAL CUSTOMERS, AND TO HANDLE TRANSACTIONS IN ENERGY DERIVATIVES BETWEEN VARIOUS PARTIES.

## Key data

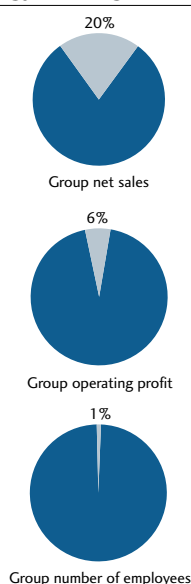
	1999	1998
Net sales, SEK M	6 704	7 370
- of which non-Group	3 015	2 620
Operating profit, SEK M	230	61
Operating margin, %	3	1
Investments in fixed assets, SEK M	22	2
Average number of employees	70	36



MANAGER

LAWE WENNERHOLM

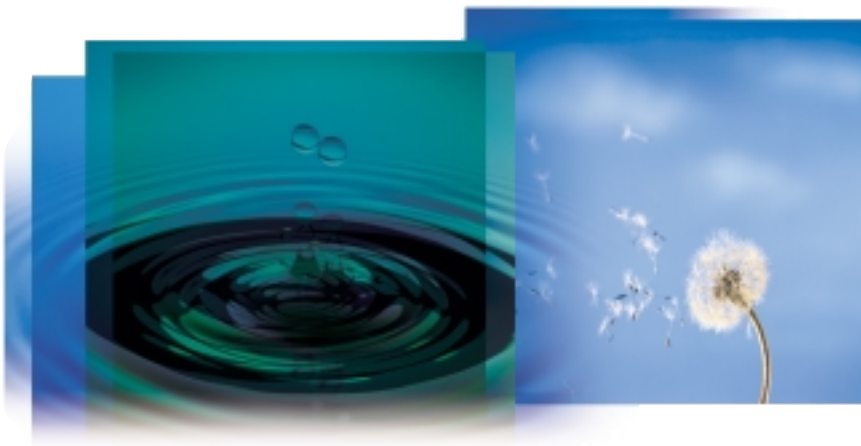
## Energy Trading's share of:



## The past year

Energy Trading comprises Sydkraft Energy Trading AB and Power Trading within Sydkraft AB.

- Net sales amounted to SEK 6.7 billion. Operating profit increased by SEK 169 M to SEK 230 M, mainly due to lower prices for purchases of physical power supplies and the settlement of financial price-hedging contracts.
- In 1999, trading on the Nord Pool electricity exchange amounted to SEK 38 billion, which corresponded to the total consumption of electricity in Sweden. Forward contract trading increased by 143%, and spot trading by 34%. The value of clearing transactions, in which Nord Pool assumes the customer's financial risks, almost doubled. The number of participants in the electricity exchange increased to 264.
- The average spot market price was approximately 2 öre/kWh lower than in the preceding year. Reduced spot prices did not have a full impact on Group earnings due to price hedging in portfolio management.
- Sydkraft Energy Trading was the first player in the market to receive a full permit to handle business involving energy derivatives and to conduct trading in energy derivatives and foreign currency on behalf of external customers.



### Energy Trading's assignment

Sydskraft Energy Trading manages portfolios on its own account and on behalf of customers. Today, Sydkraft Energy Trading also operates as an agent for customers who wish to buy or sell biofuel or fossil fuels although, in this case too, the aim is to be in a position to act as a portfolio manager. Sydkraft AB Power Trading price hedges the Group's electricity production.

### Prerequisites

The European energy market is rapidly moving from public or private sector monopolies to free competition – particularly in the EU.

As a result of the EU electricity market directive, all member countries are required to open up their national markets to competition from 26 to 33% in the period 1999-2005. The corresponding requirement in the EU directive for the gas market involves opening up the market from 20 to 33% in the period 2000-2010.

More than 33% of the EU electricity market is already open to competition, which indicates that deregulation is proceeding faster than the directive's requirements. Some member countries – including Sweden and Finland – have already achieved total deregulation of their electricity markets, and the gas market is developing in a similar manner. The gas market is already completely free in the UK, and there is a market

place in London for trading in natural gas contracts. The forms employed for gas trading are now being adopted in continental Europe.

Access to a transmission grid network and transmission capacity between member countries on acceptable terms is the crucial factor for the development of a free common energy market within the EU.

The Nordic electricity market is moving in the direction of a free market as Denmark introduces new legislation under which all Danish electricity customers are to be permitted to choose their supplier by the end of 2002 at the latest.

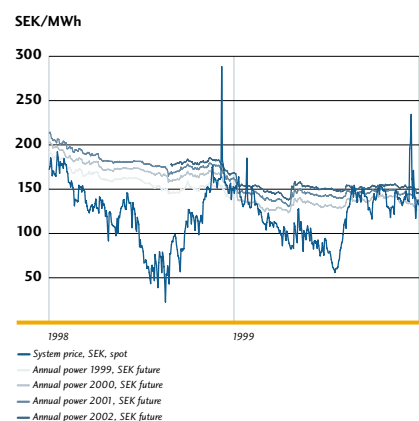
Both physical and financial trading are increasing in Nord Pool, the joint Nordic market place. New financial instruments are being introduced.

Although considerable progress has been made in the Nordic region in developing a free electricity market, the Nordic electricity market may still be regarded as immature in comparison to most other EU countries. The problems that arise, in the form of increased risks for participants when the market splits into different price areas for much of the year, is one example of this immaturity.

### Energy Trading today

Sydkraft Energy Trading, which has about 70 employees, was formed by merging units within the Sydkraft Group.

Price trends on the Nordic Electricity Exchange





THE APPROXIMATELY 70 PERSONNEL EMPLOYED BY SYDKRAFT ENERGY TRADING ARE ACTIVE IN A MARKET CHARACTERIZED BY EXTREMELY RAPID GROWTH.



PROFESSIONAL MANAGEMENT OF BUSINESS, COUNTERPARTY, OPERATING AND CURRENCY RISKS ARE AN ESSENTIAL COMPONENT OF SYDKRAFT ENERGY TRADING'S OPERATIONS.

Sydkraft Energy Trading operates in a market that is developing extremely rapidly, and it has joint and individually customized programs and activities which are designed to develop the skills and expertise of its staff. The current joint program is entitled "Entrepreneurship 2000".

One of the cornerstones of operational and organization development is the Swedish Quality Award (USK), which is the company's tool for supporting the customer-oriented development of operations and for a process-oriented approach.

The Swedish Financial Supervisory Authority has granted Sydkraft Energy Trading authorization as a securities company. Energy Trading is the first player in the market to receive a full permit to conduct trading in energy derivatives – forward contracts and options – and foreign currency on behalf of external customers, and to

handle transactions in energy derivatives between various parties.

Professional risk management for business, counterparty, operating and foreign exchange risks is an essential feature of operations. Business risks are covered by "Value-at-risk", and a specially appointed counterparty council is employed to classify all counterparties in terms of risk. Risk exposure is determined by mandates issued by the Parent Company Board.

Energy trading with a consistent risk-management policy has now become an increasingly important aspect of the Sydkraft Group's core operations.

### Outlook

The established market places in London, Oslo, Amsterdam and Zeebrugge in Belgium now offer opportunities for both physical and financial trading with standard

contracts for electricity and/or gas.

Discussions are currently being held regarding alliances between these market places/exchanges. Trading on the Nord Pool exchange in Oslo has increased every year since it was inaugurated in 1996. In principle, the financial market is doubling every year.

The markets for electricity and natural gas in the EU/Europe are rapidly becoming commodity markets resembling the markets for coal, oil and oil products.

Hence, in the near future, the participants in the EU energy market will be able to buy and sell electricity, natural gas, coal, oil and oil products both at the physical and financial levels. In many cases, energy raw materials are interchangeable, which establishes a basis for price hedging, arbitrage and risk-offsetting between various sources of energy.

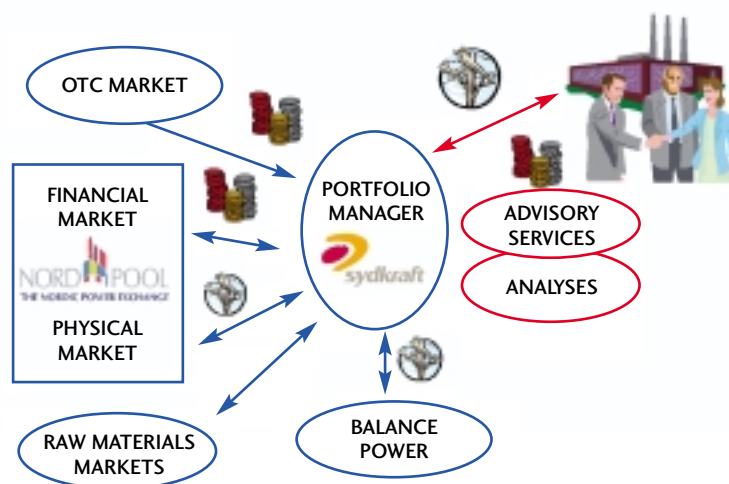


New players under American ownership, offering portfolio management and various forms risk hedging services, are already participating in the EU energy market, or are in the process of establishing operations. They will be competing with the “traditional” players, who are busy adjusting to the new situation.

### Definitions and concepts

- *The 24-hour/Spot market* involves the procurement of electricity for consumption the next day. Average trading in the Nord Pool market amounts to 5 000 MWh an hour. The price of electricity varies in accordance with supply and demand.
- *The Weekly/Forward market* is a financial market for price hedging and risk management, involving the purchase and sale of financial contracts (futures and forward contracts).
- *Futures* are traded exclusively through Nord Pool. They are standardized contracts involving daily settlement of price changes.
- *Forward contracts* are standard contracts with no daily settlement requirement.
- *Options* are another type of concept/instrument, used to hedge against undesirable developments. The holder of an option pays a premium for the right to sell and purchase at some future date, but is not obliged to do so.
- *Hedging* involves arrangements for insuring the price for purchases or production on exchanges or OTC markets.
- *Clearing* involves the transfer of the cash settlement and counterparty risk on a financial power contract from a specific counterparty to the clearing house utilized, for example Nord Pool. In turn, the clearing house requests collateral from the players involved to guarantee their ability to pay.
- *Arbitrage* is a transaction that generates a profit without any risk. This can only be achieved if a buyer and a seller of a product can be found simultaneously.
- *Trading* means that the player takes a position, for example buys when the price is low, with the intention of selling when the price goes up.

PORTFOLIO MANAGEMENT IS A RELIABLE WAY FOR MAJOR CUSTOMERS TO PURCHASE THEIR ELECTRICITY REQUIREMENTS



# Sydkraft's environmental work

THE SYDKRAFT GROUP'S ENVIRONMENTAL WORK SHALL BE CHARACTERIZED BY A HOLISTIC APPROACH, OPENNESS AND OBJECTIVITY, AND SHALL CONTRIBUTE TO GLOBALLY SUSTAINABLE DEVELOPMENT. ENVIRONMENTAL WORK IS AN INTEGRAL PART OF SYDKRAFT'S COMMERCIAL OPERATIONS AND THE CARE AND CULTIVATION OF THE SYDKRAFT BRAND.

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In its environmental work, Sydkraft aims to create conditions that will favor continued positive business development. In order to succeed, environmental work must be characterized by a holistic approach, as stated in the new environmental policy adopted in January 2000. This holistic approach is achieved through systematic environmental work employing such methods as life cycle analyses.

At the same time, the Group must be cost-efficient and take great care in prioritizing the measures to be taken. This is why we apply an environmental management system in our day-to-day environmental work. Environmental issues are of crucial importance for strategic decisions, such as company acquisitions and major investments.

During the years 1996-1998, Sydkraft published a separate environmental report, with the aim of improving external environmental communication. For 1999, Sydkraft's environmental report is included in the Annual Report. A more comprehensive environmental report – Sydkraft and the environment 1999 – is available on Sydkraft's website.

## **Environmental policy (January 2000)**

### *Vision*

The Sydkraft energy Group's environmental work shall be characterized by a holistic approach, openness and objectivity, and shall contribute to globally sustainable development. Environmental work is an integral part of Sydkraft's commercial operations

and the care and cultivation of the Sydkraft brand.

Through continuous improvements, Sydkraft shall reduce the environmental impact of its operations, while contributing, through its products and services, to a better living environment characterized by the interaction of people, the community and nature. Concern for the environment – meaning both the internal and the external environment – must be an integral part of day-to-day work at all levels.

Sydkraft's involvement in the environmental area shall be characterized by initiative and foresight regarding the present and future requirements of society, customers, employees and other stakeholders.

### *Guiding principles*

Continuous improvement efforts shall be characterized by a desire to

- increase customers' comfort and competitiveness
- reduce and limit environmental impact
- operate well within the margins established by society and interested parties, and
- anticipate future requirements and identify new challenges at an early stage

### *Strategy*

Sydkraft's environmental improvement efforts are based on a clear distribution of responsibilities and established procedures, supported by environmental management and quality systems.

We monitor and conduct research

and development and develop our own expertise so that we can assess the environmental consequences of various measures and place them in relation to future requirements and opportunities.

We work to enhance our efficiency in order to be able, together with our customers and suppliers, to use resources in a sustainable manner. When purchasing, we shall always assess whether the product or service being purchased could be replaced by another product or service with better environmental characteristics.

### *Basic requirements*

We shall, as a minimum, fulfill the requirements laid down in all the applicable laws, regulations and guidelines.

## **Environmental year 1999**

The event concerning Sydkraft that stimulated the strongest interest during 1999 was the agreement between Sydkraft, Vattenfall and the Swedish Government relating to the premature closure of one of the reactor blocks at the Barsebäck nuclear power plant. The agreement did not result in any





# Environmental care

*Environmental work must be purposeful, sensitive and result-oriented.*

*Environmental work is of great importance for long-term business development.*

*Effective environmental work serves to identify and minimize environmental hazards in a company's operations and to identify new business opportunities and develop new business concepts, thereby safeguarding the value of the company's assets and strengthening its brand identity.*

changes regarding Sydkraft's environmental performance, since the Group was compensated with corresponding power production from the nuclear power plant at Ringhals. For the Swedish energy supply system as a whole, however, the decision means that 4.5 TWh of power each year must be produced in some other way. In the short term this production – mostly sourced from Denmark – will largely be based on fossil fuels.

Sydkraft plans to obtain environmental certification in accordance with ISO 14001 for all its operations, including the Parent Company, not later than 2001. This is a logical extension of the environmental management work that was initiated as early as 1994. Environmental management systems are already in place in most units within the Sydkraft Group.

During 1999, Sydkraft's subsidiary Sycon acquired the consulting company Tellus, whose assets include slightly more than 30 environmental consultants who are primarily active in the external market. The acquisition strengthens Sydkraft's internal resources for providing support relating to envi-

ronmental certification processes.

During the year, Sydkraft acquired 49% of the shares in Norrköping Miljö & Energi – a municipally owned energy company with a wide range of activities. The company, whose operations include supplying the main urban center of Norrköping with district heating and electricity, bases its production primarily on biofuels, which means that the proportion of renewable fuels used in Sydkraft's heat production has increased.

The new refrigerated rock cavern for LPG storage in Karlshamn was inaugurated during autumn 1999. The inauguration was delayed due to problems with water infiltration. Polymeric materials were injected into the bedrock to alleviate the problem. The injection procedure was used after consultation with the local authorities, which issued a permit to proceed. No leakage to the surroundings could be detected. Earlier in the project, two other incidents occurred, involving leakage to an adjacent harbor area. One of the incidents involved a leakage of oil-contaminated water and the other a leakage of hydrochloric acid. Both incidents fell within the project

contractor's area of responsibility.

## **Internal management and follow-up**

It is Sydkraft's intention to ensure that the environmental aspects are taken into account in all decision-making. Accordingly, Sydkraft has decided that environmental responsibility should correspond to operational responsibility, which means that the management of each subsidiary is responsible for its own environmental work. Sydkraft's centrally located environmental controller has coordinatory and supervisory responsibility for the manner in which environmental issues are handled and appropriate actions taken within the Group.

During 1999, the former Environmental Profile Committee was replaced by an Environment Committee whose primary task is to prepare for and deal with major and wide-ranging environmental matters. The Environment Committee, which is chaired by the head of the R&D and Environment group staff, includes representatives from the four business sectors, as well as the environmental controller and the head of Group staff Information and Public Affairs.



CONCERN FOR THE ENVIRONMENT – MEANING BOTH THE INTERNAL AND THE EXTERNAL ENVIRONMENT – MUST BE AN INTEGRAL PART OF EVERYDAY WORK AT ALL LEVELS.

Sydkraft's subsidiaries conduct their environmental work within the framework of their own environmental management systems, focusing on key environmental aspects of operations that have been identified.

Sydkraft's environmental work concentrates mainly on the prioritized areas that are of crucial importance for the Group as a whole – the greenhouse effect, acidification and the economical use of resources. These issues are primarily of long-term strategic importance. Sydkraft also follows up and compiles information about the environmental work of the subsidiaries.

A working group within Sydkraft's Environmental Committee is in the process of developing proposals for Group-wide environmental objectives. The plan is that these objectives will be established during year 2000.

### Cooperation

By participating in a number of joint projects and maintaining contacts and cooperation with universities and research institutes, we broaden our own perspective at the same time as we pass on our experience to others.

Sydkraft is represented in several of

the Swedish working groups working on the development of standards within the ISO 14000 family. Sydkraft is also participating in a joint Nordic project to develop a methodology for compiling key environmental data. Companies and research institutes based in Sweden, Norway and Finland are cooperating in the project, which is partly financed by the Nordic Council of Ministers via the Nordic Investment Fund.

### Opportunities

As a result of its production mix, Sydkraft produces relatively small amounts of emissions to air and small quantities of waste and residual products. The use of chemicals is restricted and controlled. In terms of environmental performance and price, Sydkraft's products compare favorably with other products in the Swedish market and very favorably in a pan-European context. Sydkraft is therefore well placed to be successful in the international energy market, which is undergoing a step-by-step process of deregulation. The costs incurred for emissions to air and the safe disposal of waste are expected to

increase within the EU during the next ten years.

The market for environmentally compatible products has increased, but still remains limited. Sydkraft believes that demand in this area will continue to increase, and is well prepared to meet the increased demand. Some of the environmentally compatible products that Sydkraft offers to its customers are presented below.

Most importantly, Sydkraft's private customers are offered the chance to make an active Energy Choice. This means that customers can choose, based on their own preferences, how the electricity they purchase is produced. The options available include electricity produced by wind-power or hydroelectric power and marked with the Swedish Society for Nature Conservation's Good Environmental Choice label, wind-generated electricity with an environmental product declaration from Vindön off Landskrona, and electricity produced using natural gas or nuclear power.

Customers can obtain advice and tips from Sydkraft's Personal Energy Advice service on how to reduce their energy use and thereby reduce their own environmental impact.

Energy loop® helps industrial customers to review their energy supply needs and recommends new solutions. Through the combined efforts of Sydkraft and its customers, this methodology has produced improvements in energy efficiency averaging 5%. However, some individual companies have managed to cut their energy use by 20% while maintaining the same production volume.

Total Heat is Sydkraft's system for taking over full responsibility for the customer's heat-production plant, as well as taking care of supplementary installations, operation, service and maintenance. Sydkraft chooses the fuel that is the most advantageous from the viewpoint of price and the

environment.

New products are developed and environmentally adapted on a continuous basis, in parallel with the further development of existing products.

### **Risk handling**

Environmental issues are of major importance for society. The major portion of Sydkraft's environmental impact derives from the production and distribution of electricity, gas and heat. We are working in the short term to gradually reduce acidifying and climate-changing emissions. Sydkraft's vision in the long term is to develop its operations in such a way that the climate-changing and acidifying emissions produced during the life cycle of the various activities is limited to a sustainable long-term level. Operations will also be ecocycle-adapted to the greatest extent possible. This vision is compatible with stable and favorable business development for Sydkraft in the long term.

Preventive measures are the foundation of Sydkraft's handling of environmental risks. Despite these efforts, however, accidents still happen. Sydkraft's strategy is to carry out cleanup work immediately, in order to

avoid accumulating a large environmental debt. In the case of serious accidents and incidents, a follow-up evaluation is always conducted, with the aim of preventing similar accidents and incidents in the future.

Large water reservoirs constitute a known and well quantified risk. Constant checks and follow-up measures ensure that this risk is handled in a satisfactory manner.

The risks associated with nuclear power play a special role in Sydkraft's preventive work. This work is governed both by the Group's own safety ambitions, as stated in its special safety policy for nuclear power, and by the supervisory function and regulations of the Swedish Nuclear Power Inspectorate (SKI).

### **Legal requirements, incidents and improvements**

For Sydkraft, it goes without saying that laws, regulations and guidelines in the environmental area must be followed. Our ambition to operate within these parameters by a safe margin enables us to avoid incidents that could give rise to additional costs and business risks. All Group personnel with environment-related responsibilities are under an obligation to

keep themselves fully informed about the latest environmental requirements. All affected employees within Sydkraft have been offered the opportunity to receive training to familiarize them with the new Environmental Code.

Sydkraft uses environmental audits and life cycle analyses, among other methods, as part of its environmental work aimed at discovering and remedying any shortcomings.

Relatively large amounts of fuels, such as oil and natural gas, are handled at the Group's production facilities. Constant efforts are made to reduce the risks involved in fuel-handling. Karlshamns Kraft AB, for example, endeavors to ensure that only double-hulled tankers are used for oil deliveries. Sydkraft's handling of chemicals is on a relatively small scale, which also minimizes the risks.

Sydkraft applies the replacement principle, whereby any environmentally hazardous chemicals that are in use are replaced by alternative chemicals that exert a lesser – or ideally zero – impact on the environment.

To ensure proper handling of waste from nuclear power plants, money is deposited in a special fund under state control, as stipulated in Sweden's Act



AN ACTIVE ENERGY CHOICE PROGRAM ENABLES PRIVATE CONSUMERS TO CHOOSE HOW THE ELECTRICITY THEY PURCHASE IS PRODUCED. THE OPTIONS AVAILABLE INCLUDE WIND-GENERATED ELECTRICITY WITH AN ENVIRONMENTAL PRODUCT DECLARATION FROM VINDÖN OFF LANDSKRONA.



on the Financing of Future Charges for Spent Nuclear Fuel etc.

Sydkraft's environmental work also focuses on reducing the environmental impact and costs associated with waste handling. The gypsum formed in the flue gas scrubbers at the Karlshamn plant is not deposited in a landfill but instead becomes the raw material for gypsum wallboard. The costs for waste handling at the plant have fallen significantly since the logistics at the plant were improved and source-sorting was expanded.

#### **Environmental costs and environmental debt**

Since the authorities make extensive use of economic sanctions to control the environmental compatibility of companies, the production of large amounts of emissions and waste results in high costs for the companies. Through its environmental work, Sydkraft is endeavoring to reduce the present level of environmental costs and, in particular, trying to anticipate which areas the authorities will focus on in the future regarding environmental issues. Emissions of greenhouse gases will be a prioritized target for environment-related economic controls.

In 1998, Sydkraft provided details for the first time about its accumulated environmental debt, which mainly comprises the costs for inventorying and cleaning up contaminated ground. The debt was estimated at approximately SEK 15 M in 1997, then in 1998 we reported that it was in fact in excess of that figure. Since then, Sydkraft has conducted a comprehensive inventory, which resulted in an upward adjustment of Sydkraft's accumulated environmental debt to nearly SEK 100 M. The upward revision is the result of better documentation and properties that have come into Sydkraft's ownership via acquisitions. Sydkraft's costs for investigation and cleanup work after unforeseen emis-

sions during 1999 amounted to slightly less than SEK 1.2 M. The largest single item – SEK 600 000 – related to cleanup work after the oil spill at the gas turbine facility in Halmstad. A total of 20 unforeseen events led to smaller emissions, of which ten were to air, four to water and six to soil. All of these emissions were of limited scope.

At a few locations there are remnants from earlier operations, some of which could come to be regarded as environmental debts in the future. Inventory and cleanup work of a preventive nature is being carried out at these sites in conjunction with ongoing maintenance work, with the aim of achieving long-term cost-efficiency.

#### **Renewable energy sources, efficiency enhancement and coordination**

Sydkraft is engaged in a number of research and development projects in areas such as fuel cells, gasification of biofuels, electrically powered and gas-powered vehicles, landfill gas and windpower. A few facilities are already operating commercially in Sydkraft's production systems. During the 1990s, biofuels were introduced for heat production in Malmö. During the same period, the proportion of total fuel accounted for by biofuels in Örebro has increased. During 1999, Sydkraft purchased Norrköping Energi & Miljö, whose base production of electricity and heat is biofuel-based. More windpower plants are being constructed in addition to the 18 already in operation, and expansion in this area will continue.

By helping our customers to review their energy use, we create the conditions that allow us to optimize the efficiency of their energy production while also reducing the proportion of electricity and heat production based on fossil fuels.

Environmental regulations and controls currently differ very considerably

from one country to another. The environmental charges levied in Denmark, for example, are not as high as those in Sweden, which makes Danish fossil-based electricity production cheaper than Sweden's. In order to bring about a more environmentally sound situation, a Europe-wide – or better still, global – consensus is needed regarding the terms and conditions that should apply in the form of environmental regulations and controls in an international market. Sydkraft has presented this viewpoint in a number of different contexts.

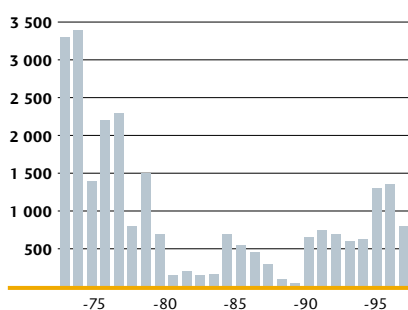
#### **Key issues**

Sydkraft has identified three environment-related factors as key issues. The Group's long-term approach to these key issues is of crucial importance for long-term business development. The key issues identified so far are: emissions of climate-changing gases, resource utilization and acidification.

##### *Climate-changing gases*

The combined emissions of climate-changing gases represent a global threat to the environment. Through the agreement known as the Kyoto Protocol, the majority of the world's countries have made a commitment to reduce total emissions of greenhouse gases. The methods used to achieve this end will include economic instruments, reassignment of priorities and new legislation. According to a resolution passed at the UN Climate Convention in 1997, emissions of greenhouse gases worldwide shall, by the year 2012, have declined by 5.2% based on 1990 levels. The EU has committed to an 8% reduction. Work on new regulations and controls relating to emissions of greenhouse gases is continuing within the EU, and new legislation is scheduled to come into force not later than 2005. The Swedish Parliament has decreed that carbon dioxide emissions in year 2000 shall not exceed the figure for 1990. To

**Sydkraft's carbon dioxide emissions in thousands of tons since the 1970s**



achieve this target, emissions for the period 1996-2000 must show a 12% reduction.

Sydkraft's emissions of climate-changing gases are dominated by carbon dioxide. The expansion of nuclear power enabled Sydkraft to reduce its carbon dioxide emissions from slightly more than 3 million tons in the early 1970s to today's substantially lower levels. Sydkraft's carbon dioxide emissions during 1999 totaled 676 kton. Climatic fluctuations can result in major differences between closely spaced years. Sydkraft's proportion of fossil-based electricity and heat production increased somewhat during the 1990s as a result of acquisitions. The diagram above shows the increase during this period.

In relation to total global and national emissions, Sydkraft's contribution is extremely small. A comparison of Sydkraft's electricity production with electricity production in Denmark and Germany reveals that Sydkraft's carbon dioxide emissions amount to less than one tenth of those in Denmark and Germany per kWh of electricity produced.

#### *Resource utilization*

The dominant item in Sydkraft's utilization of nonrenewable resources is fuel for combustion-based electricity and heat production. A switch to alternative energy sources would be required in order to reduce this level of resource utilization.

Most of the waste produced at Sydkraft's facilities is source-sorted and recycled. Paper, office waste, metals, wood, electronic scrap, chemicals, batteries, fluorescent light tubes,

paints and lacquers, oils and hazardous waste are all sorted and recycled, or safely disposed of in some other way. Sydkraft always endeavors to find recycling or materials-recovery possibilities when older equipment is replaced or scrapped. Several projects are in progress at Sydkraft plants to reduce chemical use, as well as water and energy consumption, by enhancing efficiency. This will also have the effect of reducing amounts of waste, emissions and discharges.

A number of projects are under way within the Group, with the aim of finding ways to recycle the ash that is formed during various types of combustion. Trials of various ways of utilizing the ash from biofuels have been under way for several years, both at the Åby plant in Örebro and at the district heating plant in Ljungby. At the Flintrännen district heating facility in the harbor area of Malmö, a project is under way to find recycling applications for biofuel ash. At the Karlshamn plant, experiments are being conducted to find methods for recovering vanadium and nickel from the ash formed during oil combustion.

#### *Acidification*

Sydkraft's contribution to acidification derives almost exclusively from emissions of sulfur oxides and nitrogen oxides. Since the early 1970s, Sydkraft has reduced its acidifying emissions by more than 95%. Emissions of sulfur oxides and nitrogen oxides from Sydkraft's operations increased during the early 1990s following the acquisition of Malmö Energi. The acquisition of Örebro Energi in 1996 has led to a small increase during the past three years.

In 1996, Sydkraft accounted for nearly 1.5% of Swedish emissions of sulfur oxides and nearly 0.5% of Swedish emissions of nitrogen oxides. Sydkraft's emissions of acidifying substances correspond to Sydkraft's share of Swedish electricity production. Emissions from Swedish CHP plants are generally lower than the emissions from comparable plants in, for example, Germany and Denmark, while emissions from the energy sector as a whole are very much lower due to the higher proportion of hydroelectric and nuclear power available in Sweden.



AT THE FLINTRÄNNAN DISTRICT HEATING FACILITY, A PROJECT IS UNDER WAY TO FIND RECYCLING APPLICATIONS FOR BIOFUEL ASH.

# Research and development

R&D WORK FOCUSED TO A LARGE EXTENT ON PROJECTS THAT COULD RAPIDLY RESULT IN LOWER COSTS, HIGHER AVAILABILITY, NEW PRODUCTS AND NEW BUSINESS OPERATIONS.

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## The past year

Sydkraft conducts research and development that is designed to have an impact on development in business and technical areas of strategic importance to the Group. In this work, we cooperate with, and support, universities and colleges of further education. The Sydkraft Research Foundation is one of the channels used for such cooperation and support.

In 1999, the Group invested a total of SEK 175 M on research and development. Nearly half of this amount was accounted for by the development of existing operations, approximately one third by new products and offers within the framework of existing operations and some SEK 30 M by the development of completely new operations.

R&D work focused to a large extent on projects that could rapidly result in lower costs, higher availability, new products and new business operations. At the same time, Sydkraft is engaged in long-term measures to support and stimulate the development of a sustainable energy system. This mainly involves the development of a knowledge base about the technological possibilities and the financial and environmental prerequisites for the components of such a system. In addition, development and research activities are supported through the Swedish electrical industry's joint research organization, Elforsk.

Over the years, Sydkraft has built up a network of contacts and partnerships with research institutes at universities and colleges within key areas

of expertise. In 1999, financial support was granted to some 20 doctoral post-graduate research students, directly and via the Sydkraft Research Foundation, and an equal number indirectly, via Elforsk.

Since 1999, Sydkraft has three adjunct professors: one at the university college of Karlskrona/Ronneby, within the IT and Energy area, two others at the University of Lund, within applied energy transfer technology and environmental management systems.

During 1999, the ownership of EnerSearch AB, the IT-in-energy research company founded jointly by Sydkraft and IBM, was expanded to include ABB Sweden, Iberdrola of Spain, PreussenElektra of Germany and the Dutch company, ECN. With the support of the Swedish Institute of Information Technology (SITI), EnerSearch established a skills center "IT in Energy" at the university college of Karlskrona/Ronneby during 1999.

## Unique gasification plant in Värnamo

Trials have been in progress for the past six years at the Sydkraft plant in Värnamo, which is a unique demonstration facility for electricity and heat production from the pressurized gasification of biofuels. Tests based on straw, bark, energy forest materials and sorted waste products have been conducted with highly successful results. In full operation, the plant has delivered 6 MW of electricity and 9 MW of heat.

The aim of the tests has been to demonstrate the technology before its large-scale commercial launch. The plant has an accumulated operating

time of more than 3 500 hours and the gasification section has been run for more than 8 000 hours. In total, about SEK 400 M has been invested in this project. The technology was developed by Sydkraft in cooperation with Foster Wheeler Energy International and the project has been supported by Sweden's National Energy Authority, Electricité de France (EDF), Elforsk and the EU.



THE TEST PROGRAM BASED ON PRESSURIZED GASIFICATION OF BIOFUELS IN THE VÄRNAMO PLANT WAS CONCLUDED IN OCTOBER 1999.



# Constant development

The tests, which were completed in October 1999, have been successful. The complete demonstration program will be concluded during summer 2000. The cooperation with Foster Wheeler in the jointly owned company Oy Bioflow AB will continue. Commercialization of this technology would necessitate a significant increase in the prevailing level of prices in the Nordic electricity market.

## **New windpower plant in Trelleborg**

During the year, Sydkraft participated in the procurement of windpower plant technology, with the aim of reducing the investment costs. Two such plants from the Danish company Bonus A/S were placed in operation outside the city of Trelleborg during summer 1999. Each plant has an output of 600 kW and, together with 15 similar windpower plants in Sweden, will become part of a common evaluation base to establish how windpower costs in Sweden can be further reduced.

## **Hydrogen gas in future energy supply operations**

During the year, Sydkraft and Statkraft of Norway jointly implemented a

study to establish the potential for using hydrogen gas in future energy supply operations. Hydrogen gas is not freely available in natural form and must be manufactured from a raw material. Today, it is mainly produced by reforming natural gas or carbon. In future, the objective will be to produce hydrogen from water, for example with the help of solar cells, a process that could lead to considerable environmental benefits, since the use of hydrogen results in minimal emissions. The challenge lies in producing hydrogen from water and storing the gas in a cost-effective manner. As interest in using hydrogen in energy-supply operations increases, new ideas are expected to be tested.

## **Natural gas storage – pilot project in Halland**

Jointly with Gaz de France, Sydkraft is currently constructing the world's first lined underground storage chamber for natural gas. The storage facility is being built at Skallen in Halland, southwestern Sweden, and will have the capacity to store about 40 000 m<sup>3</sup> of natural gas when placed in production in 2001. The total cost of this project

*Research and development constitute a base for future prosperity and profit. Product development within the fields of IT and pharmaceuticals in particular is progressing at an intensive pace. Today, a company's image is increasingly assessed on the contribution it makes to the creation of a better world, through sustainable, long-term solutions.*

*IT and the Internet are the driving forces that are creating new opportunities for companies within traditional sectors, such as the power industry, to strengthen and expand their business development. The development of IT is providing scope for the rapid dissemination and development of knowledge on a global basis. The pace of this development has never been so high as at present.*

will amount to approximately SEK 200 M. It is being financed by Sydkraft, Gaz de France and the EU.

## **Natural gas and biogas in same pipeline**

Sydgas has built a treatment plant for the purification and upgrading of biogas in Laholm, Sweden. The biogas is purchased from Laholms Biogas AB and refined to the same level of quality as natural gas and is then released into the natural gas network. This is the



SYDKRAFT IS ONE OF THE MAIN SPONSORS OF THE INTERNATIONAL HOUSING EXHIBITION BO01 IN MALMÖ IN 2001, WHERE IT WILL DEMONSTRATE A SYSTEM FOR LOCAL ENERGY SUPPLY.

first plant of its kind in the Nordic region. In contrast to natural gas, biogas is renewable and can be produced from organic materials, such as fertilizer, household waste, crop waste and industrial sludge. However, biogas cannot be used in combination with natural gas. It must first be refined to eliminate carbon dioxide, among other impurities.

#### Renewable energy for Bo01

Sydkraft is one of the main sponsors of the international housing exhibition Bo01, which will take place in Malmö in 2001. One of the ideas that will be tested by Sydkraft at the exhibition is a system for local energy supply, which to the extent this is possible, will be based on local energy resources. The concept includes a 1 500 kW windpower plant, a solar collector and biogas produced from household waste delivered from the Bo01 area. A large proportion of the heat used within the area for heating will be delivered via a heat pump that uses the heat generated by subterranean aquifers at a depth of about 60-70 meters. The heat pump will be powered by electricity from the windpower plant.

#### Construction of micro gas turbine plant

A so-called micro power plant based on a gas turbine was inaugurated in Kävlinge, southern Sweden, in November 1999. Sydgas was responsible for the installation. This plant is one of the first to use a gas turbine for the production of electricity and heat in a central boiler plant for the heating of residential properties. The plant, which was delivered by Malmö-based Turbec AB, is based on unique 70 000 rpm turbine technology. This technology has formerly been tested on hybrid-powered vehicles. The plant will be fueled by natural gas and is

rated to produce 100 kW of electricity and 150 kW of heat. The total cost of the project is SEK 4.5 M and it is being financed by the Energy Supply Delegation of southern Sweden (DESS), Turbec and Sydgas.

#### Geothermal energy in Malmö

The prospects of using geothermal technology, meaning heat taken out of the earth, appear bright in southern Sweden. This has been studied in a joint project between Sydkraft, SGU and DONG in Denmark. In the case in point, the intention is to extract geothermal energy (50-70 °C) from natural aquifers at a depth of around 2 000

THE BIOGAS PLANT IN LAHOLM IS A  
JOINT VENTURE BETWEEN SYDGAS AND  
LAHOLM BIOGAS.





meters. The heat will be delivered to customers via heat pumps. The possibility of boring even deeper holes (of about 5-6 000 meters) will be examined. The objective is to reach a temperature (140-160 °C) at which it should be theoretically possible to generate electrical energy with the application of special technology.

#### **Innovision**

Sydkraft commenced construction of a future center, Innovision, during autumn 1999. The objective is to increase the speed and ability of personnel to evaluate, initiate and implement new ideas within the Group. When fully operational, Innovision will be used by Sydkraft and its customers, suppliers and partners for joint projects to develop visions and find applications for creative ideas.

#### **Internet via power lines**

During the year, a technology and market test of high-speed Internet access via the electricity network was implemented. From May until the end of the year, some 70 customers in Limhamn in Malmö were linked permanently to the Internet at speeds that were 10-20 times faster than a normal modem connection. The tests, which were implemented in cooperation with Tele2 as the Internet operator, were successful from both a technology and market viewpoint. Customers found the service to be extremely reliable and fast. The tests aroused considerable interest and demand from both customers and other energy companies.

Electricity network communication in this form has been implemented based on technology delivered by the Nor.Web company in the UK. Unfortunately, this company has announced its intention to close its operations. Sydkraft is currently seeking alternative suppliers of this technology, since high-speed internet access via the electricity network could be commercially viable for companies and private households.

#### **Environmentally compatible transportation**

During the year, Sydkraft continued its work on the development of environmentally compatible vehicles. In cooperation with the City of Malmö, the electric-powered vehicles market was stimulated through the Electric Car project in Skåne, which is 50% financed by KFB, the central government communications research unit.

Within the framework of this program, some 60-70 commercial electric vehicles are now used in the Malmö area. The country's first high-speed charging station has also been put into operation in Malmö.

#### **Ozone used to improve the environment**

Ozone is being used increasingly in efforts to improve the environment, for example in situations where unpleasant odors are present. Sydkraft is supporting this trend and is cooperating with a number of companies in the food and agricultural industries.

THE WINDPOWER PLANT IN  
TRELLEBORG WILL BE EVALUATED WITH  
THE AIM OF REDUCING THE COST OF  
WIND-BASED POWER PLANTS.



SYDKRAFT IS TO BE ONE OF THE TEN MOST ATTRACTIVE EMPLOYERS IN SWEDEN. FOUR FUNDAMENTAL VALUES HAVE BEEN SELECTED TO ACHIEVE THIS OBJECTIVE: CUSTOMER ORIENTATION, JOINT PARTICIPTION, CONTINUOUS IMPROVEMENTS AND COOPERATION. STRONG AND CLEARLY DEFINED COMMON VALUES ARE BASED ON AN ACTIVE PERSONNEL POLICY AND A CAREFULLY CONSIDERED ETHICAL PHILOSOPHY.

#### Key data

	1999	1998
Average number of employees	6 526	6 226
Proportion of women/men, %	18 / 82	19 / 81
Personnel turnover, %	5.9	6.2
Total remuneration including social welfare contributions, SEK M	2 497	2 377
Training costs, SEK M	94	89
Absence due to sickness, %	2.8	2.5

During 1999, the number of employees increased by 4% to approximately 6 500, at 125 workplaces in Sweden. Personnel turnover amounted to 6% during the year. Of the total workforce, 82% are men and 18% are women. Approximately 67% of employees are staff employees, 3% are supervisors and 30% are manual workers.

Sydskraft's Vision 2005 establishes that the company is to be one of the most attractive employers in Sweden. Four fundamental values have been selected to achieve this objective:

#### *Customer orientation*

We must give customers absolute priority, and be sensitive to their needs.

#### *Joint participation*

Everyone working for the Group contributes to the realization of our visions.

#### *Continuous improvements*

We aim to be best, and we consistently strive to improve our performance. We must all take initiatives, and be responsible for our actions.

#### *Cooperation*

We exploit the entire Group's resources and expertise, looking for cooperation in all areas of operations.

In addition, it is essential that we are sensitive to the fundamental changes taking place among consumers and the general public. There is growing suspicion of public authorities, politicians and, in many cases, companies. This distrust has to be countered, in particular by demonstrating – and not merely talking about – the company's proactive approach to the environment, ethics and social issues. We must take the world around us seriously by demonstrating the specific actions taken, presenting examples and intensifying the discussion. Comprehensive and open presentation of information

is no longer enough.

Successful corporate communications require more than transparent and open activities – the company must also demonstrate its commitment in the form of concrete action.

#### **Management recruitment and development**

Good management is the basis for the successful application of personnel policy. Sydkraft's managers must set an example by maintaining high standards of integrity, by inspiring others with a high degree of empathy and insight, and by combining a holistic perspective with a businesslike approach.

The performance and potential of our managers are assessed on the basis of these criteria every year, and these criteria also provide the foundations for our ongoing management development programs for current and potential managers. The Carpe Vitam program, aimed at young employees who want to learn more about Sydkraft and



# Joint participation

themselves, is continuing.

To improve the capacity to become a manager in an era of varying and fluctuating demands, further activities are planned in the form of a series of seminars, in which various stakeholder groups will discuss the strengths of the Group's managers and the need for development.

## Improving skills

Sydskraft is involved in the training of both groups and individuals on a continuous basis in order to maintain employees' expertise and contribute to their further development. One of the goals is that employees should be capable of being recruited for new positions, both within the Group and elsewhere.

A special skills-development project for installation technicians in electricity distribution companies has been implemented in cooperation with PreussenElektra, Iberdrola and ESB in other countries, and EFA, SEF and SvEL in Sweden. This is a Leonardo da Vinci

project under the auspices of the EU. The results of the project have been studied by a joint Sydkraft Elnät Syd and SvEL working group, and this has led to the implementation of industry training programs under the auspices of SvEL.

## Trainee program

Since 1993, the Sydkraft Group has been conducting annual trainee programs primarily aimed at young people with degrees in engineering or business administration. These programs are designed to meet the needs of the individual trainee, and in previous years the final practical component in the program has been located in Europe, Asia, Africa or the US. So far, a total of 40 young people have participated in the program, and 25 of them are still working for the Sydkraft Group.

## Contacts in higher education

The Sydkraft Group's contacts with universities and other institutions in

*There has been increasingly intensive public debate about what constitutes an ethical company and how ethical operations should be defined. Safeguarding the environment and human rights are two important ingredients in this discussion. Companies that have made considerable progress in developing an ethical policy are often well-managed in other respects. Irrespective of what each employee is doing, or wants to do, employees must decide individually whether the employer's values comply with their own. Shared values are becoming an increasingly important factor in the development and growth of the organization concerned. Skilled personnel and effective processes are crucial cornerstones in the human resources context.*



SYDKRAFT WORKS CONTINUOUSLY WITH SKILLS-ENHANCEMENT PROGRAMS TO FURTHER DEVELOP THE GROUP'S EMPLOYEES.

the higher education sector are primarily with technical faculties and business administration schools. Sydkraft endeavors to employ various types of activities, cooperation and support to increase awareness of the Group. This takes the form of participation in "labor-market days" and "company evenings," for example.

### Degree projects

Each year, the Sydkraft Group offers students an opportunity to prepare approximately 50 degree projects in various subject areas. These studies are then presented on the Internet and in a catalog format. The Sydkraft Research Foundation makes an award to the student (or students) who present the best degree project during the year.

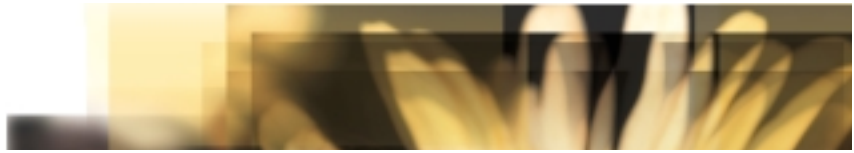
### Equality

The energy sector tends to be largely a masculine preserve. Sydkraft is one of the few private-sector companies in the industry that is strongly committed to changing the gender balance. As a result, Sydkraft has been partici-

pating in an EU project since 1997, as part of the EU's 4th action program for equality between women and men. This project, which has resulted in a report to promote equality in the industry, a website on the Internet and a number of conference presentations, seminars and articles, was approved for future emulation and promotion purposes. Sydkraft's partners now include energy companies in Ireland, the Netherlands and Spain and industry and trade union organizations such as SIF, CF, Ledarna, SEF, TEEU (Ireland), EFA and SvEL. The report and the recommendations produced may be regarded as an "industry policy" in view of the breadth of the partnership involved – companies, trade union organizations, trade associations and employers' organizations.

THE SYDKRAFT GROUP'S TRAINEE SCHEME FOR NEWLY GRADUATED ENGINEERS AND ECONOMISTS HAS BEEN IN PROGRESS SINCE 1993.





## Kraftcentrum AB

Organizations need to adapt rapidly to their environment. This includes the need to take care of redundant personnel.

On May 1, 1999, the Group established Sydkraft Kraftcentrum AB, a new company designed to cope with the redundancies anticipated in connection with the formation of the Marketing and Sales Business Sector.

Kraftcentrum AB aims to provide the assistance needed to help the employees concerned obtain new jobs or other permanent employment. During the first five months of operation, almost 25% of those affected found new jobs, and several others have been engaged in projects or tasks that will continue until their retirement.

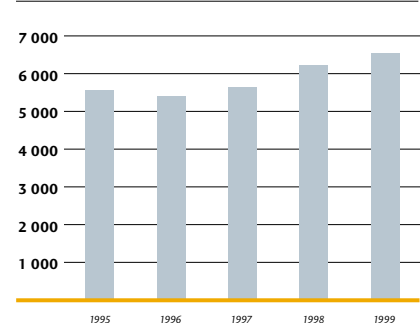
During the autumn, the company offered its services to employees who have become redundant as a result of other organizational changes within the Group. The aim is that all personnel are to be offered a permanent solution by June 30, 2001.

Some of the measures adopted are of a more general nature – for example a higher level of computer skills. In other respects, the basic philosophy is that the employees involved should base their efforts on their individual needs, which are analyzed in cooperation with a counselor prior to a decision regarding the action required to attain the objective – a new job.

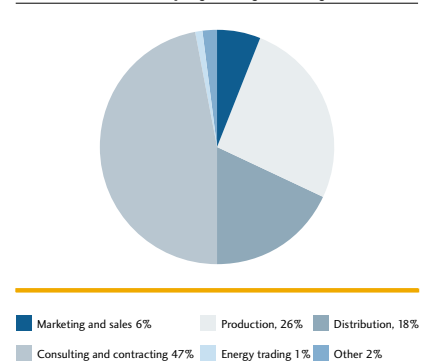
## Part owners in the company

In 1985, a profit-sharing scheme was introduced to increase employee interest in Sydkraft and its development. When Group earnings reach a specific level, a sum is allocated to a foundation that invests the money in Sydkraft shares. The amount allocated varies in line with Group earnings. In 1999, the cost of the profit-sharing scheme, including social welfare contributions, amounted to SEK 12 M.

Number of employees

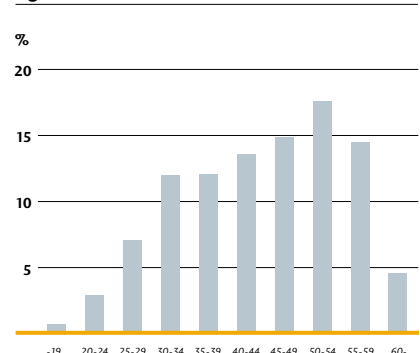


Distribution of employees by activity



SYDKRAFT IS STRONGLY COMMITTED TO CHANGING THE GENDER BALANCE IN THE ENERGY SECTOR, WHICH TENDS TO BE LARGELY A MASCULINE PRESERVE.

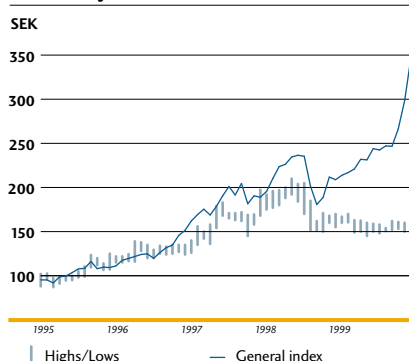
Age distribution



# The Sydkraft share

SYDKRAFT'S PRINCIPAL FINANCIAL OBJECTIVE IS TO CREATE AN ATTRACTIVE RETURN AND VALUE GROWTH FOR ITS SHAREHOLDERS. SYDKRAFT'S AIM IS TO ENSURE THAT THE SHARE'S DIVIDEND AND GROWTH IN VALUE SHOULD BE IN LINE WITH THE INDUSTRY, AND ABOVE THE INTEREST-RATE FOR RISK-FREE LONG-TERM INVESTMENTS.

Trend of Sydkraft's C-share 1995-1999



## History

Sydkraft AB was established in 1906 under the name, Sydsvenska Kraft-aktiebolaget. The company was first listed on the Stockholm Stock Exchange in 1966 and the shares are quoted under the category "Other shares" on the A-list. The company's name was changed to Sydkraft AB in 1977.

## Dividend policy

The principal financial objective of the Sydkraft Group is to create an attractive return and value growth for its shareholders.

The Board of Directors' aim is that the Sydkraft share's dividend and growth in value should be in line with the level for the sector and above the interest on risk-free long-term financial investments. Long-term, the dividend should correspond to between 30% and 50% of profit after tax.

## Dividend

In accordance with the dividend policy, the Board proposes that the Annual General Meeting approve a dividend of SEK 4.75 per share (4.75). The dividend proposed corresponds to 47% of Group profit after tax.

## Dividend growth

The average annual dividend growth during the past five years was 7.9%. Measured as a change in consumer price index, the decline in monetary value averaged 1.0% during the corresponding period.

## Share trading

At year-end 1999, Sydkraft's C share was quoted at a price of SEK 152 (165). This corresponded to a P/E-ratio of 15, compared with 33 for the Stockholm Stock Exchange as a whole. The market value of Sydkraft's shares was SEK 34.1 billion on December 31, 1999.

Including off-floor trading, a total of 33.7 million Sydkraft shares were

traded on the Stockholm Stock Exchange during 1999, at a value of SEK 6.6 billion.

## Share capital

Sydkraft's share capital remained unchanged during 1999. Currently the Group's share capital totals SEK 1 910 003 320.

The shares are distributed among 111 108 088 A shares and 79 892 244 C shares.

Each C share carries one tenth of the voting right of an A share. For further specification of share classes, see Note 20. The shares are traded in lots of 100. The changes in the Parent Company's share capital since 1988 are shown in the accompanying table.

## Ownership structure

At year-end the number of shareholders was 13 755 (15 737). The largest shareholders are Statkraft, Preussen-Elektra, HEW and southern Swedish municipalities. Combined, these

## Share capital

Year	Split	New share, issue, price, SEK	Bonus issue	Increase in share capital (SEK 000s)	Share capital (SEK 000s)
1988			1:5	197 593	1 185 558
1989	5:1				1 185 558
1991 <sup>1)</sup>		138.88		139 478	1 325 036
1994 <sup>2)</sup>				1 256	1 326 292
1994			1:5	265 254	1 591 546
1994		1:5 31.00		318 305	1 909 851
1995 <sup>2)</sup>				152	1 910 003

1) Restricted new issue 2) increase through the 1991/95 convertible loan



shareholders hold 83 % of the share capital and 91 % of the voting rights. The largest shareholders are shown in the diagram.

#### Employee shareholdings

A profit-sharing scheme has been in effect in the Group since 1985. The net wealth of the managing foundation amounted to SEK 138 M (February 2000) and consisted of 941 430 Sydskraft shares and SEK 15 M in liquid funds. This corresponds to about 0.5 % of the share capital and 0.1 % of the voting rights.

The shareholdings of the Board and executive management are presented on pages 76-78.

#### The ten largest shareholders in Sydskraft, December 31, 1999

	Percentage of votes	Percentage of share capital	Number of shares
PreussenElektra	33.1	20.7	39 474 570
Statkraft	28.2	29.4	56 213 399
Municipality of Malmö	18.1	11.3	21 544 112
Municipality of Landskrona	4.2	2.6	5 013 463
Municipality of Oskarshamn	2.9	1.8	3 403 520
HEW	2.6	15.7	29 998 232
Sal Oppenheimer	2.3	1.4	2 722 000
Municipality of Halmstad	1.9	1.2	2 244 815
4:e AP-fonden	1.0	6.0	11 532 329
SPP	0.4	2.6	4 939 657

#### Data per share

	1995	1996	1997	1998	1999
Earnings per share, SEK	9.37	9.52	18.13	10.76	10.15
Average equity per share, SEK	75	82	92	101	106
Dividend per share, SEK	3.75	4.00	6.00 <sup>1)</sup>	4.75	4.75 <sup>2)</sup>
Dividend growth, rolling five-year value, %	16.3	14.3	22.2	12.5	7.9
Market price for A share at year-end, SEK	147	148	215	225	198
Market price for C share at year-end, SEK	118	126	195	165	152
Beta value, C-share	0.40	0.46	0.56	0.54	0.33
Direct yield, %	3.2	3.2	3.1	2.9	3.1
Dividend as a percentage of earnings, %	40	42	33	44	47
P/E-ratio	13	13	11	15	15
Market price/equity at year-end, multiple	1.5	1.5	2.0	1.6	1.4

1) Of which bonus 1.75 2) Proposed dividend

#### Distribution of shares, December 31, 1999

	Number of share-holders	% of share-holders	% of share capital	Average shares per shareholder
1-1 000	12 801	93.1	1.2	184
1 001-10 000	877	6.4	1.1	2 469
10 001-50 000	45	0.3	0.5	22 168
50 001-100 000	6	0.0	0.2	70 331
100 001-	26	0.2	97.0	7 117 508
<b>Total</b>	<b>13 755</b>	<b>100.0</b>	<b>100.0</b>	<b>13 886</b>

# Board of directors and auditors

## Elected by the Annual General Meeting



### **Dr Hans-Dieter Harig**

Born 1938. Chairman of the Board. Member of the Board since 1993. President, PreussenElektra AG.  
Shareholding: 4 250.



### **Göran Ahlström**

Born 1936. Member of the Board since 1985. Director. Chairman of the board of Fastighets AB Tomet and member of the boards of PreussenElektra AG, Hamburgische Electricitäts-Werke AG and FöreningsSparbanken AB.  
Shareholding: 0.



### **Sören Andersson**

Born 1945. Member of the Board since 1984. Executive Vice President, FöreningsSparbanken AB.  
Shareholding: 584.



### **Torsten Carlsson**

Born 1942. Member of the Board since 1993. Chairman, Municipal Board, Oskarshamn. Representative of the municipality of Oskarshamn.  
Shareholding: 0.



### **Bengt Ekberg**

Born 1938. Member of the Board since 1999. Chairman, Municipal Board, Halmstad. Representative of the municipality of Halmstad.  
Shareholding: 0.



### **Thomas Halvorsen**

Born 1949. Member of the Board since 1995. Deputy 1986-95. President, National Pension Insurance Fund, Fourth Fund Board. Member of the boards of Beijer & Alma AB, AB Electrolux and others.  
Shareholding: 0.



### **Sten K Johnson**

Born 1945. Member of the Board since 1995. Deputy 1984-87 and 1992-95. Director. Chairman of the boards of Midway Holding AB, Nordifagruppen AB and Skåne-Möllan AB. Member of the board of Custos AB.  
Shareholding: 9 000.



### **Percy Liedholm**

Born 1937. Member of the Board 1992-94 and since 1997. Senior lecturer. Representative of the City of Malmö.  
Shareholding: 0.



### **Ilmar Reepalu**

Born 1943. Member of the Board since 1995. Chairman, Municipal Board, Malmö. Representative of the City of Malmö.  
Shareholding: 0.



### **Christian Rynning-Tønnesen**

Born 1959. Member of the Board since 1997. Director, Statkraft SF.  
Shareholding: 0.

**Lars Thulin**

Born 1939. Member of the Board since 1997. President, Statkraft SF. Member of the board of Radio P4.  
Shareholding: 1 000.

**Heinz Dieter Waffel**

Born 1951. Member of the Board since 1999. Director, PreussenElektra AG.  
Shareholding: 0.

**Lars Wallstén**

Born 1943. Member of the Board 1991-95 and since 1999. Chairman, Municipal Board, Landskrona. Representative of the municipality of Landskrona.  
Shareholding: 0.

**Nils Yngvesson**

Born 1931. Vice chairman of the Board. Member of the Board 1984-87 and since 1989. Deputy 1987-89. Representative of the City of Malmö.  
Shareholding: 800.

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**Employee representatives****Ulf Sjöberg**

Born 1961. Representative of SIF (the Swedish Industrial Salaried Employees' Association). Member of the Board since 1997.  
Shareholding: 96.

**Per-Anders Svensson**

Born 1955. Representative of SEF (the Swedish Electricians' Union). Member of the Board since 1991.  
Shareholding: 0.

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**Deputies****Helena Nyman Ölmefur**

Born 1964. Representative of CF (the Swedish Association of Graduate Engineers).  
Shareholding: 96.

**Hans-Olof Karlsson**

Born 1954. Representative of SEF (the Swedish Electricians' Union).  
Shareholding: 878.

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**Auditors****Torbjörn Hanson**

Born 1943. Auditor to the Company 1984-88 and since 1991. Authorized Public Accountant, Ernst & Young.

**Gilbert Larsson**

Born 1943. Auditor to the Company since 1992. Authorized Public Accountant, SET Revisionsbyrå.

*Deputies***Karl-Olof Cederberg**

Born 1949. Deputy auditor since 1991. Authorized Public Accountant, Ernst & Young.

**Gunilla Malmsten**

Born 1946. Deputy auditor since 1992. Authorized Public Accountant, SET Revisionsbyrå.

---

**Board secretary****Ulla-Karin Jönsson**

Born 1957.  
Shareholding: 241.

Shareholdings as at February 2000.

# Management and organization

## Group management



### Lars Frithiof

Born 1946. President and Chief Executive Officer since 1998. Empl. 1988.  
Member of the boards of Hamburgische Electricitäts-Werke AG, Midway Holding AB, Novada AB, SAF and SNS.  
Shareholding: 837.



### Leif Josefsson

Born 1941. Senior Executive Vice President and Deputy Chief Executive Officer. Empl. 1966  
Shareholding: 2 767.



### Jonas Svantesson

Born 1951. President of the Marketing and Sales Business Sector. Empl. 1999.  
Shareholding: 1 000.



### Gert Lyngsjö

Born 1945. President of the Production Business Sector. Empl. 1969.  
Shareholding: 96.



### Claes Jacobsson

Born 1946. President of the Distribution Business Sector. Empl. 1991.  
Shareholding: 0.



### Göran Sjöholm

Born 1945. President of the Consulting and Contracting Business Sector. Empl. 1991.  
Shareholding: 0.



### Jarri Sandström

Born 1953. Head of the Group Staff Human Resources and Operations Development.  
Empl. 2000.  
Shareholding: 0.



### Åke Hugosson

Born 1940. Head of the Group Staff Control.  
Empl. 1971.  
Shareholding: 2 089.

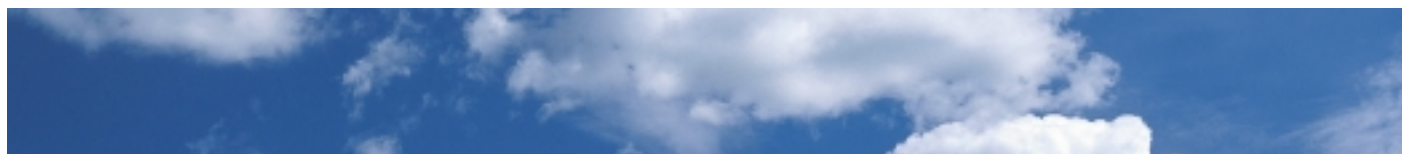
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*In addition, the heads of Group Staff Legal Affairs and Group Staff Information and Public Affairs also participate in Group Management meetings.*



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