

# 2007

## GENERAL INFORMATION ABOUT SKELLEFTEÅ KRAFT 2007

Skellefteå Kraft is a long-established municipally-owned energy utility that is located in the northeast of Sweden. The company operates and owns, or partially owns, power stations running on hydropower and nuclear power; it has interests in more than 20 hydropower stations on the Skellefte River and other waterways. Skellefteå Kraft also owns a number of CHP plants (combined heat and power plants) and hotwater plants for district heating, fuelled with forestry and sawmill residues, peat and biofuel pellets. The large CHP station in Skellefteå is integrated with a plant for the production of wood pellets.

Skellefteå Kraft also owns a network for the distribution of electricity. In and around Skellefteå, the company has a number of district-heating systems.

The electricity distribution area of Skellefteå Kraft includes all, or part of, nine local municipalities in the region of Västerbotten in the north of Sweden. The area covers 17,600 km<sup>2</sup> and has about 103,000 inhabitants. The number of electricity customers is 110,000.

Hotwater for district heating is produced and distributed in the centre of Skellefteå, in the centre of Lycksele and in a number of densely populated areas around the region of Västerbotten. The hotwater is

mainly produced from biomass and peat, but also from industry waste heat. The peat is produced on local peat moors owned by Skellefteå Kraft. The company's total annual use of biofuel, including peat, is about 1,660 GWh and the total production of woodpellets is around 125,000 tonnes per year. The number of district heating customers is 5,100 and the number of pellet customers is approximately 9,100.

For a long time, the philosophy has been to supply customers, both domestic and industrial, with environment-friendly energy at competitive prices. 72% of the company's electricity production comes from renewable hydropower, 13% from nuclear power and 15% from biofuelled CHP plants. The total production of electricity is 3,700 GWh during a typical year.

Most of the 452 employees are employed in the main subsidiary Skellefteå Kraft AB. The operation of Skellefteå Kraft is organized in five business areas: Electric power, Electric supply networks, Heat, Communications and Real estate. Economy and Administration, Staff and Personnel department act as service functions to the business areas.

## SKELLEFTEÅ KRAFT GROUP IN BRIEF

The result remains on a high level

- \* Despite low prices in the beginning of 2007, the result during the end of the year improved.
- \* Compared with the previous year net turnover decreased from 3,210 million to 3,076 million. The decrease is mainly due to low electricity prices.
- \* Operating costs decreased from 2,609 million to 2,530 million, mainly due to decreased costs for purchase of power.
- \* Operating profit decreased from 638 million to 602 million.
- \* Net financial income improved from -100 million to -95 million.
- \* Profit after net financial income amounted to 506 million. In 2006 profit amounted to 538 million, the best profit ever for the group.
- \* Investments in shares and plants amounted to 700 million. In 2006 investments amounted to 702 million.

Net turnover: 3,076 million (3,210)  
Operating profit: 602 million (638)  
Profit after net financial income: 506 million (538)  
Balance sheet total: 8,312 million (7,481)  
Shareholders' equity: 3,465 million (3,141)  
Investments: 700 million (702)  
Return on equity: 12.8 % (15.7)  
Return on assets: 8.2 % (9.1)  
Return on capital employed: 9.8 % (10.8)  
Operating margin: 19.6 % (19.9)  
Solvency: 41.7 % (42.0)  
Number of employees: 452 (426)

(All amounts in SEK)

## INCOME STATEMENT OF THE GROUP

Amounts in SEK million

	2007	2006
Net turnover	3,075.8	3,210.4
Work performed by the company for its own use and capitalized	31.4	25.6
Other operating revenues	24.5	11.0
<b>REVENUES</b>	<b>3,131.7</b>	<b>3,247.0</b>
Operating expenses		
Energy and production costs	-1,645.0	-1,796.2
Other external costs	-324.3	-309.2
Personal costs	-272.1	-236.1
Depreciation	-276.1	-270.4
Other operating expenses	-13.1	-2.9
Shares of income in associated companies	0.8	5.6
<b>OPERATING PROFIT</b>	<b>601.9</b>	<b>637.8</b>
<i>Income from financial investments</i>		
Income from security paper and receivables from fixed assets	26.5	11.6
Other interest income and similar income items	17.8	3.6
Interest expenses and similar income items	-139.7	-114.8
<b>Net financial income</b>	<b>-95.4</b>	<b>-99.6</b>
<b>PROFIT AFTER NET FINANCIAL INCOME</b>	<b>506.5</b>	<b>538.2</b>
Taxes	-62.8	-72.5
<b>NET INCOME</b>	<b>443.7</b>	<b>465.7</b>

## CASH FLOW BREAK-DOWN ANALYSIS OF THE GROUP

	2007	2006
<b>CURRENT OPERATIONS</b>		
Profit after net financial income	506.5	538.3
Adjustment of items not in cash flow		
Depreciation	276.1	270.4
Others	23.4	-2.1
<b>Cash flow from current operations before change in working capital</b>	<b>806.0</b>	<b>806.6</b>
Cash flow from change in working capital		
Increase (-) and decrease in		
Inventories	-45.3	-35.1
Operating receivables	-339.0	-123.0
<b>Increase and decrease (-) in operating liabilities</b>	<b>-59.6</b>	<b>125.8</b>
<b>Cash flow from current operations</b>	<b>362.1</b>	<b>774.3</b>
<b>INVESTMENTS</b>		
Acquired plants	-778.5	-701.5
Sold plants etc	1.6	5.6
Change in receivables etc	-2.8	-69.1
Received government contribution	17.9	30.8
<b>Cash flow from investments</b>	<b>-761.8</b>	<b>-734.2</b>
<b>EXTERNAL FINANCING</b>		
New loans	800.0	250.0
Change in other liabilities	-3.1	-16.0
Repayments and prepaid loans etc	-306.6	-174.5
Allocation to the municipality	-124.0	-104.0
<b>Cash flow from external financing</b>	<b>366.3</b>	<b>-44.5</b>
<b>CHANGE IN CASH FLOW DURING THE PERIOD</b>	<b>-33.4</b>	<b>-4.4</b>
<b>LIQUID FUNDS AT THE END OF THE PERIOD</b>	<b>15.2</b>	<b>48.6</b>

## BALANCE SHEET OF THE GROUP

Amounts in SEK million

	2007-12-31	2006-12-31
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible assets	166.0	171.1
Tangible assets		
Buildings	966.9	999.4
Land and other real estate	1,577.1	1,579.3
Machinery and other technical constructions	3,063.0	2,909.0
Equipment, tools and installations	49.9	38.8
Plants under construction and prepayments	704.1	416.8
Financial fixed assets		
Shares in associated companies	141.1	140.4
Receivables from associated companies	227.6	171.4
Other long-term securities holding	32.5	35.6
Other long-term receivables	180.4	173.3
<b>Total fixed assets</b>	<b>7,108.6</b>	<b>6,635.1</b>
<b>CURRENT ASSETS</b>		
Inventories etc	143.7	98.4
Current receivables		
Customers receivables	370.0	290.2
Other receivables	224.5	22.6
Prepaid expenses and accrued income	450.0	385.7
Cash and bank	15.2	48.6
<b>Total current assets</b>	<b>1,203.4</b>	<b>845.5</b>
<b>TOTAL ASSETS</b>	<b>8,312.0</b>	<b>7,480.6</b>

## SHAREHOLDERS' EQUITY AND LIABILITIES

	2007-12-31	2006-12-31
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity	204.0	204.0
Non-restricted equity	3,260.5	2,936.7
<b>Total shareholders' equity</b>	<b>3,464.5</b>	<b>3,140.7</b>
<b>ALLOCATIONS</b>		
Provision for pensions	38.4	38.3
Deferred tax liability	616.1	551.2
Other allocations	5.5	5.5
<b>Total allocations</b>	<b>660.0</b>	<b>595.0</b>
<b>LONG-TERM LIABILITIES</b>		
Liabilities to credit institute	2,589.4	2,467.5
Other liabilities	43.8	49.5
<b>Total long-term liabilities</b>	<b>2,633.2</b>	<b>2,517.0</b>
<b>CURRENT LIABILITIES</b>		
Liabilities to credit institute	975.8	607.7
Prepayments from customers	-	0.5
Accounts payable	170.3	201.7
Liabilities to associated companies	25.6	20.5
Other liabilities	96.3	126.5
Accrued expenses and deferred income	286.3	271.0
<b>Total current liabilities</b>	<b>1,554.3</b>	<b>1,227.9</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>8,312.0</b>	<b>7,480.6</b>

# EIGHT-YEAR REVIEW

amounts in million SEK

	2007	2006	2005	2004	2003	2002	2001	2000
<b>FROM INCOME STATEMENT</b>								
Net turnover	3,075.8	3,210.4	2,245.5	1,961.8	1,842.4	1,546.6	1,331.3	1,042.4
Expenses and other business items	-2,197.8	-2,302.2	-1,351.6	-1,237.6	-1,312.2	-1,019.2	-732.5	-618.8
Depreciation	-276.1	-270.4	-258.3	-242.5	-223.8	-204.4	-197.2	-153.2
<b>OPERATING PROFIT</b>	<b>601.9</b>	<b>637.8</b>	<b>635.6</b>	<b>481.7</b>	<b>306.4</b>	<b>323.0</b>	<b>401.6</b>	<b>270.4</b>
Net financial income	-95.4	-99.6	-109.5	-130.7	-152.4	-135.9	-144.2	-92.2
<b>PROFIT AFTER NET FINANCIAL INCOME</b>	<b>506.5</b>	<b>538.2</b>	<b>526.1</b>	<b>351.0</b>	<b>154.0</b>	<b>187.1</b>	<b>257.4</b>	<b>178.2</b>
Taxes	-62.8	-72.5	-106.0	-56.9	-8.8	-15.0	-45.2	-14.4
<b>NET INCOME</b>	<b>443.7</b>	<b>465.7</b>	<b>420.1</b>	<b>294.1</b>	<b>145.2</b>	<b>172.1</b>	<b>212.2</b>	<b>163.8</b>
<b>FROM BALANCE SHEET</b>								
Intangible assets	166.0	171.1	176.2	176.4	189.3	204.1	199.9	211.8
Tangible assets	6,361.0	5,943.3	5,559.5	5,417.4	5,301.3	4,827.7	4,745.9	4,655.2
Financial fixed assets	581.6	520.7	434.9	249.7	205.9	183.8	115.0	37.5
Current receivables and inventories	1,188.2	796.9	638.8	516.5	454.3	368.9	310.6	396.0
Cash and bank	15.2	48.6	53.0	58.0	111.9	65.2	40.9	18.6
<b>TOTAL ASSETS</b>	<b>8,312.0</b>	<b>7,480.6</b>	<b>6,862.4</b>	<b>6,418.0</b>	<b>6,262.7</b>	<b>5,649.7</b>	<b>5,412.3</b>	<b>5,319.1</b>
Shareholders' equity	3,464.5	3,140.7	2,782.8	2,444.1	2,220.5	2,149.3	2,040.2	1,878.0
Interest-bearing long-term liabilities and allocations	3,249.4	2,506.2	2,668.0	2,805.9	2,871.2	2,710.1	2,742.7	2,813.7
Non-interest-bearing long-term liabilities and allocations	43.8	605.8	547.6	440.8	380.8	362.9	313.4	240.0
Interest-bearing current liabilities	975.8	608.1	371.1	265.5	438.5	106.2	113.8	181.5
Non-interest-bearing current liabilities	578.5	619.8	492.9	461.7	351.7	321.2	202.2	205.9
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>8,312.0</b>	<b>7,480.6</b>	<b>6,862.4</b>	<b>6,418.0</b>	<b>6,262.7</b>	<b>5,649.7</b>	<b>5,412.3</b>	<b>5,319.1</b>
Capital employed	7,068.1	6,255.0	5,821.9	5,515.5	5,530.2	4,965.6	4,896.7	4,873.2
Net investments in plants	700.0	657.3	408.0	359.5	679.4	257.1	276.8	758.0
Net investments in shares	60.6	13.4	32.9	23.1	3.2	21.2	80.9	167.0
Average number of employees	452	426	427	405	388	371	361	368
<b>KEY RATIOS</b>								
Return on equity, %	12.8	15.7	16.1	12.6	6.6	8.2	10.8	9.0
Return on assets, %	8.2	9.1	9.7	7.6	5.1	6.0	7.7	6.1
Return on capital employed, %	9.8	10.8	11.4	8.8	5.8	6.7	8.4	6.7
Operating margin, %	19.6	19.9	28.3	24.6	16.6	20.9	30.2	25.9
Net margin, %	16.5	16.8	23.4	17.9	8.4	12.1	19.3	17.1
Solidity, %	41.7	42.0	40.6	38.1	35.5	38.0	37.7	35.3
Self-financing, %	86.5	104.2	158.0	133.4	44.2	117.4	112.7	30.9
Interest coverage ratio, times	4.6	5.7	5.4	3.7	2.0	2.3	2.7	2.6
Debt ratio, times	1.0	1.0	1.1	1.2	1.5	1.3	1.4	1.6
Capital turnover ratio, times	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.2

## COMMENTS

2000 was characterized by heavy rain and good water supply. Acquisition of hydroelectric resources producing approximately 400 GWh provides further good opportunities for business. The winter was one with low production in the Norwegian power plants, and electricity prices increased in 2001. Due to good water supply in the Skellefte River, considerable quantities of surplus energy were sold on the electricity exchange market at good prices. Extremely dry and warm weather in 2002 caused a decrease in power production and an increase in prices. In order to fulfil their commitments, the group had to compensate for production shortfall by purchasing power at expensive rates. 2003 was also dry and warm, own power production was insufficient and the result decreased. Acquisition of a share of a hydropower station strengthen the power balance. The final months of 2004 were characterized by heavy rain and conditions for production of hydropower improved. In combination with favourable prices this contributed to an increase in profit. During 2005 and 2006 the conditions of production were extremely good which helps to explain the best profit ever for the group. Despite low prices in the beginning of 2007 the result improved in the end of the year and remains on a high level.

