

Summary – consolidated amounts

Södertälje municipal group consists of about thirty companies that together with the municipality represent a single financial unit to the outside world. The group consists of the municipality plus companies in which the municipality has significant influence or in which the municipality's holding is at least 20 per cent. The companies that the municipality owns together with others are included in the group corresponding to the portion owned.

Greatly improved results

The municipal group shows a positive result of SEK 120 million compared with SEK 9 million in 2009. In 2010 the municipality and Söderenergi together show a positive result of SEK 116 million, while the subsidiary group Södertälje kommuns Förvaltnings AB had a negative result of SEK 3 million. There were also internal adjustments within the group that had a positive effect of approximately SEK 7 million.

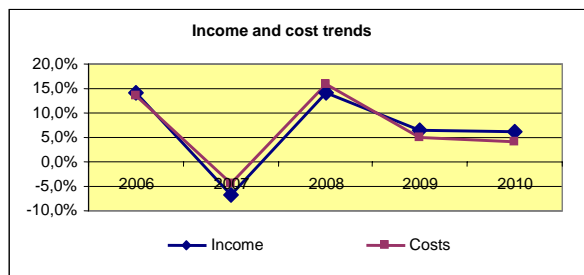
Both the municipality and Söderenergi improved their results compared with last year. The municipality of Södertälje's share of Söderenergi's result is SEK 10 million.

Increased income

Income for the year was SEK 10,432 million, which is an increase of 6 per cent over the previous year's SEK 9,833 million. Tax revenues and general state contributions increased by SEK 211 million and represent 38 per cent of the group's income. The organisation's income consists of rent, taxes and charges for energy and recycling among other things and has increased by SEK 388 million (6%). The municipality's income including taxes represents about half of group income.

Costs also increased

Costs for the year amount to SEK 9,874 million, against SEK 9,475 million for 2009, an increase of 4 per cent. Costs include depreciation of SEK 397 million (SEK 368 million). As with income, the municipality's costs represent about half of the total.



Deterioration in net financial items

Net financial items for the group totalled SEK -381 million, which is a deterioration of SEK 50 million

(15%) compared with 2009. This is because borrowing increased due to continued high investment costs.

Table showing financial items trend over 5 years, SEK millions

2006	2007	2008	2009	2010
- 263	- 293	- 277	-331	- 381

The average interest rate on all borrowing amounted to 4.1 per cent and is largely at the same level as the previous year. The municipality limits its interest rate risk by spreading fixed interest rates over time. At year end the average fixed interest period was 3.2 years; the previous year it was 2.5 years. The capital tie up period is the same as for 2009, 3.9 years.

Solvency somewhat improved

The group balance sheet total has increased by SEK 975 million over the previous year to SEK 15,345 million. Solvency excluding pension commitments was 8.4 per cent at the end of 2010, an increase of 0.2 percentage points.

The solvency level should be seen in relation to the surplus value in the properties of Telge Bostäder and Telge Fastigheter and the surplus value in Telge Nät and Telge Energi. The most recent valuation from 2009 indicates a surplus value of about SEK 4 billion.

The municipal group's borrowing

In financial terms the Södertälje municipal group is a large borrower and had a net debt portfolio (loans from credit institutions and bond loans) on 31 December 2010 of SEK 10,422 million (including Söderenergi's own borrowing). The net external debt increased by 8.7 per cent during the year.

The new borrowing requirement for 2011 is estimated at SEK 800 million, since there will be a comprehensive investment programme in residential building etc.

Finance policy sets the framework

The finance policy sets the framework for financial activities. All financial activities have associated risks. The municipal group's finance policy states objectives and guidelines for financial activity in the municipal group. The finance policy also identifies the financial risks to which the municipal group is exposed and how they shall be handled. There is continuous risk follow up and reporting to the municipal executive board.

The council determines loan ceilings for the companies and the municipality guarantees the companies' borrowing via its internal bank.

According to the finance policy, the internal bank shall endeavour to achieve an even profile of due dates with regard to fixed interest rate and capital tie up periods.

The strategy is to extend capital tie up so as to minimise risk.

There is continued turbulence in financial markets since the weak economies of the PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) are affecting the European financial market. The uncertainty has led lenders to look for secure investments. Borrowing via bonds has therefore increased and will continue to do so, as borrowing costs are lower and there is a clearly expressed interest from foreign investors. During the year the municipality has issued bonds totalling SEK 2,269 million and taken out traditional loans of SEK 1,600 million.

Borrowing is done at both fixed and variable interest rates. To reduce risk, derivative instrument rate swaps are used, whereby interest is converted from variable to fixed rate or vice versa. The rate swaps also mean that 11 per cent of the municipality's borrowing is index related. Of the SEK 10.0 billion total borrowing done via the municipality of Södertälje, SEK 5.1 billion is in bonds.

Large investments

Since the municipality's property has been moved to companies in the Telge group, most of the investment is done in the companies.

In the municipality, investment is mainly in infrastructure, inventory and means of transport. The municipal group's investments totalled SEK 1,223 million) SEK 1,756 million), SEK 111 million (SEK 162 million) of which was in the municipality. The Telge companies represent almost SEK 1.1 billion, which is about 90 per cent of the municipal group's investments. The companies with the highest investments are Telge Fastigheter (SEK 519 million), Telge Nät (SEK 178 million) and Telge Bostäder (SEK 190 million). 49 per cent of investment is self-financed, which is an improvement over last year's 28 per cent.

Depreciation increased from SEK 368 million in 2009 to SEK 397 million in 2010, in increase of 7.9 per cent. Over the last four years depreciation has increased by 44 per cent mainly due to the large investment volumes in 2008-2009.

Financial analysis - the municipality

The municipal administration

Results and capacity

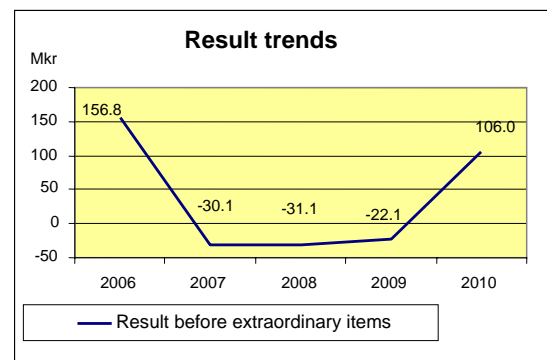
A positive result of SEK 106 million

2010 showed a positive result of SEK 106 million, which is SEK 128 million better than the previous year and SEK 90 million better than budget.

The positive result is due to large development profits of SEK 77 million, increased tax revenues and the non-recurring support from central government of SEK 83 million. The increased tax revenues, which grew by a total of SEK 211 million, have not been fully consumed by higher operations costs. Growth in net operating costs has been modest. Costs have largely been unchanged and payroll costs have actually been reduced. Income from activities has fallen however, leading to a certain increase in net costs.

Capital gains amounted to SEK 7 million, which means that result in accordance with the balance requirement is SEK 99 million, recovering the negative results of previous years.

Net financial items have improved by SEK 12 million, even though income from the companies group in the form of reverse interest has been reduced.



Flow and risk

Good payment contingencies

The municipality has secured good payment contingencies by means of various credit agreements, primarily to be prepared for financing the companies, but also for ongoing refinancing needs. These agreements limit borrowing risk, that is to say the risk of not meeting the municipal group's capital requirement. Borrowing risk is also reduced by actively spreading borrowing over various finance sources and maturity periods. Because of the present unrest in the financial market, the municipality has built up a buffer in the form of lines of credit. As at 28 February 2011, there was SEK 1,656 million unused credit available.

Reduced guarantee commitment

In addition to lending to the companies group, the municipality has also extended guarantees for the various companies of the Telge group to a total of SEK 428 million. These guarantees refer to Nordpol (the electricity market), pension obligations and obligations relating to landfill activities. The largest single guarantee is for SEK 315 million for international guarantees for Telge Kraft AB. The municipality's guarantees for the group companies have been reduced by SEK 463 million compared with the previous year.



Other guarantees refer to SYVAB and Söderenergi AB and total SEK 1,462 million, an increase of SEK 135 million during the year. The increase is due to the building of the power and heating plant at Igelsta for Söderenergi, where Södertälje's guarantee liability is for 42 per cent of the investment. The Telge parent company also has its own guarantee commitments for Telge Kraft of almost SEK 319 million and Telge Peab of SEK 31 million. Söderenergi has also guaranteed a credit SEK 6 million to Efo AB, where the municipality's 42 per cent represents SEK 2.5 million.

Guarantees for small houses are steadily reducing and now amount to SEK 3.9 million. The municipality has made guarantees for associations totalling SEK 10 million. The total guarantee commitment in the group is SEK 2,257 million, a reduction of SEK 314 million.

The companies' economy is of great significance to the municipality

Most of the municipality's capital is in the municipal companies. The municipality's commitment with the companies is considerable, not just as owner and financier but also as a customer. The municipality buys for about SEK 522 million a year from the various companies of the Telge group, which is about 10 per cent of the municipality's total costs.

Management and control

Budget surplus of SEK 90 million

The year's result of SEK 106 million means a surplus of SEK 90 million over the budgeted result of SEK 16 million. Practically all the committees except the social affairs and care committee show positive results.

The Telge group Telge AB

Telge (i Södertälje) AB is the parent company of a group with 21 subsidiaries, 12 of them operating companies. All the group's staff services are in the parent

company, from which the subsidiaries buy these services.

Financial result

The group Telge (i Södertälje) AB had a positive result of SEK 238 million (SEK 240 million) in 2010.

Significant events that occurred during the financial year and afterwards

In 2010 the company Telge Tillväxt was formed with the aim, along with seven national companies, of halving youth unemployment in Södertälje in three years. There has been great commitment from the participating companies during the year with the focus on creating completely new jobs for young people. The company, which received SEK 9.4 million support from the European social fund, got its operational activities going in January 2011.

Manpower Telge job start has made great progress during the year, resulting in about 200 people finding jobs.

Telge Peab has started work on 80 apartments in the Körsbäret district beside Södertälje hospital, thereby creating work opportunities in various trades for former long-term unemployed and refugees.

The Telge Summer project started in April 2010, giving work to about 60 young people. The idea is that most of these young people will be able to go on to Telge Tillväxt and on into working life.

The unusually cold and snowy winter has had a positive effect on sales of heat but also negative effects for the property companies in the form of increased costs for heating, snow clearing and maintenance. The cold weather at the beginning and end of the year caused the price of electricity to reach its highest ever, averaging SEK 0.568 per kWh over the year.

The environmental goal of reducing CO₂ emissions by 2 per cent per company per year was achieved in 2010.

All amounts in SEK m.	Operating income	Profit after financial items	Profit for the year	Assets	Return on equity %	Equity/assets ratio %
SÖDERTÄLJE MUNICIPAL GROUP	6 448,8	178	120,4	15 344,9	13,7	8,4
of which tax revenues and state subsidies	3 983,6					
SÖDERTÄLJE MUNICIPALITY	4 837,2	106	106	14 084,8	3,8	19,6
of which tax revenues and state subsidies	3 983,6					
The group Södertälje						
Kommuns Förvaltnings AB	5 804,7	54,5	-3,1	14 227,0	neg	neg
of which:						
Södertälje Kommuns Förv. AB	0,0	-97,3	-86,9	2 309,4		
Less: Intragroup eliminations		-86,2	-86,3	-2 612,1		
Subtotal: Telge Group	5 804,7	238,0	170,1	14 529,7	15,6	11,0
of which						
Telge (i Södertälje) AB	63,9	-68,2	-49,2	2 370,5	neg	38,3
Telge Energi-koncernen 1)	2 090,6	18,7	13,9	802,0	69,1	3,4
Telge Nät AB	994,1	111,7	82,3	3 027,1	14,8	21,0
Telge Kraft-koncernen 2)	1 323,5	21,0	15,5	543,6	24,8	17,1
Telge Återvinning-koncernen 3)	188,4	18,9	13,9	213,0	61,2	17,7
Telge Bostäder AB	745,2	61,6	55,6	3 529,8	7,0	35,7
Telge Fastigheter-koncernen 4)	599,6	39,2	6,7	5 181,8	14,1	5,4
Södertälje Hamn AB	89,5	0,9	0,6	217,2	4,4	9,1
Tom Tits Experiment AB	51,5	-7,3	-3,9	71,6	neg	73,9
Telge Hovsjö AB	145,5	8,3	7,2	476,0	34,7	5,9
Telge Inköp AB	17,1	0,4	0,3	4,9	18,6	40,9
Telge Brandalsund AB	0,7	-2,0	-1,4	99,7	neg	5,0
Telge Almnäs AB	0,0	0,0	0,0	1,0	neg	99,9
Telge Tillväxt AB	0,0	-0,3	-0,2	0,4	neg	26,0
Telge Hamn AB	1,4	-2,4	-1,8	152,4	neg	0,1
Telge Tillväxt i Södertälje AB	0,0	0,0	0,0	1,0	---	100,0
Telge Dotterbolag AB (vilande)	0,0	0,0	0,0	0,1	---	100,0
Less: Intragroup eliminations	-506,3	37,5	30,5	-2 164,3		
Jointly-owned companies						
Söderenergi AB 42%	635,9	10,1	10,1	896,9	16,5	6,9

All amounts in the table refer to the share held. Return on equity = profit/loss after financial items for the year 2010 in relation to the company's equity. Deferred tax liability included under Provisions in the balance sheet.

- 1) Telge Energi AB and Uppsala Elförsäljning AB
- 2) Telge Kraft and Telge Krafthandel
- 3) Telge Återvinning and Telge Miljöteknik
- 4) Telge Fastigheter, Telge Forum, KB Luna 8 and 9 and KB Maren

Income statement SEK million municipal group

	Group		Municipality		
	Year end 2010	Year end 2009	Budget 2010	Year end 2010	Year end 2009
Organisation's income	6,448.9	6,060.7		853.6	949.7
Operation's costs	-9,476.5	-9,106.5		-4,809.6	-4,811.3
Depreciations	-397.4	-368.4	-63.0	-76.2	-75.1
Operation's net costs	-3,425.0	-3,414.2	-4,220.5	-4,032.2	-3,936.7
<i>Of which items affecting comparability</i>	<i>110.2</i>	<i>153.0</i>		<i>83.3</i>	<i>111.1</i>
Tax revenues	2,855.6	2,804.9	2,854.1	2,855.6	2,804.9
General state contributions and equalisation	1,128.0	967.3	1,133.6	1,128.0	967.3
Financial income	182.7	183.4	213.7	707.1	677.9
Financial costs	-563.3	-514.1	35.2	-552.5	-535.5
Result after financial items	178.0	27.3	16.1	106.0	-22.1
Tax and minorities	-57.6	-18.0			
Result for the year	120.4	9.3	16.1	106.0	-22.1

Cash flow analysis SEK million municipal group

	Group		Municipality		
	Year end 2010	Year end 2009	Budget 2010	Year end 2010	Year end 2009
Year's operations					
Result for the year	120.4	9.3	16.1	106.0	-22.1
Depreciations	397.4	368.4	63.0	76.2	75.1
Net capital gains tangible fixed assets	-20	-52.9	-4.0	-6.1	-11.0
Net capital gains financial fixed assets	-13.5			-0.5	
Reclassification	6.5	13		6.4	4.5
Change, capital tie up	-271.8	130.6		-131.6	-209.5
Change, pension provisions inc. payroll tax	14.4	14.1	18.0	14.2	25.0
Change, other provisions	6.5			1.0	
Adjustment item	1.3	-1.6			
Cash flow from the organisation	241.2	480.9	93.1	65.6	-138.0
Investment activity					
Investment in tangible fixed assets	-1,213.3	-1,756.1	-389.5	-101.4	-161.9
Investment in intangible fixed assets	-10.3	-34.4		-9.2	-0.5
Investment in financial fixed assets	-6.8	-36.5			
Leasing				-1.2	-2.0
Sales	121	193.9	8.0	7.5	11.5
Cash flow from investment activities	-1,109.4	-1,633.1	-381.5	-104.3	-152.9
Needs requirement to finance	-868.2	-1,152.2	-288.4	-38.7	-290.9
Financing					
Borrowing	948.3	850.1	288.4	824.4	924.3
Change, long term receivables etc.	43.2	30.9	0.0	-735.6	-935.5
Change in cash and cash equivalents	123.3	-271.2	0.0	50.1	-302.1

Balance sheet SEK million municipal group

	Group		Municipality	
	Year end 2010	Year end 2009	Year end 2010	Year end 2009
ASSETS				
Non-current assets				
Intangible fixed assets	44.9	47.7	10.4	6.3
Tangible fixed assets				
Land and buildings	10,216.6	9,845.4	759.8	730.5
Machines and inventory	2,666.7	2,295.0	160.7	162.9
Leasing assets	8.2	10.8	8.2	10.8
Financial fixed assets	138.4	181.6	12,082.2	11,346.9
Total fixed assets	13,074.8	12,380.5	13,021.3	12,257.4
Current assets				
Development		1.4	50.3	1.4
Storage	197.9	71.3	2.8	3.1
Invoice receivables	531.6	605.8	41.9	50.4
Other receivables	968.4	862.1	917.2	848.7
Kassa Bank	572.0	448.4	51.3	1.2
Total current assets	2,269.9	1,989.0	1,063.5	904.8
TOTAL ASSETS	15,344.7	14,369.5	14,084.8	13,162.2
EQUITY, PROVISIONS AND LIABILITIES				
Equity				
Opening equity	1,175.3	1,166.0	2,654.4	2,676.5
Result for the year	120.4	9.3	106.0	-22.1
Total equity	1,295.7	1,175.3	2,760.4	2,654.4
Provisions				
Pensions	231.9	228.8	153.1	141.7
Accrued tax/payroll tax	282.2	270.9	37.2	34.4
Other provisions	72.3	65.8	1.0	
Liabilities				
Long term loans	7,583.9	6,680.5	7,191.5	6,629.4
Long term liabilities	779.5	640.1	5.1	5.1
Long term leasing liability	5.5	7.9	5.5	7.9
Investment contribution			24.9	4.6
Short term loans	2,802.2	2,894.4	2,802.3	2,537.4
Short term liabilities	2,287.9	2,402.0	1,100.2	1,143.5
Short term leasing liability	3.6	3.8	3.6	3.8
Total liabilities	13,462.6	12,628.7	11,133.1	10,331.7
TOTAL EQUITY, PROVISIONS AND LIABILITIES	15,344.7	14,369.5	14,083.8	13,162.2
Security pledges and guarantee commitments				
Solvency (%)	8.4%	8.2%	19.6%	20.2%