



- Operating profit during the first half of the year increased by 36 per cent to SEK 9,988 million (SEK 7,345 m) *
- Net profit during the first half of the year increased by 67 per cent to SEK 5,769 million (SEK 3,449 m) *
- Operating profit during the second quarter increased by 30 per cent to SEK 2,982 million (SEK 2,295 m) *
- Net sales during the first half of the year increased by 18 per cent to SEK 58,498 million (SEK 49,745 m)

* Excluding items affecting comparability

Vattenfall Continues to Post Healthy Profits

The excellent profit trend provides confirmation that Vattenfall's strategic orientation, with its focus on creating value and profitable growth, is yielding results. We are particularly pleased to note that the restructuring work in Germany within Vattenfall Europe is proving successful. The price trend in the German market has also made a positive contribution to the result. From their initially low level, the Polish operations have performed well as the work aimed at boosting internal efficiency produces the desired results. The Nordic operations have also developed well. Numerous important development programmes designed to make Vattenfall Number One for the Customer are now in progress and are also expected to yield results in the next few years. A major reorganisation programme is currently in progress in the Swedish electricity network operations and will enhance efficiency. Corresponding changes have already been implemented in Finland. High electricity prices in the Nordic countries due to the dry year and the relatively cold winter contributed to the improvement in profitability, although continued low levels in water reservoirs are likely to limit the potential for profitability enhancement over the next six months. Electricity will probably have to be imported at higher prices, and more expensive forms of electricity production will need to be used.

The increase in net sales during the first six months of the year compared with the corresponding period last year is largely due to higher electricity revenues as a result of the dry year. Production hedging, however, limited the impact of electricity prices on the operating profit. The consolidation of the Polish company GZE from the turn of the year has boosted net sales by SEK 2.6 billion.

Lenders' confidence in Vattenfall was confirmed at the beginning of June when a new 15-year Eurobond was issued. This loan was designed to take advantage of the favourable market conditions and at the same time extend Vattenfall's debt maturity profile. Demand from international investors was very high, thereby confirming Vattenfall's healthy position in the capital market.

The restructuring of the German operations into six business units was completed during the first half of the year, thereby further consolidating the Group's repositioning as a European player, rather than a Nordic one.



Market Development

Electricity prices in the Nordic countries fell during the first six months of the year from the extreme levels reached at the beginning of the period due to the dry year and the colder weather. In Germany too, electricity prices were higher. During the second quarter strikes in France led to reduced production and an increased demand for power from Germany.

Electricity prices in the Nordic countries are expected to remain at higher levels than last year due to the lack of precipitation and the low reservoir levels. Natural variations in hydro power cause major electricity price fluctuations. Vattenfall offsets their impact on the profit by selling much of its production in advance using forward contracts. This means that when the spot price on the power exchange rises, Vattenfall has already sold much of its production at a lower price, thereby reducing its earning capacity. Conversely, however, the Group is protected against losses when the price of electricity falls.

Vattenfall Generates Customer Value

Vattenfall is now in the middle of its three-year programme launched in January 2002 with a view to achieving a return on net assets of 11 per cent in December 2004. The Group has made considerable progress towards enhancing internal efficiency by focusing on value creation and profitable growth. Value creation and profitable growth also enable investments that will help us achieve our goal of becoming Number One

for our Customers. In Sweden, a number of additional steps were taken during the first half of the year with a view to achieving this goal.

The beginning of June saw Vattenfall sign the first contracts for the purchase of remotely monitored electricity meters as part of our efforts to make customers' lives easier with the help of monthly meter readings, more straightforward invoices and the elimination of advance charging. In May, Vattenfall became the first energy company to introduce a guarantee when customers change their electricity supplier in Sweden. Electricity customers should be able to change electricity supplier in line with the prevailing regulations. If the switch has not been made within the agreed period, the customer will now receive SEK 300 in compensation. Vattenfall has also introduced other guarantees designed to make life simpler for its customers, including a power interruption guarantee giving Vattenfall's Swedish network customers SEK 1,000 in compensation for every 24-hour period of longer-lasting power interruptions

Vattenfall aims to be number one for its customers, the environment and the economy. This responsibility involves

weighing up pros and cons and developing sustainable solutions in all three of these dimensions. As a leading company, Vattenfall's responsibilities include helping to establish a functioning market and operating rules based on functioning competition. In the long run, such a system will ensure that customers are offered the lowest price and society has access to the most efficient energy supply system. This is what underlies the Group's key values – accountability combined with efficiency and openness.



Lars G Josefsson
President and Chief Executive Officer

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE AND CASH FLOW

Amount in SEK million	January–June 2003	January–June 2002	Change, %
Net sales	58,498	49,745	17.6
Operating profit before depreciation (EBITDA)	15,093	13,554	11.4
Operating profit (EBIT)	9,848	7,760	26.9
Operating profit excluding items affecting comparability	9,988	7,345	36.0
Financial items, net	-1,382	-1,746	20.8
Profit before tax and minority interests	8,466	6,014	40.8
Net profit for the period	5,676	3,752	51.3
Net profit excluding items affecting comparability	5,769	3,449	67.3
Return on net assets, excluding items affecting comparability *	12.2	10.1	
Funds from Operations (FFO)	11,783	7,985	47.6
Cash flow before financing	8,213	-13,936	

Vattenfall's financial performance varies considerably over the year. A substantial portion of the year's income is normally generated during the first and fourth quarters of the year, when the demand for electricity and heat reaches its peak.

* Rolling 12-month value, July 2002 – June 2003 and full year 2002.

THE GROUP

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Amounts in SEK million		January-June 2003	January-June 2002	Change %
Net sales	▲	58,498	49,745	18

Comments:

The increase in net sales of SEK 8.8 billion is mainly due to higher income from electricity sales within the Nordic operations during the first half of the year resulting from the high market prices for electricity. It is also due to the consolidation of the Polish company GZE as of January 2003 and to the inclusion of Bewag in the accounts for the entire reporting period, compared with only five months during the first half of 2002. The increase in net sales during the second quarter was limited to 6 per cent, mainly due to reduced sales volumes.

Cost of products sold	▲	43,781	38,024	15
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Comments:

Cost of products sold was higher during the first half of the year than during the corresponding period last year because of the higher electricity purchasing costs resulting from higher market prices. Due to the water shortage in the reservoirs, more expensive forms of electricity production have been used and electricity has been imported via overseas cables. The consolidation of GZE as of January 2003 and the inclusion of Bewag throughout the reporting period, compared with only five months during the first half of 2002, have also contributed to the rise in cost of products sold.

Operating profit excl. items affecting comparability	▲	9,988	7,345	36
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Comments:

Operating profit, excluding items affecting comparability, climbed 36 per cent compared with the corresponding period last year. The greater part of the increase in the operating profit is attributable to the German operations, where a successful programme has been conducted to restructure the operations and consolidate the German operations into Vattenfall Europe. The higher electricity prices at the beginning of the period due to the dry year in the Nordic countries, as well as the cold winter, also played a part in boosting the operating profit. The operating margin, excluding items affecting comparability, increased to 17.1 per cent (14.8 per cent). The operating profit during the second quarter increased by 30 per cent to SEK 2,982 million (SEK 2,295 m).

Cash flow from operating activities	▲	10,912	10,324	
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Comments:

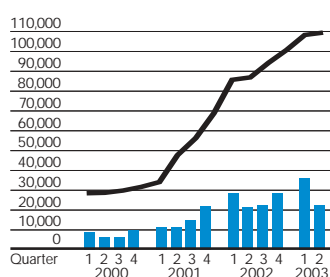
Cash flow was affected by a tax payment during the first quarter of approximately SEK 2 billion, attributable to a tax audit in Germany in respect of the years 1992–1998. This item had no impact on the Group's profit, since corresponding provisions had already been made in previous periods. During the second quarter cash flow from operating activities amounted to SEK 7,321 million.

Cash flow before financing	▲	8,213	-13,936	
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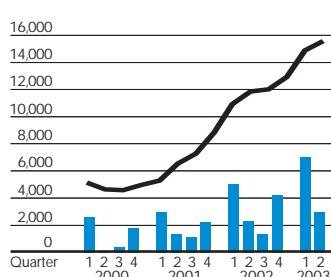
Comments:

Cash flow before financing activities improved by SEK 22,149 million as a result of significantly reduced investments during the first half of the year compared with the corresponding period last year. During the second quarter cash flow before financing amounted to SEK 5,455 million.

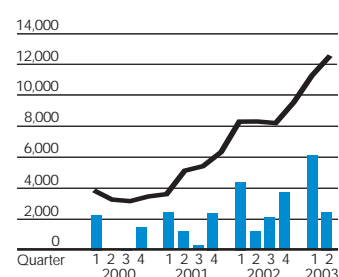
Net sales (SEK m)



Operating profit, excl. items affecting comparability (SEK m)



Profit before tax and minority interests, excl. items affecting comparability (SEK m)



Net financial items	▲	-1,382	-1,746	21
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Comments:

Net financial items have improved in comparison with the corresponding period last year as a result of capital gains on German investment assets. The average monthly rate in the underlying net interest items for the first six months was -SEK 290 million. Net financial items during the second quarter amounted to -SEK 490 million (-SEK 1,087 m).

Dissolution of negative goodwill	▼	1,787	2,320	
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Comments:

Negative goodwill for the first six months was dissolved in the amount of SEK 1,787 million (SEK 2,320 m), corresponding to restructuring costs in companies acquired in Germany.

FINANCIAL POSITION

Amounts in SEK million		30 June 2003	31 December 2002	Change, %
Liquid assets	▲	19,119	15,473	24
Net debt	▼	68,704	75,207	9
Average fixed interest term (years)	▶	1.8	1.8	
Average duration	▲	4.5	4.0	12

Comments:

Liquid assets have increased since the turn of the year as a result of a strong cash flow. Committed credit facilities totalling SEK 10,004 million (USD 1,250 m) are available to the Group, in addition to its liquid assets.

Comments:

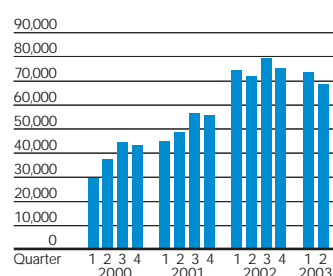
Net debt has fallen by SEK 6,503 million since the turn of the year. A new 15-year Eurobond of EUR 500 million was issued at the beginning of the June. The purpose of the loan was to extend Vattenfall's debt maturity profile and at the same time take advantage of the favourable market situation. Loans from minority owned German nuclear power companies of just over SEK 14 billion were reclassified as of 30 June from short-term to long-term interest-bearing liabilities. On 4 April 2003, the rating agency, Standard & Poor's, changed its outlook on Vattenfall from Negative to Stable. Vattenfall's current rating is A-/A-2 (Standard & Poor's) and A3/P-2 (Moody's) Negative Outlook.

Shareholders' equity	▲	48,654	45,129	8
Minority interest in shareholders' equity	▲	11,962	9,960	20

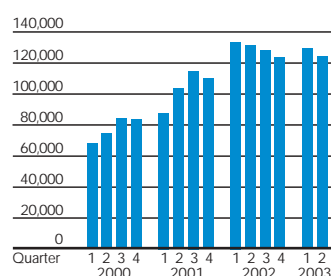
Comments:

The increase in the minority interest in shareholders' equity is due to the consolidation of the Polish company, GZE, into the Group as of January 2003. Vattenfall's holding in GZE is 53.5 per cent.

Net debt (SEK m)



Net assets (SEK m)



THE GROUP

INVESTMENTS

Amounts in SEK million		January-June 2003	January-June 2002	Change, %
Maintenance investments in facilities	▼	2,392	5,819	-59
Growth investments	▼	1,968	21,121	-91
Total investments	▼	4,260	26,940	-84

Comments:

The Group is currently in a consolidation phase, and investment levels have consequently been low. SEK 557 million of the approximately SEK 2 billion invested in growth is attributable to the increase in the share in GZE, while SEK 225 million is attributable to the German pump storage power station, Goldistahl. The remaining growth investments are spread over a variety of different projects and installations in the Nordic countries and Germany.

PERSONNEL (No. of employees expressed as employee years)

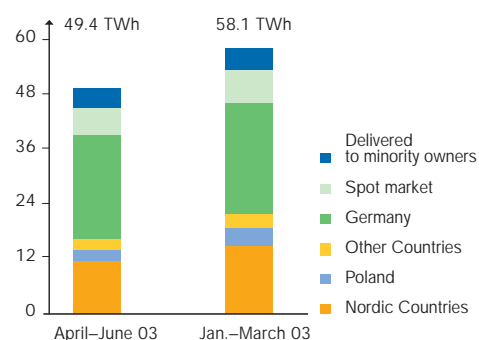
		30 June 2003	30 June 2002	31 Dec. 2002
Germany	▼	21,555	22,342	22,404
Finland	▼	543	580	567
Poland	▲	5,086	3,295	3,170
Sweden	▲	7,985	7,879	7,983
Other countries	▼	108	123	124
Total	▲	35,227	34,219	34,248

Comments:

The increase in comparison with 2002 is largely due to the inclusion of the Polish company, GZE, in the Group as of 1 January 2003.

POWER AND HEAT SALES

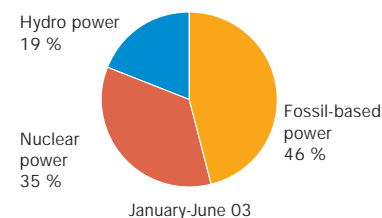
Electricity sales, TWh



ELECTRICITY BALANCE January-June 2003 (TWh)

Output		Input – Internal generation	
Sweden	23.2	Hydro power	14.7
Finland	3.1	Nuclear power	27.8
Germany	47.0	Fossil-based power	36.3
Poland	6.4	Total internal generation	78.8
Other countries	5.4	Purchased power	28.5
Spot market	13.2	Spot market	5.5
Total electricity sales	98.3	Total electricity input	112.8
Delivered to minority shareholders, etc	9.2	Internal consumption	-5.3
Total	107.5	Total	107.5

Electricity generation



Comments:

Total electricity sales for the Group in the first six months amounted to 107.5 TWh. A total of 38.5 TWh was sold in the Nordic countries, of which 12.2 TWh on the spot market, while the corresponding figures for Germany were 48 TWh and 1 TWh respectively. In Poland, sales came to 6.4 TWh, while the figure for other countries was 5.4 TWh. A total of 9.2 TWh was supplied to minority owners. Total heat sales for the Group in the first six months amounted to 19.1 TWh, with Germany, Poland and the Nordic countries accounting for 9.2 TWh, 7.1 TWh and 2.8 TWh, respectively.

STRUCTURAL CHANGES

On 1 April, Vattenfall sold its 82 per cent share in the Sikfors power station to Skellefteå Kraft AB (75 per cent) and PiteEnergi AB (7 per cent). Additional shares in the Polish company, GZE, were acquired during the period and the Group's holding now comes to 53,5 per cent (32 per cent).

SEGMENT

NORDIC COUNTRIES

Amounts in SEK million		January-June 2003	January-June 2002	Change, %
Generation, Nordic countries				
Net sales	▲	16,854	10,132	66
Operating profit	▲	3,719	3,200	16
Operating profit, excluding items affecting comparability	▲	3,787	3,200	18
Generation (TWh)	▼	40.1	46.4	13

Comments:

The 66 per cent increase in net sales during the period is primarily attributable to the first quarter when electricity price levels were extremely high. During the second quarter, however, the increase in net sales was limited to 23 per cent compared with the corresponding period in 2002, due to significantly lower levels of hydro power generation resulting from the dry year, as well as lower market prices. The profit excluding items affecting comparability fell during the second quarter by 19 per cent compared with the second quarter of 2002, mainly due to lower levels of hydro power generation, as well as the fact that the outage of the nuclear power station in Forsmark was brought forward. Reservoir levels are well below those for the corresponding period in 2002, and by the end of June, the deficit in the so-called hydrological balance for the Nordic countries was 22 TWh (corresponding to approximately three times the consumption in the Greater Stockholm area), in contrast to a surplus of 6 TWh in June 2002. Own generation was down by 6.3 TWh on the first six months of 2003 of which hydro power 4.8 TWh.

Market Nordic Countries

Net sales	▲	13,155	7,982	65
Operating profit	▲	274	259	6

Comments:

Market Nordic Countries comprises the following business units: Sales Sweden, Sales Finland, Mega and Supply & Trading.

The increase in net sales is mainly due to higher electricity prices. The profit did not improve to the same extent because higher sales volumes during the first quarter necessitated additional power purchases that were not hedged. Combined with the high market prices on Nord Pool, this led to higher costs for purchased power. During the second quarter net sales and operating profit increased by 26 per cent and 4 per cent respectively.

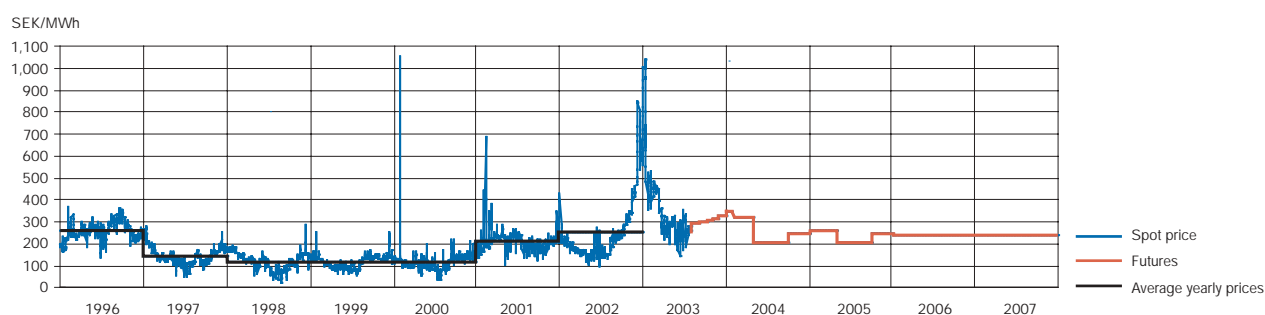
Heat Nordic Countries

Net sales	▲	1,656	1,404	18
Operating profit	▲	293	217	35
Heat production (TWh)	▲	2.8	2.6	8

Comments:

The increase in net sales and profit is due to the relatively cold weather during the period. Over the past year, this business unit has been successful in its efforts to cut costs, improve prices and enhance the efficiency of heat production plants. This has more than compensated for higher fuel costs. Net sales increased by 14 per cent and operating profit by SEK 9 million to SEK 12 million during the second quarter.

Swedish electricity prices 1996–2007



Source: Nord Pool, 25 July 2003

SEGMENT

Electricity Networks Nordic Countries

Net sales	▲	4,108	3,998	3
Operating profit	▲	1,263	1,153	10

Comments:

Electricity Networks Nordic Countries comprises the Electricity Networks Sweden and Electricity Networks Finland business units.

The increase in net sales and profit is due partly to higher transmitted volumes and partly to tariff increases. Operating profit also improved due to the enhancement of the operations' efficiency. Net sales remained largely unchanged during the second quarter, while operating profit fell by SEK 25 million (SEK 23 million excluding items affecting comparability).

Services Nordic Countries

Net sales	▲	1,375	1,366	1
Operating profit	▼	6	51	88

Comments:

Approximately 75 per cent of the business unit's net sales derive from internal assignments within Vattenfall. Increasingly stiff competition in the consulting market made the profit for the first quarter of 2003 decline and also brought the profit for the period as a whole down when compared with the first six months of 2002.

GERMANY

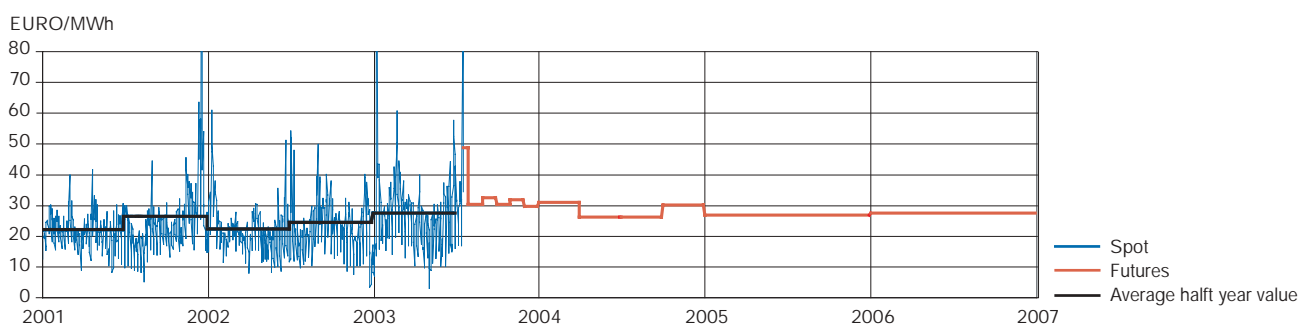
Amounts in SEK million		January-June 2003	January-June 2002	Change, %
Net sales	▲	32,246	30,852	5
Operating profit	▲	4,245	2,785	52
Heat production (TWh)	▲	9.2	6.8	35
Generation (TWh)	▲	36.6	33.4	10

Comments:

The increase in profit is due to a combination of the successful efforts to integrate the operations at Vattenfall Europe and higher electricity prices. At the beginning of the year, the cold weather led to higher prices. During the second quarter, strikes in France led to reduced production and an increased demand for power from Germany.

The inclusion of Bewag throughout the reporting period, as opposed to only five months during the first half of 2002, led to an increase of approximately SEK 2.5 billion in net sales and of approximately SEK 200 million in operating profit. During the second quarter net sales decreased by 7 per cent to SEK 14,668 million primarily due to the fact that financial electricity trade now is reported on a net basis. Operating profit increased during the second quarter by 53 per cent to SEK 1,733 million. Excluding items affecting comparability operating profit increased by 46 per cent to SEK 1,798 million. Own electricity production amounted to 36.6 TWh (33.4 TWh). The number of employees on 30 June 2003 was 21,555 (22,342).

German electricity prices 2001–2007



Source: EEX, 17 July 2003

PARENT COMPANY AND ACCOUNTING POLICIES

POLAND

Amounts in SEK million		January-June 2003	January-June 2002	Change, %
Net sales	▲	4,237	1,709	248
Operating profit	▲	324	58	559
Heat production (TWh)	▲	7.1	6.2	15
Generation (TWh)	▶	1.8	1.8	–

Comments:

The increase in net sales is entirely due to the fact that the sales and distribution company, GZE, was consolidated into the Group as of 1 January 2003. Net sales in the heat producing company EW increased by 13 per cent in local currency. However, due to changes in exchange rates net sales decreased by 3 per cent in the Group account. GZE accounted for SEK 106 million of operating profit. The positive profit trend is also due to efficiency enhancement at the Polish operations and to the successful negotiation of better prices for coal, which is the input material for the production process.

PARENT COMPANY

Net sales amounted to SEK 12,839 million (SEK 10,246 m). The profit after financial items was corrected to SEK 2,191 million (SEK 2,517 m). Investments for the period amounted to SEK 2,009 million. Liquid assets amounted to SEK 69 million (SEK 3,313 million on 31 Dec. 2002). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 16,868 million (SEK 12,852 on 31 Dec. 2002).

ACCOUNTING POLICIES

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Councils' recommendation (RR20) on interim reports.

When preparing this report, Vattenfall has applied the accounting policies specified under the heading "Accounting Policies and Valuation Principles" on page 49 of Vattenfall's Annual Report for 2002. The new recommendations mentioned there, which were issued by the Swedish Financial Accounting Standards Council and came into force in 2003, have had no significant impact on the Vattenfall Group's income statement or balance sheet.

The acquisition calculations for the companies acquired in Poland in 2003 were still preliminary at the time of the publication of this report.

Stockholm 31 July 2003

Lars G Josefsson
President and Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT

Amounts in SEK million	January–June		April–June		Full year
	2003	2002	2003	2002	
Net sales	58,498	49,745	22,479	21,300	101,025
Cost of products sold *	-43,781	-38,024	-17,071	-17,053	-77,339
Gross profit	14,717	11,721	5,408	4,247	23,686
Selling expenses, research and development costs and administrative expenses **	-5,393	-5,176	-2,836	-2,460	-12,051
Other operating income and expenses – net	146	991	63	887	2,385
Participations in the results of associated companies	378	224	158	-17	-657
Operating profit (EBIT) ***	9,848	7,760	2,793	2,657	13,363
Financial income	905	1,105	540	629	3,010
Financial expenses	-2,287	-2,851	-1,030	-1,716	-6,386
Profit before tax and minority interests ****	8,466	6,014	2,303	1,570	9,987
Tax	-2,192	-1,643	-596	-177	-1,763
Minority interests in profit for the period	-598	-619	-193	42	-658
Net profit for the period *****	5,676	3,752	1,514	1,435	7,566
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	15,093	13,554	4,776	5,395	24,855
Financial items, net	-1,382	-1,746	-490	-1,087	-3,376

* Of which depreciation came to SEK 6,877 million (SEK 7,918 m and SEK 14,662 m respectively) and dissolution of negative goodwill to SEK 1,787 million (SEK 2,320 m and SEK 3,626 m respectively).

** Of which depreciation came to SEK 155 million (SEK 196 m and SEK 456 m respectively).

*** Including items affecting comparability totalling SEK -140 million (SEK 415 m and SEK 447 m respectively).

**** Including items affecting comparability totalling SEK -134 million (SEK 415 m and SEK 466 m respectively).

***** Of which items affecting comparability adjusted for tax came to SEK -93 million (SEK 303 m and SEK 304 m respectively).

EARNINGS PER SHARE

Amounts in SEK million	January–June		Full year
	2003	2002	
Number of shares ('000)	131,700	131,700	131,700
Earnings per share	43.10	28.49	57.45

PRIMARY SEGMENTS

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	January–June		April–June		Full year	January–June		April–June		Full year	January–June		April–June		Full year
	2003	2002	2003	2002	2002	2003	2002	2003	2002	2002	2003	2002	2003	2002	2002
NORDIC COUNTRIES															
Generation Nordic Countries	16,854	10,132	5,557	4,510	25,667	3,719	3,200	860	1,190	6,459	3,787	3,200	969	1,190	6,465
Market Nordic Countries	13,155	7,982	4,483	3,560	21,275	274	259	164	158	286	274	259	164	158	285
Heat Nordic Countries	1,656	1,404	552	484	2,761	293	217	12	3	343	292	215	12	1	326
Electricity Networks Nordic Countries	4,108	3,998	1,461	1,453	7,674	1,263	1,153	65	90	1,834	1,256	1,154	64	87	1,828
Services Nordic Countries	1,375	1,366	759	736	2,974	6	51	28	26	118	5	50	27	26	117
Other business	825	801	439	419	1,830	-276	59	-145	239	-386	-241	-394	-128	-215	-828
Eliminations *	-14,914	-4,767	-6,634	-4,484	-24,212	-	-22	-	-11	-29	-	-22	-	-13	-29
Total Nordic Countries	23,059	20,916	6,617	6,678	37,969	5,279	4,917	984	1,695	8,625	5,373	4,459	1,108	1,234	8,164
GERMANY	32,246	30,852	14,668	15,741	60,696	4,245	2,785	1,733	1,130	4,733	4,291	2,825	1,798	1,230	4,747
POLAND	4,237	1,709	1,680	493	3,167	324	58	76	-168	5	324	58	76	-168	5
Eliminations **	-1,044	-3,732	-486	-1,612	-807	-	-	-	-	-	-	-	-	-	-
Total	58,498	49,745	22,479	21,300	101,025	9,848	7,760	2,793	2,657	13,363	9,988	7,345	2,982	2,296	12,916

* Mainly concerns trade between Market Nordic Countries, Electricity Networks Nordic Countries and Generation Nordic Countries.

** Mainly concerns trade between Germany and Nordic Countries.

SECONDARY SEGMENTS

Amounts in SEK million	Net sales 2003	
	January–June	April–June
Electricity *	37,681	13,183
Electricity networks	20,638	8,491
Heat	8,780	3,164
Other and eliminations	3,621	1,975
Eliminations	-12,222	-4,334
Total	58,498	22,479

As of 2003, Vattenfall divides the reporting of its operations into segments. Primary segments are Nordic Countries, Germany and Poland. Nordic Countries is divided into Generation Nordic Countries, Market Nordic Countries, Heat Nordic Countries, Electricity Networks Nordic Countries, Services Network Countries, and Other business. Secondary segments are Electricity, Electricity Networks, Heat and Other.

* The values for the first quarter have been adjusted compared with previous report.

CONSOLIDATED BALANCE SHEET

BALANCE SHEET

Amounts in SEK million	30 June 2003	30 June 2002	31 Dec. 2002
Assets			
Fixed assets			
Intangible fixed assets	5,904	7,202	6,250
Tangible fixed assets	185,031	185,949	184,972
Financial fixed assets	25,235	32,794	26,428
Total fixed assets	216,170	225,945	217,650
Current assets			
Inventories	7,327	7,080	7,112
Current receivables	32,511	29,968	36,041
Liquid assets *	19,119	25,256	15,473
Total current assets	58,957	62,304	58,626
Current assets	275,127	288,249	276,276
Equity, provisions and liabilities			
Equity	48,654	41,192	45,129
Minority interests in equity	11,962	21,801	9,960
Provisions **	93,953	100,231	97,578
Long-term interest-bearing liabilities	75,699	66,533	67,158
Other long-term liabilities	2,605	1,180	1,588
Current interest-bearing liabilities *	16,062	34,970	27,582
Other current liabilities	26,192	22,342	27,281
Total equity and liabilities	275,127	288,249	276,276
Pledged assets	584	306	3,453
Contingent liabilities	12,022	11,070	11,354

* Includes SEK 975 million in interest arbitrage transactions (SEK 960 m and SEK 980 m respectively).

** Includes SEK 192 in interest-bearing provisions (SEK 315 m and SEK 99 m respectively).

NET ASSETS

Amounts in SEK million	30 June 2003	30 June 2002	31 Dec. 2002
Nordic Countries	55,423	56,327	56,763
Germany	62,164	68,569	60,468
Poland	6,604	6,627	6,108
Net assets on balance sheet date	124,191	131,523	123,339
Net assets, weighted average value	127,198	119,017	127,479
Net debt	68,704	72,069	75,207

NET DEBT

Amounts in SEK million	30 June 2003	30 June 2002	31 Dec. 2002
Interest-bearing debt and interest-bearing provisions	-91,953	-101,818	-94,838
Liquid assets	19,119	25,256	15,473
Current investment assets	4,130	4,493	4,158
Total net debt	-68,704	-72,069	-75,207

PROVISIONS

Amounts in SEK million	30 June 2003	30 June 2002	31 Dec. 2002
Pension provisions	16,646	16,306	16,643
Provisions for deferred tax liability	34,576	35,012	34,410
Provisions for future expenses of nuclear waste	6,668	6,881	6,517
Provisions for future expenses of mining operations and other environmental measures/undertakings	10,674	9,132	10,898
Negative goodwill	13,642	16,546	15,479
Other provisions	11,747	16,354	13,631
Total provisions	93,953	100,231	97,578

CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT

Amounts in SEK million	January–June		Full year 2002
	2003	2002	
CASH FLOW STATEMENT IN ACCORDANCE WITH THE SWEDISH FINANCIAL ACCOUNTING STANDARDS COUNCIL'S RECOMMENDATION NO. 7			
Operating activities			
Funds from Operations (FFO)	11,783	7,985	17,106
Cash flow from changes in working capital	-871	2,339	2,997
Cash flow from operating activities	10,912	10,324	20,103
Investing activities			
Investments	-4,260	-26,940	-39,932
Divestments	819	1,991	3,683
Liquid funds in acquired/sold companies	742	689	691
Cash flow from investing activities	-2,699	-24,260	-35,558
Cash flow before financing activities	8,213	-13,936	-15,455
Financing activities			
New borrowings	5,447	12,470*	26,656
Amortisation of debt	-8,231		-21,806
Change in current investment assets	-	66	-
Minority share of Group contribution paid	-	-	-22
Dividend paid	-1,698	-1,126	-1,364
Cash flow from financing activities	-4,482	11,410	3,464
Cash flow for the period	3,731	-2,526	-11,991

* The amount refers to the net of new borrowings and amortisation of debt.

Liquid assets

Liquid assets at the beginning of the period	15,473	10,340	10,340
Reclassification of investment assets to liquid assets	-	17,852	17,852
Translation differences	-85	-410	-728
Cash flow for the period	3,731	-2,526	-11,991
Liquid assets at the end of period	19,119	25,256	15,473

OPERATIVE CASH FLOW STATEMENT

Cash flow before financing activities	8,213	-13,936	-15,455
Financing activities			
Acquired/sold interest-bearing debt, net	-	-2,064	-2,064
Minority share of Group contribution paid	-	-	-22
Dividend paid	-1,698	-1,126	-1,364
Cash flow after dividend	6,515	-17,126	-18,905
Net debt			
Net debt at the beginning of the period	-75,207	-55,736	-55,736
Cash flow after dividend	6,515	-17,126	-18,905
Exchange rate differences on net borrowing	-12	793	-566
Net debt at the end of the period	-68,704	-72,069	-75,207

EQUITY AND KEY RATIOS

CHANGE IN EQUITY

Amounts in SEK million	January-June 2003	January-June 2002	Full year 2002
Opening balance	45,129	39,578	39,578
Dividend	-1,485	-1,030	-1,030
Translation differences	-649	-1,108	-954
Hedging	-17	-	-31
Net profit for the period	5,676	3,752	7,566
Closing balance	48,654	41,192	45,129

KEY RATIOS (DEFINITIONS ON PAGE 15)

(in per cent unless otherwise specified)

	July 2002-June 2003	Full year 2002
Return on net assets	12.1	10.5
Return on net assets, excl. items affecting comparability	12.2	10.1
Return on equity	23.0	19.1
Return on equity, excl. items affecting comparability	23.2	18.3
FFO/interest-bearing debt and provisions	22.7	18.0
FFO/net debt	30.4	22.7

	January-June 2003	January-June 2002
Operating margin	16.8	15.6
Operating margin, excl. items affecting comparability	17.1	14.8
Pre-tax profit margin	14.5	12.1
Pre-tax profit margin, excl. items affecting comparability	14.7	11.3
Interest coverage (times)	4.7	3.1
Interest coverage, excl. items affecting comparability (times)	4.8	3.0
FFO interest coverage (times)	6.2	3.8
FFO net interest coverage (times)	9.5	5.6
Equity/assets ratio	22.1	21.9
Net debt/net debt plus equity	53.1	53.4
Interest-bearing debt/interest-bearing debt plus equity	60.3	62.5
Net debt/equity (times)	1.1	1.1
EBITDA/net financial items (times)	10.9	7.8

QUARTERLY INFORMATION

QUARTERLY INFORMATION

Amounts in SEK million	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002
Income statement					
Net sales	22,479	36,019	28,784	22,496	21,300
Cost of products sold	-17,071	-26,710	-20,295	-19,020	-17,053
Other expenses	-2,773	-2,474	-3,244	-2,237	-1,573
Participations in the result of associated companies	158	220	-976	95	-17
Operating profit (EBIT)	2,793	7,055	4,269	1,334	2,657
Operating profit before depreciation (EBITDA)	4,776	10,317	10,663	4,264	5,395
Financial items, net	-490	-892	-560	-1,070	-1,087
Profit before tax	2,303	6,163	3,709	264	1,570
Net profit for the period	1,514	4,162	3,539	275	1,435
Balance sheet					
Fixed assets	216,170	221,798	217,650	223,985	225,945
Current assets	39,838	47,682	43,153	38,124	37,048
Liquid assets	19,119	12,818	15,473	25,633	25,256
Total assets	275,127	282,298	276,276	287,742	288,249
Equity	48,654	49,185	45,129	41,347	41,192
Minority interests in equity	11,962	13,261	9,960	11,519	21,801
Provisions	93,953	96,434	97,578	101,871	100,231
Interest-bearing liabilities	91,761	90,143	94,740	108,905	101,503
Other liabilities	28,797	33,275	28,869	24,100	23,522
Total liabilities	275,127	282,298	276,276	287,742	288,249
Cash flow					
Funds from Operations (FFO)	4,086	7,697	6,651	2,470	2,251
Cash flow from changes in working capital	3,235	-4,106**	543	115	5,557
Cash flow from operating activities	7,321	3,591**	7,194	2,585	7,808
Cash flow from investing activities	-1,866	-833	-2,362	-8,936	-3,353
Cash flow before financing activities	5,455	2,758**	4,832	-6,351	4,455
New borrowing	4,533	914**			
Amortisation of debt	-1,978	-6,253			
New borrowing/amortisation of debt, net			-15,092	7,472	-2,675
Change in investment assets *	-	-	-	-66	-2,379
Dividend paid	-1,597	-101	-8	-230	-1,126
Minority share of Group contributions paid	-	-	-22	-	-
Cash flow from financing activities	958	-5,440**	-15,122	7,176	-6,180
Cash flow for the period	6,413	-2,682	-10,290	825	-1,725

* Arose in conjunction with the reclassification of financial fixed assets and current receivables implemented as of 30 June 2002.

** A reclassification has been made compared with the three-month report 2003.

DEFINITIONS

DEFINITIONS

Items affecting comparability: Capital gains and capital losses in shares and other fixed assets.

Operating margin (per cent): EBIT in relation to net sales.

Pre-tax profit margin (per cent): Profit before tax and minority interests in relation to net sales.

Return on equity (per cent): Net profit for the period in relation to equity at the beginning of the period.

Return on net assets (per cent): EBIT in relation to a weighted average of the balance sheet totals for the period minus non interest-bearing liabilities and provisions, interest-bearing receivables and liquid assets.

Interest coverage (times): EBIT plus financial income in relation to financial expenses.

FFO interest coverage (times): FFO plus financial expenses in relation to financial expenses.

FFO net interest coverage (times): FFO plus financial items in relation to net financial items.

Equity/assets ratio (per cent): Equity plus minority interests in equity in relation to the balance sheet total at the end of the period minus interest arbitrage transactions.

Net debt/net debt plus equity (per cent): Interest-bearing debt and interest-bearing provisions minus investment assets and liquid funds in relation to interest-bearing debt and provisions minus investment assets and liquid funds plus equity, including minority interests in equity.

Interest-bearing debt/interest-bearing debt plus equity (per cent): Interest-bearing debt and interest-bearing provisions in relation to interest-bearing debt and interest-bearing provisions plus equity, including minority interests in equity.

Net debt/equity (times): Interest-bearing debt and provisions minus investment assets and liquid assets in relation to equity plus minority interests in equity.

FFO/interest-bearing debt (per cent): FFO in relation to interest-bearing debt and provisions.

FFO/net debt: FFO in relation to interest-bearing debt and provisions minus investment assets and liquid assets.

EBITDA/net financial items (times): EBITDA in relation to net financial items.

AUDITORS' REPORT

We have conducted a review of this interim report in accordance with the recommendation issued by FAR, the Swedish Institute of Authorised Public Accountants.

A review is significantly limited in comparison with an audit.

Nothing has emerged from this review to indicate that the interim report fails to comply with the provisions of the Swedish Annual Reports Act.

Stockholm 31 July 2003

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This report has been translated from the Swedish original.

Vattenfall's nine-month interim report for 2003 will be published on 6 November 2003.

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