



- Net sales increased by 13 per cent to SEK 81,682 million (SEK 72,241 m)
- Operating profit increased by 28 per cent to SEK 11,131 million (SEK 8,668 m)\*
- Net profit increased by 59 per cent to SEK 5,774 million (SEK 3,625 m)\*
- Net debt was reduced by almost SEK 10 billion to SEK 65.6 billion (SEK 75.2 b)

\* Excluding items affecting comparability

**Continued strong development**

The first nine months were characterised by a strong profit development for Vattenfall. The positive performance is mainly due to the cost-cutting measures implemented and synergy effects successfully exploited during the integration of the German companies acquired. The very high electricity prices in the Nordic region at the beginning of the year as a result of the cold weather and low water levels have also helped boost the profit performance. The effect was, however, limited by lower volumes as well as the ongoing hedging of production.

The increase in net sales during the first nine months can, in part, be attributed to the consolidation of the Polish company, GZE, as of the turn of the year and to the inclusion of Bewag for nine months of the year, in contrast to only eight months in 2002, but also to the effect of higher electricity revenues caused by the dry year.

The financial position has gradually improved over the year. Growth investment levels have been low in that Vattenfall is currently in the midst of a consolidation phase and the strong cash flow was used to repay debt. The net debt has been reduced by almost SEK 10 billion to SEK 65.6 billion.

Vattenfall has also continued to streamline its operations during the year by selling off assets outside of the core business of electricity and heating. The holding in Song Networks Holding AB, corresponding to 22 per cent of the capital, was sold off in early October to some twenty Swedish and foreign investors. Agreements have also been signed regarding the sale of the share in A-Train, which operates the Arlanda Line railway, to Australian Macquarie.

The German operations are now almost halfway through the integration programme initiated in 2001. The programme is keeping closely to the original plan. The merger of Bewag into Vattenfall Europe was legally completed at the end of August.

**Electricity prices at higher levels on average**

Electricity prices in the Nordic region fell during the period from the extreme levels seen at the beginning of the year, but are still at a higher level than during the corresponding period in 2002. The average electricity price on Nord Pool during the first nine months of the year was 34.4 öre/kWh (17.6 öre/kWh). The hydrological balance, i.e. the deviation from normal levels in water reservoirs, has gradually improved. By 30th September, however, the balance was still approximately 14 TWh below normal, in comparison with a deficit of 10 TWh at the same point last year. At its low in January this year, the deficit reached 40 TWh.

One factor that had an upward effect on prices during the third quarter was the unforeseen production disruptions in nuclear power production at several of the country's nuclear power stations. The Swedish Nuclear Power Inspectorate, SKI, has now completed its inspection of Barsebäck 2 and in mid-October, gave clearance for the plant to be restarted.



Average electricity prices in Germany, too, were higher than for the first nine months of last year. The average electricity price on the German electricity exchange, EEX, was 2.9 euro cent/kWh (2.3 euro cent/kWh). The unusually hot summer months led to low water levels and hence to reduced cooling capacity, which necessitated downwards adjustments in nuclear power production. Electricity production fell in France as a result of strikes, and it became necessary to import electricity from Germany and elsewhere.

**Third quarter**

Seasonally, the third quarter is always the weakest because as warmer weather normally means lower electricity and heat consumption. At the same time, costs arise as a result of nuclear power stations being subject to annual inspections. The operating profit for Germany has fallen as a result of costs arising from the purchase of so-called balancing power in order to compensate for a the lack of wind power, being charged to the transmission operations. The third quarter last year was also positively affected by the dissolution of German loss provisions totalling approximately SEK 370 million. The Nordic and Polish operations reported a strong improvement during the third quarter.

**Vattenfall continues to make life easier for its customers**

The installation of remotely monitored electricity meters for Swedish customers is proceeding at a high speed, thereby enabling the invoicing of actual electricity consumption, rather than, as now, invoicing based on preliminary consumption figures. Vattenfall announced a number of improvements for its customers during the autumn. In September, Vattenfall decided to abolish advance charging for electricity and in future, customers will only have to pay for the electricity used up to the date when the invoice is issued, rather than, as before, up to and including the invoice's due date. In October, Vattenfall was the first electricity company to announce that it will no longer sign new contracts at "until further notice" prices. Vattenfall will

now, instead, offer its customers the chance to sign fixed price agreements, which can currently be done at a considerably lower level. A new product – Easy Electricity Price – has also been introduced, whereby apartment customers will be offered a fixed monthly price including everything – electricity, network charges, taxes and charges – irrespective of consumption.

### The electricity supply system works

The operational reliability of the electricity supply system has been called into question after several blackouts in the USA and Europe. The extensive power failure suffered in southern Sweden and Denmark in September were due to two technical faults, resulting in a voltage collapse in the national electricity grid. According to Svenska Kraftnät, who are responsible for the Swedish national grid, power was restored after 1–3 hours. The last time a disruption on this scale occurred in Sweden was 20 years ago, and it should be noted that the most recent one is in no way connected with the deregulation in the European electricity markets. It is important that the development of the new Swedish regulatory model ensures the quality of the electricity networks.

### Vattenfall number one in Germany for hydro power

30th September saw the opening of Germany's biggest pump storage power station in Goldisthal. After a construction period of six years and an investment of Euro 620 million, the plant is now operational and Vattenfall is number one in Germany

when it comes to hydro power. The size and, in part, completely new technical solutions at the pump storage power station in Goldisthal place it on the cutting edge of technology, just like Vattenfall's highly efficient lignite power stations in eastern Germany.

As the demand for balancing power grows steadily with the further expansion of wind energy, the Goldisthal pump storage plant, which is able to produce power at extremely short notice, puts Vattenfall's German generation at a competitive edge.

### Vattenfall well-positioned for trading in emission rights

The EU's directives on carbon dioxide emissions and trading in emission rights is an issue that has come increasingly into focus over the course of the year. The allocation of emission rights at national level is in progress and is scheduled for completion by March 2004, with effect from January 2005. Vattenfall is, thanks to its historically low emission levels in the Nordic region and its investments in new German power plants, which have resulted in substantially reduced emissions, very well-positioned in the coming system.



Lars G Josefsson  
President and Chief Executive Officer

## SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE AND CASH FLOW

Amounts in SEK million	January–September 2003	January–September 2002	Change, %
Net sales	81,682	72,241	13.1
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	18,896	17,818	6.1
Operating profit (EBIT)	11,043	9,094	21.4
Operating profit excluding items affecting comparability	11,131	8,668	28.4
Financial items, net	-2,141	-2,816	23.9
Profit before tax and minority interests	8,902	6,278	41.8
Net profit for the period	5,713	4,027	41.9
Net profit excluding items affecting comparability	5,774	3,625	59.3
Return on net assets, excluding items affecting comparability *	12.3	10.1	
Funds from Operations (FFO)	12,431	10,455	18.9
Cash flow before financing	10,720	-20,326	

*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 electricity and heat demand reaches its peak.*

\* Rolling 12-month value, October 2002 – September 2003 and full year 2002.

## THE GROUP

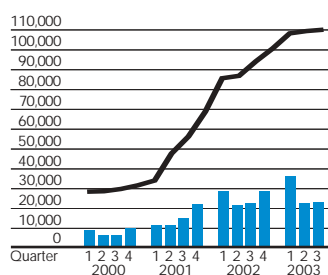
### NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Amounts in SEK million		January–September 2003	January–September 2002	Change, %
Net sales	▲	81,682	72,241	13
<b>Comments:</b>				
The increase in net sales of approximately SEK 9.4 billion is due partly to higher income from electricity sales within the Nordic operations during the first quarter as a result of the high market prices for electricity. It is also due to the consolidation of the Polish company, GZE, as of January 2003 and the inclusion of Bewag in the accounts for the entire report period, compared with only eight months in 2002. The increase in net sales during the third quarter was limited to 3 per cent compared with the corresponding period last year, mainly due to reduced sales volumes.				
Operating expenses	▲	62,889	57,044	10
<b>Comments:</b>				
Operating expenses were higher during the first nine months of the year than in the corresponding period last year, due to higher electricity purchasing costs resulting from higher market prices. More expensive forms of electricity production have been made operational and electricity has been imported via overseas cables, due to water shortages in reservoirs. The consolidation of GZE as of January 2003 and the inclusion of Bewag throughout the report period, compared with only eight months during 2002, have also contributed to the rise in operating expenses.				
Operating profit excl. items affecting comparability	▲	11,131	8,668	28
<b>Comments:</b>				
Operating profit, excluding items affecting comparability, increased by 28 per cent in comparison with the corresponding period last year. The majority of the increase in the operating profit can be attributed to the German operations, where a successful programme of restructuring the operations and consolidating the German operations into Vattenfall Europe has been conducted. The higher electricity prices at the beginning of the period due to the dry year in the Nordic countries and the cold winter, together with a marked improvement in Polish profits, also played a part in boosting the operating profit. The operating margin, excluding items affecting operating comparability, increased to 13.6 per cent (12.0 per cent). The operating profit during the third quarter, which is seasonally always the weakest, fell by SEK 139 million to SEK 1,195 million (SEK 1,334 m).				
Cash flow from operating activities	▲	16,233	12,909	26
Cash flow before financing	▲	10,720	-20,326	n.a
Free cash flow	▲	12,143	5,971	103

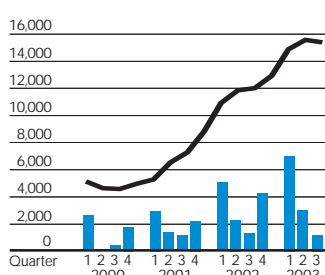
#### Comments:

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 third quarter, cash flow from operating activities amounted to SEK 5,321 million. Cash flow before financing activities improved by SEK 31,046 million as a result of significantly reduced investments compared to the corresponding period last year. During the third quarter, cash flow before financing amounted to SEK 2,507 m.

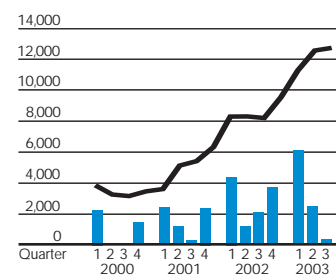
Net sales (SEK m)



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



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



■ Rolling 12-month values ■ Quarterly values

Net financial items	▲	-2,141	-2,816	24
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**Comments:**

The relative improvement in net financial items in comparison with last year is largely due to depreciation on investment assets in Germany effected during 2002. The average monthly rate in the underlying net interest items for the first nine months was -SEK 280 million. Net financial items during the third quarter amounted to -SEK 759 million (-SEK 1,070 m).

Dissolution of negative goodwill	▼	2,646	2,827	
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**Comments:**

Negative Goodwill for the first six months was dissolved in the amount of SEK 2,646 million (SEK 2,827 m), corresponding to restructuring costs in companies acquired in Germany.

**FINANCIAL POSITION**

Amounts in SEK million		30 September 2003	31 December 2002	Change, %
Liquid assets	▲	16,689	15,473	8
Net debt	▼	65,638	75,207	-13
Average duration (yrs) *	▶	1.8	1.8	
Average maturity *	▲	4.6	4.0	

\* Excluding loans from associated companies and minority owners.

**Comments:**

Committed credit facilities totalling SEK 9,579 million (USD 600 m and USD 650 m) were available to the Group, as of 30th September, in addition to its liquid assets. The credit facility of USD 600 million was replaced in early October by a new five year Revolving Credit Facility, for EUR 600 million.

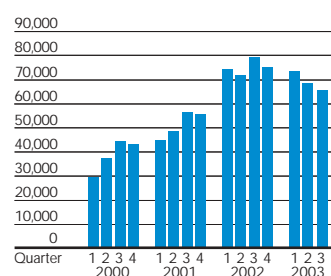
Net debt has fallen by SEK 9,569 million since the turn of the year. Loans from minority owned German nuclear power companies of just over SEK 14 billion were reclassified in the 6-monthly Interim Report from short-term to long-term interest-bearing liabilities. On 10th October 2003, the rating agency, Moody's Investors Service, 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), in both cases with a Stable Outlook.

Shareholders' equity	▲	47,689	45,129	6
Minority interest in shareholders' equity	▼	9,802	9,960	-2
Total	▲	57,491	55,089	4

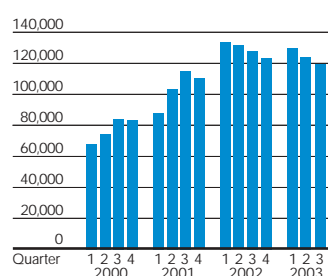
**Comments:**

The strengthening of the Swedish krona during the year has had a net effect on shareholders' equity, due to translation differences, of -SEK 1,668 million (-SEK 985 m, full year 2002).

Net debt (SEK m)



Net assets (SEK m)



## INVESTMENTS

Amounts in SEK million		January-September 2003	January-September 2002	Change, %
Maintenance investments in facilities	▼	4,090	6,938	-41
Growth investments	▼	3,487	31,475	-89
Total investments	▼	7,577	38,413	-80

### Comments:

The Group is currently in a phase of consolidation, and investment levels have consequently been low. SEK 563 million of the approximately SEK 3.5 billion invested in growth is attributable to the increase in the share in GZE. SEK 225 million is attributable to the German pump storage power station, Goldisthal, and just over SEK 1,300 million is attributable to the purchase of additional shares in Vattenfall Europe AG. The remaining growth investments are spread over a variety of different projects and installations in the Nordic countries and Germany.

## DIVESTMENTS

Vattenfall's share holding in Song Networks Holding and A-Train AB were sold in early October for SEK 485 million and SEK 80 million respectively.

## PERSONNEL (No. employees expressed as employee years)

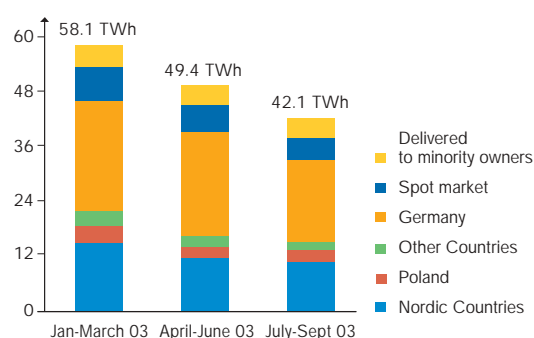
		30th September 2003	30th September 2002	31st December 2002
Germany	▼	21,917	22,492	22,404
Finland	▼	537	575	567
Poland	▲	4,792	3,088	3,170
Sweden	▲	8,011	7,997	7,983
Other countries	▼	108	124	124
Total	▲	35,365	34,276	34,248

### Comments:

The increase in comparison with 2002 is largely due to the inclusion of the Polish company, GZE, in the Group as of 1st January 2003. The number of employees in GZE, as of 30th September, was 2,282.

## POWER AND HEAT SALES

### Electricity sales, TWh

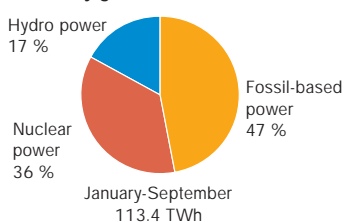


### Electricity balance

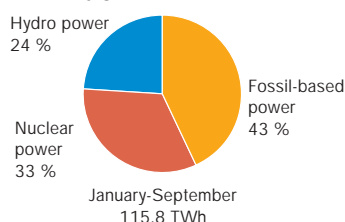
January-September 2003 (TWh)

Output		Internal generation and input	
Sweden	32.8	Hydro power	18.8
Finland	4.2	Nuclear power	40.6
Germany	64.9	Fossil-based and wind power	54.0
Poland	8.9	<b>Total internal generation</b>	<b>113.4</b>
Other countries	7.3	Purchased power	36.3
Spot market	18.1	Spot market	7.7
<b>Total electricity sales</b>	<b>136.2</b>	<b>Total electricity input</b>	<b>157.4</b>
Delivered to minority shareholders	12.9	Internal consumption	-7.8
Other	0.5	<b>Total</b>	<b>149.6</b>
<b>Total</b>	<b>149.6</b>		

### Electricity generation 2003



### Electricity generation 2002



### Heat sales:

Total heat sales for the Group in the first nine months amounted to 24.0 TWh (20.5 TWh).

Of this total, Germany accounted for 10.6 TWh (8.2 TWh), Poland for 7.9 TWh (7.0 TWh) and the Nordic region for 5.5 TWh (5.3 TWh). The figures for the Nordic region include so-called "thermal heat" deliveries.

## SEGMENT

### NORDIC COUNTRIES

Amounts in SEK million		January-September 2003	January-September 2002	Change, %
<b>Generation, Nordic countries</b>				
Net sales	▲	22,225	14,581	52
Operating profit	▲	4,332	3,806	14
Operating profit, excl. items affecting comparability	▲	4,400	3,813	15
Generation (TWh)	▼	56.4	63.9	-12

#### Comments:

The 52 per cent increase in net sales in the period is primarily attributable to the first quarter when electricity price levels were extremely high. During the third quarter, however, the increase in net sales was limited to 21 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 remained unchanged during the third quarter compared with the corresponding period in 2002. Reservoir levels have improved but are still well below normal yearly levels. By the end of September, the deficit in the so-called hydrological balance for the Nordic countries was 14 TWh in contrast to a surplus of 10 TWh in September 2002. Own generation was down by 7.5 TWh on the first nine months of 2002, which is attributable in its entirety to lower hydro power generation. Nuclear power generation remained unchanged at 37.4 TWh.

### Market Nordic Countries

Net sales	▲	18,984	11,751	62
Operating profit	▲	519	349	49

#### 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. No corresponding improvement in profit in the sales units was noted, however, because the higher prices also meant higher purchasing costs. The improved profit in Market Nordic Countries is due to the Supply & Trading business unit's trading over interconnectors and income resulting from the renegotiation of the so-called SwePol Link agreement. During the third quarter, net sales and operating profit increased by SEK 2,060 million and SEK 158 million, respectively, compared with the corresponding period in 2002.

### Heat Nordic Countries

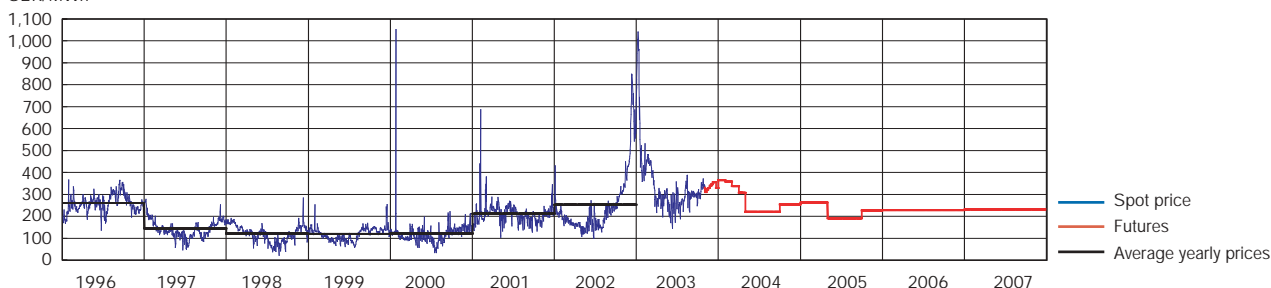
Net sales	▲	2,008	1,729	16
Operating profit	▲	188	119	58
Heat production (TWh)	▲	5.4	5.3	2

#### Comments:

The business unit has been successful in its efforts to cut costs, improve prices and enhance the efficiency of heat production plants and this has more than compensated for higher fuel costs during the first nine months. During the seasonally weak third quarter, net sales increased from SEK 325 million to SEK 352 million, whilst the operating profit, excluding items affecting comparability, deteriorated slightly from -SEK 104 million to -SEK 106 million, as a result of high fuel purchasing costs.

### Swedish electricity prices 1996-2007

SEK/MWh



Source: Nord Pool, 30 October 2003

## SEGMENT

### Electricity Networks Nordic Countries

Net sales	▲	5,492	5,322	3
Operating profit	▲	1,375	1,170	18

#### 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 and fewer operational disruptions.

Operating profit improved during the third quarter by SEK 60 million to SEK 1,384 million, while operating profit increased by SEK 95 million compared with the corresponding period in 2002 (SEK 97 million excluding items affecting comparability). The extensive power disruption in southern Sweden on 23rd September had almost no financial impact on Vattenfall.

### Services Nordic Countries

Net sales	▲	2,051	2,037	1
Operating profit	▼	28	72	-61

#### Comments:

Approximately 75 per cent of the business unit's net sales derive from internal assignments within Vattenfall. Lower capacity utilisation, fewer network disruptions and increasingly stiff competition in the consulting market made the profit decline at the beginning of 2003 and also brought the profit for the period as a whole down when compared with 2002. The operating profit for the third quarter remained largely unchanged compared with last year.

### GERMANY

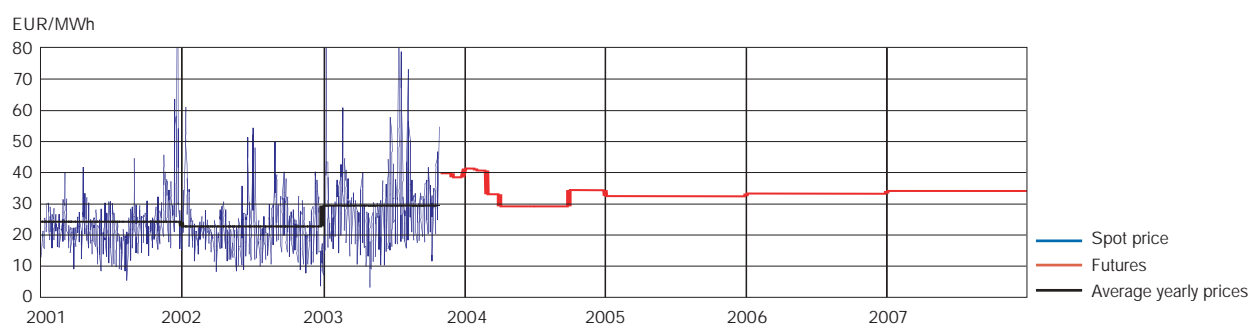
Amounts in SEK million		January-September 2003	January-September 2002	Change, %
Net sales	▶	46,318	46,330	-
Operating profit	▲	4,632	3,758	23
Heat production (TWh)	▲	10.6	8.1	31
Generation (TWh)	▲	54.7	48.7	12

#### Comments:

The increase in profit is due to the ongoing cost-cutting programme within Vattenfall Europe and higher electricity prices. The programme aims to achieve annual savings of EUR 400–500 million, as of 2005. By 30th September, savings of EUR 277 million had been achieved. Electricity prices rose at the beginning of the year due to the cold winter. Later in the year, strikes in France led to reduced production and to an increased demand for power from Germany. The extremely warm and dry summer, with reduced cooling water availability, led at the same time to a reduction in nuclear power production in Germany. Overall, however, electricity generation increased by 12 per cent to 54.7 TWh.

The inclusion of Bewag throughout the reporting period, as opposed to only eight months during the first half of 2002, led to an increase in net sales of approximately SEK 2.5 billion in net sales and of approximately SEK 200 million in operating profit. During the third quarter, net sales decreased by 9 per cent to SEK 14,072 million compared with the corresponding period in 2002, primarily due to the fact that financial electricity trade is now reported on a net basis. Operating profit fell during the third quarter by SEK 586 million to SEK 387 million. The reduction is due to purchasing costs for so-called balancing power to compensate for the lack of wind power being charged to the transmission operations. The third quarter last year was also positively affected by the dissolution of loss provisions totalling approximately SEK 370 million.

German electricity prices 2001–2007



Source: EEX, 27 October 2003



## PARENT COMPANY AND ACCOUNTING POLICIES

### POLAND

Amounts in SEK million		January–September 2003	January–September 2002	Change, %
Net sales	▲	5,753	2,054	180
Operating profit	▲	290	–42	n.a
Heat production (TWh)	▲	7.9	7.0	13
Generation (TWh)	▶	2.2	2.2	–

#### Comments:

The increase in net sales is largely due to the fact that the sales and distribution company, GZE, was consolidated into the Group as of 1st January 2003. GZE and EW accounted for SEK 253 million and SEK 79 million, respectively, of operating profit. The positive profit trend is also due to efficiency enhancement at the Polish operations, higher sales volumes and reduced fuel costs. The operating profit improved by SEK 66 million during the third quarter to –SEK 34 million, compared with the corresponding period in 2002.

### PARENT COMPANY

Net sales amounted to SEK 17,102 million (SEK 14,429 m). The profit after financial items was SEK 3,299 million (SEK 2,117 m). Investments for the period amounted to SEK 3,340 million. Liquid assets amounted to SEK 24 million (SEK 3,313 million on 31st Dec. 2002). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 11,840 million (SEK 12,852 million on 31st 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, 6th November 2003

Lars G Josefsson  
*President and Chief Executive Officer*

# CONSOLIDATED INCOME STATEMENT

## INCOME STATEMENT

Amounts in SEK million	January–September		July–September		Full year 2002
	2003	2002	2003	2002	
Net sales	81,682	72,241	23,184	22,496	101,025
Cost of products sold *	-62,889	-57,044	-19,108	-19,020	-77,339
<b>Gross profit</b>	<b>18,793</b>	15,197	<b>4,076</b>	3,476	23,686
Selling expenses, research and development costs and administrative expenses **	-8,395	-8,170	-3,002	-2,994	-12,051
Other operating income and expenses – net	118	1,748	-28	757	2,385
Participations in the results of associated companies	527	319	149	95	-657
<b>Operating profit (EBIT) ***</b>	<b>11,043</b>	9,094	<b>1,195</b>	1,334	13,363
Financial income	1,854	2,171	949	1,066	3,010
Financial expenses	-3,995	-4,987	-1,708	-2,136	-6,386
<b>Profit before tax and minority interests ****</b>	<b>8,902</b>	6,278	<b>436</b>	264	9,987
Tax	-2,787	-1,714	-595	-71	-1,763
Minority interests in profit for the period	-402	-537	196	82	-658
<b>Net profit for the period *****</b>	<b>5,713</b>	4,027	<b>37</b>	275	7,566
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	18,896	17,818	3,803	4,264	24,855
Financial items, net	-2,141	-2,816	-759	-1,070	-3,376
* Of which depreciation came to SEK million	10,274	11,254	3,397	3,336	14,662
* Of which dissolution of negative goodwill came to SEK million	2,646	2,827	859	507	3,626
** Of which depreciation came to SEK million	225	297	70	101	456
*** Including items affecting comparability totalling SEK million	-88	426	52	11	447
**** Including items affecting comparability totalling SEK million	-82	467	52	52	466
***** Of which items affecting comparability adjusted for tax came to SEK million	-61	402	32	99	304

## EARNINGS PER SHARE

Amounts in SEK million	January–September 2003	2002	Full year 2002
Number of shares ('000)	131,700	131,700	131,700
Earnings per share	43.38	30.58	57.45

## PRIMARY SEGMENT

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	January–Sept 2003	July–Sept 2002	Full year 2002	January–Sept 2003	July–Sept 2002	Full year 2002	January–Sept 2003	July–Sept 2002	Full year 2002	January–Sept 2003	July–Sept 2002	Full year 2002	January–Sept 2003	July–Sept 2002	Full year 2002
<b>NORDIC COUNTRIES</b>															
Generation Nordic Countries	22,225	14,581	5,371	4,449	25,667	4,332	3,806	613	606	6,459	4,400	3,813	613	613	6,465
Market Nordic Countries	18,984	11,751	5,829	3,769	21,275	519	349	245	90	286	522	349	248	90	285
Heat Nordic Countries	2,008	1,729	352	325	2,761	188	119	-105	-98	343	186	111	-106	-104	326
Electricity Networks Nordic Countries	5,492	5,322	1,384	1,324	7,674	1,375	1,170	112	17	1,834	1,369	1,170	113	16	1,828
Services Nordic Countries	2,051	2,037	676	671	2,974	28	72	22	21	118	27	71	22	21	117
Other business	1,222	1,285	397	484	1,830	-321	-104	-45	-163	-386	-285	-557	-44	-163	-828
Eliminations *	-20,770	-11,868	-5,856	-7,101	-24,212	-	-34	-	-12	-29	-	-34	-	-12	-29
<b>Total Nordic Countries</b>	<b>31,212</b>	24,837	<b>8,153</b>	3,921	37,969	<b>6,121</b>	5,378	<b>842</b>	461	8,625	<b>6,219</b>	4,923	<b>846</b>	461	8,164
<b>GERMANY</b>	<b>46,318</b>	46,330	<b>14,072</b>	15,478	60,696	<b>4,632</b>	3,758	<b>387</b>	973	4,733	<b>4,622</b>	3,787	<b>331</b>	962	4,747
<b>POLAND</b>	<b>5,753</b>	2,054	<b>1,516</b>	345	3,167	<b>290</b>	-42	<b>-34</b>	-100	5	<b>290</b>	-42	<b>-34</b>	-100	5
Eliminations **	-1,601	-980	-557	2,752	-807	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>81,682</b>	72,241	<b>23,184</b>	22,496	101,025	<b>11,043</b>	9,094	<b>1,195</b>	1,334	13,363	<b>11,131</b>	8,668	<b>1,143</b>	1,323	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–Sept	July–Sept
Electricity *	56,459	18,778
Electricity networks	28,761	8,123
Heat	11,328	2,548
Other	5,424	1,803
Eliminations	-20,290	-8,068
<b>Total</b>	<b>81,682</b>	23,184

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 in comparison with the previous report.

# CONSOLIDATED BALANCE SHEET

## BALANCE SHEET

Amounts in SEK million	30th September 2003	30th September 2002	31th December 2002
<b>Assets</b>			
Fixed assets			
Intangible fixed assets	5,595	6,356	6,250
Tangible fixed assets	179,867	184,840	184,972
Financial fixed assets	24,246	32,789	26,428
<b>Total fixed assets</b>	<b>209,708</b>	<b>223,985</b>	<b>217,650</b>
<b>Current assets</b>			
Inventories	7,565	7,361	7,112
Current receivables	29,876	30,763	36,041
Liquid assets *	16,689	25,633	15,473
<b>Total current assets</b>	<b>54,130</b>	<b>63,757</b>	<b>58,626</b>
<b>Current assets</b>	<b>263,838</b>	<b>287,742</b>	<b>276,276</b>
<b>Equity, provisions and liabilities</b>			
Equity	47,689	41,347	45,129
Minority interests in equity	9,802	11,519	9,960
Provisions **	90,275	101,871	97,578
Long-term interest-bearing liabilities	72,796	66,024	67,158
Other long-term liabilities	2,751	1,283	1,588
Current interest-bearing liabilities *	13,441	42,881	27,582
Other current liabilities	27,084	22,817	27,281
<b>Total equity and liabilities</b>	<b>263,838</b>	<b>287,742</b>	<b>276,276</b>
Pledged assets	551	309	3,453
Contingent liabilities	12,894	11,858	11,354

\* Includes SEK 993 million in interest arbitrage transactions (SEK 980 m and SEK 980 m, respectively).

\*\* Includes SEK 201 million in interest-bearing provisions (SEK 342 m and SEK 99 m, respectively).

## NET ASSETS

Amounts in SEK million	30th September 2003	30th September 2002	31th December 2002
Nordic Countries	55,075	55,864	56,763
Germany	58,054	66,225	60,468
Poland	6,022	6,005	6,108
<b>Net assets on balance sheet date</b>	<b>119,151</b>	<b>128,094</b>	<b>123,339</b>
<b>Net assets, weighted average value</b>	<b>125 164</b>	<b>124 184</b>	<b>127 479</b>

## NET DEBT

Amounts in SEK million	30th September 2003	30th September 2002	31th December 2002
Interest-bearing debt and interest-bearing provisions *	-86,438	-109,247	-94,838
Liquid assets	16,689	25,633	15,473
Current investment assets	4,111	4,389	4,158
<b>Total net debt</b>	<b>-65,638</b>	<b>-79,225</b>	<b>-75,207</b>
* Of which loans from minority owned German nuclear power companies.	14,008	9,298	16,566

## PROVISIONS

Amounts in SEK million	30th September 2003	30th September 2002	31th December 2002
Pension provisions	14,770	16,445	16,643
Provisions for deferred tax liability	34,029	34,836	34,410
Provisions for future expenses of nuclear waste	6,515	6,791	6,517
Provisions for future expenses of mining operations and other environmental measures/undertakings	10,118	10,494	10,898
Negative goodwill	12,475	17,772	15,479
Other provisions	12,368	15,533	13,631
<b>Total provisions</b>	<b>90,275</b>	<b>101,871</b>	<b>97,578</b>

# CONSOLIDATED CASH FLOW STATEMENT

## CASH FLOW STATEMENT

Amounts in SEK million	January–September		Full year
	2003	2002	2002
<b>CASH FLOW STATEMENT IN ACCORDANCE WITH THE SWEDISH FINANCIAL ACCOUNTING STANDARDS COUNCIL'S RECOMMENDATION NO. 7</b>			
<b>Operating activities</b>			
Funds from Operations (FFO)	12,431	10,455	17,106
Cash flow from changes in working capital	3,802	2,454	2,997
<b>Cash flow from operating activities</b>	<b>16,233</b>	12,909	20,103
<b>Investing activities</b>			
Investments	-7,577	-37,131	-39,932
Divestments	1,200	3,244	3,683
Liquid funds in acquired/sold companies	864	652	691
<b>Cash flow from investing activities</b>	<b>-5,513</b>	-33,235	-35,558
<b>Cash flow before financing activities</b>	<b>10,720</b>	-20,326	-15,455
<b>Financing activities</b>			
New borrowings	5,947	19,942*	26,656
Amortisation of debt	-13,168		-21,806
Minority share of Group contribution paid	-	-	-22
Dividend paid	-1,750	-1,356	-1,364
<b>Cash flow from financing activities</b>	<b>-8,971</b>	18,586	3,464
<b>Cash flow for the period</b>	<b>1,749</b>	-1,740	-11,991

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

<b>Liquid assets</b>			
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	-533	-819	-728
Cash flow for the period	1,749	-1,740	-11,991
<b>Liquid assets at the end of period</b>	<b>16,689</b>	25,633	15,473

## OPERATIVE CASH FLOW STATEMENT

<b>Cash flow before financing activities</b>	<b>10,720</b>	-20,326	-15,455
<b>Financing activities</b>			
Acquired/sold interest-bearing debt, net	-	-2,064	-2,064
Minority share of Group contribution paid	-	-	-22
Dividend paid	-1,750	-1,356	-1,364
<b>Cash flow after dividend</b>	<b>8,970</b>	-23,746	-18,905
<b>Net debt</b>			
Net debt at the beginning of the period	-75,207	-55,736	-55,736
Cash flow after dividend	8,970	-23,746	-18,905
Exchange rate differences on net borrowing	599	257	-566
<b>Net debt at the end of the period</b>	<b>-65,638</b>	-79,225	-75,207

## EQUITY AND KEY RATIOS

### CHANGE IN EQUITY

Amounts in SEK million	January–September 2003	January–September 2002	Full year 2002
Opening balance	45,129	39,578	39,578
Dividend	-1,485	-1,030	-1,030
Translation differences	-1,960	-1,228	-954
Hedging	292		-31
Net profit for the period	5,713	4,027	7,566
Closing balance	47,689	41,347	45,129

### KEY RATIOS (DEFINITIONS ON PAGE 15)

(in per cent unless otherwise specified)

	October 2002–September 2003	Full year 2002
Return on net assets	12.2	10.5
Return on net assets, excl. items affecting comparability	12.3	10.1
Return on equity	22.4	19.1
Return on equity, excl. items affecting comparability	22.5	18.3
FFO/interest-bearing debt and provisions	22.1	18.0
FFO/net debt	29.1	22.7

	January–September 2003	January–September 2002
Operating margin	13.5	12.6
Operating margin, excl. items affecting comparability	13.6	12.0
Pre-tax profit margin	10.9	8.7
Pre-tax profit margin, excl. items affecting comparability	11.0	8.0
Interest coverage (times)	3.2	2.3
Interest coverage, excl. items affecting comparability (times)	3.3	2.2
FFO interest coverage (times)	4.1	3.1
FFO net interest coverage (times)	6.8	4.7
Equity/assets ratio	21.9	18.4
Net debt/net debt plus equity	53.3	60.0
Interest-bearing debt/interest-bearing debt plus equity	60.0	67.3
Net debt/equity (times)	1.1	1.5
EBITDA/net financial items (times)	8.8	6.3

## QUARTERLY INFORMATION

### QUARTERLY INFORMATION

Amounts in SEK million	Q 3 2003	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002
<b>Income statement</b>						
Net sales	23,184	22,479	36,019	28,784	22,496	21,300
Cost of products sold	-19,108	-17,071	-26,710	-20,295	-19,020	-17,053
Other expenses and revenue, net	-3,030	-2,773	-2,474	-3,244	-2,237	-1,573
Participations in the result of associated companies	149	158	220	-976	95	-17
Operating profit (EBIT)	1,195	2,793	7,055	4,269	1,334	2,657
Operating profit before depreciation (EBITDA)	3,803	4,776	10,317	10,663	4,264	5,395
Financial items, net	-759	-490	-892	-560	-1,070	-1,087
Profit before tax	436	2,303	6,163	3,709	264	1,570
Net profit for the period	37	1,514	4,162	3,539	275	1,435
<b>Balance sheet</b>						
Fixed assets	209,708	216,170	221,798	217,650	223,985	225,945
Current assets	37,441	39,838	47,682	43,153	38,124	37,048
Liquid assets	16,689	19,119	12,818	15,473	25,633	25,256
Total assets	263,838	275,127	282,298	276,276	287,742	288,249
Equity	47,689	48,654	49,185	45,129	41,347	41,192
Minority interests in equity	9,802	11,962	13,261	9,960	11,519	21,801
Provisions	90,275	93,953	96,434	97,578	101,871	100,231
Interest-bearing liabilities	86,237	91,761	90,143	94,740	108,905	101,503
Other liabilities	29,835	28,797	33,275	28,869	24,100	23,522
Total liabilities	263,838	275,127	282,298	276,276	287,742	288,249
<b>Cash flow</b>						
Funds from Operations (FFO)	648	4,086	7,697	6,651	2,470	2,251
Cash flow from changes in working capital	4,673	3,235	-4,106**	543	115	5,557
Cash flow from operating activities	5,321	7,321	3,591**	7,194	2,585	7,808
Cash flow from investing activities	-2,814	-1,866	-833	-2,362	-8,936	-3,353
Cash flow before financing activities	2,507	5,455	2,758**	4,832	-6,351	4,455
New borrowing/amortisation of debt, net	-4,437	2,555	-5,339**	-15,092	7,472	-2,675
Change in investment assets *	-	-	-	-	-66	-2,379
Dividend paid	-52	-1,597	-101	-8	-230	-1,126
Minority share of Group contributions paid	-	-	-	-22	-	-
Cash flow from financing activities	-4,489	958	-5,440**	-15,122	7,176	-6,180
Cash flow for the period	-1,982	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 30th June 2002.

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

**This report has been translated from the Swedish original.**

*Vattenfall's 2003 year-end report will be published on 19th February 2004 (previous date 20th February 2004).*

[www.vattenfall.com](http://www.vattenfall.com)

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