

YEAR-END REPORT, 19 FEBRUARY 2004

Strong result for Vattenfall - significant improvement in Germany

- **Net sales increased by 10.8 per cent to SEK 111,935 million (SEK 101,025 m)**
- **Operating profit increased by 14.5 per cent to SEK 15,296 million (SEK 13,363 m)**
- **Net profit increased by 20.6 per cent to SEK 9,123 million (SEK 7,566 m)**

Net sales, earnings and cash flow during 2003

2003 was a very eventful year, both on the Nordic and European electricity markets, and an important year for Vattenfall's activities. We have taken several important steps to consolidate the Group, and to realise our vision of becoming a leading European energy company. The net sales increase of almost 11 per cent was due partly to higher electricity revenues in the Nordic Countries and Germany, and partly due to the Polish company, GZE, being consolidated as from January 2003, and that the German company, Bewag, is included for the full year of 2003 as opposed to only eleven months last year.

The improvement in operating profit is explained almost entirely by cost savings and higher electricity market prices in Germany, and also by a considerable improvement in profits in Poland. Excluding items affecting comparability, operating profit increased by 16.4 per cent to SEK 15,033 m (SEK 12,916 m). Net profit improved by 20.6 per cent to SEK 9,123 million (SEK 7,566 m). Excluding items affecting comparability, net profit increased 23.2 per cent to SEK 8,944 million (SEK 7,262 m).

Return on equity, excluding items affecting comparability, increased to 19.8 per cent from 18.3 per cent.

Over a four-year period, return on equity amounted to 13.8 per cent, which means that we are getting close to the return requirement of 15 per cent.

The financial position has improved considerably. Vattenfall has been in a period of consolidation, for which reason investment in growth has been low and the strong cash flow has been used to repay loans. Net debt was reduced by over SEK 8 billion to SEK 66.9 billion. Cash flow before financing activities amounted to SEK 9.8 billion against minus SEK 15.5 billion in 2002.

Net sales, earnings and cash flow during the fourth quarter of 2003

Net sales increased by 5.1 per cent to SEK 30,253 million (SEK 28,784 m), while operating profit was more-or-less unchanged at SEK 4,253 million (SEK 4,269 m). Operating profit, excluding items affecting comparability, decreased by SEK 351 million to SEK 3,902 million (SEK 4,248 m). Net profit decreased by SEK 346 million to SEK 3,170 million (SEK 3,637 m).

Cash flow before financing activities amounted to minus SEK 879 million compared with SEK 4,832 million for the equivalent period last year. Net debt increased by SEK 1.2 billion. Total interest-bearing liabilities decreased by SEK 0.8 billion to SEK 85.6 billion.

Market developments

Hot, dry weather gave considerably less hydropower production than normal. This led to considerably higher average electricity prices in the Nordic Countries and largest ever imports. The average price on the spot market of the Nordic Power Exchange, Nord Pool, was SEK 333 per MWh (33.3 öre per kWh) against SEK 252 per MWh in 2002. As the water level gradually rose in the storage reservoirs, the spot price declined during the autumn. At the end of the year, the so-called hydrological balance for the Nordic Countries amounted to 14.2 TWh, against a deficit of 36.4 TWh at the end of 2002. During 2003, total electricity consumption in Sweden declined by 2 per cent to 146 TWh (148.8 TWh). For the Nordic Countries as a whole, electricity consumption declined by about 3 per cent to 378 TWh (389 TWh).

Electricity prices in Germany were also higher on average during 2003 than during the previous year. The average price on the German Energy Exchange, EEX, amounted to EUR 29.48 per MWh as opposed to EUR 22.55 per MWh in 2002. The unusually hot summer months on the continent resulted in lower water levels, and thus lower cooling capacity, which made necessary downward adjustment in nuclear power production. In France, electricity production declined as a result of strikes, and there was an import requirement from Germany and other countries. Vattenfall's generation of electricity in Germany increased by some 10 per cent during early 2003, primarily due to resumed generation from the Brunsbüttel nuclear power plant.

Total electricity consumption in Germany in 2003 amounted to a preliminary figure of 525 TWh, an increase of about one per cent compared with 2002.

Important events during the fourth quarter of 2003:

- Continued streamlining of operations. Vattenfall sold its shareholding in the IT company, Song Networks Holding and in A-Train AB. The latter transaction was completed in January 2004.
- The decision to introduce an organisation for the Nordic Countries as from 2004. The Group is now organised in two Business Groups; one for the Nordic Countries and one for continental Europe. Poland remains a separate business unit. In Germany, a further step in the process of integration was taken, with the appointment of a joint company management for HEW and Bewag, which involves an operational integration of the two companies.
- Interruptions in Vattenfall's Swedish networks occurred at the end of the year. At the beginning of 2004, Vattenfall decided to invest a further SEK 2 billion to a total of SEK 10 billion over 5 years, in order to improve operational reliability of its Swedish networks.
- The German nuclear power plant, Stade, was closed down in November. It is estimated that dismantling it will take approximately ten years. Vattenfall's share in Stade amounts to 33 per cent.
- The Swedish nuclear power plant, Barsebäck 2, resumed generation in December, after having been shut down for 5 months.

Important events earlier in 2003:

- Vattenfall's ownership share in the Polish sales and distribution company, GZE, was increased from 32 per cent to 53.7 per cent. GZE was consolidated into the Company as from 1 January 2003.
- A large customer service program – Number One for the Customer – was begun in Sweden. A number of tangible improvements for customers were launched, including the phasing out of the so-called “tillsvidarepris” contract (until further notice price agreement), the abolishment of prepayment charging and an introduction of “Easy Electricity Price”, i.e., a fixed monthly price for apartment customers. The programme also involves all of Vattenfall's 900,000 electricity network customers being given remote-readable electricity meters. Preliminary charges can thus be ended and replaced with invoicing of actual electricity consumption. During 2003, 44,000 such meters were installed.
- The merger of the four German companies, HEW, Bewag, VEAG and LAUBAG, to become Vattenfall Europe AG, was formally completed in August.
- Vattenfall's ownership of Vattenfall Europe AG was increased through the purchase of EnBW's share of about 2 per cent, and through purchases in the market. As a result of this, Vattenfall owns, directly and indirectly, about 94 per cent of the shares in Vattenfall Europe AG.
- Vattenfall's majority-owned nuclear power plant, Brunsbüttel, in Hamburg, resumed generation at the beginning of 2003, after having been shut down for over a year.

- The power plant, Goldistahl, in eastern Germany, was commissioned in September. With a capacity of 1,060 Megawatts, the plant is the largest pump storage power plant in Germany, and Vattenfall is thus number one in Germany when it comes to hydropower. Total investment was 620 MEUR (5.6 billion SEK).
- Two blocks of the oil-fired power station, Stenungsund, which had been put in reserve on a long-term basis, were returned to operation. The plant is responsible for the greater part of the reserve power of 800 MW that Vattenfall provides, in accordance with an agreement with Svenska Kraftnät which extends over several years.
- Investment has been started under Vattenfall's renewal programme for the Swedish generating installations. The programmes amount to SEK 16 billion for nuclear power and SEK 6 billion for hydropower.
- The Group's core values "Efficiency, Responsibility, Openness" were established and developed in a Company philosophy which is now being implemented throughout the entire Group.

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE AND CASH FLOW

Amounts in SEK million	2003	2002	Change %
Net sales	111,935	101,025	10.8
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	24,878	24,855	–
Operating profit (EBIT)	15,296	13,363	14.5
Operating profit excluding items affecting comparability	15,033	12,916	16.4
Financial items, net	–2,936	–3,376	13.0
Profit before tax and minority shares	12,360	9,987	23.8
Net profit for the period	9,123	7,566	20.6
Net profit excluding items affecting comparability	8,944	7,262	23.2
Return on net assets, excluding items affecting comparability	12.1	10.1	
Return on equity, excluding items affecting comparability	19.8	18.3	
Funds from operations (FFO)	18,804	17,106	9.9
Cash flow before financing	9,841	–15,455	n.a.
Free cash flow	11,606	10,821	7.3

See Page 17 for definitions.

Stockholm 19 February 2004



Lars G Josefsson
President and Chief Executive Officer

Amounts in SEK million 2003 2002 Change %

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Net sales	▲	111,935	101,025	10.8
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Comments:

The increase in net sales of approximately 11 per cent was due to increased electricity revenues in the Nordic Countries and Germany, and also to a strong increase in Poland due to the Polish company, GZE, being consolidated as from January 2003, and also to the German company, Bewag, being included for the full year of 2003 but for only eleven months in the previous year.

Net sales increased in the fourth quarter by 5.1 per cent to SEK 30,253 million (SEK 28,784 m).

Cost of products sold	▲	84,792	77,339	9.6
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Comments:

The increased costs are explained by increased costs of electricity purchases resulting from higher market prices. Due to lack of water in Vattenfall's storage reservoirs, more expensive production has been put into operation, and electricity has been imported from abroad via connections. The fact that GZE was consolidated as from January 2003, and the German company, Bewag, is included for the full year of 2003 but for only eleven months in the previous year, also contributed to the increase in operating costs.

Operating profit excluding items affecting comparability	▲	15,033	12,916	16.4
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Comments:

The improvement is almost entirely explained by cost savings and increased electricity market prices in Germany, together with a considerable profit improvement in Poland.

Operating profit declined during the fourth quarter by SEK 346 million to SEK 3,902 million (SEK 4,248 m).

Cash flow from operating activities	▼	18,191	20,103	-9.5
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Cash flow before financing	▲	9,841	-15,455	n.a.
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Free cash flow *	▲	11,606	10,821	7.3
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* Cash flow from operating activities minus maintenance investments

Comments:

Cash flow has been influenced by tax payments, which are neutral as regards profit, during the first half of the year, of about SEK 2.5 billion, referring to a tax action in Germany. During the fourth quarter, cash flow was negatively affected by a payment to the City of Hamburg of about SEK 900 million, and an additional dividend payment to the owner, the Swedish State, of SEK 190 million.

Net financial items	▲	-2,936	-3,376	13.0
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Comments:

The monthly level of the underlying net interest items amounted to an average of -SEK 275 million. Financial items amounted to -SEK 795 million during the fourth quarter, compared with -SEK 560 million for the equivalent period during 2002. This is primarily explained by higher interest rates on loans from Vattenfall's minority-owned German nuclear power company. This was, however, compensated by lower purchase costs for electricity generated by these companies.

Dissolution of negative goodwill	▲	4,754	3,626	31.1
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Comments:

Negative goodwill was dissolved, corresponding to restructuring costs in companies acquired in Germany.

Amounts in SEK million 2003 2002 Change %

FINANCIAL POSITION

Liquid assets	▼	14,647	15,473	-5.3
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Comments:

The reduction is primarily due to tax payments in Germany, and a payment of about SEK 900 million to the City of Hamburg as well as repayments of loans.

Over and above liquid assets, Vattenfall had available, on 31 December, SEK 10,185 million (USD 650 million and EUR 600 million in committed credit facilities). At the beginning of October a new five-year so-called Revolving Credit Facility was signed, of EUR 600 million.

Net debt	▼	66,890	75,207	-11.0
Average duration (yrs) *	▲	2.1	1.9	
Average maturity *	▲	5.1	4.3	

* Excluding loans from associated companies and minority owners.

Comments:

Net debt has fallen by SEK 8.3 billion to SEK 66.9 billion. During the fourth quarter, net debt increased by SEK 1.2 billion due to reduced liquid assets. Total debt declined from SEK 0.8 billion to SEK 85.6 billion.

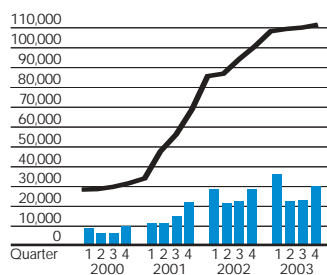
During 2003, both Standard & Poor's and Moodys changed their Rating Outlook from Negative to Stable. Vattenfall's present rating is A-/A-2 (Standard & Poor's) and A3/P-2 (Moody's).

Shareholders' equity	▲	52,506	45,129	16.3
Minority interest in shareholders' equity	▼	9,379	9,960	-5.8
Total	▲	61,885	55,089	12.3

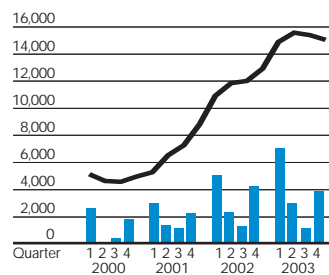
Comments:

The strengthening of the Swedish krona during the year had a net effect on shareholders' equity due to translation differences of -SEK 1,144 million (-SEK 985 m).

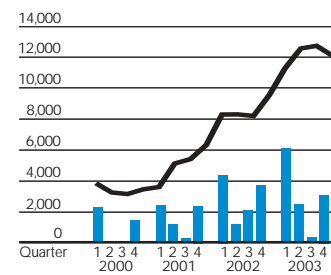
Net sales (SEK m)



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

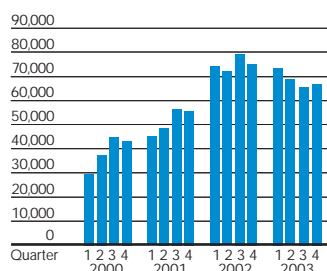


Profit before tax and minority interests, excl. items affecting comparability (SEK m)

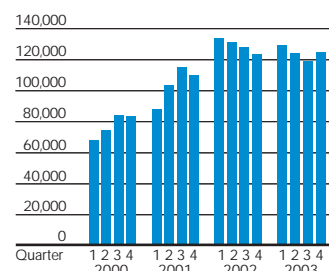


■ Rolling 12-month values ■ Quarterly values

Net debt (SEK m)



Net assets (SEK m)



Amounts in SEK million		2003	2002	Change %
INVESTMENTS				
Maintenance investments in facilities	▼	6,585	9,282	-29.1
Growth investments	▼	4,771	30,650	-84.4
Total investments	▼	11,356	39,932	-71.6

Comments:

During 2003, the Group was in a period of consolidation, and investment levels were consequently low. Of growth investments of about SEK 4.8 billion, SEK 758 million constitutes the increase of the share of GZE, SEK 342 million refers to the German pump power station, Goldistahl, SEK 429 million refers to block 5 of the heating plant in Uppsala, and just under SEK 1,500 million refers to the purchase of further shares in Vattenfall Europe AG. The remaining growth investments are distributed among various projects and installations in the Nordic Countries and Germany. Renewal investments were about 2.7 billion lower during 2003 than during 2002. The normal investment level is considered to amount to between SEK 7–9 billion.

DIVESTMENTS

	▼	2,057	3,683	-44.1
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Comments:

Divestments during 2003 consisted primarily of shareholdings in Song Networks Holding, HanseNet Telekommunikation and the Sikfors hydropower station.

PERSONNEL (NUMBER OF EMPLOYEES, EXPRESSED AS EMPLOYEE YEARS)

		2003	2002	Change %
Germany	▼	21,719	22,404	-3.0
Finland	▼	537	567	-5.3
Poland	▲	4,935	3,170	55.7
Sweden	▲	7,994	7,983	0.1
Other countries	▼	111	124	-10.5
Total	▲	35,296	34,248	3.1

Comments:

The increase in comparison with 2002 is largely due to the consolidation of the Polish company, GZE, in the Group from 2003. The number of employees in GZE as at the end of 2003 was 2,202.

POWER AND HEAT SALES

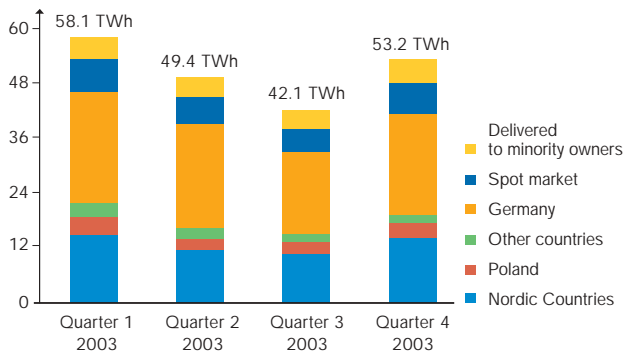
Electricity balance, TWh

Sales	2003	2002	Internal generation and input	2003	2002
Sweden	44.8	42.1	Hydropower	28.1	35.6
Finland	5.7	6.6	Nuclear power	56.5	52.9
Germany	87.0	93.9	Fossil-based and wind power	71.2	70.0
Poland	12.0	4.4	Total internal generation	155.8	158.5
Other countries	9.8	11.1	Purchased power	47.3	45.3
Spot market	24.9	30.2	Spot market	10.4	11.8
Total electricity sales	184.2	188.3	Total electricity input	213.5	215.6
Delivered to minority shareholders	17.9	16.7	Internal consumption	-10.7	-9.7
Other	0.7	0.9	Total	202.8	205.9
Total	202.8	205.9			

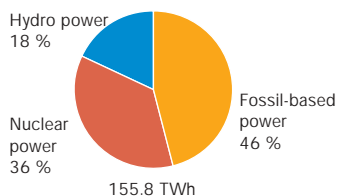
Heat sales, TWh	2003	2002
The Nordic Countries *	7.9	8.1
Germany	15.7	14.0
Poland	12.0	11.8
Total	35.6	33.9

* including so-called "thermal heat" deliveries.

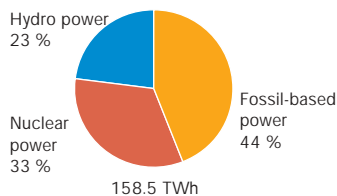
Electricity sales, TWh



Electricity generation 2003



Electricity generation 2002



Amounts in SEK million 2003 2002 Change %

THE NORDIC COUNTRIES

Generation Nordic Countries

Net sales	▲	29,531	25,667	15.1
Operating profit	▼	6,266	6,459	-3.0
Operating profit excl. items affecting comparability	▼	6,319	6,465	-2.3
Electricity generation (TWh) *	▼	77.5	86.7	-10.6
– of which hydropower	▼	25.8	34.4	-25.0
nuclear power	▼	51.6	52.2	-1.1
other		0.1	0.1	–

* Of electricity generation, Vattenfall has 61 TWh (70) at its disposal, and the remainder goes to minority owners.

Comments:

The net sales increase for the year is primarily due to the first quarter, when electricity prices were at extremely high levels.

For the fourth quarter, net sales declined, compared with the equivalent period last year, by 34.1 per cent to SEK 7,306 million (SEK 1,1086 m), and operating profit declined by 27.1 per cent to SEK 1,934 million (SEK 2,653 m). This is primarily explained by lower market prices and significantly lower levels of hydropower generation resulting from the dry year. Storage reservoir levels have improved, but are still well below the levels of normal years. At the end of the year, the deficit in the so-called hydrological balance for the Nordic Countries totalled 14.2 TWh, compared with a deficit of 36.4 TWh at the end of 2002. Vattenfall's generation of electricity was down by 9.4 TWh compared with 2002, which is almost entirely attributable to lower hydropower production. Nuclear power generation remained at a continued high level. Forsmark's nuclear power plant showed the second best generation result so far over twenty years of operation, with 23.8 TWh. Ringhals also showed a strong improvement in generation. Unit 2 and 4 at Ringhals had its best year ever. In December, Barsebäck 2 started generation again after having been shut down for five months.

Market Nordic Countries

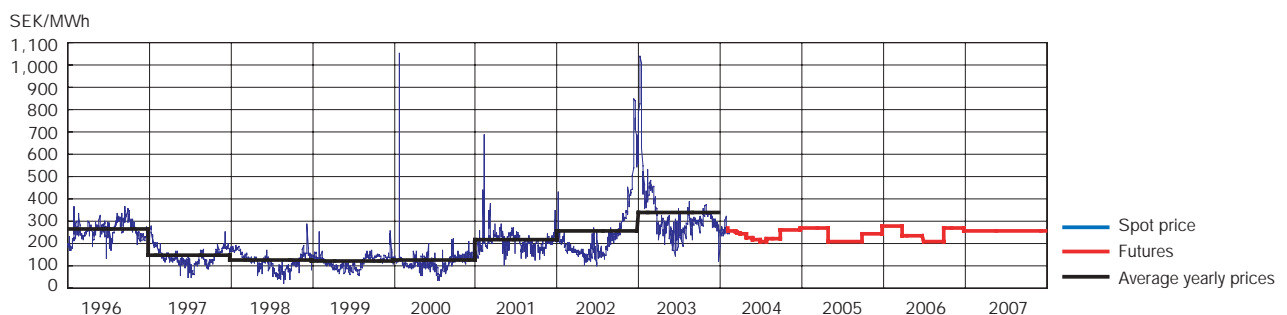
Net sales	▲	24,994	21,275	1.5
Operating profit	▲	369	286	29.0

Comments:

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

The increase in net sales in 2003 is mainly due to higher electricity prices. As higher market prices also meant higher acquisition costs, no equivalent improvement in earnings has occurred within the sales units. The earnings improvements within Market Nordic Countries is primarily explained by Supply & Trading's trade over the connection to abroad. During the fourth quarter net sales declined compared with the equivalent period in the previous year, by SEK 3,514 million to SEK 6,010 million (SEK 9,524 m), and operating profit declined by SEK 87 million to –SEK 150 million (–SEK 63 m).

Swedish electricity prices 1996–2007



Source: Nord Pool, February 6, 2004

Amounts in SEK million		2003	2002	Change %
Heat Nordic Countries				
Net sales	▲	2,868	2,761	3.9
Operating profit	▲	348	343	1.5
Heat production (TWh)	▼	6.0	6.4	-6.2
Electricity generation (TWh)		0.3	0.3	-

Comments:

The increase in net sales during 2003 is explained by higher heating and electricity prices. For the fourth quarter, net sales amounted to SEK 860 million (SEK 1,032 m). The decline is due to lower volume and lower electricity prices. During the fourth quarter, operating profit declined by SEK 64 million to SEK 160 million (SEK 224 m), primarily on account of lower heating volume and lower electricity prices, and also higher fuel prices and increased maintenance costs. The equivalent period last year was characterised by colder weather than normal, and extremely high electricity prices.

Electricity Networks Nordic Countries

Net sales	▲	7,809	7,674	1.8
Operating profit	▲	2,131	1,834	16.2
Transmitted volume (TWh)	▼	106.8	116.0	-7.9

Comments:

Electricity Networks Nordic Countries comprises the Electricity Networks Sweden and Electricity Networks Finland business units. The increase in net sales and operating profit is explained by higher grid prices and connection charges, which more than compensated for reduced volume. During the fourth quarter, net sales amounted to SEK 2,317 million (SEK 2,352 m). Operating profit for the fourth quarter increased, compared with the equivalent period of the previous year, by SEK 92 million to SEK 756 million (SEK 664 m). Vattenfall's compensation to customers for interruptions at the end of 2003 has burdened the result by about SEK 35 million.

Services Nordic Countries

Net sales	▲	3,042	2,974	2.3
Operating profit	▼	100	118	-15.3

Comments:

Approximately 75 per cent of the business unit's net sales derive from internal assignments within Vattenfall.

Lower capacity utilisation, fewer network interruptions and increasingly stiff competition in the consultancy market contributed to a profit decline at the beginning of 2003, which brought the profit for the full year down. Net sales increased during the fourth quarter compared with the equivalent period of the previous year by SEK 54 million to SEK 991 million (SEK 937 m), and operating profit increased by SEK 26 million to SEK 72 million (SEK 46 m). The improvement is primarily due to increased contractual revenue, partly as a result of the network disruptions.

Amounts in SEK million		2003	2002	Change %
GERMANY				
Net sales	▲	63,974	60,696	5.4
Operating profit	▲	6,318	4,733	33.5
Heat production (TWh)	▲	15.7	14.0	12.1
Electricity generation (TWh)	▲	74.6	68.1	9.5
– of which fossil-based power		67.4	66.1	2.0
nuclear power		4.9	0.9	444.4
hydropower		2.3	1.1	109.1

Comments:

The increase in profit during 2003 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 from 2005. As at 31 December, savings of SEK 3,074 m (EUR 338 million) had been achieved. The fact that Bewag was included during the full year of 2003 but only during eleven months of 2002 explains SEK 2.5 billion of the improvement in net sales, and about SEK 200 million of the improvement in operating profit. For the fourth quarter, net sales increased compared with the equivalent period of the previous year, by SEK 3,290 million to SEK 17,656 million (SEK 14,366 m), and operating profit increased by SEK 711 million to SEK 1,686 million (SEK 975 m). The strong increase in nuclear power generation is explained by the nuclear power plant, Brunsbüttel, having been shut down during almost all of 2002. The increased generation of hydropower is due to the new pump storage power station, Goldistahl, which was commissioned in the autumn of 2003.

POLAND

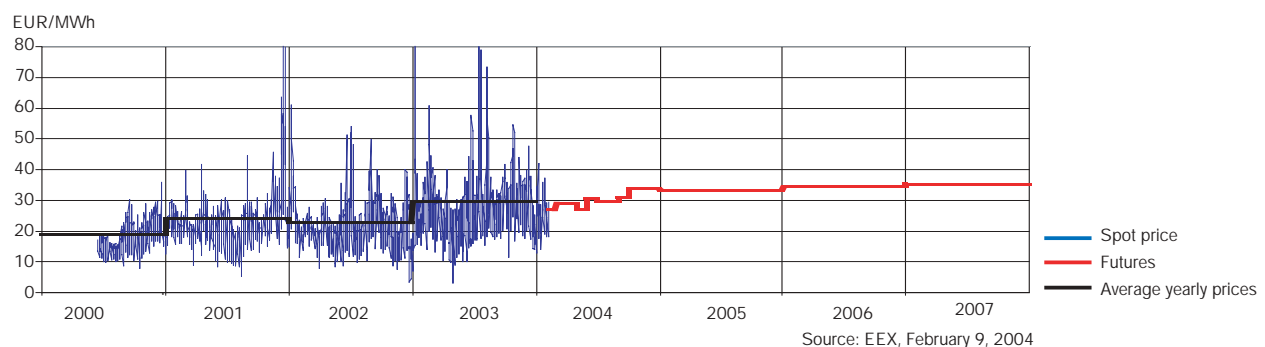
Net sales	▲	7,845	3,167	147.7
Operating profit	▲	443	5	–
Heat production (TWh)	▲	12.0	11.8	1.7
Electricity generation (TWh) *	▲	3.4	3.3	3.0

* 100 % fossil-based power.

Comments:

The strong increase in net sales is primarily due to the fact that the sales and distribution company, GZE, was consolidated into the Group as from 1 January 2003. GZE was responsible for SEK 237 million and EW for SEK 202 million of the improvement in operating profit. The positive profit trend is a result of efficiency enhancement of the Polish operations, higher sales volumes and reduced fuel costs. For the fourth quarter, net sales amounted SEK 2,092 million (SEK 1,113 m), and operating profit to SEK 153 million (SEK 47 m).

German electricity prices 2000 – 2007



THE PARENT COMPANY

Net sales amounted to SEK 2,6741 million (SEK 23,383 m). Profit after financial items was SEK 6,172 million (SEK 6,048 m), and the net profit was SEK 4,577 million (SEK 4,514 m). Investments for the year amounted to SEK 4,637 million (SEK 9,262 m). Liquid assets amounted to SEK 33 million (SEK 3,313 m) as per 31 December 2003. Funds in the Group account which are managed by Vattenfall Treasury AB, amounted to SEK 13,102 million (SEK 12,852 m) as per December 2003.

ACCOUNTING POLICIES

The consolidated accounts have been prepared in accordance with the Annual Accounts Act with the application of the Swedish Financial Accounting Standards Council's Recommendations.

As from 2003, the following new recommendations, issued by the Council, are being applied: RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment Reporting – sectors and geographical areas, RR26 Events after the Balance Sheet Date, RR27 Financial Instruments: Disclosure and Presentation, and RR28 Accounting for Government Grants. None of the recommendations involves any essential change in the accounting policies of Vattenfall, or consequently in the income statement and balance sheet compared with the previous year.

DIVIDENDS

Net income amounted to SEK 9,123 million (SEK 7,566 m), i.e., to SEK 69.27 (57.45) per share. The Board of Directors proposes a dividend of SEK 2,400 million, corresponding to SEK 18.22 per share.

GENERAL MEETING OF SHAREHOLDERS, ETC

The General Meeting of Shareholders will be held on 22 April 2004 in Stockholm. It is estimated that the Annual Report (in Swedish and English) will be available at www.vattenfall.se and www.vattenfall.com respectively on 19 March 2003. It is estimated that a German version can be published on www.vattenfall.com and www.vattenfall.de at the beginning of May. Printed reports in Swedish and English will be distributed at the beginning of April and in German in May 2004. Printed Annual Reports can be ordered from Vattenfall AB, SE-162 87 Stockholm, telephone +46 8-739 50 00, e-mail info@vattenfall.se.

Stockholm 19 February 2004

Vattenfall AB (publ)

Board of Directors

Vattenfall's three-month report 2004 will be published on 27 April 2004, the six-month report on 29 July 2004 and the nine-month report on 25 October (changed to 27 October) 2004.

Please find attached condensed income statements, balance sheets and cash flow statements for the full year and for the 4th quarter.

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CONSOLIDATED INCOME STATEMENT FOR 2003 AND FOR OCTOBER–DECEMBER 2003

Amounts in SEK million	FY 2003	FY 2002	Oct–Dec 2003	Oct–Dec 2002
Net sales	111,935	101,025	30,253	28,784
Cost of products sold *	-84,792	-77,339	-21,903	-20,295
Gross profit	27,143	23,686	8,350	8,489
Selling expenses, research and development costs and administrative expenses **	-12,501	-12,051	-4,106	-3,881
Other operating income and expenses – net	74	2,385	-44	637
Participations in the result of associated companies	580	-657	53	-976
Operating profit (EBIT) ***	15,296	13,363	4,253	4,269
Financial income	2,267	3,010	413	839
Financial expenses	-5,203	-6,386	-1,208	-1,399
Profit before tax and minority shares ****	12,360	9,987	3,458	3,709
Tax	-2,831	-1,763	-44	-49
Minority interests in profit for the year	-406	-658	-4	-121
Net profit for the period *****	9,123	7,566	3,410	3,539
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	24,878	24,855	5,982	7,037
Financial items, net	-2,936	-3,376	-795	-560
* Of which depreciation, SEK million	14,096	14,662	3,822	3,408
* Of which dissolution of negative goodwill	4,754	3,626	2,108	799
** Of which depreciation, SEK million	240	456	15	159
*** Including items affecting comparability	263	447	351	21
**** Including items affecting comparability	278	466	360	-1
***** Of which items affecting comparability adjusted for tax, SEK million	179	304	240	-98

EARNINGS PER SHARE

Amounts in SEK million	2003	2002
Number of shares (000)	131,700	131,700
Earnings per share, SEK	69.27	57.45

PRIMARY SEGMENTS

Amounts in SEK million	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability			
	FY 2003	FY 2002	Oct-Dec 2003	Oct-Dec 2002	FY 2003	FY 2002	Oct-Dec 2003	Oct-Dec 2002	FY 2003	FY 2002	Oct-Dec 2003	Oct-Dec 2002
NORDIC COUNTRIES												
Generation Nordic Countries	29,531	25,667	7,306	11,086	6,266	6,459	1,934	2,653	6,319	6,465	1,919	2,652
Market Nordic Countries	24,994	21,275	6,010	9,524	369	286	-150	-63	372	285	-150	-64
Heat Nordic Countries	2,868	2,761	860	1,032	348	343	160	224	345	326	159	215
Electricity Networks Nordic Countries	7,809	7,674	2,317	2,352	2,131	1,834	756	664	2,127	1,828	758	658
Services Nordic Countries	3,042	2,974	991	937	100	118	72	46	98	117	71	46
Other business	1,855	1,830	633	545	-690	-386	-369	-282	-841	-828	-556	-271
Eliminations *	-27,585	-24,212	-6,815	-12,344	11	-29	11	5	11	-29	11	5
Total Nordic Countries	42,514	37,969	11,302	13,132	8,535	8,625	2,414	3,247	8,431	8,164	2,212	3,241
GERMANY	63,974	60,696	17,656	14,366	6,318	4,733	1,686	975	6,160	4,747	1,538	960
POLAND	7,845	3,167	2,092	1,113	443	5	153	47	442	5	152	47
Eliminations **	-2,398	-807	-797	173	-	-	-	-	-	-	-	-
Total	111,935	101,025	30,253	28,784	15,296	13,363	4,253	4,269	15,033	12,916	3,902	4,248

* 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
Electricity *	75,966
Electricity networks	40,372
Heat	16,306
Other	7,988
Eliminations	-28,697
Total	111,935

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.

BALANCE SHEET

Amounts in SEK million	31 December 2003	31 December 2002
Assets		
Fixed assets		
Intangible fixed assets	5,558	6,250
Tangible fixed assets	181,940	184,972
Financial fixed assets	28,705	26,428
Total fixed assets	216,203	217,650
Current assets		
Inventories	7,283	7,112
Current receivables	26,832	36,041
Liquid assets *	14,647	15,473
Total current assets	48,762	58,626
Total assets	264,965	276,276
Equity, provisions and liabilities		
Equity	52,506	45,129
Minority interests in equity	9,379	9,960
Provisions **	91,884	97,578
Long-term interest-bearing liabilities	69,845	67,158
Other long-term liabilities	2,236	1,588
Current interest-bearing liabilities *	15,702	27,582
Other current liabilities	23,413	27,281
Total equity and liabilities	264,965	276,276
Pledged assets	112	3,453
Contingent liabilities	12,357	11,354
* Of which interest arbitrage transactions, SEK million	993	980
** Of which interest-bearing provisions, SEK million	84	99

Net assets

Amounts in SEK million	2003	2002
Nordic Countries	56,367	56,763
Germany	62,171	60,468
Poland	6,270	6,108
Total net assets on balance sheet date	124,808	123,339
Net assets, weighted average value	124,229	127,479

Net debt

Amounts in SEK million	2003	2002
Interest-bearing debt and interest-bearing provisions *	-85,631	-94,838
Liquid assets	14,647	15,473
Loans to minority owners in foreign subsidiaries	4,094	4,158
Total net debt	-66,890	-75,207
* Of which loans from minority owned German nuclear power companies.	14,979	16,566

Provisions

Amounts in SEK million	2003	2002
Pension provisions	14,946	16,643
Provisions for deferred tax liability	34,854	34,410
Provisions for future expenses of nuclear waste	6,592	6,517
Provisions for future expenses of mining operations and other environmental measures/undertakings	10,219	10,898
Non-pension personnel-related provisions	6,498	3,164
Provisions for tax and legal actions	6,752	8,260
Negative goodwill	10,123	15,479
Other provisions	1,900	2,207
Total provisions	91,884	97,578

CASH FLOW STATEMENT

Amounts in SEK million 2003 2002

CASH FLOW STATEMENT IN ACCORDANCE WITH THE SWEDISH FINANCIAL ACCOUNTING STANDARDS COUNCIL'S RECOMMENDATION NO. 7
Operating activities

Funds from Operations (FFO)	18,804	17,106
Cash flow from changes in working capital	-613	2,997
Cash flow from operating activities	18,191	20,103

Investing activities

Investments	-11,356	-39,932
Net sales	2,057	3,683
Liquid funds in acquired/sold companies	949	691
Cash flow from investing activities	-8,350	-35,558

Cash flow before financing activities

9,841 -15,455

Financing activities

New borrowings	6,610	26,656
Amortisation of debt	-15,002	-21,806
Minority share of Group contribution paid	-	-22
Dividend paid	-1,937	-1,364
Cash flow from financing activities	-10,329	3,464

Cash flow for the period

-488 -11,991

Liquid assets

Liquid assets at the beginning of the period	15,473	10,340
Reclassification of investment assets as liquid assets	-	17,852
Exchange rate differences	-338	-728
Cash flow for the period	-488	-11,991
Liquid assets at the end of the period	14,647	15,473

OPERATIVE CASH FLOW STATEMENT

Cash flow before financing activities 9,841 -15,455

Financing activities

Acquired/sold interest-bearing debt, net	-45	-2,064
Minority share of Group contribution paid	-	-22
Dividend paid	-1,937	-1,364
Cash flow after dividend	7,859	-18,905

Net debt

Net debt at the beginning of the period	-75,207	-55,736
Cash flow after dividend	7,859	-18,905
Exchange rate differences on net borrowing	458	-566
Net debt at the end of the period	-66,890	-75,207

CHANGE IN EQUITY

Amounts in SEK million	2003	2002
Opening balance	45,129	39,578
Dividend	-1,675	-1,030
Translation differences	-1,213	-954
Hedging	69	-31
Displacement between equity and minority share of equity	1,073	-
Net profit for the period	9,123	7,566
Closing balance	52,506	45,129

KEY RATIOS (Definitions on Page 17)
(In per cent unless otherwise specified)

	2003	2002
Return on net assets	12.3	10.5
Return on net assets excl. items affecting comparability	12.1	10.1
Return on equity	20.2	19.1
Return on equity excl. items affecting comparability	19.8	18.3
FFO/interest-bearing debt and provisions	22.0	18.0
FFO/net debt	28.1	22.7
Operating margin	13.7	13.2
Operating margin excl. items affecting comparability	13.4	12.8
Pre-tax profit margin	11.0	9.9
Pre-tax profit margin, excl. items affecting comparability	10.8	9.4
Interest coverage (times)	3.4	2.6
Interest coverage excl. items affecting comparability (times)	3.3	2.5
FFO interest coverage (times)	4.6	3.7
FFO net interest coverage (times)	7.4	6.1
Equity/assets ratio	23.4	20.0
Net debt/net debt plus equity	51.9	57.7
Interest-bearing debt/interest-bearing debt plus equity	58.0	63.2
Net debt/equity (times)	1.1	1.4
EBITDA/net financial items (times)	8.5	7.4

QUARTERLY INFORMATION

Amounts in SEK million

	Q 4 2003	Q 3 2003	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002
Income statement								
Net sales	30,253	23,184	22,479	36,019	28,784	22,496	21,300	28,445
Cost of products sold	-21,903	-19,108	-17,071	-26,710	-20,295	-19,020	-17,053	-20,971
Other expenses and revenue, net	-4,150	-3,030	-2,773	-2,474	-3,244	-2,237	-1,573	-2,612
Participations in the result of associated companies	53	149	158	220	-976	95	-17	241
Operating profit before depreciation (EBITDA)	5,982	3,803	4,776	10,317	10,663	4,264	5,395	8,159
Operating profit (EBIT)	4,253	1,195	2,793	7,055	4,269	1,334	2,657	5,103
Financial terms, net	-795	-759	-490	-892	-560	-1,070	-1,087	-659
Profit before tax	3,458	436	2,303	6,163	3,709	264	1,570	4,444
Net profit for the period	3,410	37	1,514	4,162	3,539	275	1,435	2,317
Balance sheet								
Fixed assets	216,203	209,708	216,170	221,798	217,650	223,985	225,945	238,784
Current assets	34,115	37,441	39,838	47,682	43,153	38,124	37,048	44,450
Liquid assets	14,647	16,689	19,119	12,818	15,473	25,633	25,256	9,214
Total assets	264,965	263,838	275,127	282,298	276,276	287,742	288,249	292,448
Equity	52,506	47,689	48,654	49,185	45,129	41,347	41,192	40,807
Minority interests in equity	9,379	9,802	11,962	13,261	9,960	11,519	21,801	21,584
Provisions	91,884	90,275	93,953	96,434	97,578	101,871	100,231	98,403
Interest-bearing liabilities	85,547	86,237	91,761	90,143	94,740	108,905	101,503	103,561
Other liabilities	25,649	29,835	28,797	33,275	28,869	24,100	23,522	28,093
Total equity, provisions and liabilities	264,965	263,838	275,127	282,298	276,276	287,742	288,249	292,448
Net assets	124,808	119,151	124,191	129,502	123,339	128,094	131,523	133,280
Net debt	-66,890	-65,638	-68,704	-73,473	-75,207	-79,225	-72,069	-74,370
Cash flow								
Funds from Operations (FFO)	6,373	648	4,086	7,697	6,651	2,470	2,251	5,734
Cash flow from changes in working capital	-4,415	4,673	3,235	-4,106**	543	115	5,557	-3,218
Cash flow from operating activities	1,958	5,321	7,321	3,591**	7,194	2,585	7,808	2,516
Cash flow from investing activities	-2,837	-2,814	-1,866	-833	-2,362	-8,936	-3,353	-20,907
Cash flow before financing activities	-879	2,507	5,455	2,758**	4,832	-6,351	4,455	-18,391
Net borrowing/amortisation of debt, net	-1,171	-4,437	2,555	-5,339**	-15,092	7,472	-2,675	15,145
Change in investment assets *	-	-	-	-	-	-66	-2,379	2,445
Dividend paid	-187	-52	-1,597	-101	-8	-230	-1,126	-
Minority interests of Group contributions paid	-	-	-	-	-22	-	-	-
Cash flow from financing activities	-1,358	-4,489	958	-5,440**	-15,122	7,176	-6,180	17,590
Cash flow for the period	-2,237	-1,982	6,413	-2,682	-10,290	825	-1,725	-801

* Refers to financial fixed assets and current receivables which were reclassified as liquid assets as of 30 June 2002.

** A reclassification compared with the quarterly report for the first quarter of 2003.

KEY RATIOS (Definitions on Page 17)

(In per cent unless otherwise specified)

Amounts in SEK million	Q 4 2003	Q 3 2003	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002
Return on net assets (1)	12.3	12.2	12.1	11.9	10.5	10.3	10.6	10.7
Return on net assets (1) (2)	12.1	12.3	12.2	11.6	10.1	9.7	10.0	9.9
Return on equity (1)	20.2	22.4	23.0	23.1	19.1	14.8	14.2	11.9
Return on equity (1) (2)	19.8	22.5	23.2	22.3	18.3	14.0	12.7	13.0
Funds from Operations (FFO)/interest-bearing debt and provisions (1)	22.0	22.1	22.7	21.1	18.0	12.3	14.6	14.8
Funds from Operations FFO/net debt (1)	28.1	29.1	30.4	26.0	22.7	17.0	21.0	20.6
Interest coverage (times)	3.4	3.2	4.7	5.9	2.6	2.3	3.1	4.9
Interest coverage (times) (2)	3.3	3.3	4.8	5.9	2.5	2.2	3.0	4.9
FFO interest coverage (times)	4.6	4.1	6.2	7.1	3.7	3.1	3.8	6.1
Equity/assets ratio	23.4	21.9	22.1	22.2	20.0	18.4	21.9	21.4
Net debt/equity + net debt	51.9	53.3	53.1	54.1	57.7	60.0	53.4	54.4
Net debt/equity (times)	1.1	1.1	1.1	1.2	1.4	1.5	1.1	1.2

(1) = rolling 12-month values

(2) = excluding items affecting comparability

DEFINITIONS

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

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

Pre-tax profit margin (per cent): Profit before tax and minority shares 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 loans to minority owners in foreign subsidiaries and liquid funds in relation to interest-bearing debt and provisions, minus loans to minority owners in foreign subsidiaries 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 loans to minority owners in foreign subsidiaries 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 (per cent): FFO in relation to interest-bearing debt and provisions minus loans to minority owners in foreign subsidiaries and liquid assets.

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

Free cash flow: Cash flow from operating activities minus renewal investment in installations.

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation.

EBIT: Earnings Before Interest and Tax.

FFO: Funds From Operations (Funds provided internally).

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