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- Net sales decreased by 11.7 per cent to SEK 31,810 million (36,019)
 - Operating profit increased by 8.6 per cent to SEK 7,664 million (7,055)
 - Net profit after tax increased by 14.5 per cent to SEK 4,765 million (4,162)

**Strong financial performance
despite lower market prices for electricity**

Vattenfall reports substantial profits for the first three months of the year. The increase in operating profit compared with the first quarter of 2003 is largely due to the integration of the acquired German companies leading to considerable cost savings and synergy effects. Net sales decreased due to market prices for electricity being considerably lower during the first quarter compared with last year. Despite lower market prices for electricity, operating profit increased as Vattenfall hedged large shares of its generation at a higher price than in the equivalent period in 2003. Strong cash flow during the first quarter of 2004 also meant that net debt could be reduced by approximately SEK 4 billion to SEK 62.9 billion (December 31, 2003: SEK 66.9 billion). The return on net assets was 12.6 per cent (11.6) while the return on equity was 19.4 per cent (22.3), both ratios excluding items affecting comparability.

Market development

The average price on the Nordic energy exchange Nord Pool's spot market was SEK 259 per MWh, which was 46 per cent lower than for the same period in 2003. At the end of March, the deficit in the so-called hydrological balance for the Nordic Countries was 19.7 TWh, compared with a deficit of 32 TWh in March 2003. According to preliminary figures, total electricity consumption in Sweden during the first quarter of 2004 was 43.5 TWh, unchanged from the first quarter of 2003. For the Nordic Countries as a whole, electricity consumption increased by 2.9 TWh to 113.4 TWh (110.5).

In Germany, the average price on the German Electricity Exchange EEX dropped, and was EUR 28.52 per MWh (29.97) for the first quarter of 2004. Total electricity consumption in Germany during January and February was somewhat lower than for the equivalent months in 2003. (Statistics for March not yet available.)

The EU's trading system for emission rights

During the first quarter, the impending system for trading in emission rights was subject to intensive political negotiations within the energy sector, particularly in Germany. According to the Kyoto Protocol, the EU member states are committed to reducing their emissions of greenhouse gases by eight (8) per cent by 2012 compared to 1990. According to the time plan, the member states were to submit their national allocation plans to the EU Commission no later than March 31 (May 1 for the new member states). Only five countries, among them Germany, submitted such plans on time. The other countries have produced outlines or are still pursuing discussions. For Vattenfall, with its main markets comprising



the Nordic Countries, Germany and Poland, the German allocation plan is of the greatest importance. This plan specifies the framework for permitted emissions and, in the allocation of emission rights, Vattenfall has been able to include its extensive investments in East Germany, which almost halved Vattenfall's emissions. Vattenfall considers the allocation of emission rights to be acceptable and, overall, Vattenfall expects to see a positive financial effect resulting from the new trading system.

New models for regulating network operations

In Germany, an independent network regulator is to be introduced as of July 2004. In Sweden, the proposal for a new model, the so-called network utility model, has long been under discussion. The formulation of these systems is still underway and exactly how the new network regulation systems will function is as yet unknown. Vattenfall expects no material effects in the medium term.

**New organisation in the Nordic Countries
and within electricity trading operations**

As of January 2004, the business units within Nordic Countries are organised under a joint Business Group – Vattenfall Nordic Countries. The business units in Germany are organised, as before, under Business Group Vattenfall Europe. Poland remains a separate business unit.

Parallel to this, electricity trading activities in Germany and Sweden are being co-ordinated in order to utilise synergies such as risk and credit management, information flows, IT systems and cross-border trading.

Awards to Vattenfall in Poland

Vattenfall Poland was honoured with two awards in the month of January.

The prize in the “foreign investor” category has previously been awarded to companies such as General Motors, Toyota and SAP. In 2004, the award went to Vattenfall and Fiat. Vattenfall Poland was nominated as an “active and reliable investor, which has established new norms within the Polish energy sector and acts responsibly both socially and with regard to the environment”.

The other award, “Schlesien’s Oscar”, is a regional prize for the most active leaders within the business and social communities of Schlesien. Vattenfall received the award for its economic development project in Upper Schlesien.

Vattenfall strengthens customer standing

During the spring, Vattenfall will appoint a customer ombudsman in order to take better care of customer interests in the Nordic countries. Vattenfall wants its customers to have a well functioning channel to turn to when problems arise. Customers will also be protected against late billing. For this reason, as of March 9, Vattenfall has ceased demanding payment from customers for electricity consumption via networks that occurred more than one year ago and where Vattenfall has caused the delayed billing.

Vattenfall’s goal is to be number one for the customer and comprehensive projects are underway in order to simplify and improve matters for customers in several areas.

For example:

- Installation of remote-readable meters in Sweden and Finland.
- Bills that are easier to read and understand. The new bills were sent out at the beginning of March.
- Revision of cancellation rules and statute of limitations based on what customers consider reasonable and justifiable conditions.
- Increase in investment level in Vattenfall’s electricity networks to SEK 10 billion over the next five years.

In Finland, Vattenfall will be the first company to introduce billing based on actual consumption. This reform will take place in the summer. The electricity bills will be easier to read and understand. Vattenfall will continue with the initiative to live up to its promise to be number one for the customer.



Lars G Josefsson
President and Chief Executive Officer

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE AND CASH FLOW

Amounts in SEK millions	January–March 2004	January–March 2003	Change %
Net sales	31,810	36,019	–11.7
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	10,767	10,317	4.4
Operating profit (EBIT)	7,664	7,055	8.6
Operating profit excluding items affecting comparability	7,639	7,006	9.0
Financial items, net	–690	–892	22.6
Profit before tax and minority shares	6,974	6,163	13.2
Net profit	4,765	4,162	14.5
Net profit excluding items affecting comparability	4,748	4,134	14.9
Return on net assets, excluding items affecting comparability *	12.6	11.6	–
Funds from operations (FFO)	8,990	7,697	16.8
Cash flow before financing	4,580	2,758	66.1
Free cash flow	6,504	2,641	146.3

Vattenfall's financial performance varies considerably over the year. The greater part of the year's profit is normally generated during the first and fourth quarters when demand for electricity and heating peaks.

* Rolling 12-month value.

Amounts in SEK millions January–March 2004 January–March 2003 Change %

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Net sales	▼	31,810	36,019	–11.7
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Comments:

Net sales decreased as a result of lower market prices for electricity during the first quarter of 2004 compared with the first quarter the previous year. In the Nordic countries, the market price for electricity averaged SEK 259 per MWh, which was 46 per cent lower than the equivalent period in 2003. In Germany, the price averaged EUR 22.82 per MWh, compared to EUR 29.97 per MWh last year.

Cost of products sold	▼	21,653	26,710	–18.9
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Comments:

The comparatively low electricity prices led to more advantageous prices when hedging electricity generation.

Operating profit	▲	7,664	7,055	8.6
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Comments:

The increase in operating profit compared to the equivalent period the previous year was mainly due to cost savings in German operations and improved financial performance within electricity generation as a result of higher availability within generation and more advantageous hedging prices.

Cash flow from operating activities	▲	7,660	3,591	113
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Cash flow before financing	▲	4,580	2,758	66
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Free cash flow *	▲	6,504	2,641	146
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* Cash flow from operating activities minus maintenance investments.

Comments:

Cash flow for the first quarter the previous year was affected negatively by tax payments in Germany totalling SEK 2 billion.

Financial items, net	▲	–690	–892	22.6
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Comments:

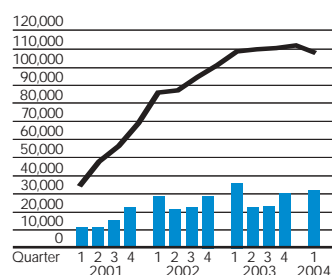
The underlying net interest items averaged approximately SEK 240 million for the first three months (300).

Dissolution of negative goodwill	▲	325	238	36.5
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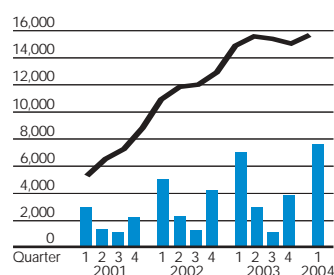
Comments:

In the first three months, negative goodwill was dissolved in the amount of SEK 325 million (238), corresponding to restructuring costs in Germany.

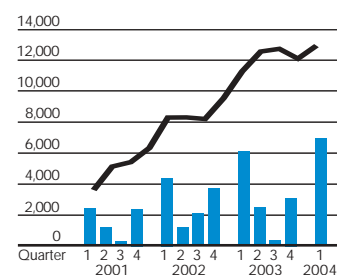
Net sales (SEK m)



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

FINANCIAL POSITION

Amounts in SEK millions		March 31, 2004	December 31, 2003	Change %
Liquid assets	▼	13,028	14,647	-11,1
Comments:				
The decrease in liquid assets is attributable to the repayment of loans. In addition to liquid assets, the Group also had available SEK 8,206 million (EUR 600 million and USD 350 million) in committed credit facilities as of March 31.				
Net debt	▼	62,916	66,890	-6,0
Average duration (years) *	▶	2.1	2.1	
Average maturity *	▲	5.2	5.1	

* Excluding loans from associated companies and minority owners.

Comments:

Strong cash flow contributed to a reduction in net debt of SEK 3,974 million during the first quarter. The average maturity of Vattenfall's debt portfolio was 5.2 years and the average duration was 2.1 years. In April, a 20-year Eurobond for EUR 500 million was issued. The transaction saw strong demand from a wide range of European investors. This new loan means that the average maturity in the debt portfolio will increase to 6.6 years.

Equity	▲	57,352	52,506	9.2
Minority interest in equity	▼	8,891	9,379	-5.2
Total	▲	66,243	61,885	7.0

Comments:

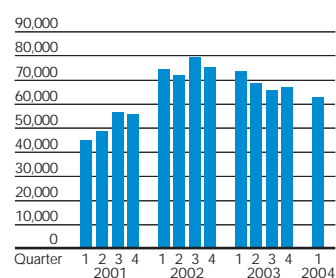
Changes in equity are specified on page 13.

Amounts in SEK million		January–March 2004	January–March 2003	Change %
INVESTMENTS				
Maintenance investments in facilities	▲	1,156	950	21.6
Growth investments	▲	2,101	813	158.4
– of which shares	▲	1,710	390	338.4
Total investments	▲	3,257	1,763	84.7

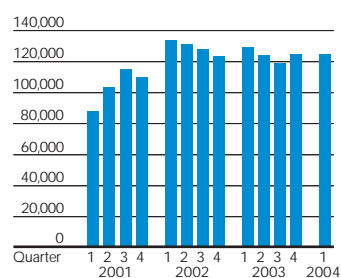
Comments:

Investments during the first quarter increased in comparison with the first quarter last year, mainly due to ownership in Polish GZE being increased, as planned, from 54 per cent to 75 per cent.

Net debt (SEK m)



Net assets (SEK m)



PERSONNEL (Number of employees, expressed as full-time equivalents)

		March 31, 2004	March 31, 2003	December 31, 2003
Germany	▼	21,016	21,745	21,719
Finland	▶	538	538	537
Poland	▼	3,472	5,293	4,935
Sweden	▲	8,088	7,893	7,994
Other Countries	▲	114	110	111
Total	▼	33,228	35,579	35,296

Comments:

The personnel cutbacks in Poland include 761 individuals in the company EW Services, in which ownership was reduced, meaning that the company is no longer consolidated.

POWER AND HEAT SALES

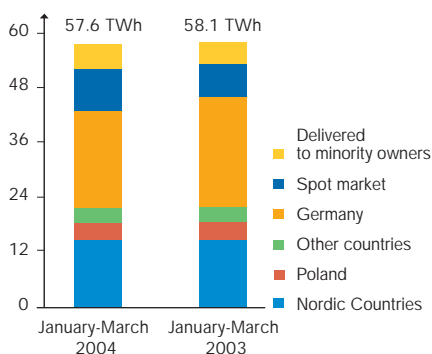
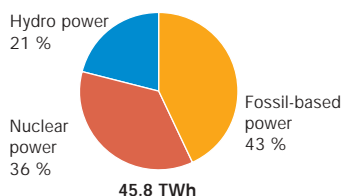
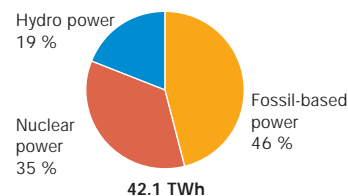
Electricity balance (TWh)

	January–March 2004	January–March 2003		January–March 2004	January–March 2003
Sales			Internal generation and input		
Sweden	12.9	13.0	Hydro power	9.4	8.0
Finland	1.9	1.8	Nuclear power	16.7	14.7
Germany	21.2	24.2	Fossil-based and wind power	19.7	19.4
Poland	3.6	3.9	Total internal generation	45.8	42.1
Other Countries	3.3	3.2	Purchased power	12.8	15.8
Spot market	9.3	7.3	Spot market	2.5	2.9
Total electricity sales	52.2	53.4	Total electricity input	61.1	60.8
Delivered to minority owners	5.3	4.6	Internal consumption	-3.5	-2.7
Other	0.1	0.1	Total	57.6	58.1
Total	57.6	58.1			

	January–March 2004	January–March 2003
Heat sales, TWh		
The Nordic Countries*	2.8	2.8
Germany	6.3	6.8
Poland	5.1	5.4
Total	14.2	15.0

* including so-called "thermal heat" deliveries.

Electricity sales, TWh

Electricity generation
January–March 2004Electricity generation
January–March 2003

Amounts in SEK millions		January–March 2004	January–March 2003	Change %
NORDIC COUNTRIES				
Generation Nordic Countries				
Net sales	▼	6,990	11,297	–38.1
Operating profit	▲	3,056	2,859	6.9
Electricity generation (TWh) *	▲	24.1	22.3	8.1
– of which hydro power	▲	8.7	7.6	14.5
nuclear power	▲	15.4	14.7	4.8
other		–	–	

* Of electricity generation, Vattenfall has 19 TWh (18) at its disposal, and the remainder goes to minority owners.

Comments:

The lower average market prices for electricity contributed to reduced sales. Due to high availability in hydro- and nuclear power generation and more advantageous hedging prices, operating profit increased compared with the equivalent period the previous year. Investments in the renewal program for hydro- and nuclear power amounted to SEK 343 million for the first quarter.

Market Nordic Countries

Net sales	▼	5,850	8,672	–32.5
Operating profit	▲	152	110	38.2

Comments:

Sales decreased due to lower market prices for electricity. More normal weather conditions and prices compared to the extreme situation for the equivalent period the previous year and improved financial performance in electricity trading contributed to improvements in operating profit. During the first quarter, a contract was signed with ABB concerning electricity supply until 2005 and several large tenders were submitted to major industrial customers.

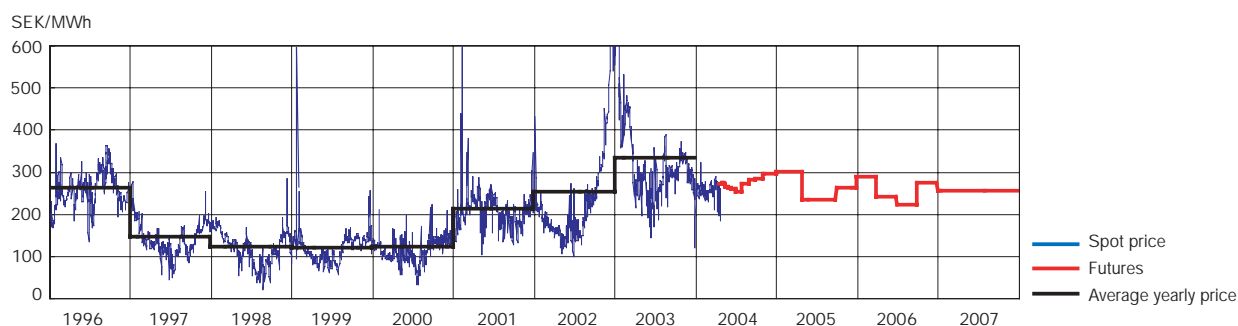
Heat Nordic Countries

Net sales	▼	1,098	1,104	–0.5
Operating profit	▼	261	281	–7.1
Heat production (TWh)	▲	1.9	1.8	5.6
Electricity generation (TWh)	▶	0.2	0.2	

Comments:

Sales and financial performance decreased somewhat during the first quarter compared with the first quarter of 2003 due to warmer weather and lower prices. General planning and the application process for an environmental permit were initiated for a new thermal plant in Vänernsberg, Sweden.

Swedish electricity prices 1996–2007



Source: Nord Pool, April 16, 2004

Amounts in SEK millions		January–March 2004	January–March 2003	Change %
Electricity Networks Nordic Countries				
Net sales	▲	2,765	2,647	4.5
Operating profit	▼	1,156	1,198	–3.5
Transmitted volume (TWh)	▼	32.3	32.4	–0.3

Comments:

Operating profit decreased compared with the equivalent period the previous year due to reconciliation costs attributable to 2002 and 2003. Substantial measures to further improve quality are in progress. For example, 2,260 km of network lines have been cleared.

Services Nordic Countries

Net sales	▲	661	616	7.3
Operating profit	▲	37	–22	n.a.

Comments:

Most operations are run within the Group. Operating profit increased compared with the first quarter of 2003 due to a more positive business climate within all of Services' areas of operation.

GERMANY

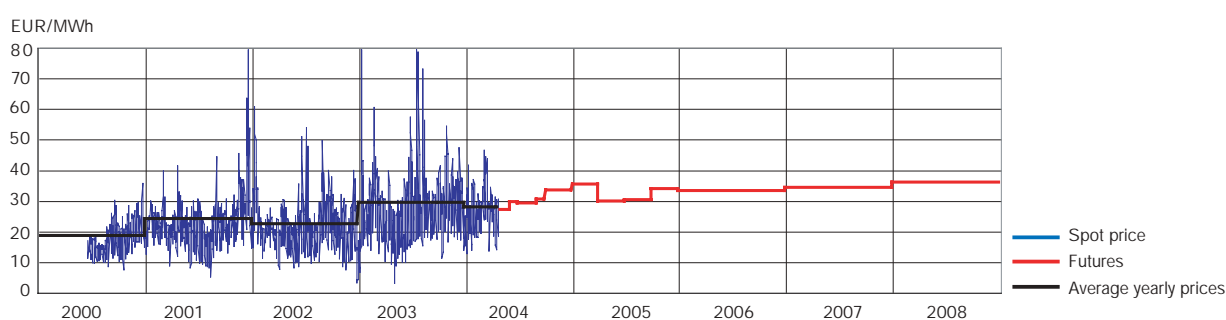
Net sales	▲	18,174	17,578	3.4
Operating profit	▲	2,829	2,512	12.6
Heat production (TWh)	▼	6.3	6.9	–8.7
Electricity generation (TWh)	▲	20.2	18.3	10.4
– of which fossil-based power	▲	18.3	17.9	2.2
nuclear power	▲	1.2	–	–
hydro power	▲	0.7	0.4	75

Comments:

Despite interruptions in generation at several of the German plants, operating profit in Germany increased compared with the equivalent period the previous year. Electricity generation increased somewhat as a result of the Brunsbüttel nuclear plant being shut down for most of the first quarter of 2003. Heat production decreased somewhat due to warmer weather and the associated lower demand.

As of March 31, savings of EUR 343 million (SEK 3,178 million) had been achieved in the ongoing cost-cutting program within Vattenfall Europe.

German electricity prices 2000–2008



Source: EEX, April 21, 2004

Amounts in SEK millions		January–March 2004	January–March 2003	Change %
POLAND				
Net sales	▼	2,198	2,557	-14.0
Operating profit	▲	289	248	16.5
Heat production (TWh)	▼	5.1	5.4	-5.6
Electricity generation (TWh) *	▼	1.2	1.3	-7.7

* 100% fossil-based power.

Comments:

Operating profit increased as a result of lower coal prices, a higher margin on electricity sales and lower losses on accounts receivable. Warmer weather and lower volumes contributed to reduced sales.

THE PARENT COMPANY

Net sales amounted to SEK 7,706 million (SEK 8,352). Profit after financial items was SEK 2,290 million (SEK 2,512). Investments for the period amounted to SEK 2,512 million (534). Liquid assets amounted to SEK 44 million (2003-12-31: 33). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 12,315 million (2003-12-31: 13,102).

ACCOUNTING POLICIES

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

In the preparation of this report, Vattenfall has applied the Accounting Principles specified in the Group's note 2 in Vattenfall's annual report for the year 2003 with the exception that, as mentioned in said note, as of 2004, Vattenfall applies the Swedish Financial Accounting Standards Council's recommendation (RR29) concerning employee benefits.

Through the application of RR29, the benefit-based pension plans of all Group companies are reported according to the same principles. In accordance with the recommendation's transition regulations, an opening provision has been calculated for January 1, 2004. The total effect of the transition is SEK 1,265 million and this has been reported as an increase in pension provisions. The altered principle entails a reduction in non-restricted equity of SEK 670 million after taking into account deferred tax and minority interests.

In accordance with the recommendation's transition regulations, Vattenfall has not recalculated previous financial years using the principles of the new recommendation.

The detailed review of provisions in Germany communicated in Vattenfall's annual report for 2003 (see the Group's note 24) is progressing according to plan but has not yet been completed.

Stockholm, April 27, 2004

Lars G Josefsson
President and Chief Executive Officer

INCOME STATEMENT

Amounts in SEK millions	January–March		Full year
	2004	2003	2003
Net sales	31,810	36,019	111,935
Cost of products sold *	-21,653	-26,710	-84,792
Gross profit	10,157	9,309	27,143
Selling expenses, research and development costs and administrative expenses **	-2,835	-2,557	-12,501
Other operating income and expenses – net	134	83	74
Participations in the result of associated companies	208	220	580
Operating profit (EBIT) ***	7,664	7,055	15,296
Financial income	396	365	2,267
Financial expenses	-1,086	-1,257	-5,203
Profit before tax and minority interest ****	6,974	6,163	12,360
Tax	-1,869	-1,596	-2,831
Minority interest in profit for the period	-340	-405	-406
Net profit for the period *****	4,765	4,162	9,123
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	10,767	10,317	24,878
Financial items, net	-690	-892	-2,936
* Of which depreciation, SEK millions	3,364	3,423	14,096
* Of which dissolution of negative goodwill, SEK millions	-325	-238	4,754
** Of which depreciation, SEK millions	64	77	240
*** Including items affecting comparability, SEK millions	25	49	263
**** Including items affecting comparability, SEK millions	23	49	278
***** Of which items affecting comparability adjusted for tax, SEK millions	17	28	179

EARNINGS PER SHARE

Amounts in SEK millions	January–March		Full year
	2004	2003	2003
Number of shares (thousands)	131,700	131,700	131,700
Earnings per share	36.18	31.60	69.27

PRIMARY SEGMENT

Amounts in SEK millions	Net sales			Operating profit (EBIT)			Operating profit (EBIT) excl. items affecting comparability		
	January–March	Full year	Full year	January–March	Full year	Full year	January–March	Full year	Full year
	2004	2003	2003	2004	2003	2003	2004	2003	2003
NORDIC COUNTRIES									
Generation Nordic Countries	6,990	11,297	29,531	3,056	2,859	6,266	3,056	2,818	6,319
Market Nordic Countries	5,850	8,672	24,994	152	110	369	152	110	372
Heat Nordic Countries	1,098	1,104	2,868	261	281	348	262	280	345
Electricity Networks									
Nordic Countries	2,765	2,647	7,809	1,156	1,198	2,131	1,151	1,192	2,127
Services Nordic Countries	661	616	3,042	37	-22	100	36	-22	98
Other business	404	386	1,855	-116	-131	-690	-119	-113	-841
Eliminations *	-5,820	-8,280	-27,585	-	-	11	-	-	11
Total	11,948	16,442	42,514	4,546	4,295	8,535	4,538	4,265	8,431
GERMANY	18,174	17,578	63,974	2,829	2,512	6,318	2,817	2,493	6,160
POLAND	2,198	2,557	7,845	289	248	443	284	248	442
Eliminations **	-510	-558	-2,398	-	-	-	-	-	-
Total	31,810	36,019	111,935	7,664	7,055	15,296	7,639	7,006	15,033

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

** Concerns trade between Germany and Nordic Countries.

SECONDARY SEGMENTS

Amounts in SEK millions	January–March		Full year
	2004	2003	2003
Electricity	20,075	24,498	75,966
Electricity networks	12,835	12,147	40,372
Heat	5,894	5,616	16,306
Other	1,249	1,646	7,988
Eliminations	-8,243	-7,888	-28,697
Total	31,810	36,019	111,935

Primary segments are Nordic Countries, Germany and Poland. Nordic Countries is split into Electricity Generation Nordic Countries, Market Nordic Countries, Heat, Electricity Networks, Services and Other business. Secondary segments are Electricity, Electricity Networks, Heat and Other.

BALANCE SHEET

Amounts in SEK millions	March 31, 2004	March 31, 2003	December 31, 2003
Assets			
Fixed assets			
Intangible fixed assets	5,483	6,178	5,558
Tangible fixed assets	183,548	189,969	181,940
Financial fixed assets	29,420	25,651	28,705
Total fixed assets	218,451	221,798	216,203
Current assets			
Inventories	7,047	6,916	7,283
Current receivables	30,816	40,766	26,832
Liquid assets *	13,028	12,818	14,647
Total current assets	50,891	60,500	48,762
Total assets	269,342	282,298	264,965
Equity, provisions and liabilities			
Equity	57,352	49,185	52,506
Minority interest in equity	8,891	13,261	9,379
Provisions **	93,273	96,434	91,884
Long-term interest-bearing liabilities	68,097	57,307	69,845
Other long-term liabilities	2,195	2,011	2,236
Current interest-bearing liabilities *	12,027	32,836	15,702
Other current liabilities	27,507	31,264	23,413
Total equity, provisions and liabilities	269,342	282,298	264,965
Pledged assets	109	602	112
Contingent liabilities	11,008	12,006	12,357
* Of which interest arbitrage transactions, SEK millions	979	975	993
** Of which interest-bearing provisions, SEK millions	–	188	84

Net assets

Amounts in SEK millions	March 31, 2004	March 31, 2003	December 31, 2003
Nordic Countries	56,941	56,811	56,367
Germany	61,347	65,882	62,171
Poland	6,881	6,809	6,270
Total net assets on balance sheet date	125,169	129,502	124,808
Net assets, weighted average value	123,871	128,615	124,229

Net debt

Amounts in SEK millions	March 31, 2004	March 31, 2003	December 31, 2003
Interest-bearing liabilities *	–80,124	–90,332	–85,631
Liquid assets	13,028	12,818	14,647
Loans to minority owners in foreign subsidiaries	4,180	4,041	4,094
Total net borrowing	–62,916	–73,473	–66,890
* Of which loans from minority owned German nuclear power companies.	15,607	16,322	14,979

Provisions

Amounts in SEK millions	March 31, 2004	March 31, 2003	December 31, 2003
Pension provisions	16,555	16,799	14,946
Provisions for deferred tax liability	35,082	34,855	34,854
Provisions for future expenses of nuclear waste management	6,827	6,618	6,592
Provisions for future expenses of mining operations and other environmental measures/undertakings	10,441	11,048	10,219
Personnel-related provisions for non-pension purposes	6,813	3,612	6,498
Provisions for tax and legal disputes	6,364	6,342	6,752
Negative goodwill	9,917	15,305	10,123
Other provisions	1,274	1,855	1,900
Total provisions	93,273	96,434	91,884

CASH FLOW STATEMENT

Amounts in SEK millions	January–March		Full year
	2004	2003	2003
CASH FLOW STATEMENT IN ACCORDANCE WITH THE SWEDISH FINANCIAL ACCOUNTING STANDARDS COUNCIL'S RECOMMENDATION NO. 7			
Operating activities			
Funds from operations (FFO)	8,990	7,697	18,804
Cash flow from changes in working capital	-1,330	-4,106 *	-613
Cash flow from operating activities	7,660	3,591	18,191
Investment activities			
Investments	-3,257	-1,763	-11,356
Net sales	193	161	2,057
Liquid assets in acquired/sold companies	-16	769	949
Cash flow from investment activities	-3,080	-833	-8,350
Cash flow before financing activities	4,580	2,758	9,841
Financing activities			
New borrowings	242	914 *	6,610
Amortisation of debt	-6,581	-6,253	-15,002
Dividend paid	-16	-101	-1,937
Cash flow from financing activities	-6,355	-5,440	-10,329
Cash flow for the period	-1,775	-2,682	-488
Liquid assets			
Liquid assets at the beginning of the period	14,647	15,473	15,473
Translation differences	156	27	-338
Cash flow for the period	-1,775	-2,682	-488
Liquid assets at the end of the period	13,028	12,818	14,647
OPERATIVE CASH FLOW STATEMENT			
Cash flow before financing activities	4,580	2,758	9,841
Financing activities			
Acquired/sold interest-bearing debt, net	-	-	-45
Dividend paid	-16	-101	-1,937
Cash flow after dividend	4,564	2,657	7,859
Net borrowing			
Net borrowing at the beginning of the period	-66,890	-75,207	-75,207
Effect of altered definition	84	-	-
Cash flow after dividend	4,564	2,657	7,859
Exchange rate differences on net borrowing	-674	-923	458
Net borrowing at the end of the period	-62,916	-73,473	-66,890

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

CHANGE IN EQUITY

Amounts in SEK millions	January–March 2004	January–March 2003	Full year 2003
Opening balance	52,506	45,129	45,129
Transition effect upon the application of the new accounting principles concerning pension commitments *	-670	–	–
Dividend	–	–	-1,675
Translation differences	1,014	-86	-1 213
Hedging	-263	-20	69
Displacement between equity and minority interest in equity	–	–	1,073
Profit for the period	4,765	4,162	9,123
Closing balance	57,352	49,185	52,506

* As of 2004, Vattenfall applies the Swedish Financial Accounting Standards Council's recommendation (RR29) concerning employee benefits.

KEY RATIOS (Definitions on page 15)

(In per cent unless otherwise stated)

	April 2003–March 2004	Full year 2003
Return on net assets	12.8	12.3
Return on net assets excl. items affecting comparability	12.6	12.1
Return on equity	19.8	20.2
Return on equity excl. items affecting comparability	19.4	19.8
FFO/interest-bearing debt (times)	25.1	22.0
FFO/net debt (times)	31.9	28.1

	January–March 2004	January–March 2003
Operating margin	24.1	19.6
Operating margin excl. items affecting comparability	24.0	19.5
Pre-tax profit margin	21.9	17.1
Pre-tax profit margin, excl. items affecting comparability	21.9	17.0
Interest coverage (times)	7.4	5.9
Interest coverage excl. items affecting comparability (times)	7.4	5.9
FFO interest coverage (times)	9.3	7.1
FFO net interest coverage (times)	14.0	9.6
Equity/assets ratio	24.7	22.2
Net debt/net debt plus equity	48.7	54.1
Interest-bearing debt/interest-bearing debt plus equity	54.8	59.1
Net debt/equity (times)	0.9	1.2
EBITDA/net financial items (times)	15.6	11.6

QUARTERLY INFORMATION

Amounts in SEK millions	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Income statement									
Net sales	31,810	30,253	23,184	22,479	36,019	28,784	22,496	21,300	28,445
Cost of products sold	-21,653	-21,903	-19,108	-17,071	-26,710	-20,295	-19,020	-17,053	-20,971
Other expenses and revenue, net	-2,701	-4,150	-3,030	-2,773	-2,474	-3,244	-2,237	-1,573	-2,612
Participations in the result of associated companies	208	53	149	158	220	-976	95	-17	241
Operating profit before depreciation (EBITDA)	10,767	5,982	3,803	4,776	10,317	10,663	4,264	5,395	8,159
Operating profit (EBIT)	7,664	4,253	1,195	2,793	7,055	4,269	1,334	2,657	5,103
Financial terms, net	-690	-795	-759	-490	-892	-560	-1,070	-1,087	-659
Profit before tax	6,974	3,458	436	2,303	6,163	3,709	264	1,570	4,444
Net profit	4,765	3,410	37	1,514	4,162	3,539	275	1,435	2,317
Balance sheet									
Fixed assets	218,451	216,203	209,708	216,170	221,798	217,650	223,985	225,945	238,784
Current assets	37,863	34,115	37,441	39,838	47,682	43,153	38,124	37,048	44,450
Liquid assets	13,028	14,647	16,689	19,119	12,818	15,473	25,633	25,256	9,214
Total assets	269,342	264,965	263,838	275,127	282,298	276,276	287,742	288,249	292,448
Equity	57,352	52,506	47,689	48,654	49,185	45,129	41,347	41,192	40,807
Minority interest in equity	8,891	9,379	9,802	11,962	13,261	9,960	11,519	21,801	21,584
Provisions	93,273	91,884	90,275	93,953	96,434	97,578	101,871	100,231	98,403
Interest-bearing liabilities	80,124	85,547	86,237	91,761	90,143	94,740	108,905	101,503	103,561
Other liabilities	29,702	25,649	29,835	28,797	33,275	28,869	24,100	23,522	28,093
Total equity, provisions and liabilities	269,342	264,965	263,838	275,127	282,298	276,276	287,742	288,249	292,448
Net assets	125,169	124,808	119,151	124,191	129,502	123,339	128,094	131,523	133,280
Net debt	-62,916	-66,890	-65,638	-68,704	-73,473	-75,207	-79,225	-72,069	-74,370
Cash flow									
Funds from operations (FFO)	8,990	6,373	648	4,086	7,697	6,651	2,470	2,251	5,734
Cash flow from changes in working capital	-1,330	-4,415	4,673	3,235	-4,106**	543	115	5,557	-3,218
Cash flow from operating activities	7,660	1,958	5,321	7,321	3,591**	7,194	2,585	7,808	2,516
Cash flow from investment activities	-3,080	-2,837	-2,814	-1,866	-833	-2,362	-8,936	-3,353	-20,907
Cash flow before financing activities	4,580	-879	2,507	5,455	2,758**	4,832	-6,351	4,455	-18,391
Borrowing/amortisation of debt, net	-6,339	-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	-16	-187	-52	-1,597	-101	-8	-230	-1,126	-
Minority interest in Group contributions paid	-	-	-	-	-	-22	-	-	-
Cash flow from financing activities	-6,355	-1,358	-4,489	958	-5,440**	-15,122	7,176	-6,180	17,590
Cash flow for the period	-1,775	-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 June 30, 2002.

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

KEY RATIOS (definitions on page 15) (in per cent unless otherwise stated)

Amounts in SEK millions	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Return on net assets (1)	12.8	12.3	12.2	12.1	11.9	10.5	10.3	10.6	10.7
Return on net assets (1) (2)	12.6	12.1	12.3	12.2	11.6	10.1	9.7	10.0	9.9
Return on equity (1)	19.8	20.2	22.4	23.0	23.1	19.1	14.8	14.2	11.9
Return on equity (1) (2)	19.4	19.8	22.5	23.2	22.3	18.3	14.0	12.7	13.0
FFO/interestbearing debt (times) (1)	25.1	22.0	22.1	22.7	21.1	18.0	12.3	14.6	14.8
FFO/net debt (times) (1)	31.9	28.1	29.1	30.4	26.0	22.7	17.0	21.0	20.6
Interest coverage (times)	7.4	3.4	3.2	4.7	5.9	2.6	2.3	3.1	4.9
Interest coverage (times) (2)	7.4	3.3	3.3	4.8	5.9	2.5	2.2	3.0	4.9
FFO interest coverage (times)	9.3	4.6	4.1	6.2	7.1	3.7	3.1	3.8	6.1
Equity/assets ratio	24.7	23.4	21.9	22.1	22.2	20.0	18.4	21.9	21.4
Net debt/ net debt plus equity	48.7	51.9	53.3	53.1	54.1	57.7	60.0	53.4	54.4
Net debt/equity (times)	0.9	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 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): Operating profit in relation to a weighted average of the balance sheet totals for the period, minus non-interest-bearing liabilities, interest-bearing receivables and liquid assets.

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

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

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

Equity/assets ratio (per cent): Equity plus minority interest 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 minus loans to minority owners in foreign subsidiaries and liquid funds in relation to interest-bearing debt, 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 in relation to interest-bearing debt plus equity, including minority interests in equity.

Net debt/equity (times): Interest-bearing debt 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.

FFO/net debt (per cent): FFO in relation to interest-bearing debt 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 maintenance investment in installations.

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

EBIT: Earnings Before Interest and Tax.

FFO: Funds From Operations.

This report has not been examined by Vattenfall's auditors.

This report has been translated from the Swedish original.

Vattenfall's six-month report will be published on July 29, 2004.

