



- Net sales decreased by 2.4 per cent to SEK 57,071 million (58,498)
- Operating profit increased by 17.7 per cent to SEK 11,593 million (9,848)
- Net profit after tax increased by 21.1 per cent to SEK 6,871 million (5,676)
- Operating profit for the second quarter increased by 40.7 per cent to SEK 3,929 million (2,793)

### Vattenfall continues its positive development

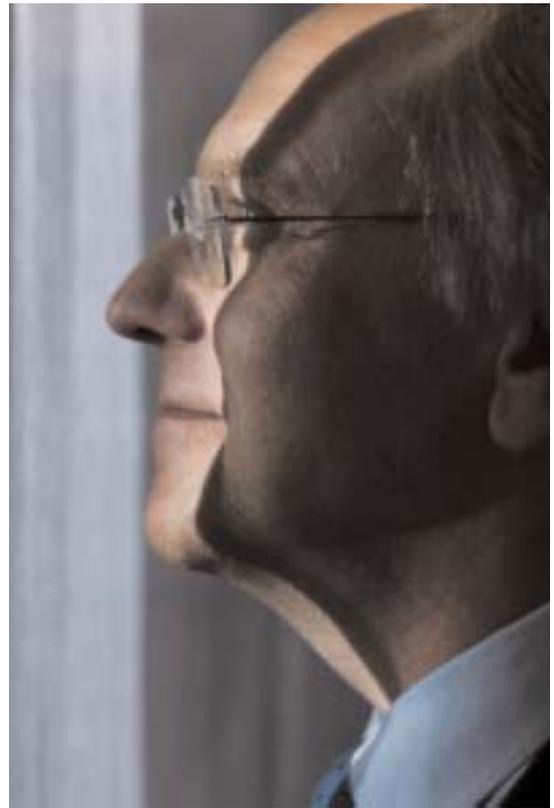
The trend from the first quarter continues, with Vattenfall maintaining its positive development. We can be satisfied that both the first and second quarters are stronger this year than in 2003, despite the fact that Nordic electricity prices were higher at the beginning of 2003. Vattenfall's strength is underlined by our business strategy, which concentrates on European growth. Integration of the German companies continues to allow considerable streamlining. To consolidate our process further, we are investing heavily in our existing power plants, networks and improvement of customer service. During the first half-year, we invested almost SEK 3 billion in our installations.

Net sales decreased somewhat, due to lower electricity prices in the Nordic countries in the first quarter. However, net sales increased in the second quarter, as a result of higher sales volumes in the Nordic countries and the fact that German electricity prices were on average higher during the second quarter this year compared with the same period in 2003. Operating profit increased despite lower electricity prices in the Nordic countries due to the fact that much of the electricity generation was sold forward at a higher price than during the same period in 2003, but also as a result of increased production, particularly in nuclear power. In the operating profit for the second quarter, items affecting comparability amounted to SEK 360 million, net. The majority of this amount comes from additional proceeds of SEK 448 million from the sale of our stake in Danish NESA in 2002. During the second quarter, a provision of SEK 100 million was also made for winding up the Group's investment in Hjärjedalens Mineral AB. Excluding items affecting comparability, operating profit increased by almost 20 per cent in the second quarter compared with the same period last year.

Our cash flow continues to be strong and net debt is gradually decreasing. The first quarter saw net debt decrease by approx. SEK 4 billion and in the second quarter it was down by approx. SEK 1.4 billion to SEK 61.5 billion (66.8). Return on net assets was 13.2 per cent on a rolling 12-month basis and return on equity was 20.1 per cent; in both cases excluding items affecting comparability.

### Market development

During the first half-year, electricity prices remained stable in the Nordic countries. The average price on the Nordic energy exchange Nord Pool's spot market was SEK 260 per MWh, which was 30 per cent lower than for the first six months of 2003. In the second quarter, average Nordic electricity prices were SEK 260 per MWh, which was only 1 per cent lower than for the second quarter of 2003, when the average price was SEK 263 per MWh. Total electricity consumption in the Nordic countries during the first half of



2004 amounted to 200 TWh (196). Despite the latter part of the period being marked by heavy rainfall, the deficit in the so-called hydrological balance for the Nordic countries at the end of June was 22 TWh, compared with a deficit of 23 TWh in June 2003. This is largely attributable to the fact that the precipitation was in the southern areas and as such did not contribute appreciably in filling the reservoirs of northern Sweden. However, by July 21, the position had strengthened, with the deficit standing at 15 TWh.

In Germany, the average electricity price on EEX, the European Energy Exchange rose marginally, and amounted to EUR 27.50 per MWh (27.28), which was approx. 1 per cent higher than the first six months the previous year. The average price in the second quarter was EUR 26.48 per MWh, compared with EUR 24.62 per MWh for the second quarter in 2003, an increase of 7 per cent. Electricity consumption in Germany up to May was largely unchanged compared with 2003 (Statistics for June not yet available).

### Brand-building activities

In Sweden the "Ask Vattenfall" dialogue has been launched. In an advertising campaign, the public have been encouraged to put questions to Vattenfall by visiting our web site. This direct contact has enabled us to listen to views and attitudes, and engage in open dialogue, with our answers reaching

people in every corner of Sweden. The high level of commitment and the questions that have come in have given us clear pointers towards future orientation and what the Swedish people need to know about our activities.

In a broad system study, Vattenfall plans to examine the formulation of a future electricity system with greater flexibility and customisation. For this study, Vattenfall will take advantage of its broad base of resources, using experts in Sweden, Germany, Finland and Poland.

#### Major changes ahead on the European energy market

The markets in Europe continue their development and major changes lie ahead of us. The entry of Poland and nine other countries into the EU on May 1 was significant to the Vattenfall Group. Poland's membership means that the energy market there will be opened up in accordance with the same rules that apply in the EU. Our current position, with all our domestic markets in the EU, is a sound basis for continued growth.

In Sweden, a network utility model is being introduced, designed by the Network regulator for the purpose of comparing the pricing of network services. At the same time, politicians and the power industry are still locked in discussions about stable conditions for the energy sector and a long-term plan for phasing out nuclear power, using a model similar to the German one. It is important for Vattenfall to lie at the forefront of development of different technological methods of electricity generation. On June 22, the Olsvenne 2 wind power plant began commercial operation in Näs-

udden in Gotland. With an output of 3 MW, Olsvenne 2 is Sweden's largest wind power plant and a step forward in terms of performance and increased electricity generation.

In Germany, the new Network regulator will soon be introduced and Denmark is undergoing changes in regulations which will see new conditions for a more open market and restructuring of the industry. In the Netherlands too, they are about to see major changes, with network operations due to be separated from integrated companies, and in Norway views on ownership in Norwegian power production are about to change.

All these changes are important and will enhance our potential for realising our vision to be "a leading European energy company". Vattenfall will play an active role in the continued restructuring of Europe's energy market. From a long-term perspective, growth and restructuring provide optimum conditions for increased value creation and maintained profitability. In this climate, we can nurture our aspiration to be number one for the customer, the environment and the economy, and to be an attractive, dependable employer.



Lars G Josefsson  
President and Chief Executive Officer

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

Amounts in SEK millions	January-June 2004	January-June 2003	Change %	July 03-June 04
Net sales	57,071	58,498	-2.4	110,508
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	17,757	15,093	17.7	27,542
Operating profit (EBIT)	11,593	9,848	17.7	17,041
Operating profit excluding items affecting comparability	11,208	9,988	12.2	16,253
Financial items, net	-1,203	-1,382	13.0	-2,757
Profit before tax and minority shares	10,390	8,466	22.7	14,284
Net profit	6,871	5,676	21.1	10,318
Net profit excluding items affecting comparability	6,602	5,769	14.4	9,777
Return on net assets excl. items affecting comparability %	-	-	-	13.2
Return on equity excl. items affecting comparability %	-	-	-	20.1
Funds from operations (FFO)	14,690	11,783	24.7	21,711
Cash flow before financing	7,955	8,213	-3.1	9,583
Free cash flow	10,276	8,520	20.6	13,362

*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.*

Amounts in SEK millions January-June 2004 January-June 2003 Change %

### NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Net sales	▼	57,071	58,498	-2.4
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#### Comments:

Net sales decreased somewhat, due to lower electricity prices in the Nordic countries, in the first quarter. However, they increased in the second quarter, as a result of higher sales volumes in the Nordic countries and the fact that German electricity prices were on average higher during the second quarter this year compared with the same period in 2003.

Cost of products sold	▼	40,424	43,781	-7.7
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#### Comments:

The cost of products sold decreased during the first half-year, due to more advantageous hedging prices compared with 2003.

Operating profit	▲	11,593	9,848	17.7
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Operating profit excl. items affecting comparability	▲	11,208	9,988	12.2
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#### Comments:

The increase in operating profit can be mainly attributed to electricity generation in the Nordic countries, although Germany and Poland are reporting stronger operating profit than in the first half of 2003. This positive trend is largely due to higher availability within generation, both in the Nordic countries and Germany, more advantageous hedging prices and improved margins in Polish operations.

In the operating profit for the second quarter, items affecting comparability amounted to SEK 360 million, net. The majority of this amount comes from additional proceeds of SEK 448 million from the sale of our stake in Danish NESA in 2002. During the second quarter, a provision of SEK 100 million was also made for winding up the Group's investment in Härjedalens Mineral AB.

Cash flow from operating activities	▲	13,197	10,912	20.9
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Cash flow before financing	▼	7,955	8,213	-3.1
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Free cash flow *	▲	10,276	8,520	20.6
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\* Cash flow from operating activities minus maintenance investments.

#### Comments:

Cash flow for the first 6 months the previous year was affected negatively by tax payments in Germany totalling SEK 2 billion. Cash flow before financing for the first half of 2004 decreased compared with 2003, mainly due to an increase in investments.

Financial items, net	▲	-1,203	-1,382	13.0
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#### Comments:

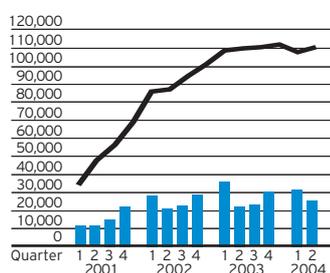
Net interest items averaged approximately SEK 230 million (290) for the first six months.

Dissolution of negative goodwill	▼	830	1,787	-53.6
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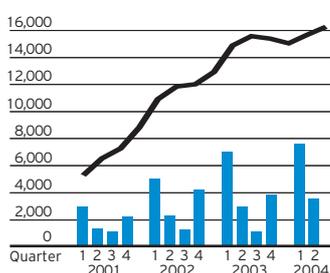
#### Comments:

In the first six months, negative goodwill was dissolved in the amount of SEK 830 million (1,787), corresponding to restructuring costs in Germany.

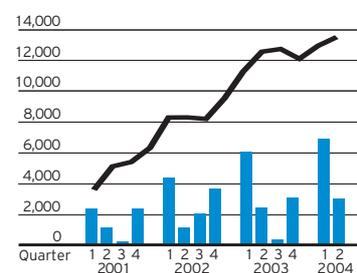
Net sales (SEK m)



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

Amounts in SEK millions June 30, 2004      December 31, 2003      Change %

### FINANCIAL POSITION

Liquid assets	▲	16,558	14,647	13.0
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#### Comments:

The increase in liquid assets is due to the fact that a new Eurobond was issued in April. In addition to liquid assets, the Group also had available SEK 5,480 million (EUR 600 million) in committed credit facilities as of June 30.

Net debt	▼	61,512	66,890	-8.0
Average duration (years) *	▼	2.0	2.1	-4.8
Average maturity *	▲	6.4	5.1	25.5

\* Excluding loans from associated companies and minority owners.

#### Comments:

Strong cash flow contributed to a reduction in net debt of SEK 5,378 million during the first half-year. In April, a 20-year Eurobond for EUR 500 million was issued, which means that the average maturity in the debt portfolio increased to 6.4 years. The average duration was 2 years.

Equity	▲	56,724	52,506	8.0
Minority interest in equity	▼	8,893	9,379	-5.2
Total	▲	65,617	61,885	6.0

#### Comments:

Changes in equity are specified on page 13.

Amounts in SEK millions January-June 2004      January-June 2003      Change %

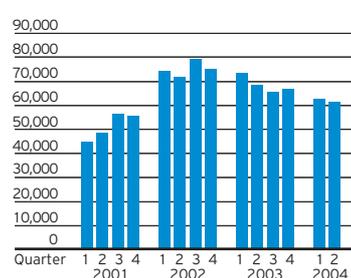
### INVESTMENTS

Maintenance investments in installations	▲	2,921	2,392	22.1
Growth investments	▲	2,929	1,868	56.8
- of which shares	▲	1,722	599	187.5
Total investments	▲	5,850	4,260	37.3

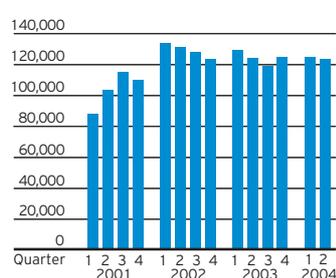
#### Comments:

Investments during the first half-year increased in comparison with the same period last year, due to ownership in Polish GZE being increased, as planned, from 54 per cent to 75 per cent and the acquisition of two heating companies in Berlin.

Net debt (SEK m)

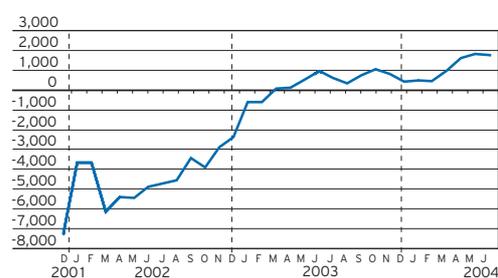


Net assets (SEK m)



Value creation (SEK m)

(Difference between results achieved and the Group's required return)



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

		June 30, 2004	June 30, 2003	Average value 2003
Germany	▼	20,880	21,555	21,719
Finland	▶	541	543	537
Poland	▼	3,343	5,086	4,935
Sweden	▲	8,230	7,985	7,994
Other countries	▲	116	108	111
<b>Total</b>	▼	<b>33,110</b>	<b>35,227</b>	<b>35,296</b>

**Comments:**

The reduction in Poland can be explained by 761 full-time equivalents in sold businesses. In other respects, the staff cuts in Germany and Poland are part of ongoing rationalisation initiatives.

**POWER AND HEAT SALES**

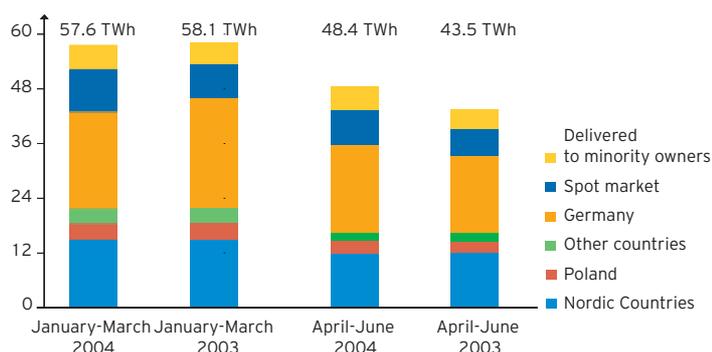
## Electricity balance, TWh

	January-June 2004	January-June 2003		January-June 2004	January-June 2003
<b>Sales</b>			<b>Internal generation and input</b>		
Sweden	22.7	23.3	Hydro power	16.2	14.7
Finland	3.3	3.1	Nuclear power	32.0	27.8
Germany	40.5	41.1	Fossil-based and wind power	35.9	36.3
Poland	6.4	6.4	<b>Total internal generation</b>	<b>84.1</b>	<b>78.8</b>
Other countries	5.7	5.3	Purchased power	23.9	22.6
Spot market	16.9	13.2	Spot market	4.1	5.5
<b>Total electricity sales</b>	<b>95.5</b>	<b>92.4</b>	<b>Total electricity input</b>	<b>112.1</b>	<b>106.9</b>
Delivered to minority owners	10.1	8.8	Internal consumption	-6.1	-5.3
Other	0.4	0.4	<b>Total</b>	<b>106.0</b>	<b>101.6</b>
<b>Total</b>	<b>106.0</b>	<b>101.6</b>			

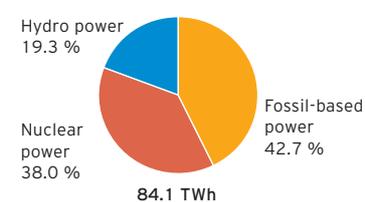
	January-June 2004	January-June 2003
<b>Heat sales, TWh</b>		
The Nordic Countries *	4.3	4.5
Germany	8.6	9.2
Poland	6.7	7.1
<b>Total</b>	<b>19.6</b>	<b>20.8</b>

\* Including so-called "thermal heat" deliveries.

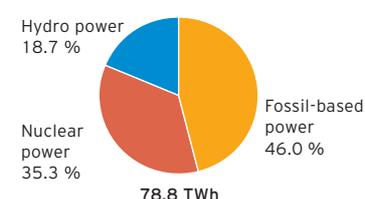
## Electricity sales per quarter, TWh



## Electricity generation January-June 2004



## Electricity generation January-June 2003



Amounts in SEK millions		January-June 2004	January-June 2003	Change %
<b>NORDIC COUNTRIES</b>				
<b>Generation Nordic Countries</b>				
Net sales	▼	12,750	16,854	-24.4
Operating profit	▲	4,736	3,719	27.3
Electricity generation (TWh) *	▲	43.9	40.1	9.5
- of which hydro power	▲	14.6	13.8	5.8
nuclear power	▲	29.3	26.3	11.4

\* Of electricity generation, Vattenfall has 34 TWh (31) at its disposal, and the remainder goes to minority owners.

#### Comments:

The lower average market prices for electricity contributed to reduced sales during the first quarter. In the second quarter, net sales increased by 3.7 per cent, as volumes rose, due to higher availability in generation. Most of the increase in operating profit was achieved in the second quarter as a result of continued high availability in hydro- and nuclear power generation and more advantageous hedging prices. Investments in the renewal program for hydro- and nuclear power amounted to SEK 849 million for the first half-year.

#### Market Nordic Countries

Net sales	▼	10,432	13,155	-20.7
Operating profit	▼	227	274	-17.2

#### Comments:

Net sales and operating profit decreased as a result of lower electricity prices.

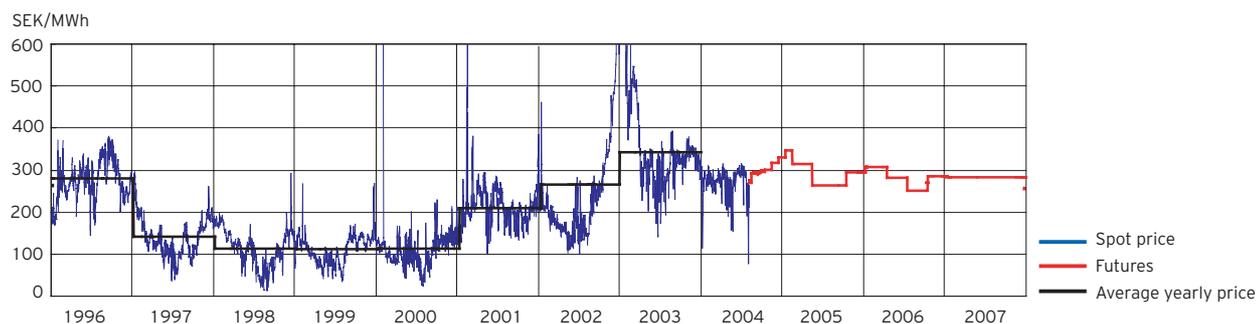
#### Heat Nordic Countries

Net sales	▼	1,638	1,656	-1.1
Operating profit	▼	184	293	-37.2
Heat production (TWh)	▼	3.4	3.6	-5.6
Electricity generation (TWh)	▲	0.3	0.2	50.0

#### Comments:

Sales decreased somewhat during the first half-year compared with the first half-year of 2003 due to warmer weather and lower prices. The reduction in operating profit was due to a provision of SEK 100 million for winding up the Group's investment in Härjedalens Mineral AB. Disregarding items affecting comparability, operating profit decreased by SEK 6 million compared with the first half-year of 2003. In the second quarter, disregarding items affecting comparability, operating profit increased by SEK 12 million to SEK 24 million.

#### Swedish electricity prices 1996-2007



Source: Nord Pool, July 22, 2004

Amounts in SEK millions		January-Jun4 2004	January-June 2003	Change %
<b>Electricity Networks Nordic Countries</b>				
Net sales	▲	4,326	4,108	5.3
Operating profit	▲	1,354	1,263	7.2
Transmitted volume (TWh)	▲	57.6	53.0	8.7

**Comments:**

Net sales and operating profit increased somewhat compared with the corresponding period the previous year. In the second quarter, operating profit increased by SEK 133 million to SEK 198 million compared with 2003. The improvement is due to lower administration costs, higher transmitted volume and the fact that the 2003 results included major costs for network disturbances.

**Services Nordic Countries**

Net sales	▲	1,443	1,375	4.9
Operating profit	▲	102	6	

**Comments:**

Most operations are run within the Group. Operating profit increased compared with the first half-year of 2003 due to streamlining and good utilisation.

**GERMANY**

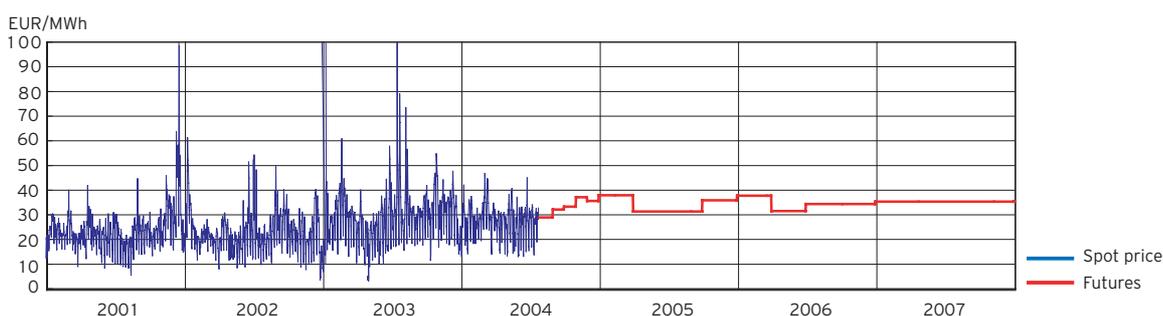
Net sales	▲	33,284	32,246	3.2
Operating profit	▲	4,457	4,245	5.0
Heat production (TWh)	▼	8.6	9.2	-6.5
Electricity generation (TWh)	▲	38.1	36.6	4.1
– of which fossil-based power	▼	33.9	34.1	-0.6
nuclear power	▲	2.7	1.6	68.8
hydro power	▲	1.5	0.9	66.7

**Comments:**

Operating profit increased for all business units, except transmission and sales compared with 2003. In transmission, an increased transfer of wind power in the system, from 2.4 TWh to 4.6 TWh, resulted in higher costs. Following interruptions in generation at the German power plants in the first quarter, availability in generation increased during the second quarter. Higher fuel prices in the second quarter were a contributory factor in a poorer performance for German heat production during the quarter. In heating, volumes also fell as a result of the warmer weather and the associated lower demand.

As of June 30, savings of EUR 378 million (SEK 3.452 million) had been achieved in the ongoing cost-cutting program within Vattenfall Europe.

German electricity prices 2000-2007



Source: EEX, July 22, 2004

Amounts in SEK millions		January-June 2004	January-June 2003	Change %
<b>POLAND</b>				
Net sales	▼	3,779	4,237	-10.8
Operating profit	▲	373	324	15.1
Heat production (TWh)	▼	6.7	7.1	-5.6
Electricity generation (TWh) *	▶	1.8	1.8	

\* 100% fossil-based power.

#### Comments:

Operating profit increased as a result of a higher margin on electricity sales. Warmer weather and lower volumes contributed to reduced sales.

#### THE PARENT COMPANY

Net sales amounted to SEK 13,435 million (SEK 12,839). Profit after financial items was SEK 4,722 million (SEK 2,191). Investments for the period amounted to SEK 2,676 million (2,009). Liquid assets amounted to SEK 1,307 million (2003-12-31:33). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 20,825 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. It is not thought that these will have any appreciable effect on the results.

Stockholm, July 29, 2004

Lars G Josefsson  
President and Chief Executive Officer

## INCOME STATEMENT

Amounts in SEK millions	January-June		April-June		Full year	12 month
	2004	2003	2004	2003	2003	July 03-June 04
Net sales	57,071	58,498	25,261	22,479	111,935	110,508
Cost of products sold *	-40,424	-43,781	-18,771	-17,071	-84,792	-81,435
<b>Gross profit</b>	<b>16,647</b>	<b>14,717</b>	<b>6,490</b>	<b>5,408</b>	<b>27,143</b>	<b>29,073</b>
Selling expenses, research & development costs and administrative expenses **	-5,783	-5,393	-2,948	-2,836	-12,501	-12,891
Other operating income and expenses - net	405	146	271	63	74	333
Participations in the result of associated companies	324	378	116	158	580	526
<b>Operating profit (EBIT) ***</b>	<b>11,593</b>	<b>9,848</b>	<b>3,929</b>	<b>2,793</b>	<b>15,296</b>	<b>17,041</b>
Financial income	830	905	434	540	2,267	2,192
Financial expenses	-2,033	-2,287	-947	-1,030	-5,203	-4,949
<b>Profit before tax and minority interest ****</b>	<b>10,390</b>	<b>8,466</b>	<b>3,416</b>	<b>2,303</b>	<b>12,360</b>	<b>14,284</b>
Tax	-2,992	-2,192	-1,123	-596	-2,831	-3,631
Minority interest in profit for the period	-527	-598	-187	-193	-406	-335
<b>Net profit for the period *****</b>	<b>6,871</b>	<b>5,676</b>	<b>2,106</b>	<b>1,514</b>	<b>9,123</b>	<b>10,318</b>
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	17,757	15,093	6,990	4,776	24,878	27,542
Financial items - net	-1,203	-1,382	-513	-490	-2,936	-2,757
* Of which depreciation, SEK millions	6,798	6,877	3,434	3,454	14,096	14,017
* Of which dissolution of negative goodwill, SEK millions	830	1,787	505	1,549	4,754	3,797
** Of which depreciation, SEK millions	197	155	133	78	240	282
*** Including items affecting comparability, SEK millions	385	-140	360	-189	263	788
**** Including items affecting comparability, SEK millions	381	-134	358	-183	278	793
***** Including items affecting comparability adjusted for tax, SEK millions	269	-93	252	-121	179	541

## EARNINGS PER SHARE

Amounts in SEK millions	January-June		Full year
	2004	2003	2003
Number of shares (thousands)	131,700	131,700	131,700
Earnings per share, SEK	52.17	43.10	69.27

## PRIMARY SEGMENTS

Amounts in SEK millions	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	January-June		April-June		Full year	January-June		April-June		Full year	January-June		April-June		Full year
	2004	2003	2004	2003	2003	2004	2003	2004	2003	2003	2004	2003	2004	2003	2003
<b>NORDIC COUNTRIES</b>															
Generation															
Nordic Countries	12,750	16,854	5,760	5,557	29,531	4,736	3,719	1,680	860	6,266	4,735	3,787	1,679	969	6,319
Market															
Nordic Countries	10,432	13,155	4,582	4,483	24,994	227	274	75	164	369	227	274	75	164	372
Heat															
Nordic Countries	1,638	1,656	540	552	2,868	184	293	-77	12	348	286	292	24	12	345
Electricity Networks															
Nordic Countries	4,326	4,108	1,561	1,461	7,809	1,354	1,263	198	65	2,131	1,350	1,256	199	64	2,127
Services															
Nordic Countries	1,443	1,375	782	759	3,042	102	6	65	28	100	101	5	65	27	98
Other business	788	825	384	439	1,855	160	-276	276	-145	-690	-292	-241	-173	-128	-841
Eliminations *	-10,564	-14,914	-4,744	-6,634	-27,585	-	-	-	-	11	-	-	-	-	11
<b>Total</b>	<b>20,813</b>	<b>23,059</b>	<b>8,865</b>	<b>6,617</b>	<b>42,514</b>	<b>6,763</b>	<b>5,279</b>	<b>2,217</b>	<b>984</b>	<b>8,535</b>	<b>6,407</b>	<b>5,373</b>	<b>1,869</b>	<b>1,108</b>	<b>8,431</b>
<b>GERMANY</b>															
	33,284	32,246	15,110	14,668	63,974	4,457	4,245	1,628	1,733	6,318	4,432	4,291	1,615	1,798	6,160
<b>POLAND</b>															
	3,779	4,237	1,581	1,680	7,845	373	324	84	76	443	369	324	85	76	442
Eliminations **	-805	-1,044	-295	-486	-2,398	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>57,071</b>	<b>58,498</b>	<b>25,261</b>	<b>22,479</b>	<b>111,935</b>	<b>11,593</b>	<b>9,848</b>	<b>3,929</b>	<b>2,793</b>	<b>15,296</b>	<b>11,208</b>	<b>9,988</b>	<b>3,569</b>	<b>2,982</b>	<b>15,033</b>

\* 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	Net sales				
	January-June		April-June		Full year
	2004	2003	2004	2003	2003
Electricity	37,382	37,681	17,307	13,183	75,966
Electricity networks	22,451	20,638	9,616	8,491	40,372
Heat	9,566	8,780	3,672	3,164	16,306
Other	2,718	3,621	1,469	1,975	7,988
Eliminations	-15,046	-12,222	-6,803	-4,334	-28,697
<b>Total</b>	<b>57,071</b>	<b>58,498</b>	<b>-25,261</b>	<b>22,479</b>	<b>111,935</b>

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. Secondary segments are Electricity, Electricity Networks, Heat and Other.

**BALANCE SHEET**

Amounts in SEK millions	June 30, 2004	June 30, 2003	December 31, 2003
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	5,264	5,904	5,558
Tangible fixed assets	180,791	185,031	181,940
Financial fixed assets	28,849	25,235	28,705
<b>Total fixed assets</b>	<b>214,904</b>	<b>216,170</b>	<b>216,203</b>
<b>Current assets</b>			
Inventories	7,629	7,327	7,283
Current receivables	27,289	32,511	26,832
Liquid assets*	16,558	19,119	14,647
<b>Total current assets</b>	<b>51,476</b>	<b>58,957</b>	<b>48,762</b>
<b>Total assets</b>	<b>266,380</b>	<b>275,127</b>	<b>264,965</b>
<b>Equity, provisions and liabilities</b>			
Equity	56,724	48,654	52,506
Minority interest in equity	8,893	11,962	9,379
Provisions **	91,204	93,953	91,884
Long-term interest-bearing liabilities	66,342	75,699	69,845
Other long-term liabilities	2,036	2,605	2,236
Current interest-bearing liabilities *	15,799	16,062	15,702
Other current liabilities	25,382	26,192	23,413
<b>Total equity, provisions and liabilities</b>	<b>266,380</b>	<b>275,127</b>	<b>264,965</b>
Pledged assets	1,338	584	112
Contingent liabilities	11,855	12,022	12,357
* Of which interest arbitrage transactions, SEK millions	979	975	993
** Of which interest-bearing provisions, SEK millions	-	192	84

**Net assets**

Amounts in SEK millions	June 30, 2004	June 30, 2003	December 31, 2003
Nordic Countries	55,299	55,423	56,367
Germany	60,845	62,164	62,171
Poland	7,110	6,604	6,270
<b>Total net assets on balance sheet date</b>	<b>123,254</b>	<b>124,191</b>	<b>124,808</b>
<b>Net assets, weighted average value</b>	<b>123,213</b>	<b>127,198</b>	<b>124,229</b>

**Net debt**

Amounts in SEK millions	June 30, 2004	June 30, 2003	December 31, 2003
Interest-bearing liabilities *	-82,141	-91,953	-85,631
Liquid assets	16,558	19,119	14,647
Loans to minority owners in foreign subsidiaries	4,071	4,130	4,094
<b>Total net debt</b>	<b>-61,512</b>	<b>-68,704</b>	<b>-66,890</b>
* Of which loans from minority owned German nuclear power companies.	15,238	14,386	14,979

**Provisions**

Amounts in SEK millions	June 30, 2004	June 30, 2003	December 31, 2003
Pension provisions	16,425	16,646	14,946
Provisions for deferred tax liability	34,440	34,576	34,854
Provisions for future expenses of nuclear waste management	6,810	6,668	6,592
Provisions for future expenses of mining operations and other environmental measures/undertakings	9,971	10,674	10,219
Personnel-related provisions for non-pension purposes	6,260	3,915	6,498
Provisions for tax and legal disputes	6,653	6,229	6,752
Negative goodwill	9,248	13,642	10,123
Other provisions	1,397	1,603	1,900
<b>Total provisions</b>	<b>91,204</b>	<b>93,953</b>	<b>91,884</b>

**CASH FLOW STATEMENT**

Amounts in SEK millions	January-June		April-June		Full year	12 month
	2004	2003	2004	2003	2003	July 03-June 04
<b>CASH FLOW STATEMENT</b>						
IN ACCORDANCE WITH THE SWEDISH FINANCIAL ACCOUNTING STANDARDS COUNCIL'S RECOMMENDATION NO. 7						
<b>Operating activities</b>						
Funds from operations (FFO)	14,690	11,783	5,700	4,086	18,804	21,711
Cash flow from changes in working capital	-1,493	-871	-163	3,235	-613	-1,235
<b>Cash flow from operating activities</b>	<b>13,197</b>	<b>10,912</b>	<b>5,537</b>	<b>7,321</b>	<b>18,191</b>	<b>20,476</b>
<b>Investment activities</b>						
Investments	-5,850	-4,260	-2,593	-2,497	-11,356	-12,946
Net sales	624	819	431	658	2,057	1,862
Liquid assets in acquired/sold companies	-16	742	-	-27	949	191
<b>Cash flow from investment activities</b>	<b>-5,242</b>	<b>-2,699</b>	<b>-2,162</b>	<b>-1,866</b>	<b>-8,350</b>	<b>-10,893</b>
<b>Cash flow before financing activities</b>	<b>7,955</b>	<b>8,213</b>	<b>3,375</b>	<b>5,455</b>	<b>9,841</b>	<b>9,583</b>
<b>Financing activities</b>						
New borrowings	5,952	5,447	5,710	4,533	6,610	7,115
Amortisation of debt	-9,510	-8,231	-2,929	-1,978	-15,002	-16,281
Dividend paid	-2,606	-1,698	-2,590	-1,597	-1,937	-2,845
<b>Cash flow from financing activities</b>	<b>-6,164</b>	<b>-4,482</b>	<b>191</b>	<b>958</b>	<b>-10,329</b>	<b>-12,011</b>
<b>Cash flow for the period</b>	<b>1,791</b>	<b>3,731</b>	<b>3,566</b>	<b>6,413</b>	<b>-488</b>	<b>-2,428</b>
<b>Liquid assets</b>						
Liquid assets at the beginning of the period	14,647	15,473	13,028	12,818	15,473	19,119
Exchange rate differences	120	-85	-36	-112	-338	-133
Cash flow for the period	1,791	3,731	3,566	6,413	-488	-2,428
<b>Liquid assets at the end of the period</b>	<b>16,558</b>	<b>19,119</b>	<b>16,558</b>	<b>19,119</b>	<b>14,647</b>	<b>16,558</b>
<b>OPERATING CASH FLOW STATEMENT</b>						
<b>Cash flow before financing activities</b>	<b>7,955</b>	<b>8,213</b>	<b>3,375</b>	<b>5,455</b>	<b>9,841</b>	<b>9,583</b>
<b>Financing activities</b>						
Acquired/sold interest-bearing debt, net	-	-	-	-	-45	-45
Dividend paid	-2,606	-1,698	-2,590	-1,597	-1,937	-2,845
<b>Cash flow after dividend</b>	<b>5,349</b>	<b>6,515</b>	<b>785</b>	<b>3,858</b>	<b>7,859</b>	<b>6,693</b>
<b>Net debt</b>						
Net debt at the beginning of the period	-66,890	-75,207	-62,916	-73,473	-75,207	-68,704
Effect of altered definition	84	-	-	-	-	84
Cash flow after dividend	5,349	6,515	785	3,858	7,859	6,693
Exchange rate differences on net debt	-55	-12	619	911	458	415
<b>Net debt at the end of the period</b>	<b>-61,512</b>	<b>-68,704</b>	<b>-61,512</b>	<b>-68,704</b>	<b>-66,890</b>	<b>-61,512</b>

**CHANGE IN EQUITY**

Amount in SEK millions	January-June 2004	January-June 2003	Full year 2003
Opening balance	52,506	45,129	45,129
Transition effect on application of new accounting principles concerning pension commitments *	-670	-	-
Dividend	-2,400	-1,485	-1,675
Translation differences	435	-649	-1,213
Hedging	-18	-17	69
Displacement between equity and minority interest in equity	-	-	1,073
Profit for the period	6,871	5,676	9,123
<b>Closing balance</b>	<b>56,724</b>	<b>48,654</b>	<b>52,506</b>

\* 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)

	January-June		April-June		Full year 2003	12 month July 03-June 04
	2004	2003	2004	2003		
Operating margin	20.3	16.8	15.6	12.4	13.7	15.4
Operating margin excl. items affecting comparability	19.6	17.1	14.1	13.3	13.4	14.7
Pre-tax profit margin	18.2	14.5	13.5	10.2	11.0	12.9
Pre-tax profit margin excl. items affecting comparability	17.5	14.7	12.1	11.1	10.8	12.2
Return on equity	-	-	-	-	20.2	21.2
Return on equity excl. items affecting comparability	-	-	-	-	19.8	20.1
Return on net assets	-	-	-	-	12.3	13.8
Return on net assets excl. items affecting comparability	-	-	-	-	12.1	13.2
Interest coverage (times)	6.1	4.7	4.6	3.2	3.4	3.9
Interest coverage excl. items affecting comparability (times)	5.9	4.8	4.2	3.4	3.3	3.7
FFO interest coverage ratio (times)	8.2	6.2	7.0	5.0	4.6	5.4
FFO interest coverage ratio, net (times)	13.2	9.5	12.1	9.3	7.4	8.9
Equity/assets ratio	24.7	22.1	24.7	22.1	23.4	24.7
Net debt/equity (times)	0.9	1.1	0.9	1.1	1.1	0.9
Net debt/net debt plus equity	48.4	53.1	48.4	53.1	51.9	48.4
Funds from operations (FFO)/interest-bearing debt	-	-	-	-	22.0	26.4
Funds from operations (FFO)/net debt	-	-	-	-	28.1	35.3
EBITDA/net financial items (times)	14.8	10.9	13.6	9.7	8.5	10.0
EBITDA/net financial items excl. affecting comparability (times)	14.5	11.0	13.0	10.0	8.3	9.7
Interest-bearing debt/interest-bearing debt plus equity	55.6	60.3	55.6	60.3	58.0	55.6

## QUARTERLY INFORMATION

Amounts in SEK millions	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
<b>Income statement</b>						
Net sales	25,261	31,810	30,253	23,184	22,479	36,019
Cost of products sold	-18,771	-21,653	-21,903	-19,108	-17,071	-26,710
Other expenses and revenue, net	-2,677	-2,701	-4,150	-3,030	-2,773	-2,474
Participations in the result of associated companies	116	208	53	149	158	220
Operating profit before depreciation (EBITDA)	6,990	10,767	5,982	3,803	4,776	10,317
Operating profit (EBIT)	3,929	7,664	4,253	1,195	2,793	7,055
Financial terms, net	-513	-690	-795	-759	-490	-892
Profit before tax	3,416	6,974	3,458	436	2,303	6,163
Net profit	2,106	4,765	3,410	37	1,514	4,162
<b>Balance sheet</b>						
Fixed assets	214,904	218,451	216,203	209,708	216,170	221,798
Current assets	34,918	37,863	34,115	37,441	39,838	47,682
Liquid assets	16,558	13,028	14,647	16,689	19,119	12,818
Total assets	266,380	269,342	264,965	263,838	275,127	282,298
Equity	56,724	57,352	52,506	47,689	48,654	49,185
Minority interest in equity	8,893	8,891	9,379	9,802	11,962	13,261
Provisions	91,204	93,273	91,884	90,275	93,953	96,434
Interest-bearing liabilities	82,141	80,124	85,547	86,237	91,761	90,143
Other liabilities	27,418	29,702	25,649	29,835	28,797	33,275
Total equity, provisions and liabilities	266,380	269,342	264,965	263,838	275,127	282,298
Net assets	123,254	125,169	124,808	119,151	124,191	129,502
Net debt	-61,512	-62,916	-66,890	-65,638	-68,704	-73,473
<b>Cash flow</b>						
Funds from operations (FFO)	5,700	8,990	6,373	648	4,086	7,697
Cash flow from changes in working capital	-163	-1,330	-4,415	4,673	3,235	-4,106 *
Cash flow from operating activities	5,537	7,660	1,958	5,321	7,321	3,591 *
Cash flow from investment activities	-2,162	-3,080	-2,837	-2,814	-1,866	-833
Cash flow before financing activities	3,375	4,580	-879	2,507	5,455	2,758 *
Borrowing/amortisation of debt, net	2,781	-6,339	-1,171	-4,437	2,555	-5,339 *
Dividend paid	-2,590	-16	-187	-52	-1,597	-101
Cash flow from financing activities	191	-6,355	-1,358	-4,489	958	-5,440 *
Cash flow for the period	3,566	-1,775	-2,237	-1,982	6,413	-2,682

\* 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	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Return on net assets (1)	13.8	12.8	12.3	12.2	12.1	11.9
Return on net assets (1) (2)	13.2	12.6	12.1	12.3	12.2	11.6
Return on equity (1)	21.2	19.8	20.2	22.4	23.0	23.1
Return on equity (1) (2)	20.1	19.4	19.8	22.5	23.2	22.3
FFO/interest-bearing debt (1)	26.4	25.1	22.0	22.1	22.7	21.1
FFO/net debt (1)	35.3	31.9	28.1	29.1	30.4	26.0
Interest coverage ratio (times)	4.6	7.4	3.9	1.3	3.2	5.9
Interest coverage ratio (times) (2)	4.2	7.4	3.6	1.2	3.4	5.9
FFO interest coverage ratio (times)	7.0	9.3	6.3	1.4	5.0	7.1
Equity/assets ratio	24.7	24.7	23.4	21.9	22.1	22.2
Net debt/net debt plus equity	48.4	48.7	51.9	53.3	53.1	54.1
Net debt/equity (times)	0.9	0.9	1.1	1.1	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, provisions, 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/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.

**Net debt/net debt plus equity (per cent):** Interest-bearing debt minus loans to minority owners in foreign subsidiaries and liquid assets in relation to interest-bearing debt, minus loans to minority owners in foreign subsidiaries and liquid assets plus equity, including 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.

**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.

**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

**REVIEW REPORT**

*We have reviewed this half-year report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR).*

*A review is considerably limited in scope compared with an audit.*

*Nothing has come to our attention that causes us to believe that the half-year report does not comply with any of the requirements of the Annual Accounts Act.*

*Stockholm, July 29, 2004*

*Ernst & Young AB  
Lars Träff  
Authorised Public Accountant*

*Per Redemo  
Authorised Public Accountant  
Swedish National Audit Office*

