

- Net sales increased by 12.7 per cent to SEK 64,328 million (57,071)
- Operating profit, excluding items affecting comparability, increased by 18.1 per cent to SEK 13,827 million (11,705)
- Net profit after tax increased by 24.7 per cent to SEK 8,486 million (6,805)
- Operating profit, excluding items affecting comparability, for the second quarter increased by 23.0 per cent to SEK 4,631 million (3,764)

The area surrounding Vattenfall's Swedish nuclear power plant in Forsmark is rich in wildlife. The sea eagle, at one time a threatened species, is growing in number and the grey seal is producing healthy offspring. The grey seal project is being run in collaboration with the World Wildlife Fund and the Swedish Museum of Natural History.



Lars G Josefsson

President and Chief Executive Officer

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RECORD PROFIT

Vattenfall presents the best half-year results and the strongest profit for the second quarter in the history of the company. Compared with the first half of 2004, operating profit increased by 22.8 per cent to SEK 13,823 million (11,260), excluding items affecting comparability by 18.1 per cent to SEK 13,827 million (11,705). Compared with the second quarter of 2004, operating profit increased by 27.2 per cent to SEK 4,604 million (3,619), excluding items affecting comparability by 23.0 per cent to SEK 4,631 million (3,764). The increase is chiefly attributable to Germany, which has shown marked improvement. The Nordic region and Poland also report improved operating profit. However, the improvement for Poland is primarily due to exchange rate effects. Consolidated net sales increased in the first half-year by 12.7 per cent to SEK 64,328 million (57,071) primarily attributable to Germany and an increase in energy trading. In the second quarter, sales increased by 16.0 per cent to SEK 29,292 million (25,261). The increase in sales can be explained to a large extent by higher German electricity market prices which rose in response to a marked increase in market prices for emission rights for carbon dioxide.

Vattenfall's total electricity generation increased marginally in the first half-year to 85.6 TWh compared with 84.1 TWh for the equivalent period in 2004. However, hydro power generation increased by nearly 25 per cent to 20.2 TWh (16.2 TWh) as a result of good water supply. Nuclear power and fossil-based power dropped somewhat.

Return on equity was 17.4 per cent on a rolling twelve-month basis while return on net assets was 15.2 per cent, in both cases excluding items affecting comparability. As a result of the new international accounting financial reporting standard (IFRS) adopted by Vattenfall as of this year, Vattenfall's equity increased considerably, leading to a lower return on equity compared with the return in 2004 calculated in accordance with Swedish GAAP. The interest coverage ratio, excluding items affecting comparability, amounted to 4.0 times on a rolling twelve-month basis.

As a result of major investments in the second quarter, of which slightly more than SEK 10 bil-

lion in Denmark, a record high dividend to the Swedish state of SEK 5.6 billion and negative exchange rate effects of SEK 3.4 billion, net debt increased by SEK 16.9 billion to SEK 68.3 billion compared with 31 March 2005. Capital Securities of SEK 9.2 billion issued in June, are included in net debt. On 31 December 2004, net debt amounted to SEK 55.4 billion. On 30 June, the net debt/equity ratio (net gearing) amounted to 85 per cent compared with 66 per cent as of 31 December 2004. Excluding Capital Securities, net gearing was 66 per cent as of 30 June 2005.

IMPORTANT EVENTS IN THE SECOND QUARTER

Strategic investment in Denmark

In February, Vattenfall announced that we had agreed to purchase 35.3 per cent of the shares in the Danish power company Elsam for approximately SEK 10.2 billion. The Danish gas company Dong, that previously owned a minority interest in Elsam, announced that they had acquired the remaining shares. After a round of negotiations with Dong, we entered at the beginning of June an agreement in principle according to which Vattenfall will take over approximately 24 per cent of the total generation capacity in Elsam and Energi E2 in exchange for the shareholding in Elsam. Vattenfall will take over three large coal-fired combined heat and power (CHP) plants, two gas-fired power plants, Elsam's wind power operations and 60 per cent of the wind power park Horns Rev. Total generation capacity is approximately 2,500 MW electricity and 2,100 MW heat with an annual generation volume of approximately 9 and 6 TWh. Vattenfall will have a market share of approximately 21 per cent for Danish electricity generation and approximately 25 per cent for heat production from CHP plants thereby establishing a significant position in combined heat and power and wind power in Denmark. Operations will be organised in our Danish subsidiary, Vattenfall Danmark, which will be integrated in Business Group Vattenfall Nordic. Transfer of the assets is expected to be completed by the end of 2005. Danish competence and increased resources

will strengthen our Nordic operations. Establishment in Denmark fits in extremely well with our strategy for continued profitable growth.

Closing of Barsebäck

In line with government decision and current law, the second reactor at the Swedish Barsebäck nuclear power plant was closed down on 31 May. As a result, the entire Barsebäck plant has been closed down. In accordance with the existing agreement, Vattenfall will receive financial compensation for the closure. Negotiations between Vattenfall and the Swedish state concerning the size of the compensation have not been concluded.

Pilot installation for carbon dioxide-free coal-fired power plants

The ongoing climate change is the most serious environmental problem of our time and needs to be tackled with determination by the business community and industry. In May, Vattenfall announced that we are to build the world's first pilot installation for a carbon dioxide-free coal-fired power plant based on so-called oxyfuel technology. The installation will be built in conjunction with our coal-fired power plant Schwarze Pumpe in Eastern Germany with an investment of approximately SEK 370 million. The installation is expected to be put into operation in 2008. This research and development project is a tangible step in our efforts to reduce carbon dioxide emissions. Economics, energy and the environment are intertwined and Vattenfall, as electricity producer with lignite-fired plants, is taking a leading role through this initiative in the development for reduced emissions and, in the process, also continuing to pursue our strategic ambition to be "Number one" for the environment.

Further investments in wind power

Vattenfall is investigating the possibility of building the largest wind power plant in Northern Europe, a multi-billion investment. Through the acquisition of the companies Sweden Offshore AB and Östersjöns Vindkrafts AB for approximately SEK 100 million, we now have the necessary requirements for building this wind power park.

The park will be situated on the Swedish part of Kriegers Flak, an area of the Baltic Sea between Sweden and Germany. The planned installation will include 100–150 wind turbines with a combined output of between 500 and 640 MW and generation of slightly more than 2 TWh electricity per annum. Over the next year we hope to be granted concession for its construction which, in that case, would mean that work could begin in 2009 and be completed by 2010.

Open annual general meeting

On 26 April, Vattenfall's annual general meeting was held in Stockholm, an event that has previously only been open to members of the Swedish parliament. This year, for the first time, we invited all members of the Swedish public to the general meeting, an initiative in line with our endeavours for openness and transparency. More than 250 people came to listen and ask questions at the meeting. During the questions and answers session, the Chairman of the Board and I answered questions concerning, among other things, the environment, our investments abroad and corporate governance. The whole meeting was also webcast via the Internet. It is important for us to hear which issues are of concern to people so that we can improve our information and communication as well as reach our goal of being "Number one" for the customer.

At the annual general meeting, an addendum was made to the articles of association stating that "the Company shall, within the framework of businesslike operations, be the leading company in the transition to an ecologically and economically sustainable Swedish energy supply". Our investment in the carbon dioxide-free power plant and our further initiatives in the area of wind power are two concrete examples of our focus on environmental issues.



Lars G Josefsson
President and Chief Executive Officer

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE, CASH FLOW AND BALANCE SHEET (IFRS) ¹

Amount in SEK millions	January-June 2005	January-June 2004	Change %	Latest 12 months
Net sales	64,328	57,071	12.7	120,623
Operating profit before depreciation (EBITDA)	21,212	18,477	14.8	35,121
Operating profit (EBIT)	13,823	11,260	22.8	19,675
Operating profit excl items affecting comparability	13,827	11,705	18.1	21,449
Financial items, net	-996	-1,429	30.3	-1,381
Profit before income tax	12,827	9,831	30.5	18,294
Profit for the period attributable to minority interests	509	583	-12.7	732
Profit for the period attributable to equity holders of the parent	7,977	6,222	28.2	11,044
Profit for the period attributable to equity holders of the parent excl items affecting comparability	7,972	6,459	23.4	12,106
Return on equity excl items affecting comparability	-	-	-	17.4
Return on net assets excl items affecting comparability	-	-	-	15.2
Funds from operations (FFO)	14,791	14,728	0.4	24,365
Cash flow before financing activities	-2,569	7,955	-	2,948
Free cash flow	8,630	10,276	-16.0	14,038
Cash and cash equivalents plus short-term investments	14,953	16,558	-9.7	14,953
Balance sheet total	324,845	294,149	10.4	324,845
Equity incl minority interests	80,089	79,507	0.7	80,089
Capital Securities	9,248	-	-	9,248
Other interest-bearing liabilities	78,110	82,141	-4.9	78,110
Net debt	68,307	61,512	11.0	68,307

¹ As of 2005, the Vattenfall Group applies international accounting standards, International Financial Reporting Standards (IFRS), as approved by the EU.

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.

See page 22 for definitions.

Amounts in SEK millions (all figures according to IFRS) January-June 2005 January-June 2004 Change %

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Net sales	▲	64,328	57,071	12.7
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Comments:

Sales increased primarily as a result of higher electricity market prices in Germany and somewhat higher sales volumes.

Cost for sold products	▲	45,567	40,473	12.6
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Comments:

The higher costs are, among other things, attributable to increased costs for purchased electricity and fuels.

EBIT	▲	13,823	11,260	22.8
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Operating profit excl items affecting comparability	▲	13,827	11,705	18.1
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Comments:

The improvement in financial performance is primarily attributable to Germany. The Nordic region and Poland also report improved operating profit. However, the improvement for Poland is mainly attributable to exchange rate fluctuations. Operating profit excluding items affecting comparability in 2004 excludes restructuring costs in Germany of SEK 830 million.

Amounts in SEK millions (all figures according to IFRS) January-June 2005 January-June 2004 Change %

Cash flow from operating activities	▼	12,516	13,277	-5.7
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Free cash flow ¹	▼	8,630	10,276	-16.0
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Cash flow before financing activities	▼	-2,569	7,955	-
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¹ Cash flow from operating activities minus maintenance investments.

Comments:

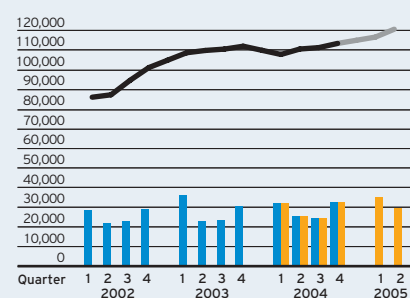
The decrease in cash flow from operating activities is mainly related to higher tax payments compared to the equivalent period in 2004. Free cash flow was negatively effected by higher maintenance investments.

Financial items, net	▲	-996	-1,429	30.3
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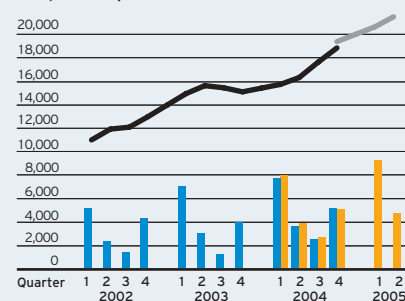
Comments:

Net interest items for the first half-year amounted to an average of SEK -150 million a month (-228). Interest income totalled SEK 396 million (432) and interest expense totalled SEK 1,297 million (1,799). The lower interest expense is attributable to reduced average debt volume and lower interest rate. Received and paid interest amounted to 351 (577) and 1,606 (1,828). Net financial items improved by SEK 433 million.

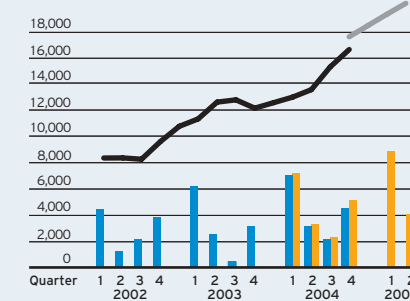
Net sales (SEK m)



Operating profit, excl items affecting comparability (SEK m)



Profit before income tax, excl items affecting comparability (SEK m)



■ Rolling 12-month values (Sw GAAP) ■ Rolling 12-month values (IFRS) ■ Quarterly values (Sw GAAP) ■ Quarterly values (IFRS)

Amounts in SEK millions (all figures according to IFRS) 30 June 2005 31 December 2004 Change %

FINANCIAL POSITION

Cash and cash equivalents plus short-term investments	▲	14,953	13,616	9.8
Committed credit facilities (unused)	▲	17,760	5,606	216.8
Uncommitted credit facilities (unused)	▲	10,109	8,192	23.4

Comments:

Committed credit facilities comprise a five-year Revolving Credit Facility of EUR 600 million maturing in December 2009, 364-day credit facilities totalling EUR 1,260 million maturing in April 2006 and a bank overdraft facility of SEK 200 million.

Net debt	▲	68,307	55,411	23.3
Average duration (years) ^{1,2}	▲	3.3	2.0	–
Average maturity ^{1,2}	▼	6.4	6.7	–

¹ Excluding loans from associated companies and minority owners.

² Excluding Capital Securities of 9,238 SEK million net debt totals 59,059 SEK million, average duration was 2.4 years and average maturity was 5.8 years. These figures refer to 30 June 2005.

Comments:

Net debt, including capital securities, increased by SEK 12.9 billion to SEK 68,3 billion compared with year-end and by SEK 16.9 billion compared with 31 March 2005. Total interest-bearing liabilities, including capital securities, increased compared with year-end by SEK 14.3 billion to a total of SEK 87.4 billion and by SEK 16.0 billion compared with 31 March 2005. The average remaining maturity in borrowings was reduced to 6.4 years (6.7), compared with year-end, due to short-term bridge financing of the acquisition of shares in Danish Elsam.

In June, Moody's changed its outlook from stable to positive and upgraded Vattenfall's long-term rating from A3 to A2. The short-term rating was upgraded from P-2 to P-1. In June, Standard & Poor's changed its outlook from stable to positive retaining the long-term rating A- and short-term rating A-2.

Amounts in SEK millions (all figures according to IFRS) 30 June 2005 31 December 2004 Change %

Equity attributed to

Equity holders of the parent	▼	69,300	73,339	-5.5
Minority interests	▲	10,789	10,260	5.2
Total	▼	80,089	83,599	-4.2

Comments:

Changes in equity are specified on page 17.

Amounts in SEK millions (all figures according to IFRS) January-June 2005 January-June 2004 Change %

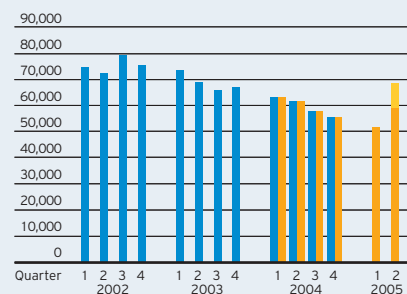
INVESTMENTS

Maintenance investments	▲	3,886	3,001	29.5
Growth investments	▲	11,450	2,929	290.9
– of which shares	▲	10,458	2,194	376.7
Total investments	▲	15,336	5,930	158.6

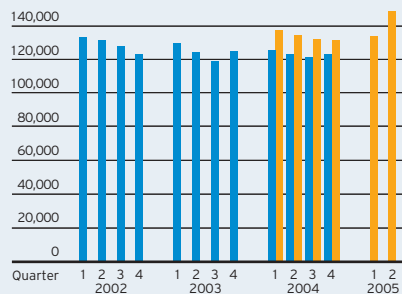
Comments:

The substantial increase is chiefly due to the acquisition of 35.3 per cent of the shares in the Danish company Elsam. According to an agreement in principle with the Danish company Dong, these shares will be exchanged for power assets (see Comments by the Chief Executive Officer on page 3).

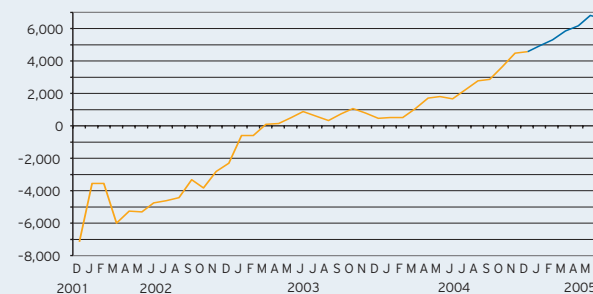
Net debt (SEK m)



Net assets (SEK m)



Value creation (SEK millions)
(Difference between results achieved and the Group's required return)



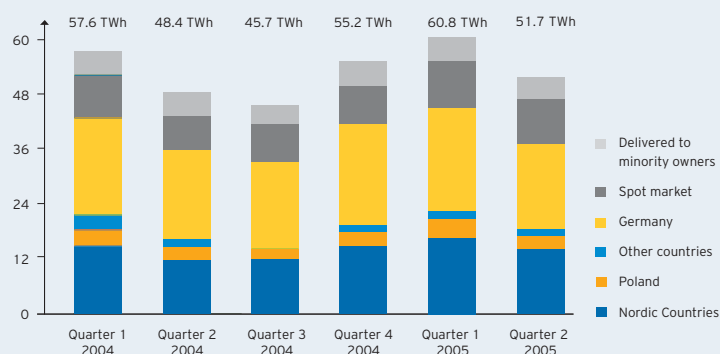
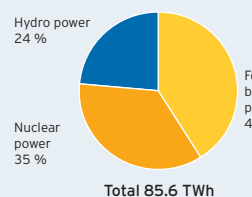
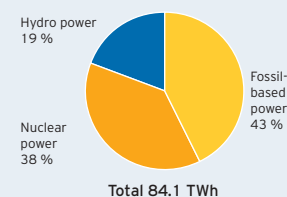
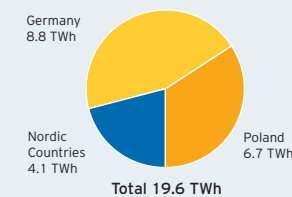
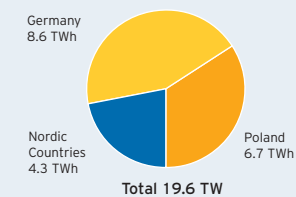
	30 June 2005	30 June 2004	Average 2004
PERSONELL (numbers of employees, expressed as full-time equivalents)			
Nordic Countries	▲ 8,899	8,777	8,744
Germany	▼ 20,039	20,880	20,864
Poland	▼ 3,073	3,343	3,309
Other countries	▼ 102	110	100
Total	▼ 32,113	33,110	33,017

Comments:

The reductions in Poland and Germany are the result of ongoing rationalisation initiatives. The increase in the Nordic countries is due to the extensive investment programs regarding the upgrading of our production facilities as well as to business added within business unit Services.

January-June 2005		January-June 2004	January-June 2005		January-June 2004
ELECTRICITY BALANCE (TWh)					
Sales			Internal generation and input		
Nordic Countries	30.9	27.2	Hydro power	20.2	16.2
Germany	41.0	40.5	Nuclear power	30.3	32.0
Poland	6.9	6.4	Fossil-based and other	35.1	35.9
Other countries	3.1	4.5	Total internal generation	85.6	84.1
Spot market	20.2	16.9	Purchased power	29.6	23.9
Total	102.1	95.5	Spot market	3.5	4.1
Delivery to minority owners	9.9	10.1	Total electricity input	118.7	112.1
Other	0.5	0.4	Internal consumption	-6.2	-6.1
Total electricity sales	112.5	106.0	Total	112.5	106.0

Electricity sales per quarter, TWh

Electricity generation
January-June 2005Electricity generation
January-June 2004Heat sales
January-June 2005Heat sales
January-June 2004

Amounts in SEK millions (all figures according to IFRS)		January-June			April-June			Full year 2004	Latest 12 months
		2005	2004	Change %	2005	2004	Change %		
NORDIC COUNTRIES									
Net sales	▲	21,911	20,371	7.6	9,992	8,640	15.6	39,962	41,502
Operating profit	▲	6,880	6,717	2.4	2,203	2,038	8.1	12,215	12,378
Operating profit excl items affecting comparability	▲	6,854	6,809	0.7	2,199	2,138	2.9	12,246	12,291
Heat production	▼	4.1	4.3	-4.7	1.3	1.5	-13.3	7.6	7.4
Electricity generation (TWh)	▲	45.9 ¹	44.2	3.8	20.8	19.9	4.5	88.4	90.1
– of which hydro power	▲	18.6	14.6	27.4	8.3	5.9	40.7	30.3	34.3
– of which nuclear power	▼	27.0	29.3	-7.8	12.5	13.9	-10.1	57.5	55.2
– Other	▶	0.3	0.3	0.0	0 ²	0.1	–	0.6	0.6
Transmitted volumes (TWh)	▲	60.9	57.6	5.7	27.3	24.8	10.1	113.0	116.3

¹ Of electricity generation, Vattenfall has at its disposal 37 TWh (35), while the remainder goes to minority owners.

² Rounding.

Sales and earnings trend

The improvement in sales and operating profit are chiefly attributable to the second quarter. The Electricity Generation, Sales, Heat and Services business units reported improved operating profits while Electricity Distribution shows a weakened operating profit. The improvement is mainly attributable to Electricity Generation and Heat. Higher generation volumes and favourable hedging levels explains the improvement in Generation while the increase in Heat is due to revenues from Swedish electricity certificates and to the fact that operating profit in the corresponding period in 2004 was burdened by SEK 100 million for winding up the peat producing company HMAB. Electricity Distribution shows a weakened operating profit due to the severe storm that affected southern Sweden at the beginning of January. During the first half year operating profit was burdened in the amount of SEK 500 million as a result of the storm. The Hydro power generation was 4.0 TWh higher than for the first half of 2004 due to improved water supply. Nuclear power generation was about 2.3 TWh lower than last year, mainly due to an outage at Ringhals 2.

Market development

The average spot prices on Nord Pool (SYSSEK) for the first half-year was approximately 5 per cent lower than last year; SEK 252 per MWh (SEK 0.235 per kWh) as against SEK 266 last year. During the second quarter, the spot prices remained largely unchanged: SEK 269 per MWh compared with SEK 270 per MWh.

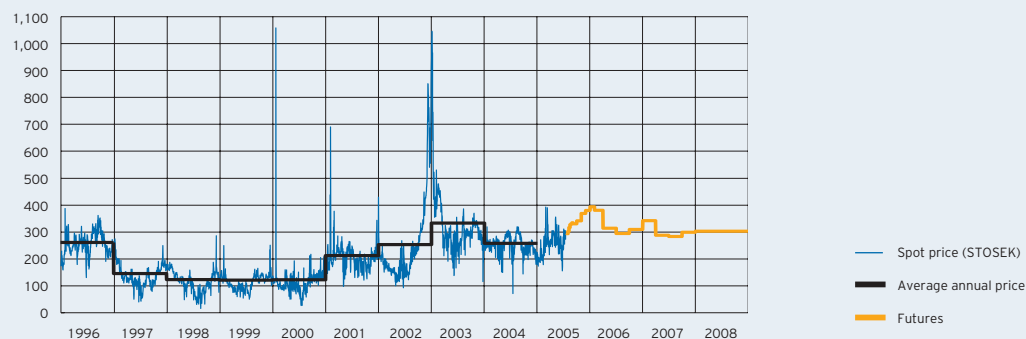
The hydrological balance showed an average surplus of 11 TWh during the first half year compared with a deficit of 20.9 TWh for the corresponding period in 2004. As of 30 June the hydrological balance amounted to 4.6 TWh compared with a deficit of 22 TWh at 30 June 2004.

The forward prices in the Nordic electricity market rose substantially due to high fuel prices and high prices of emission rights for carbon dioxide. Forward prices for 2006 and 2007 closed at EUR 36.0 and EUR 33.7 per MWh on 30 June compared with last year's average closing prices of a little over EUR 28 per MWh.

Total electricity consumption in the Nordic countries during the first half of 2005 amounted to 201 TWh which remained principally unchanged compared with the equivalent period last year.

Swedish electricity prices 1996-2008
SEK/MWh

Source: Nord Pool
Updated to July 18, 2005



Amounts in SEK millions (all figures according to IFRS)		January-June			April-June			Full year 2004	Latest 12 months
		2005	2004	Change %	2005	2004	Change %		
GERMANY									
Net sales	▲	56,689	46,492	21.9	25,590	21,324	20.0	92,945	103,142
Operating profit	▲	6,665	3,918	70.1	2,338	1,214	92.6	4,591	7,338
Operating profit excl items affecting comparability	▲	6,687	4,720	41.7	2,362	1,705	38.5	7,208	9,175
Heat production (TWh)	▲	8.8	8.6	2.3	2.4	2.3	4.3	15.5	15.7
Electricity generation (TWh)	▼	37.8	38.1	-0.8	18.0	17.9	0.6	75.5	75.2
– of which fossil-based	▼	32.9	33.9	-2.9	15.5	15.6	-0.6	67.2	66.2
– of which nuclear power	▲	3.3	2.7	22.2	1.7	1.5	13.3	4.9	5.5
– of which hydro power	▲	1.6	1.5	6.7	0.8	0.8	0.0	3.3	3.4
Transmitted volumes – excl transmission grid (TWh) ¹	▼	14.1	14.3	-1.4	6.7	6.9	-2.9	28.5	28.3

¹ Excl transmission grid.

Sales and earnings trend

Sales increased primarily as a result of significantly higher electricity wholesale prices. The improvement in operating profit, excluding items affecting comparability, is mainly attributable to higher electricity wholesale prices and higher transmission tariffs. Restructuring costs in 2004 totalling SEK 830 million are treated as items affecting comparability.

Nuclear power generation increased by 0.5 TWh, while fossil-based power dropped by 1 TWh as a result of unplanned outages in the Lippendorf and Jämschwalde plants. Heat generation was somewhat higher than the equivalent period in 2004.

Compared with the first half of 2004, operating profit improved for the Mining & Generation, Transmission, Heat and Sales business units. Operating profit for Distribution remained largely unchanged. Sales turned last year's negative result into a clearly positive result due to reduced sales and administrative costs and through alignment to market terms of a number of large sales agreements.

Market development

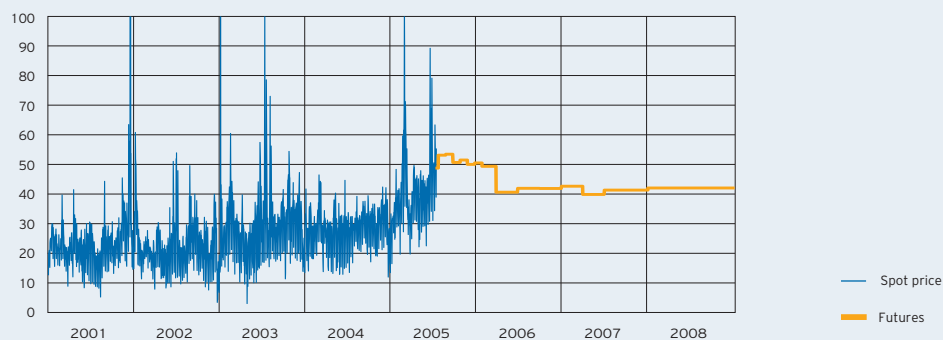
The average spot prices on EEX increased by more than 45 per cent compared with the equivalent period last year; EUR 40 per MWh compared with EUR 27.5 per MWh. During the second quarter, the spot prices remained largely unchanged: EUR 41.5 per MWh compared with EUR 26.5 per MWh. Low levels in the reservoirs in Switzerland, low wind power generation and maintenance work were contributory factors.

The German forward prices also increased, chiefly due to high fuel prices and high prices of emission rights for carbon dioxide.

The price of emission rights for carbon dioxide continued to rise in the second quarter. In the beginning of July, the price was approaching EUR 30 per ton. Among other things, the price increase was due to the fact that oil and gas prices rose sharply and the European commission decided to reduce the national allocation plans for Italy and Greece during the second quarter.

German electricity prices 2001-2008
EUR/MWh

Source: European Energy Exchange (EEX)
Updated to July 18, 2005



Amounts in SEK millions (all figures according to IFRS)	January-June			April-June			Full year	Latest	
	2005	2004	Change %	2005	2004	Change %	2004	12 months	
POLAND									
Net sales	▲	4,363	3,779	15.5	1,839	1,581	16.3	7,427	8,011
Operating profit	▲	517	432	19.7	142	113	25.7	711	796
Operating profit excl items affecting comparability	▲	525	428	22.7	149	114	30.7	691	788
Heat production (TWh)	▶	6.7	6.7	0.0	1.7	1.6	6.3	11.4	11.4
Electricity generation (TWh) ¹	▲	1.9	1.8	5.6	0.6	0.6	0.0	3.2	3.3

¹ 100 % fossil-based power.

Sales and earnings trend

The profit increase is primarily attributable to exchange rate fluctuations. Operations are stable and now exhibit good earnings ability due to the highly successful rationalisation and cost-reduction efforts implemented in recent years. Heat operations reported a better result. Lower heat volumes, the result of warm weather at the beginning of the year, was compensated by higher electricity generation in the combined heat and power plants. Results in Network operations were somewhat lower and Sales results deteriorated compared with last year due to squeezed margins.

Market development

The average spot prices on POLPX for the first half-year increased compared with the equivalent period last year: PLN 113 per MWh compared with PLN 111 per MWh. The second quarter also shows an increase: from PLN 115 per MWh compared with PLN 112 per MWh. Maintenance work and warm weather contributed to the price increase.

Sales on the Polish electricity exchange are very low compared with Nord Pool and EEX. The forward market is under development.

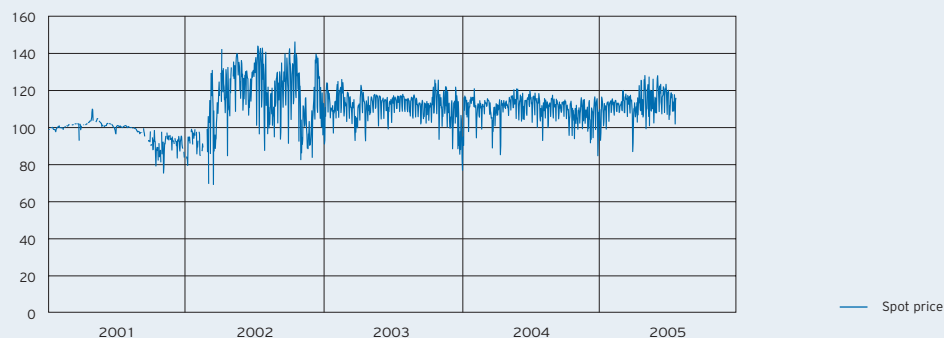
Poland reorganised as Business Group

As of 1 August, operating activities in Poland will be organised into Business Group Poland and divided into Business Units: Distribution, Sales and Heat.

The Head of Business Group Poland will also be a member of Vattenfall's Executive Group Management.

Polish electricity prices 2001-2005
PLN/MWh

Source: Gielda Energii SA
Updated to July 19, 2005



THE PARENT COMPANY

The accounts of Vattenfall AB, the parent company, are prepared in accordance with Swedish GAAP, i.e. in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's Recommendation (RR 32) concerning Reporting for legal entities. The parent company does not apply IAS 39 concerning financial instruments for 2005.

Net sales amounted to SEK 13,509 million (SEK 13,435 million). Profit after financial items amounted to SEK 2,803 million (SEK 4,722 million). Investments for the period amounted to SEK 11,661 million (SEK 2,676 million). Cash and cash equivalents amounted to SEK 2,913 million (31 December 2004: 142). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 20,915 million (31 December 2004: 22,533).

THE GROUP

Closure of Barsebäck

The negotiations between Vattenfall and the Swedish State concerning the compensation to Vattenfall for the closure of the nuclear plant Barsebäck are not yet completed. As per 30 June 2005, there has been no effect posted in Vattenfall's income statement. The compensation is expected to exceed Vattenfall's share of the costs for the write down of the assets associated with Barsebäck Kraft AB.

Provisions

At present Vattenfall is reviewing the Groups provisions in the balance sheet. This may result in changes in today's assumptions regarding discounting factors in Vattenfall's income statement.

ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 – Interim Reports, which is in agreement with the requirements stipulated in the Swedish Financial Accounting Standards Council's recommendation RR 31 – Consolidated Interim Reports.

The accounting principles applied in this interim report are those described in Vattenfall's annual report for 2004 (Notes 2 and 3 of the consolidated accounts). There it is stipulated, that the International Financial Reporting Standards (IFRS) are applied as of 2005 and that comparative figures for the year 2004 are restated in accordance with the new principles with the exception of that which applies to financial instruments. In accordance with the regulations for the transition to IFRS, the new principles are applied to financial instruments (IAS 39) only in those parts of the accounts that concern 2005. The effect on equity at the start of the year from restatement in accordance with the new principles for reporting of financial instruments is specified under the heading Change in Equity.

The effects of the restatement of the comparative figures on the result for the first two quarters of 2004 and equity at the end of the second quarter are described on page 21 under the heading Transition to International Financial Reporting Standards (IFRS). The equivalent figures for the full year 2004 and equity at the start and end of 2004 are presented in Note 3 of the consolidated accounts in Vattenfall's annual report for 2004.

According to IFRS 1, the accounts shall be prepared in accordance with the IFRS standards that apply as of 31 December 2005. Moreover, these standards shall have been approved by the EU. As a result, the information provided

is preliminary and is based on the current IFRS, which may undergo changes before 31 December 2005 with subsequent effects on the amounts reported.

Capital Securities

At the end of June Vattenfall issued so called Capital Securities, which are reported as interest-bearing non-current liabilities. The tenor of the Capital Securities is perpetual and they are junior to all of Vattenfall's unsubordinated debt instruments. There is no redemption requirement. The interest rate of the Capital Securities is fixed for the initial 10 year period, thereafter a floating rate is applied. Interest payment is conditional on among other things, Vattenfall's means of paying dividends to shareholders and the fulfilment of certain key ratios.

Emission rights

As of 2005, a trading system applies in the EU with the purpose of reducing emissions of the greenhouse gas carbon dioxide. Within the framework of this system, concerned plants have received, without payment or for prices below fair value, so-called emission rights from the authorities in each country. Emission rights can be bought and sold on the market. IFRIC (International Financial Reporting Interpretations Committee of IASB, International Accounting Standards Board) addresses the accounting of such emission rights in IFRIC 3. The EU has not yet approved IFRIC 3 and has suggested a number of changes. In June 2005, the IASB withdrew IFRIC 3 with immediate effect.

While awaiting a final IFRIC approved by the EU, Vattenfall will report emission rights as follows: received and purchased emission rights

are reported as inventories. In those cases where emission rights are received, or acquired, at a value lower than fair value, the inventory asset is reported at fair value and as deferred income (government grant) in the balance sheet. The government grant is carried as income over the year and as carbon dioxide is emitted a cost and a liability for the obligation to provide emission rights are reported. The liability and inventory asset are valued in a uniform manner.

VATTENFALL'S FINANCIAL REPORTS FOR 2005

Nine-month Interim Report as of 30 September

Thursday, 27 October

Year-end Report as of 31 December

Tuesday, 31 January

Annual Report 2005

March 2006



Stockholm, 28 July 2005

Lars G Josefsson

President and Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT

Amounts in SEK millions	January-June			April-June			Full year		Latest 12 months IFRS
	2005 IFRS	2004 IFRS	2004 Sw GAAP	2005 IFRS	2004 IFRS	2004 Sw GAAP	2004 IFRS	2004 Sw GAAP	
Net sales	64,328	57,071	57,071	29,292	25,261	25,261	113,366	113,366	120,623
Cost of products sold ¹	-45,567	-40,473	-40,424	-20,652	-18,936	-18,771	-83,848	-81,992	-88,942
Gross profit	18,761	16,598	16,647	8,640	6,325	6,490	29,518	31,374	31,681
Selling expenses, administrative expenses and research and development costs ²	-5,582	-5,963	-5,783	-2,867	-3,041	-2,948	-12,572	-12,139	-12,191
Other operating income and expenses, net	309	404	405	-1,251	270	271	1,126	1,126	1,031
Participations in the results of associated companies	335	221	324	82	65	116	-960	-754	-846
Operating profit (EBIT) ³	13,823	11,260	11,593	4,604	3,619	3,929	17,112	19,607	19,675
Financial income ⁴	1,847	1,261	830	1,119	700	434	3,516	1,772	4,102
Financial expenses ⁵	-2,843	-2,690	-2,033	-1,713	-1,266	-947	-5,330	-4,020	-5,483
Profit before income tax ⁶	12,827	9,831	10,390	4,010	3,053	3,416	15,298	17,359	18,294
Income tax expense	-4,341	-3,026	-2,992	-1,229	-1,141	-1,123	-5,203	-5,011	-6,518
Profit for the period ⁷	8,486	6,805	7,398	2,781	1,912	2,293	10,095	12,348	11,776
Attributable to									
Equity holders of the parent	7,977	6,222	6,871	2,698	1,697	2,106	9,289	11,776	11,044
Minority interests	509	583	527	83	215	187	806	572	732
Total	8,486	6,805	7,398	2,781	1,912	2,293	10,095	12,348	11,776
Earnings per share									
Number of shares (thousands)	131,700	131,700	131,700	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share (SEK)	60.57	47.24	52.17	20.49	12.89	15.99	70.53	89.42	83.86
Additional information									
Operating profit before depreciation (EBITDA)	21,212	18,477	17,758	8,566	7,299	6,991	32,386	31,453	35,121
Financial items, net excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund	-942	-1,203	-1,203	-559	-513	-513	-2,248	-2,248	-1,987
¹ Of which depreciation	-7,187	-6,948	-6,798	-3,869	-3,509	-3,434	-14,745	-14,505	-14,984
¹ Of which dissolution of negative goodwill	-	-	830	-	-	505	-	3,034	-
² Of which depreciation	-202	-269	-197	-93	-171	-133	-529	-375	-462
³ Including items affecting comparability related to:									
– capital gains/losses	-4	385	385	-27	360	360	819	819	430
– restructuring costs	-	-830	-	-	-505	-	-3,034	-	-2,204
⁴ Incl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund	626	435	-	312	266	-	1,744	-	1,935
⁵ Incl discounting effects attributable to provisions excl of provisions for pensions	-680	-661	-	-347	-319	-	-1,310	-	-1,329
⁶ Incl items affecting comparability	4	-449	381	-18	-147	358	-2,217	817	-1,764
⁷ Of which items affecting comparability adjusted for tax	5	-237	269	-10	-56	252	-1,305	546	-1,062

PRIMARY SEGMENTS ¹

Amount 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
	2005	2004	2005	2004	2004	2005	2004	2005	2004	2004	2005	2004	2005	2004	2004
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Nordic Countries	21,911	20,371	9,992	8,640	39,962	6,880	6,717	2,203	2,038	12,215	6,854	6,809	2,199	2,138	12,246
Germany	56,689	46,492	25,590	21,324	92,945	6,665	3,918	2,338	1,214	4,591	6,687	4,720	2,362	1,705	7,208
Poland	4,363	3,779	1,839	1,581	7,427	517	432	142	113	711	525	428	149	114	691
Other ²	24,633	17,859	12,099	8,170	35,363	-239	193	-79	254	-392	-239	-252	-79	-193	-805
Eliminations ³	-43,268	-31,430	-20,228	-14,454	-62,331	-	-	-	-	-13	-	-	-	-	-13
Total	64,328	57,071	29,292	25,261	113,366	13,823	11,260	4,604	3,619	17,112	13,827	11,705	4,631	3,764	19,327

¹ Compared to the segments presented in Vattenfall's Annual Report for 2004 (Note 5 of the consolidated accounts) as of 2005 the segments have been modified to better reflect the internal organisation, management structure and internal financial reporting.

² Includes energy trading activities, treasury activities and other Group functions.

³ Concerns mainly trade between Nordic Countries and Germany and energy trading activities included in the segment Other.

SECONDARY SEGMENTS ¹

Amount 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
	2005	2004	2005	2004	2004	2005	2004	2005	2004	2004	2005	2004	2005	2004	2004
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Electricity Generation	27,721	25,643	13,576	12,027	51,128	8,193	6,889	2,936	2,526	12,417	8,195	7,065	2,941	2,620	13,106
Electricity Markets ²	34,258	31,124	16,780	14,247	61,725	637	-541	245	-459	-839	636	-239	245	-182	-322
Electricity Networks	26,199	22,451	10,890	9,616	44,761	3,406	3,596	1,307	1,289	6,129	3,385	3,721	1,290	1,343	6,365
Heat	10,645	9,566	4,136	3,672	18,320	2,400	1,803	593	293	2,622	2,402	1,994	599	430	3,023
Other	3,270	2,717	1,910	1,468	6,262	-813	-487	-477	-30	-3,205	-791	-836	-444	-447	-2,833
Eliminations ³	-37,765	-34,430	-18,000	-15,769	-68,830	-	-	-	-	-12	-	-	-	-	-12
Total	64,328	57,071	29,292	25,261	113,366	13,823	11,260	4,604	3,619	17,112	13,827	11,705	4,631	3,764	19,327

¹ Compared to the segments presented in Vattenfall's Annual Report for 2004 (Note 5 of the consolidated accounts) as of 2005 the segments have been modified to better reflect the internal organisation, management structure and internal financial reporting.

² Includes sales and energy trading activities.

³ Concerns mainly trade between Electricity Generation, Electricity Markets and Electricity Networks.

BALANCE SHEET

Amounts in SEK millions	30 June 2005 IFRS	30 Juni 2004 IFRS	30 Juni 2004 Sw GAAP	31 December 2004 IFRS	31 December 2004 Sw GAAP
Assets					
Non-current assets					
Intangible fixed assets	5,758	5,858	5,264	5,663	5,065
Tangible fixed assets	186,544	184,708	180,791	182,540	179,029
Financial fixed assets ¹	67,737	52,039	28,849	50,518	26,681
Total non-current assets	260,039	242,605	214,904	238,721	210,775
Current assets					
Inventories	12,927	7,697	7,629	7,577	7,470
Trade and other receivables	35,141	25,333	25,333	23,836	23,790
Current tax assets	1,785	1,956	1,956	1,264	1,264
Short-term investments	9,300	8,146	8,146	7,700	7,700
Cash and cash equivalents	5,653	8,412	8,412	5,916	5,916
Total current assets	64,806	51,544	51,476	46,293	46,140
Total assets	324,845	294,149	266,380	285,014	256,915
Equity and liabilities					
Equity					
Attributable to equity holders of the parent	69,300	69,713	56,724	73,339	62,316
Attributable to minority interests	10,789	9,794	8,893	10,260	9,188
Total equity	80,089	79,507	65,617	83,599	71,504
Non-current liabilities					
Capital Securities	9,248	–	–	–	–
Other interest-bearing liabilities	67,376	66,334	66,334	64,119	64,119
Interest-bearing provisions	40,264	42,644	26,315	39,939	23,965
Pension provisions	17,337	16,425	16,425	16,450	16,450
Deferred tax liabilities	44,227	41,237	34,439	41,646	34,688
Other non-interest-bearing liabilities	2,134	2,036	2,036	2,135	2,135
Negative goodwill	–	–	9,248	–	6,928
Total non-current liabilities	180,586	168,676	154,797	164,289	148,285
Current liabilities					
Trade and other payables	45,634	23,345	23,345	21,363	21,363
Current tax liabilities	2,961	2,038	2,038	1,999	1,999
Interest-bearing liabilities ²	10,734	15,807	15,807	8,894	8,894
Interest-bearing provisions	4,841	4,776	4,776	4,870	4,870
Total current liabilities	64,170	45,966	45,966	37,126	37,126
Total equity and liabilities	324,845	294,149	266,380	285,014	256,915
Pledged assets	3,110	1,338	1,338	247	247
Contingent liabilities	16,078	11,855	11,855	10,441	10,441

¹ Vattenfall's holding of 35.3 % of the shares in the Danish power company Elsam A/S is not reported in accordance with the equity method as, according to the agreement in principle with the majority shareholder, Dong A/S, the investment is only of a temporary nature and Vattenfall cannot be considered to have a significant influence on the company. According to the agreement in principle, Vattenfall will exchange its shares for generation capacity in Elsam and the company E2. Transfer of the assets is expected to be completed by the end of 2005. The share investment in Elsam is reported here as financial fixed assets as the assets to be exchanged are primarily fixed assets.

² Of which interest arbitrage transactions. – 979 979 – –

ADDITIONAL INFORMATION

Net assets

Amounts in SEK millions	30 June 2005 IFRS	30 June 2004 IFRS	30 June 2004 Sw GAAP	31 December 2004 IFRS	31 December 2004 Sw GAAP
Nordic Countries	67,735	57,567	58,022	57,186	57,950
Germany	70,447	72,752	60,167	68,040	57,953
Poland	8,597	7,171	7,110	7,321	7,187
Other ¹	1,309	-4,314	-3,344	-3,409	-2,430
Eliminations	667	1,299	1,299	2,293	2,292
Total net assets on balance sheet date	148,755	134,475	123,254	131,431	122,952
Net assets, weighted average value ²	134,587	–	123,213	134,029	123,423

¹ Includes energy trading activities, treasury activities and other Group functions.

² IFRS information for 2003 is not available.

Net debt

Amounts in MSEK millions	30 June 2005 IFRS	30 June 2004 IFRS	30 June 2004 Sw GAAP	31 December 2004 IFRS	31 December 2004 Sw GAAP
Capital Securities	-9,248	–	–	–	–
Other interest-bearing liabilities ¹	-78,110	-82,141	-82,141	-73,013	-73,013
Cash and cash equivalents	5,653	8,412	8,412	5,916	5,916
Short-term investments	9,300	8,146	8,146	7,700	7,700
Loans to minority owners in foreign subsidiaries	4,098	4,071	4,071	3,986	3,986
Total net debt	-68,307	-61,512	-61,512	-55,411	-55,411
¹ Of which loans from minority owned German nuclear power companies.	-14,885	-15,238	-15,238	-14,458	-14,458

CASH FLOW STATEMENT

	January-June			April-June			Full year		Latest 12 months
	2005	2004	2004	2005	2004	2004	2004	2004	
Amounts in SEK millions	IFRS	IFRS	Sw GAAP	IFRS	IFRS	Sw GAAP	IFRS	Sw GAAP	IFRS
Operating activities									
Funds from operations (FFO)	14,791	14,728	14,690	6,020	5,719	5,700	24,302	24,159	24,365
Cash flow from changes in operating assets and operating liabilities	-2,275	-1,451	-1,493	-979	-108	-163	-199	-186	-1,023
Cash flow from operating activities	12,516	13,277	13,197	5,041	5,611	5,537	24,103	23,973	23,342
Investment activities									
Investments	-15,336	-5,930	-5,850	-13,515	-2,667	-2,593	-12,731	-12,601	-22,137
Divestments	251	624	624	141	431	431	2,120	2,120	1,747
Cash and cash equivalents in acquired/divested companies	-	-16	-16	-	-	-	-20	-20	-4
Cash flow from investment activities	-15,085	-5,322	-5,242	-13,374	-2,236	-2,162	-10,631	-10,501	-20,394
Cash flow before financing activities	-2,569	7,955	7,955	-8,333	3,375	3,375	13,472	13,472	2,948
Financing activities									
Changes in short-term investments	-1,354	-788	-788	-1,709	-2,661	-2,661	-439	-439	-1,005
Loans raised	6,017	5,952	5,952	5,547	5,710	5,710	7,984	7,984	8,049
Amortisation of debt	-6,166	-9,510	-9,510	-2,082	-2,929	-2,929	-20,229	-20,229	-16,885
Issue of Capital Securities	9,248	-	-	9,248	-	-	-	-	9,248
Dividend paid to shareholders	-5,771	-2,606	-2,606	-5,771	-2,590	-2,590	-2,600	-2,600	-5,765
Cash flow from financing activities	1,974	-6,952	-6,952	5,233	-2,470	-2,470	-15,284	-15,284	-6,358
Cash flow for the period	-595	1,003	1,003	-3,100	905	905	-1,812	-1,812	-3,410
Cash and cash equivalents									
Cash and cash equivalents at the beginning of the period	5,916	7,301	7,301	8,485	7,482	7,482	7,301	7,301	8,412
Cash flow for the period	-595	1,003	1,003	-3,100	905	905	-1,812	-1,812	-3,410
Exchange rate differences	332	108	108	268	25	25	427	427	651
Cash and cash equivalents at the end of the period	5,653	8,412	8,412	5,653	8,412	8,412	5,916	5,916	5,653

ADDITIONAL INFORMATION

Cash flow before financing activities	-2,569	7,955	7,955	-8,333	3,375	3,375	13,472	13,472	2,948
Financing activities									
Issue of Capital Securities	9,248	-	-	9,248	-	-	-	-	9,248
Dividend paid to shareholders	-5,771	-2,606	-2,606	-5,771	-2,590	-2,590	-2,600	-2,600	-5,765
Cash flow after dividend	908	5,349	5,349	-4,856	785	785	10,872	10,872	6,431
Analysis of changes in net debt									
Net debt at beginning of the period	-55,411	-66,890	-66,890	-51,395	-62,916	-62,916	-66,890	-66,890	-61,512
Transition effect on application of new accounting principles (IAS 39)	-584	-	-	-	-	-	-	-	-584
Issue of Capital Securities	-9,248	-	-	-9,248	-	-	-	-	-9,248
Effect of altered classification of interest in pension provision	-	84	84	-	-	-	84	84	-
Cash flow after dividend	908	5,349	5,349	-4,856	785	785	10,872	10,872	6,431
Changes due to fair value valuation	-808	-	-	-717	-	-	-	-	-808
Exchange rate difference on net debt	-3,164	-55	-55	-2,091	619	619	523	523	-2,586
Net debt at the end of the period	-68,307	-61,512	-61,512	-68,307	-61,512	-61,512	-55,411	-55,411	-68,307
Free cash flow	8,630	10,276	10,196	2,646	3,771	3,697	15,684	15,814	14,038

CHANGE IN EQUITY

Amounts in SEK millions	January-June 2005 (IFRS)		
	Attributable to equity holders of the parent	Attributable to minority holders	Total equity
Balance brought forward	73,339	10,260	83,599
Transition effect on application of new accounting principles (IAS 39)	-416	-24	-440
Dividend to shareholders	-5,600	-171	-5,771
Cash flow hedges	-7,603	-147	-7,750
Currency hedges related to foreign equity	-1,438	-	-1,438
Translation differences	3,041	426	3,467
Changes in ownership	-	-64	-64
Profit for the period	7,977	509	8,486
Balance carried forward	69,300	10,789	80,089¹

¹ Of which Cash flow hedge reserve, MSEK -7,878.

Amounts in SEK millions	January-June 2004 (IFRS)		
	Attributable to equity holders of the parent	Attributable to minority holders	Total equity
Balance brought forward	65,502	10,227	75,729
Dividend to shareholders	-2,400	-206	-2,606
Translation differences	407	126	533
Currency hedges related to foreign equity	-18	-	-18
Changes in ownership	-	-936	-936
Profit for the period	6,222	583	6,805
Balance carried forward	69,713	9,794	79,507

Amounts in SEK millions	January-December 2004 (IFRS)		
	Attributable to equity holders of the parent	Attributable to minority holders	Total equity
Balance brought forward	65,502	10,227	75,729
Dividend to shareholders	-2,400	-200	-2,600
Translation differences	616	251	867
Currency hedges related to foreign equity	332	-	332
Group contributions from minority, net of taxes	-	192	192
Changes in ownership	-	-1,016	-1,016
Profit for the period	9,289	806	10,095
Balance carried forward	73,339	10,260	83,599

KEY RATIOS (definitions on page 22)

	January-June		April-June		Full year		Latest 12 months
	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2004 IFRS	2004 Sw GAAP	IFRS
(in per cent unless otherwise stated)							
Operating margin	21.5	19.7	15.7	14.3	15.1	17.3	16.3
Operating margin ¹	21.5	20.5	15.8	14.9	17.0	16.6	17.8
Pre-tax profit margin	19.9	17.2	13.7	12.1	13.5	15.3	15.2
Pre-tax profit margin ¹	19.9	18.0	13.8	12.7	15.4	14.6	16.6
Return on equity	–	–	–	–	14.2	22.4	15.8
Return on equity ¹	–	–	–	–	16.2	21.4	17.4
Return on net assets	–	–	–	–	12.2	15.9	13.9
Return on net assets ¹	–	–	–	–	13.8	15.2	15.2
Interest coverage ratio, times	7.0	6.0	4.0	4.3	4.7	5.3	5.3
Interest coverage ratio, times ¹	7.0	6.2	4.0	4.4	5.2	5.1	5.7
FFO interest coverage ratio, times	7.8	8.3	5.4	7.0	7.0	7.0	6.9
FFO interest coverage ratio, net, times	16.7	13.2	11.8	12.1	11.8	11.7	13.3
Equity/assets ratio	24.7	27.1	24.7	27.1	29.3	27.8	24.7
Net debt/equity ratio, times	0.85	0.77	0.85	0.77	0.66	0.77	0.85
Net debt/equity plus net debt	46.0	43.6	46.0	43.6	39.9	43.7	46.0
Interest-bearing debt/interest-bearing debt plus equity	52.2	50.8	52.2	50.8	46.6	50.5	52.2
FFO/interest-bearing debt	–	–	–	–	33.3	33.1	27.9
FFO/net debt	–	–	–	–	43.9	43.6	35.7
EBITDA/net financial items, times	22.5	15.4	15.3	14.2	14.4	14.0	17.7
EBITDA/net financial items, times ¹	22.5	15.7	15.4	14.5	15.4	13.6	18.6

¹ Excl items affecting comparability

QUARTERLY INFORMATION

	Quarter 2 2005 IFRS	Quarter 1 2005 IFRS	Quarter 4 2004 IFRS	Quarter 3 2004 IFRS	Quarter 2 2004 IFRS	Quarter 1 2004 IFRS
Amounts in SEK millions						
Income statement						
Net sales	29,292	35,036	32,405	23,890	25,261	31,810
Cost of products sold	-20,652	-24,915	-24,545	-18,830	-18,936	-21,537
Other expenses and revenues, net	-4,118	-1,155	-3,394	-2,493	-2,771	-2,788
Participations in the results of associated companies	82	253	-676	-505	65	156
Operating profit before depreciation (EBITDA)	8,566	12,646	8,432	5,477	7,299	11,178
Operating profit (EBIT)	4,604	9,219	3,790	2,062	3,619	7,641
Financial items, net	-594	-402	24	-409	-566	-863
Financial items, net ¹	-559	-383	-711	-334	-513	-690
Profit before income tax	4,010	8,817	3,814	1,653	3,053	6,778
Profit for the period attributable to minority interests	83	426	304	-81	215	368
Profit for the period attributable to equity holders of the parent	2,698	5,279	1,991	1,076	1,697	4,525
Balance sheet						
Non-current assets	260,039	241,281	238,721	240,764	242,605	246,237
Short-term investments	9,300	7,465	7,700	8,094	8,146	5,546
Cash and cash equivalents	5,653	8,485	5,916	7,774	8,412	7,482
Other current assets	49,853	46,493	32,677	32,956	34,986	37,941
Total assets	324,845	303,724	285,014	289,588	294,149	297,206
Equity attributable to equity holders of the parent	69,300	76,445	73,339	70,960	69,713	70,944
Equity attributable to minority interests	10,789	10,725	10,260	9,669	9,794	9,768
Capital Securities	9,248	-	-	-	-	-
Other interest-bearing liabilities	78,110	71,389	73,013	77,703	82,141	80,124
Interest-bearing provisions	45,105	44,502	44,809	45,548	47,420	48,234
Pension provisions	17,337	16,720	16,450	16,533	16,425	16,555
Deferred tax liabilities	44,227	42,499	41,646	41,544	41,237	41,879
Other non-interest-bearing liabilities	50,729	41,444	25,497	27,631	27,419	29,702
Total equity and liabilities	324,845	303,724	285,014	289,588	294,149	297,206
Net assets	148,755	133,552	131,431	131,749	134,475	137,162
Net debt	-68,307	-51,395	-55,411	-57,850	-61,512	-62,916
Cash flow						
Funds from operations (FFO)	6,020	8,771	6,780	2,794	5,719	9,009
Cash flow from changes in operating assets and operating liabilities	-979	-1,296	-1,863	3,115	-108	-1,343
Cash flow from operating activities	5,041	7,475	4,917	5,909	5,611	7,666
Cash flow from investment activities	-13,374	-1,711	-3,028	-2,281	-2,236	-3,086
Cash flow before financing activities	-8,333	5,764	1,889	3,628	3,375	4,580
Changes in short-term investments	-1,709	355	313	36	-2,661	1,873
Loans raised/amortisation of debt, net	3,465	-3,614	-4,428	-4,259	2,781	-6,339
Issue of Capital Securities	9,248	-	-	-	-	-
Dividend paid	-5,771	-	6	-	-2,590	-16
Cash flow from financing activities	5,233	-3,259	-4,109	-4,223	-2,470	-4,482
Cash flow for the period	-3,100	2,505	-2,220	-595	905	98
Free cash flow	2,646	5,984	1,552	3,856	3,771	6,505

¹ Excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund.

KEY RATIOS (definitions on page 22)

	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
(in per cent unless otherwise stated)	2005 IFRS	2005 IFRS	2004 IFRS	2004 IFRS	2004 IFRS	2004 IFRS
Return on equity ²	15.8	14.2	–	–	–	–
Return on equity ^{1, 2}	17.4	15.7	–	–	–	–
Return on net assets ²	13.9	13.4	–	–	–	–
Return on net assets ^{1, 2}	15.2	14.8	–	–	–	–
Interest coverage ratio, times	4.0	12.1	3.4	3.4	4.3	7.4
Interest coverage ratio, times ¹	4.0	12.1	4.4	4.2	4.4	7.7
Equity/assets ratio	24.7	28.7	29.3	27.9	27.1	27.2
Net debt/equity ratio, times	0.85	0.59	0.66	0.72	0.77	0.78
Net debt/equity plus net debt	46.0	37.1	39.9	41.8	43.6	43.8
FFO/interest-bearing debt ²	52.2	33.7	–	–	–	–
FFO/net debt ²	35.7	46.8	–	–	–	–

¹ Excluding items affecting comparability.

² Rolling 12-months (IFRS information for 2003 is not available).

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

For further information see Vattenfall's Annual Report for 2004, Note 3 of the consolidated accounts.

Summarised reconciliation of consolidated equity

Amount in SEK millions	30 June 2004
Equity according to Swedish GAAP	56,724
Negative goodwill	9,248
Amortisation of goodwill	61
Obligations for decommissioning, restoration etc.	
– nuclear power operations	3,425
– mining operations	2,869
Development costs	533
Deferred tax	-2,246
Minority interests	8,893
Total change under IFRS	22,783
Equity according to IFRS	79,507

Summarised reconciliation of consolidated equity

Belopp i MSEK	January-June 2004	April-June 2004
Net profit according to Swedish GAAP	6,871	2,106
Negative goodwill	-830	-505
Amortisation of goodwill	59	30
Obligations for decommissioning, restoration etc.		
– nuclear power operations	119	60
– mining operations	110	63
Development costs	-16	-10
Deferred tax	-35	-19
Minority interests	527	187
Total change under IFRS	-66	-194
Net profit according to IFRS	6,805	1,912

Items affecting comparability

Non-recurring capital gains and capital losses from shares and other fixed assets and – for for year 2004 – even restructuring costs which, in accordance with Swedish GAAP, were recorded as an offset to dissolution of negative goodwill.

Net assets

Balance sheet total less non-interest-bearing liabilities, provisions, interest-bearing receivables, assets in the Swedish Nuclear Waste Fund, cash and cash equivalents and short-term investments.

Net debt

Interest-bearing liabilities less long-term loans to minority owners in foreign subsidiaries and cash and cash equivalents and short-term investments

Operating margin, per cent

Operating profit (EBIT) in relation to net sales.

Pre-tax profit margin, per cent

Profit before income tax in relation to net sales.

Return on equity, per cent

Profit for the period attributable to equity holders of the parent in relation to equity at the beginning of the period attributable to equity holders of the parent. Equity is here reported excl of cash flow hedges.

Return on net assets, per cent

Operating profit (EBIT) plus discounting effects attributable to provisions in relation to a weighted average of the net assets for the period.

Interest coverage ratio, times

Operating profit (EBIT) plus financial income excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund in relation to financial expenses excl discounting effects attributable to provisions.

FFO interest coverage ratio, times

Funds from operations (FFO) plus financial expenses excl discounting effects attributable to provisions in relation to financial expenses excl discounting effects attributable to provisions.

FFO interest coverage ratio, net, times

Funds from operations (FFO) plus net financial items excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund in relation to financial items excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund.

Equity/assets ratio, per cent

Equity in relation to the balance sheet total at the end of the period less interest arbitrage transactions.

Net debt/equity ratio, times

Interest-bearing liabilities less long-term loans to minority owners in foreign subsidiaries and cash and cash equivalents and short-term investments in relation to equity.

Interest-bearing liabilities/interest-bearing liabilities plus equity, per cent

Interest-bearing liabilities in relation to interest-bearing liabilities plus equity.

Net debt/equity plus net debt, per cent

Net debt in relation net debt plus equity.

FFO/interest-bearing debt, per cent

Funds from operations (FFO) in relation to interest-bearing liabilities.

FFO/net debt, per cent

Funds from operations (FFO) in relation to interest-bearing liabilities less long-term loans to minority owners of foreign subsidiaries and cash and cash equivalents and short-term investments.

EBITDA/net financial items, times

Operating profit before depreciation (EBITDA) in relation to net financial items excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund.

Free cash flow

Cash flow from operating activities less maintenance investments.

Capital Securities

Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt. Reported as interest-bearing non-current liabilities.

EBIT

Earnings Before Interest and Tax.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

FFO

Funds From Operations.

REVIEW REPORT

We have reviewed this interim 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 interim report does not comply with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting.

Stockholm, 28 July, 2005

Ernst & Young AB
Lars Träff
Authorised Public Accountant

Per Redemo
Authorised Public Accountant
Swedish National Audit Office

