PRESSRELEASE

Nine-Month Interim Report 2001 January – September

Comments by the Chief Executive Officer

- "Neue Kraft" Project in full swing
- NordPool prices return to normal
- Sales increased more than twofold
- Improved profit and cash flow

Vattenfall's experience of Swedish and Nordic electricity generation, distribution and sales has been lengthy and multifacetted. The company focuses on providing and developing attractive and cost-efficient energy solutions to customers. As a result of the early deregulation of the Swedish and Nordic electricity market, we have developed considerable expertise in conducting business in a deregulated energy market. At an early stage, we made investments in Finland, Poland and Germany. This long-term business strategy is now beginning to yield benefits.

However, this does not mean that the gains from these major investments can be immediately harvested. Nevertheless, it is satisfactory to now see that business operations in Germany are better than we expected at the time that the acquisition was made.

In the first nine months of the year, net sales increased by 112 per cent to SEK 46.8 billion. The increase in sales can be explained by the fact that HEW was consolidated from the beginning of 2001 and that HEW's subsidiaries, VEAG and Laubag were consolidated from May and July 2001, respectively.

Operating profit for the first nine months of the year, excluding items affecting comparability, increased by 47 per cent to SEK 5.5 billion. Profit before tax and minority interests, excluding items affecting comparability, increased by 53 per cent to SEK 3.9 billion.

The cash flow before investing activities amounted to SEK 14.2 billion, compared with 3.7 in the corresponding period of 2000.

Strong Position in Germany

Vattenfall increased its ownership stake in Hamburgische Electricitäts-Werke AG (HEW) to 73.8 per cent. Together with the City of Hamburg, we control 98.9 per cent. The Board of Directors of HEW has now appointed Dr. Klaus Rauscher as President of the company. Dr. Rauscher is also responsible for developing "Neue Kraft".

The basis of "Neue Kraft" is HEW and its new subsidiaries VEAG and Laubag. VEAG is an electricity generator with modern thermal power plants. The company also owns the high-voltage transmission lines in all of the federal states of East Germany, apart from Berlin. Laubag extracts the lignite used by VEAG's thermal power plants.

Originally, the intention was to also integrate the Berlin-based company, Bewag, into "Neue Kraft". However, the other shareholder, Mirant, decided to discontinue the co-operation concerning Bewag's involvement. This does not alter the basic concept. Vattenfall owns about 45 per cent and, through a shareholder's agreement with Mirant, it has full control over the company. "Neue Kraft" will have a close co-operation with Bewag, even if the company is not consolidated into the Group. We will keep the option open for the company to join at a later stage.

Improved Group Structure

Vattenfall has sold its 51 per cent stake in Vattenfall Naturgas AB to the other four shareholders – Ruhrgas, Statoil, Dong and Fortum. As the energy markets in Europe are liberalized, natural gas will be available on the open market to a greater extent. The strategy of the Group is to divest activities that are not part of its core business. In November, Vattenfall Naturgas changed its name to Nova Naturgas.

Vattenfall has also sold its building in Råcksta to the German real estate company, IVG.

SWECO and Vattenfall have agreed to terminate their co-operation in the jointly owned company, SwedPower International AB. This means that SwedPower International has become a wholly-owned subsidiary in the Vattenfall Group, responsible for Vattenfall's international consulting activities.

As a part of Vattenfall's strategy to focus on core business and to concentrate on the northern European market, the Group has sold its production assets in Bolivia, Peru and Brazil to the US company, NRG Energy, Inc.

Vattenfall has also reached an agreement to sell its stake in the hydro power company, Theun Hinboun, in Laos to Statkraft. The transaction is expected to be completed in November.

Vattenfall has reached an agreement to sell its wholly-owned subsidiary, Oslo Energi, to the Norwegian energy group, Hafslund ASA. The transaction is expected to be completed in December, after the general meeting of shareholders in Hafslund. At the same time, Vattenfall will become a shareholder in the new Norwegian energy group. A provision has been made in the accounts for the quarter for the capital loss that will arise from the sale of the company.

Electricity Prices

The electricity prices on the Nordic power exchange, NordPool, have returned to normal after a number of years of unusually high precipitation. In the light of this development, Vattenfall has raised its prices for customers in Sweden. On the Swedish electricity market, the electricity price increased in spring to about the same level as before deregulation in 1996. The increase was felt by household customers because the tax since deregulation has doubled (from 9 to 18 öre *).

We look forward to the inquiry into pricing on the electricity market that has just started.

The increase in price reflects the fact that the pricing mechanisms on the producer market are efficient. This means that the price can increase or decrease depending on supply and demand. However, to allow for new investment in power generation, additional price increases of 20–25 per cent are necessary.

Since the 1996 deregulation, Vattenfall has considerably reduced its production costs.

The nuclear power tax that still exists distorts market competition and has a negative long-term impact on electricity supply.

** 1 öre: SEK 0.01*

Increased Generation, Focus on Networks

Vattenfall accounts for about 20 per cent of the now integrated Nordic electricity market. So far this year, we have generated more electricity than last year.

As of July 1, Vattenfall's four wholly-owned network companies in Sweden introduced a new form of service interruption guarantee for all customers. The guarantee replaced Vattenfall's previous service guarantee and is a part of the comprehensive package of measures that was decided upon on February 1 and which entails an additional annual investment of SEK 200 million in network improvements.

Financing

Vattenfall's loan strategy is characterized by flexibility and access to various borrowing options. This means that we determine when to borrow and concentrate borrowing to times when market conditions are advantageous.

Vattenfall has a sound financing plan which also includes acquiring additional shares in HEW from the City of Hamburg. Extensive restructuring is in progress on the European energy market which is resulting in an increase in debt in energy companies, leading to a general deterioration in credit ratings. Following Vattenfall's acquisitions in Germany, which were primarily debt-financed, Moody's and Standard & Poor's downgraded Vattenfall during the summer. After Mirant terminated the co-operation with Vattenfall, the rating agencies are once again reviewing Vattenfall's rating. We are now consolidating and integrating the German acquisitions into the Group. We anticipate a positive financial development with an improved cash flow and financial ratios.

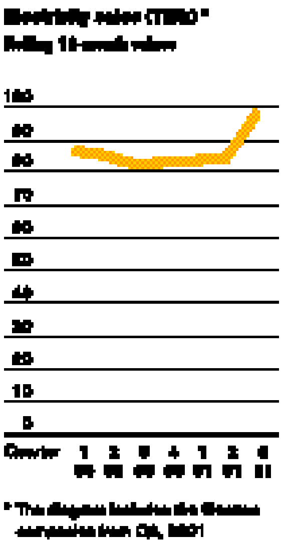
Lars G Josefsson
President and Chief Executive Officer

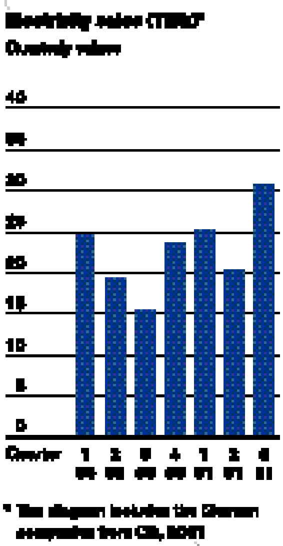
VATTENFALL

Key Figures and Ratios

SEK million	January – September 2001	2000	Change %
Net sales	**46,766**	22,055	**112**
Operating profit	**6,295**	6,399	**–2**
Operating profit, excluding items affecting comparability	**5,474**	3,736	**47**
Operating margin, excluding items affecting comparability (%)	**11.7**	16.9	
Profit before tax and minority interests	**4,736**	5,218	**–9**
Profit before tax and minority interests, excluding items affecting comparability	**3,915**	2,555	**53**
Pre-tax profit margin, excluding items affecting comparability (%)	**8.4**	11.6	
Net profit	**2,534**	3,211	**–21**
Net profit, excluding items affecting comparability	**2,116**	1,072	**97**
Earnings per share for the period (SEK)	**16.07**	8.14	

Vattenfall's financial performance varies considerably during the year. A substantial portion of income for the year is normally generated during the first months of the year, when electricity demand is greatest. This means that the margins for the period are high,compared with the margins for the year as a whole.





Group

Sales and Performance, January – September 2001

Net sales increased by 112 per cent or SEK 24,711 million to SEK 46,766 million. The considerable increase is due to the acquisition of a majority stake in HEW. HEW, which generates and sells electricity and district-heating, was included in the Group from the beginning of the year. VEAG, in which HEW directly owns a 75 per cent stake, has been consolidated in from May 16.VEAG generates electricity and owns the high voltage transmission network in the eastern federal states of Germany. The lignite producer, Laubag, in which HEW directly owns 90 per cent, has been consolidated as of July 1. Together, these companies accounted for SEK 19,637 million of the increase in sales. In addition,the Group's sales on the power exchange increased substantially.

Operating expenses amounted to SEK 42,164 million,an increase of SEK 22,874 million, which is mainly explained by company acquisitions. The Germany companies account for SEK 18,067 million of the increase. The cost of products sold increased by SEK 20,838 million, while selling expenses, research and development costs and administrative expenses increased by SEK 2,036 million. Depreciation amounted to SEK 5,652 million (3,502).

Operating profit decreased to SEK 6,295 million (6,399). The operating profit includes SEK 821 million (2,663) in items affecting comparability. In 2000, the items affecting comparability mainly comprised compensation from the state concerning Barsebäck as well as a refund from the SPP pension insurance company. The operating margin, excluding items affecting comparability amounted to 11.7 per cent (16.9).

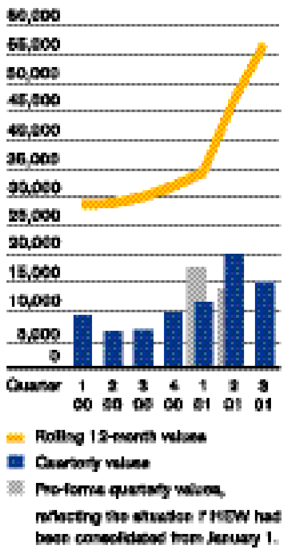
Financial income and expenses – net amounted to SEK –1,559 million (–1,180).

Profit before tax and minority interests declined to SEK 4,736 million (5,218). Excluding items affecting comparability, profit increased to SEK 3,915 million (2,555). The pre-tax profit margin, excluding items affecting comparability, declined to 8.4 per cent (11.6).

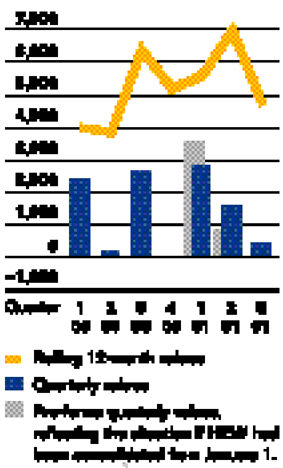
Sales and Performance for the 3rd Quarter

Net sales increased by SEK 8,606 million to SEK 15,140 million. Operating expenses increased by SEK 7,800 million to SEK 14,303 million.Operating profit amounted to SEK 1,232 million (3,060).Operating profit excluding items affecting comparability amounted to SEK 1,153 million (1,040). Financial income and expenses – net amounted to SEK –852 million (–395).Profit before tax and minority interests excluding items affecting

Net sales (SEK m)



Profit before tax and minority interests (SEK m)



comparability decreased by SEK 344 million to SEK 301 million.

Financial Position

Liquid assets amounted to SEK 18,496 million (December 31,2000:7,543). To this must be added SEK 7,037 million in long-term investment assets through HEW's nuclear power provisions. SEK 1,227 million (December 31, 2000: 1,374) of liquid assets comprised investments concerning interest-arbitrage transactions.

Debt-equity, namely interest-bearing liabilities and provisions less liquid assets, amounted to SEK 89,284 million (December 31, 2000: 43,311).

The Group's risk capital,namely *equity plus minority interests*, amounted to SEK 57,171 million, which is an increase of SEK 16,812 million compared with the 2000 annual accounts. The equity-assets ratio amounted to 21.4 per cent (December 31,2000: 35.4).

After Mirant announced that it was discontinuing the co-operation with Vattenfall to jointly create "Neue Kraft"in Germany, Moody's confirmed Vattenfall's A3 rating with Negative Outlook while Standard & Poor's has put Vattenfall's A-minus rating on CreditWatch with "negative implications".

Investments

The Group's *investments* amounted to SEK 43,767 million (19,916), of which the acquisition of additional shares in group companies comprised 21,142 million (8,193), associated companies, SEK 17,385 million (8,220) and other long-term securities, SEK 508 million (236). SEK 4,732 million (3,267) was invested in tangible and intangible assets.

Structural Changes

At the beginning of the third quarter, the divestment of the Group's shareholding in Vattenfall Naturgas AB (51 per cent),AB Ryssa Elverk (63 per cent) and Pajala Värmeverk AB (50 per cent) was completed.In September, the divestment of the Group's assets in Bolivia and Brazil was completed.

In July, AB Kallströmmen with its subsidiary, Avesta Elverk, was acquired as well as the remaining 15 per cent in SwedPower International AB.

During the third quarter, a further 2.5 per cent of HEW were acquired. Vattenfall's ownership stake at September 30 amounted to 73.8 per cent. Together with the City of Hamburg, Vattenfall thereby controls 98.9 per cent of HEW. HEW's acquisitions of the majority stake in VEAG and Laubag were conducted in June and July, respectively. At September 30, HEW's direct ownership stake amounted to 75 per cent in VEAG and 90 per cent in Laubag. Indirectly, HEW owns a further 6.25 per cent in VEAG and 2.5 per cent in Laubag.

Personnel

At the end of September, the number of employees, expressed in terms of man years, amounted to 28,346 (December 31,2000: 13,123).

Electricity Generation Nordic Countries

Net sales increased by SEK 4,936 million to SEK 16,213 million.Operating profit increased by SEK 172 million to SEK 4,451 million. Excluding items affecting comparability, operating profit increased by SEK 1,886 million to SEK 4,260 million. The increase is due to increased electricity sales to the power exchange at a higher electricity price as well as reduced costs. A total of 30.0 TWh (29.3) of hydro power and 37, 1 TWh (29.0) of nuclear power was generated.Sales to the power exchange amounted to 20.2 TWh (9.5).

Sales Nordic Countries

Sales Nordic Countries comprises the following profit areas: Sales Sweden,Sales Norway, Sales Finland,Mega and Supply & Trading.

Net sales increased by SEK 1,912 million to SEK 13,528 million.Operating profit decreased by SEK 947 million to SEK –568 million, which is above all due to higher prices for purchased electricity. The volume sold amounted to 42.1 TWh (46.1) of electricity and 0.8 TWh of heat (0.8).

Heat Nordic Countries

Net sales amounted to SEK 1,773 million (1,445).Operating profit increased by SEK 103 million to SEK 37 million. The increase is mainly due to the acquisitions of Uppsala Energi and a part of the Finnish company, Hämeenlinnan Energia (Vattenfall Kaukolämpö). The cold weather during the first quarter resulted in an increase in demand which had a positive impact on earnings. The volume sold amounted to 3.3 TWh of district-heating (1.8) and 1.0 TWh of Färdig Värme (1.0), a total of 4.3 TWh (2.8).

Electricity Networks Nordic Countries

Electricity Networks Nordic Countries comprises the Electricity Networks Sweden and the Electricity Networks Finland profit areas.

Net sales amounted to SEK 5,584 million (5,226). Operating profit increased to SEK 1,250 million (1,240). Transmission volumes amounted to 84.1 TWh (79.6).

Services

Net sales increased by SEK 139 million to SEK 2,077 million. Operating profit increased by SEK 107 million to SEK 141 million. The restructuring of the Finnish contracting business and a high volume of orders received by the Swedish contracting business primarily account for the improvement.

Germany and Poland

Net sales amounted to SEK 20,316 million (1,705). Operating profit increased by SEK 1,659 million to SEK 1,823 million. The increase is mainly attributable to the acquisitions of HEW, VEAG and Laubag. In Germany, the volume sold amounted to 3.2 TWh of district-heating and 28.5 TWh of electricity. The volume sold in Poland amounted to 8.2 TWh of district-heating and 3.5 TWh of electricity.

Other Business

Other Business comprises the profit area, New Business, and other businesses, including Vattenfall Naturgas, service companies and non-core operations.

Net sales amounted to SEK 2,334 million (1,888). Operating profit decreased by SEK 1,199 million to SEK – 813 million, which is mainly due to the operating losses in Arrowhead and Sensel.

Parent Company

Net sales amounted to SEK 14,980 million (11,946). Profit after net financial items was SEK 842 million (1,065). Earnings were negatively affected by capital losses and the write-down of shares. Investments during the period amounted to SEK 17,992 million. Liquid assets amounted to SEK 1,507 million (December 31, 2000:123). Funds in the group account managed by Vattenfall Treasury AB amounted to SEK 7,939 million (December 31,2000:5,115).

Accounting Policies

The accounting policies in the acquired foreign companies do not entirely agree with the Group's policies. A review and a harmonization of this situation and related acquisition calculations are in progress.

The preliminary acquisition calculations from certain of the restructuring transactions in Germany have resulted in a substantial negative goodwill, namely, the acquisition value is lower than the actual value for acquired identifiable net assets. This negative goodwill, which on the balance sheet is reported among "Other provisions", has been dissolved, to a certain extent, in the third quarter and is reported against the negative earnings trend according to plan and costs for ongoing restructuring activities in acquired units.

The Swedish Financial Accounting Standard Council's recommendation RR9 concerning income tax is being applied as of 2001. However, as described above, a full adaptation has not yet been made from the Group's new companies in Germany. An application of RR9 will entail a change in accounting policies and this is reported under the heading "Changes in equity" and corresponds to the balance sheet item "Deferred tax assets" included in "Financial fixed assets".

The Group is also applying the Council's recommendation RR20 on interim reports, as of 2001.

In other respects, the same accounting policies have been used as in the preparation of the latest annual accounts.

Stockholm, November 13, 2001

Lars G Josefsson
President and Chief Executive Officer

VATTENFALL

Consolidated Income Statement

Amounts in SEK million	January – September 2001	January – September 2000	July – September 2001	July – September 2000	Full year 2000
Net sales	**46,766**	22,055	**15,140**	6,534	31,695
Cost of products sold	**–36,873***	–16,035*	**–12,754**	–5,277	–23,484*
Gross profit	**9,893**	6,020	**2,386**	1,257	8,211
Selling expenses, research and development costs and administrative expenses	**–5,291****	–3,255**	**–1,549**	–1,226	–4,732**
Other operating income and expenses – net	**2,136**	3,335	**915**	2,837	2,551
Participations in the result of associated companies	**–443**	299	**–520**	192	658
Operating profit	**6,295**	6,399	**1,232**	3,060	6,688
Financial income	**1,985**	561	**589**	279	1,037
Financial expenses	**–3,544**	–1,742	**–1,441**	–674	–2,536
Profit before tax and minority interests	**4,736**	5,218	**380**	2,665	5,189
Tax	**–1,373*****	–1,461****	**–66**	–746	–1,757
Minority interests in profit for the perio	**–829**	–546	**–324**	–538	–462
Net profit	**2,534**	3,211	**–10**	1,381	2,970

* *Of which, depreciation SEK 5,274 million (3,308 and 5,186, respectively).*
** *Of which, depreciation SEK 378 million (194 and 291, respectively).*
*** *Calculated on the basis of a tax rate of 29 per cent.*
**** *Calculated on the basis of a standard tax rate of 28 per cent.*

Profit Areas

Amounts in SEK million	January – September 2001	January – September 2000	July – September 2001	July – September 2000	Full year 2000
Net sales					
Generation Nordic Countries	**16,213**	11,277	**4,810**	3,767	15,934
Sales Nordic Countries	**13,528**	11,616	**4,211**	3,380	16,503
Heat Nordic Countries	**1,773**	1,445	**312**	349	1,951
Electricity Networks Nordic Countries	**5,584**	5,226	**1,451**	1,460	7,551
Services	**2,077**	1,938	**693**	669	2,832
Germany and Poland	**20,316**	1,705	**7,095**	379	2,495
Other Business	**2,334**	1,888	**274**	425	2,457
Other and eliminations *	**–15,059**	–13,040	**–3,706**	–3,895	–18,028
Total	**46,766**	22,055	**15,140**	6,534	31,695

* *Mainly concerns trade between Sales Nordic Countries, Electricity Networks Nordic Countries and Generation Nordic Countries.*

Amounts in SEK million	January – September 2001	January – September 2000	July – September 2001	July – September 2000	Full year 2000
Operating profit					
Generation Nordic Countries	**4,451**	4,279	**1,081**	2,736	4,930
Sales Nordic Countries	**–568**	379	**71**	194	634
Heat Nordic Countries	**37**	–66	**–116**	–119	–63
Electricity Networks Nordic Countries	**1,250**	1,240	**7**	46	1,619
Services	**141**	34	**94**	1	72
Germany and Poland	**1,823**	164	**790**	45	418
Other Business	**–813**	386	**–689**	157	–880
Other and eliminations	**–26**	–17	**–6**	0	–42
Total	**6,295**	6,399	**1,232**	3,060	6,688

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Consolidated Balance Sheet

Amounts in SEK million	**September 30 2001**	September 30 2000	December 31 2000
Assets			
Fixed assets			
Intangible assets	**4,115**	2,787	2,993
Tangible assets	**163,912**	66,824	68,089
Financial assets	**52,138**	19,340	19,113
Total fixed assets	**220,165**	88,951	90,195
Current assets			
Inventories	**6,642**	5,804	5,558
Current receivables	**22,536**	11,877	11,963
Liquid assets *	**18,496**	5,479	7,543
Total current assets	**47,674**	23,160	25,064
Total assets	**267,839**	112,111	115,259
Equity, provisions and liabilities			
Equity	**38,399**	35,203	35,374
Minority interests in equity	**18,772**	4,221	4,985
Interest-bearing provisions	**13,311**	513	187
Other provisions	**77,879**	13,002	13,792
Long-term interest-bearing liabilities	**58,107**	39,803	41,116
Other long-term liabilities	**1,043**	1,530	878
Current interest-bearing liabilities *	**36,362**	9,887	9,551
Other current liabilities	**23,966**	7,952	9,376
Total equity, provisions and liabilities	**267,839**	112,111	115,259
Pledged assets	**934**		709
Contingent liabilities	**9,285**		7,162

* *Includes interest-arbitrage transactions of SEK 1,227 million (1,369 and 1,374 respectively).*

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Consolidated Cash Flow Statement

Amounts in SEK million	January – September 2001	2000	Full year 2000
OPERATING ACTIVITIES			
Internally generated funds	**10,132**	3,950	5,830
Cash flow from changes in operating assets and liabilities	**4,097**	–270	301
Cash flow from operating activities	**14,229**	3,680	6,131
INVESTING ACTIVITIES			
Investments	**–43,767**	–19,916	–23,840
Sales	**15,371**	1,164	1,810
Liquid assets in acquired/sold companies, net	**14,598**	170	254
Cash flow from investing activities	**–13,798**	–18,582	–21,776
Cash flow before financing activities	**431**	–14,902	–15,645
FINANCING ACTIVITIES			
Dividends	**–1,627**	–1,580	–1,580
Financing	**11,312**	16,881	19,970
Contribution from minority interest	**10**	249	
Cash flow from financing activities	**9,695**	15,550	18,390
Cash flow for the period	**10,126**	648	2,745
LIQUID ASSETS			
Liquid assets at the beginning of the period	**7,543**	4,860	4,860
Translation differences	**827**	–29	–62
Cash flow for the period	**10,126**	648	2,745
Liquid assets at the end of the period	**18,496**	5,479	7,543

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Changes in Equity

Amounts in SEK million	**Jan – Sept 2001**	Jan – Sept 2000	Full year 2000
Equity, opening balance according to balance sheet earlier adopted	**35,120**	**33,347**	**33,347**
Effect of change in accounting policy *	181	74	254
Equity, opening balance adjusted for new accounting policy	**35,301**	**33,421**	**33,601**
Dividend	–990	–1,500	–1,500
Change in tax rate	–	–10	–10
Change in translation difference	1,554	81	313
Net profit	2,534	3,211	2,970
Closing balance	**38,399**	**35,203**	**35,374**

** Adaptation to the Swedish Financial Accounting Standards Council's recommendation no. 9.*

Earnings per Share

	January – September 2001	2000	Full year 2000
Number of shares ('000)	**131,700**	131,700	131,700
Earnings per share, excluding items affecting comparability	**16.07**	8.14	10.74

Key Ratios

(in per cent unless otherwise specified)

	Oct 2000 – Sept 2001	Full year 2000
Return on capital employed	**6.3**	8.9
Return on equity after standard tax	**7.7**	9.9

	Jan – Sept 2001	Jan – Sept 2000
Operating margin, excluding items affecting comparability	**11.7**	16.9
Pre-tax profit margin, excluding items affecting comparability	**8.4**	11.6
Equity-assets ratio	**21.4**	35.4
Debt-equity ratio, times	**1.9**	1.3
Interest cover 1, times	**2.3**	4.0
Interest cover 2, times	**4.2**	5.4

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Definitions

Return on capital employed: Operating profit in relation to a weighted average value of balance sheet totals for the period less non-interest-bearing liabilities, provisions and liquid assets.

Return on equity after standard tax: Profit before tax adjusted for minority interests plus tax at a standard rate of 28 per cent in relation to a weighted average value of equity for the period.

Operating margin: Operating profit in relation to net sales.

Pre-tax profit margin: Profit before tax and minority interests in relation to net sales.

Equity-assets ratio: Equity (including minority interests) in relation to the balance sheet total at the end of the period less interest-arbitrage transactions.

Debt-equity ratio, times: Interest-bearing liabilities and provisions plus minority interests in equity less liquid assets in relation to equity (including minority interests) at the end of the period.

Interest cover 1, times: Operating profit including financial income in relation to financial expenses.
Interest cover 2, times: Operating profit plus dividends received in relation to net interest income/expenses

(This report has not been audited by Vattenfall's auditors).

Vattenfall's press release concerning the annual accounts for 2001 will be published on February 22, 2002.

This report has been translated from the Swedish original.

The Chief Executive Officer, Lars Josefsson, and the Chief Financial Officer, Matts Ekman, will be availabe for comments on the Nine-Month Report, November 13, between 1 p.m. and 2 p.m in a teleconference via the Internet. To participate in the teleconference, call +44 20 82 40 82 41. Select one of the following URLs: http://www.financialhearings.com, www.vattenfall.com or www.vattenfall.se.

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