

## PRESS RELEASE

### Nine-month interim report 2004 January-September

- Net sales decreased by 1 per cent to SEK 80,961 million (81,682)
- Operating profit increased by 28 per cent to SEK 14,172 million (11,043)
- Net income after tax increased by 50 per cent to SEK 8,564 million (5,713)
- Operating profit for the third quarter more than doubled to SEK 2,579 million (1,195)

### Comments by the Chief Executive Officer

#### Positive trend for first nine months

Operating profit for the period January to September increased by 28 per cent compared with the corresponding period the previous year. Operating profit increased despite lower electricity prices in the Nordic countries, due in part to a large share of electricity generation being sold at higher forward prices during the corresponding period in 2003, but also as a result of increased volumes and increased availability in generation. The operating profit includes items affecting comparability in the amount of SEK 510 million (-88). The majority of this amount is attributable to additional proceeds of SEK 448 million from the sale of our stake in Danish NESA in 2002. Lower average electricity prices in the Nordic countries during the first nine months resulted in a slight drop in net sales.

Our cash flow continues to be strong and net debt is gradually being reduced. During the first nine months, free cash flow amounted to SEK 14,132 million (12,143) and net debt decreased by SEK 9 billion. Return on net assets was 14.2 per cent on a rolling twelve-month basis while return on equity was 23.9 per cent, in both cases exclusive of items affecting comparability. In September 2003, the equivalent figures were 12.3 and 22.5 per cent respectively.

#### Strong third quarter

Operating profit for the third quarter was more than double that for the corresponding period the previous year. This improvement is mostly attributable to Nordic operations and an increase in hydro power generation. The deficit in the hydrological balance was greatly reduced during the latter part of the third quarter and was only 1.6 TWh at the end of September, to be compared with 22 TWh on June 30 this year. Moreover, in

2003, Barsebäck nuclear power plant was offline for extended periods, which resulted in reduced electricity generation last year. Net sales increased by 3 per cent during the third quarter compared with the third quarter of 2003, also mainly attributable to Nordic operations and increased volumes. No major structural changes were made during the period.

#### Market development

For the first nine months, the average price on Nord Pool's spot market was SEK 269 per MWh, which was 22 per cent lower than for the equivalent period in 2003. During the third quarter the average Nordic electricity price was SEK 274 per MWh, which was 3.5 per cent lower than for the third quarter of 2003 when the average price was SEK 284 per MWh. Total electricity consumption in the Nordic countries during the first nine months of 2004 amounted to 279 TWh (275). Heavy rainfall in recent months led to the normalisation of the hydrological balance compared with the deficit of about 15 TWh seen in September 2003.

In Germany, electricity prices on the German electricity exchange EEX averaged EUR 28.13 per MWh, about 3 per cent lower than during the first nine months of 2003. In the third quarter the average electricity price was EUR 29.38 per MWh, to be compared with EUR 32.15 per MWh for the third quarter of 2003. Electricity consumption in Germany up to July was essentially unchanged in comparison with 2003. (Statistics for August and September not yet available.)

#### Nuclear power negotiations in Sweden discontinued

At the beginning of October, the Swedish government decided to discontinue negotiations with the Swedish nuclear power

plant operators regarding the phasing out of nuclear power in Sweden. Negotiations have been underway for two years and Vattenfall, together with Fortum and Sydkraft, still consider it possible to reach agreement and to create long-term, stable conditions for electricity generation in Sweden and the entire Nordic electricity market. It is in everyone's interest to create clarity and predetermined conditions for Swedish and Nordic trade and industry. In this respect, nuclear power has an important role to play. At the beginning of October, the Swedish government also communicated the fact that Barsebäck 2 will be closed during 2005. This will not, however, have any significant financial impact on Vattenfall as compensation is expected in accordance with an existing agreement.

#### **Increased focus on providing sustainable energy supply**

An issue that is becoming increasingly central and that internationally the industry is joining forces in is the ability to provide a sustainable energy supply in the future. Areas under discussion include the separation and storage of carbon dioxide in the combustion of fossil fuels and nuclear power as realistic alternatives for growth. Vattenfall is correctly positioned within these areas. Our view of environmental issues is in agreement with these trends and our efforts within nuclear power follow the same line. Vattenfall will also continue to strengthen efforts within renewable energy. For Vattenfall, responsibility is an important part of daily activities and our actions are based on a long-term environmental perspective in our efforts to fulfil one of our strategic ambitions – to be number one for the environment.

Another initiative that Vattenfall has taken is to join the Alliance for Global Sustainability, a collaboration between four universities: MIT in Boston, ETH in Zurich, Tokyo University and Chalmers University of Technology in Gothenburg. Through our membership and involvement in this organisation we contribute to increasing the focus on energy issues and to starting a more concentrated programme for energy solutions that contribute to sustainable societal development on a global scale.

#### **More distinct market positioning for Vattenfall**

Vattenfall is conducting extensive efforts throughout the Group to attain a common method for profiling our brand in all our markets. As a step in our strategic ambition to be number one for the customer, Vattenfall has appointed a Customer Om-

budsman whose primary task is to find work methods and procedures that make the customer's meeting with Vattenfall as smooth and simple as possible. Moreover, at the beginning of October Vattenfall and TeliaSonera entered a multiyear collaborative agreement valued at a total of about EUR 100 million. TeliaSonera will install new intelligent electricity meters for Vattenfall's 360,000 Finnish network customers. The new electricity meters will enable customers to follow their hourly electricity consumption and receive simpler and more exact electricity bills, as well as benefit from faster service for enquiries concerning electricity agreements.

#### **Acquisition opportunity in Denmark**

Denmark is currently seeking ways to restructure the energy market in accordance with EU guidelines, and Vattenfall has made an offer to purchase shares in the Danish power company Elsam. The outcome is yet to be determined.

Elsam, which is primarily active in Jutland, is Denmark's largest electricity producer and Scandinavia's largest wind power producer. The company would be a most suitable partner for Vattenfall in Denmark for creating value in the evolving European energy market.

#### **Vattenfall ready for the next step**

We are approaching the end of 2004. The consolidation programme, with its focus on "closing the gap" and attaining the financial goals defined in 2001, is near completion. Vattenfall is now ready for the next step in achieving our vision of being a leading European energy company. During the coming years our work will be focused on our five strategic ambitions that form the basis of this vision, namely continued profitable growth, being the benchmark of our industry, becoming number one for the customer, becoming number one for the environment and being the employer of choice.



Lars G Josefsson  
*President and Chief Executive Officer*

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

Amounts in SEK millions	January-Sept 2004	January-Sept 2003	Change %	Oct 03-Sept 04
Net sales	80,961	81,682	-0.9	111,214
Operating profit before depreciation and dissolution of negative goodwill (EBITDA)	22,986	18,896	21.6	28,968
Operating profit (EBIT)	14,172	11,043	28.3	18,425
Operating profit excluding items affecting comparability	13,662	11,131	22.7	17,564
Financial items, net	-1,537	-2,141	-28.2	-2,332
Profit before tax and minority interest	12,635	8,902	41.9	16,093
Net profit	8,564	5,713	49.9	11,974
Net profit excluding items affecting comparability	8,210	5,774	42.2	11,380
Return on net assets excl. items affecting comparability %	-	-	-	14.2
Return on equity excl. items affecting comparability %	-	-	-	23.9
Funds from operations (FFO)	17,474	12,431	40.6	23,847
Cash flow before financing activities	11,583	10,720	8.1	10,704
Free cash flow	14,132	12,143	16.4	13,595

*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.*

Download the complete report from Vattenfall's website [www.vattenfall.com](http://www.vattenfall.com).

**Issued by Vattenfall's Press Office, telephone +46 8 739 50 10.**

**For further information, please contact:**

Klaus Aurich, Investor Relations, telephone +46 8 739 65 14, mobile +46 70 539 65 14.

Martin May, Press Officer, telephone +46 8 739 52 70, mobile +46 70 539 52 70.