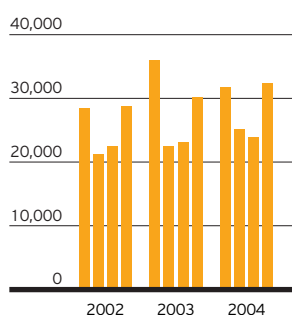


# STRONG RESULT FOR VATTENFALL

Sales increased by 1.3 per cent to SEK 113,366 million (111,935)

Net sales, quarterly

MSEK  
50,000

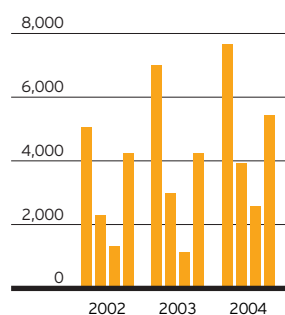


Lower electricity prices led to only a marginal increase in sales in 2004.

Operating profit increased by 28.2 per cent to SEK 19,607 million (15,296). Net profit increased by 29.1 per cent to SEK 11,776 million (9,123)

Operating profit, quarterly

MSEK  
10,000



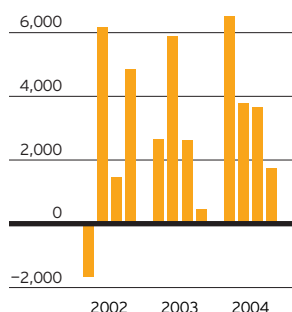
The improvement in operating profit is explained in part by substantially increased electricity generation volumes and in part by advantageous hedging outcomes. Cost savings and a significant improvement in profit in Poland contributed to this improvement.

Earnings per share increased by 29 per cent to SEK 89.42 (69.27)

Free cash flow amounted to SEK 15,684 million (11,606)

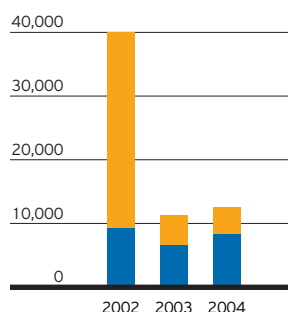
Free cash flow<sup>1</sup>, quarterly

MSEK  
8,000



Investments

MSEK  
50,000



1) Cash flow from operating activities less maintenance investments.

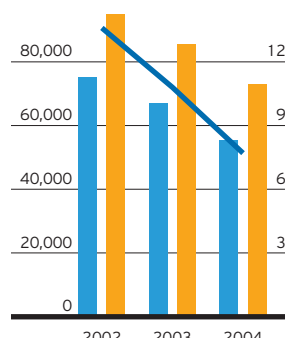
■ Maintenance investments  
■ Growth investments

Net debt was reduced by more than SEK 11.5 billion to SEK 55.4 billion (66.9)

Net debt was reduced considerably during the year. The Group was in a period of consolidation and cash flow has mainly been used to repay debt.

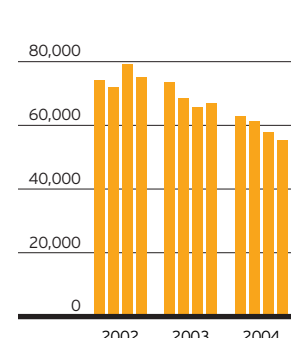
Indebtedness

MSEK  
100,000



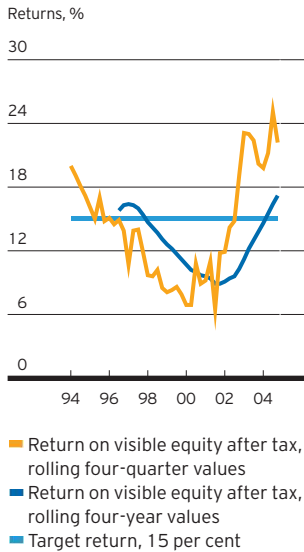
Net debt, quarterly

%  
150  
100,000



■ Net debt  
■ Total debt  
■ Debt/equity ratio, net, %

## Targets and outcomes



### Profitability

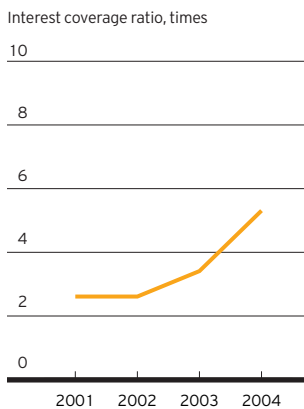
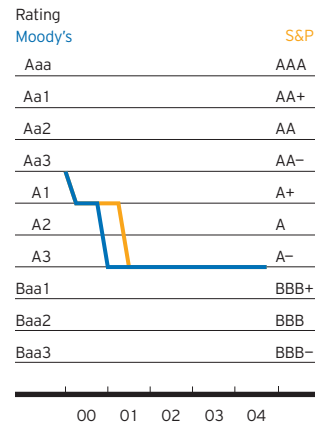
*Target:* The owner's long-term profitability goal is 15 per cent on visible equity after tax. Recalculated to the Group's long-term profitability requirement, expressed as return on net assets, this is the equivalent of a yield of about 11 per cent before tax.

*Outcome:* Return on visible equity after tax for 2004 amounted to 22.4 per cent (20.2). Return on consolidated net assets excluding items affecting comparability amounted to 15.2 per cent (12.1).

### Rating

*Target:* Vattenfall's ambition is to retain a credit rating in the Single A category.

*Outcome:* In 2004, Vattenfall retained its ratings in the Single A category with a stable outlook.



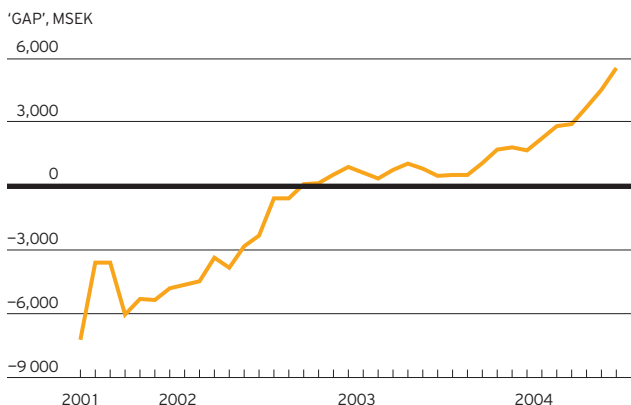
### Interest coverage ratio

*Target:* The owner's goal is that the interest coverage ratio shall be 3.5 to 5.

*Outcome:* The outcome for 2004 was 5.3 (3.4).

### Dividend policy

The intention is to maintain a stable, long-term dividend which, under normal circumstances, shall equal one third of net income.



### Value creation

*Target:* The profitability requirement set by the owner is recalculated to individual targets for value creation for each business unit. The difference between the value created by the business unit and this requirement is referred to as the Gap. If the result is less than the requirement, measures must be taken to close the gap. If the result exceeds the requirement, the business unit can look for profitable expansion possibilities.

## IMPORTANT EVENTS

### Business Group Nordic established

The business units in the Nordic countries were gathered under Business Group Nordic. The Group is now organised into two Business Groups; one for the Nordic countries and one for Continental Europe. Poland remains a separate business unit.

### Barsebäck 2 to close

In October, the Swedish government decided to suspend negotiations with the Swedish nuclear power operators regarding the phasing out of nuclear power in Sweden and to close the Barsebäck 2 nuclear reactor. In December, the Swedish government announced that Barsebäck 2 is to be closed by 31 May 2005.

### Nuclear power generation record

Availability in Vattenfall's Swedish nuclear power plants was at record level in 2004 and nuclear power generation increased by almost 12 per cent compared with 2003.

### Vattenfall invests in electricity networks, nuclear power and hydro power

At the beginning of 2004, Vattenfall decided to invest a further SEK 2 billion in improvements to its Swedish electricity networks. In total, SEK 10 billion is to be invested over a five-year period. Compensation for network disruptions was increased for Swedish households that have suffered power loss. Further, Vattenfall has decided to invest SEK 6 billion to increase the power output of the five newest nuclear power reactors by a total of 750 MW and SEK 0.5 billion to increase generation in hydro power plants.

### Major investment in wind power

Sweden's largest wind power plant, Olsvenne 2, was commissioned for commercial operation in June. Vattenfall's plant represents the new generation of wind power technology. Vattenfall also plans to invest SEK 1.5 billion in an off-shore wind power park in Öresund, off the coast of Skåne in the south of Sweden, which is expected to become operational in 2007. This investment will increase Swedish wind power generation by 40 per cent.

### Investments in new German power plants assessed

In Germany, additional electricity generation capacity in the amount of 40,000 MW will be required by 2020. Vattenfall is therefore examining possible power plant investments. Among more concrete projects we find a combined heat and power plant (CHP) in Hamburg and a lignite-fired power plant in eastern Germany, together providing 1,410 MW.

### Strengthening the German transmission grid

The considerable development of wind power in Germany has led to the need for extensive expansion in the German electricity networks. Vattenfall has decided to expand capacity in its high-voltage network by 3,000 MW with an investment of approximately EUR 260 million (SEK 2.3 billion).

### New models for network regulation

In Sweden, Finland and Germany, the authorities have introduced – or plan to introduce – new models for regulating network tariffs.

### Increased holding in Polish GZE

Ownership in the Polish sales and distribution company Górnośląski Zakład Elektroenergetyczny (GZE) was increased from 54 per cent to 75 per cent.

### Simplicity for the customer

Vattenfall was the first Swedish electricity company to discontinue invoicing household customers in arrears for electricity consumed more than one year ago. Vattenfall has continued to invest in remote-readable meters in Sweden and Finland. All of Vattenfall's 1.3 million Nordic network customers will have such meters installed. By the end of 2004, 105,000 such meters had been installed.

### Vattenfall announced bid for Danish Elsam

At the end of the year, Vattenfall announced its interest in acquiring the Danish power company Elsam.

### Storm caused major network disruptions

At the beginning of 2005, Sweden was hit by a widespread storm with hurricane-force winds. The damage to forests and infrastructure was enormous. Vattenfall's costs for electricity network repairs, disruption guarantees and additional work are estimated at approximately SEK 500 million.