

Vattenfall First Quarter Interim Report 2003

*Presentations by Lars G Josefsson, CEO and Matts Ekman, CFO
May 13th, 2003*

*“Vattenfall stands for openness, accountability
and effectiveness”*



Continued Profit Improvement (1)

- Net sales increased by 27 per cent to SEK 36.0 bn (28.4)
- EBIT increased by 38 per cent to SEK 7.1 bn (5.1).
- Net profit increased by 80 per cent to SEK 4.1 bn (2.3).

Continued Profit Improvement (2)

- Continued low precipitation in the Nordic area and above average Nord Pool prices
- Reduction in net debt
- Revised outlook from negative to stable by S&P

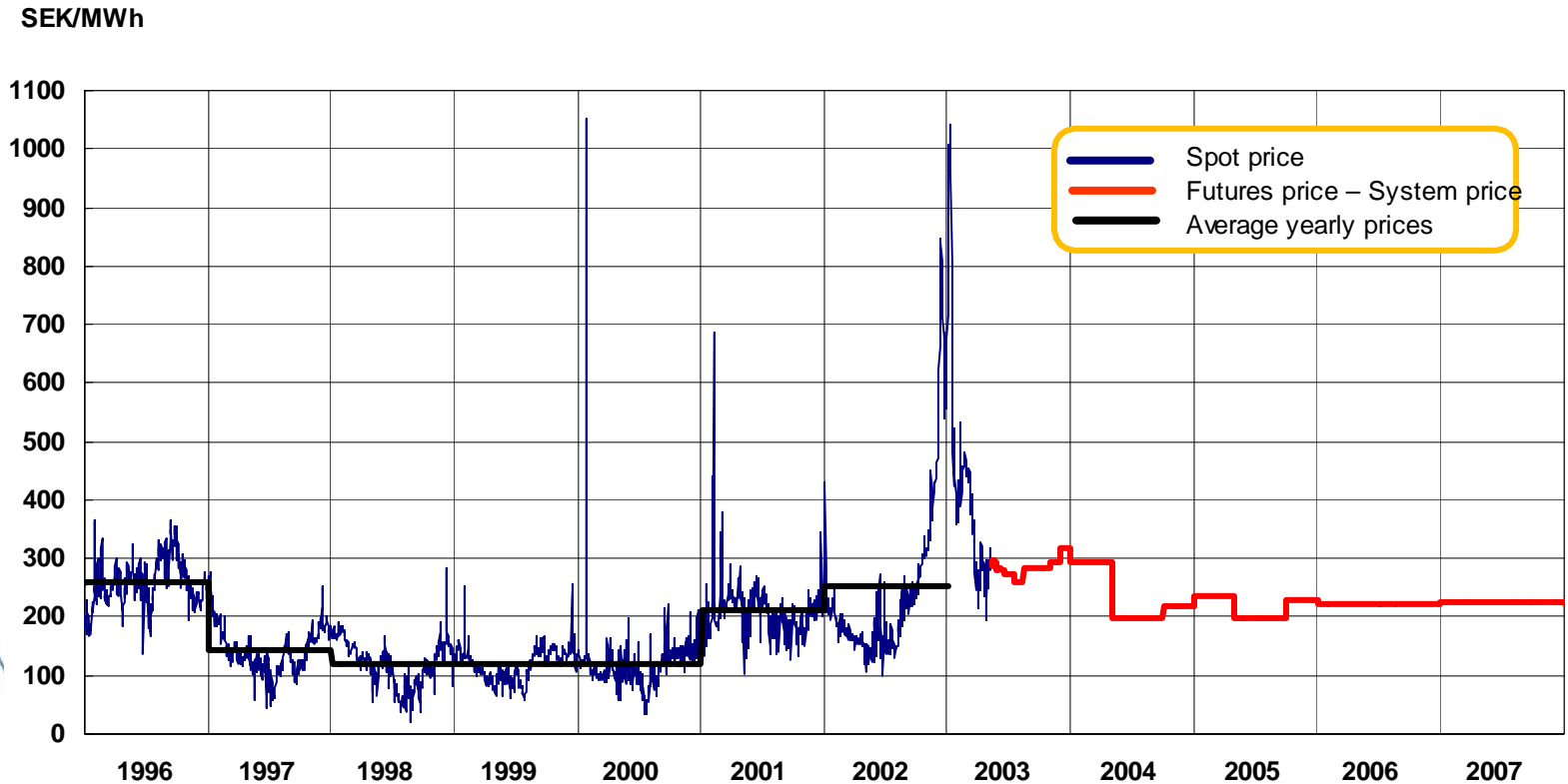
Continued Profit Improvement (3)

Improvement in profit by 1.9 bn SEK primarily due to:

- Increased profitability in the German business through cost reductions and improved prices.
(SEK 858 million)
- Improved profit for Generation Nordic Countries due to higher prices. Hedging of the production limited the effect of the NordPool price increase in the result.
(SEK 849 million)

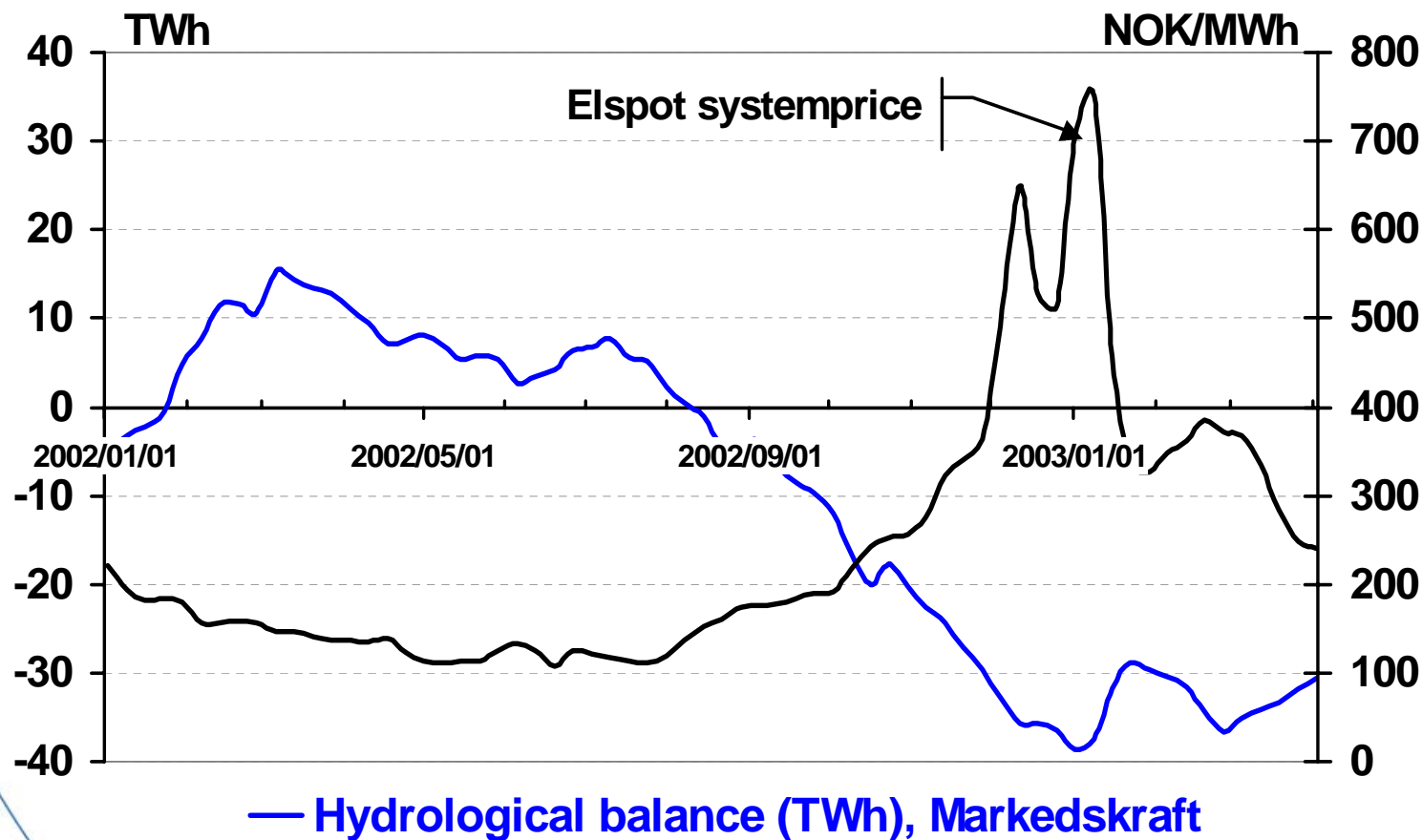
Swedish Electricity Prices

Swedish electricity prices Nord Pool spot-and futures 1996 - 2007



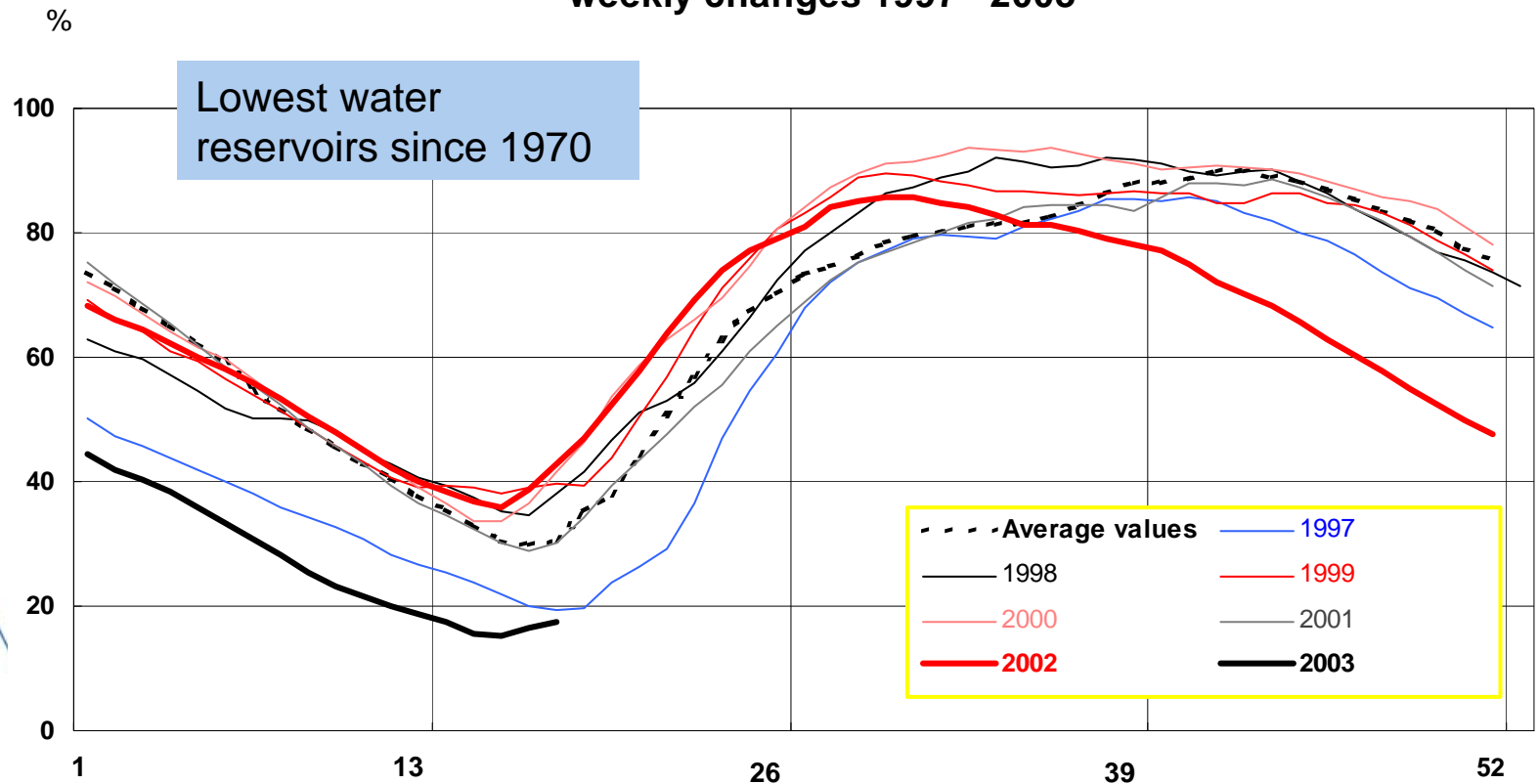
Source: Nord Pool

Price Increase due to Low Precipitation



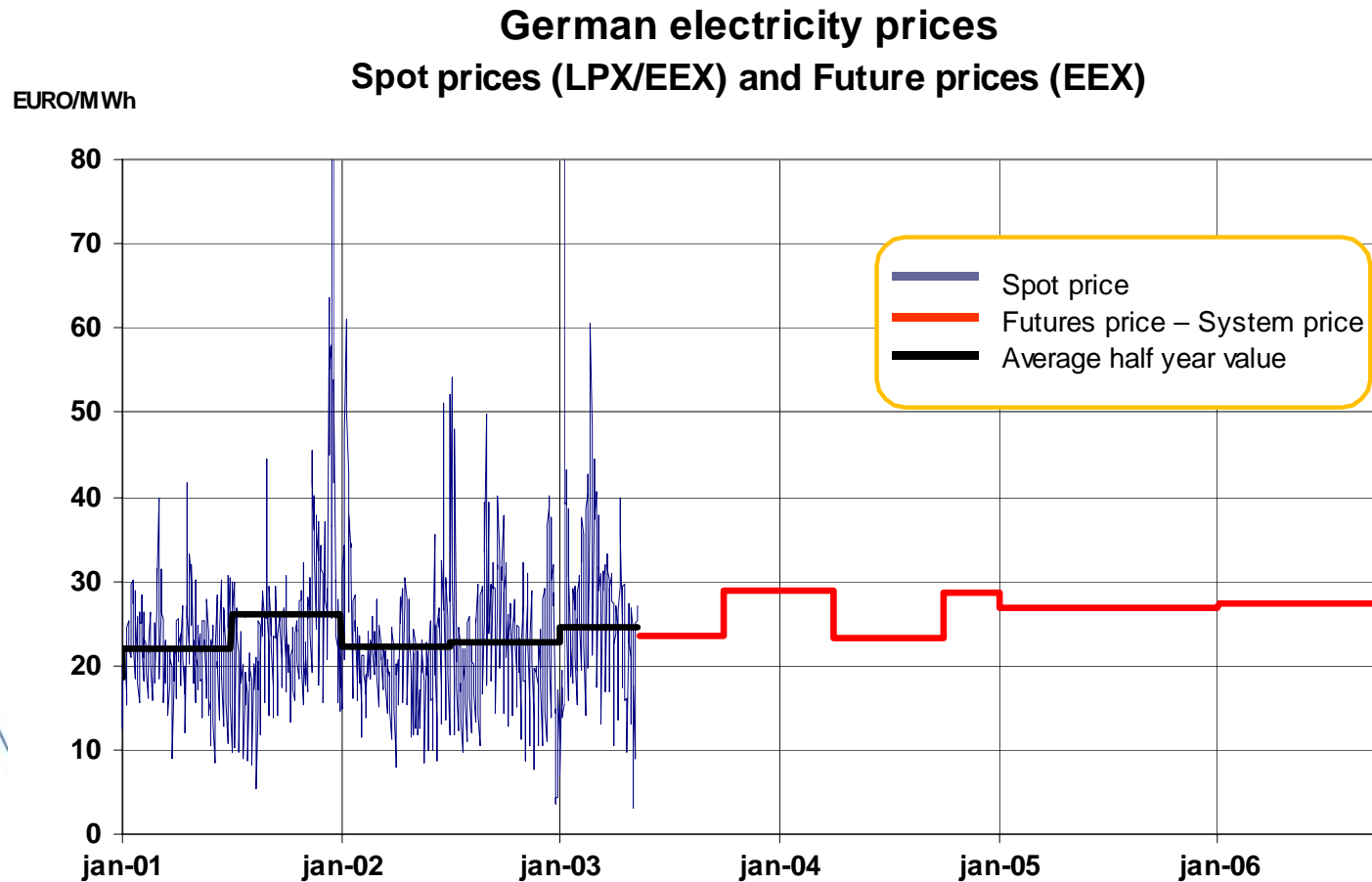
Water Reservoirs in Sweden and Norway

Total water reservoirs in Sweden and Norway weekly changes 1997 - 2003



Source: Nord Pool May 8th 2003
030218

German Electricity Prices



Source LPX 2003-05-10

Business Development Nordic Market

- **Generation**
 - Reservoir levels lowest since 1970
 - High Nord Pool prices and plant efficiency increased profits
 - Price increase had limited impact on profit due to hedging
- **Electricity Networks.**
 - Almost no network interruptions
 - High volume transmitted due to cold weather increased profits
- **Market**
 - Strong performance for the overseas cables
 - Reduced profit in sales due to high purchasing prices
- **Heat**
 - Increase in profit due to cold weather
 - cost reductions and high plant availability
 - Increased efficiency in operations more than compensated higher fuel costs



GERMANY

- Restructuring programme pays-off
- Business Unit Structure in place
- Brunsbüttel restarted



POLAND

- Higher heat volumes due to cold weather
- Lower fuel costs
- GZE consolidated
- Strong cash flow



Vattenfall's Strategic Focus

Our Vision:

“Vattenfall – a leading European energy company”

- Focus on Nordic, German and Polish Markets
- Priority is continued improvement in Germany
- Focus on Electricity and Heat
- Increase operating margins in all businesses
- Evaluate potential gas entry

Commitment to maintain rating in the single 'A' range

Financials

Matts Ekman, CFO

"Focus on value creation and profitable growth"

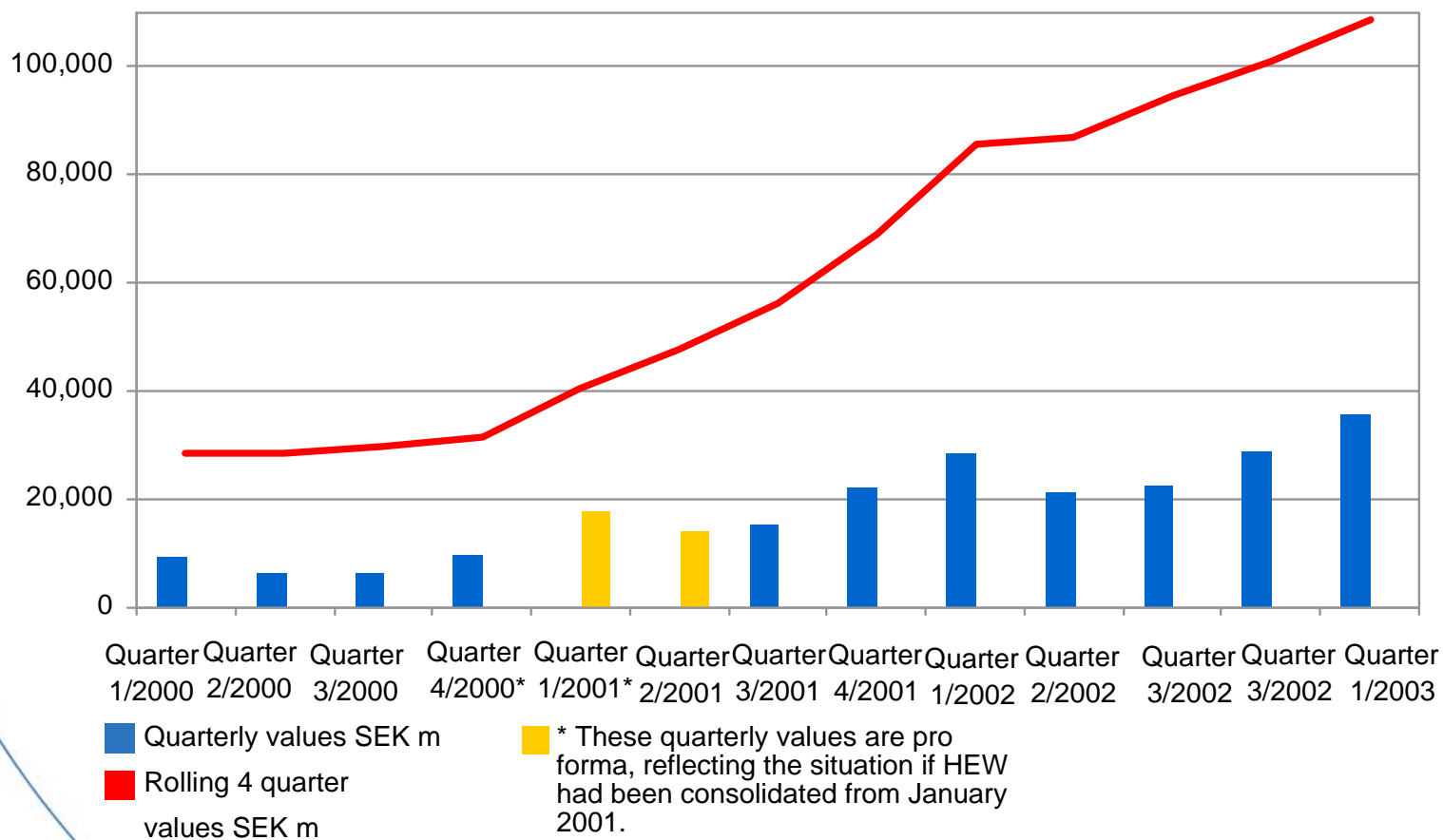
Consolidated Income Statement

| Amounts in SEK million | Q1 2003 | Q1 2002 | FY 2002 |
|---|--------------|---------|---------|
| Net sales | 36,019 | 28,445 | 101,025 |
| Gross profit | 9,309 | 7,474 | 23,686 |
| Operating profit (EBIT) | 7,055 | 5,103 | 13,363 |
| Operating profit, excl. IAC | 7,006 | 5,049 | 12,916 |
| Financial income | 365 | 476 | 3,010 |
| Financial expenses | -1,257 | -1,135 | -6,386 |
| Financial net | -892 | - 659 | -3,376 |
| Profit before taxes and minority interests | 6,163 | 4,444 | 9,987 |
| Taxes | -1,596 | -1,466 | -1,763 |
| Minority interests in the profit for the period | -405 | - 661 | -658 |
| Net profit for the period | 4,162 | 2,317 | 7,566 |

IAC = Items Affecting Comparability

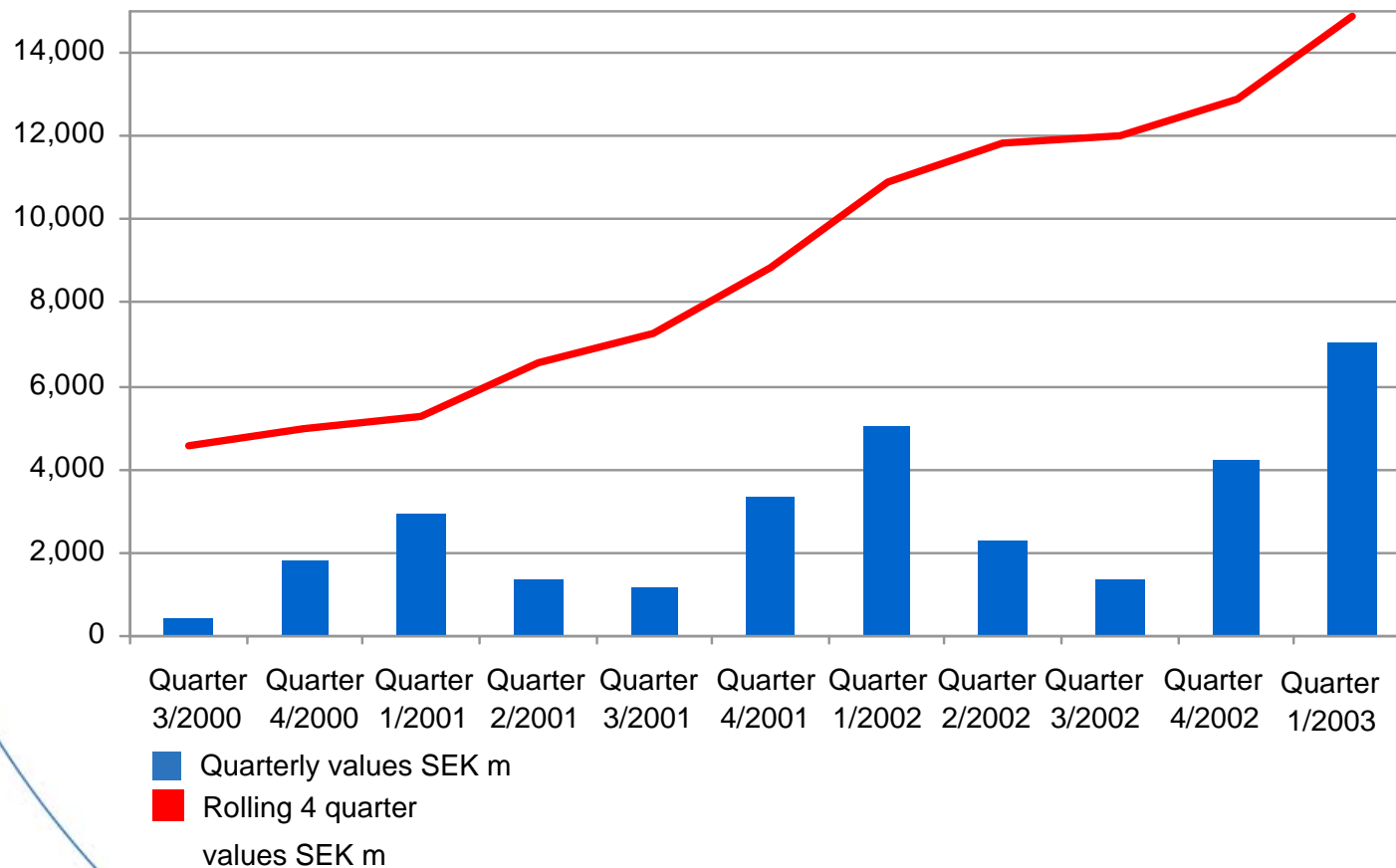
Net sales

Quarterly values, SEK m



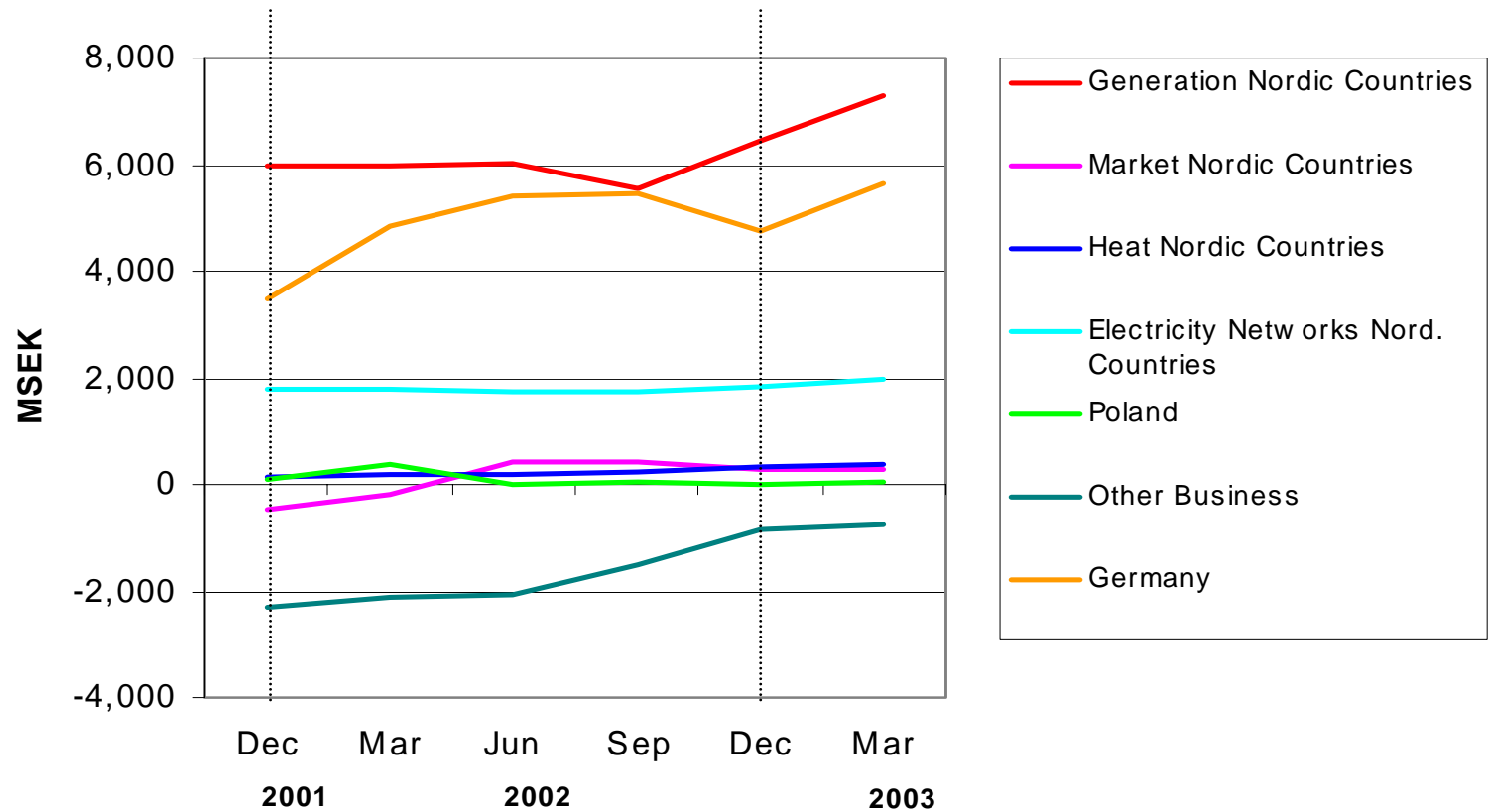
Operating profit (EBIT) (excl. items affecting comparability)

Quarterly values, SEK m



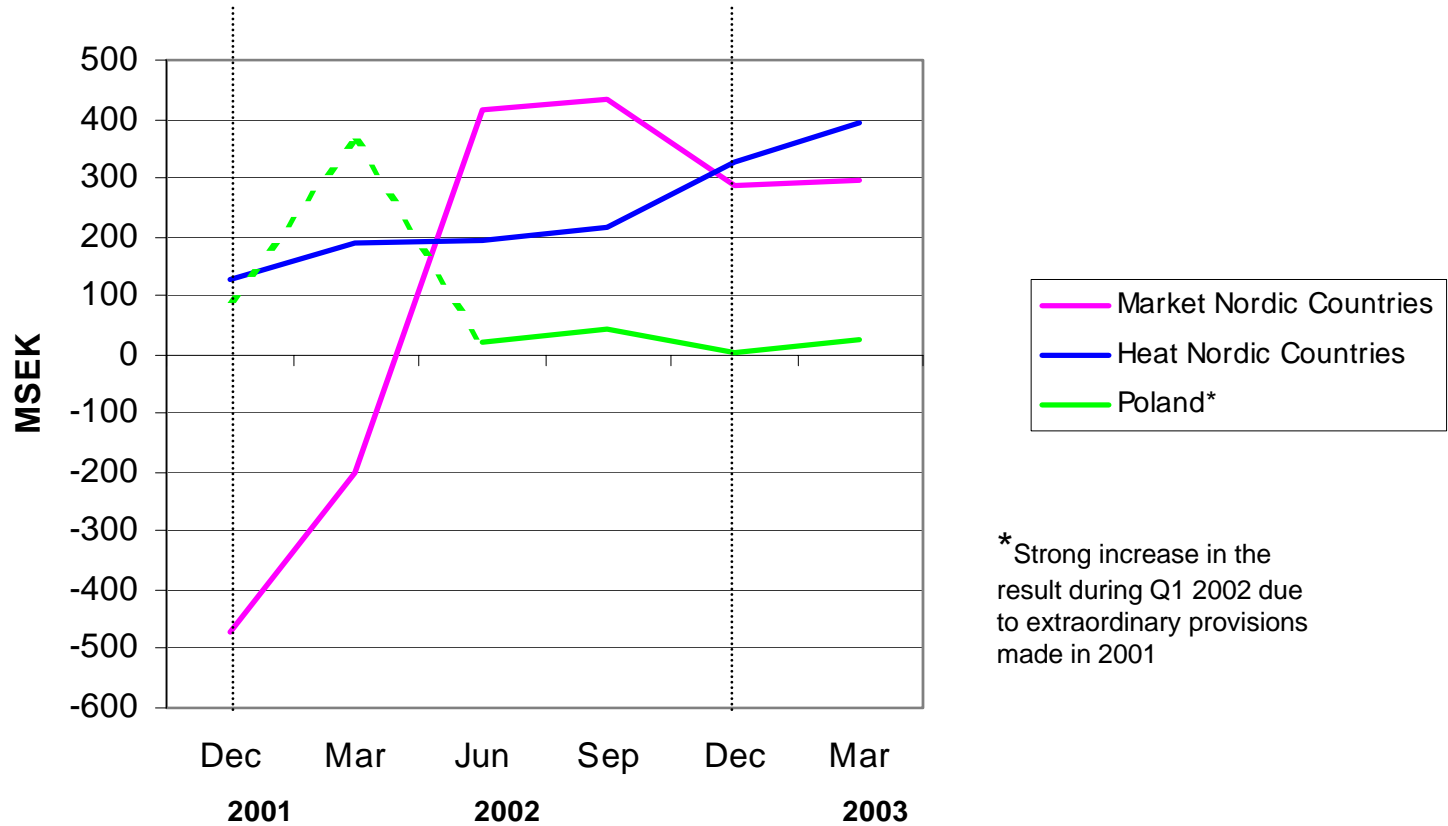
EBIT development per profit area (1) (excl. items affecting comparability)

Vattenfall Group Operating profit, Rolling 4-quarter backward



EBIT development per profit area (2) (excl. items affecting comparability)

Vattenfall Group Operating profit, Rolling 4-quarter backward

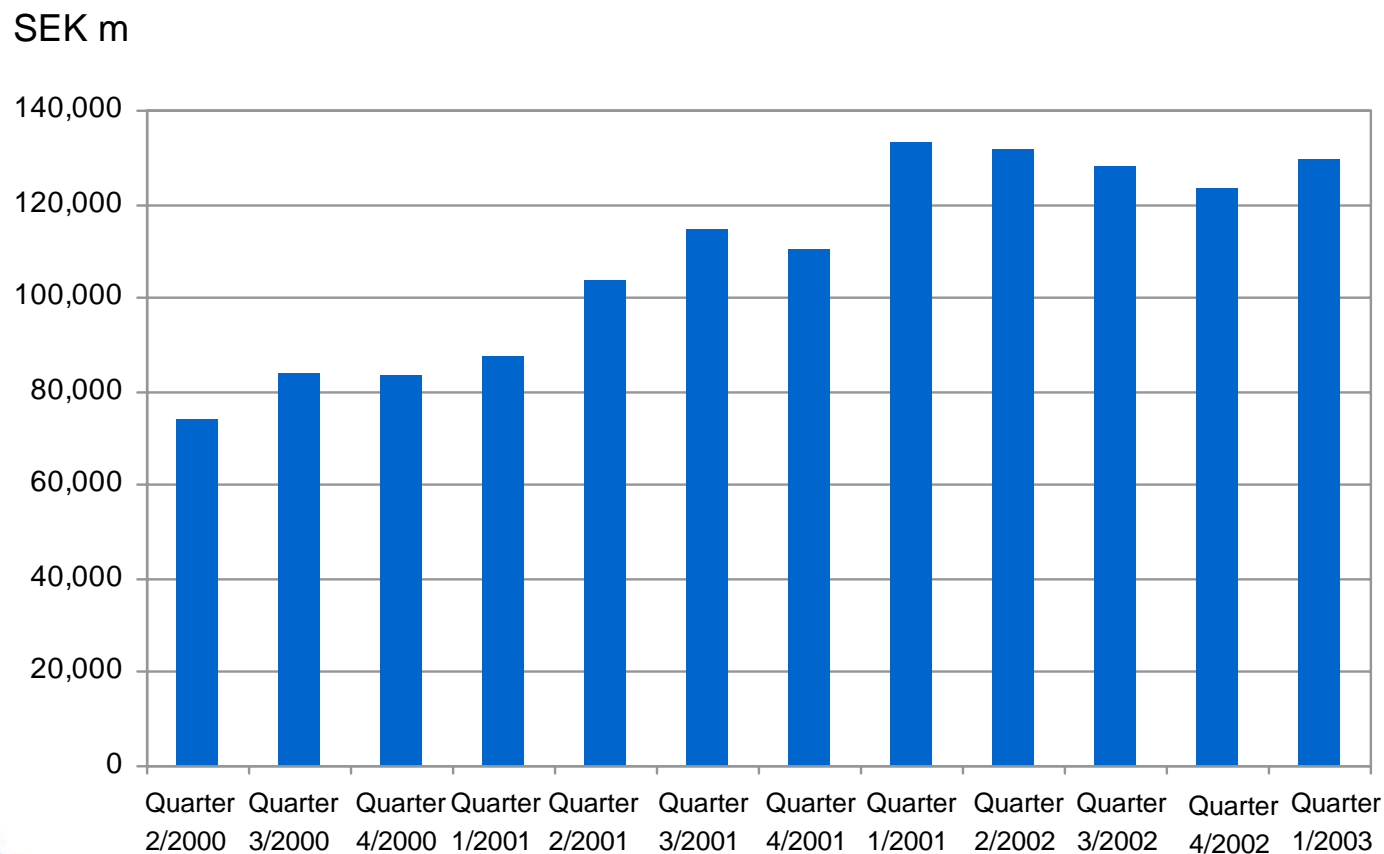


* Strong increase in the result during Q1 2002 due to extraordinary provisions made in 2001

Consolidated Balance Sheet – Summary

| Amounts in million SEK | Q1 2003 | Q4 2002 |
|---|----------------|----------------|
| Fixed assets | 221,798 | 217,650 |
| Current assets | 60,500 | 58,626 |
| Total assets | 282,298 | 276,276 |
| Equity | 49,185 | 45,129 |
| Minority interests | 13,261 | 9,960 |
| Provisions, non-interest bearing | 96,246 | 97,479 |
| Interest bearing debt & provisions | 90,331 | 94,839 |
| Other liabilities | 33,275 | 28,869 |
| Total equity, provisions and liabilities | 282,298 | 276,276 |
| <i>Net debt</i> | <i>73,473</i> | <i>75,207</i> |
| <i>Net assets</i> | <i>129,502</i> | <i>123,339</i> |
| <i>Net assets weighted avg.</i> | <i>128,615</i> | <i>127,479</i> |

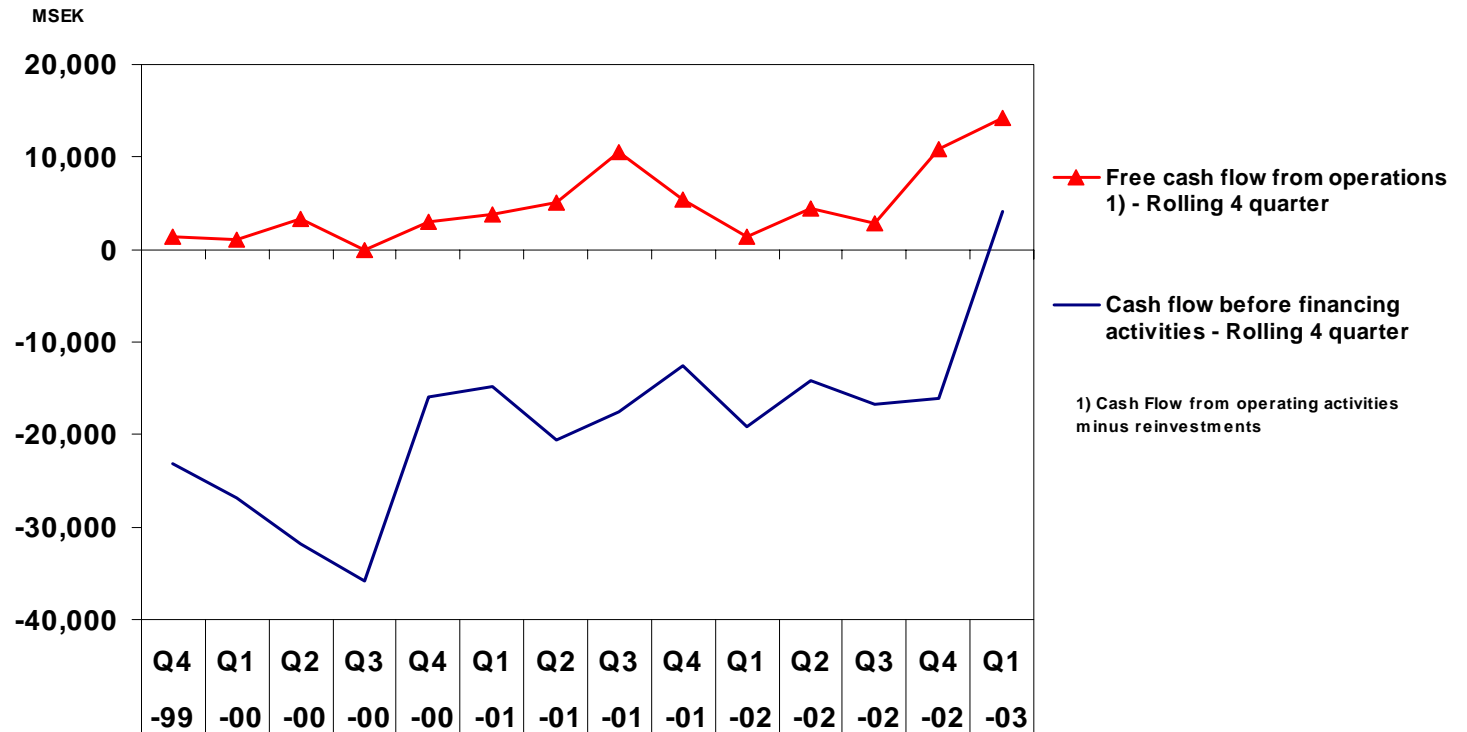
Net Asset Development (quarterly values)



Consolidated Cash Flow, rolling 4 quarter

Vattenfall Group - Three months interim accounts - 2003

Cash Flow



Consolidated Cash Flow Statement

| Amounts in million SEK | Q1 2003 | Q1 2002 | FY 2002 |
|--|----------------|---------|-----------------|
| Funds from operations (FFO) | 7,697 | 5,734 | 17,106 |
| Change in working capital | -4,977 | -3,218 | 2,997 |
| Cash Flow from operating activities | 2,720 | 2,516 | 20,103 |
| Investments | -1,763 | -21,290 | -39,932 |
| Divestments | 161 | 324 | 3,683 |
| Liquid funds inacquired /sold companies | 769 | 689 | 691 |
| Cash flow from investing activities | -833 | -20,907 | -35,558 |
| Cash flow before financing activities | 1,887 | -18,391 | -15,455 |
| Cash flow after dividend * | 1,786 | -20,398 | - 18,905 |
| <u>Change in net debt:</u> | | | |
| Net debt at the beginning of the period | -75,207 | -55,736 | -55,736 |
| Cash flow after dividend | 1,786 | -20,398 | -18,905 |
| Translation differences | -52 | 1,764 | -566 |
| Net debt at the end of the period | -73,473 | -74,370 | -75,207 |

Key Ratios

(in per cent unless otherwise specified)

| | Q1 2003 | Q1 2002 |
|---|---------|---------|
| Return on net assets (excl. IAC)* | 11,6 | 10,1** |
| Return on equity (excl. IAC)* | 22,3 | 18,3** |
| EBIT-margin (excl. IAC) * | 19,5 | 17,8 |
| Pre-tax profit margin (excl IAC)* | 17,1 | 15,6 |
| Pre-tax interest coverage, times (excl. IAC)* | 5,9 | 4,9 |
| FFO/ Net debt | 26,0 | 22,7** |
| FFO net interest coverage (times) | 7,1 | 9,7 |
| Equity-assets ratio | 22,2 | 21,4 |
| Net debt/equity (times) | 1,2 | 1,2 |
| Net debt / Net debt + equity | 54,1 | 54,4 |

IAC = Items Affecting Comparability

* *Rolling 12-months values*

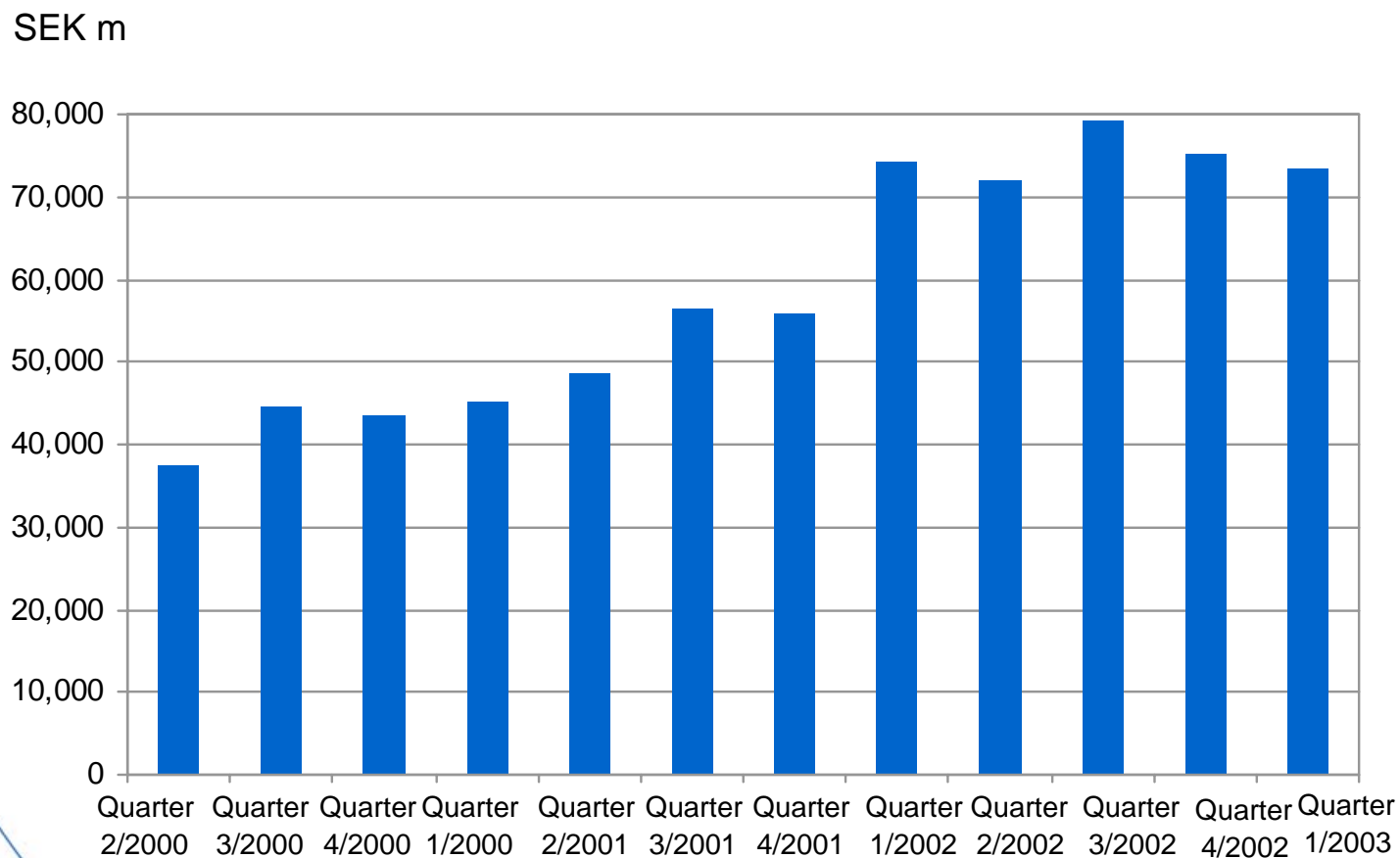
** *FY 2002*

Group liquidity

Amounts in SEK million

| March 31, 2003 | Treasury | Germany | Poland | Others | Total |
|--------------------------------|--------------|--------------|--------------|------------|---------------|
| • Cash and bank | 937 | 1 063 | 1 035 | 524 | 3 559 |
| • Interest-bearing investments | 4 564 | 1 678 | | 191 | 6 433 |
| • Special Funds | | 2 407 | | | 2 407 |
| • Shares | | 419 | | | 419 |
| Total | 5 501 | 5 567 | 1 035 | 715 | 12 818 |
| Available Credit lines | 10 713 | 4 783 | | | 15 496 |

Net Debt Development

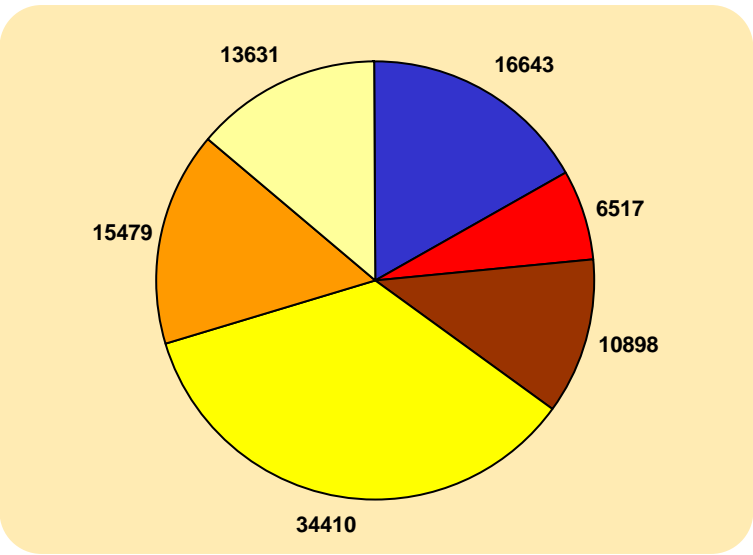
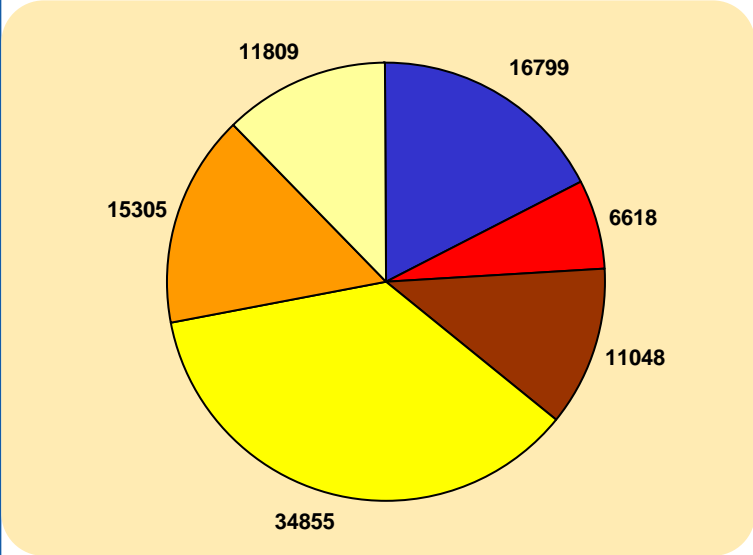


Break Down of Group Debt

Amounts in SEK million

| March 31, 2003 | Treasury | Germany | Poland | Others | Total |
|---------------------------------------|---------------|---------------|------------|--------------|---------------|
| • Commercial Papers | 49 | | | | 49 |
| • MTN | 6 475 | | | | 6 475 |
| • EMTN | 36 868 | | | | 36 868 |
| • Liabilities to associated companies | | 16 322 | | | 16 322 |
| • Liabilities to other shareholders | | 270 | | 3 836 | 4 106 |
| • Bank loans and others | 4 068 | 21 749 | 163 | 343 | 26 323 |
| Total | 47 460 | 38 341 | 163 | 4 179 | 90 143 |

Group provisions



- Pensions
- Nuclear
- Mining
- Taxes
- Negative goodwill
- Other

Financial targets

- Focus on value creation and profitable growth
- To consolidate and secure a fast integration and profit improvement in the acquired German businesses
- Profitability target:
15 % Return on Equity
After completion of the German integration:
- Return on Net Assets of 11% before tax
- Interest coverage
Pre-tax interest coverage of 3.5 – 5 (times)
- To maintain credit rating in the single A category

