

Vattenfall First Quarter Results 2004

Presentations by Lars G Josefsson, CEO and Matts P Ekman, CFO
April 27th 2004

2 Profit Improvement and reduction in net debt

- Net sales decreased by 11,7 per cent to 31 810 MSEK (36 019)
- EBIT increased by 8.6 per cent to 7 664 MSEK (7 055)
- Net Profit increased by 14.5 per cent to 4 765 MSEK (4 162)
- Reduction in net debt by 4 bn to SEK 62.9 bn (66.9)

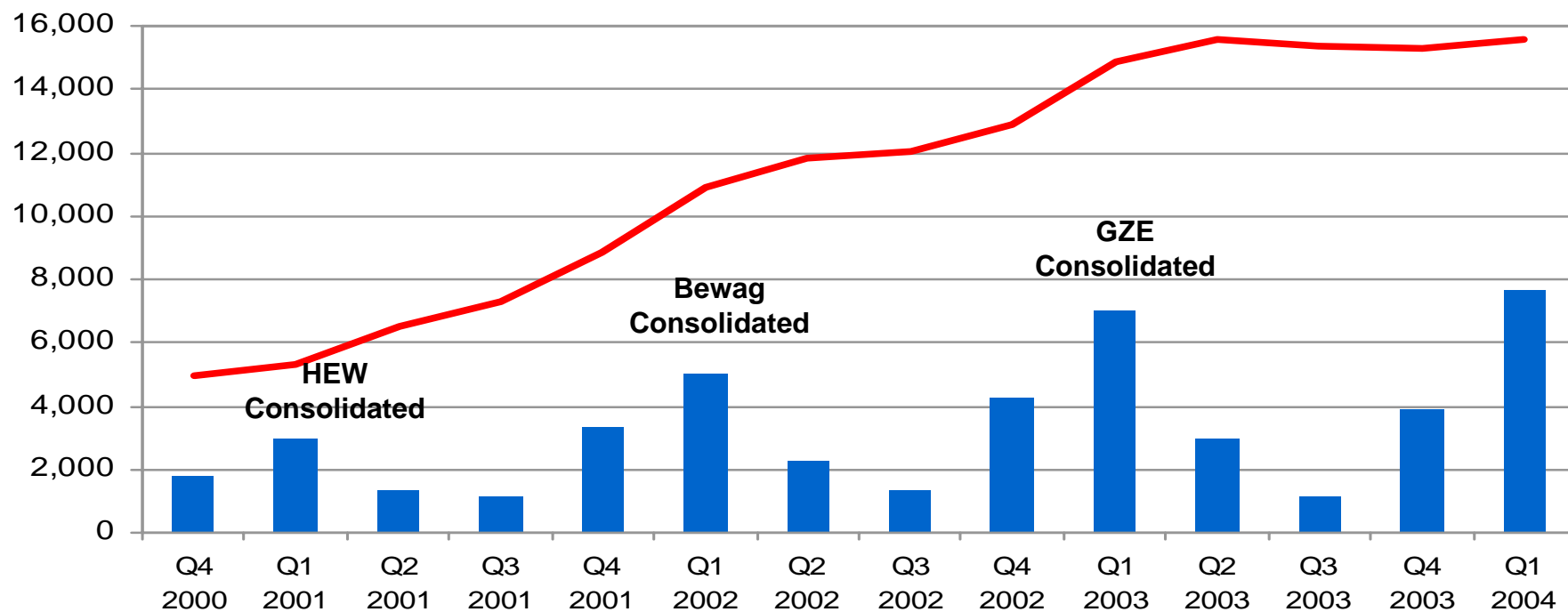
EBIT strong despite lower electricity prices

EBIT increased by SEK 609 million compared to Q1 2003 due to:

- Increased profitability in the German business through cost reductions and better performance in generation
- Higher hydro- and nuclear generation in the Nordic countries
- Hedging reduced the effect of lower spot prices
- Positive trend with increased efficiency improved profits in the Polish operations.

EBIT Development

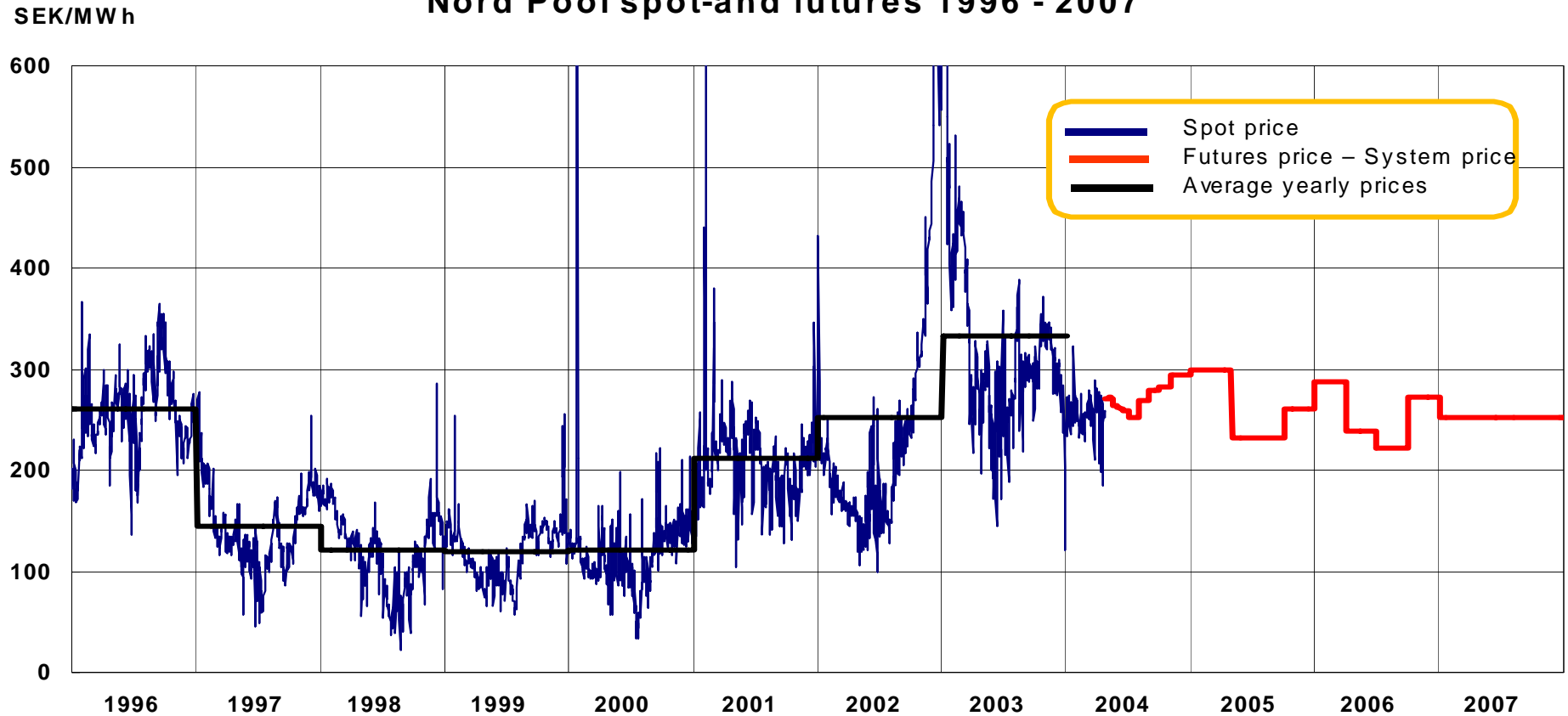
Quarterly values, SEK m



- Quarterly values SEK m, excluding items affecting comparability
- Rolling 4 quarter values SEK m, excluding items affecting comparability

Swedish Electricity Prices Trending Lower

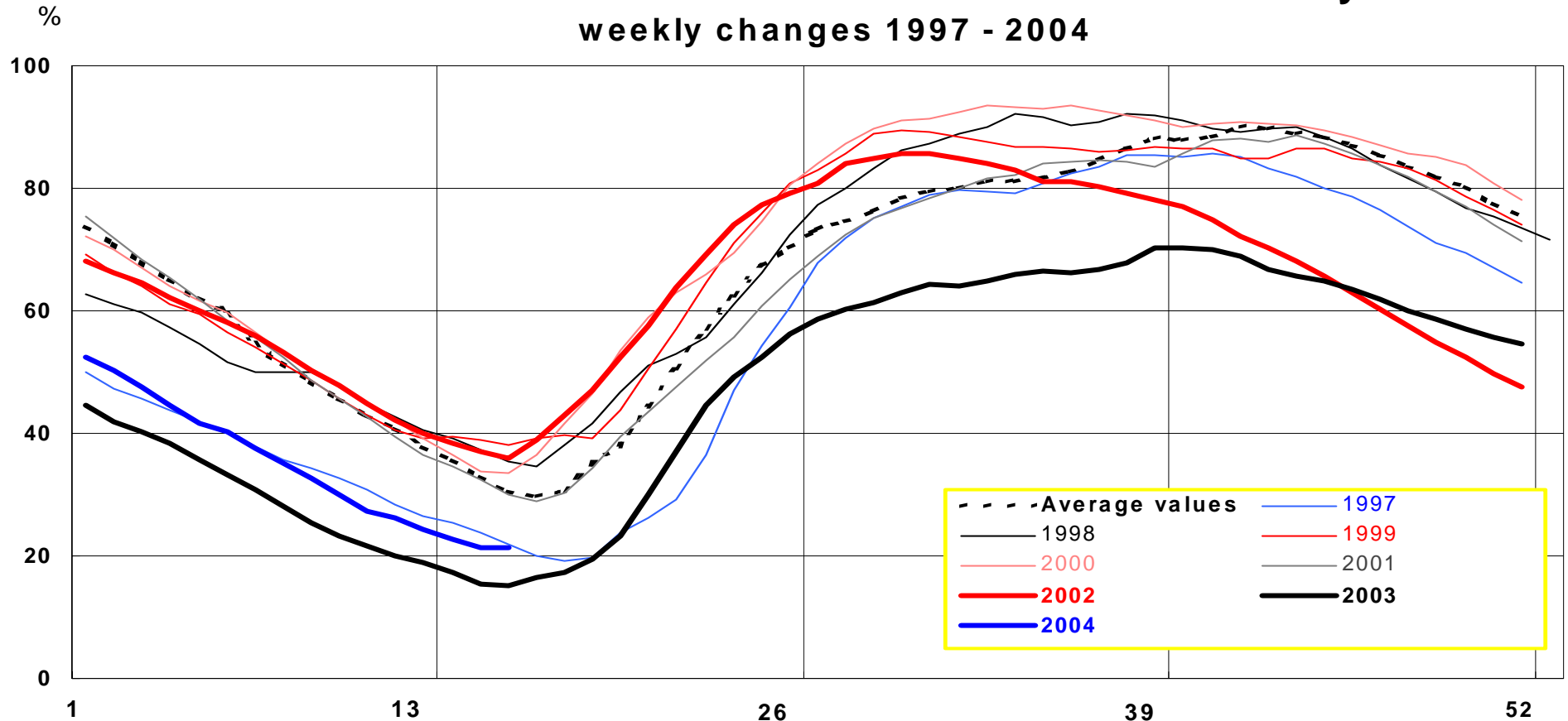
Swedish electricity prices
Nord Pool spot-and futures 1996 - 2007



Source: Nord Pool

Reservoirs higher than in 2003 but below average

Total water reservoirs in Sweden and Norway
weekly changes 1997 - 2004

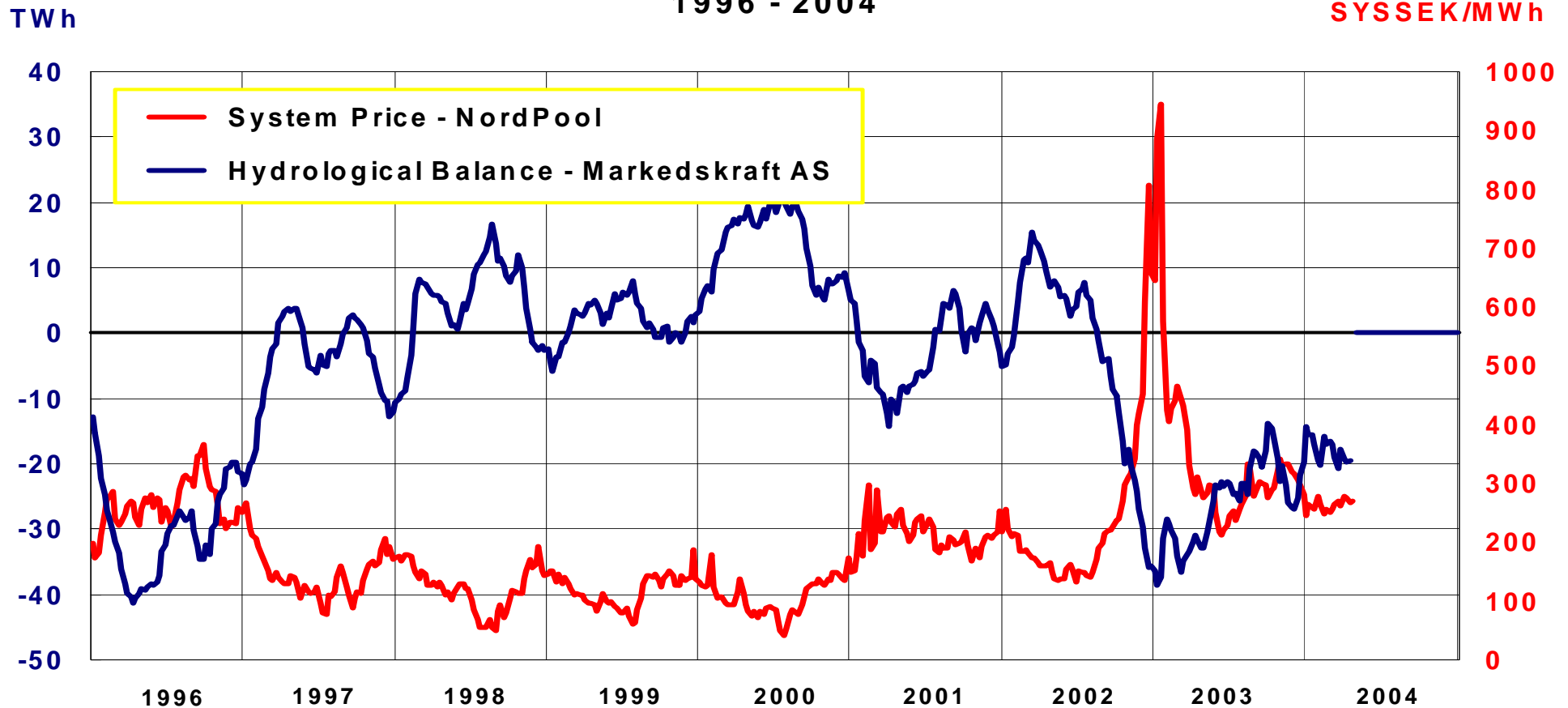


Source: Nord Pool

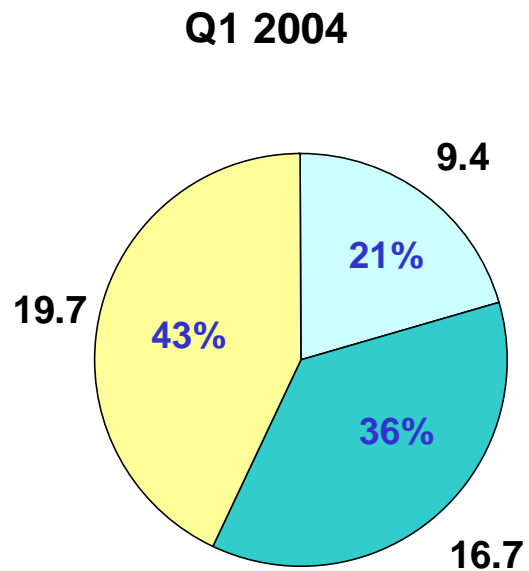
Electricity Price Depends on Precipitation

Hydrological Balance and System Price

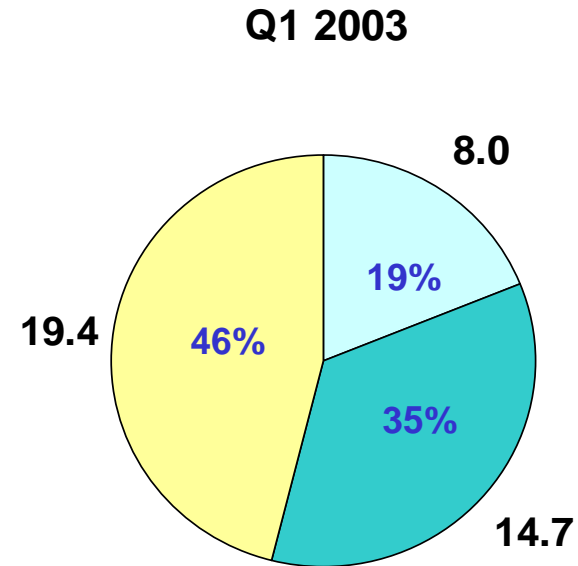
1996 - 2004



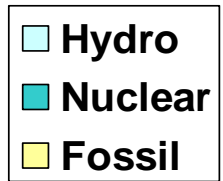
Higher Production in Q1 2004



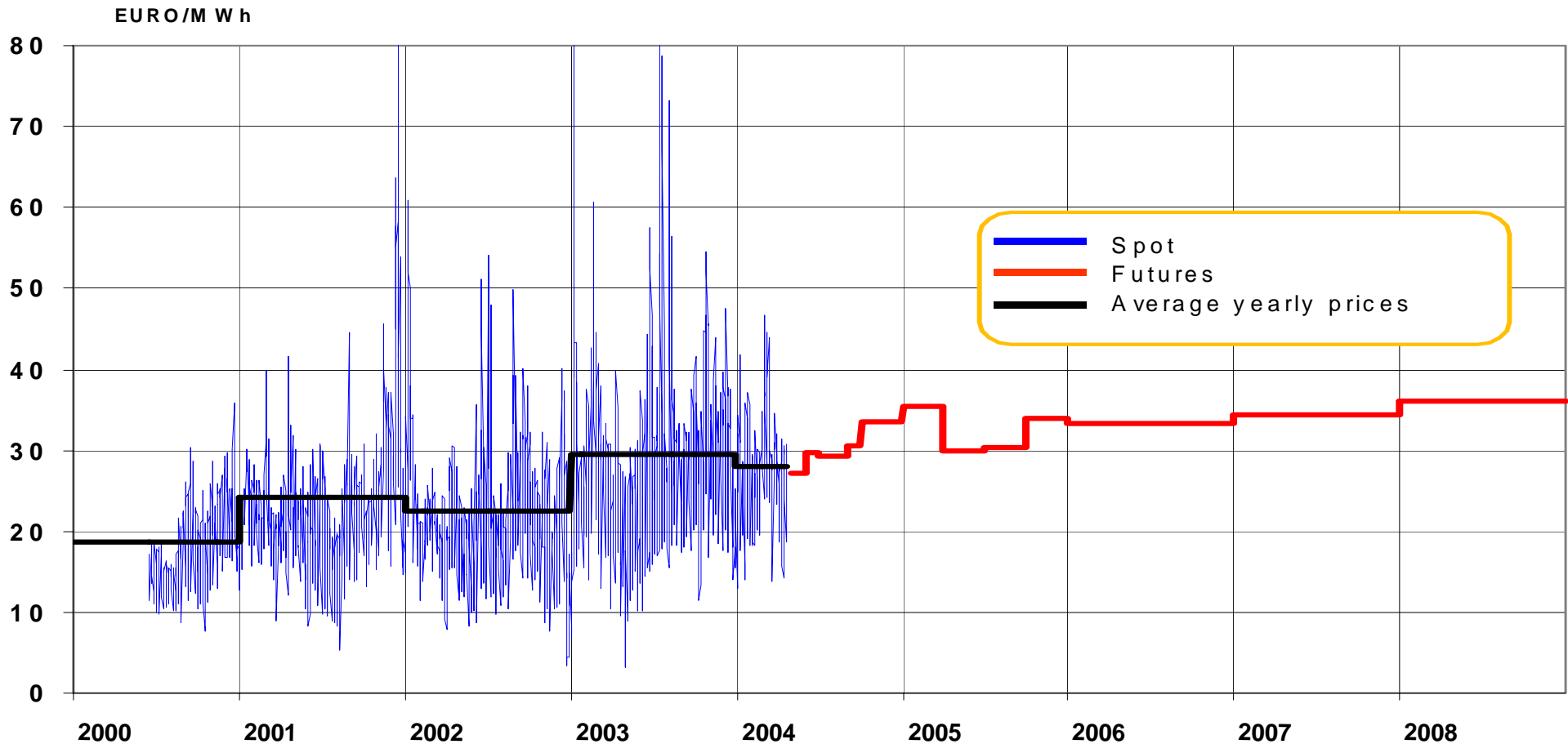
Total: 45,8 TWh



Total: 42.1 TWh



German Electricity Prices Trending Higher



Source EEX 2004-04-21

First Quarter Business Highlights

- Electricity prices lower both on Nord Pool and EEX
- Good result due to hedging of production
- High availability in hydro- and nuclear power plants
- Disturbances in German production plants but increased profit due to Brunsbüttel back in operation
- Actions to improve quality of networks in Sweden
- Positive development in Poland due to improved margins and lower losses on accounts receivables

Key Issues Going Forward

- Number One for the Customer
- CO2 Emissions Trading
- Further value creation by profitable growth
- Future of Swedish Nuclear Power
- Network regulation
- Poland to join EU
- Electricity price development

Vattenfall's Strategic Focus

Our Vision:

“Vattenfall – a Leading European Energy Company”

Our key focus areas:

- ▶ Close the Gap by 2004
- ▶ Core Markets & Core Products
- ▶ Economies of Scale
- ▶ Continued Value Creation through Growth

Commitment to maintain rating in the single "A" range

Vattenfall's Core Values

Vattenfall stands for...



Effectiveness



Accountability



Openness

Financials

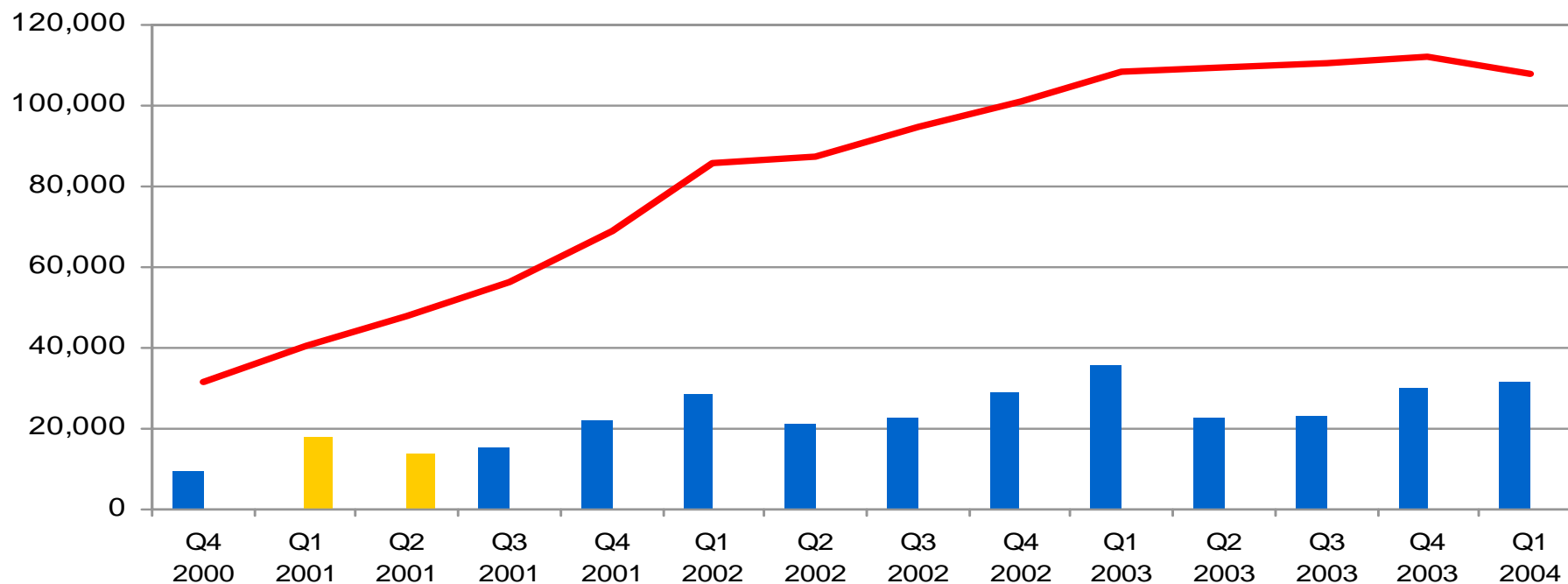
Matts Ekman, CFO

Consolidated Income Statement

Amounts in SEK million	Q1 2004	Q1 2003	FY 2003
Net sales	31,810	36,019	111,935
Gross profit	10,157	9,309	27,143
Operating profit (EBIT)	7,664	7,055	15,296
Operating profit, excl. IAC	7,639	7,006	15,033
Financial income	396	365	2,267
Financial expenses	-1,086	-1,257	-5,203
<i>Financial net</i>	<i>-690</i>	<i>-892</i>	<i>-2,936</i>
Profit before taxes and minority interests	6,974	6,163	12,360
Taxes	-1,869	-1,596	-2,831
Minority interests in the profit for the period	- 340	-405	-406
Net profit for the period	4,765	4,162	9,123

16 Lower Net Sales due to lower electricity prices

Quarterly values, SEK m

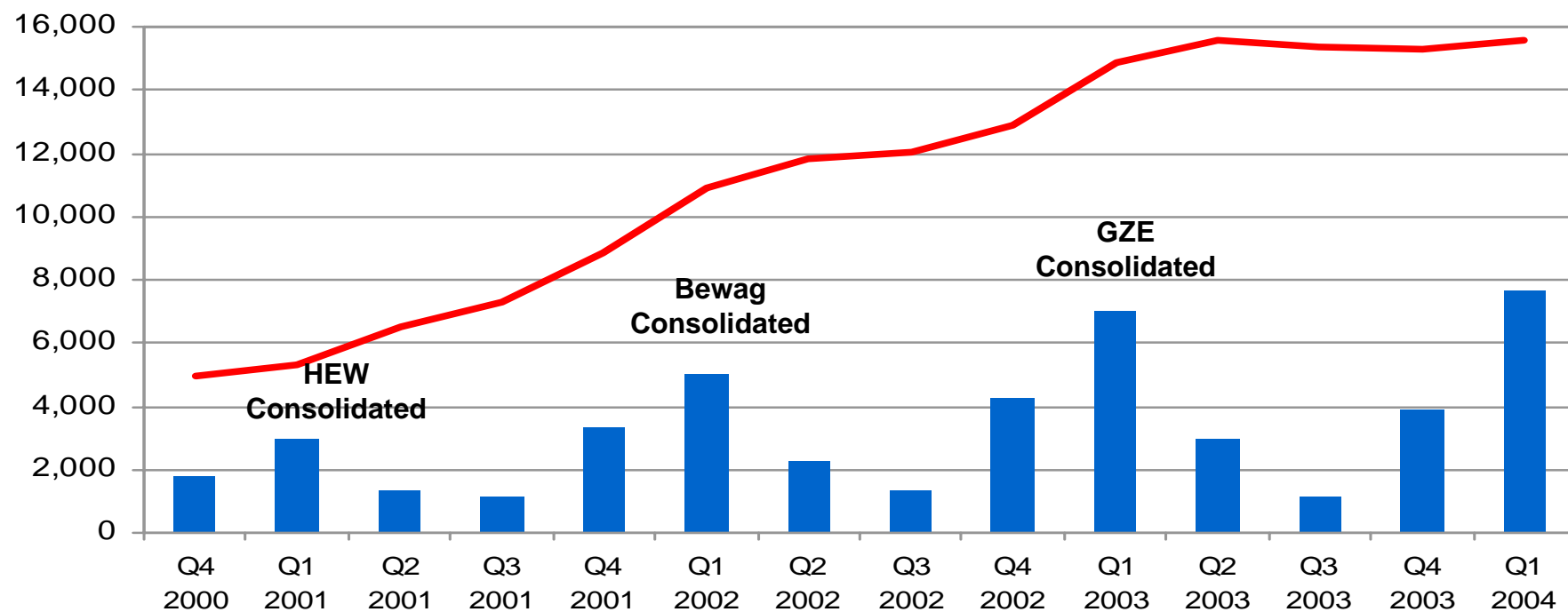


■ Quarterly values SEK m
■ Rolling 4 quarter values SEK m

■ * These quarterly values are pro forma, reflecting the situation if HEW had been consolidated from January 2001.

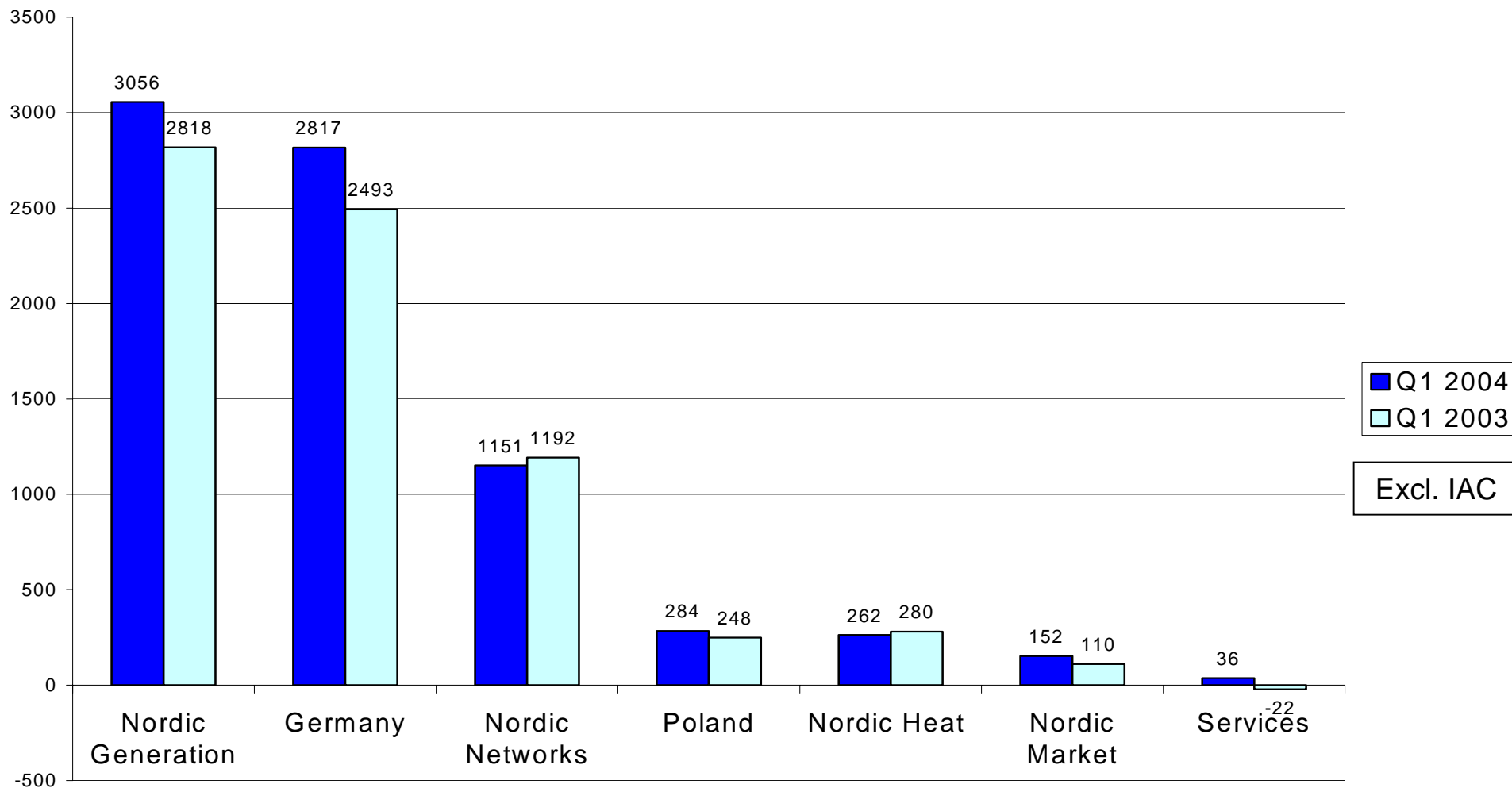
EBIT Development

Quarterly values, SEK m

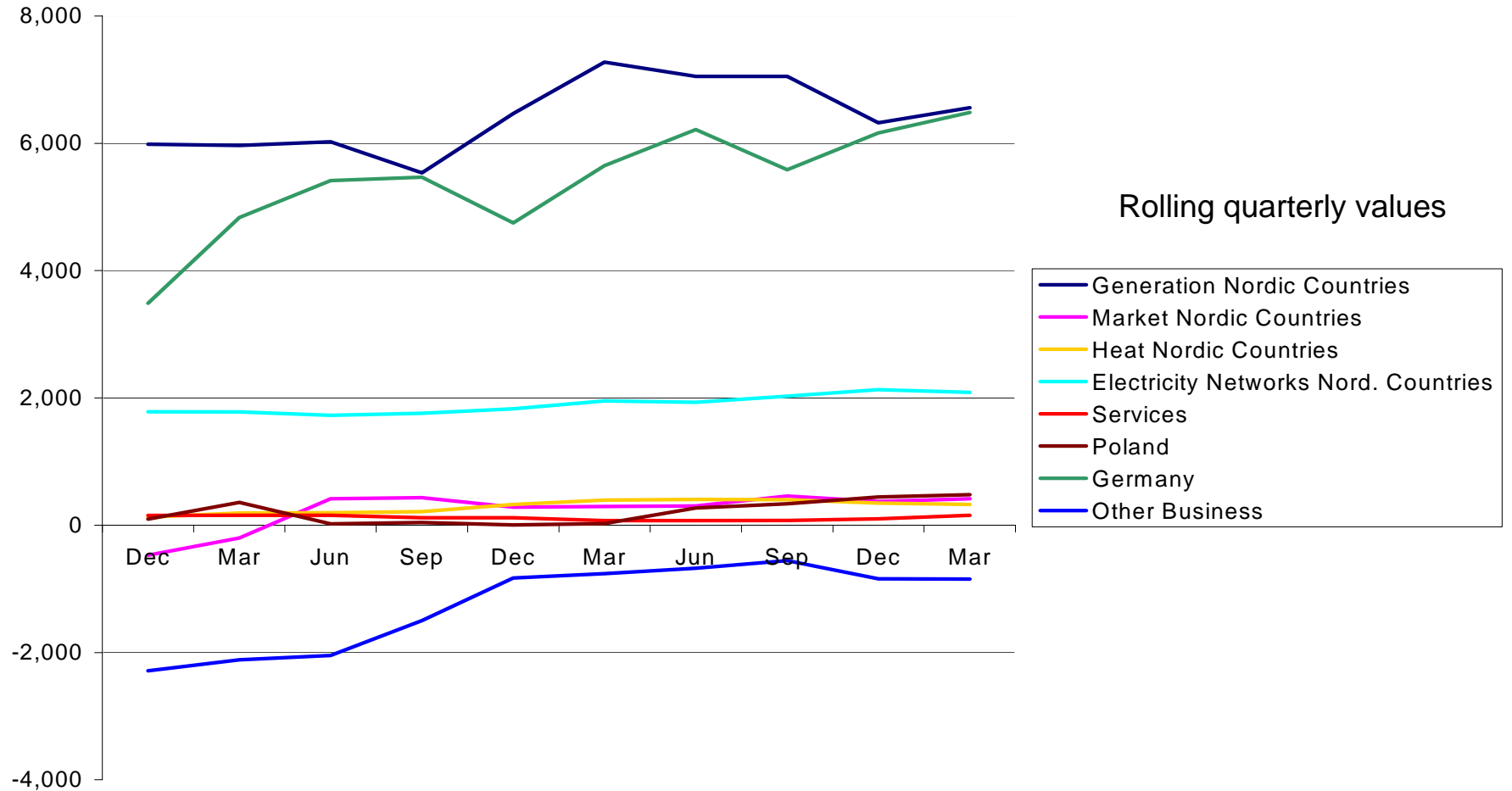


- Quarterly values SEK m, excluding items affecting comparability
- Rolling 4 quarter values SEK m, excluding items affecting comparability

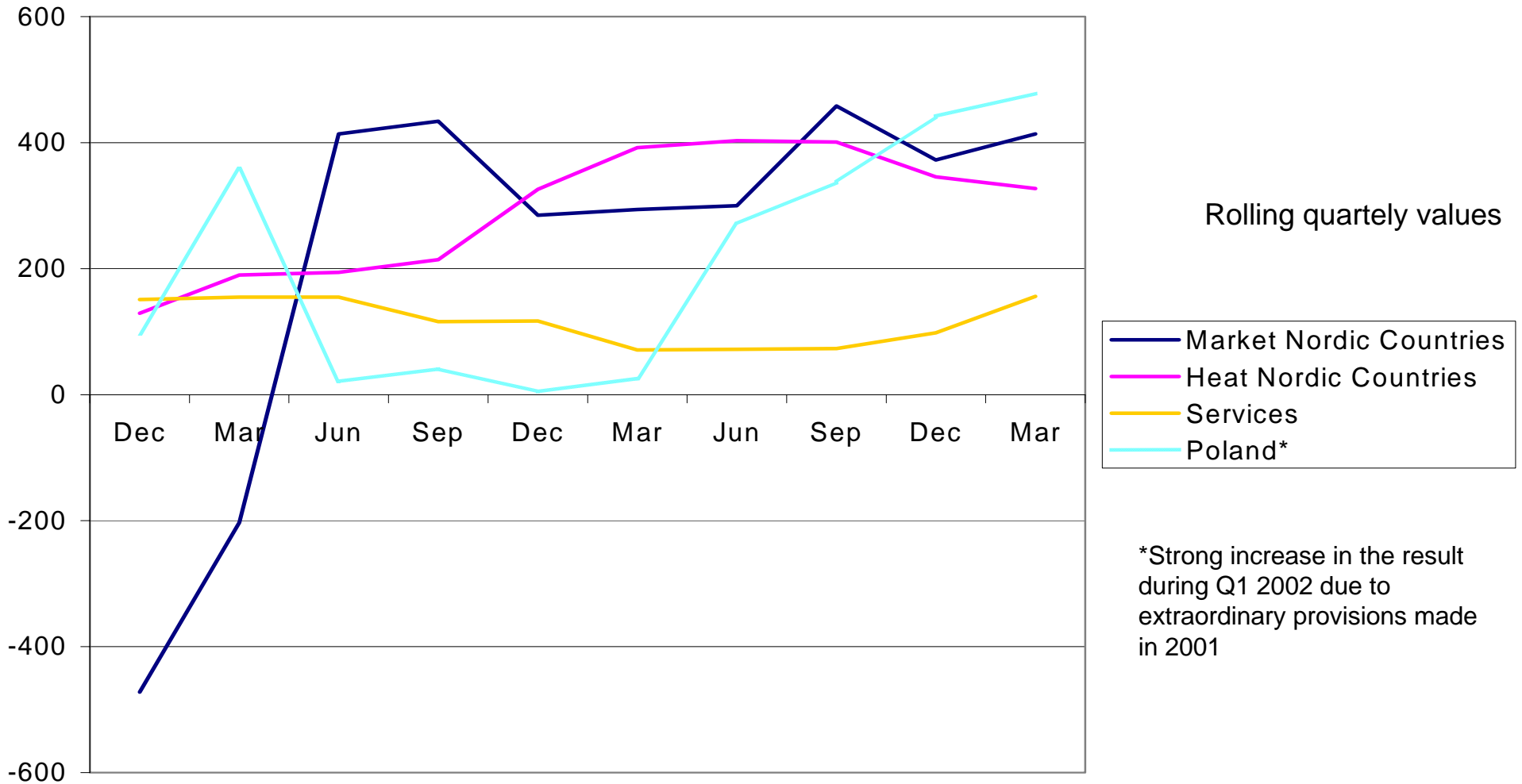
Profit Contribution per Profit Area



Generation Top EBIT Contributor



Strong development in Poland



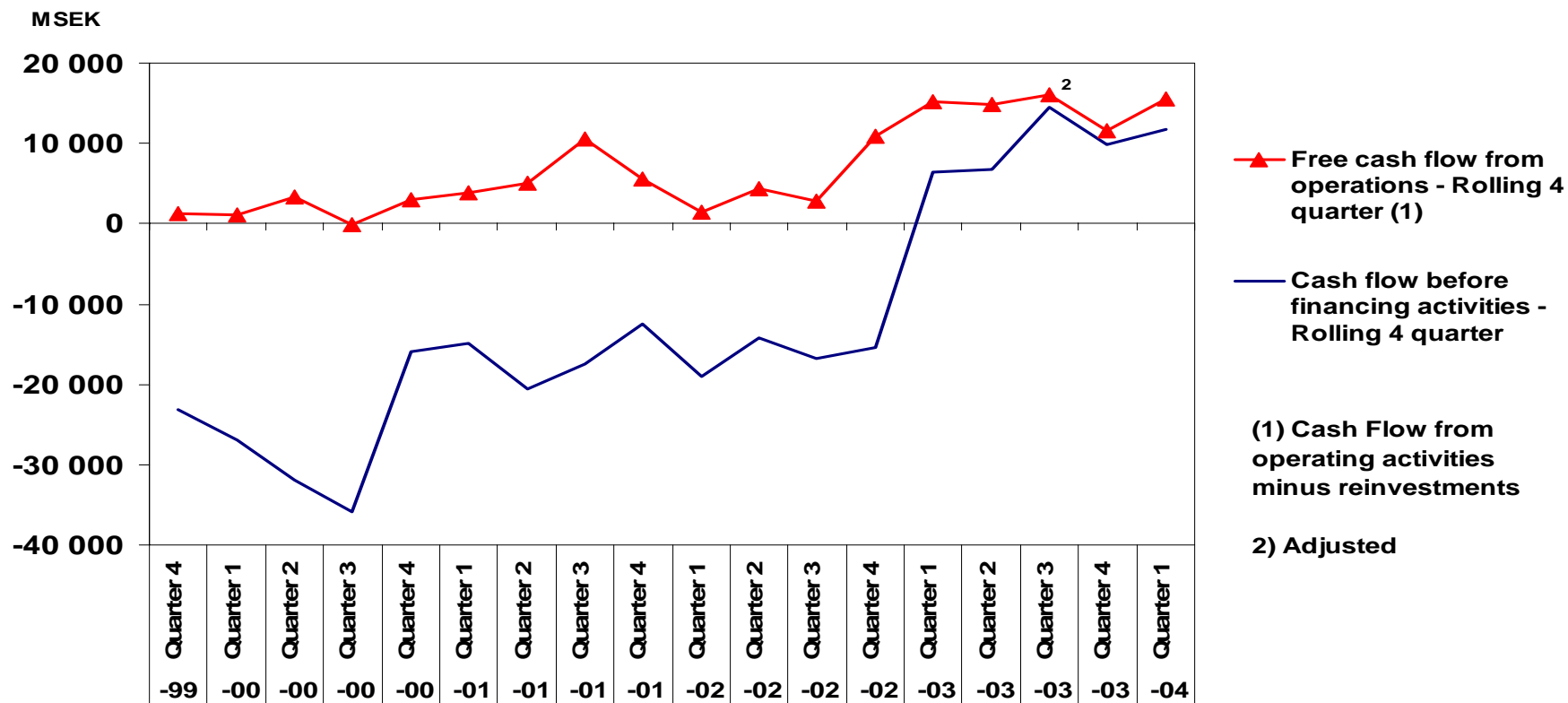
Consolidated Balance Sheet

Amounts in million SEK	Q1 2004	Q1 2003	FY 2003
Fixed assets	218,451	221,798	216,203
Current assets	50,891	60,500	48,762
Total assets	269,342	282,298	264,965
Equity	57,352	49,185	52,506
Minority interests	8,891	13,261	9,379
Provisions, non-interest bearing	93,273	96,246	91,800
Interest bearing debt	80,124	88,759	85,631
Other liabilities	29,702	33,275	25,649
Total equity, provisions and liabilities	269,342	282,298	264,965
<i>Net debt</i>	<i>62,916</i>	<i>73,473</i>	<i>66,890</i>
<i>Net assets</i>	<i>125,169</i>	<i>129,502</i>	<i>124,808</i>
<i>Net assets weighted avg.</i>	<i>123,871</i>	<i>128,615</i>	<i>124,229</i>

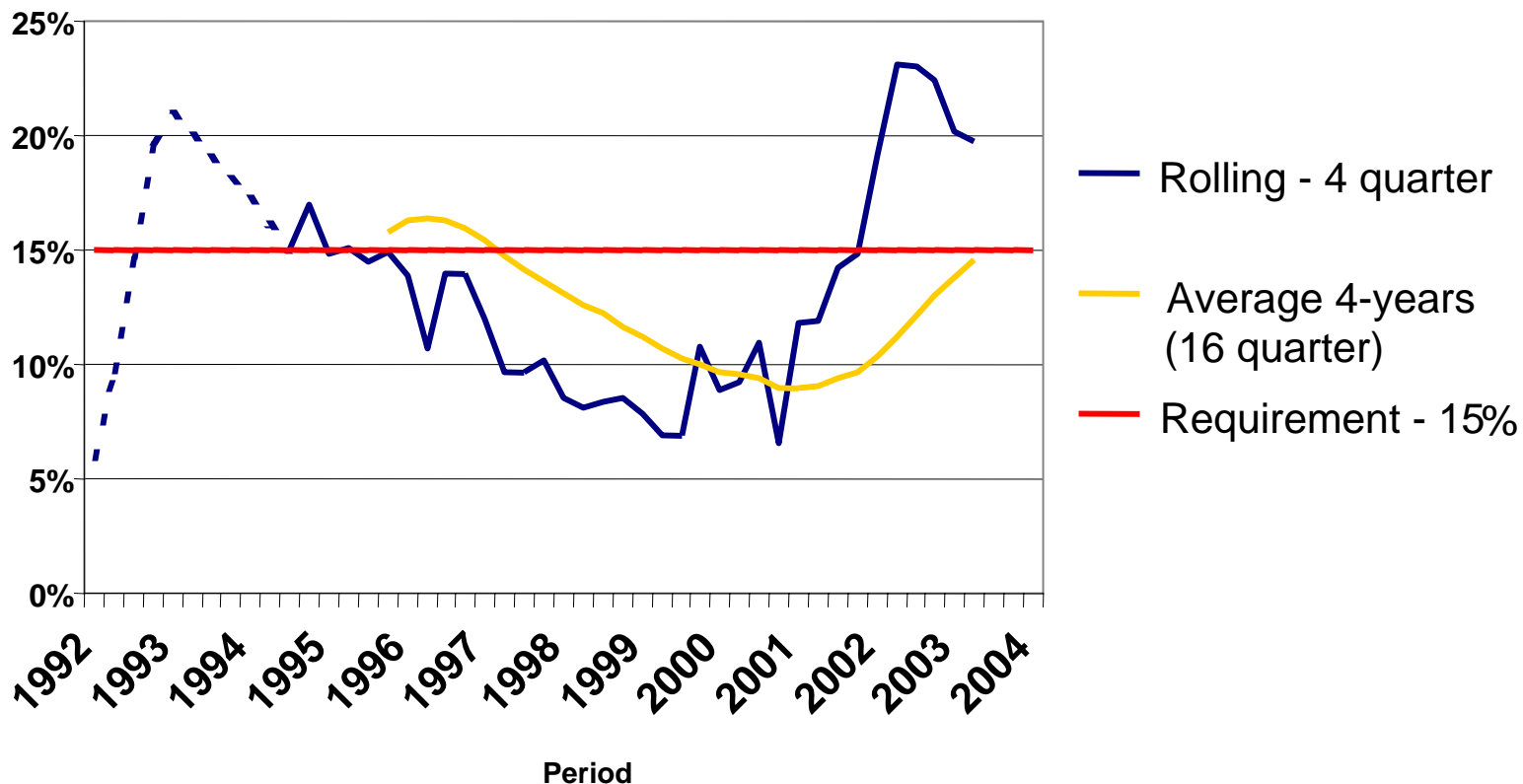
Consolidated Cash Flow Statement

Amounts in million SEK	Q1 2004	Q1 2003	FY 2003
Funds from operations (FFO)	8,990	7,967	18,804
Change in working capital	-1,330	-4,106	-613
Cash Flow from operating activities	7,660	3,591	18,191
Investments	-3,257	-1,763	-11,356
Divestments	193	161	2,057
Liquid funds in acquired /sold companies	-16	769	949
Cash flow from investing activities	-3,080	-833	-8,350
Cash flow before financing activities	4,580	2,758	9,841
<u>Change in net debt:</u>			
<i>Net debt at the beginning of the period</i>	<i>-66,890</i>	<i>-75,207</i>	<i>-75,207</i>
<i>Effect of change in definitions</i>	<i>84</i>		
<i>Cash flow after dividend *</i>	<i>4,564</i>	<i>2,657</i>	<i>7,859</i>
<i>Translation differences</i>	<i>-674</i>	<i>-923</i>	<i>458</i>
<i>Net debt at the end of the period</i>	<i>-62,916</i>	<i>-73473</i>	<i>-66,890</i>

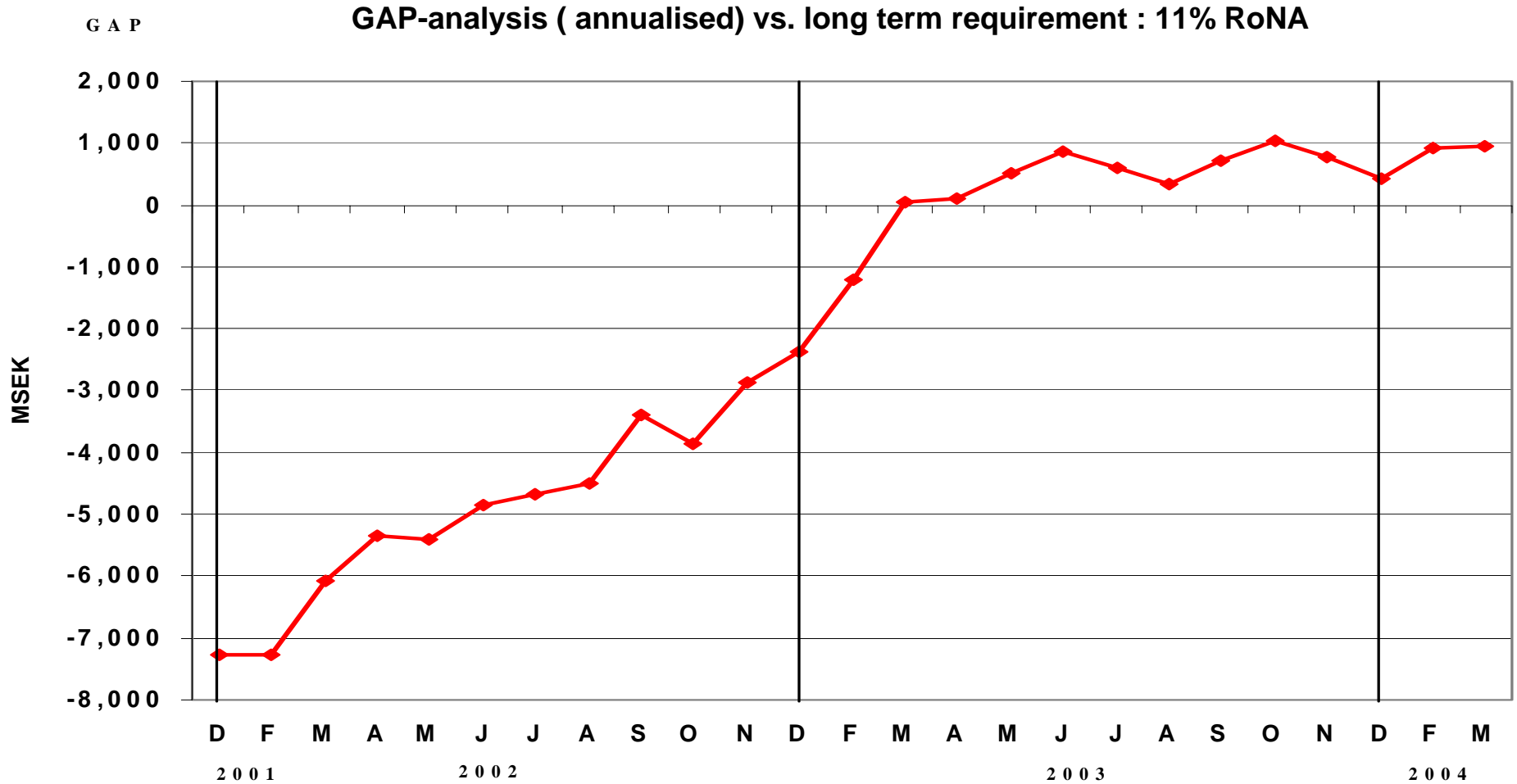
Strong Cash Flow Development



24 Return on Equity → Average 4 Years Close to Target



Vattenfall Group Creates Value



Key Ratios

KEY RATIOS		Q1 2004	Q1 2003/ FY 2003
RoNA, annualised *	▲	12.6	12.1(FY)
RoE, annualised *	▼	19.4	19.8(FY)
Operating margin *	▲	24.0	19,5(Q1)
Pre-tax profit margin *	▲	21.9	17.0(Q1)
Pre-tax interest coverage, times, annualised*	▲	3.6	3.3(Q1)
FFO/net debt	▲	31.9	28.1(FY)
FFO net interest coverage, times	▲	14.0	9.6(Q1)
Equity / asset ratio	▲	24.7	22.2(Q1)
Net debt / equity (times)	▼	0.9	1.2(Q1)
Net debt / net debt + equity	▼	48.7	54.1(Q1)

*Excluding items affecting comparability

Financial Targets

Focus on value creation and profitable growth

- **To consolidate and secure a fast integration and profit improvement in the acquired German businesses**
⇒ **Target €400-500 m annually from 2005**
- **15 % RoE = 11 % RoNA before tax to be achieved through improved operating profit, or improved balance sheet efficiency (net assets)**
⇒ **Q1 2004 (rolling 12-months): RoE 19.8%, RoNA 12.6 excl IAC**
- **3.5-5 times pre-tax interest coverage**
⇒ **Q1 2004: 3.6 times excl IAC (FY 2003: 3.3)**
- **To maintain credit rating in the single A category**
⇒ **Negative outlook changed to stable by both Moody's and S&P in 2003**

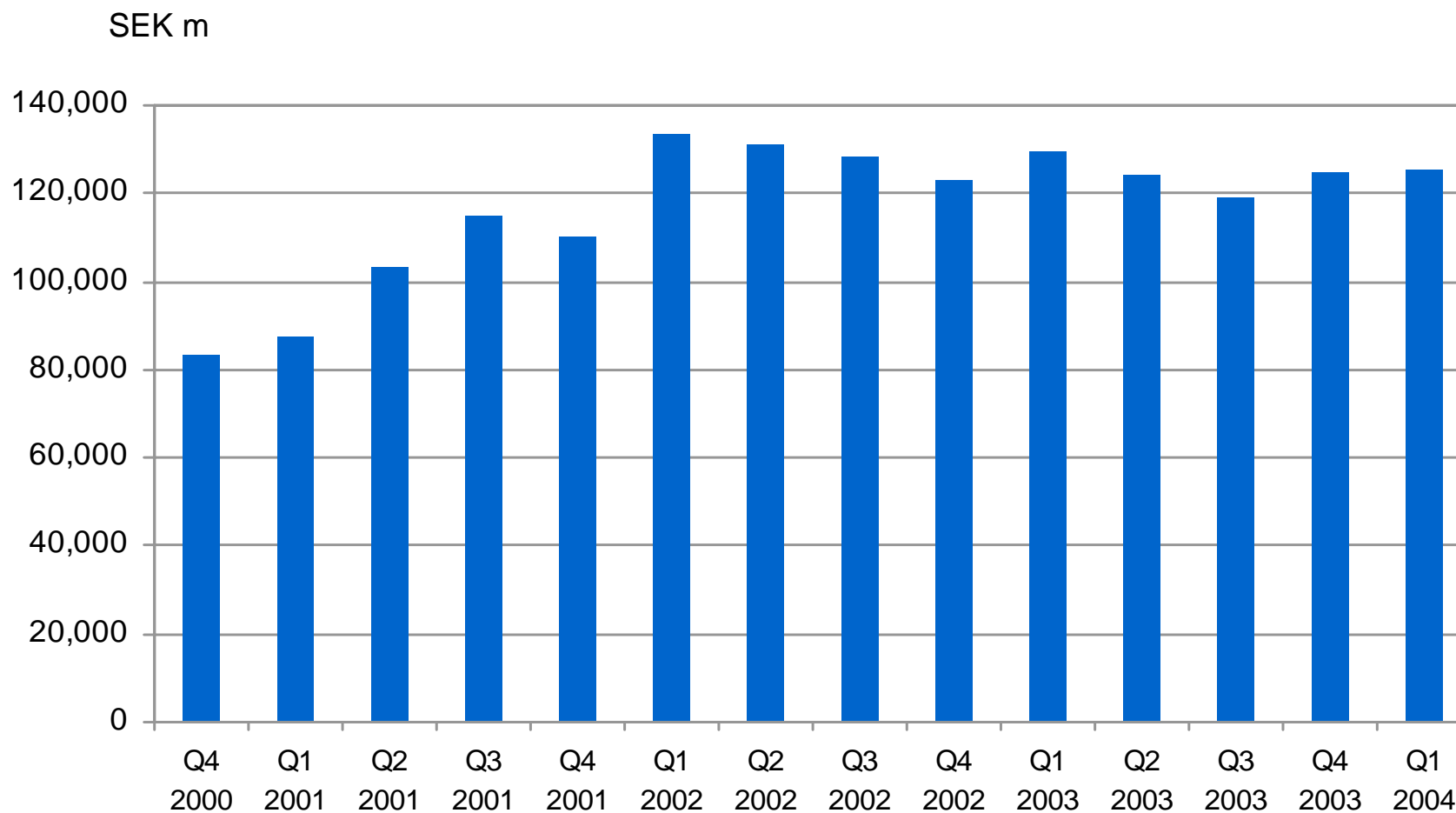
Vattenfall Takes the Lead.....



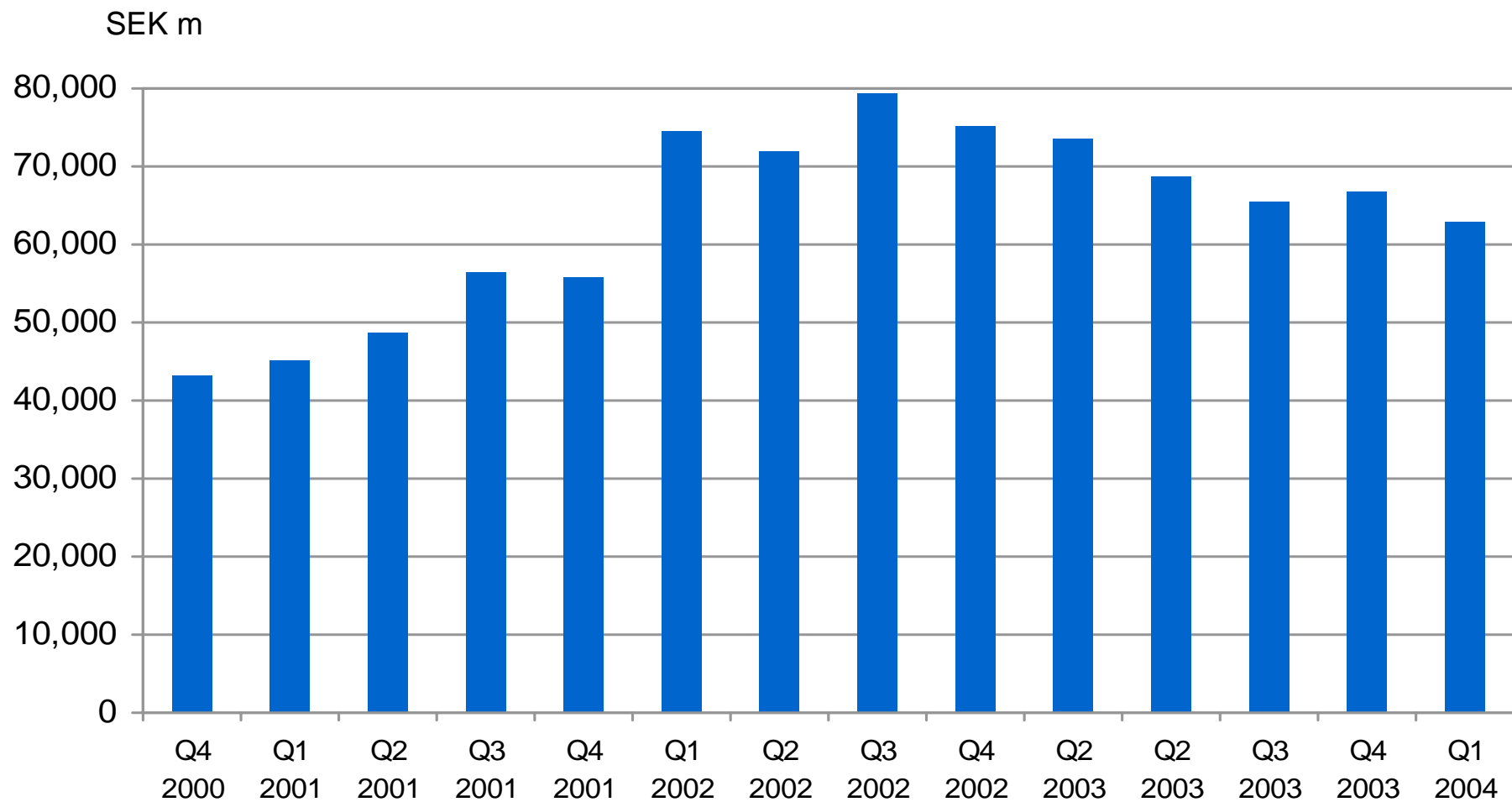
Turning Power into Possibilities

Appendices

Net Asset Development



Continued Reduction in Net Debt



Break Down of Group Debt

Amounts in SEK million

<i>As of March 31, 2004</i>	Treasury	Germany	Poland	Others	Total
Commercial Papers	1 693				1 693
MTN	2 635				2 635
EMTN	37 957				37 957
Liabilities to assoc. companies ¹⁾		15 607			15 607
Liabilities to min. shareholders ²⁾		192		3 863	4 055
Bank loans and others	4 072	13 749	95	261	18 177
Total	46 357	29 548	95	4 124	80 124

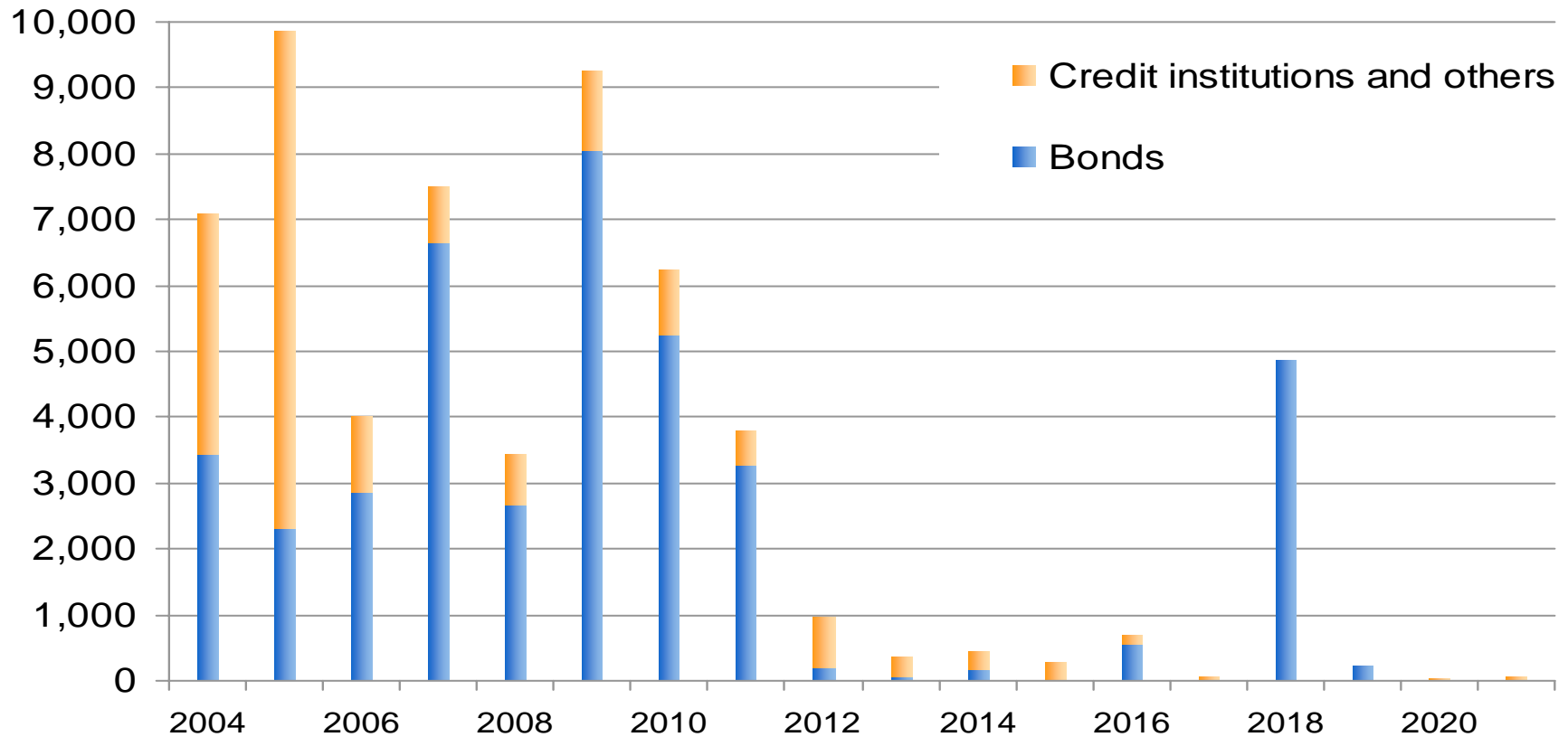
1) German nuclear companies

2) Mainly in Swedish nuclear companies

Vattenfall Maturity Profile

SEK millions

As of March 31, 2004



Excluding loans from associated companies & minority owners and CP

34 Group Liquidity

Amounts in SEK million

<i>As of March 31, 2004</i>	Treasury	Germany	Poland	Others	Total
Cash and bank	434	1 157	742	647	2 980
Interest-bearing investments	4 752	872	1 716	120	7 460
Special Funds		2 553			2 553
Shares		35			35
Total	5 186	4 617	2 458	767	13 028
Unused Credit lines	6 513	5 324			11 837

Group Provisions

