

Vattenfall Half Year Results 2004

Presentations by Lars G Josefsson, CEO and Matts P Ekman, CFO
July 29th 2004

Highlights – Results first six months

- ❑ Net sales decreased by 2.4 per cent to 57 071 MSEK (58 498)
- ❑ EBIT increased by 17.7 per cent to 11 593 MSEK (9 848)
excl IAC by 12.2 per cent to 11 208 MSEK (9 988)*
- ❑ Net Profit increased by 21.1 per cent to 6 871 MSEK (5 676)

Highlights – Results first six months

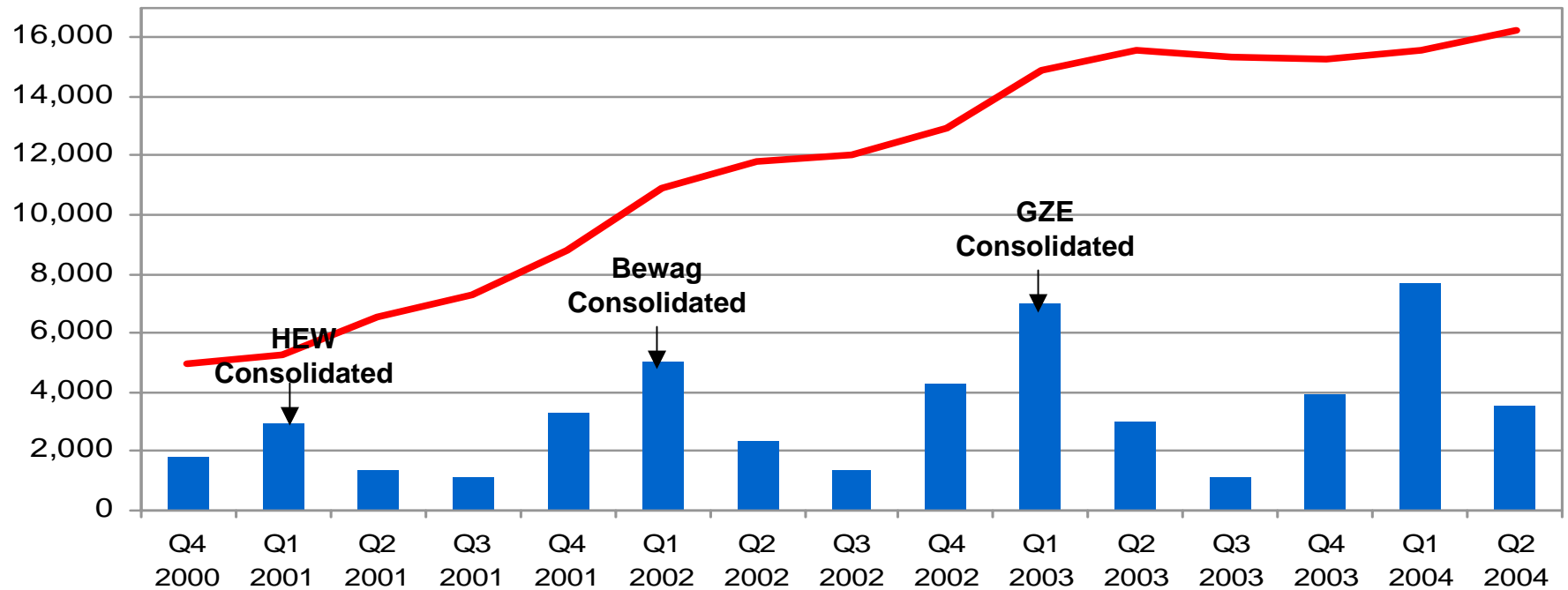
- Return on Net Assets excl. IAC* was 13.2 per cent year-on-year
- Return on Equity excl IAC* was 20.1 per cent year-on-year
- Reduction in net debt by 5.3 bn to SEK 61.5 bn (66.8)

Highlights – Second Quarter

- EBIT excl. IAC* increased by 19.7 per cent to 3 569 MSEK (2 982) mainly due to higher nuclear and hydro power generation as well as better hedging prices
- Higher precipitation in the Nordic region improved water reservoirs levels marginally
- Germany: underlying EBIT trend stronger
- Poland: positive trend with increased efficiency improved profits. Slight decrease in net sales due to lower heat volumes

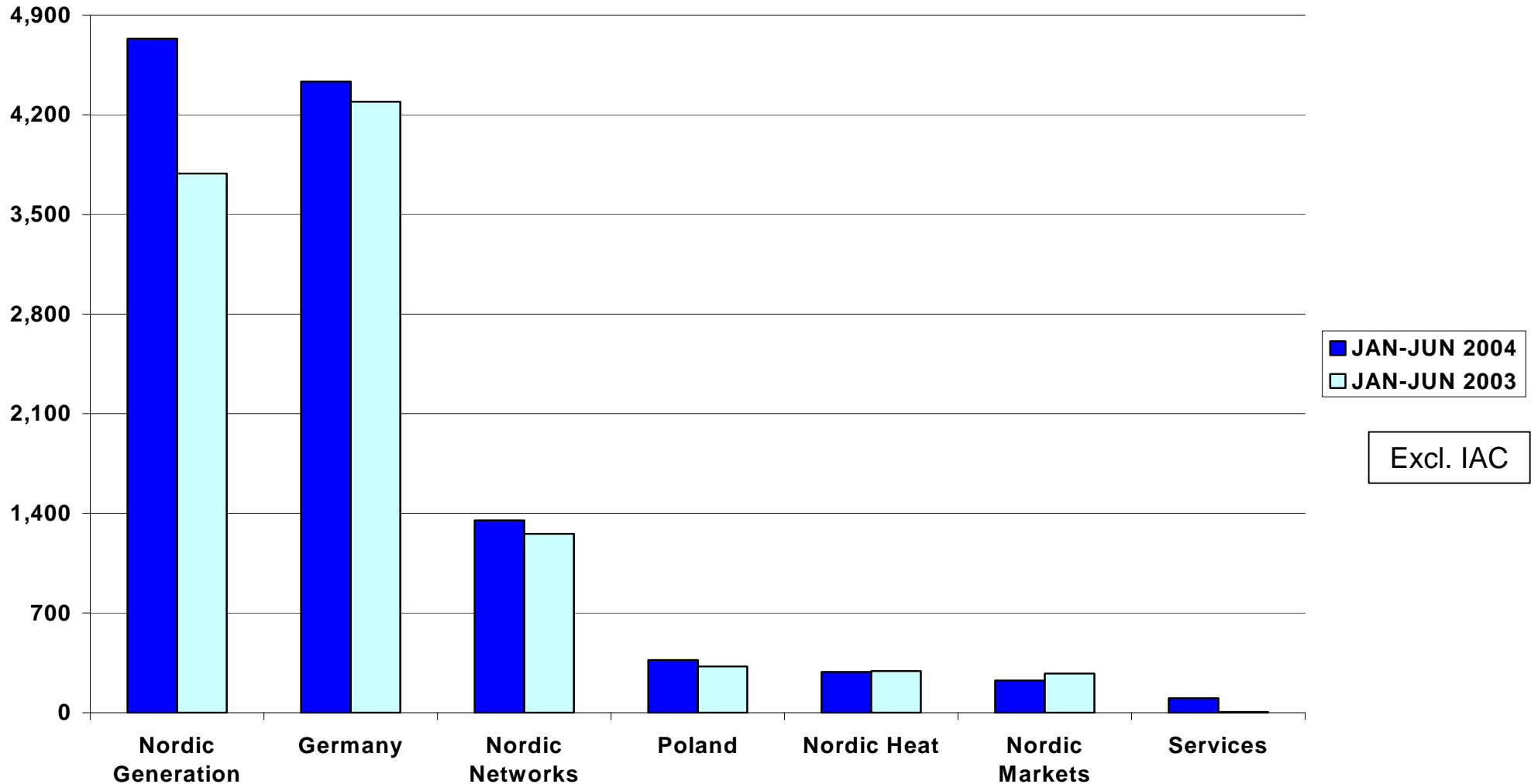
Strong EBIT Development

Quarterly figures, SEK m

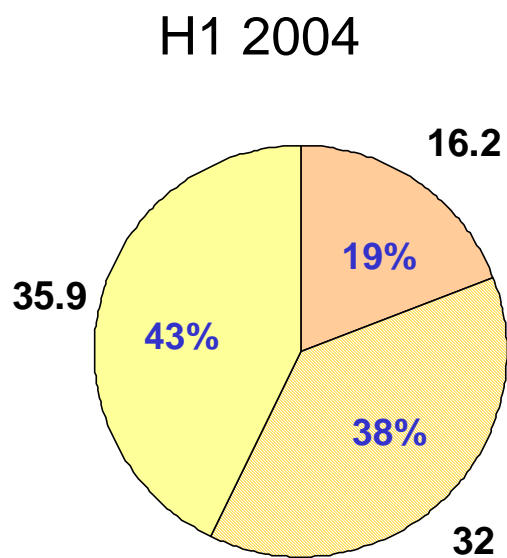


- Quarterly figures, SEK m, excluding items affecting comparability
- Rolling 4 quarter figures, SEK m, excluding items affecting comparability

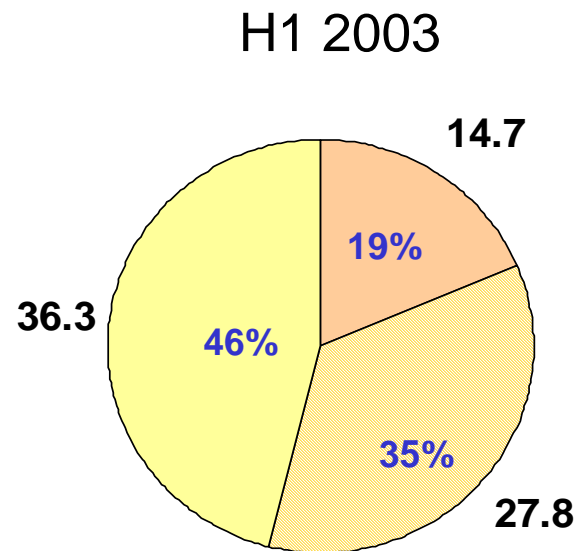
Generation Nordic and Germany Strongest



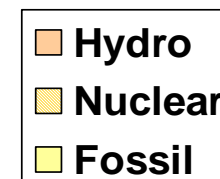
Higher Nuclear and Hydro Production in H1 2004



Total: 84.1 TWh

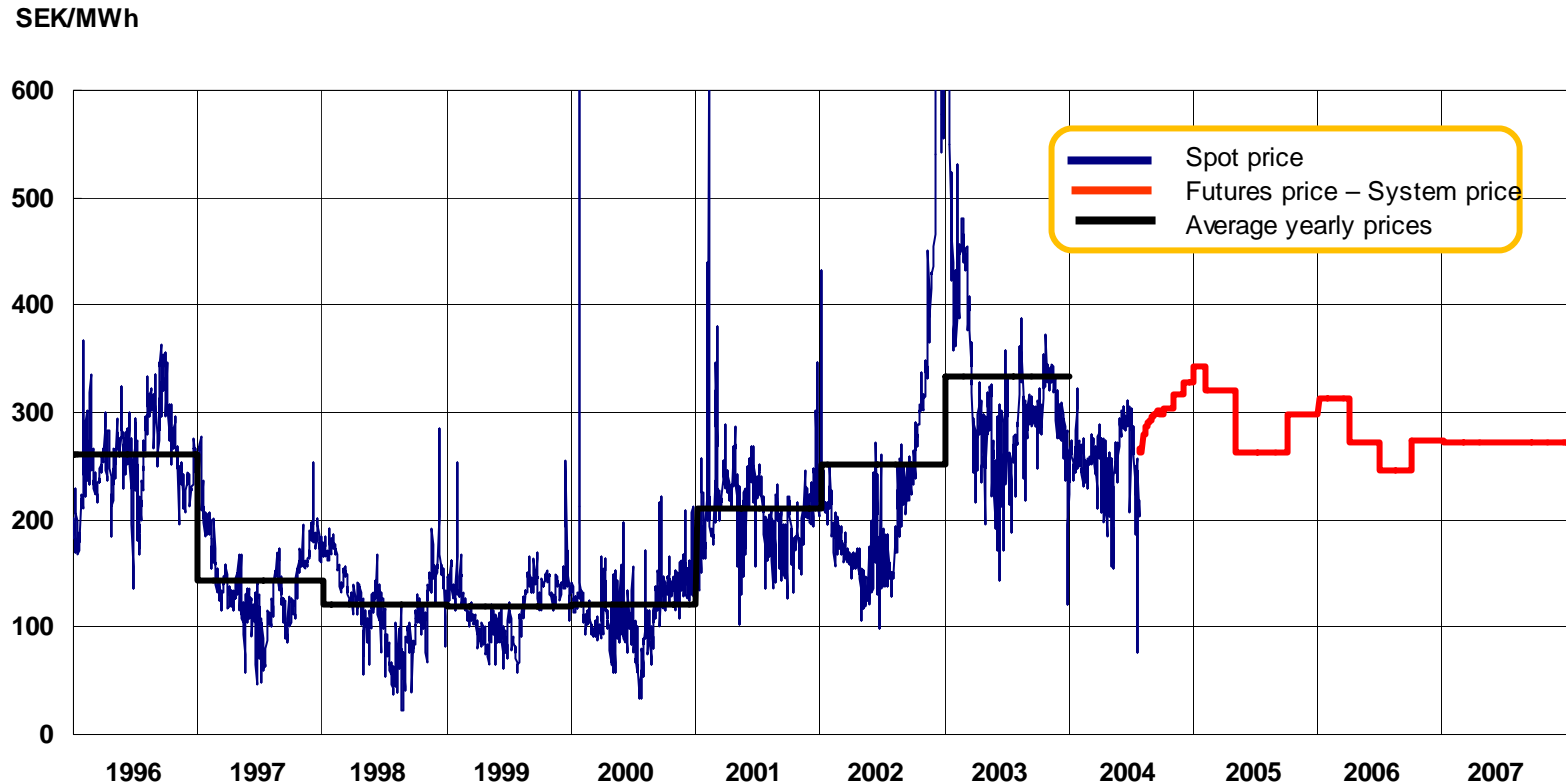


Total: 78.8 TWh



Swedish Electricity Prices

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

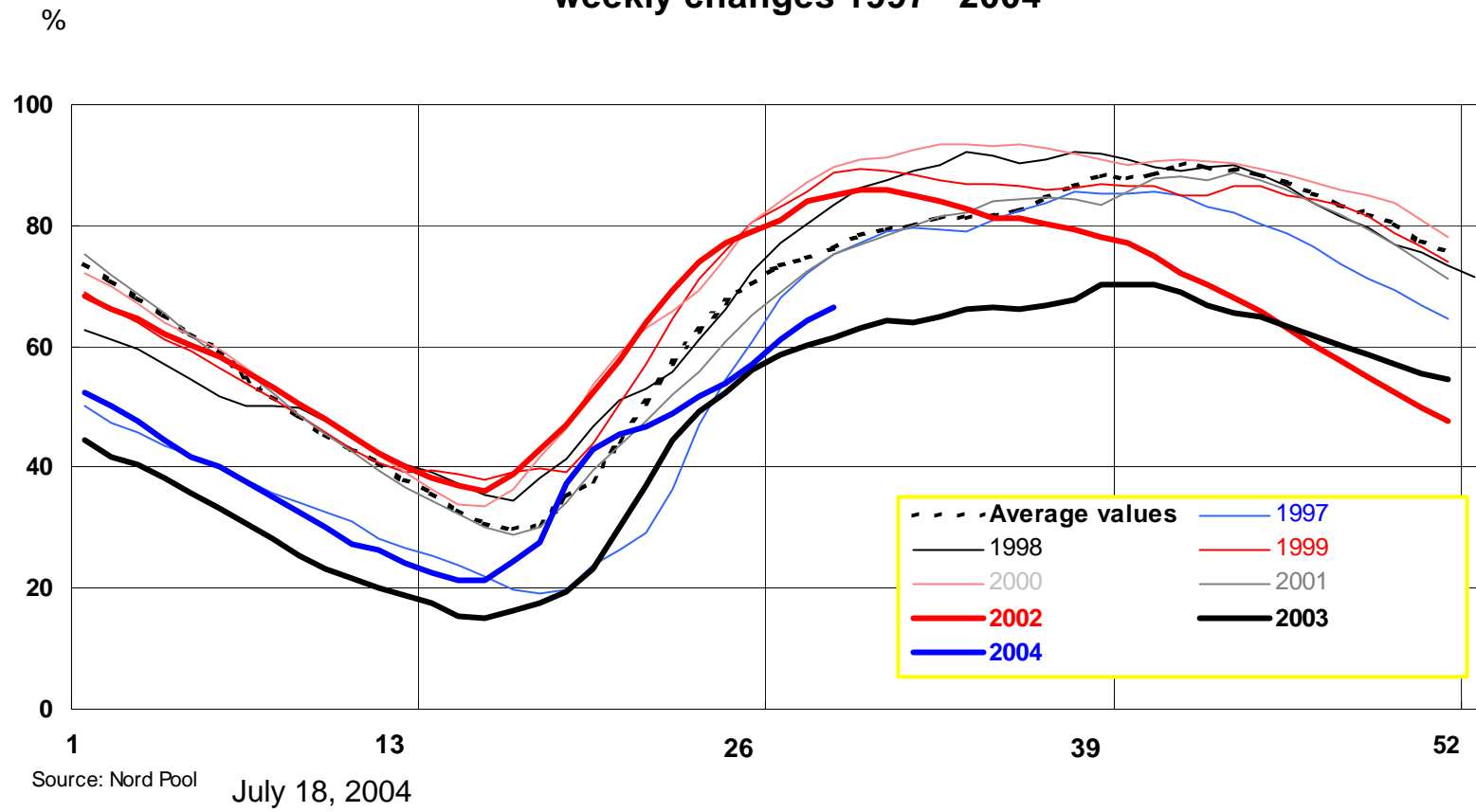


Source: Nord Pool

July 22, 2004

Reservoir Levels Improving

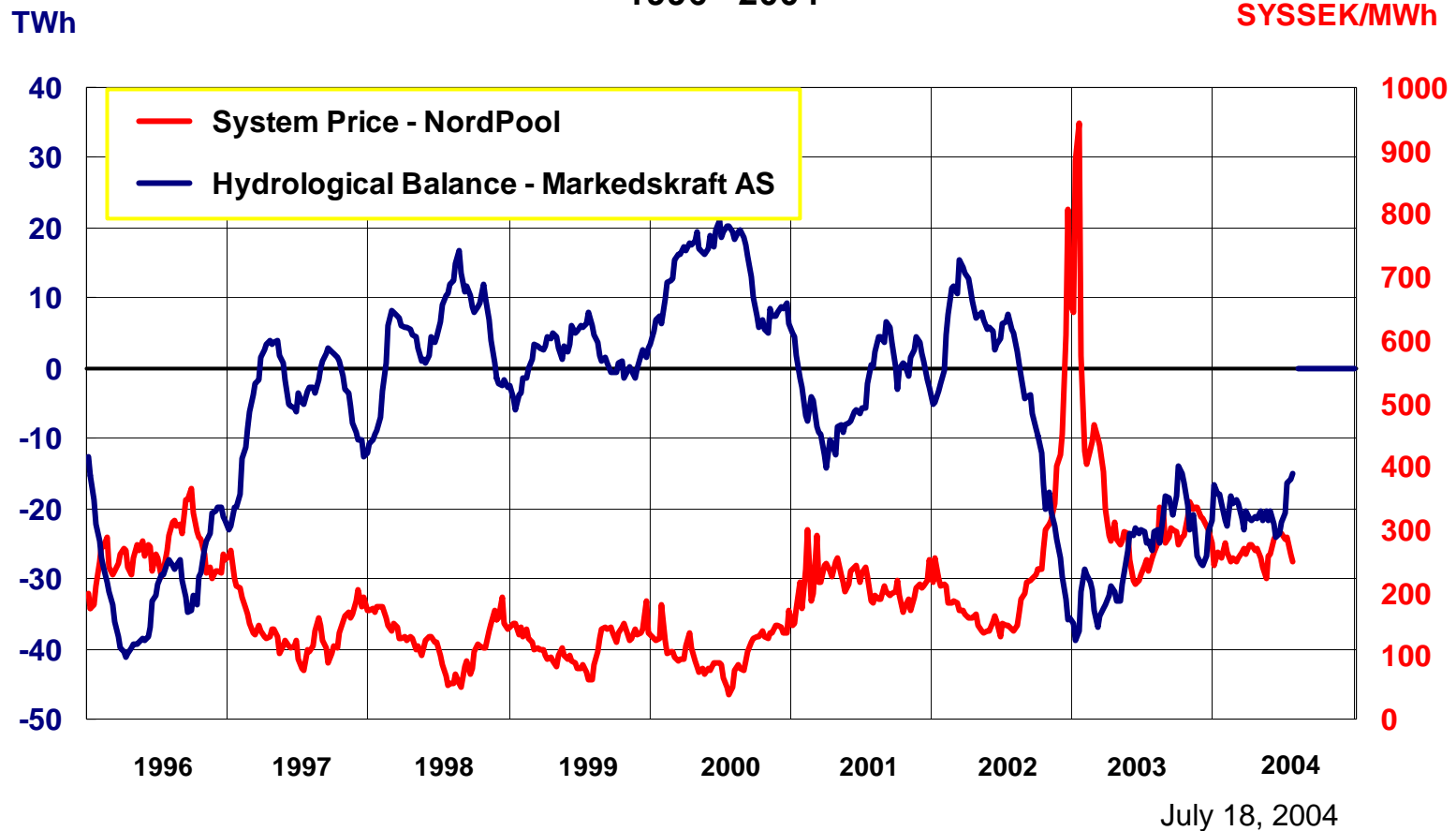
Total water reservoirs in Sweden and Norway
weekly changes 1997 - 2004



10 Electricity Price Depends on Precipitation

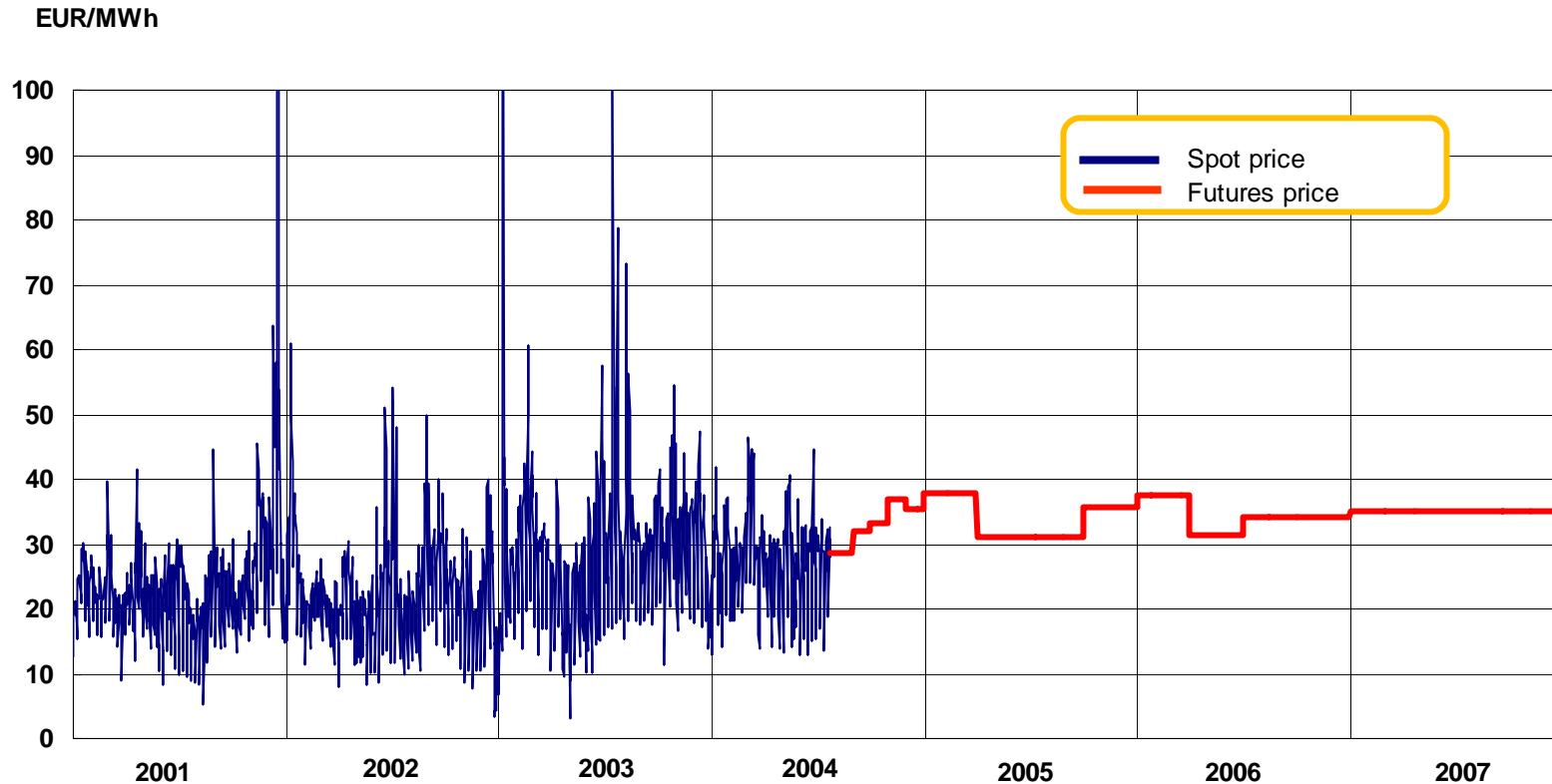
Hydrological Balance and System Price

1996 - 2004



German Electricity Prices

German Price Development EEX spot-and futures 2001 - 2007



Source: European Energy Exchange
(EEX)

July 22, 2004

Nordic Business Highlights

- ❑ Higher nuclear and hydro generation
- ❑ Improved result from hedging
- ❑ Lower administration costs in distribution business due to merger of Vattenfall's local distribution companies in Sweden
- ❑ Low margins in Swedish sales business

German Business Highlights

- ❑ Positive effect from rising wholesale prices
- ❑ Higher costs for balancing power due to ongoing increase of wind power capacity
- ❑ Limited impact from rising coal prices
- ❑ Lower amount of net provisions released explains the slight variation in Q2 EBIT
- ❑ Ongoing re-negotiation of sales contracts to reflect market prices
- ❑ Lower heat volumes due to higher temperature

Polish Business Highlights

- ❑ Settlement of new one-year tariff for EW. Prolongation to year-end of GZE distribution tariffs.
- ❑ Lower heat volumes due to higher temperature
- ❑ Higher margins in sales

M & A activities

- Acquisition of two district heating companies in Berlin
Capacity 320 MW
- Divestment of Swedish peat production company HMAB.
Loss provision made for 100 MSEK.
- On-going bidding process for Polish heat plant in Lodz.
- Additional consideration of 448 MSEK received for the sale of Vattenfalls 11.5 per cent stake in Danish NESAs in the year 2002.

Vattenfall's strategy is to create value through profitable growth

Other Significant Issues Going Forward

Number One for the Customer

Customer service improvements are continually being implemented in Sweden

CO2 Emissions Trading

Recognition of our "early actions" in the German NAP

Swedish Nuclear Power

On-going negotiations between state negotiator and the industry

Network regulation

Sweden: parameters in the new regulatory model are now decided

Germany: regulator not yet established. Uncertainty regarding the regulatory model.

Brand building activities

Germany: brand building campaign in various media

Sweden: dialogue in media with the Swedish general public

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

H1 and Q2 Financials

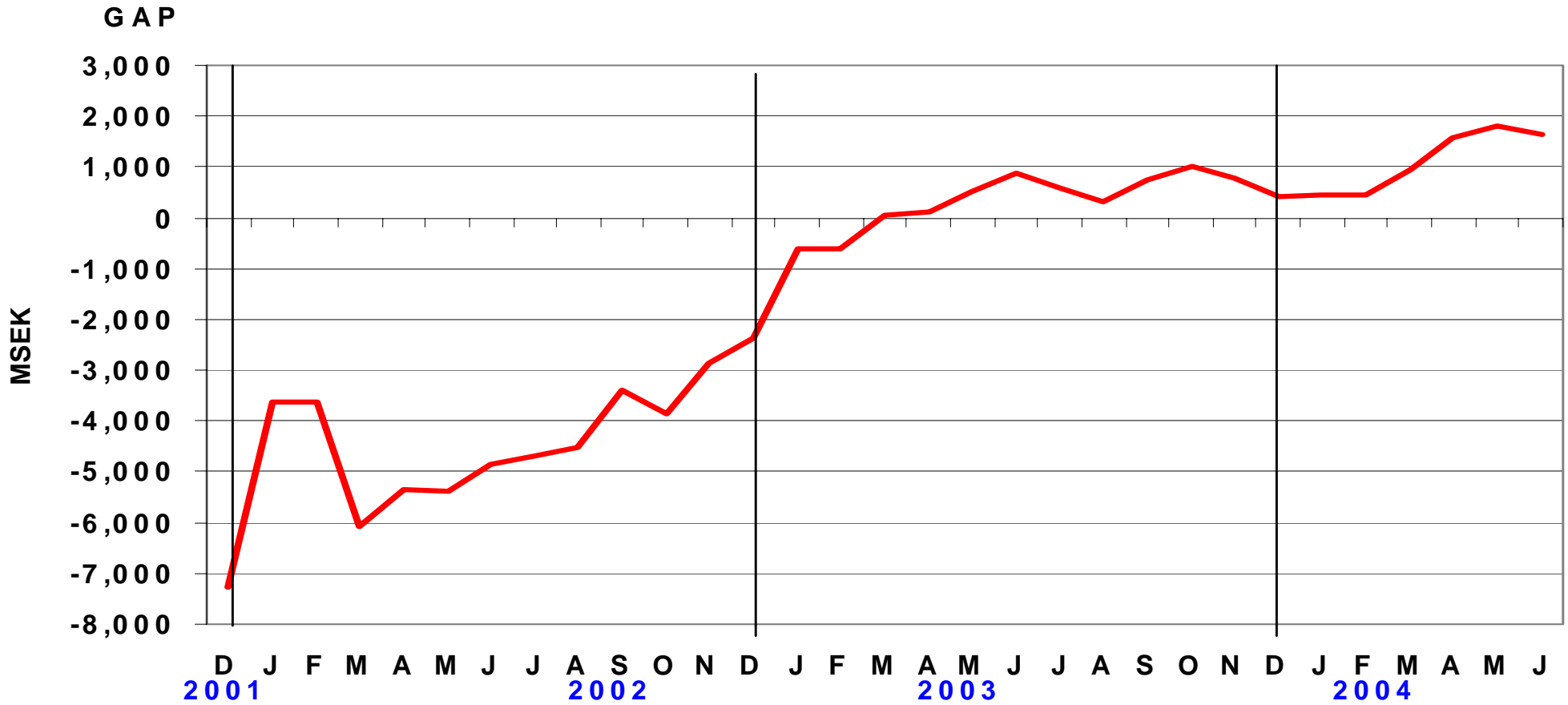
Matts P Ekman, CFO

Consolidated Income Statement

| Amounts in MSEK | H1 2004 | H1 2003 | % Change | Y/Y |
|---|---------------|---------------|--------------|---------------|
| Net sales | 57,071 | 58,498 | -2.4 | 110,508 |
| Gross profit | 16,647 | 14,717 | 13.1 | 29,073 |
| Operating profit (EBIT) | 11,593 | 9,848 | 17.7 | 17,041 |
| Operating profit, excl. IAC | 11,208 | 9,988 | 12.2 | 16,253 |
| Financial income | 830 | 905 | -8.3 | 2,192 |
| Financial expenses | -2,033 | -2,287 | -11.1 | -4,949 |
| <i>Financial net</i> | <i>-1,203</i> | <i>-1,382</i> | <i>-13.0</i> | <i>-2,757</i> |
| Profit before taxes and minority interests | 10,390 | 8,466 | 22.7 | 14,284 |
| Taxes | -2,992 | -2,192 | 36.5 | -3,631 |
| Minority share | - 527 | -598 | -11.9 | -335 |
| Net profit for the period | 6,871 | 5,676 | 21.0 | 10,318 |

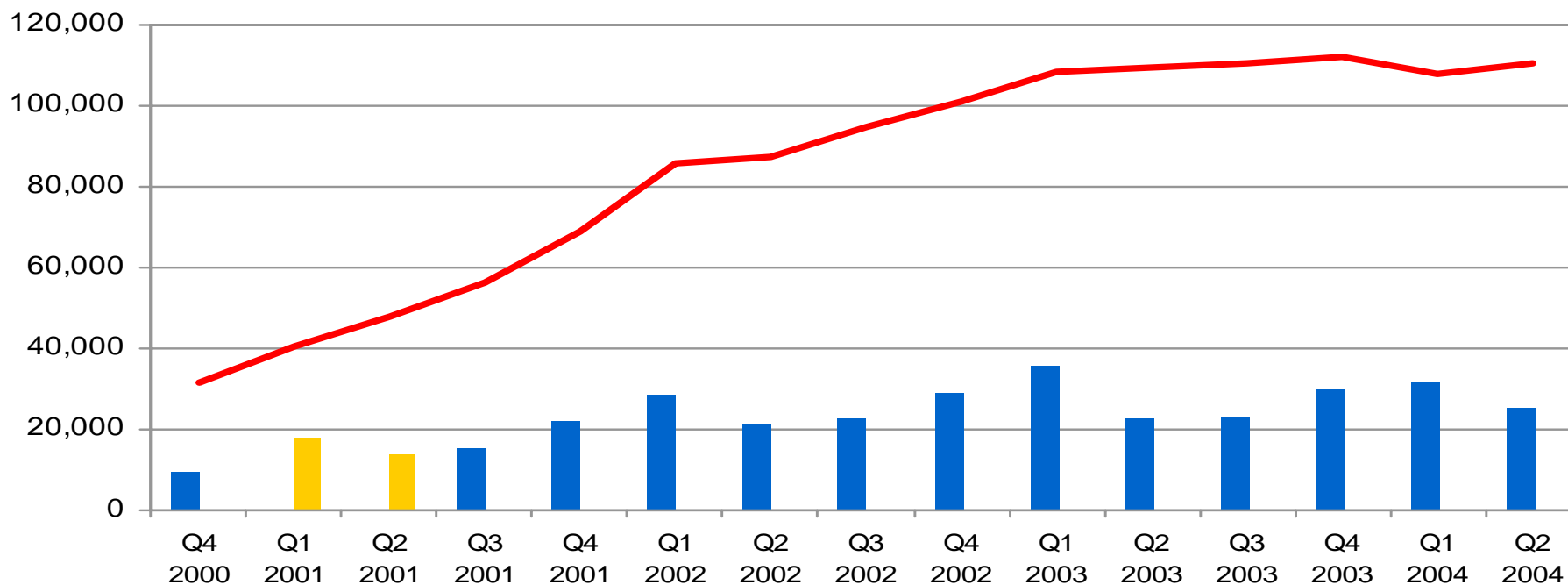
Vattenfall Continues to Create Value

GAP-analysis (annualised) vs. long term requirement : 11% RoNA



22 Net Sales Stabilising due to Higher Volumes

Quarterly figures, MSEK

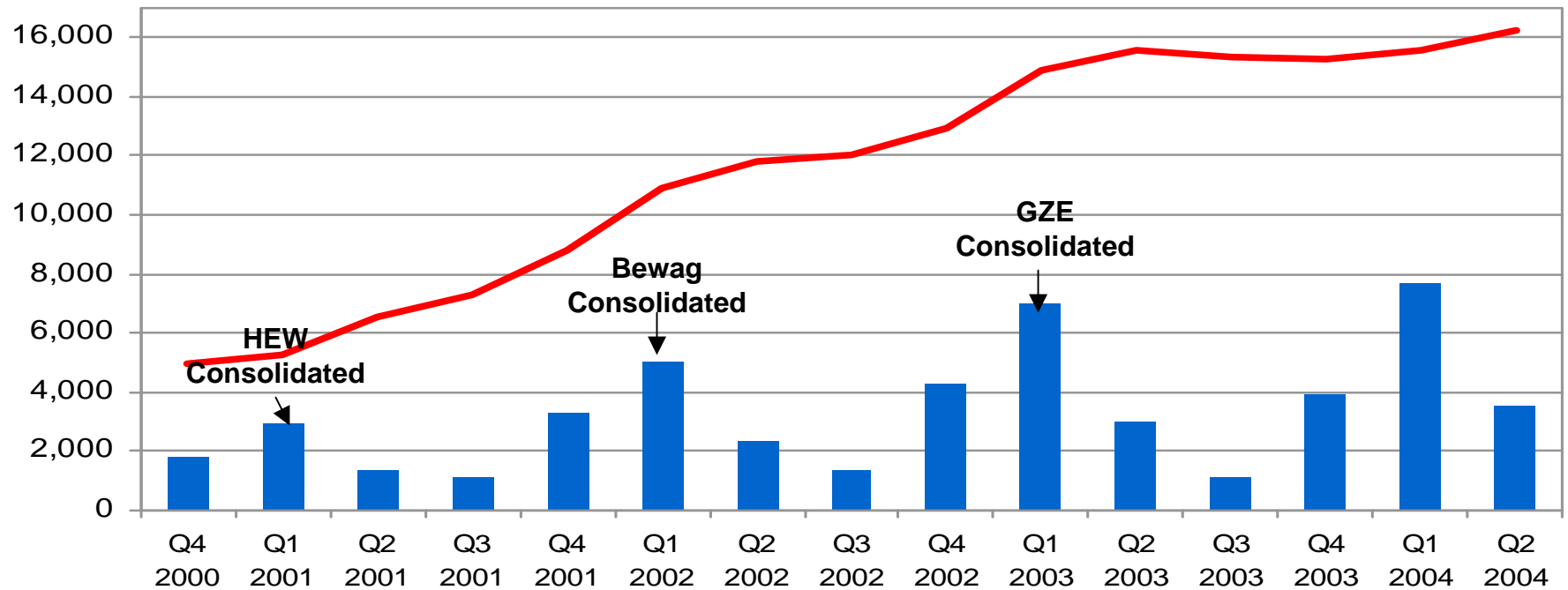


■ Quarterly figures SEK m
■ Rolling 4 quarter figures SEK m

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

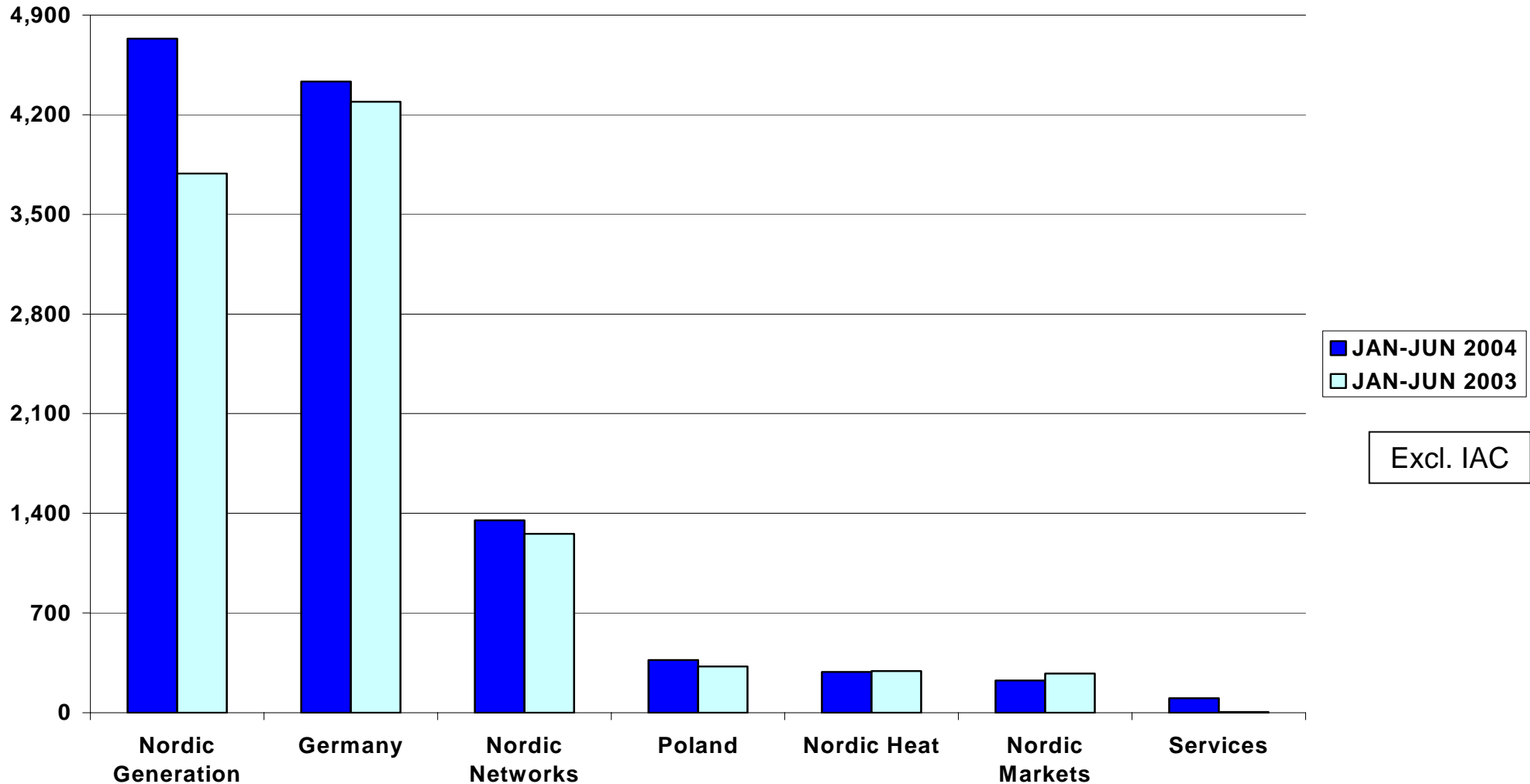
Strong EBIT Development

Quarterly figures, MSEK

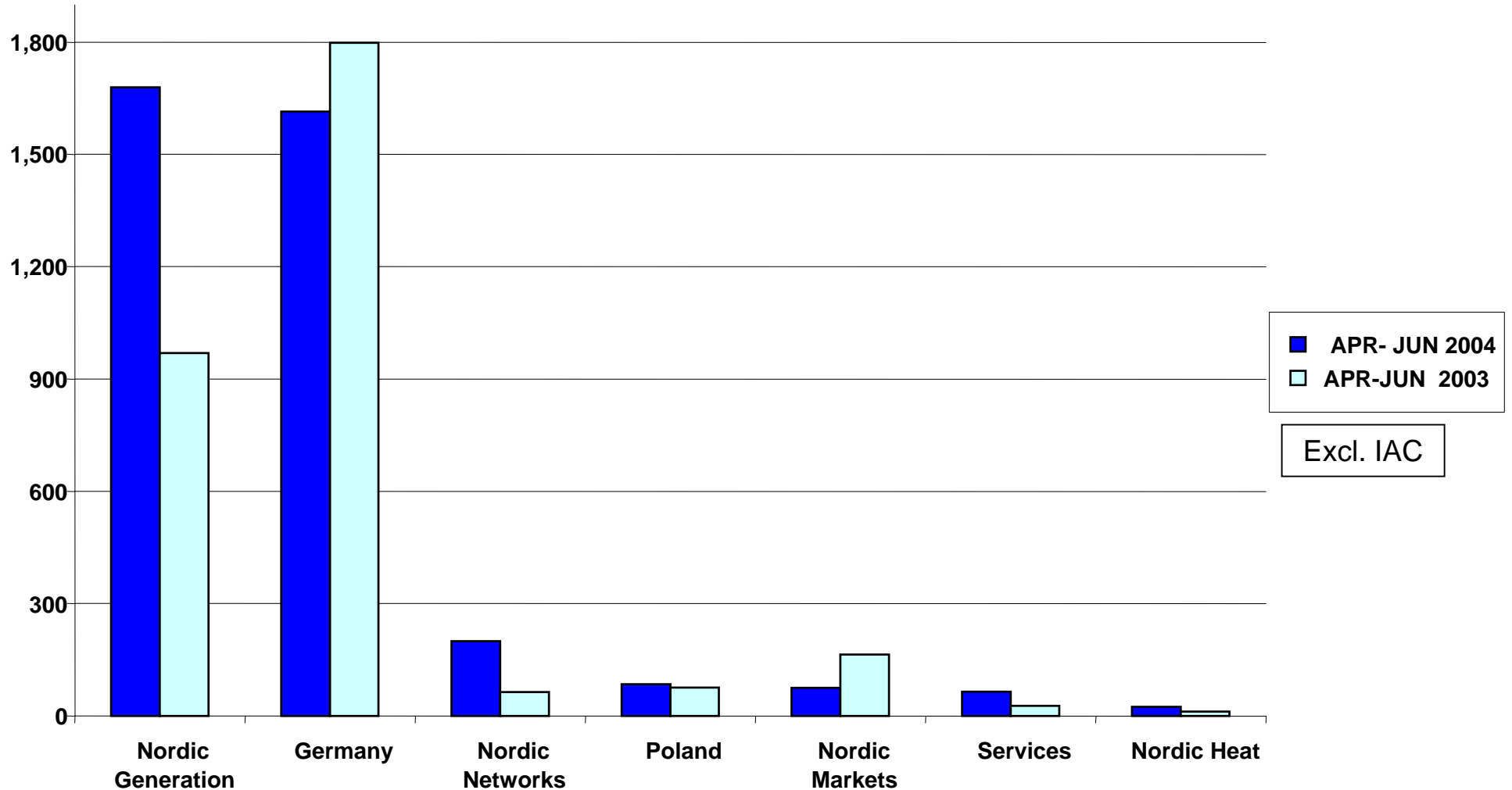


- Quarterly figures, SEK m, excluding items affecting comparability
- Rolling 4 quarter figures, SEK m, excluding items affecting comparability

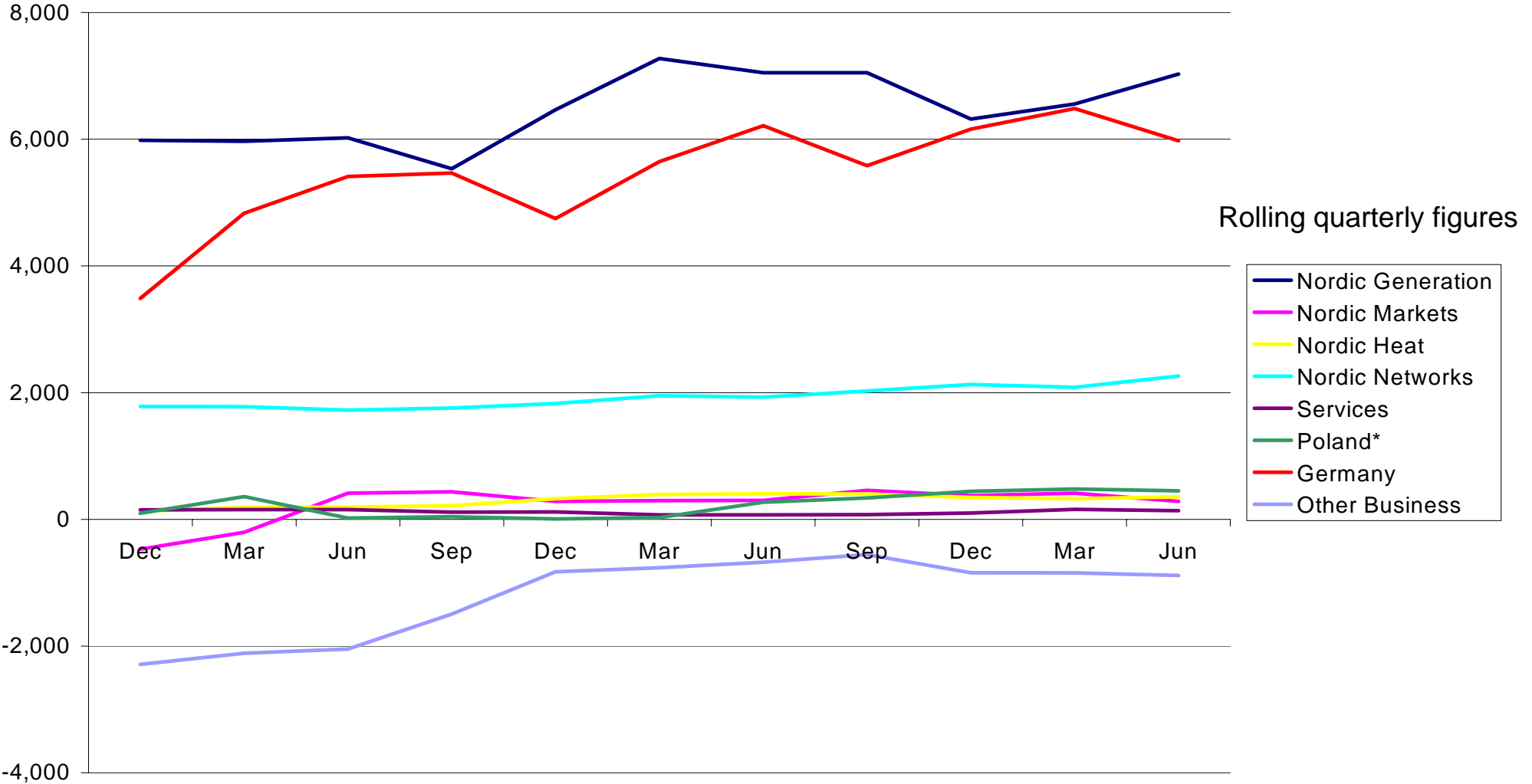
H1 Profit Contribution per Profit Area



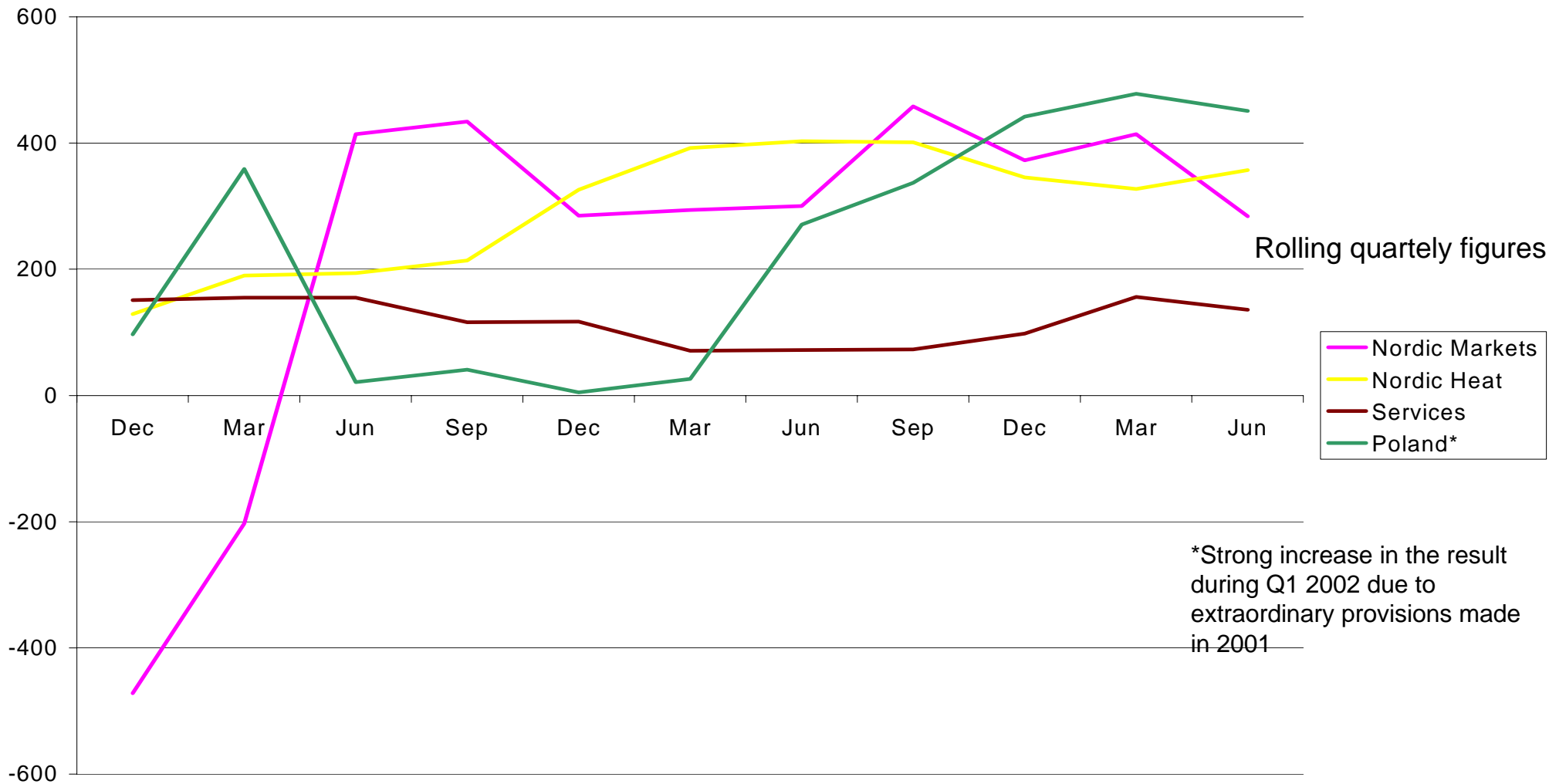
Q2 Profit Contribution per Profit Area



26 Nordic Generation Top EBIT contributor



Strong development in Poland



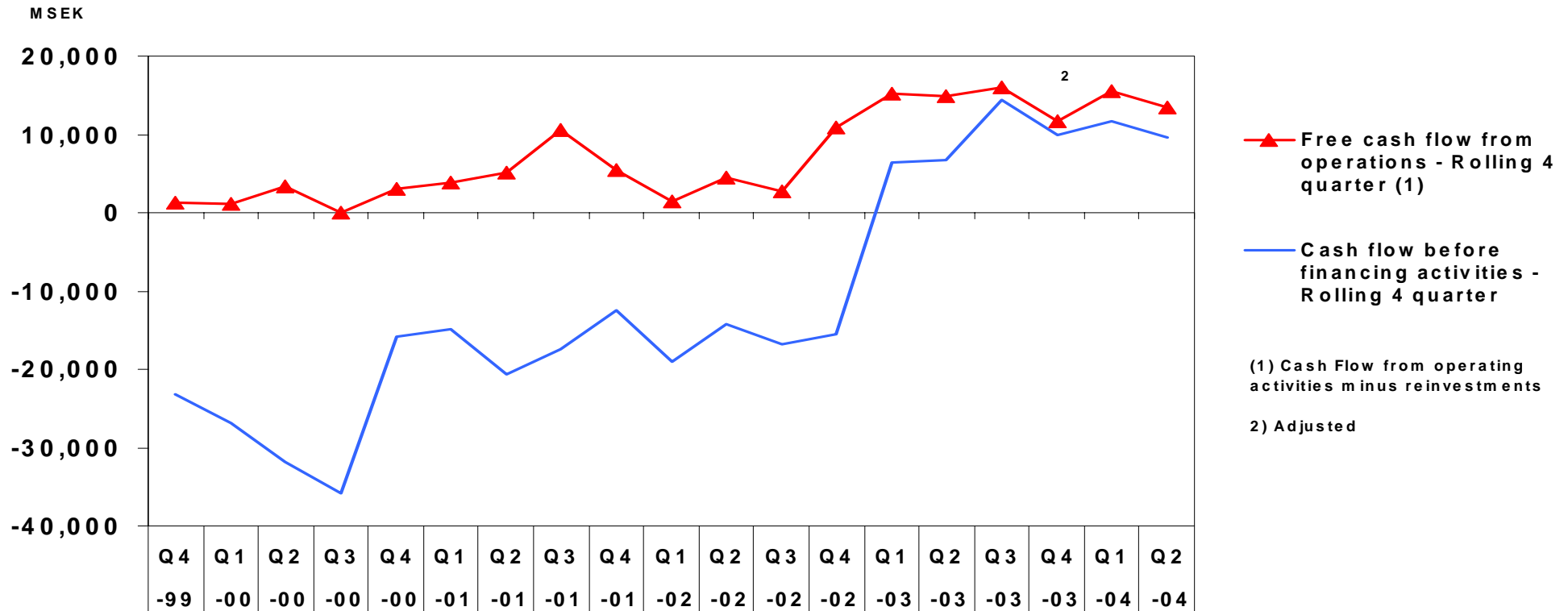
Consolidated Balance Sheet

| Amounts in MSEK | H1 2004 | H1 2003 | FY 2003 |
|---|----------------|----------------|----------------|
| Fixed assets | 214,904 | 216,170 | 216,203 |
| Current assets | 51,476 | 58,957 | 48,762 |
| Total assets | 266,380 | 275,127 | 264,965 |
| Equity | 56,724 | 48,654 | 52,506 |
| Minority interests | 8,893 | 11,962 | 9,379 |
| Provisions, non-interest bearing | 91,204 | 93,761 | 91,800 |
| Interest bearing debt | 82,141 | 91,953 | 85,631 |
| Other liabilities | 27,418 | 28,797 | 25,649 |
| Total equity, provisions and liabilities | 266,380 | 275,127 | 264,965 |
| <i>Net debt</i> | <i>61,512</i> | <i>68,704</i> | <i>66,890</i> |
| <i>Net assets</i> | <i>123,254</i> | <i>124,191</i> | <i>124,808</i> |

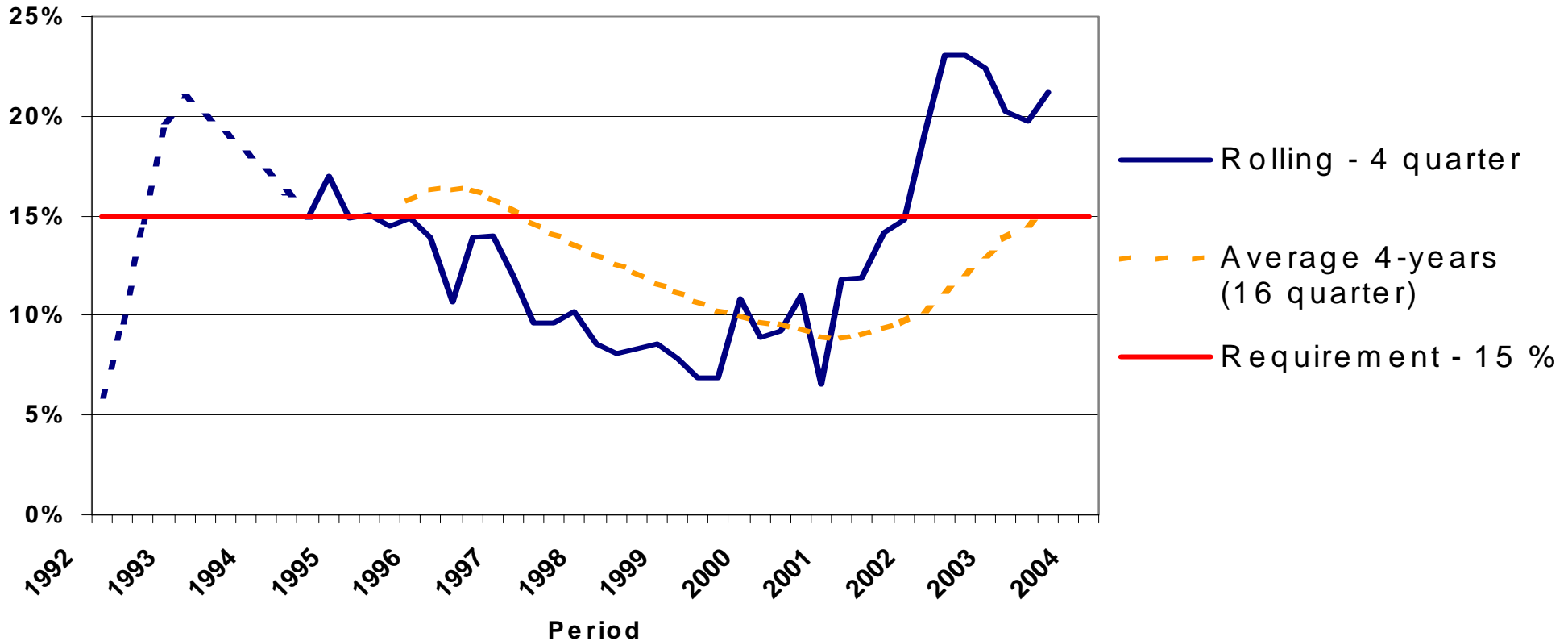
Consolidated Cash Flow Statement

| Amounts MSEK | H1 2004 | Q2 2004 | Y/Y |
|--|---------------|---------------|----------------|
| Funds from operations (FFO) | 14,690 | 5,700 | 21,711 |
| Change in working capital | -1,493 | -163 | -1,235 |
| Cash Flow from operating activities | 13,197 | 5,537 | 20,476 |
| Investments | -5,850 | -2,593 | -12,946 |
| Divestments | 624 | 431 | 1,862 |
| Liquid funds in acquired /sold companies | -16 | | 191 |
| Cash flow from investing activities | -5,242 | -2,162 | -10,893 |
| Cash flow before financing activities | 7,955 | 3,375 | 9,583 |
| <u>Change in net debt:</u> | | | |
| <i>Net debt at the beginning of the period</i> | -66,890 | -62,916 | -68,704 |
| <i>Effect of change in definitions</i> | 84 | | 84 |
| <i>Cash flow after dividend *</i> | 5,349 | 785 | 6,693 |
| <i>Translation differences</i> | -55 | 619 | 415 |
| <i>Net debt at the end of the period</i> | -61,512 | -61,512 | -61,512 |

Strong Cash Flow Development



Return on Equity → Average 4 Years on Target



All Key Ratios Stronger

| KEY RATIOS | | Q2 2004 | Q2 2003/ FY 2003 |
|---|---|---------|------------------|
| RoNA, annualised * | ▲ | 13.2 | 12.1(FY) |
| RoE, annualised * | ▲ | 20.1 | 19.8(FY) |
| Operating margin * | ▲ | 19.6 | 17.1(Q2) |
| Pre-tax profit margin * | ▲ | 18.2 | 14.5(Q2) |
| Pre-tax interest coverage, times, annualised* | ▲ | 3.7 | 3.3(FY) |
| FFO/net debt, annualised | ▲ | 35.3 | 28.1(FY) |
| FFO net interest coverage, times | ▲ | 13.2 | 9.5(Q2) |
| Equity / asset ratio | ▲ | 24.7 | 22.1(Q2) |
| Net debt / equity (times) | ▼ | 0.9 | 1.1(Q2) |
| Net debt / net debt + equity | ▼ | 48.4 | 53.1(Q2) |

*Excluding items affecting comparability

Financial Targets

| Key Ratio /Objective | Target | Q2 2004 | Q1 2004 | FY 2003 |
|---|--|-----------|-----------|---------------------------|
| Return on Equity (RoE), average 4-years | 15 % (on visible equity after tax over one business cycle) | 15.5** | 14.6** | 13.8** |
| Return on Net Assets (RoNA) | 11 % (before tax -15 % on equity recalculated to the Groups requirement of return on net assets) | 13.2* | 12.6* | 12.1 |
| Pre-tax interest coverage | 3.5 – 5 times | 3.7* | 3.6* | 3.3 |
| Credit Rating | single A category | unchanged | unchanged | outlook changed to stable |
| Profit improvement in German operations | Cost savings of MEUR 400-500 annually from 2005 | MEUR 378 | MEUR 343 | MEUR 338 |

*rolling 12-months value ** Average, 4 years (16 quarters)

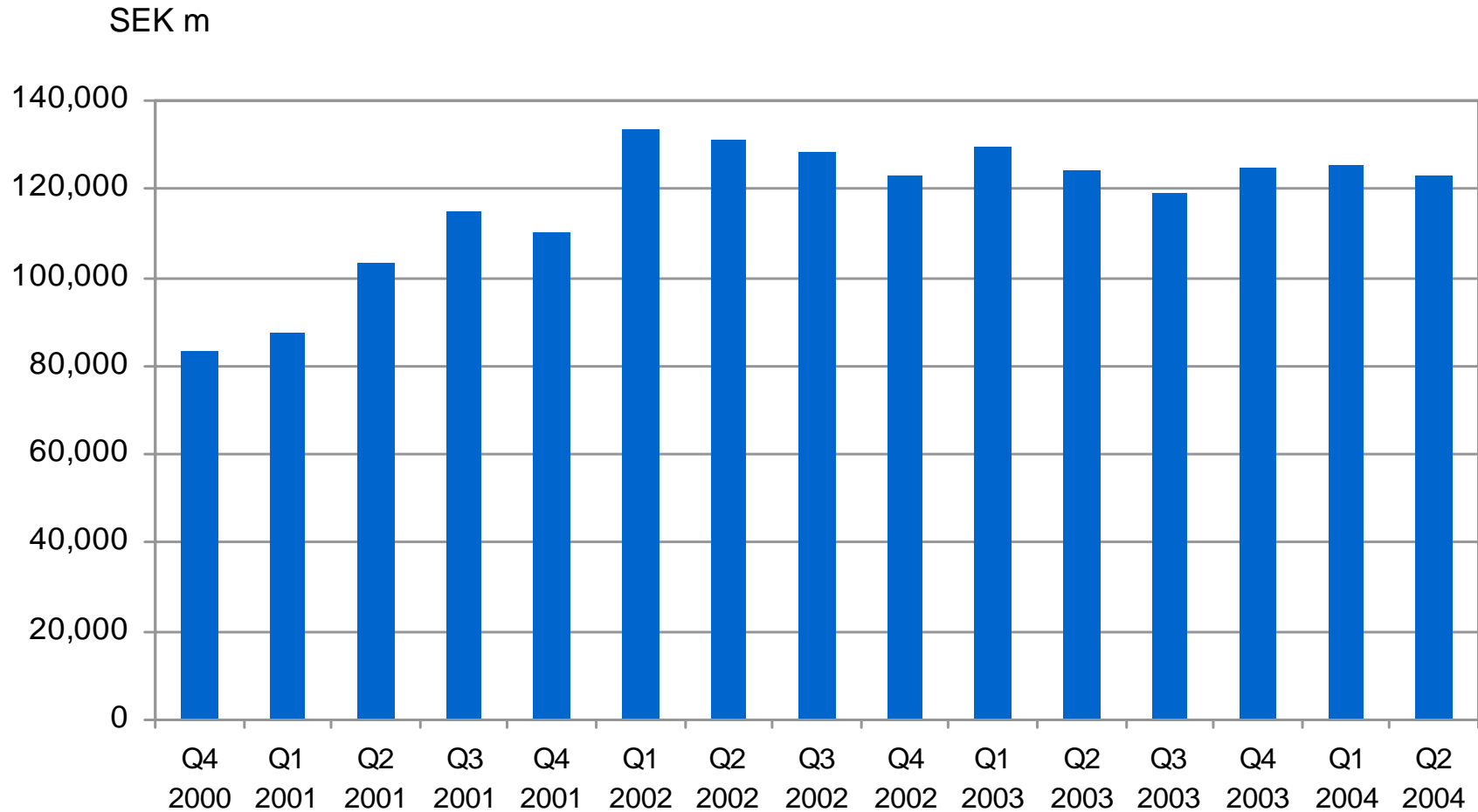
Vattenfall Takes the Lead.....



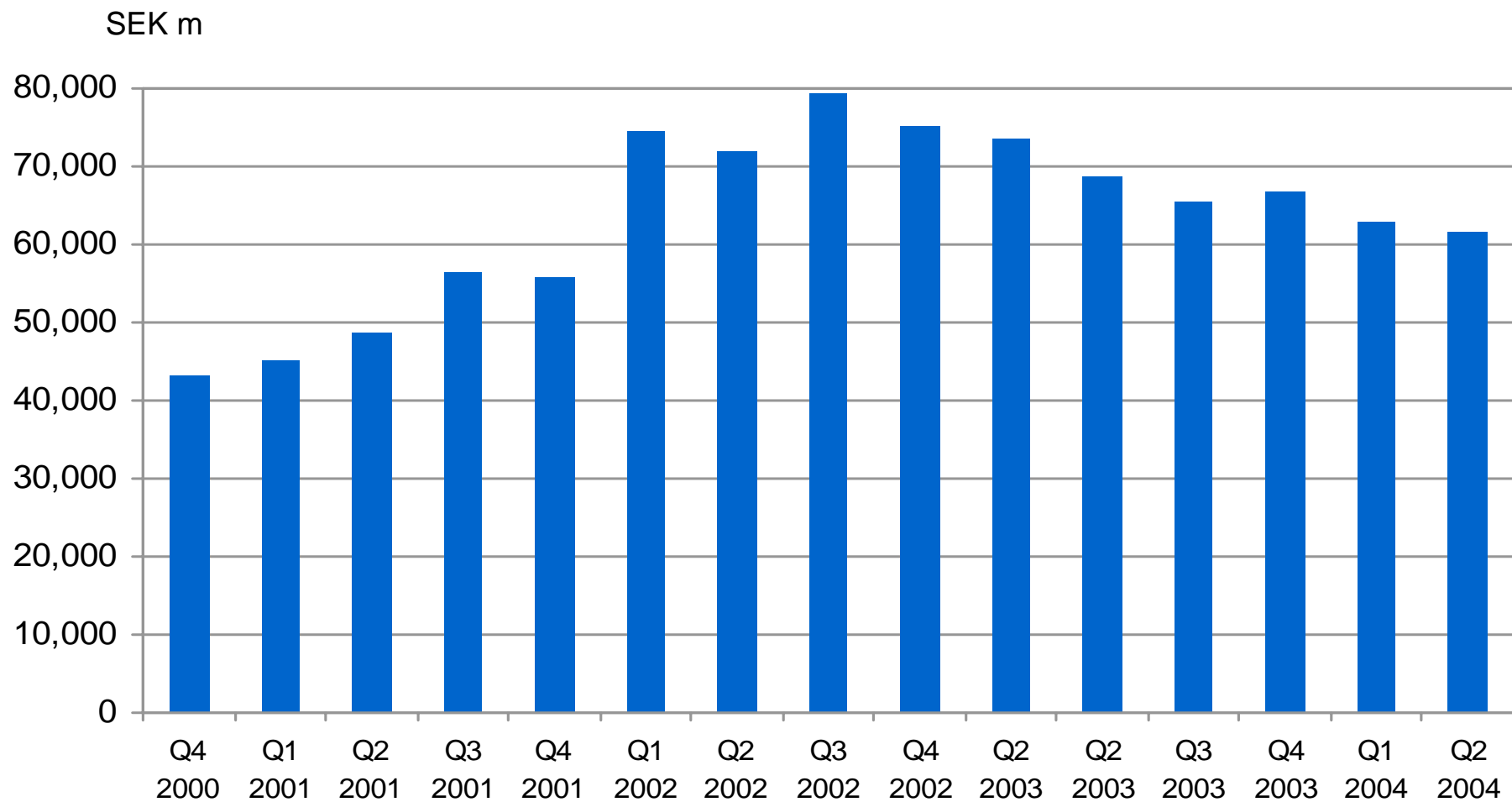
Turning Power into Possibilities

Appendices

Net Asset Development



Continued Reduction in Net Debt



Break Down of Group Debt

Amounts in SEK million

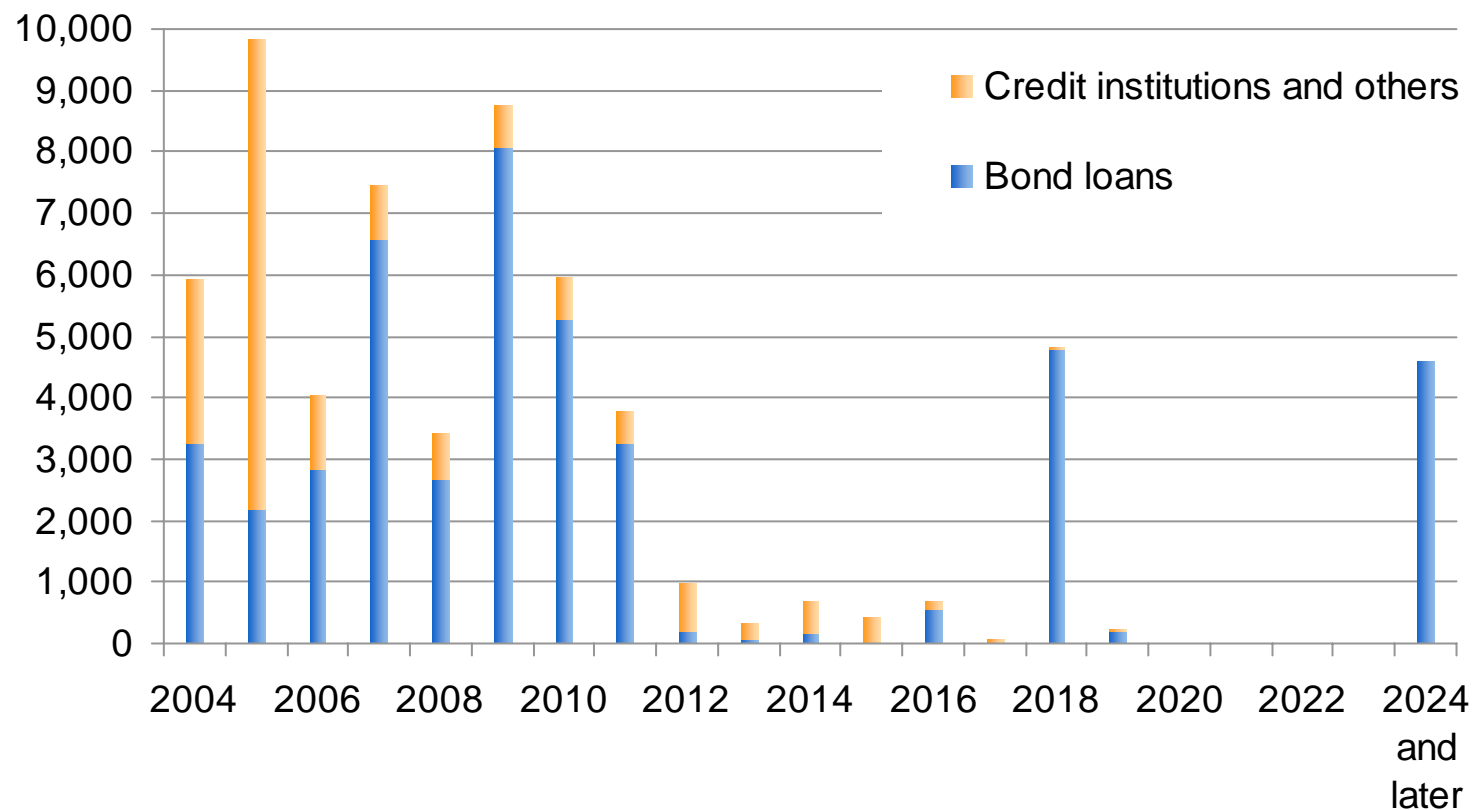
| <i>As of June 30, 2004</i> | Treasury | Germany | Poland | Others | Total |
|---|---------------|---------------|-----------|--------------|---------------|
| Commercial Papers | | | | | |
| MTN | 2 645 | | | | 2 645 |
| EMTN | 42 157 | | | | 42 157 |
| Liabilities to assoc. Companies ¹⁾ | | 15 234 | | | 15 234 |
| Liabilities to minority Shareholders ²⁾ | | 357 | | 3 902 | 4 259 |
| Bank loans and others | 3 958 | 13 584 | 83 | 221 | 17 846 |
| Total | 48 760 | 29 175 | 83 | 4 123 | 82 141 |

1) German nuclear companies

2) Mainly in Swedish nuclear companies

Vattenfall Maturity Profile

SEK millions



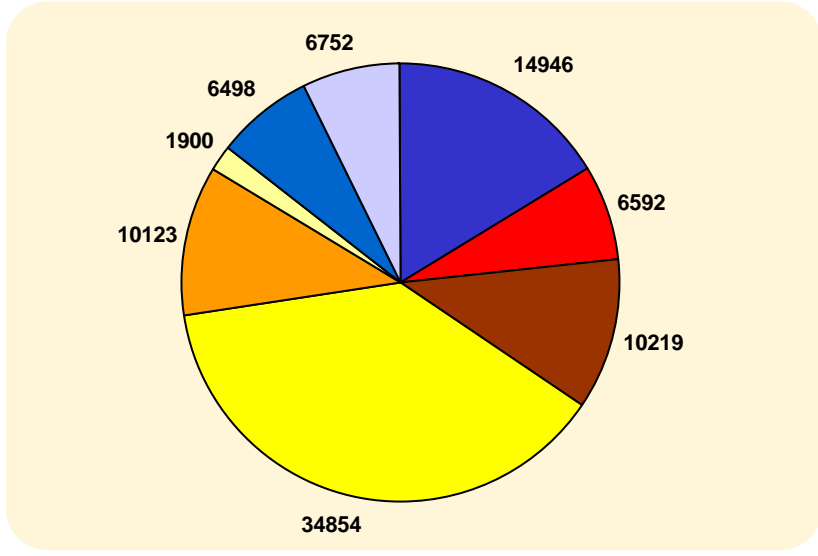
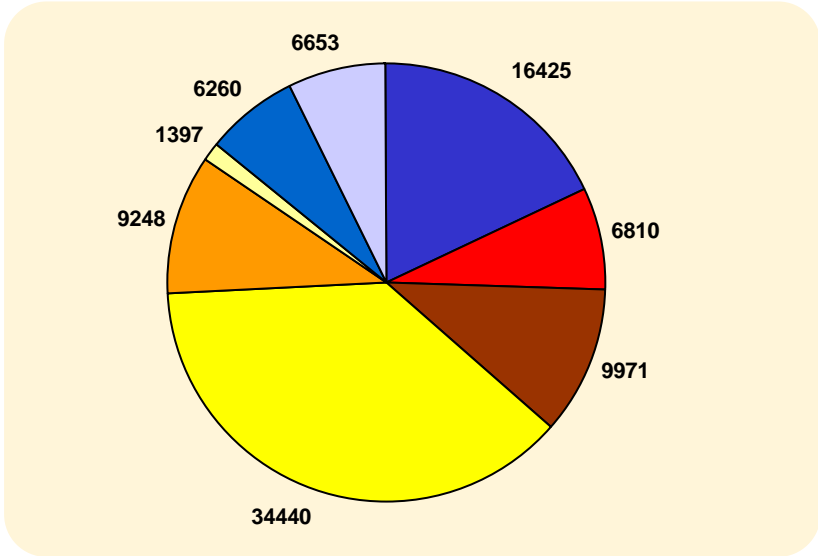
Excluding loans from associated companies and minority owners

Break Down of Group Liquidity

Amounts in SEK million

| <i>As of June 30, 2004</i> | Treasury | Germany | Poland | Others | Total |
|-------------------------------------|--------------|--------------|------------|--------------|---------------|
| Cash and bank | 511 | 840 | 334 | 1 838 | 3 523 |
| Interest-bearing investments | 9 194 | 1 097 | 1 | 121 | 10 413 |
| Special Funds | | 2 613 | | | 2 613 |
| Shares | | 9 | | | 9 |
| Total | 9 705 | 4 559 | 335 | 1 959 | 16 558 |
| Unused Credit lines | 5 480 | 5 971 | | | 11 451 |

Group Provisions



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