

Vattenfall Nine-Month Results 2004

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

Highlights – Results First Nine Months

- ❑ Net sales decreased by 0,9 per cent to 80 961 MSEK (81 682)
- ❑ EBIT increased by 28,3 per cent to 14 172 MSEK (11 043)
excl IAC by 22,7 per cent to 13 662 MSEK (11 131)*
- ❑ Net Profit increased by 50 per cent to 8 564 MSEK (5 713)

IAC = items affecting comparability

Highlights – Results First Nine Months

- Return on Net Assets excl. IAC* was 14.2 per cent year-on-year
- Return on Equity excl IAC* was 23.9 per cent year-on-year
- Reduction in net debt by 9 bn to SEK 57,8 bn (66.9 at Dec. 2003)
- net gearing down to 0.86 (1.16)

IAC = items affecting comparability

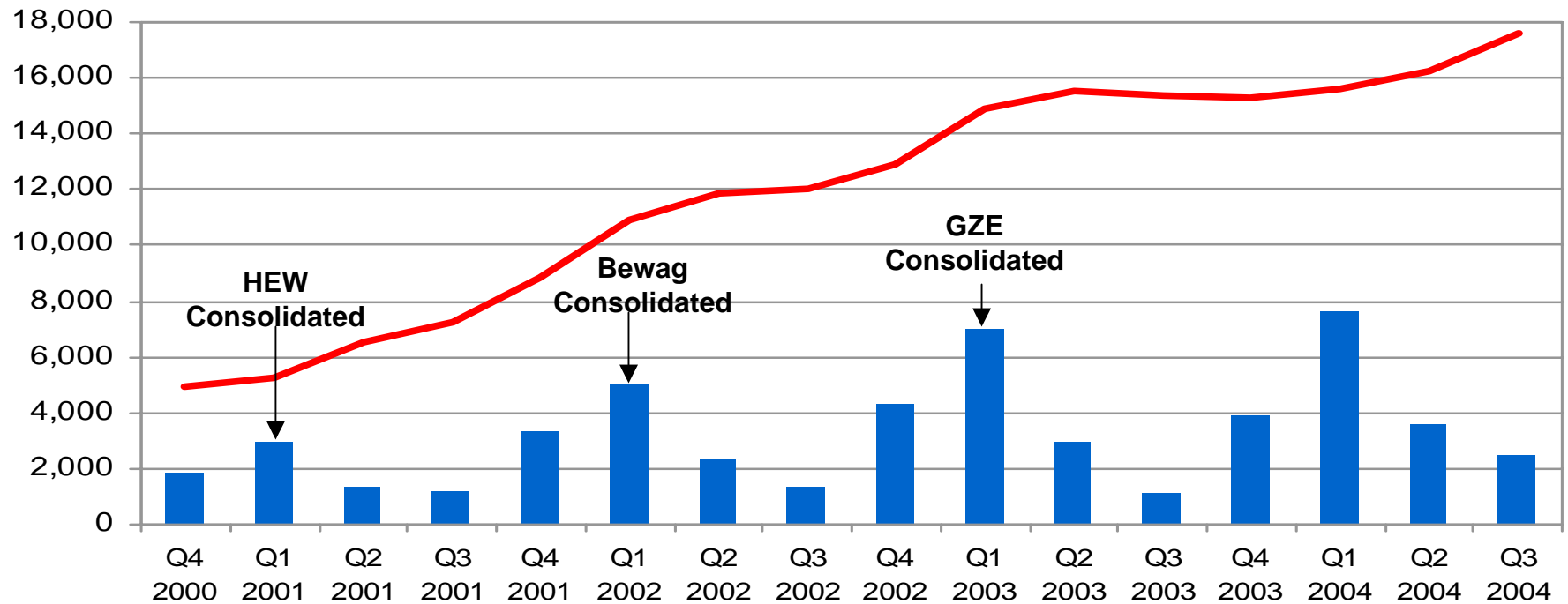
Highlights – Third Quarter

- ❑ EBIT excl. IAC* increased by 114.7 per cent to 2,454 MSEK (1,143) mainly due to higher nuclear and hydro power generation as well as better hedging prices
- ❑ Nordic: higher precipitation improved water reservoir levels → significant higher hydro production
- ❑ Germany: significant higher EBIT
- ❑ Poland: positive trend with increased efficiency improved profits

IAC = items affecting comparability

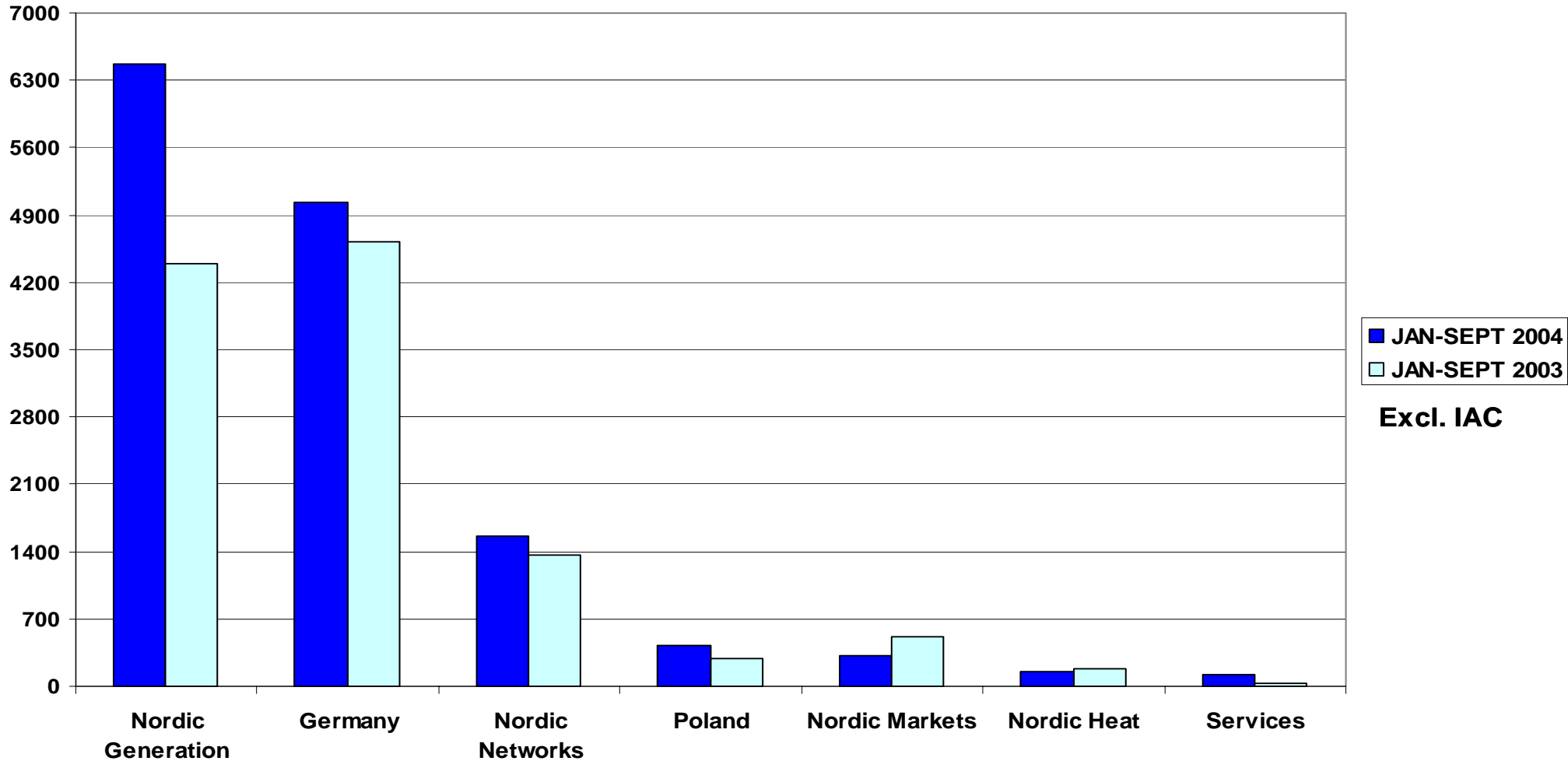
Strong EBIT Development

Quarterly figures, SEK m

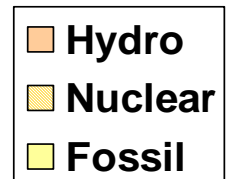
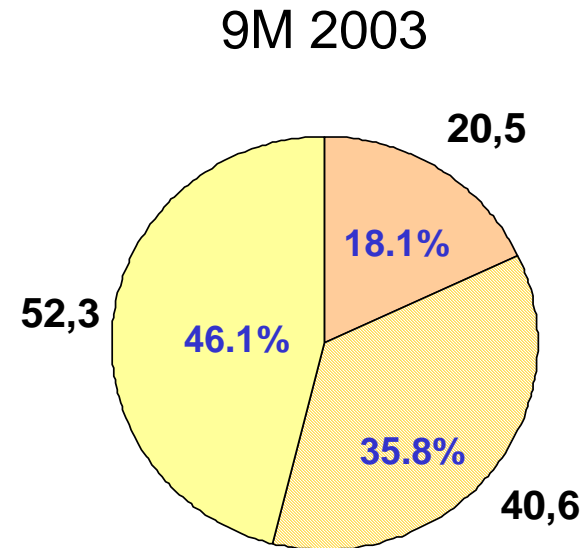
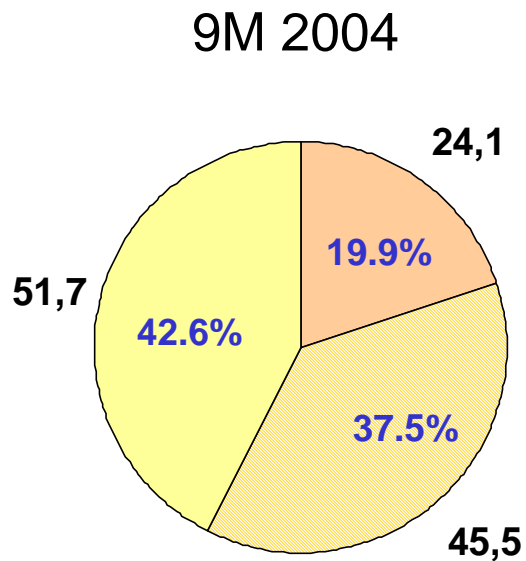


- Quarterly figures, SEK m, excluding items affecting comparability
- Rolling 4 quarter figures, SEK m, excluding items affecting comparability

Generation Nordic and Germany Strongest

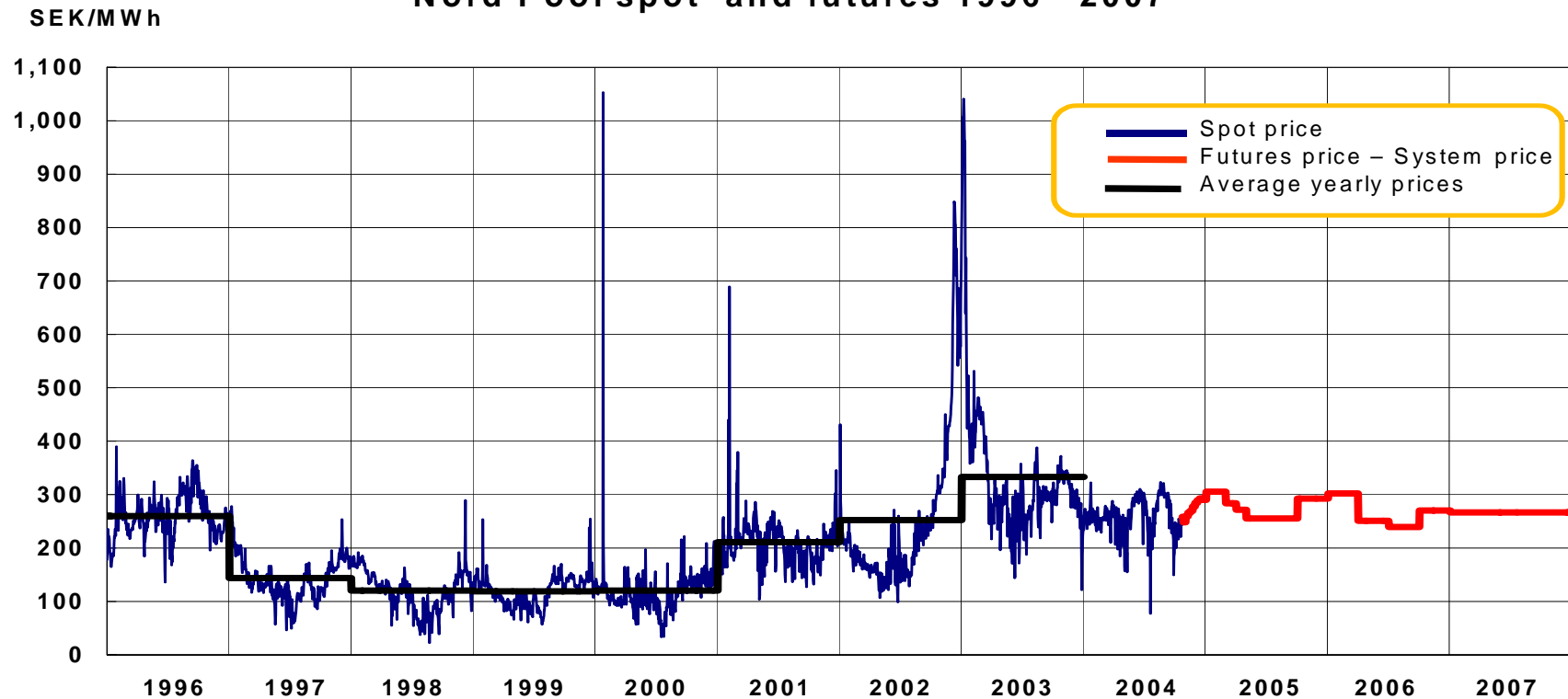


Higher Hydro and Nuclear Production



Swedish Electricity Prices

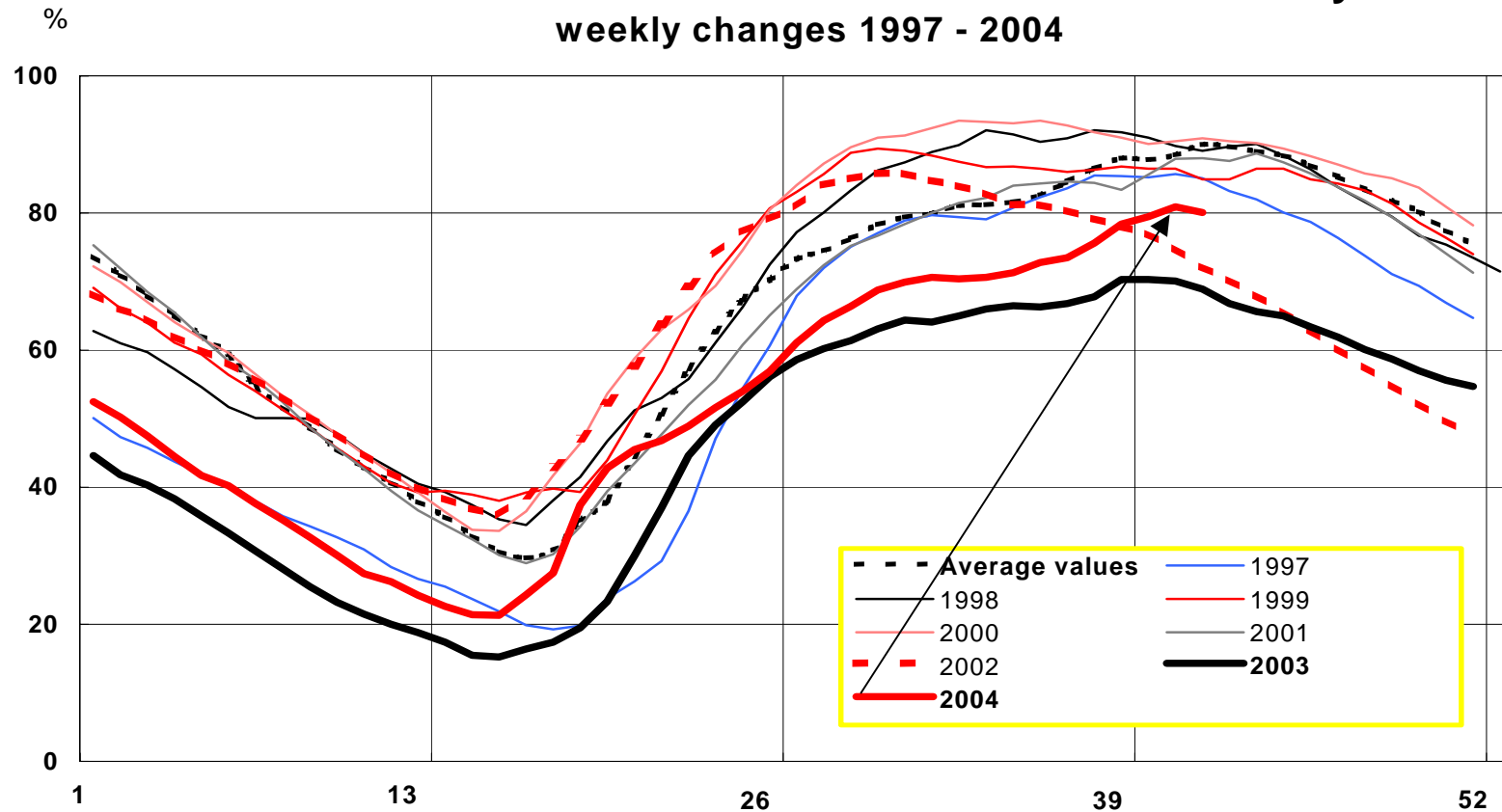
Swedish electricity prices
Nord Pool spot- and futures 1996 - 2007



October 21, 2004

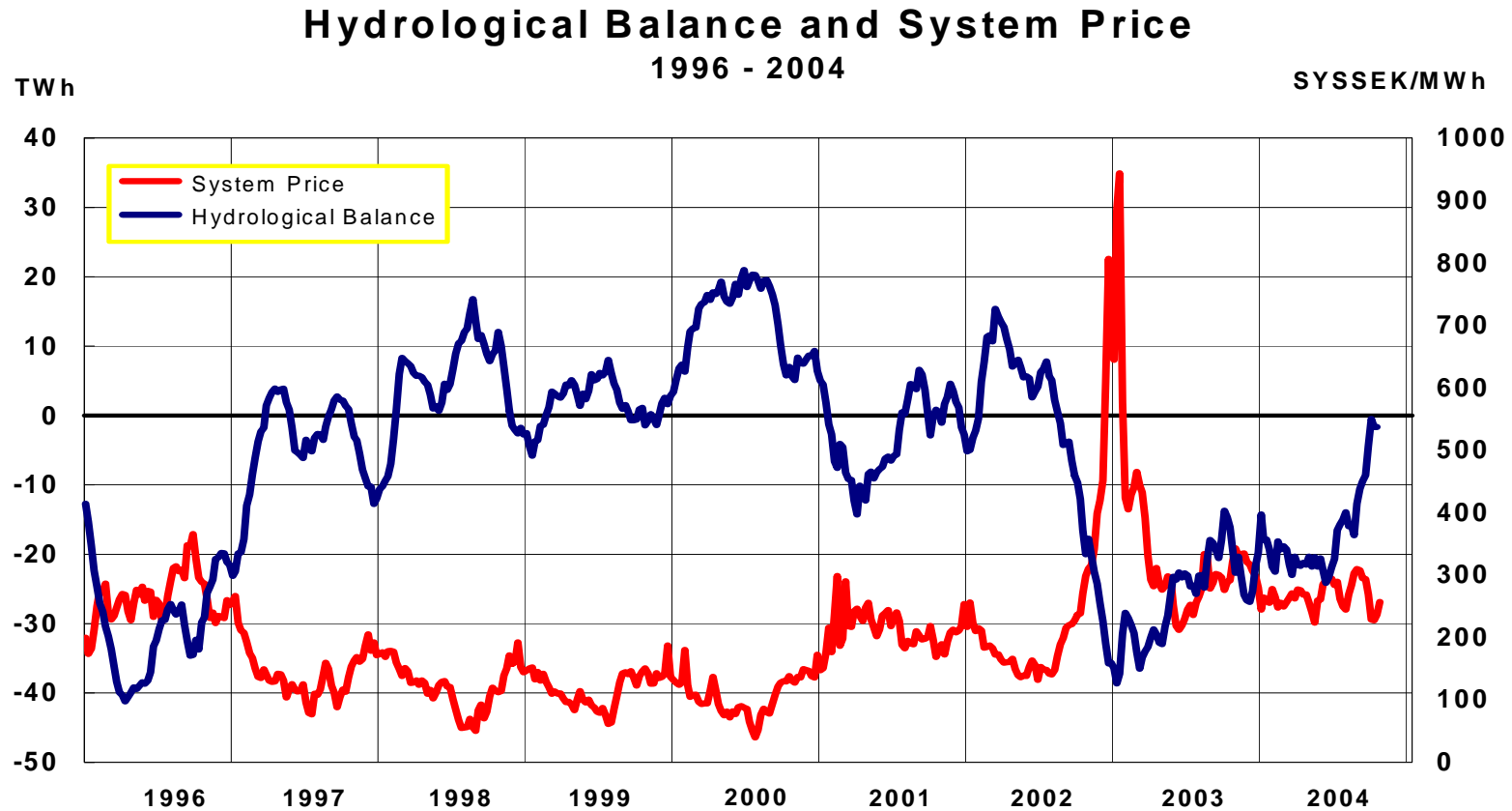
Reservoir Levels Improving

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



Source: Nordpool October 17, 2004

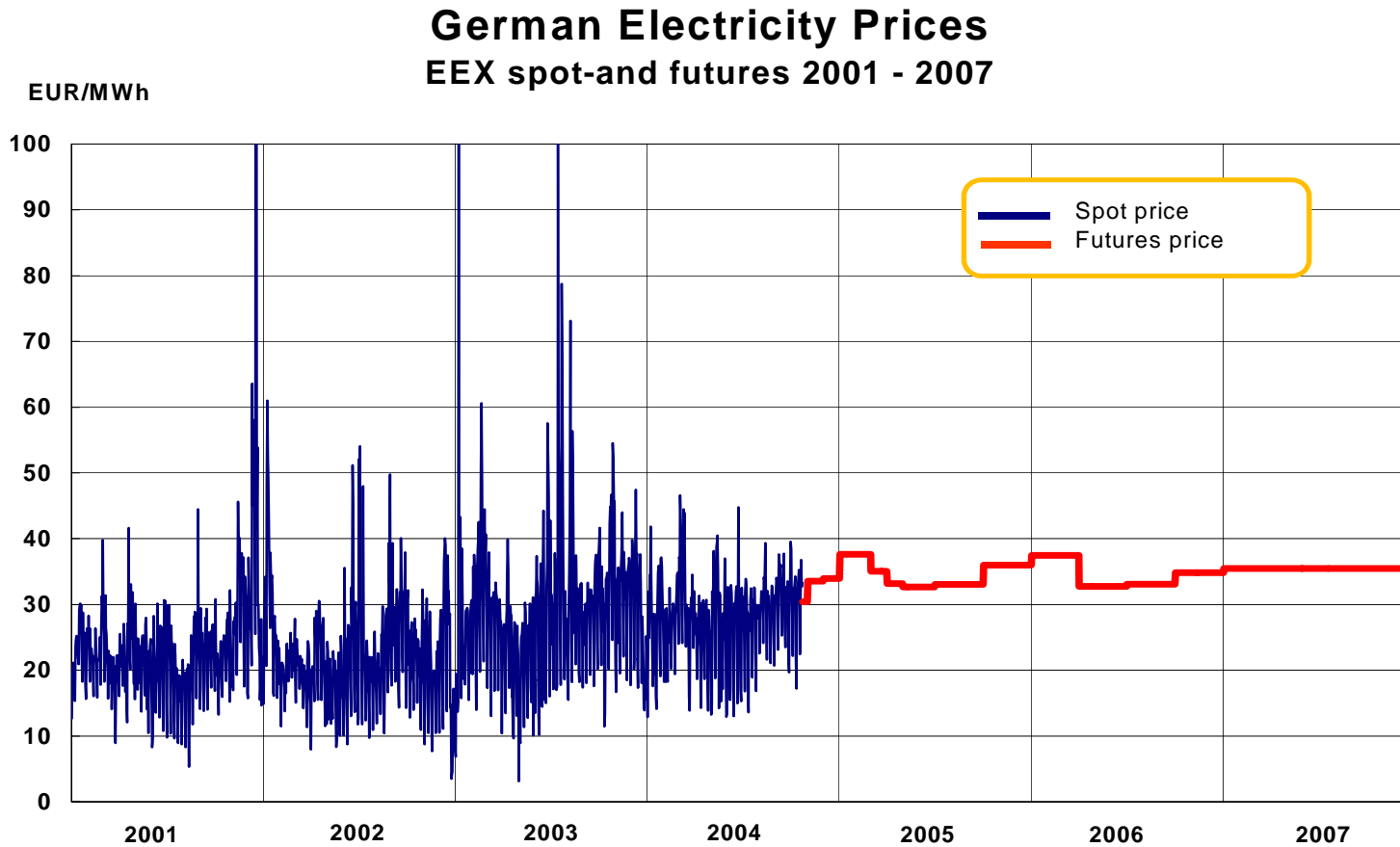
Electricity Price Depends on Precipitation



Source: NordPool and Markedskraft AS

17 October 2004

German Electricity Prices



Source: European Energy Exchange (EEX)

October 21, 2004

Nordic Business Highlights

	9M 2004		Q3 2004	
Net Sales (MSEK)	29,423	(- 5.7%)	8,610	(+ 5.6%)
EBIT (MSEK)	8,583	(+ 40.2%)	1,820	(+116.2%)

- Excellent plant performance - higher nuclear and hydro generation
- Sharply improved result from hedging
- Less power interruptions in network business and lower administration costs due to merger of Vattenfall's local distribution companies in Sweden
- Continued low margins in Swedish sales business
- Government decision to close nuclear plant Barsebäck 2 will have a neutral financial impact on Vattenfall

German Business Highlights

	9M 2004	Q3 2004
Net Sales (MSEK)	47,403 (+2.3%)	14,119 (+0.3%)
EBIT (MSEK)	5,151 (+11.2%)	694 (+79.3%)

- ❑ Positive effect from rising wholesale prices
- ❑ Higher costs in Transmission business for balancing power due to ongoing increase of wind power capacity
- ❑ Ongoing re-negotiation of sales contracts to reflect market prices. Still weak but improving results in sales business
- ❑ Lower heat volumes due to higher temperatures
- higher coal prices had only limited impact
- ❑ Retroactive reduction in interest rate on loans from minority owned nuclear companies reduced EBIT by 230 MSEK but this was offset by lower financial expense

Polish Business Highlights

	9M 2004	Q3 2004
Net Sales (MSEK)	5,298 (-7.9%)	1,519 (+0.1%)
EBIT (MSEK)	438 (+51.0%)	65 (-34 MSEK Q3 -03)

- ❑ Continued efficiency enhancement and cost reduction in both heat and distribution businesses
- ❑ Lower volumes due to higher temperatures
- ❑ Increased employee satisfaction index despite huge staff reduction in recent years

M & A Activities During 2004

- Acquisition of three district heating plants in Berlin (capacity 320 MW)
- Divestment of Swedish peat production company HMAB (capital loss of 63 MSEK)
- On-going bidding process for Polish heat plant in Lodz.
- Additional consideration of 448 MSEK received for the sale of Vattenfall's 11.5 per cent stake in Danish NESAs in the year 2002
- Minority stake in Russian company Mosenergo divested – capital gain of 8 MEUR
- Bid for a 15.4 per cent stake in Danish Power company Elsam

Our Overall Strategic Direction

- With consolidation program near completion our strategic focus will shift to the realisation of **Vattenfall's vision** – to be a leading European energy company
- In order to achieve this aim **we have defined five strategic objectives**
 - Continued profitable growth through a proactive expansion program
 - Be the benchmark of the industry
 - Be number one for the customer
 - Be number one for the environment
 - Be the employer of choice

Geographic Objectives

- Vattenfall's current core markets are Sweden, Finland, Germany and Poland
- Growth should take place in the core countries plus selected bordering countries, i.e. Norway, Denmark, Benelux, France, Switzerland, Austria and the Czech Republic
- Our primary aim is to go for countries where we can obtain a number 1, 2 or 3 market position within a short period of time



Vattenfall's Core Values

Vattenfall stands for...



Effectiveness



Accountability



Openness

9M and Q3 Financials

Matts P Ekman, CFO

Consolidated Income Statement 9M

Amounts in MSEK	9M 2004	9M 2003	% Change	Y/Y
Net sales	80,961	81,682	-0.9	111,214
Gross profit	22,069	18,793	17.4	30,419
Operating profit (EBIT)	14,172	11,043	28.3	18,425
Operating profit, excl. IAC	13,662	11,131	22.7	17,564
Financial income	1,231	1,854	-33.6	1,644
Financial expenses	-2,768	-3,995	-30.7	-3,976
<i>Financial net</i>	<i>-1,537</i>	<i>-2,141</i>	<i>-28.2</i>	<i>-2,332</i>
Profit before taxes and minority interests	12,635	8,902	41.9	16,093
Taxes	-3,652	-2,787	31.0	-3,696
Minority share	- 419	-402	4.2	-423
Net profit for the period	8,564	5,713	49.9	11,974

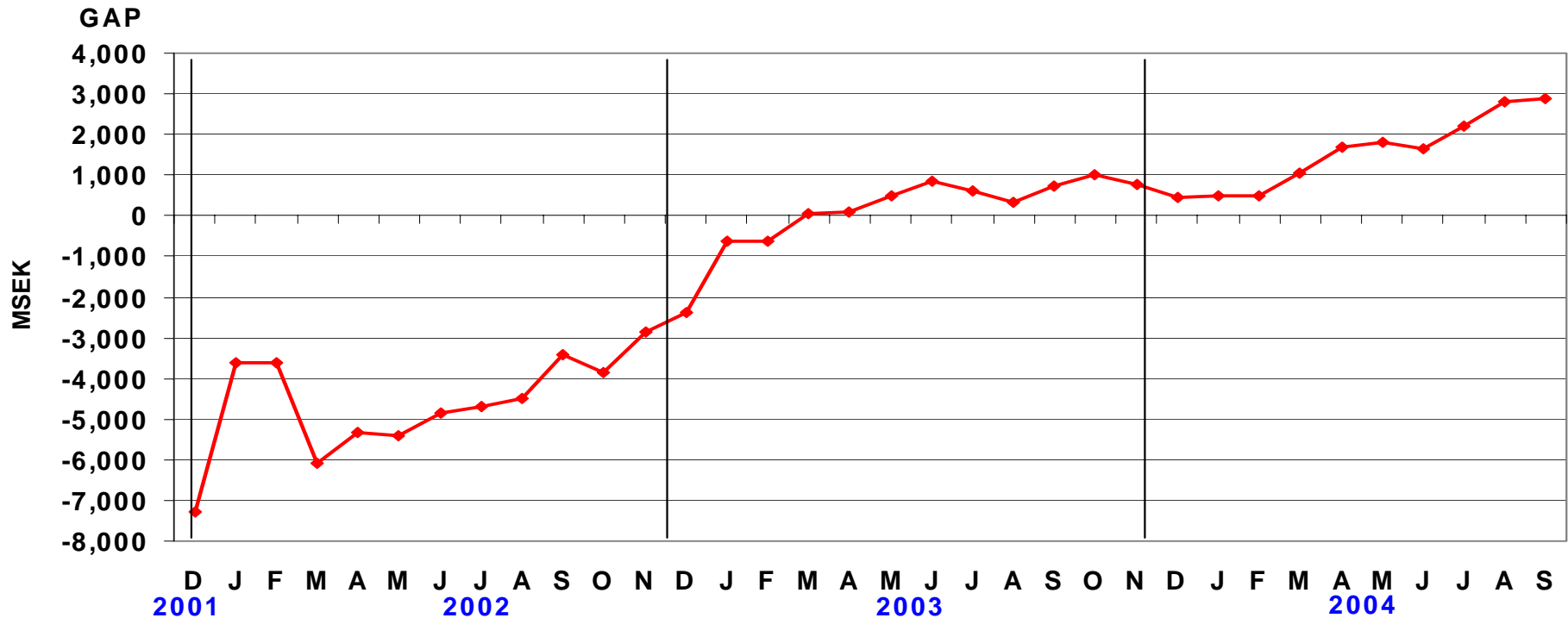
Consolidated Income Statement Q3

Amounts in MSEK	Q3 2004	Q3 2003	% Change
Net sales	23,890	23,184	3.0
Gross profit	5,422	4,076	33.0
Operating profit (EBIT)	2,579	1,195	115.8
Operating profit, excl. IAC	2,454	1,143	114.7
Financial income	401	949	-57.7
Financial expenses	-735	-1708	-57.0
<i>Financial net</i>	-334	-759	-56.0
Profit before taxes and minority interests	2,245	436	414.9
Taxes	-660	-595	10.9
Minority share	-108	-196	-44.9
Net profit for the period	1,693	37	

IAC = Items Affecting Comparability

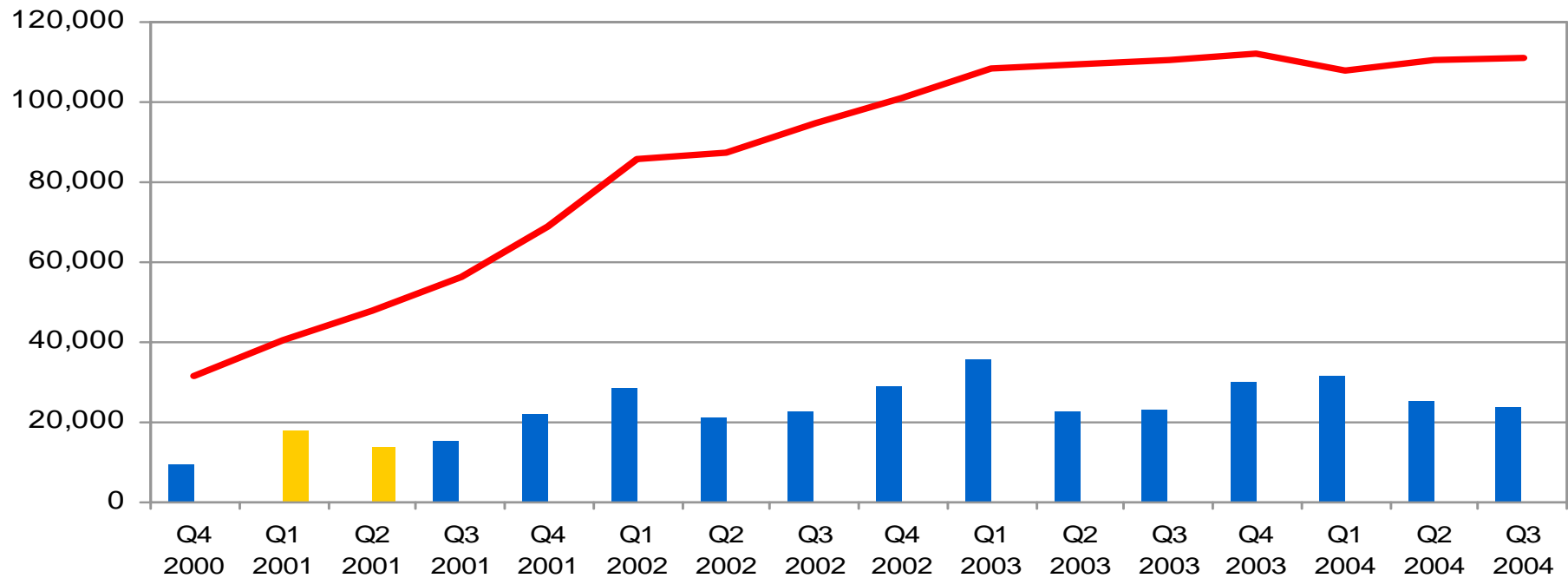
Vattenfall Continues to Create Value

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



Net Sales Stabilising

Quarterly figures, MSEK

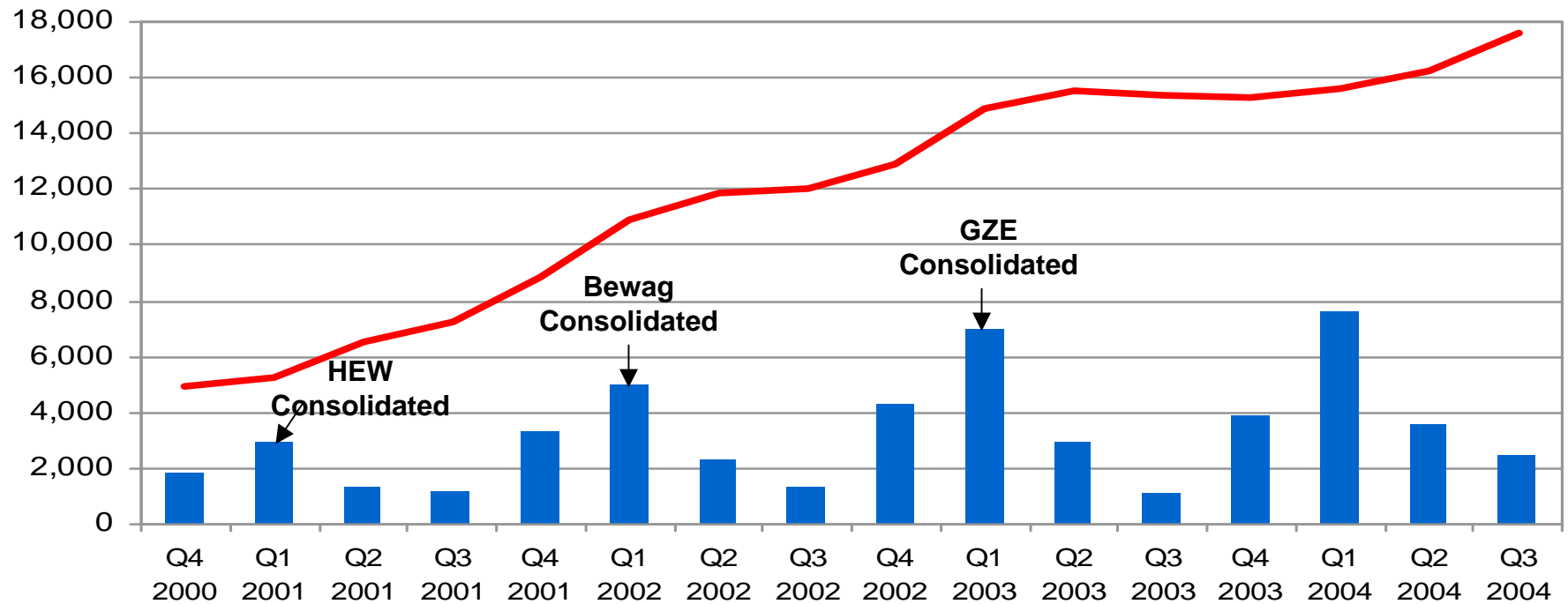


■ Quarterly figures SEK m
 ■ Rolling 4 quarter figures SEK m

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

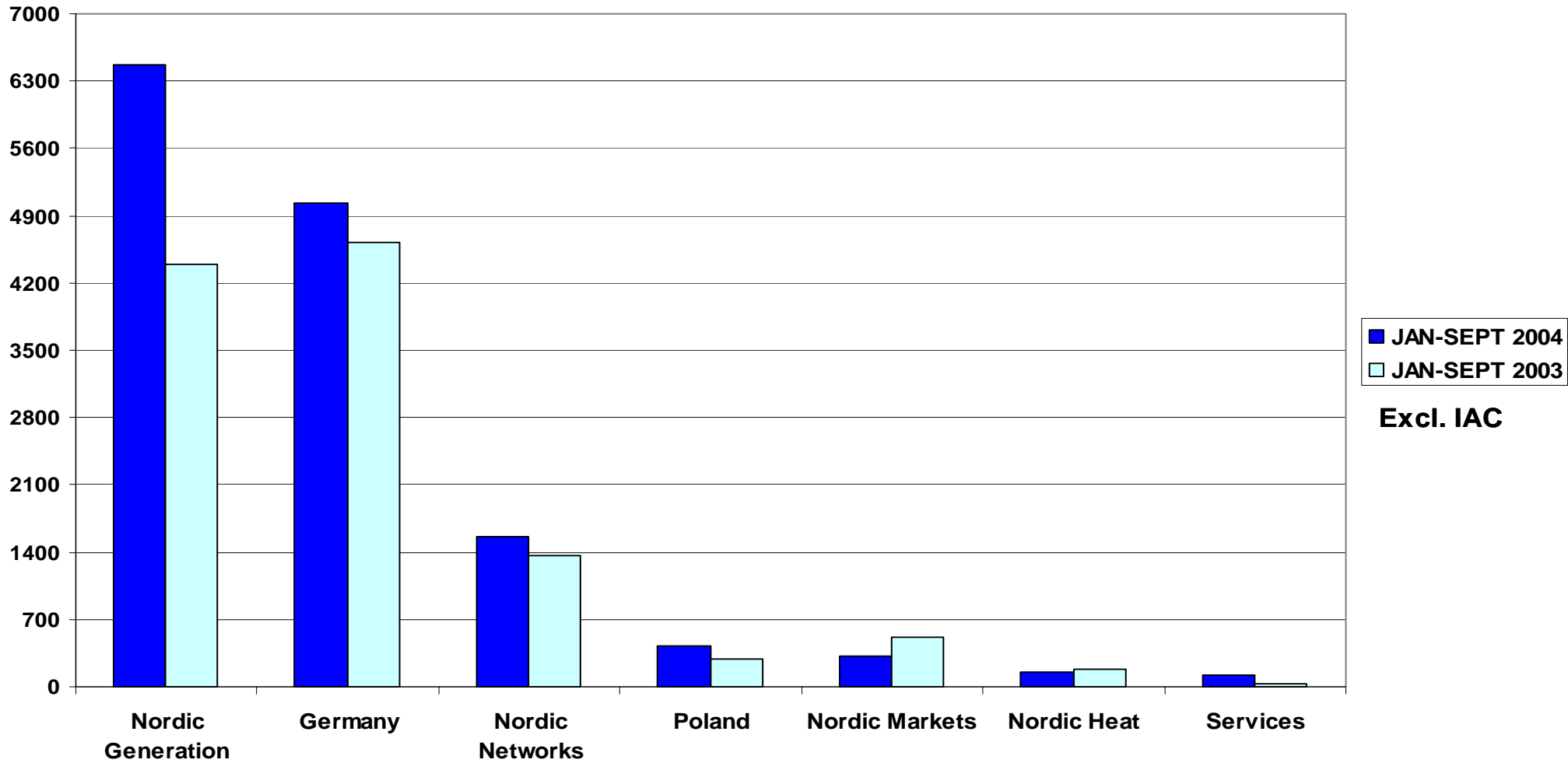
Strong EBIT Development

Quarterly figures, MSEK

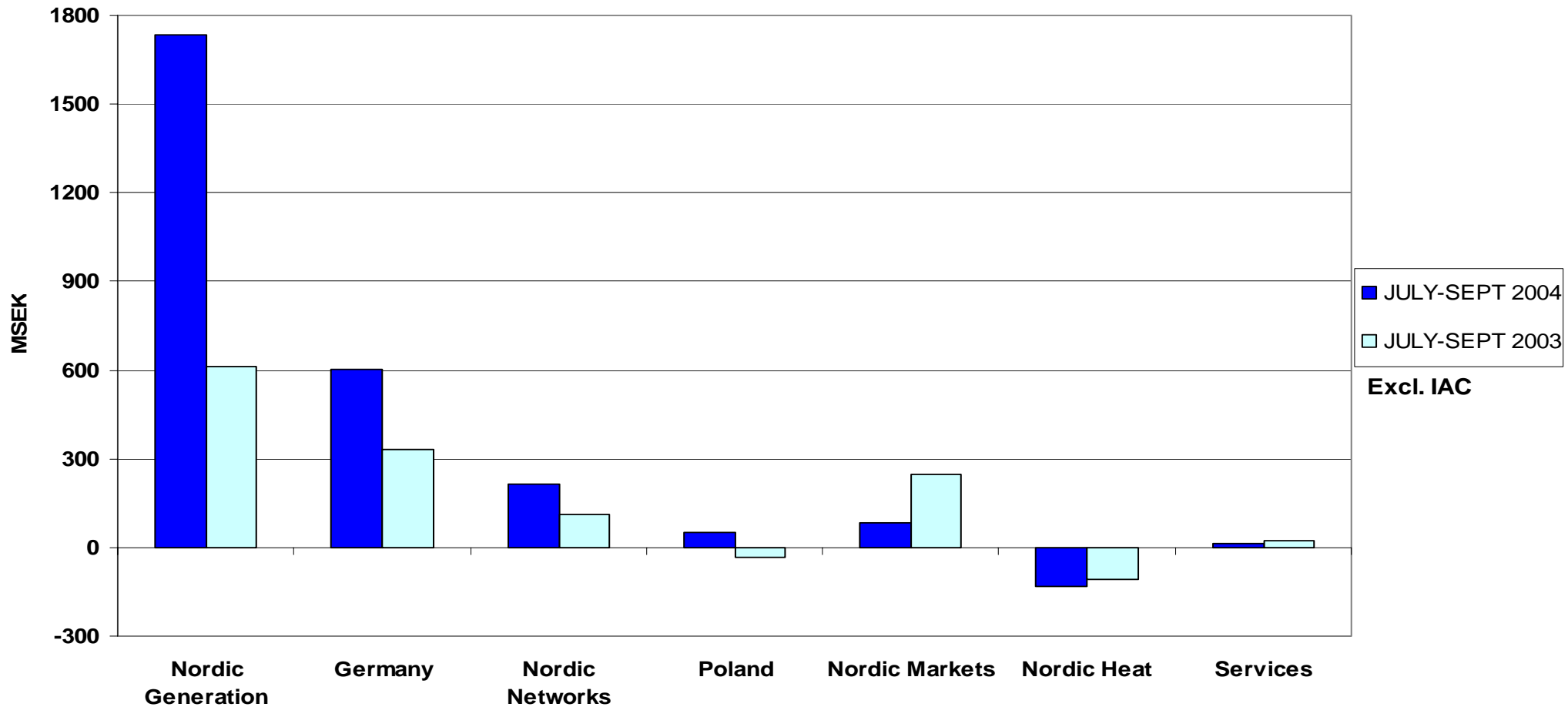


- Quarterly figures, SEK m, excluding items affecting comparability
- Rolling 4 quarter figures, SEK m, excluding items affecting comparability

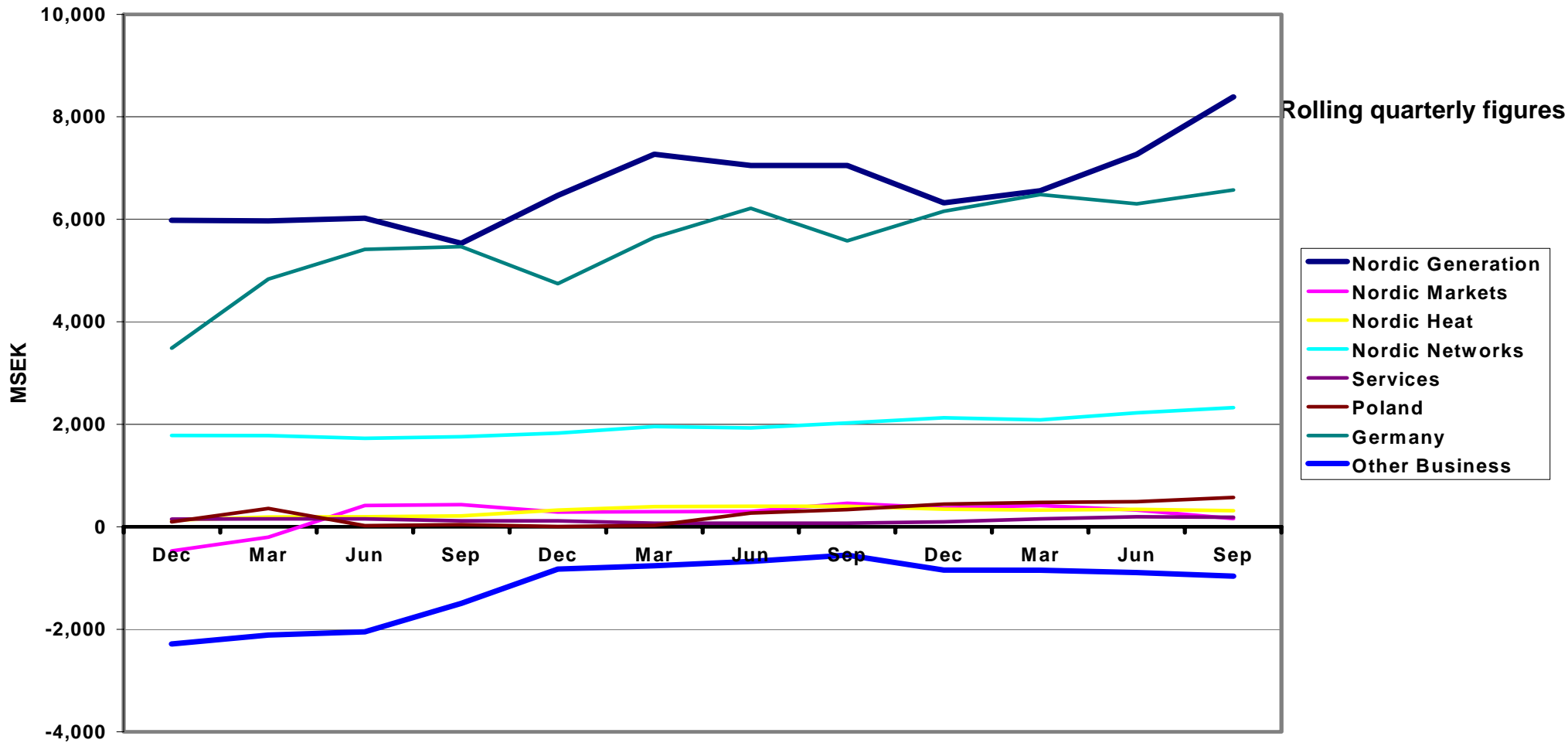
9M Profit Contribution per Profit Area



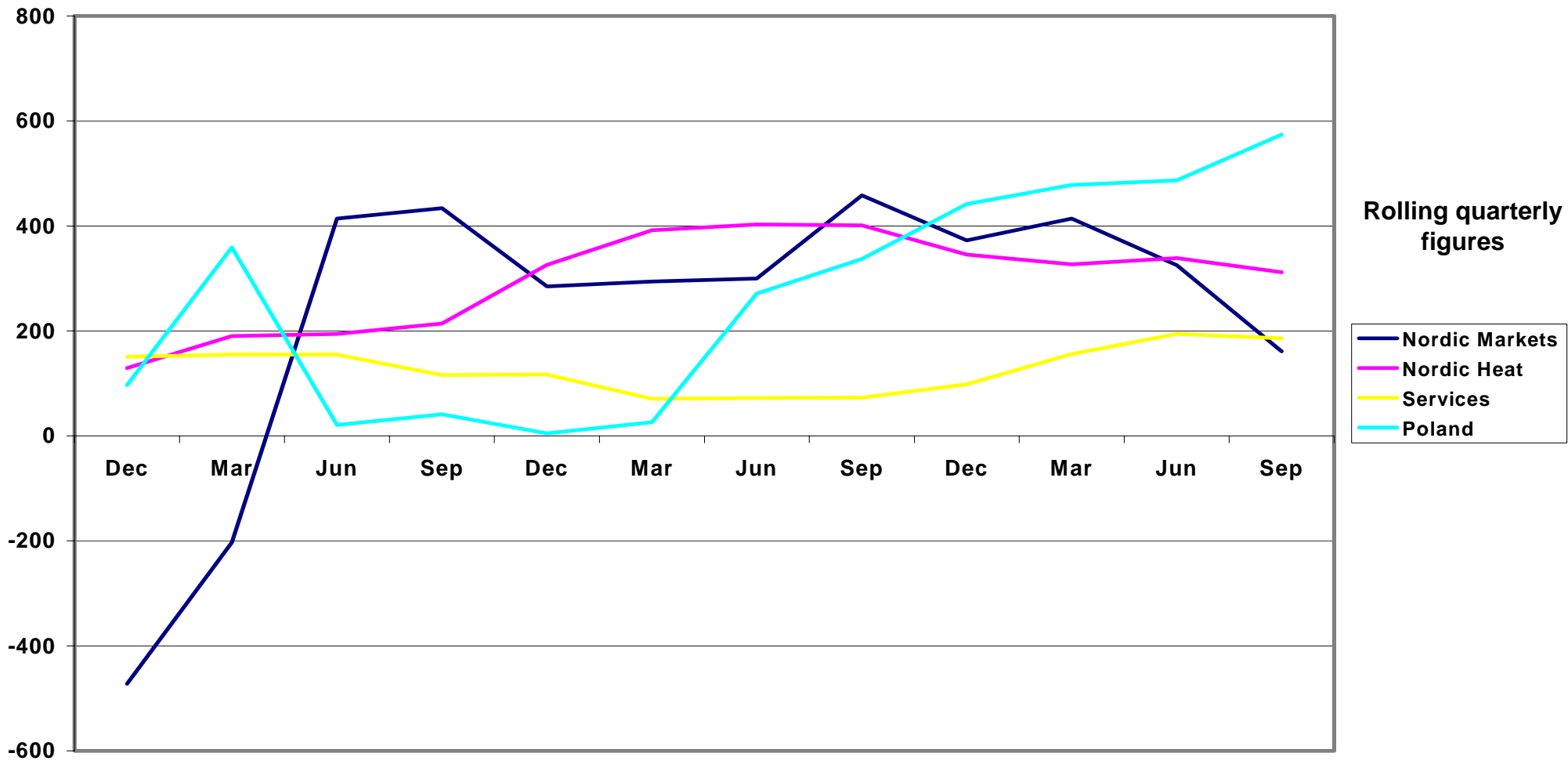
Q3 Profit Contribution per Profit Area



Generation Nordic - Top EBIT Contributor



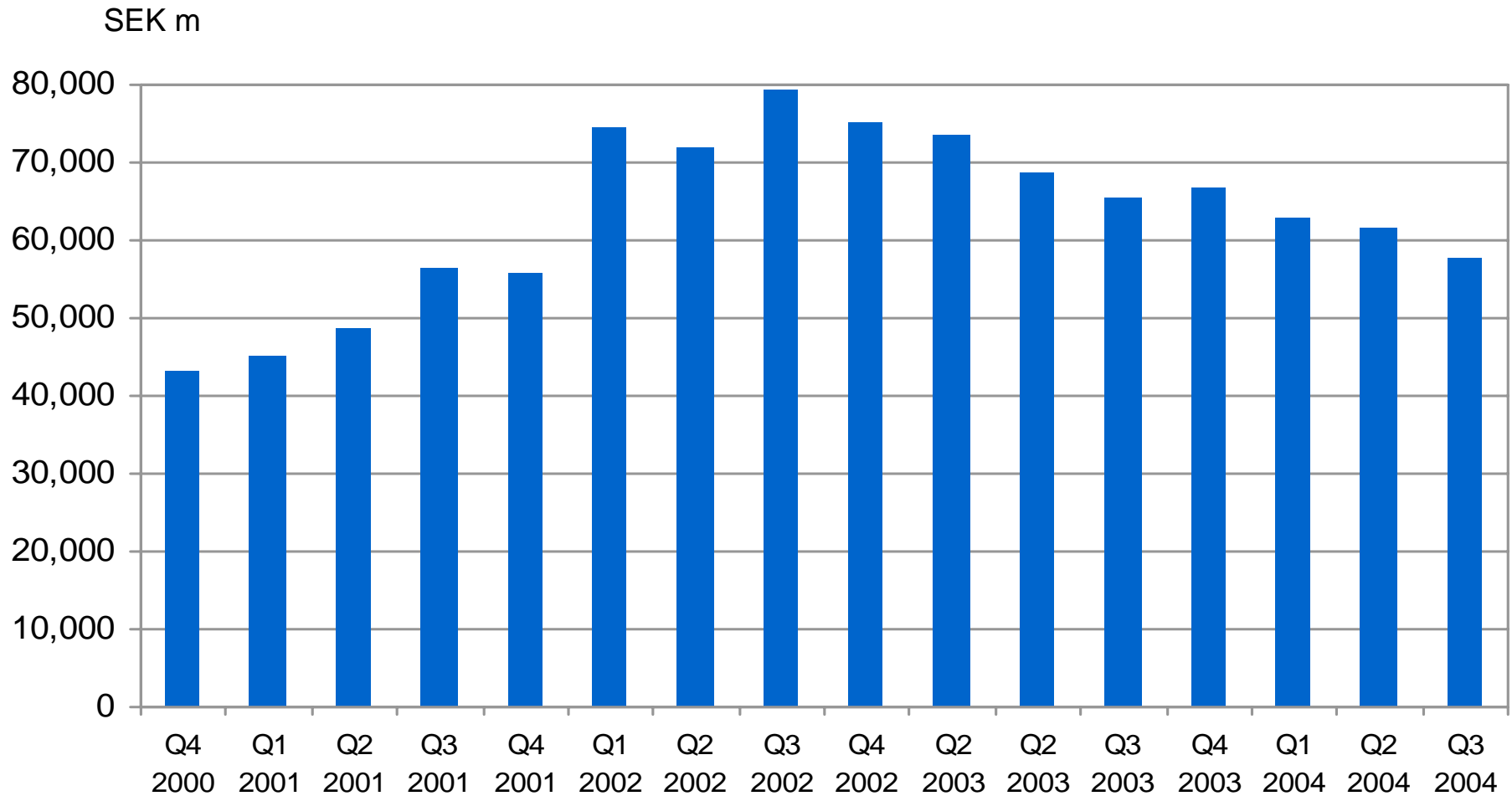
Strong Development in Poland



Consolidated Balance Sheet

Amounts in MSEK	9M 2004	9M 2003	FY 2003
Fixed assets	213,227	209,708	216,203
Current assets	48,765	54,130	48,762
Total assets	261,992	263,838	264,965
Equity	58,398	47,689	52,506
Minority interests	9,010	9,802	9,379
Provisions	89,251	90,074	91,800
Interest-bearing liabilities	77,703	86,438	85,631
Other liabilities	27,630	29,835	25,649
Total equity, provisions and liabilities	261,992	263,838	264,965
<i>Net debt</i>	<i>57,850</i>	<i>65,638</i>	<i>66,890</i>
<i>Net assets</i>	<i>121,389</i>	<i>119,151</i>	<i>124,808</i>

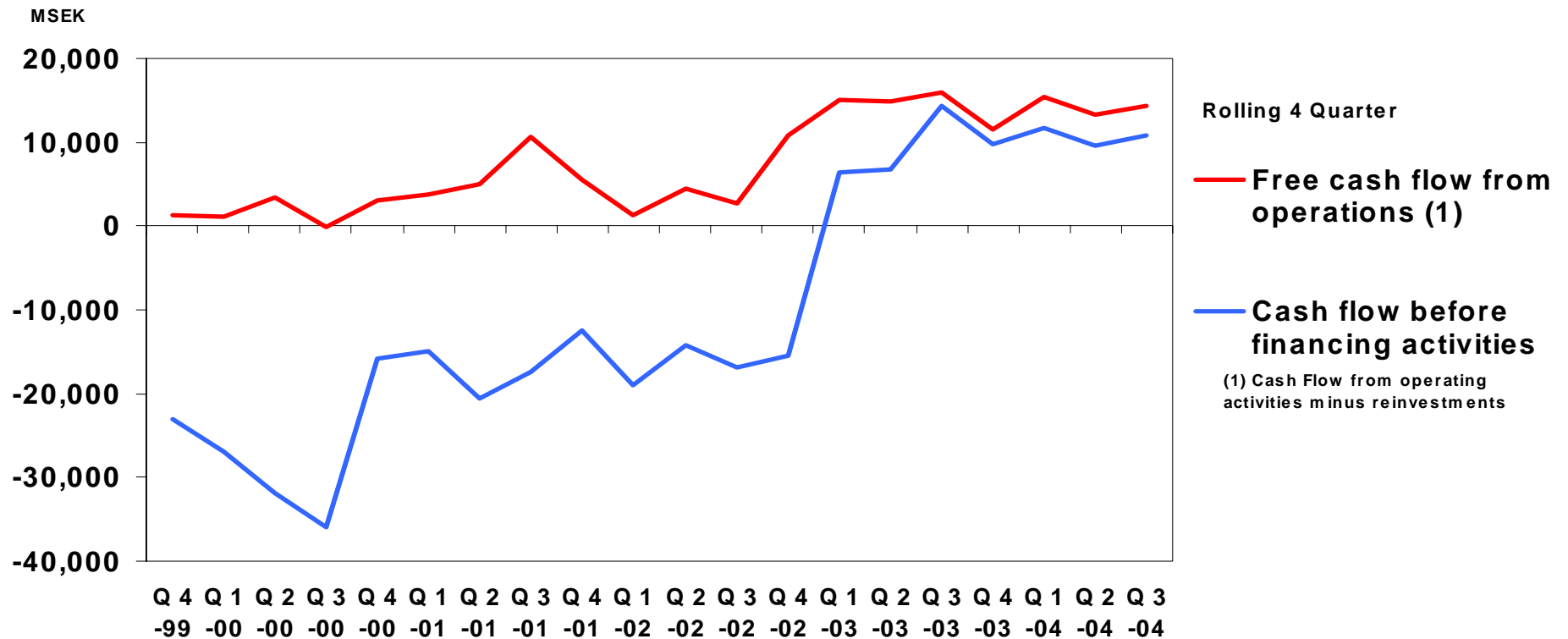
Continued Reduction in Net Debt



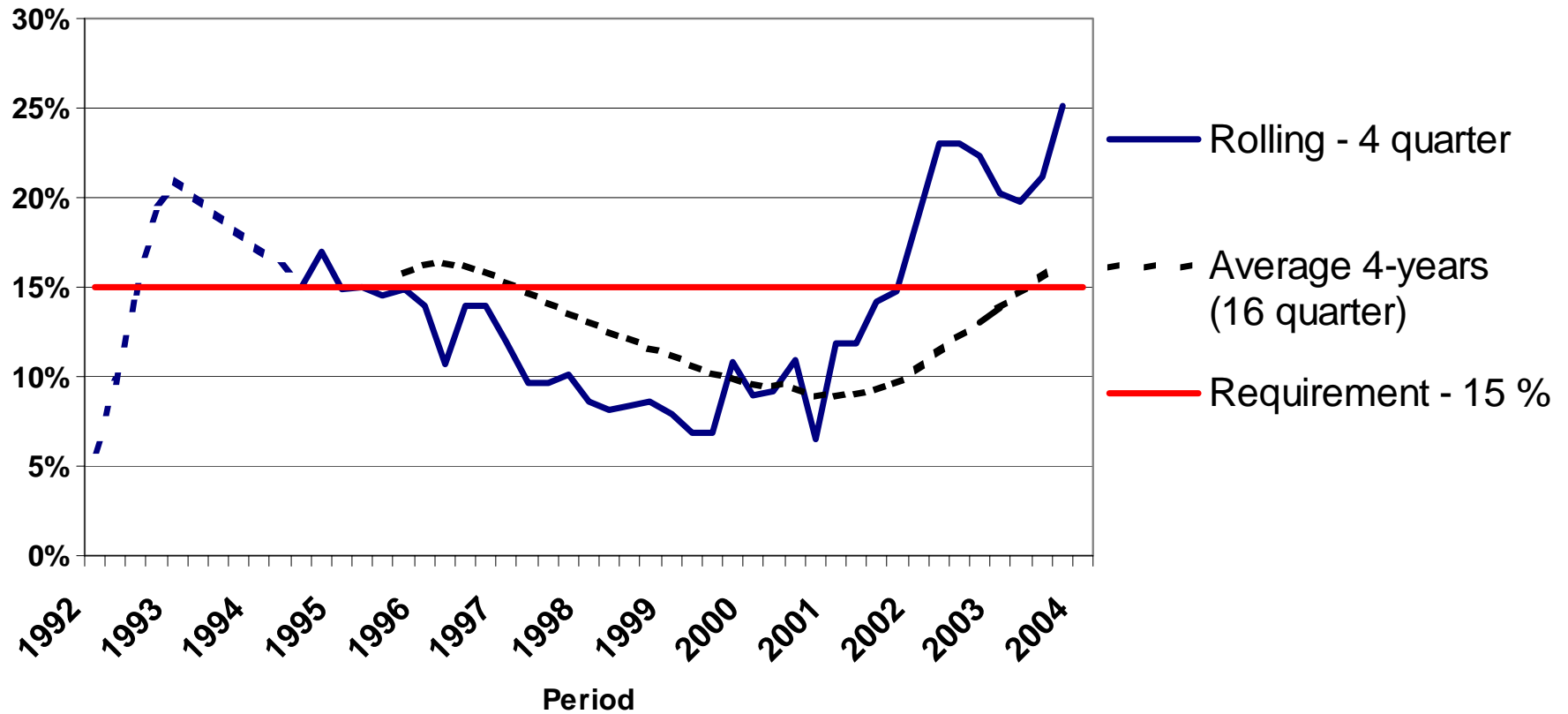
Consolidated Cash Flow Statement

Amounts MSEK	9M 2004	Q3 2004	Y/Y
Funds from operations (FFO)	17,474	2,784	23,847
Change in working capital	1,577	3,070	-2,838
Cash Flow from operating activities	19,051	5,854	21,009
Investments	-8,550	-2,700	-12,329
Divestments	1,098	474	1,955
Liquid funds in acquired /sold companies	-16	0	69
Cash flow from investing activities	-7,468	-2,226	-10,305
Cash flow before financing activities	11,583	3,628	10,704
<u>Change in net debt:</u>			
<i>Net debt at the beginning of the period</i>	-66,890	-61,512	-65,638
<i>Effect of change in definitions</i>	84		84
<i>Cash flow after dividend *</i>	8,977	3,628	7,866
<i>Translation differences</i>	-21	34	-162
<i>Net debt at the end of the period</i>	-57,850	-57,850	-57,850

Strong Cash Flow Development



Return on Equity → Average 4 Years on Target



All Key Ratios Stronger

KEY RATIOS		Q3 2004	Q3 2003/ FY 2003
RoNA, annualised *	▲	14.2	12.1 (FY)
RoE, annualised *	▲	23.9	19.8 (FY)
Operating margin *	▲	16.9	13.6 (Q3)
Pre-tax profit margin *	▲	15.6	10.9 (Q3)
Pre-tax interest coverage, times, annualised*	▲	4.8	3.3 (FY)
FFO/net debt, annualised	▲	41.2	28.1 (FY)
FFO net interest coverage, times	▲	12.4	6.8 (Q3)
Equity / asset ratio	▲	25.8	21.9 (Q3)
Net Gearing - Net debt / equity (times)	▼	0.86	1.16 (Q3)
Capitalisation - Net debt / net debt + equity	▼	46.2	53.3 (Q3)

*Excluding items affecting comparability

Financial Targets

Key Ratio /Objective	Target	Q3 2004	Q2 2004	FY 2003
Return on Equity (RoE), average 4-years	15 % (on visible equity after tax over a business cycle)	16.4**	15,5**	13.8**
Return on Net Assets (RoNA)	11 % (before tax -15 % on equity recalculated to the Groups requirement of return on net assets)	14.2*	13.2*	12.1
Pre-tax interest coverage	3.5 – 5 times	4,8*	3.7*	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 420	MEUR 378	MEUR 338

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

Vattenfall Takes the Lead.....



Turning Power into Possibilities

Appendices

Market Objectives

Today



Strong VAB market position no. 1, 2, 3 or 4 in all core countries in

- Electricity
- Heat (District heating)

In the future



About 10 percent market share of the future integrated European energy market (EU 25 + Norway and Switzerland)

- Fulfil vision to be a leading European energy company
- Maintain position relative to our main competitors

Future Product Focus

Electricity

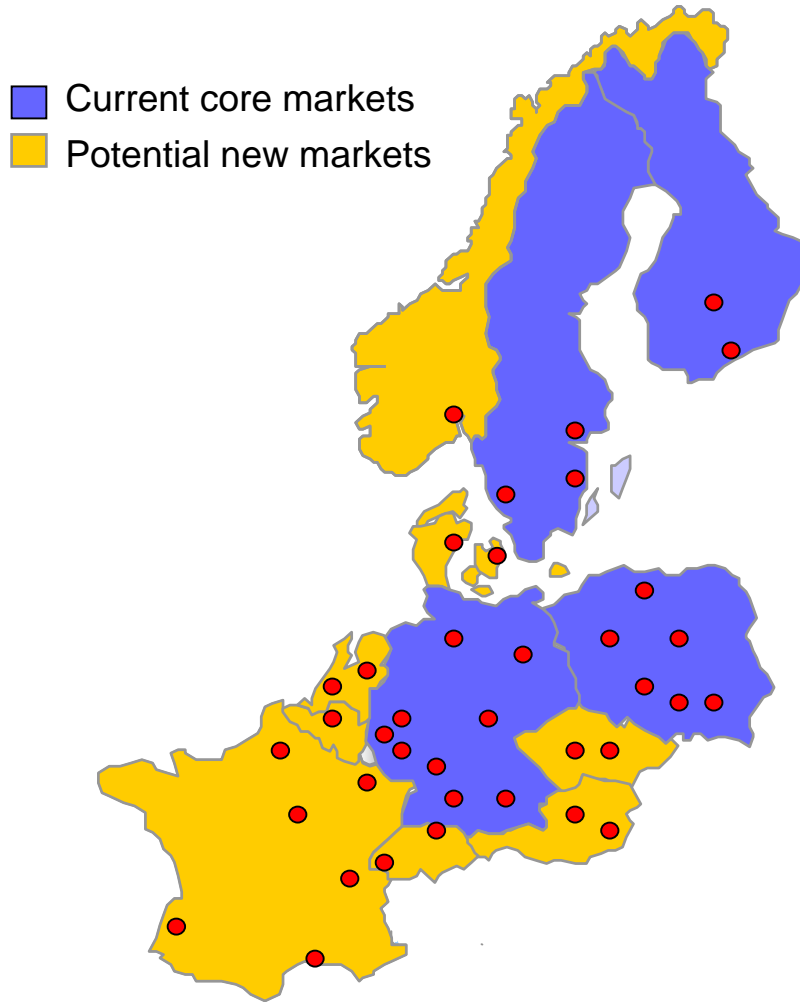
Heat

Gas

Existing products in which we have strong positions in current core markets

Attractive product on its own merits with strategic potential for Vattenfall as a fuel for generation of both electricity and heat

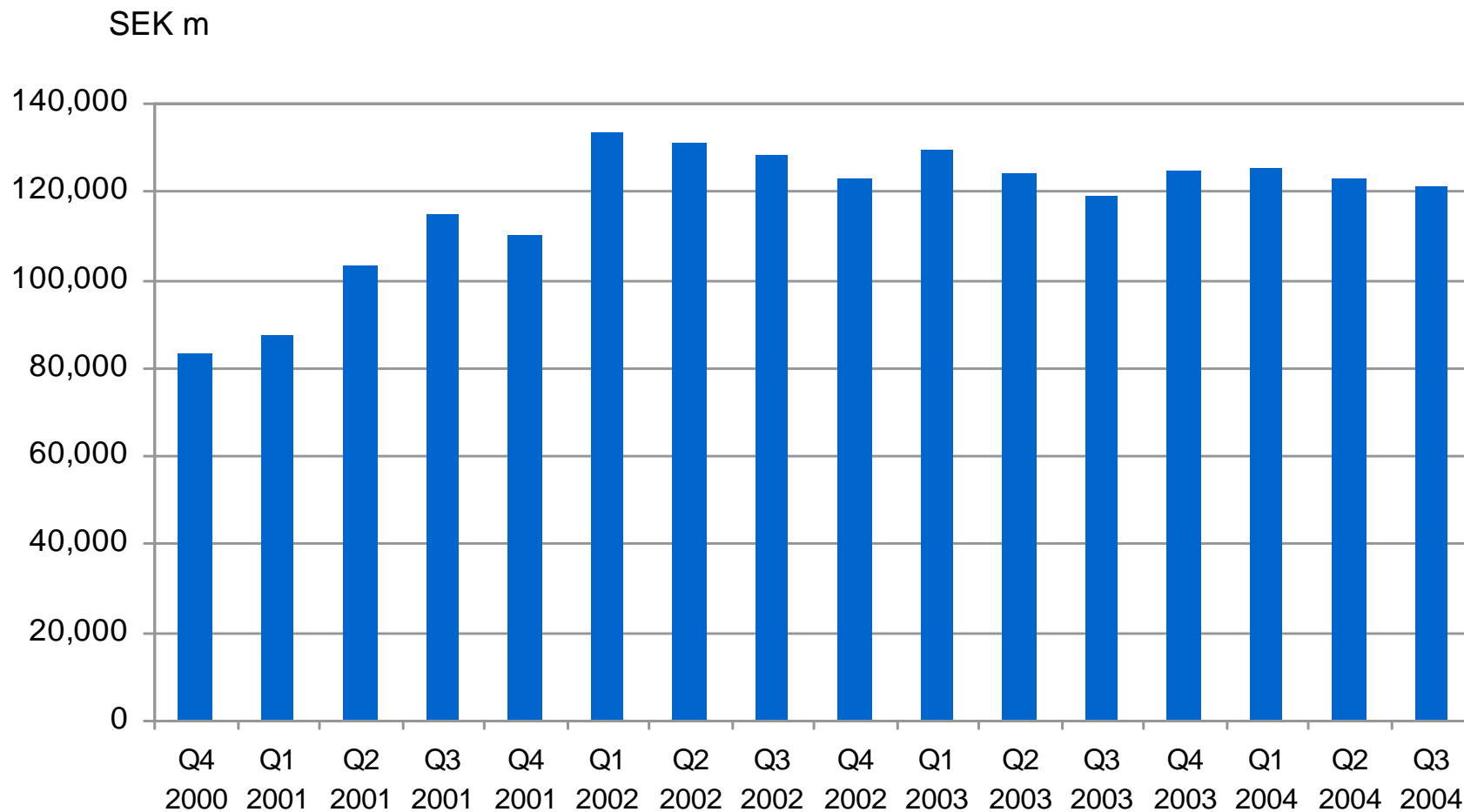
Heat Assets Primarily in Large Cities



Heat assets should primarily be located in large cities

- Easier to achieve economies of scale
- Higher probability for cogeneration opportunities of electricity and heat

Net Asset Development



Break Down of Group Debt

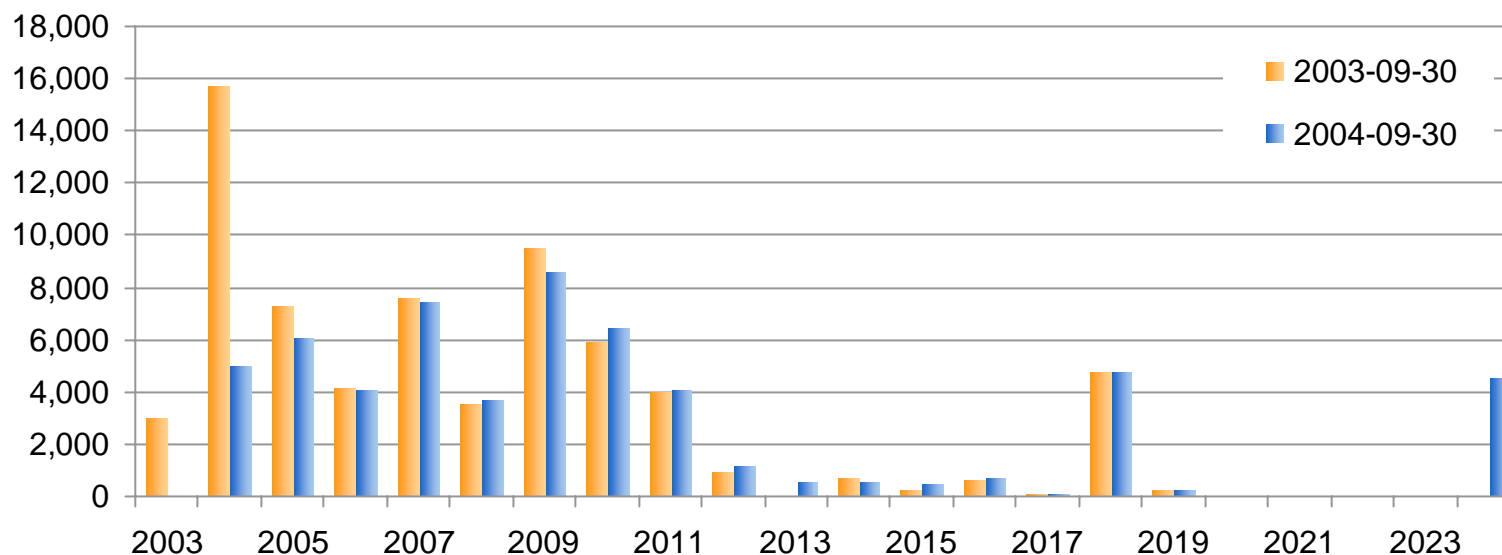
September 30, 2004 (SEK million)	Treasury	Germany	Poland	Total	Percent
Commercial Papers	0			0	0%
MTN	2,656			2,656	3%
EMTN	40,172			40,172	52%
Liabilities to associated companies *		15,177		15,177	20%
Liabilities to other shareholders **	3,963	148		4,111	5%
Bank loans and others	4,163	11,351	73	15,587	20%
Total	50,954	26,676	73	77,704	100%

*) Loans from minority owned German nuclear companies

**) Mainly loans from minority shareholders in the Swedish nuclear companies

Vattenfall Maturity Profile

SEK million



Excluding loans from associated companies and minority owners

	Sept. 30, 2003	Sept. 30, 2004
Net debt (SEK bn)	65.6	57.9
Average fixed interest period (years)	1.8	1.9
Average time to maturity (years)	4.6	6.7

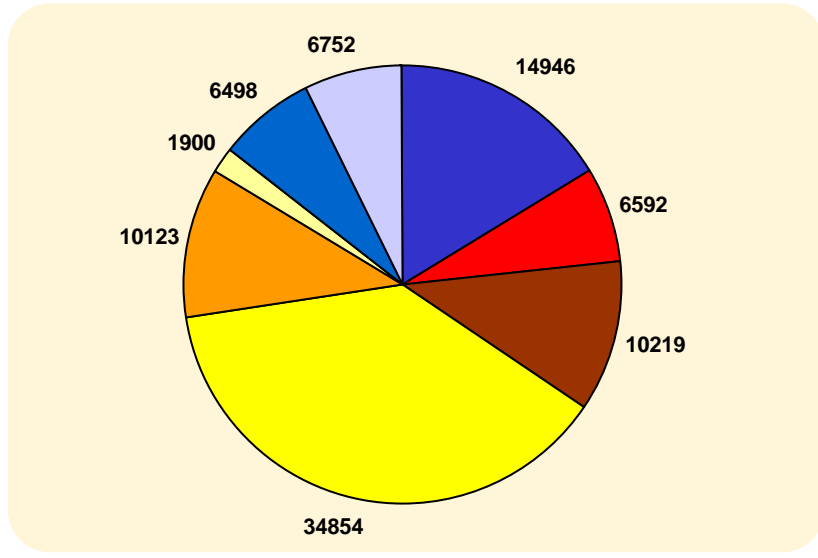
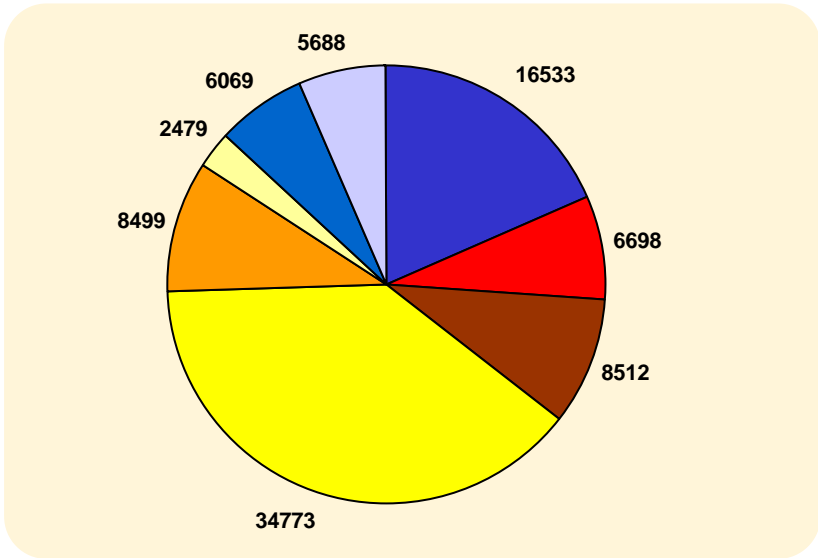
Group Liquidity

Amounts in SEK million

<i>As of September 30, 2004</i>	Treasury	Germany	Poland	Others	Total
Cash and bank	914	1 004	231	690	2 839
Interest-bearing investments	9 232	1 084		121	10 438
Special Funds		2 581			2 581
Shares		9			9
Total	10 146	4 679	231	811	15 868

Unused committed credit facilities amount to SEK 5,441 million and other unused credit- and overdraft facilities amount to SEK 6,289 million.

Group Provisions



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