VATTENFALL YEAR END REPORT 2003

Presentations by Lars G Josefsson, CEO and Matts P Ekman, CFO
February 19th 2004
2 Strong Profit Improvement

- Net sales increased by 10.8 per cent to SEK 111.9 bn (101)
- EBIT increased by 14.5 per cent to SEK 15.3 bn (13.4)
- Net Profit increased by 20.6 per cent to SEK 9.1 bn (7.6)
- Reduction in net debt by 8.3 bn to SEK 66.9 bn (75.2)
EBIT increased by SEK 1.9 bn primarily due to:

- Increased profitability in the German business through cost reductions and rise in wholesale prices (SEK 1 585 million).

- Strong positive trend with increased efficiency improved profits in the Polish operations (SEK 438 million).
EBIT Contribution per Profit Area

- Germany: 6318 MSEK
- Nordic Generation: 6266 MSEK
- Nordic Networks: 2131 MSEK
- Poland: 443 MSEK
- Nordic Market: 369 MSEK
- Nordic Heat: 348 MSEK
- Services: 100 MSEK

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EBIT Development

Quarterly values, SEK m

- Quarterly values SEK m, excluding items affecting comparability
- Rolling 4 quarter values SEK m, excluding items affecting comparability
Important Events in 2003

Financial

• Successful Financial Consolidation
• All key ratios stronger
• German integration well on track
• Turn around in Poland
• Rating outlook changed to stable by both Moody’s and S&P

Management

• Company philosophy and core values introduced
• Formation of Business Group Nordic
• Merger of German subsidiaries completed

Operational

• Substantially lower interruptions in Swedish networks
• German nuclear power plant Stade decommissioned
• German power plant Goldisthal was commissioned
• Swedish power plant Stenungsund, which was mothballed, now part of national capacity reserve
Substantial Investments in Sweden

- Investments in electricity network of 10 bn SEK over 5 years
- Investment programme for nuclear power of 16 bn over 12 years
- Investment programme for hydropower and dams of 6 bn over 10 years
- Customer service programme – Number one for the customer of 2 bn.
Key Issues Going Forward

- Number One for the Customer
- CO2 Emissions Trading
- Profitable growth
- Future of Swedish Nuclear Power
- Network regulation
- Poland to join EU
- Electricity price development
Decreasing Swedish Electricity Prices 2003

Swedish electricity prices

Source: Nord Pool 6/2/2004
Reservoirs Still at Low Levels but Improving

**Total water reservoirs in Sweden and Norway**

*weekly changes 1997 - 2004*

Source: Nord Pool 06/02/2004
Electricity Price Depends on Precipitation

Hydrological Balance and System Price
1996 - 2004

SYSSEK/MWh

TWh

System Price - NordPool
Hydrological Balance - Markedskraft AS


0 100 200 300 400 500 600 700 800 900 1000

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Lower Hydro Production

FY 2003

- Total: 155,8 TWh
- 46% Hydro
- 36% Nuclear
- 28.1% Fossil

FY 2002

- Total: 158,5 TWh
- 44% Hydro
- 33% Nuclear
- 23% Fossil
Strong Increase in German Electricity Prices

Source EEX 2004-02-09
Our Vision:

“Vattenfall – a Leading European Energy Company”

Our key focus areas:

- Close the Gap by 2004
- Core Markets & Core Products
- Continued Profit Improvement
- 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

<table>
<thead>
<tr>
<th>Amounts in SEK million</th>
<th>FY 2003</th>
<th>FY 2002</th>
<th>Q4 2003</th>
<th>Q4 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>111,935</td>
<td>101,025</td>
<td>30,253</td>
<td>28,784</td>
</tr>
<tr>
<td>Gross profit</td>
<td>27,143</td>
<td>23,686</td>
<td>8,350</td>
<td>8,849</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>15,296</td>
<td>13,363</td>
<td>4,253</td>
<td>4,269</td>
</tr>
<tr>
<td>Operating profit, excl. IAC</td>
<td>15,033</td>
<td>12,916</td>
<td>3,893</td>
<td>4,270</td>
</tr>
<tr>
<td>Financial income</td>
<td>2,267</td>
<td>3,010</td>
<td>413</td>
<td>839</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-5,203</td>
<td>-6,386</td>
<td>-1,208</td>
<td>-1,399</td>
</tr>
<tr>
<td>Financial net</td>
<td>-2,936</td>
<td>-3,376</td>
<td>-795</td>
<td>-560</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and minority interests</td>
<td>12,360</td>
<td>9,987</td>
<td>3,458</td>
<td>3,709</td>
</tr>
<tr>
<td>Taxes</td>
<td>-2,831</td>
<td>-1,763</td>
<td>-44</td>
<td>-49</td>
</tr>
<tr>
<td>Minority interests in the profit for the period</td>
<td>-406</td>
<td>– 658</td>
<td>–4</td>
<td>-121</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>9,123</td>
<td>7,566</td>
<td>3,410</td>
<td>3,539</td>
</tr>
</tbody>
</table>

*IAC = Items Affecting Comparability*
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

- **Blue bars:** Quarterly values SEK m, excluding items affecting comparability
- **Red line:** Rolling 4 quarter values SEK m, excluding items affecting comparability
Strong Profit Contribution from Germany in 2003

- Excl. IAC

[Bar chart showing profit contribution from different sectors in FY 2003 and FY 2002]
Strong development in Poland

Rolling quarterly values

*Strong increase in the result during Q1 2002 due to extraordinary provisions made in 2001
GAP-analysis (annualised) vs. long term requirement: 11% RoNA
## Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Amounts in million SEK</th>
<th>FY2003</th>
<th>FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>216,203</td>
<td>217,650</td>
</tr>
<tr>
<td>Current assets</td>
<td>48,762</td>
<td>58,626</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>264,965</strong></td>
<td><strong>276,276</strong></td>
</tr>
<tr>
<td>Equity</td>
<td>52,506</td>
<td>45,129</td>
</tr>
<tr>
<td>Minority interests</td>
<td>9,379</td>
<td>9,960</td>
</tr>
<tr>
<td>Provisions, non-interest bearing</td>
<td>91,800</td>
<td>97,479</td>
</tr>
<tr>
<td>Interest bearing debt &amp; provisions</td>
<td>85,631</td>
<td>94,839</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>25,649</td>
<td>28,869</td>
</tr>
<tr>
<td><strong>Total equity, provisions and liabilities</strong></td>
<td><strong>264,965</strong></td>
<td><strong>276,276</strong></td>
</tr>
<tr>
<td><em>Net debt</em></td>
<td>66,890</td>
<td>75,207</td>
</tr>
<tr>
<td><em>Net assets</em></td>
<td>124,808</td>
<td>123,339</td>
</tr>
<tr>
<td><em>Net assets weighted avg.</em></td>
<td>124,229</td>
<td>127,479</td>
</tr>
</tbody>
</table>
Net Asset Development

SEK m

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Strong Cash Flow Development

Free cash flow from operations 1) - Rolling 4 quarter

Cash flow before financing activities - Rolling 4 quarter

1) Cash flow from operating activities minus reinvestments
### Consolidated Cash Flow Statement

#### Amounts in million SEK

<table>
<thead>
<tr>
<th></th>
<th>FY 2003</th>
<th>FY 2002</th>
<th>Q4 2003</th>
<th>Q4 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds from operations (FFO)</td>
<td>18,804</td>
<td>17,106</td>
<td>6,373</td>
<td>6,651</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-613</td>
<td>2,997</td>
<td>-4,415</td>
<td>543</td>
</tr>
<tr>
<td><strong>Cash Flow from operating activities</strong></td>
<td><strong>18,191</strong></td>
<td><strong>20,103</strong></td>
<td><strong>1,958</strong></td>
<td><strong>7,194</strong></td>
</tr>
<tr>
<td>Investments</td>
<td>-11,356</td>
<td>-39,932</td>
<td>-3,779</td>
<td>-2,801</td>
</tr>
<tr>
<td>Divestments</td>
<td>057</td>
<td>3,386</td>
<td>857</td>
<td>439</td>
</tr>
<tr>
<td>Liquid funds in acquired /sold companies</td>
<td>949</td>
<td>691</td>
<td>85</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td><strong>-8,350</strong></td>
<td><strong>-35,558</strong></td>
<td><strong>-2,837</strong></td>
<td><strong>-2,362</strong></td>
</tr>
<tr>
<td><strong>Cash flow before financing activities</strong></td>
<td><strong>9,841</strong></td>
<td><strong>-15,455</strong></td>
<td><strong>-879</strong></td>
<td><strong>4,832</strong></td>
</tr>
</tbody>
</table>

**Change in net debt:**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt at the beginning of the period</td>
<td>-75,207</td>
<td>-55,736</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow after dividend *</td>
<td>7,859</td>
<td>-18,905</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation differences</td>
<td>458</td>
<td>-566</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt at the end of the period</td>
<td>-66,890</td>
<td>-75,207</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* and after acquired/sold liquid assets and interest-bearing debt, net
## All Key Ratios Stronger

<table>
<thead>
<tr>
<th>KEY RATIOS</th>
<th>FY 2003</th>
<th>FY 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoNA *</td>
<td>12.1</td>
<td>10.1</td>
</tr>
<tr>
<td>RoE *</td>
<td>19.8</td>
<td>18.3</td>
</tr>
<tr>
<td>Operating margin *</td>
<td>13.4</td>
<td>12.8</td>
</tr>
<tr>
<td>Pre-tax profit margin *</td>
<td>10.8</td>
<td>9.4</td>
</tr>
<tr>
<td>Pre-tax interest coverage, times*</td>
<td>3.3</td>
<td>2.5</td>
</tr>
<tr>
<td>FFO/net debt</td>
<td>28.1</td>
<td>22.7</td>
</tr>
<tr>
<td>FFO net interest coverage, times</td>
<td>7.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Equity / asset ratio</td>
<td>23.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Net debt / equity (times)</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Net debt / net debt + equity</td>
<td>51.9</td>
<td>57.7</td>
</tr>
</tbody>
</table>

*Excluding items affecting comparability
Reduction in Net Debt by 8.3 bn SEK

SEK m

Q4 2000
Q1 2001
Q2 2001
Q3 2001
Q4 2001
Q1 2002
Q2 2002
Q3 2002
Q4 2002
Q2 2003
Q2 2003
Q3 2003
Q4 2003
Return on Equity  Average 4 Years Close to Target

- Rolling - 4 quarter
- Average 4-years (quarter)
- Requirement - 15 %
## Group Liquidity

Amounts in SEK million

<table>
<thead>
<tr>
<th></th>
<th>Treasury</th>
<th>Germany</th>
<th>Poland</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Dec. 31, 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank</td>
<td>302</td>
<td>1,665</td>
<td>399</td>
<td>307</td>
<td>2,673</td>
</tr>
<tr>
<td>Interest-bearing investments</td>
<td>6,745</td>
<td>755</td>
<td>1,546</td>
<td>146</td>
<td>9,192</td>
</tr>
<tr>
<td>Special Funds</td>
<td>2,568</td>
<td></td>
<td></td>
<td></td>
<td>2,568</td>
</tr>
<tr>
<td>Shares</td>
<td>214</td>
<td></td>
<td></td>
<td></td>
<td>214</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,047</td>
<td>5,202</td>
<td>1,945</td>
<td>453</td>
<td>14,647</td>
</tr>
<tr>
<td>Unused Credit lines</td>
<td>8,620</td>
<td>7,172</td>
<td></td>
<td></td>
<td>15,792</td>
</tr>
</tbody>
</table>
## Break Down of Group Debt

Amounts in SEK million

<table>
<thead>
<tr>
<th>As of Dec. 31, 2003</th>
<th>Treasury</th>
<th>Germany</th>
<th>Poland</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Papers</td>
<td>1 565</td>
<td></td>
<td></td>
<td></td>
<td>1 565</td>
</tr>
<tr>
<td>MTN</td>
<td>6 305</td>
<td></td>
<td></td>
<td></td>
<td>6 305</td>
</tr>
<tr>
<td>EMTN</td>
<td>37 814</td>
<td></td>
<td></td>
<td></td>
<td>37 814</td>
</tr>
<tr>
<td>Liabilities to ass. companies</td>
<td>14 979</td>
<td></td>
<td></td>
<td></td>
<td>14 979</td>
</tr>
<tr>
<td>Liabilities to oth. shareholders</td>
<td>420</td>
<td>3 869</td>
<td></td>
<td></td>
<td>4 289</td>
</tr>
<tr>
<td>Bank loans and others</td>
<td>4 068</td>
<td>16 126</td>
<td>108</td>
<td>377&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>20 679</td>
</tr>
</tbody>
</table>

**Total** | **49 752** | **31 525** | **108** | **4 246** | **85 631**

<sup>1)</sup> Including Interest-bearing provisions, 84 MSEK
Excluding loans from associated companies and minority owners.

- Commercial Papers
- Credit institutions and others
- Bond loans
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Lower Group Provisions

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

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Financial Targets

Focus on value creation and profitable growth

• To consolidate and secure a fast integration and profit improvement in the acquired German businesses
  \[\text{Target € 400-500 m annually from 2005}\]

• 15 % RoE = 11 % RoNA before tax
to be achieved through improved operating profit, or improved balance sheet efficiency (net assets)
  \[\text{FY 2003: RoE 19.8\%, RoNA 12.1 excl IAC}\]

• 3.5-5 times pre-tax interest coverage
  \[\text{FY 2003: 3.3 times excl IAC}\]

• To maintain credit rating in the single A category
  \[\text{Negative outlook changed to stable by both Moody´s and S&P in 2003}\]
Vattenfall Takes the Lead…..

Turning Power into Possibilities