

Vattenfall Capital Markets Day 2005

Presentation by

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CFO

27 September, 2005

1. Update on Vattenfall's financial targets, performance and steering model
 2. Energy risk management
 3. IFRS impact on Vattenfall
 4. Investments
 5. Funding
- *Appendices*

Financial Targets








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Key Ratio / Objective	Target		Q2 2005	FY 2004
Return on Equity (RoE)	15 % (on visible equity after tax over a business cycle)		15.8*	14.2
Return on Net Assets (RoNA, Excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)		15.2*	13.8
Pre-tax interest coverage	3.5 – 5 times		5.3*	4.7
Credit Rating	Single A category rating		Changed A2/A- Positive outlook	Unchanged A3/A- Stable outlook
Profit improvement in German operations	Cost savings of EUR 400-500 million annually from 2005		Programme completed	MEUR 519

* rolling 12-months value

Key Ratios (IFRS)

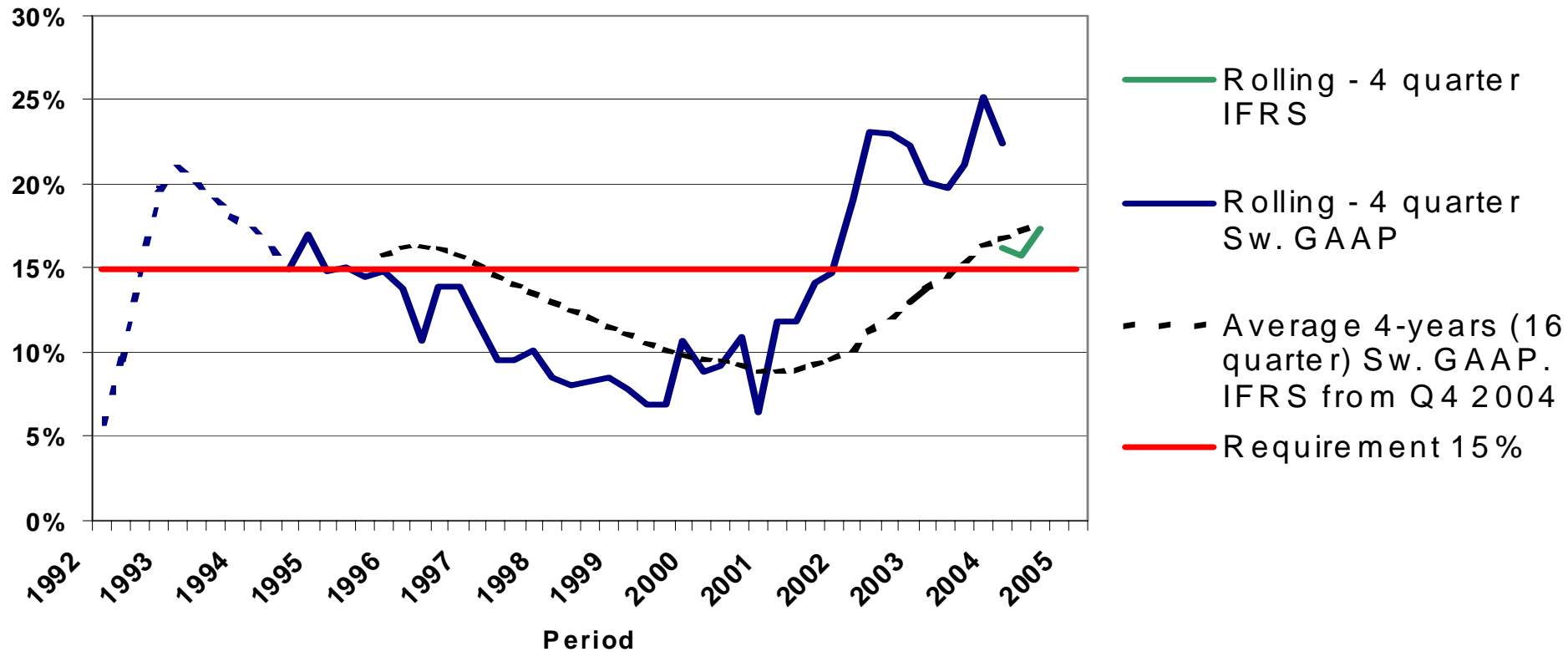
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Key Ratios (in % unless otherwise stated)		Q2 2005	Q2 2004	LTM
RoNA (1)(2)		15.2		15.2
RoE (1)(2)		17.4		17.4
Operating margin (1)		15.8	14.9	17.8
Pre-tax profit margin (1)		13.8	12.7	16.6
Pre-tax interest coverage, times (1)		4.0	4.4	5.7
FFO/net debt (2)		35.7		35.7
FFO net interest coverage, times (2)		11.8	12.1	13.3
Equity/assets ratio		24.7	27.1	24.7
Net Gearing - Net debt/equity, times		0.85	0.77	0.85
Capitalisation - Net debt/net debt + equity		52.2	50.8	52.2

1) Excluding items affecting comparability

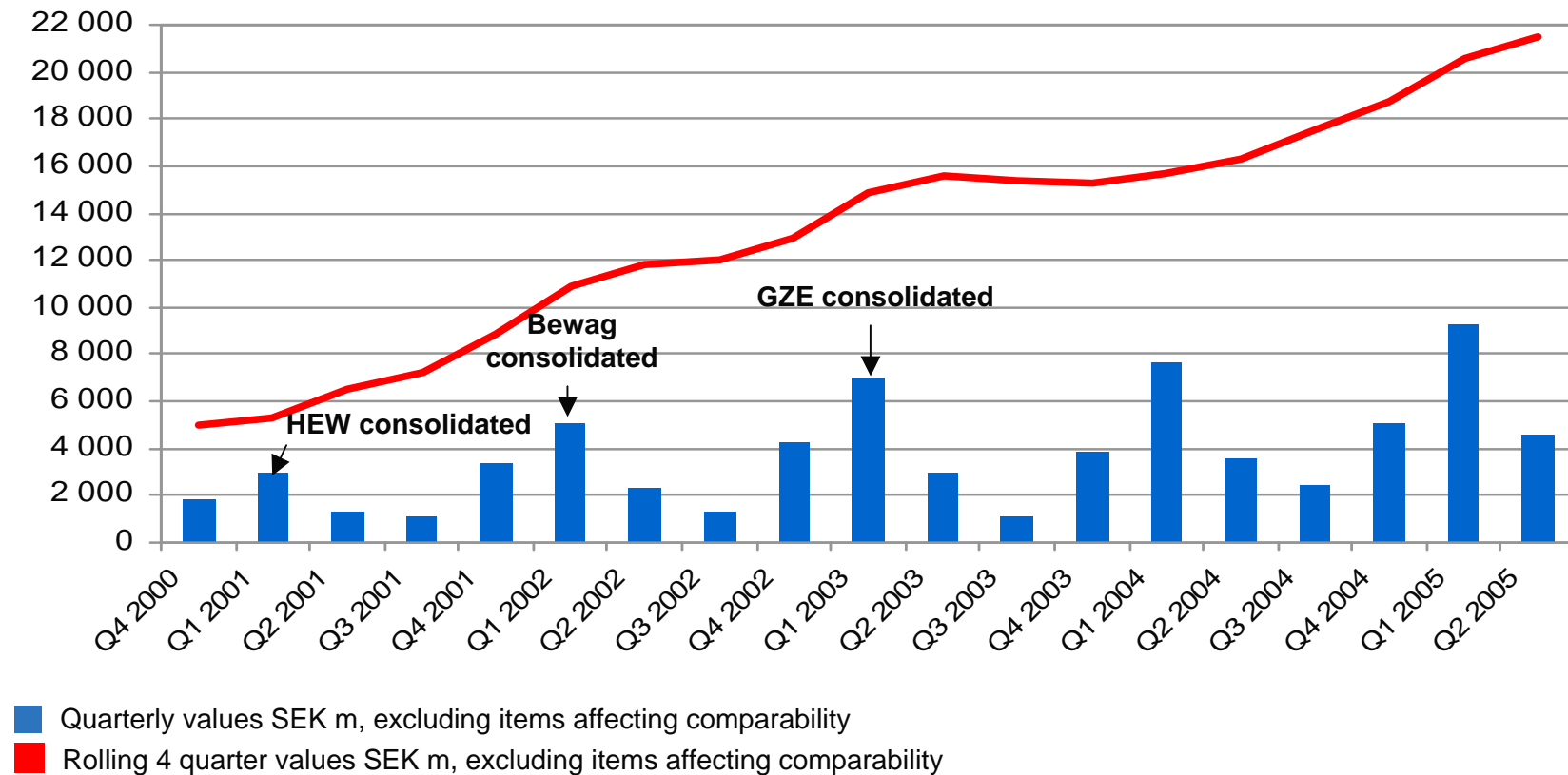
2) Q2 2005 value = LTM

Group - Return on Equity Six months interim accounts - 2005



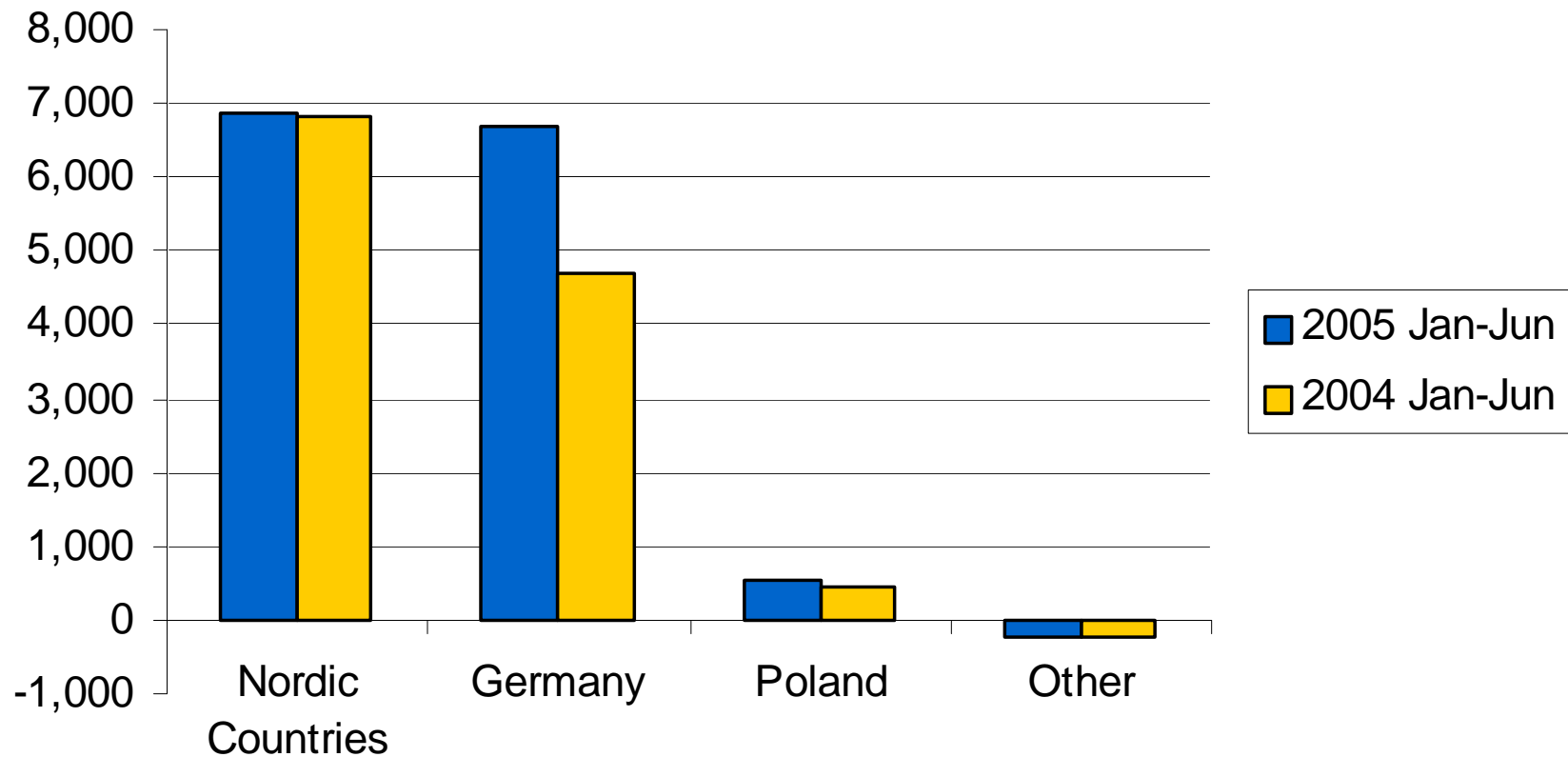
Continued Strong EBIT Development

Quarterly values, SEK million

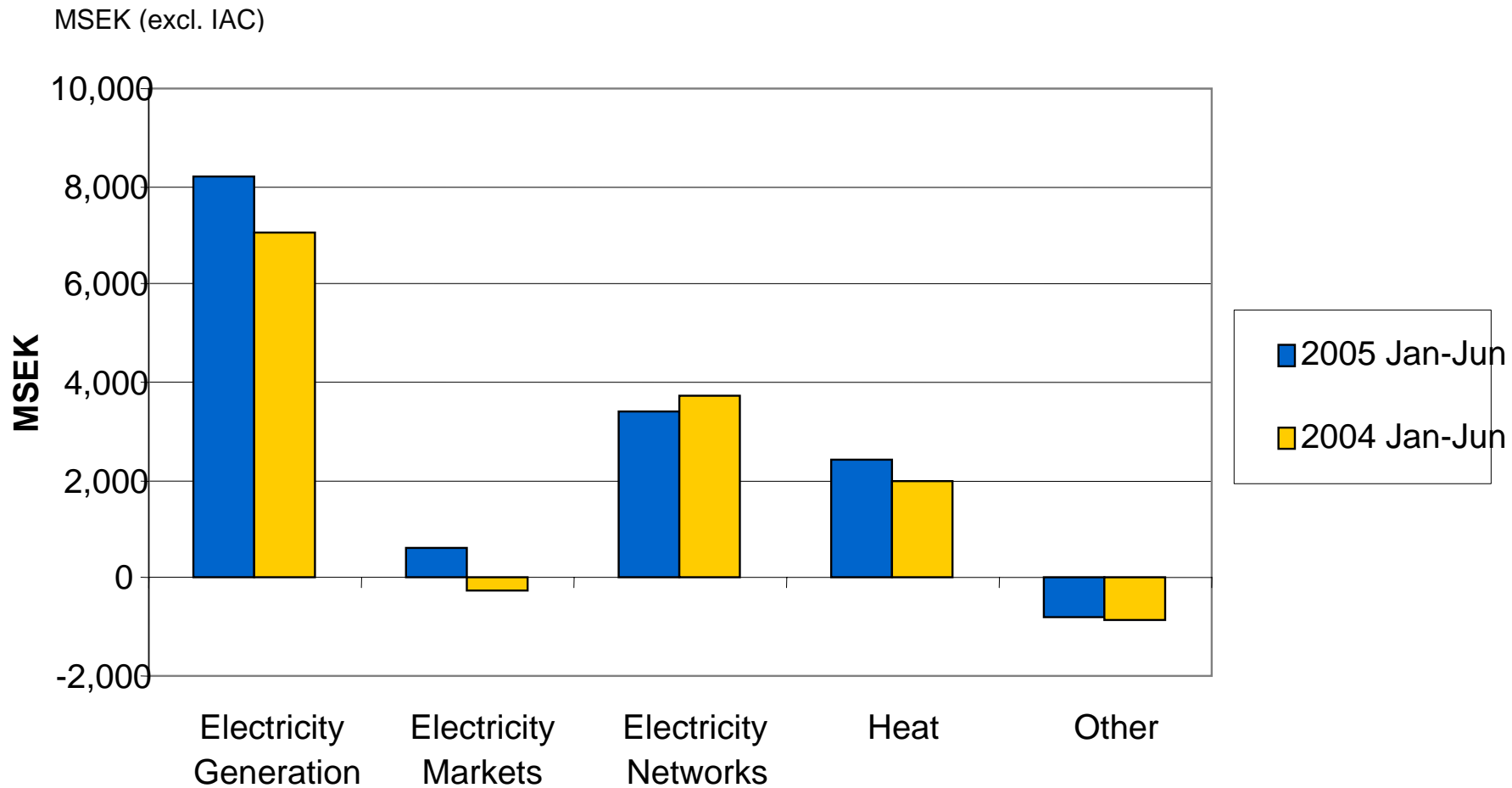


H1 – EBIT by Primary Segment

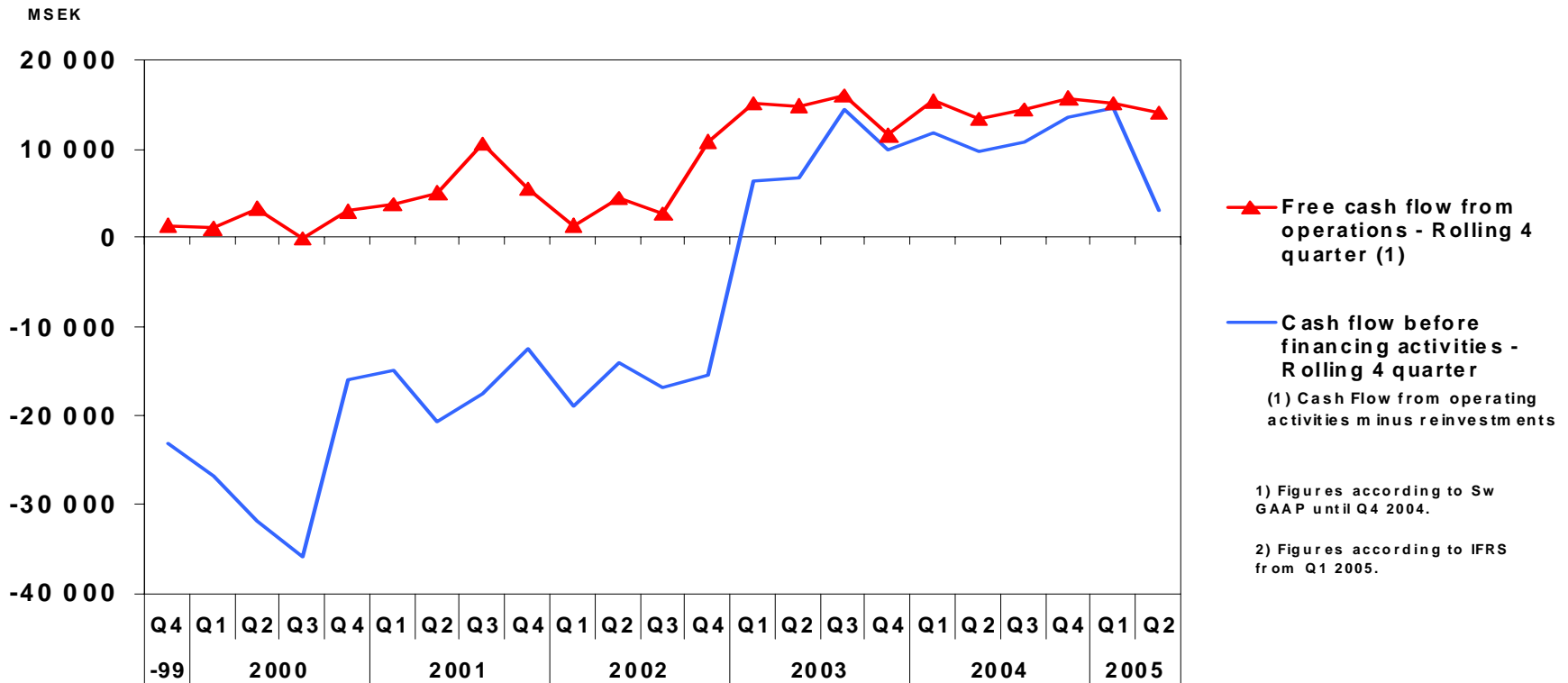
MSEK (excl. IAC)



H1 – EBIT by Secondary Segment



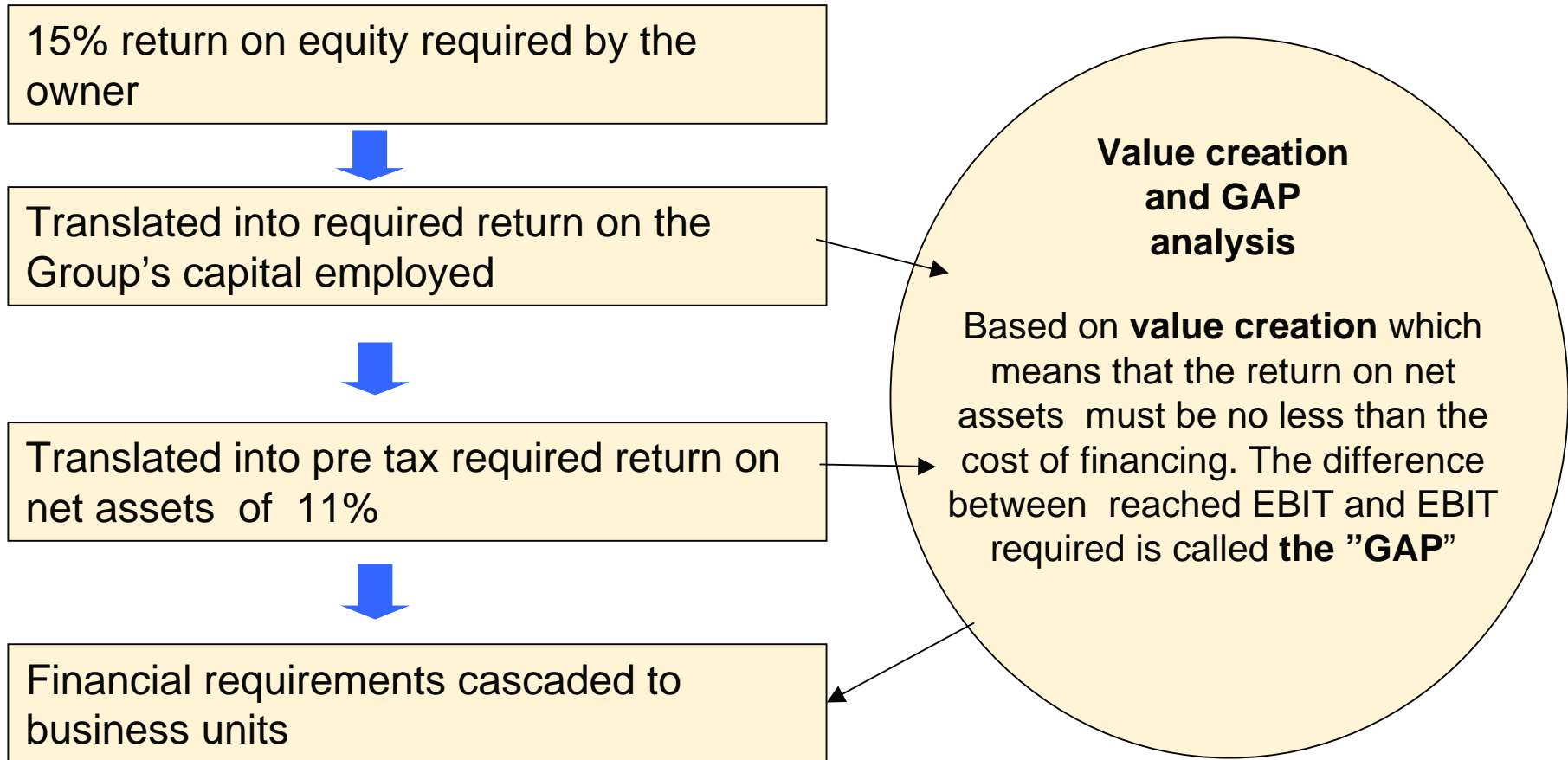
Cash Flow Development



2. Vattenfall's steering model

Vattenfall's steering model

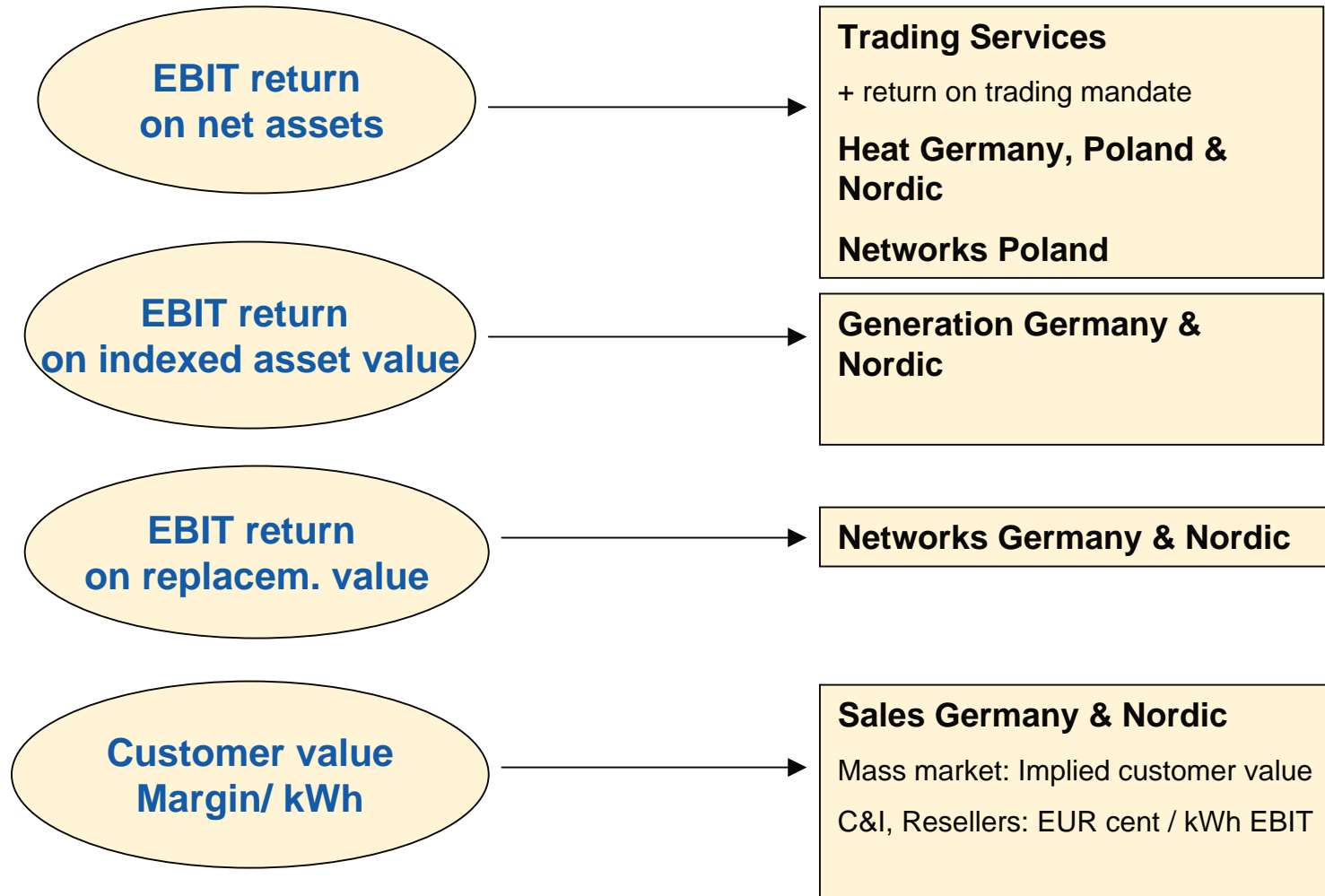
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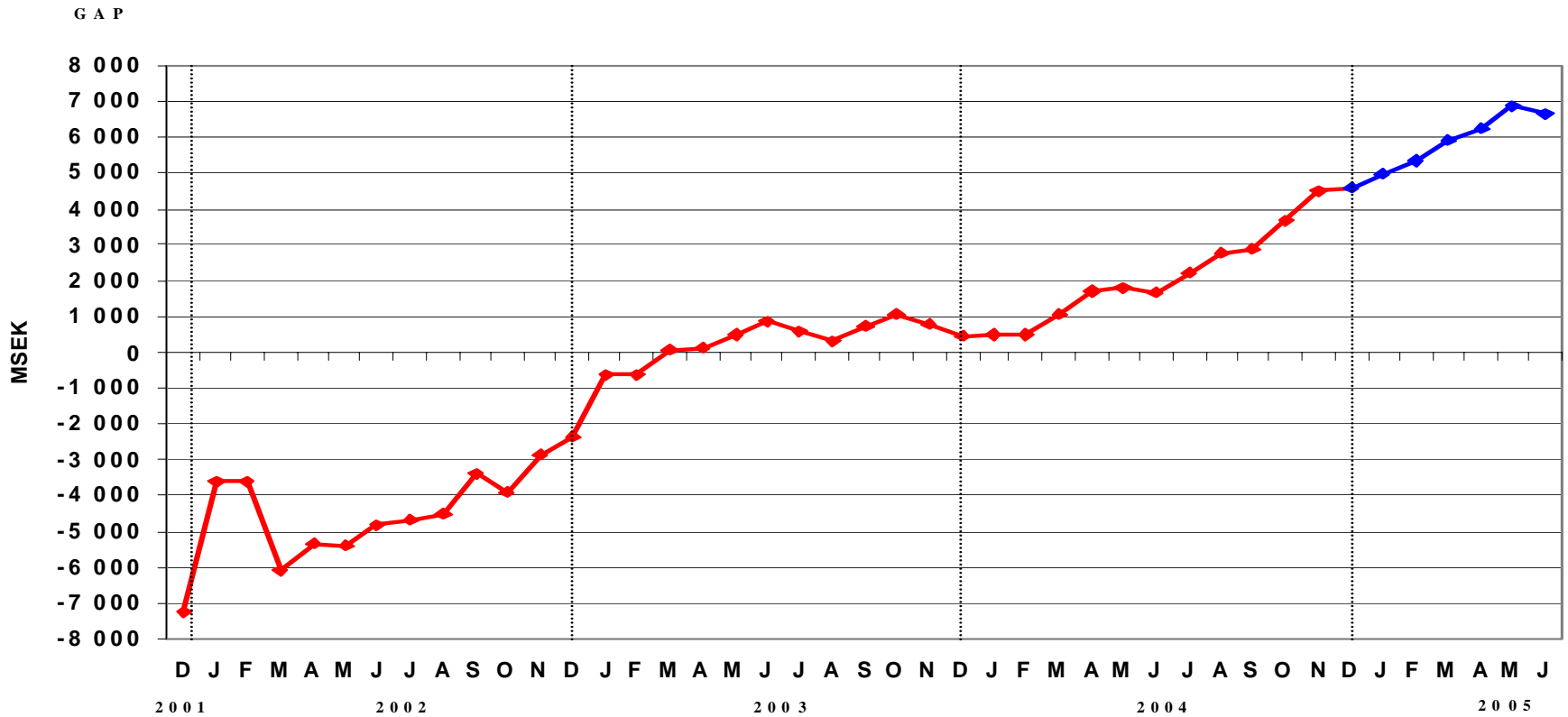
Value creation targets established for each BU 12

- The Group's net assets are defined as total balance sheet less cash and liquid assets and less non-interest bearing liabilities.
- Some units have "real" assets, mainly in generation and in the network business. For these units we calculate real required cash flow returns, and transform them into required earnings to match the total Group's requirement
- The various business units carry different risk. Therefore we differentiate the required returns between the BU's.

Financial requirements cascaded to business units 13

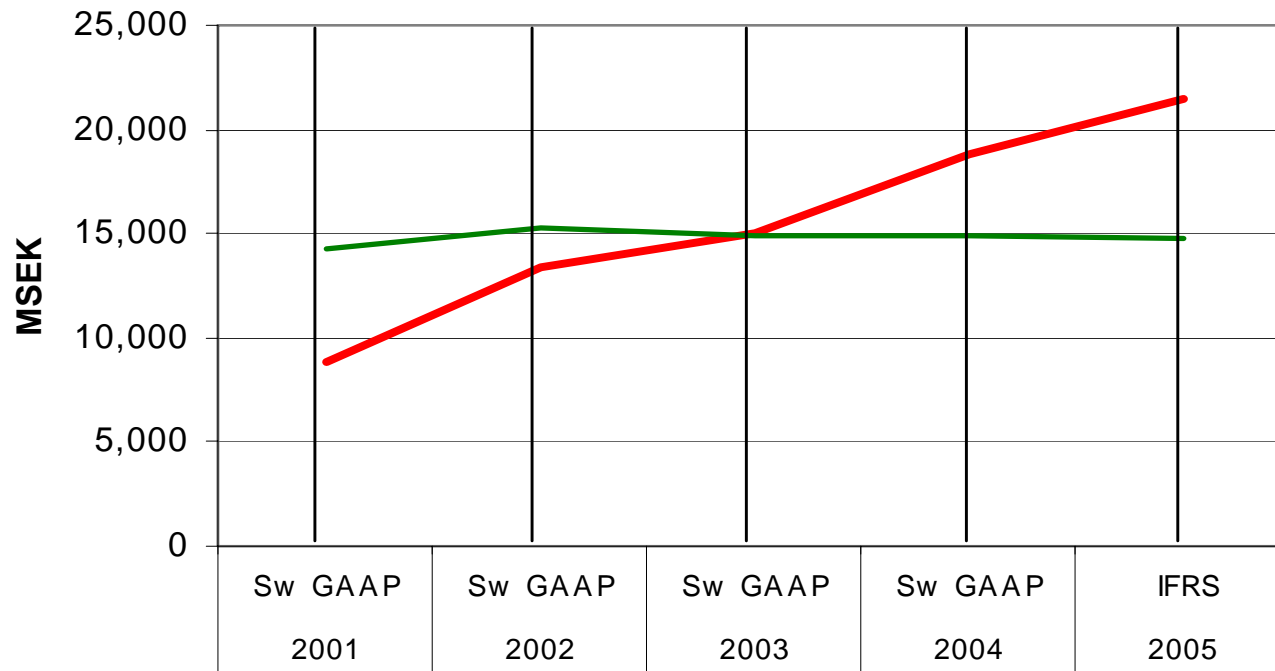


GAP-analysis (annualised) vs. long term requirement : 11% RoNA



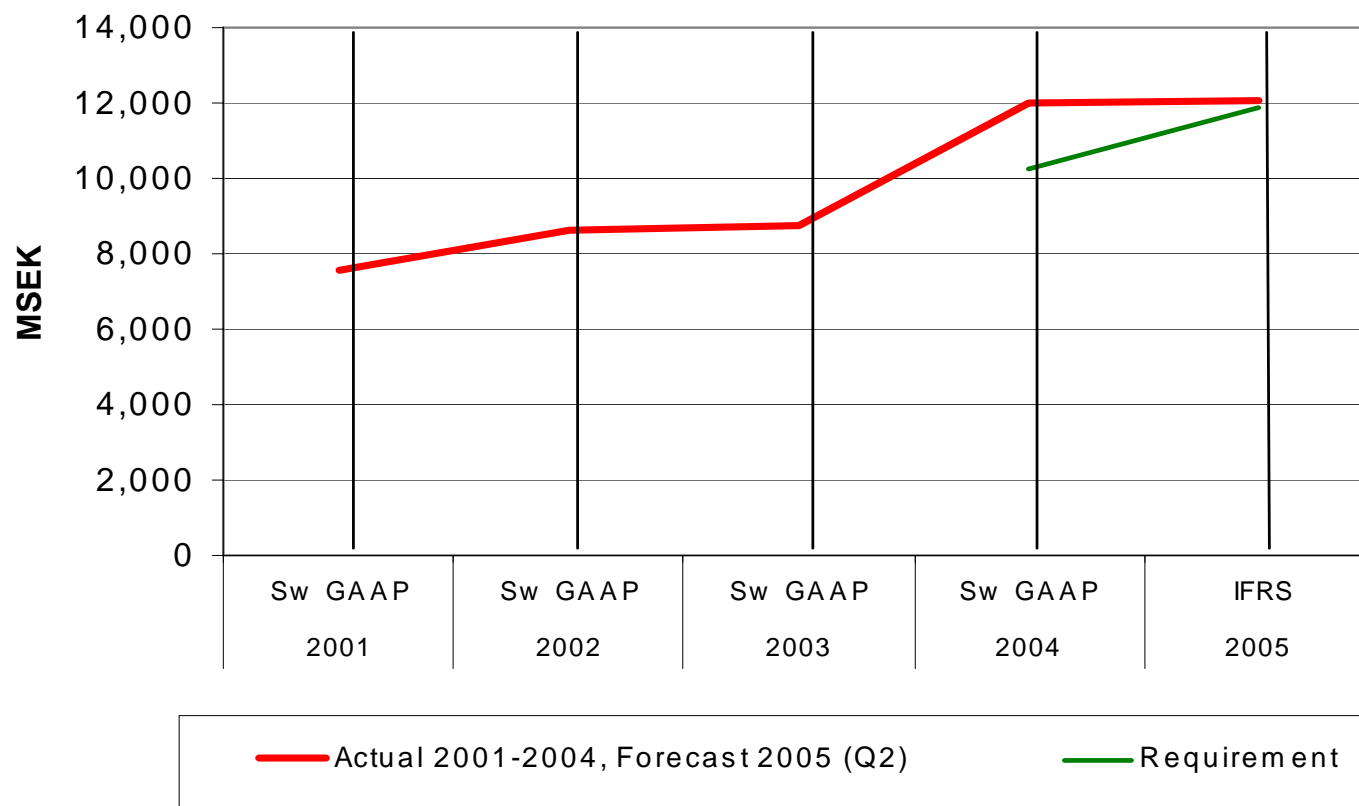
GAP-analysis Vattenfall Group

Vattenfall Group Operating profit, excl. non-recurring items



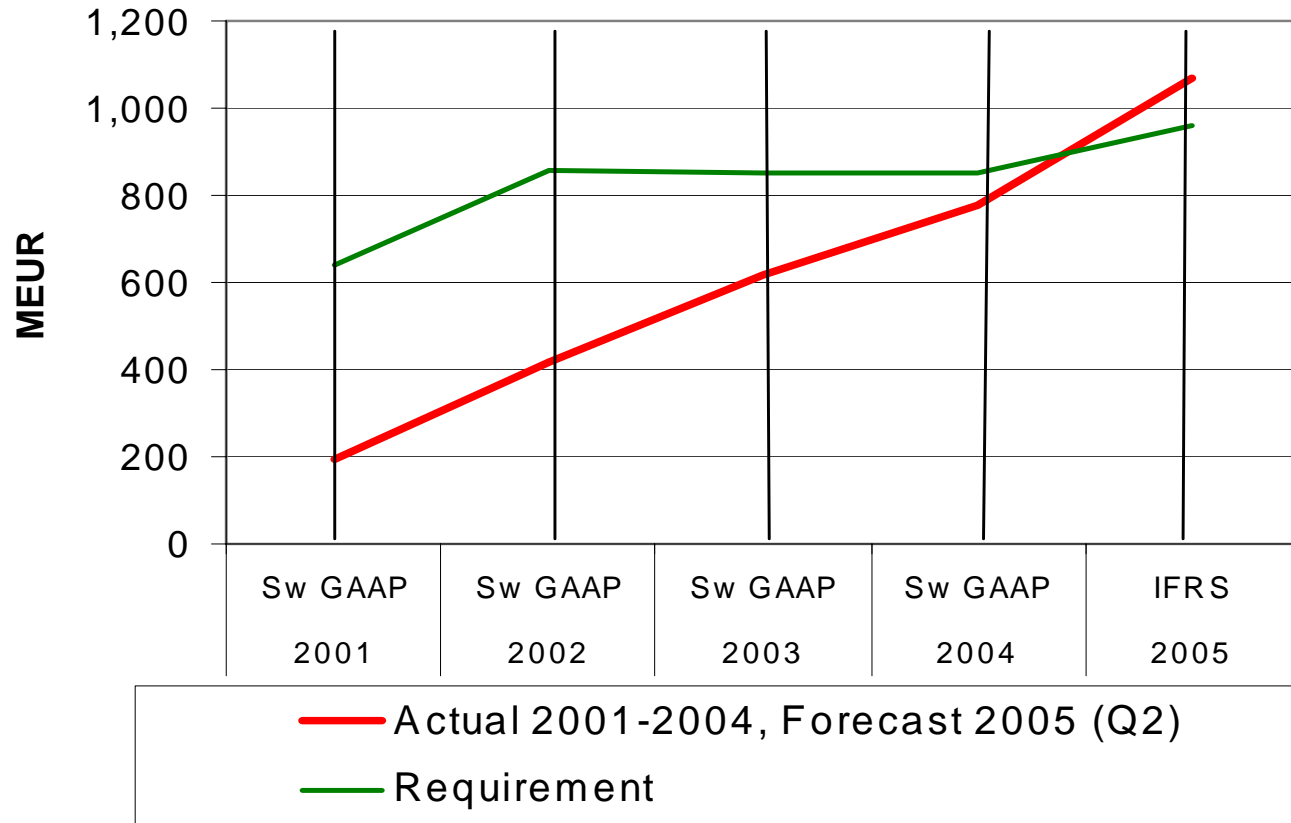
— Actual 2001-2004, Forecast 2005 (Q2)
— Requirement Top-down (AC 2001-2002, BP 2003-2005)

BG Nordic Operating profit, excl. non-recurring items



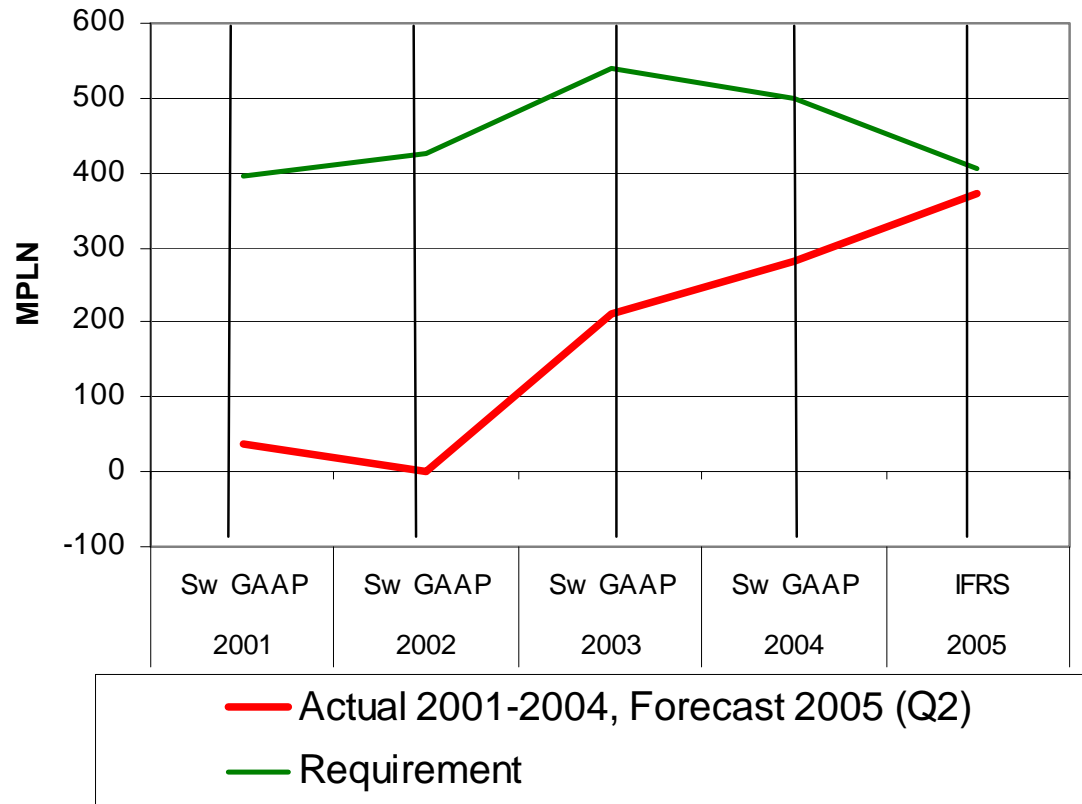
BG Germany – Gap Analysis

BG Vattenfall Europe Operating profit , excl non-recurring items



BG Poland – Gap Analysis

BG Poland
Operating profit, excl. non-recurring items



2. Energy risk management

Group control vs Business Units (BU:s)

- Vattenfall has a *centralised risk control function* combined with local risk controllers in the respective BU:s
- The allocated mandates are monitored and checked on a daily basis by the local risk controllers.
- The Group Risk Control monitors the aggregated mandate.
- There is a tree-structure of risk instructions (RI). One RI for each BU which clarifies and describes the risk management process and the reporting scheme
- The RI is a tool for the BU:s as well as for the risk management organization.

Risk Models

- “Value at Risk” and “Profit at Risk” are used together with stress tests and other simulation methods

Counter-party risk management

- Regulated by a separate Group Instruction

Vattenfall's CFO

- Receives the risk mandate from Vattenfalls CEO
- Defines and allocates risk mandates within the group
- Chairs VRC (Vattenfall Group Risk Committee)
- Approves counterparty exceptions

Vattenfall Group Risk
Committee
(VRC)

- Supports CFO in the risk management process

Energy & Commodities Group Risk control

- Independent control function on a group level
- Responsible for risk control on an aggregated level. CFO's eye in the organisation.
- Reports to CFO and to Executive Group Management.

Local Risk Controllers

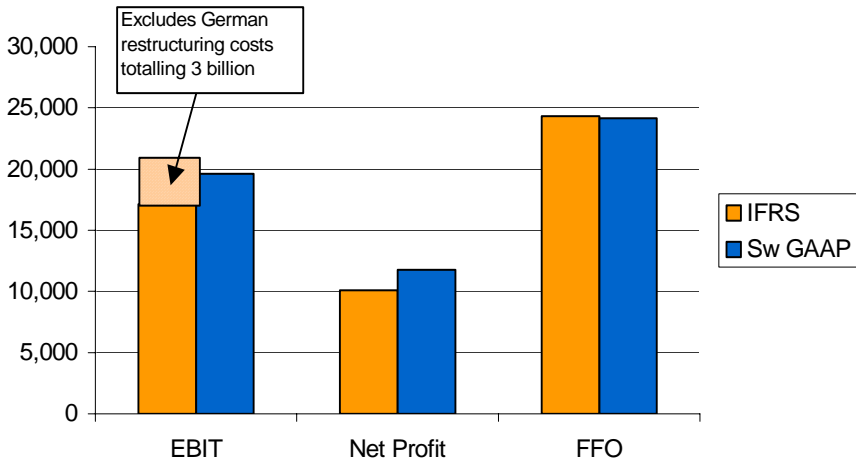
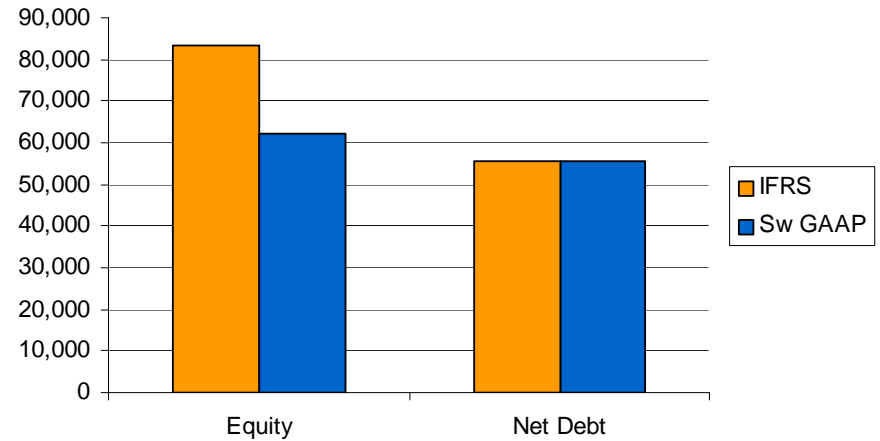
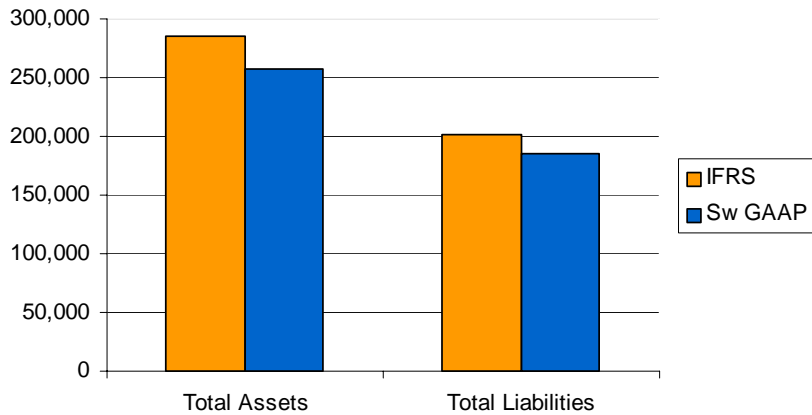
- Monitors the BU:s risks on a daily basis.
- Reports to Group Risk Control and to head of Business Unit (BU).

Business Units

- Responsible for active risk management.
- Determines the current utilisation within the delegated risk mandates.
- Assumes the financial consequences of the risks.

3. IFRS - Impact on Vattenfall

IFRS vs Sw GAAP FY 2004



All amounts in SEK millions

- Vattenfall hedges electricity generation in order to smooth earnings and cash flow
- Hedging horizon of three years
- Derivatives used to hedge future electricity production
 - cannot be fully netted according to IAS 39
- Given volatile electricity prices, long-term hedging has major impact on equity due to mark-to-market valuation of hedged position

Transition to IFRS – IAS 39

MSEK	Assets	Equity
FY 2004 According to IFRS	285,014	83,599
<i>Impact from adoption of IAS 39 per 1 January 2005</i>	6,998	-440
Opening balance 2005 adjusted for effect from adoption of IAS 39	292,012	83,159

Change in Equity H1 2005

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SEK million

Balance brought forward from 1 January	83,599
Transition effect (IAS 39)	-440
Dividend to shareholders	-5,771
Cash flow hedges	-7,750
Translation differences, net	2,029
Changes in ownership	-64
Profit for the period	8,486
Balance carried forward at 30 June	80,089

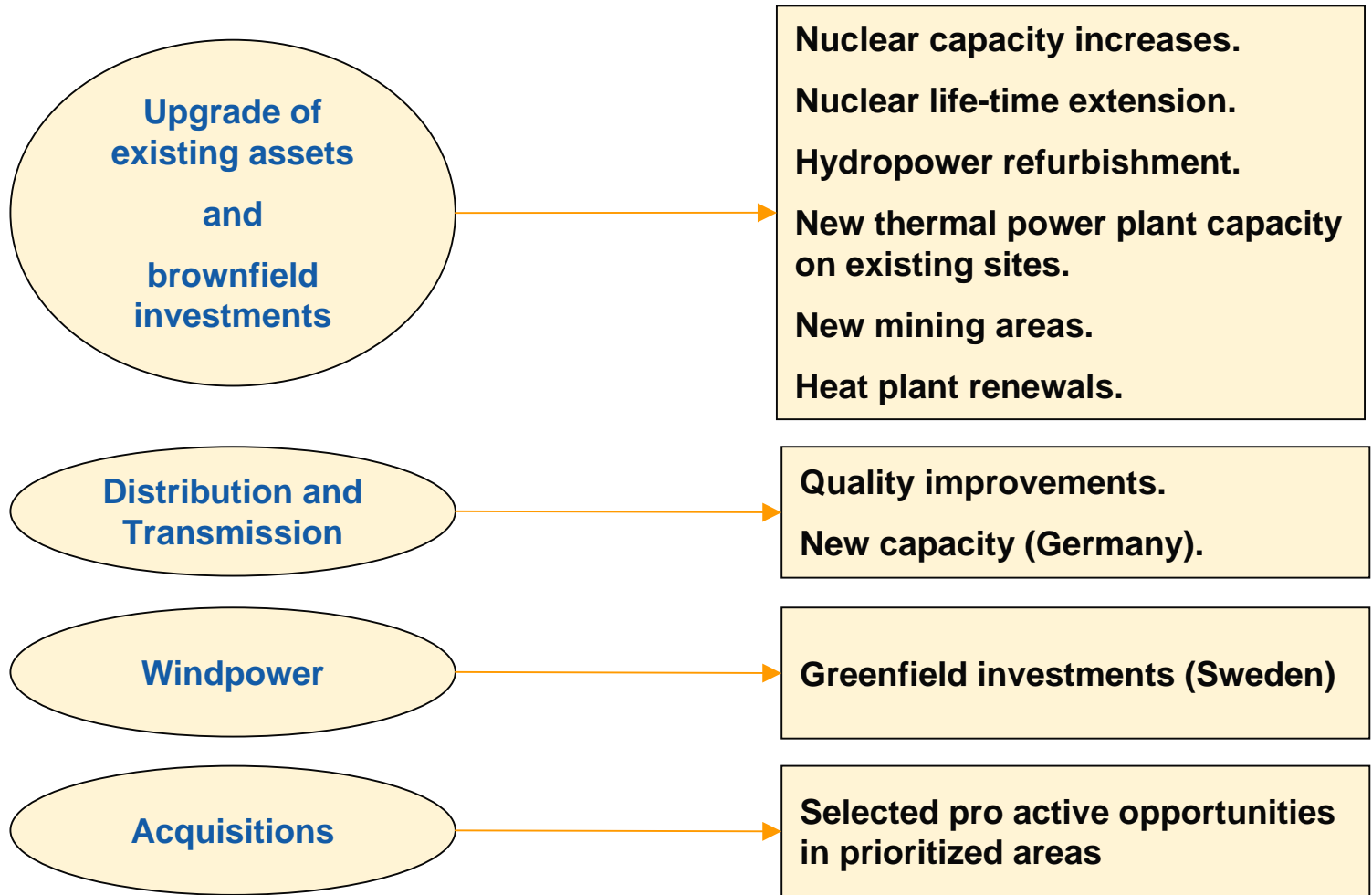
Cash Flow Hedges

28

SEK million

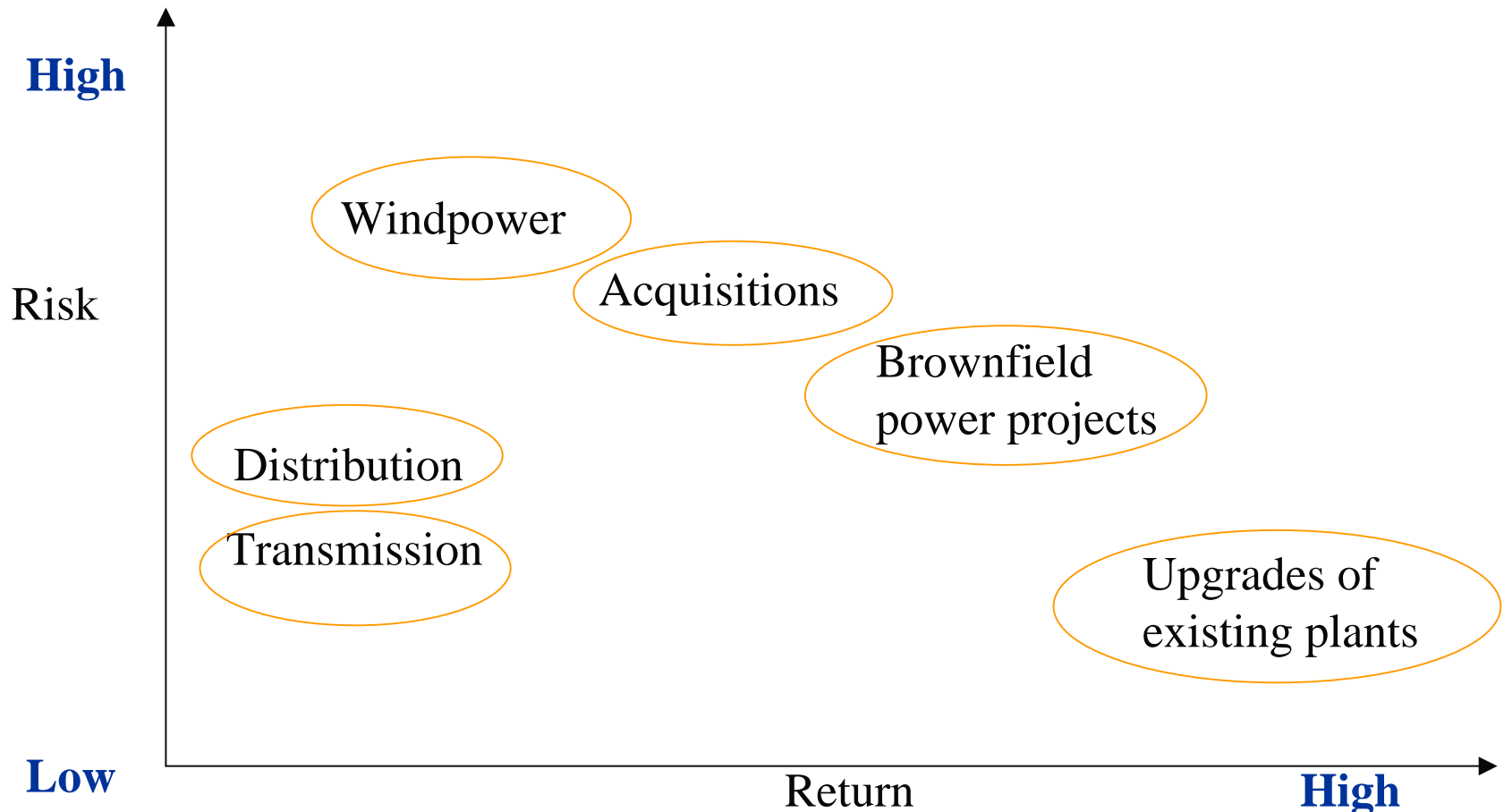
Change in equity Jan-June 2005	
Energy trading Germany	-2,770
Energy trading Nordic	-4,596
Treasury	-105
Other	-279
	-7,750

4. Investments



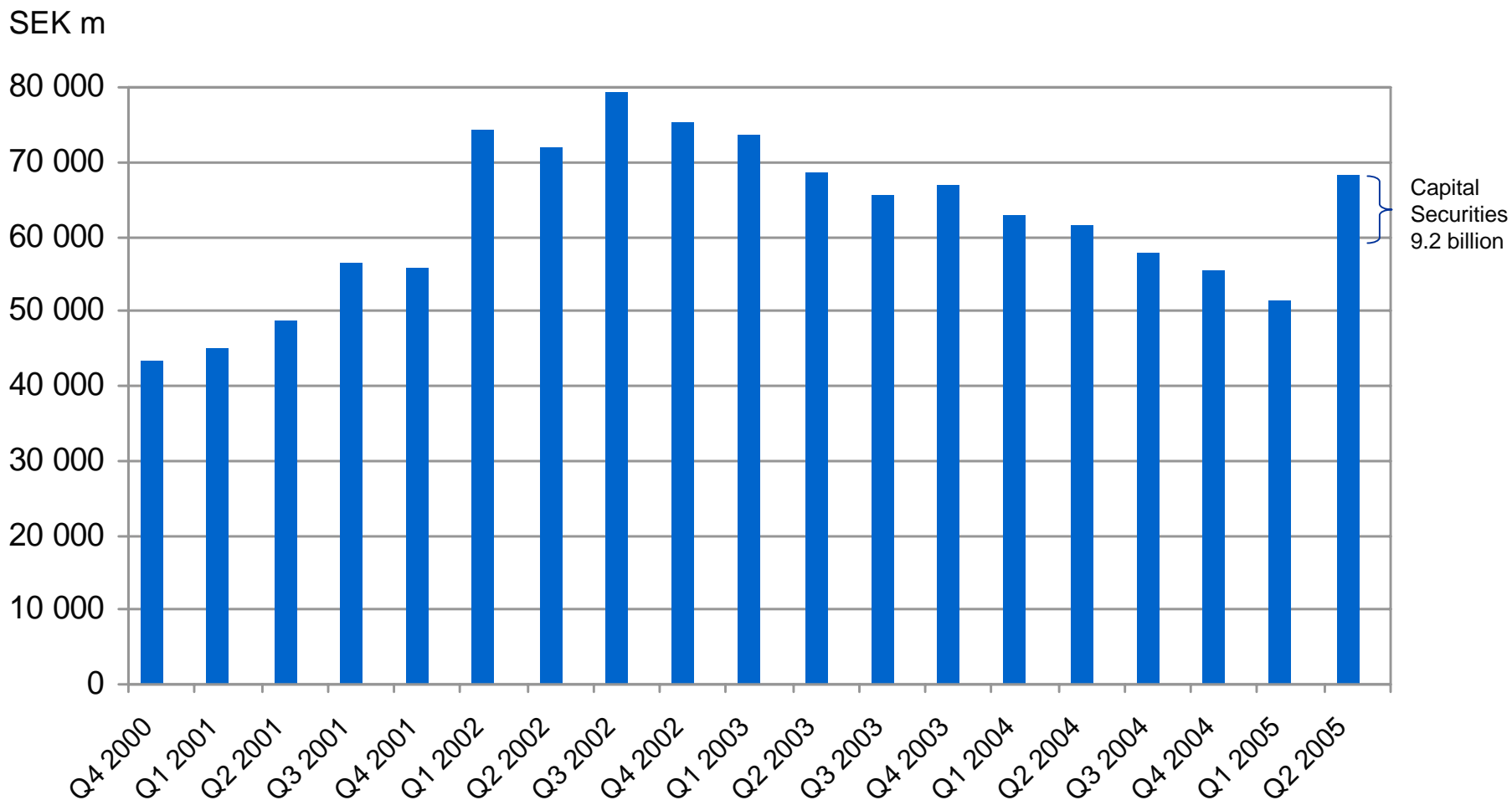
Risk vs Return on Investment

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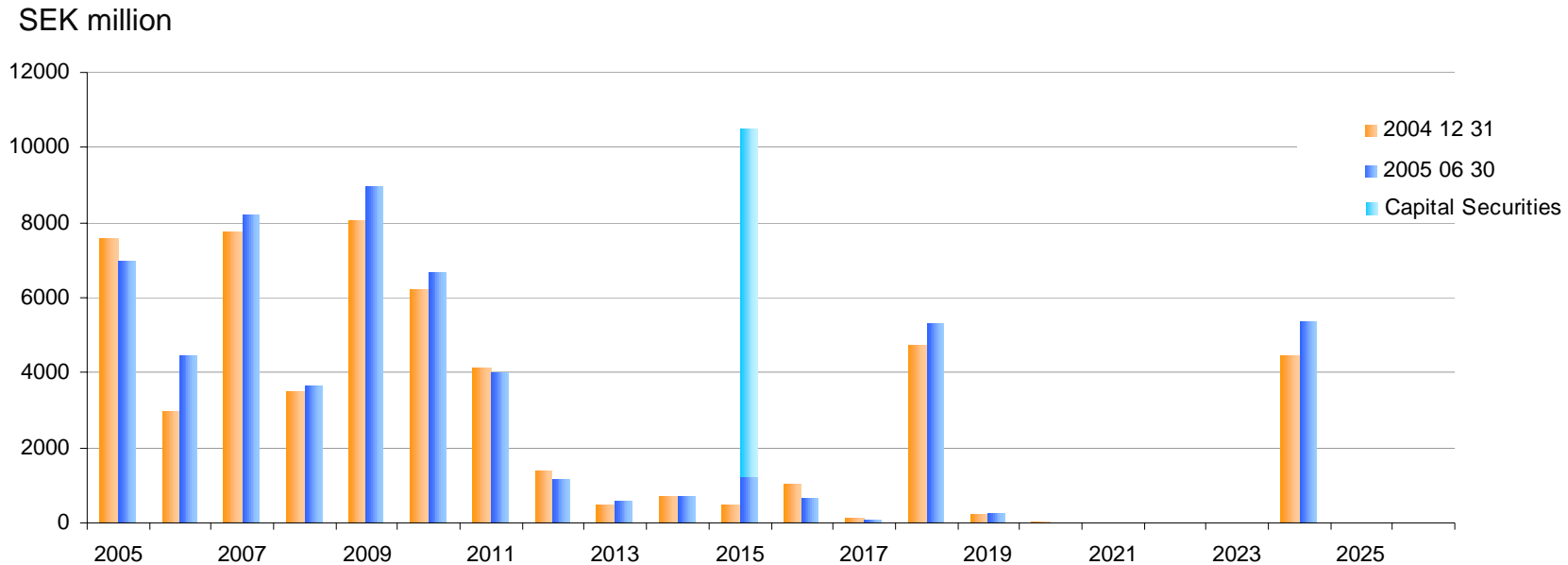


5. Funding

Net debt increased in Q2 2005 due to Danish investment and dividend payment



Vattenfall Debt Maturity Profile



Excluding loans from associated companies and minority owners

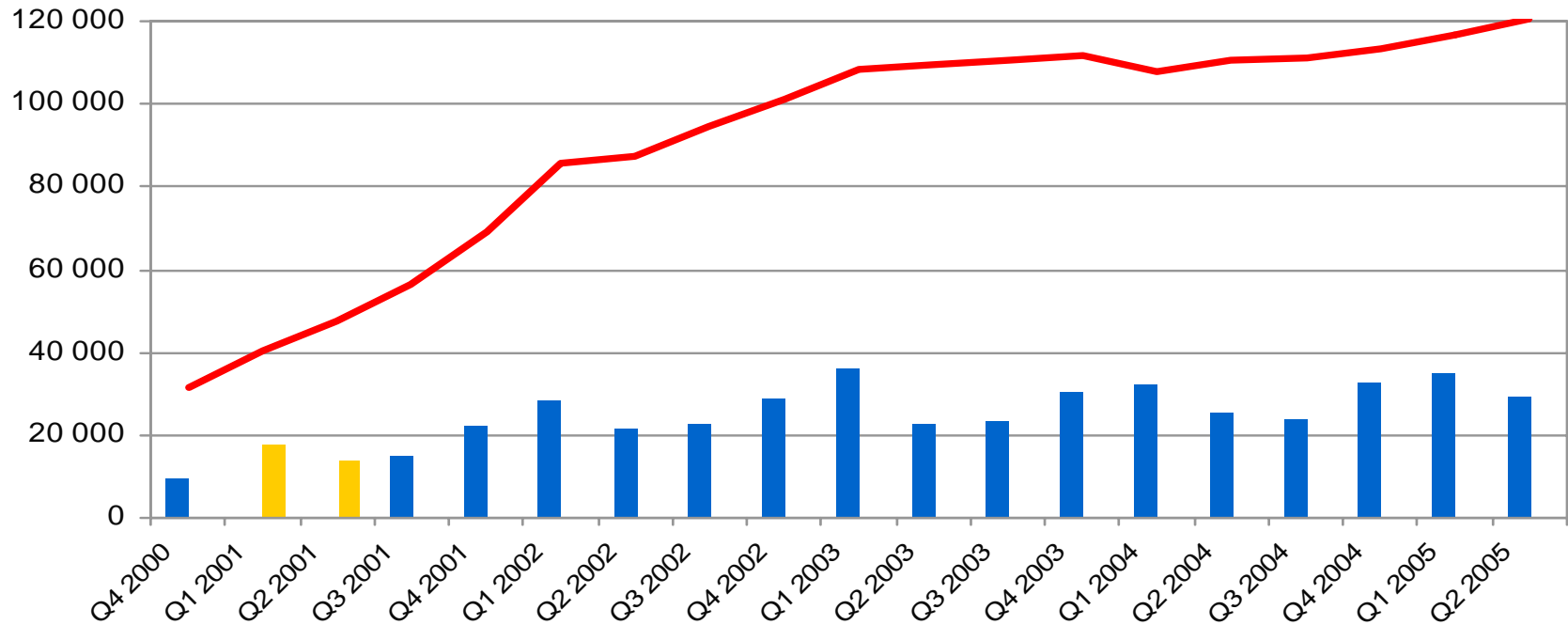
	June 30, 2005	Dec. 31, 2004
Net debt (SEK bn) ¹⁾	68.3	55.4
Duration (years) ¹⁾	3.3	2.0*
Average time to maturity (years) ¹⁾	6.4	6.7

*Average fixed interest period (years)

¹⁾ Including Capital Securities of 9,268 million. Excluding Capital Securities, net debt amounts to SEK 59.1 billion, with duration 2.4 years and average time to maturity 5.8 years.

Appendices

Quarterly values, SEK million

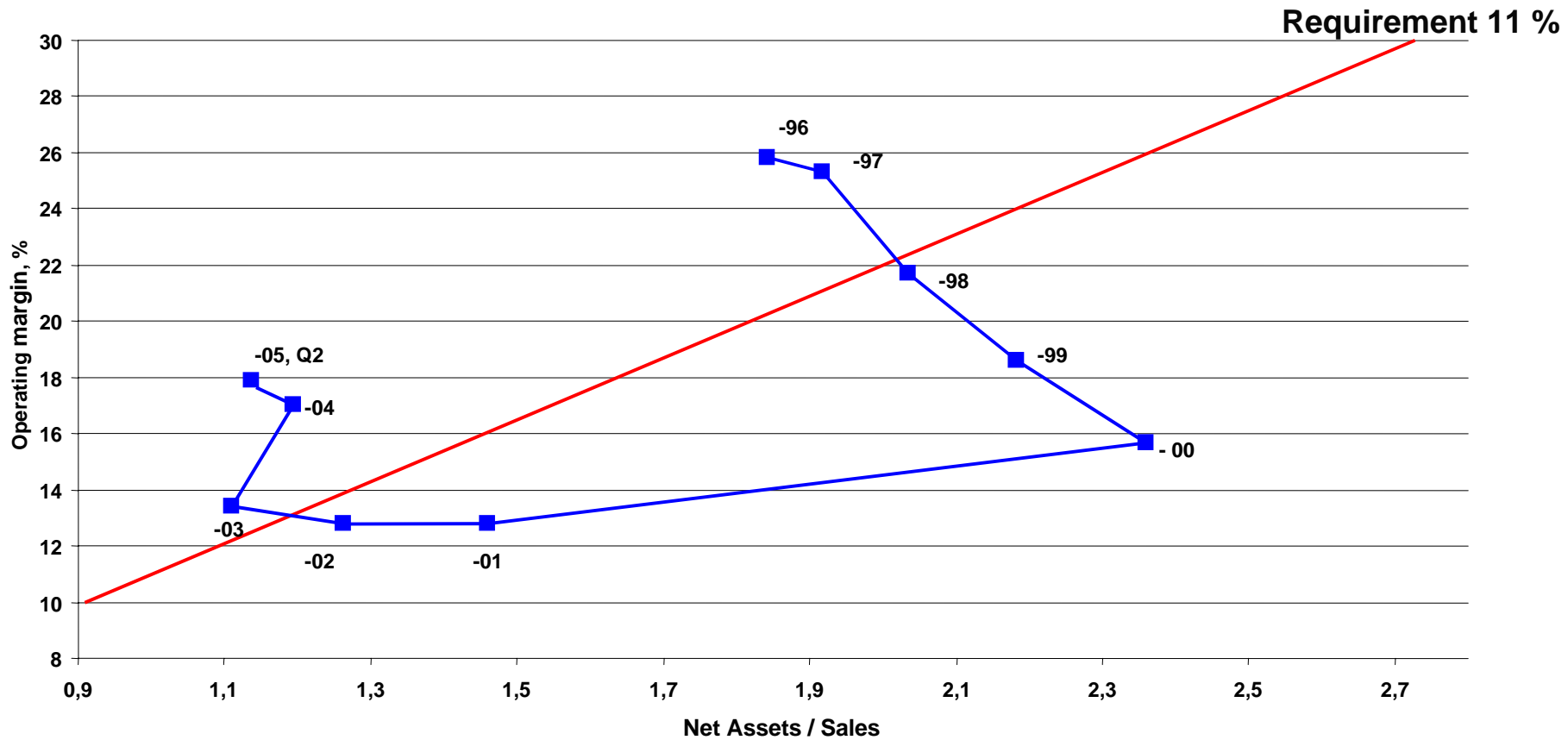


■ Quarterly values SEK m
 ■ Rolling 4 quarter values SEK m

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

Return on Net Assets

Rolling 12 months backwards, excl. IAC



Transition to IFRS – impact on 2004

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MSEK	Assets	Equity	Net Profit
FY 2004 According to Sw. GAAP	256,915	62,316	11,776
<i>ADJUSTMENTS TO IFRS</i>			
A. Negative goodwill	0	6,928	-3,034
B. Amortisation of goodwill	134	134	122
C. Nuclear decommissioning	24,467	4,220	886
D. Mining operations	3,034	2,763	42
E. Development costs	464	464	-77
F. Deferred taxes	0	-2,414	-192
G. Minority Interests	0	9,188	572
<i>TOTAL CHANGE UNDER IFRS</i>	28,099	21,283	-1,681
FY 2004 According to IFRS	285,014	83,599	10,095

Deviations compared with page 81 in Annual report due to the fact that deferred taxes are shown gross in this slide

Group Liquidity

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Amounts in SEK million

As of

June 30, 2005

	Treasury	Germany	Poland	Others	Total	%
Cash and bank	630	957	354	3,689	5,630	38
Interest-bearing investments	5,162	1,145		145	6,452	43
Special Funds		2,860			2,860	19
Shares		11			11	0
Total	5,792	4,973	354	3,834	14,953	100

Unused committed credit facilities amount to SEK 17 760 million and other unused credit- and overdraft facilities amount to SEK 10 109 million.

Break Down of Group Debt

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Amounts in SEK million

As of

June 30, 2005

	Treasury	Germany	Poland	Others	Total	%
Subordinated perpetual Capital Securities	9,268				9,268	11
Commercial papers	4,980				4,980	6
MTN	2,327				2,327	3
EMTN	41,587				41,587	47
Liabilities to assoc. companies		14,882		4	14,886	17
Liabilities to oth. shareholders		146		4,234	4,380	5
Bank loans and others	472	9,153	39	286	9,950	11
Total	58,634	24,181	39	4,524	87,378	100

- Issue date: 29 June, 2005
- Size: 1,000 MEUR
- Coupon: 5.25%
- Maturity: Perpetual, callable in 2015
- Step-up: 100 bps after 10 years
- Ranking: Junior subordinated
- Optional deferral: Yes, on a cumulative basis
- Mandatory deferral: Yes, interest coverage trigger, non-cumulative
- Equity credit: 75% Moody's, 60% S&P

- Provides Vattenfall with increased financial flexibility in combination with lower overall weighted average cost of capital
- In line with our growth strategy
- Proceeds used to repay short term CP debt raised to fund the purchase of Elsam shares

- Principal amount treated as 100 % debt in Vattenfall's accounts
- Coupon treated as financial expense – not dividend

Midbond vs Midswaps in Euribor terms

