

VATTENFALL FY 2004 RESULTS

Presentations by
CEO Lars Josefsson and CFO Matts Ekman
February 18th 2005

Net sales increased

- by 1.3 per cent to 113,366 MSEK (111,935)

EBIT increased

- by 28.2 per cent to 19,607 MSEK (15,296)

excl IAC by 25.0 per cent to 18,788 MSEK (15,033)*

Net Profit increased

- by 29.1 per cent to 11,776 MSEK (9,123)

* IAC = items affecting comparability

Return on Net Assets excl. IAC* was

- 15.2 per cent (12.1)

Return on Equity excl IAC* was

- 21.4 per cent (19.8)

Reduction in net debt by 11.5 bn to

- SEK 55.4 bn (66.9 at 31 Dec. 2003)

- net gearing down to 77 per cent (108 per cent at 31 Dec. 2003)

* IAC = items affecting comparability

Net sales increased

- by 7.1 per cent to SEK 32.5 bn (30.3)

EBIT increased

- by 27.8 per cent to SEK 5.4 bn (4.3)

Net Profit decreased

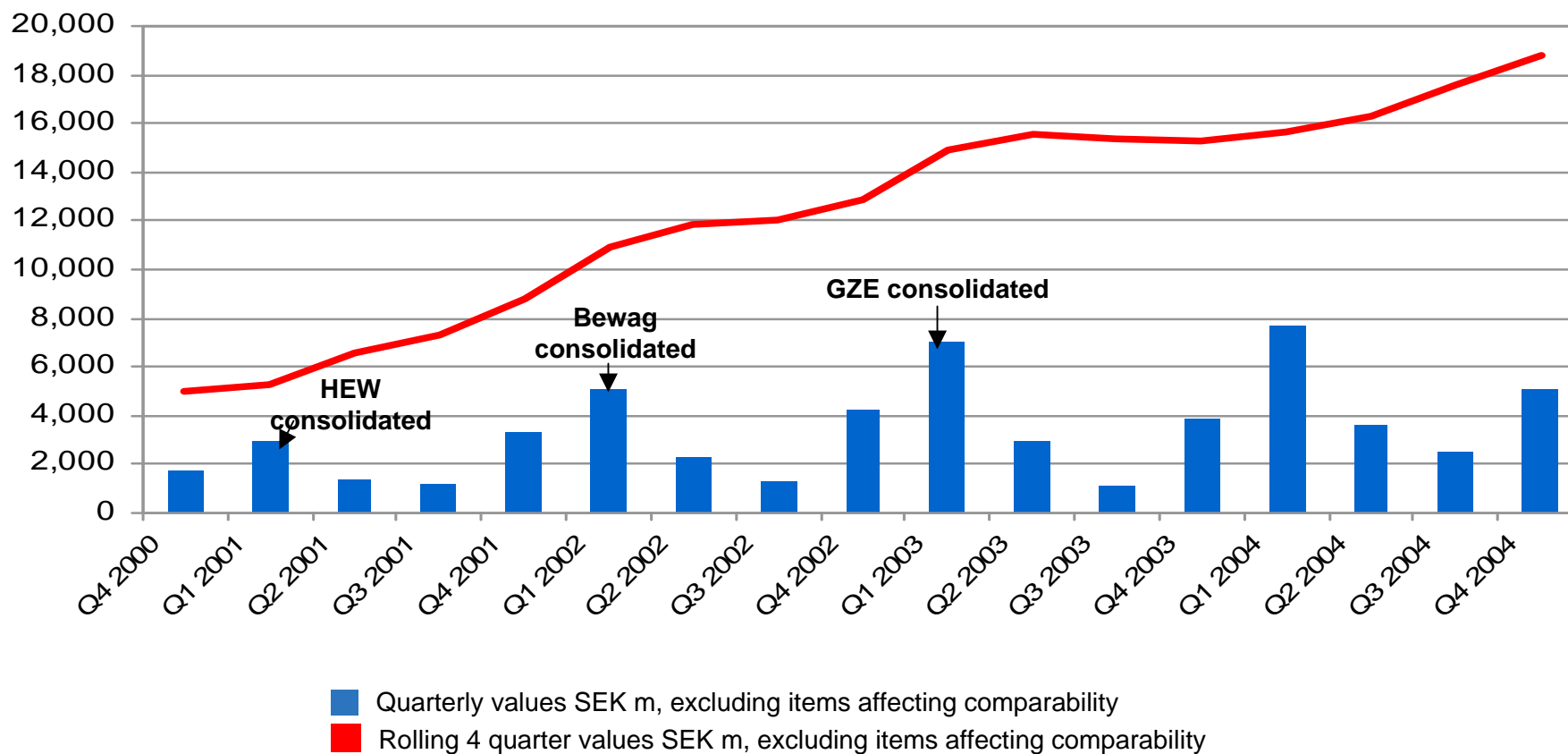
- by 5.8 per cent to SEK 3.2 bn (3.4) due to normalised tax level

Reduction in net debt

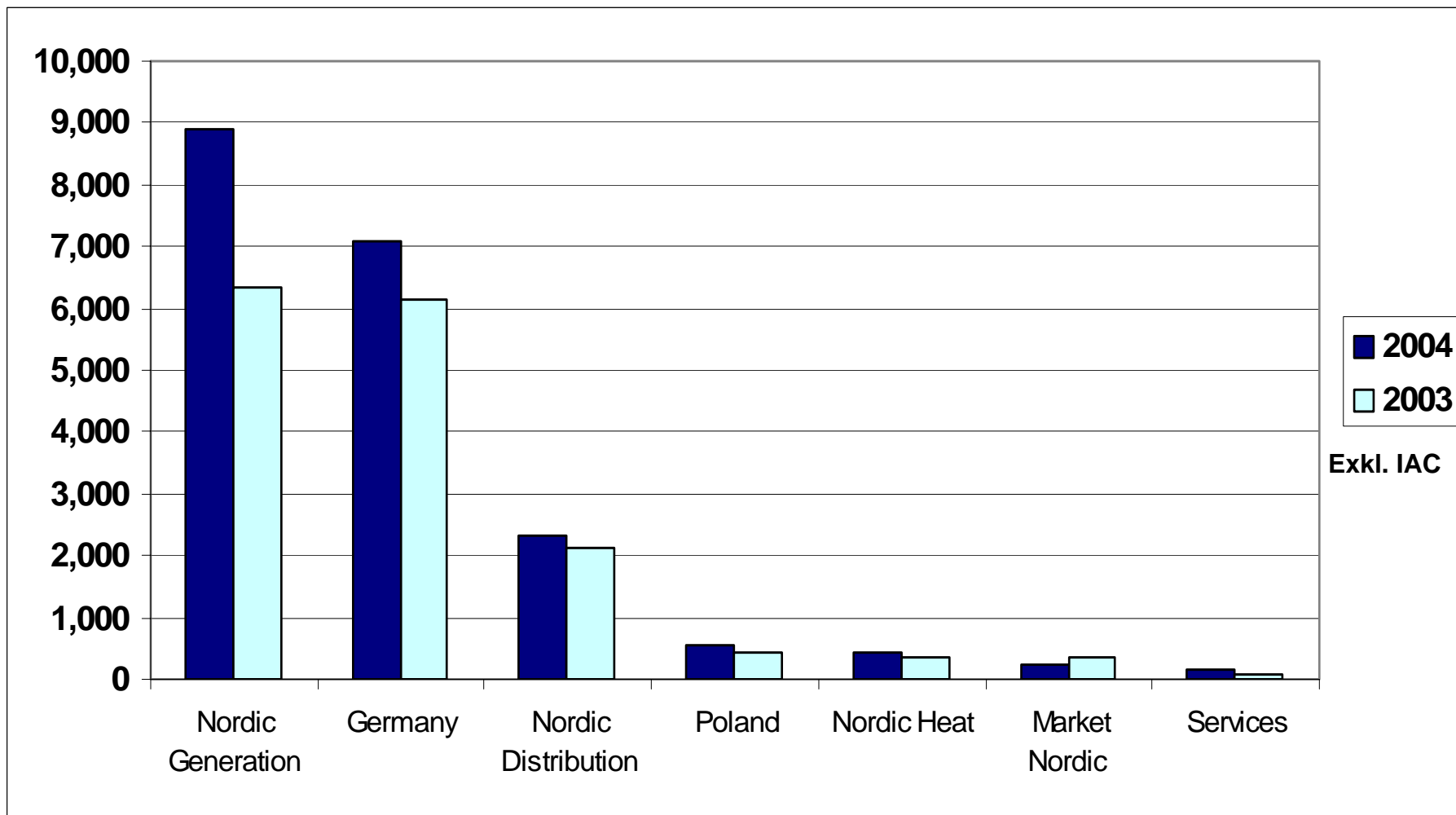
- by SEK 2.4 bn

Continued Strong EBIT Development

Quarterly values, SEK million

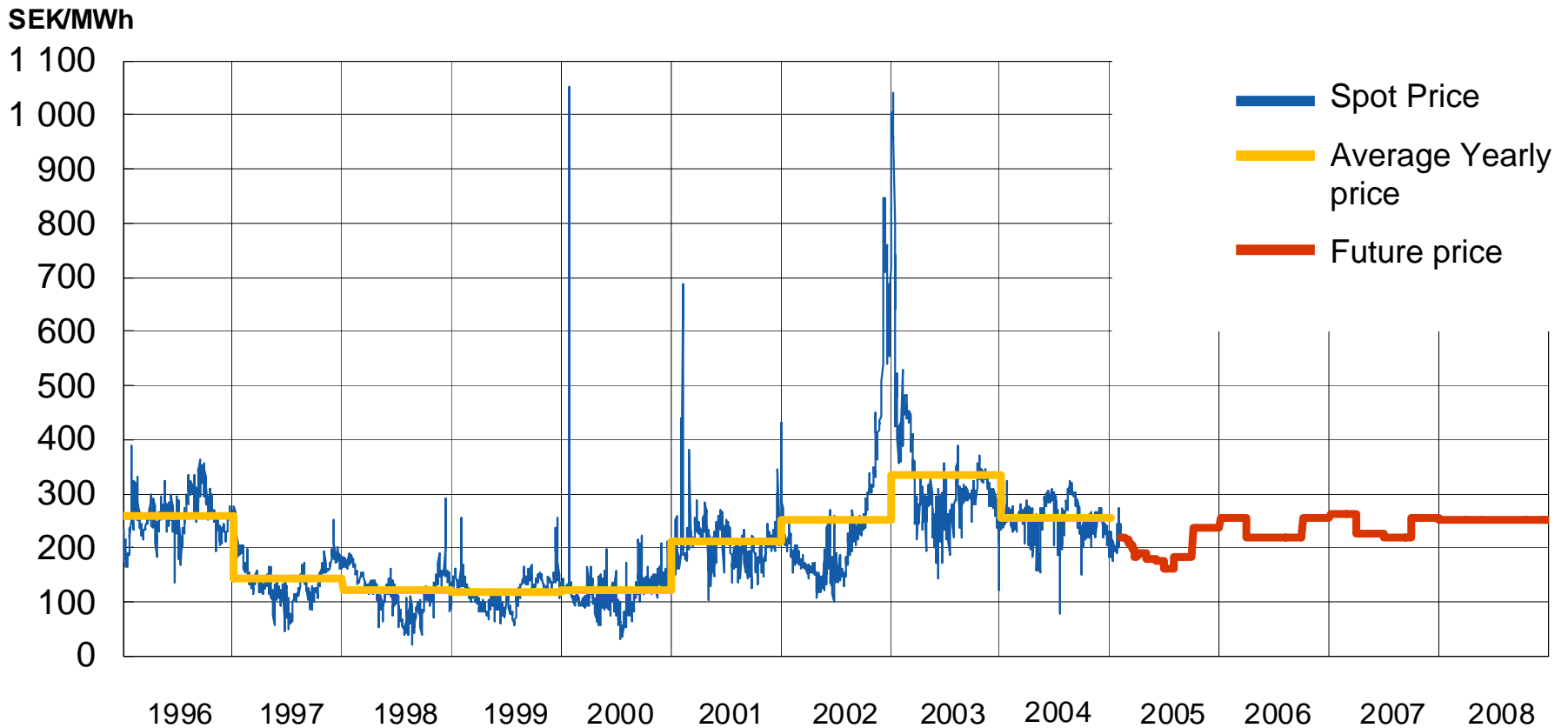


FY 2004 - Profit Contribution per Profit Area



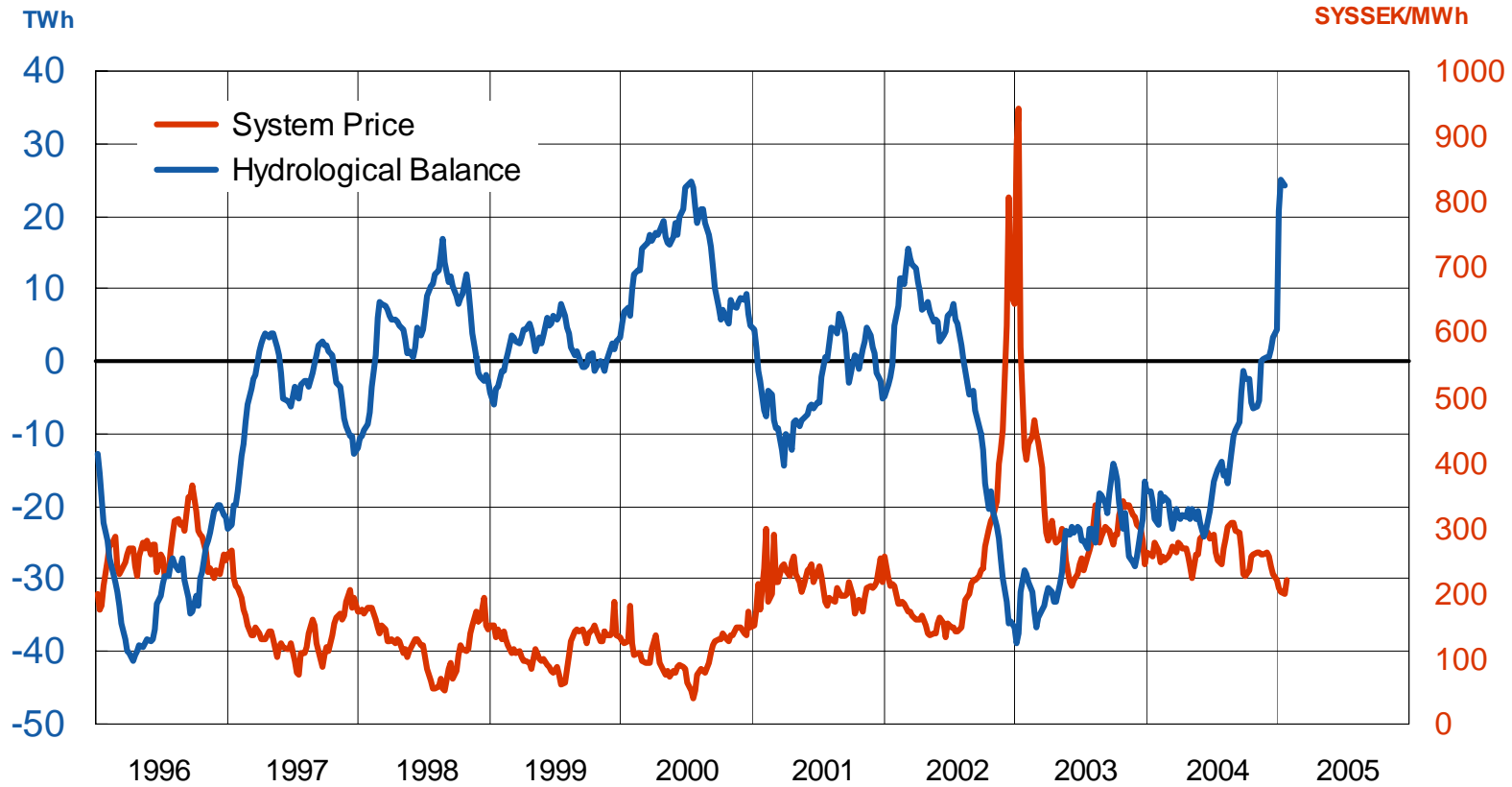
Decreasing Swedish Electricity Prices in 2004

Swedish electricity prices Nord Pool spot- and futures 1996 - 2008



Sharply Improved Reservoir Levels

Nordic Hydrological Balance and System Price 1996 - 2005

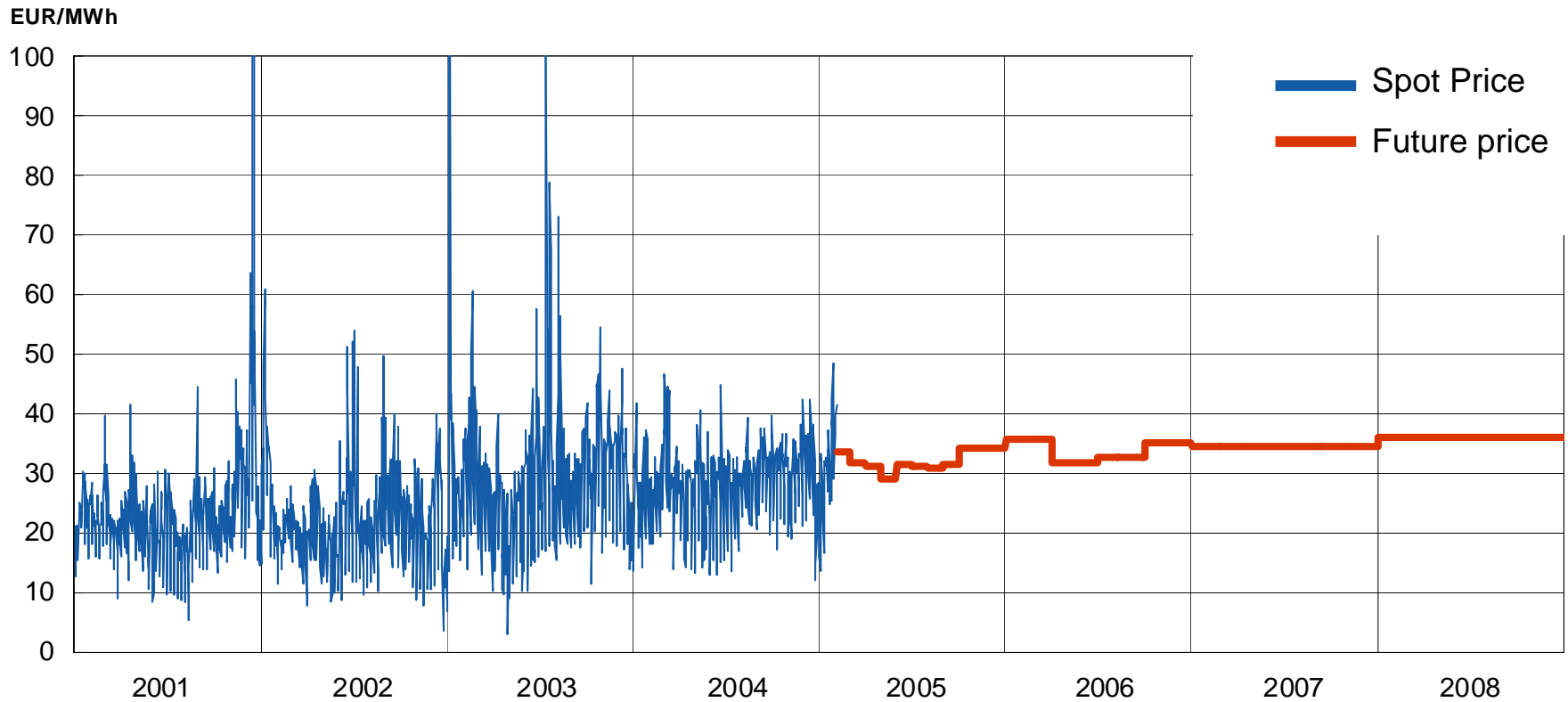


Source: Nord Pool and Markedskraft AS

06/02/2004

Increased German Futures Prices

German Electricity Prices EEX spot-and futures 2001 - 2008

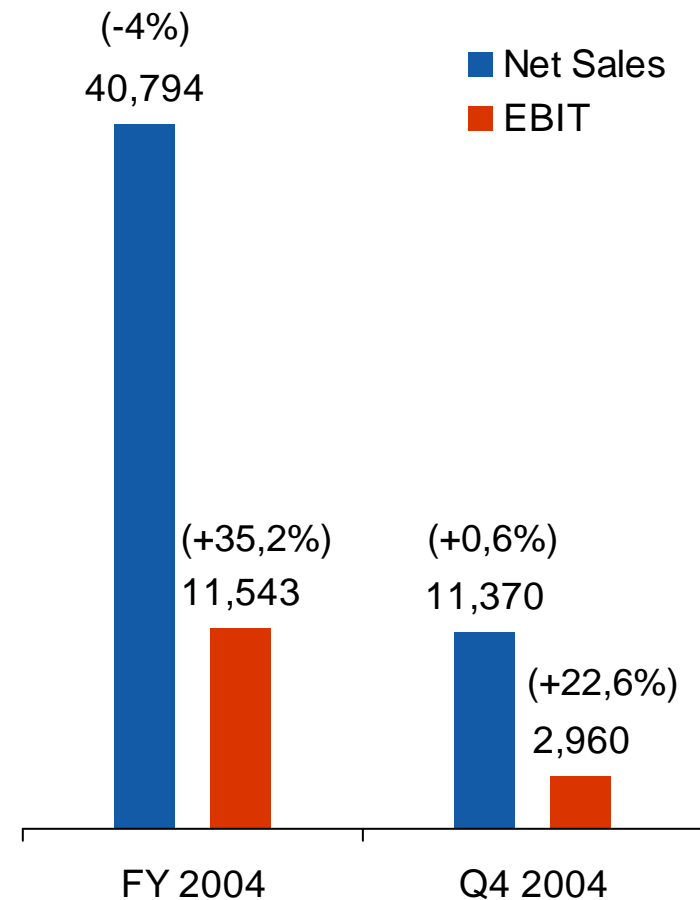


Source: European Energy Exchange (EEX), Updated as per 2005-02-03

Nordic Business Highlights

10

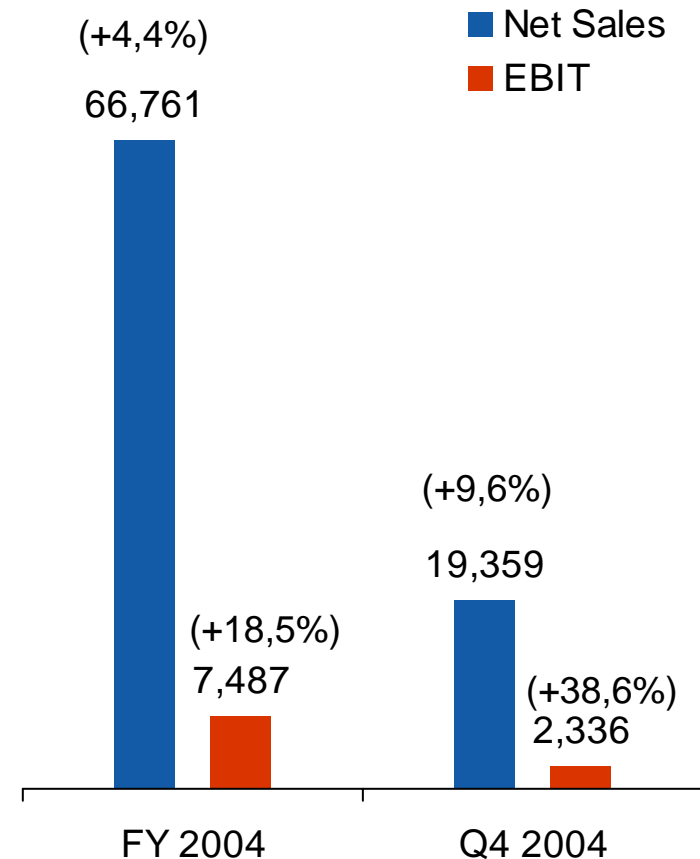
- Excellent plant performance
 - best ever nuclear availability & production
 - hydro power volumes up by 17 per cent
- Sharply improved result from hedging
- Less power interruptions in network business and lower administration costs
- Continued low margins in Swedish sales business
- Government decision to close nuclear plant Barsebäck 2 no later than May 31, 2005
 - no negative financial impact expected
- Major multi-year investment programmes:
 - networks (SEK10 bn)
 - nuclear (SEK 24 bn)
 - hydro (SEK 6.5 bn)
 - wind (1.5 bn)



German Business Highlights

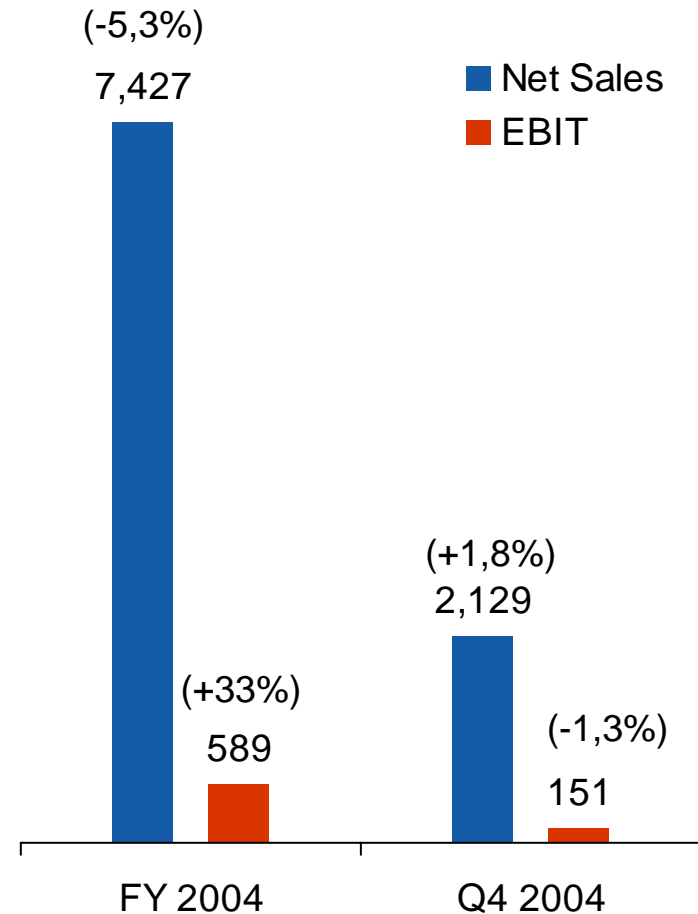
11

- Cost reduction programme well above target
 - EUR 519 million annual savings achieved
- Higher costs in Transmission business for balancing power and other costs due to ongoing increase of wind power capacity
- Major sales contracts aligned to market terms. Substantially improved results in sales business, however still red numbers
- Electricity and Heat generation volumes virtually unchanged - higher coal prices had only limited impact on earnings
- Investments:
 - Two new transmission lines
 - Investments in two new major power plants totalling 1,410 MW are being examined



Polish Business Highlights

- Continued efficiency enhancement and cost reduction in both heat and distribution businesses
- Lower heat and electricity volumes due to higher temperatures
- Ownership in GZE increased from 54 per cent to 75 per cent
- Regulator announced lower than expected tariff increases for 2005
- Increased employee satisfaction index despite huge staff reduction in recent years



- Acquisition of three district heating plants in Berlin (capacity 320 MW)
- Additional purchase price of 448 MSEK received for the sale of Vattenfall's 11.5 per cent stake in Danish NESA in the year 2002
- Divestment of Swedish peat production company HMAB (capital loss of 63 MSEK)
- Minority stakes in Russian company Mosenergo and Chinese HHPGC divested – capital gain of MEUR 10 and 17 respectively
- Preparations of a bid for the Danish Energy company Elsam A/S
 - a formal bid was submitted in January 2005
 - agreements reached to buy 35.3 per cent for approx. DKK 8.5 bn (EUR 1.1)

- Further profitable growth
- Number One for the Customer
- CO2 Emissions Trading
- Future of Swedish Nuclear Power
- Network regulation
- Electricity price development

Vattenfall's Core Values



Effectiveness



Accountability



Openness

Financials

Matts Ekman, CFO

Consolidated Income Statement FY 2004

17

Amounts in MSEK	FY 2004	FY 2003	% Change
Net sales	113,366	111,935	1.3
Gross profit	31,374	27,143	15.6
Operating profit (EBIT)	19,607	15,296	28.2
Operating profit, excl. IAC	18,788	15,033	25.0
Financial income	1,772	2,267	-21.8
Financial expenses	-4,020	-5,203	-22.7
<i>Financial net</i>	<i>-2,248</i>	<i>-2,936</i>	<i>-23.4</i>
Profit before taxes and minority interests	17,359	12,360	40.4
Taxes	-5,011	-2,831	77.0
Minority share	-572	-406	-40.9
Net profit for the period	11,776	9,123	29.1

* IAC = items affecting comparability

Consolidated Income Statement Q4

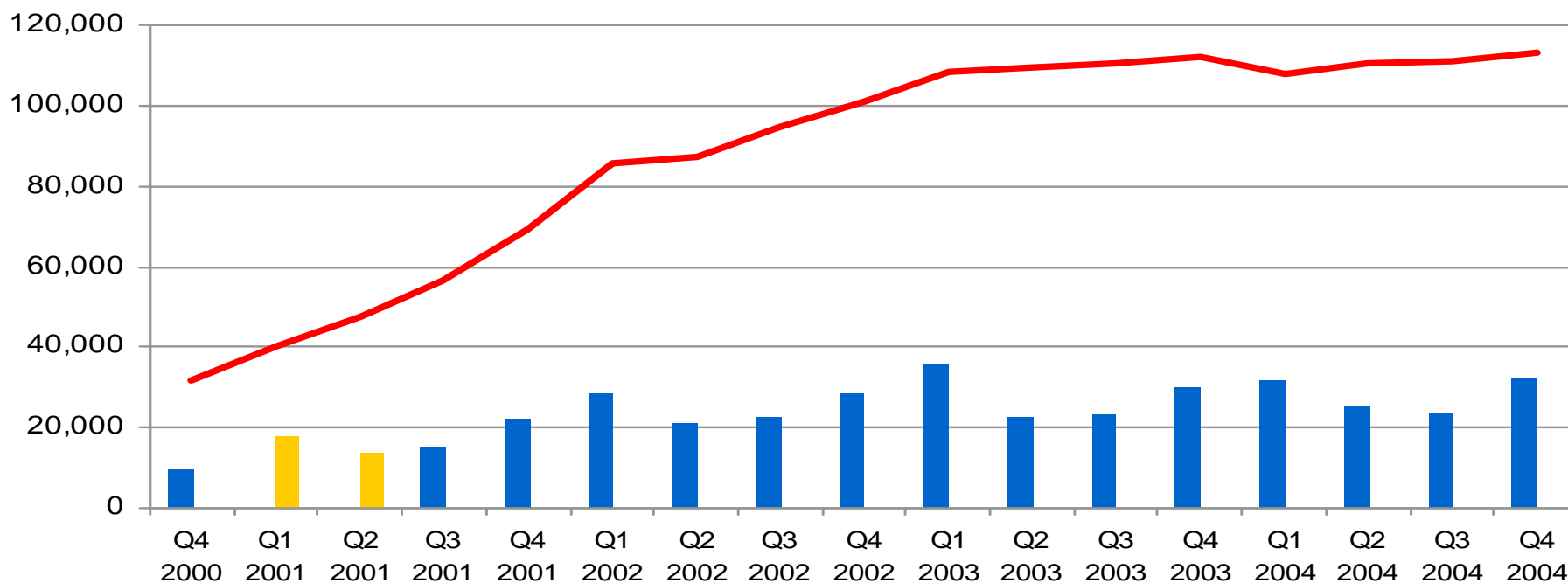
18

Amounts in MSEK	Q4 2004	Q4 2003	% Change
Net sales	32,405	30,253	7.1
Gross profit	9,305	8,350	11.4
Operating profit (EBIT)	5,435	4,253	27.8
Operating profit, excl. IAC	5,126	3,902	31.4
Financial income	541	413	31.0
Financial expenses	-1,252	-1,208	3.6
<i>Financial net</i>	<i>-711</i>	<i>-795</i>	<i>10.6</i>
Profit before taxes and minority interests	4,724	3,458	36.6
Taxes	-1,359	-44	
Minority share	-153	-4	
Net profit for the period	3,212	3,410	-5.8

* IAC = items affecting comparability

Net Sales Stabilising

Quarterly values, SEK million

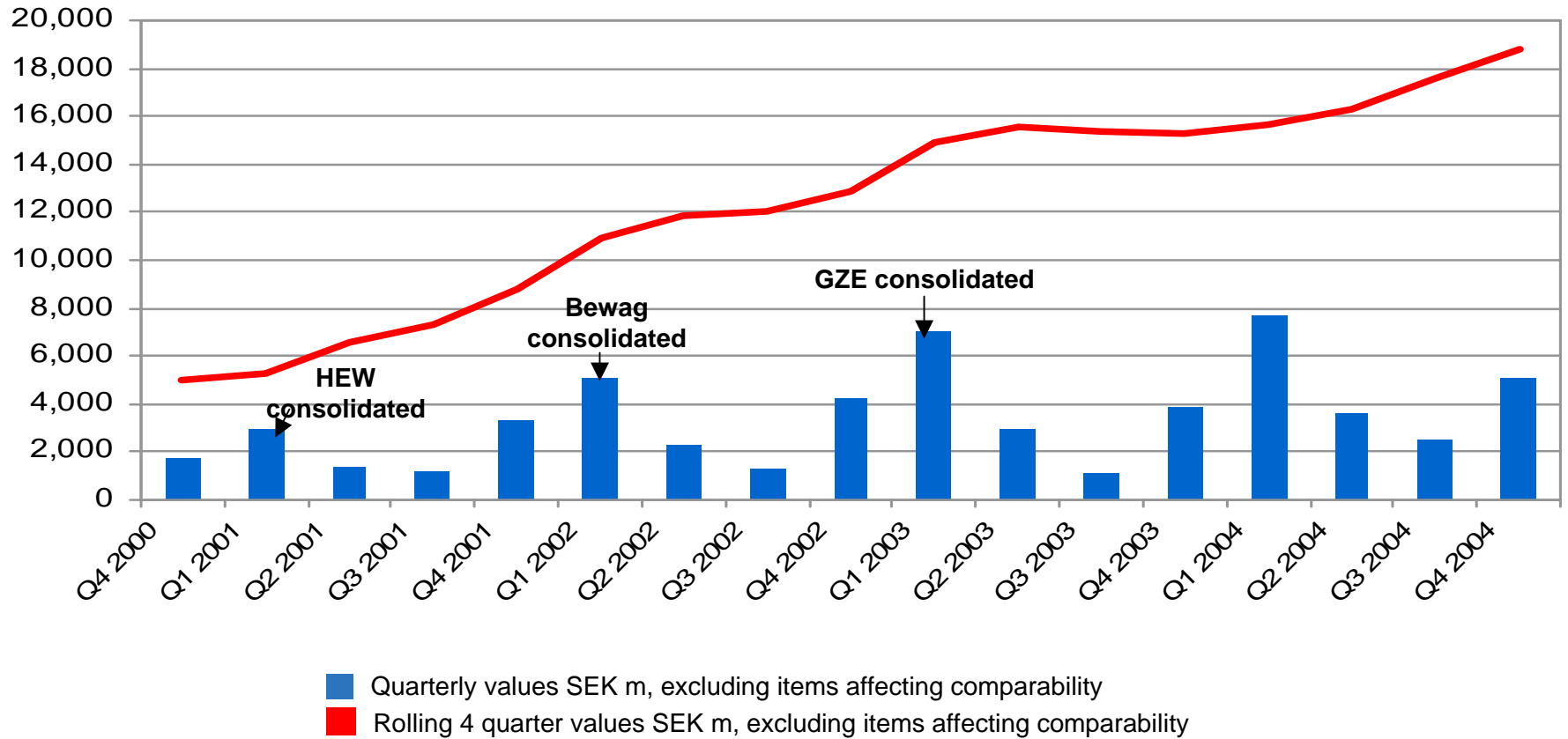


■ Quarterly values SEK m
■ Rolling 4 quarter values SEK m

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

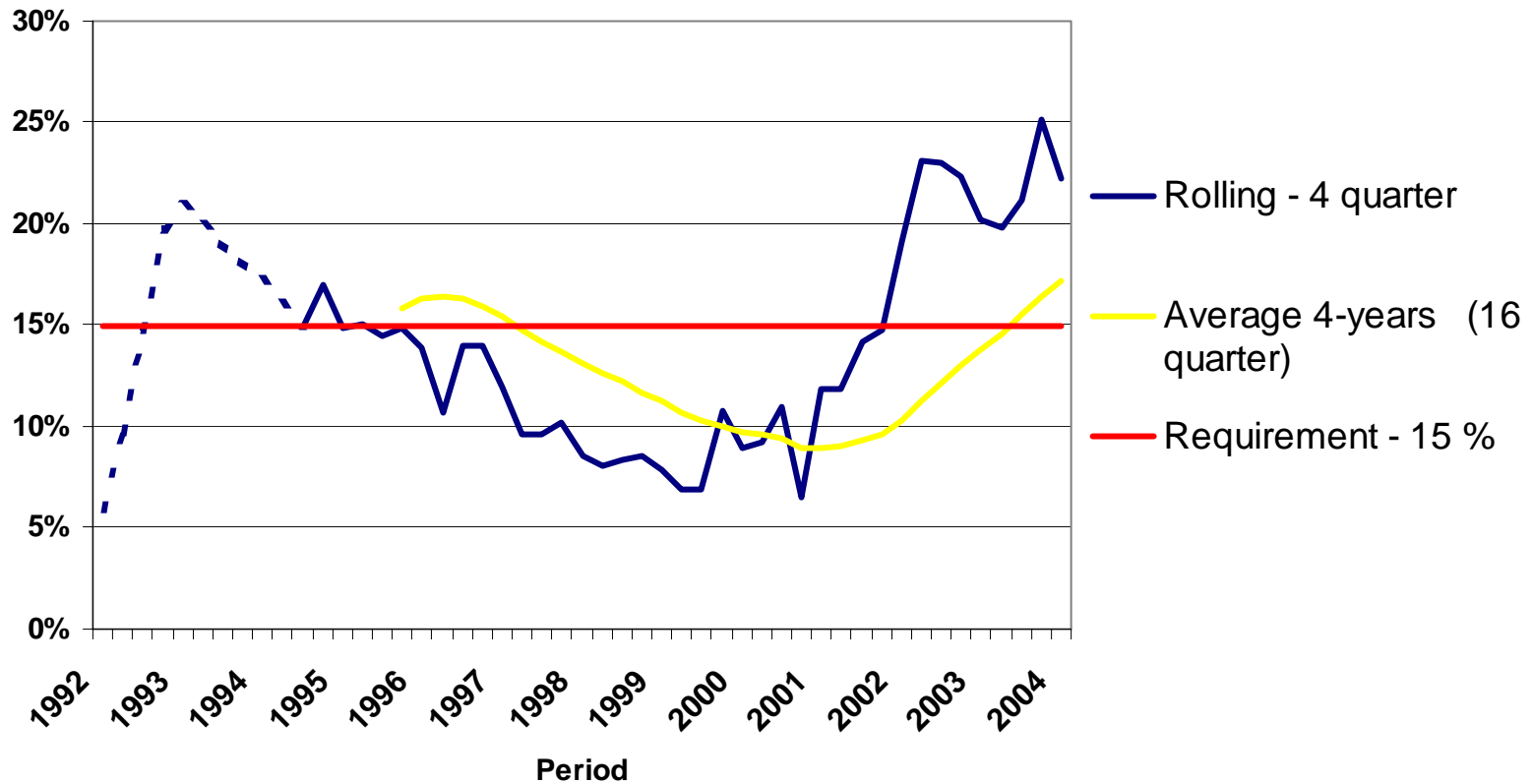
Strong EBIT Development

Quarterly values, SEK million

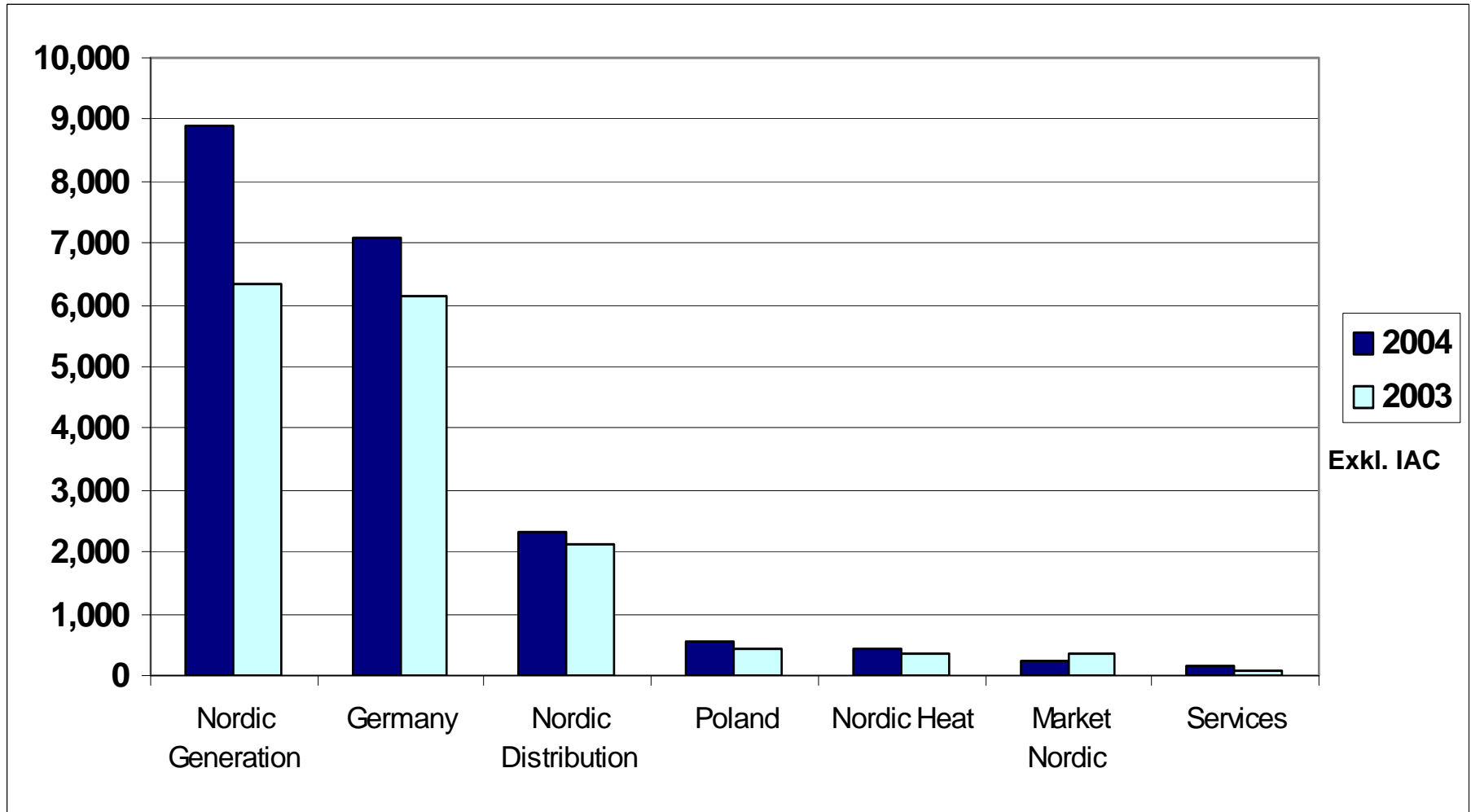


Return on Equity → Average 4 Years Now Above Target

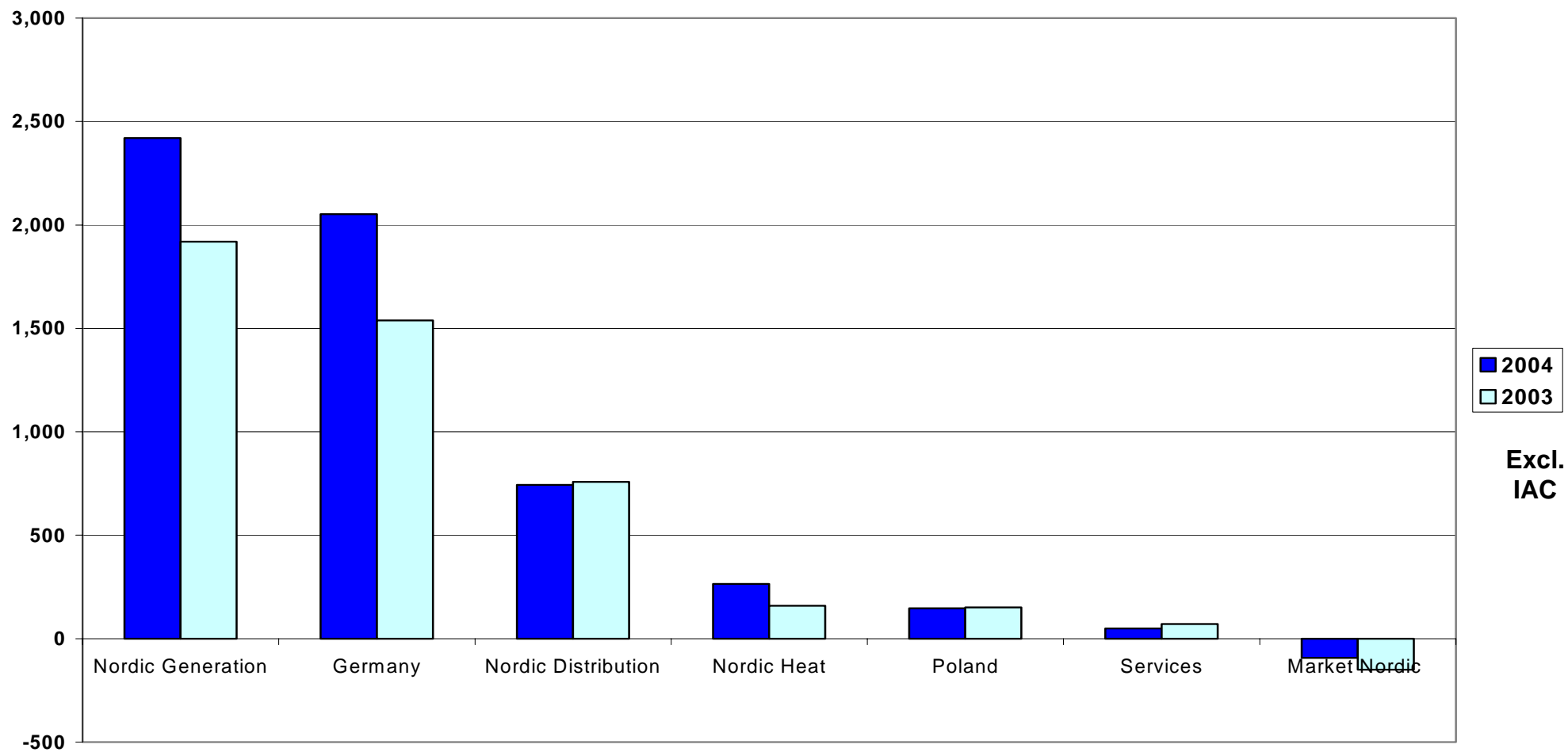
Group - Return on Equity Full year interim accounts - 2004



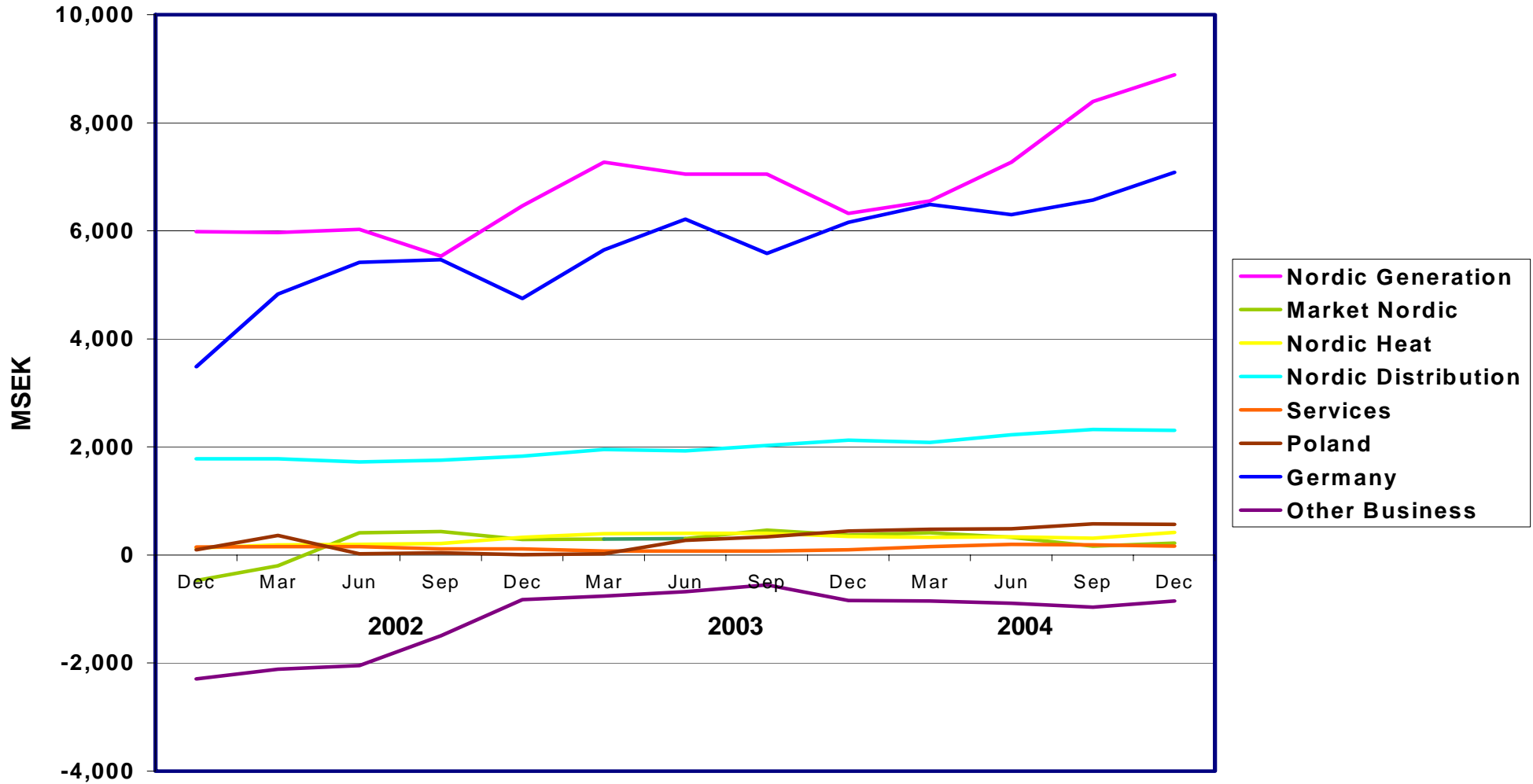
FY 2004 - Profit Contribution per Profit Area



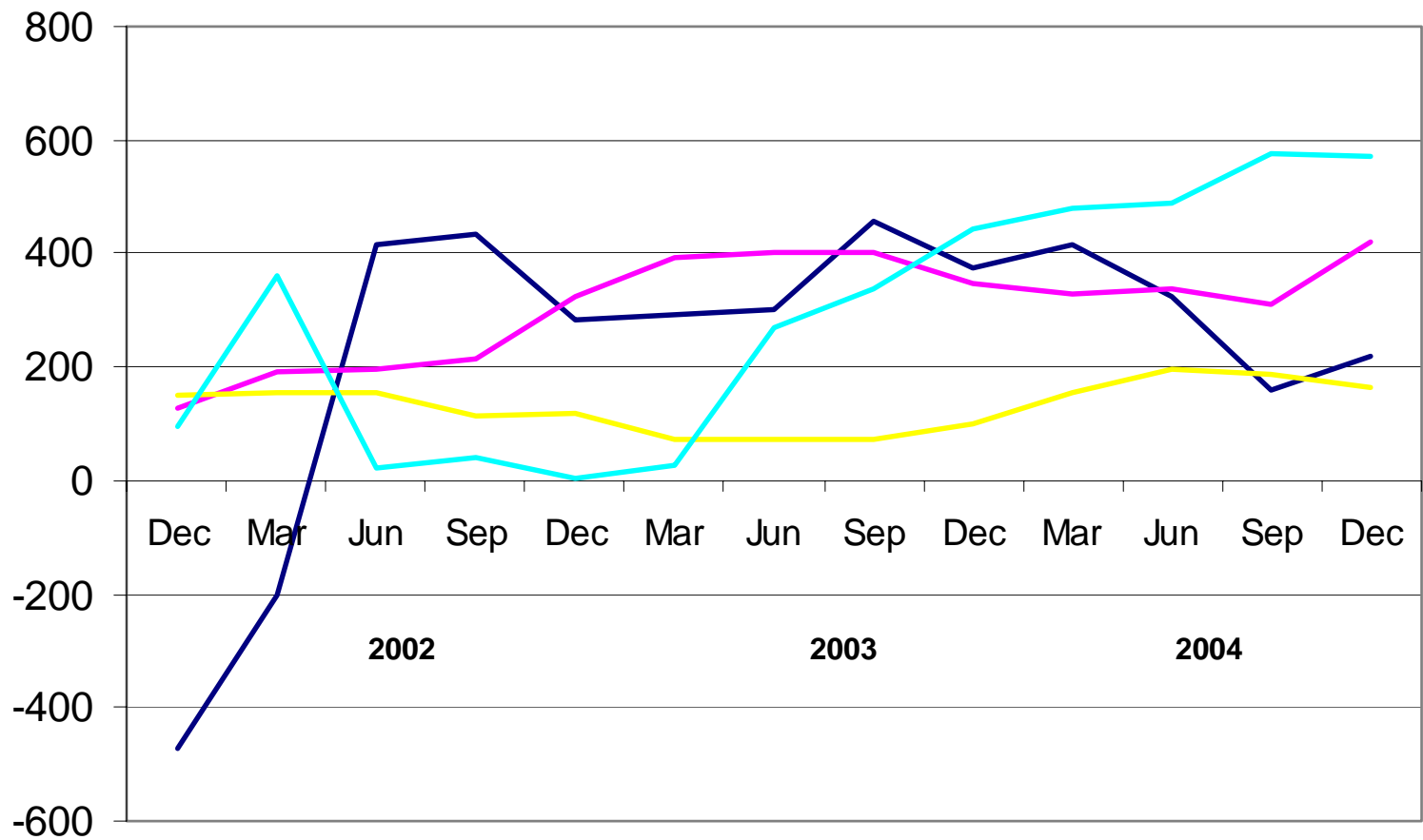
Q4 2004 - Profit Contribution per Profit Area



Nordic Generation Top EBIT Contributor



Strong Development in Poland



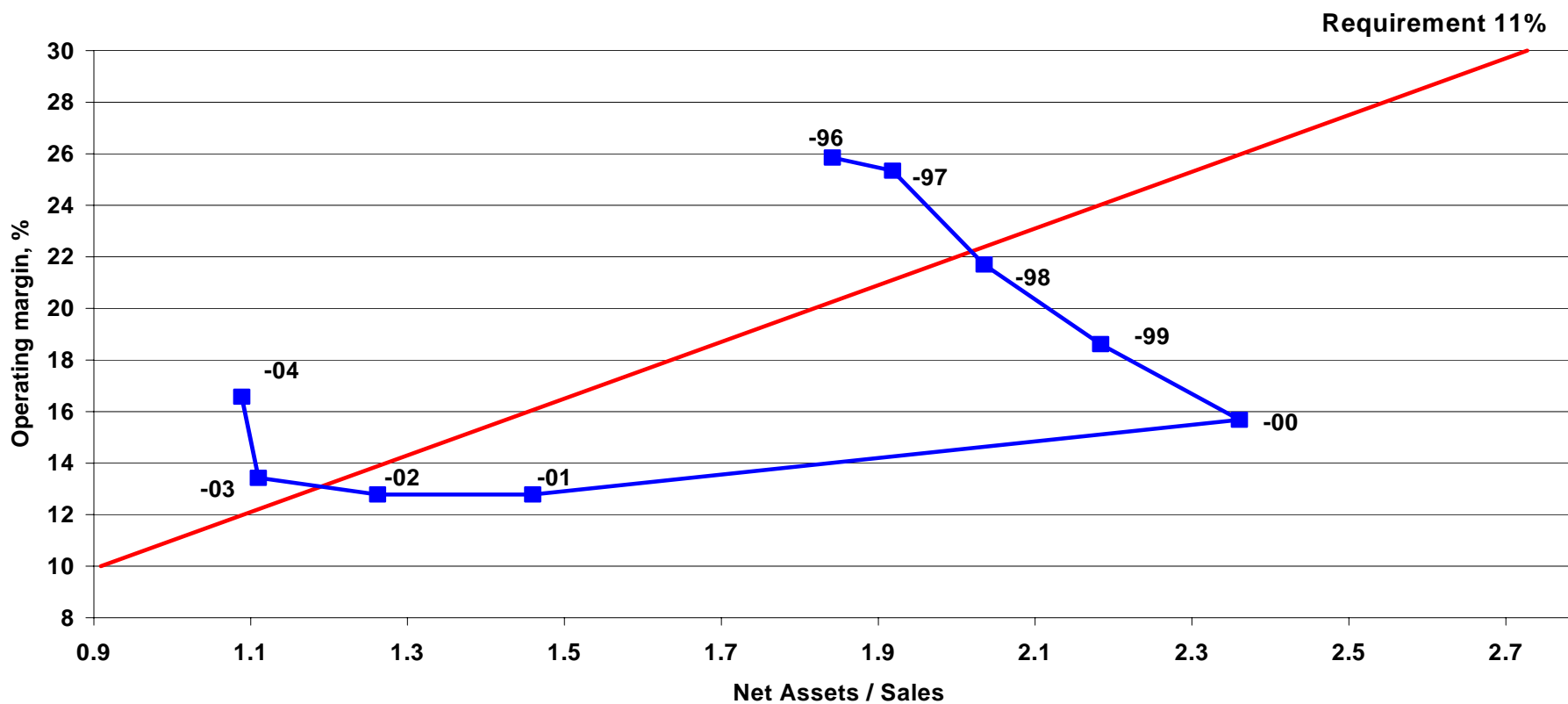
Rolling quarterly values

- Market Nordic
- Nordic Heat
- Services
- Poland

*Strong increase in the result during Q1 2002 due to extraordinary provisions made in 2001

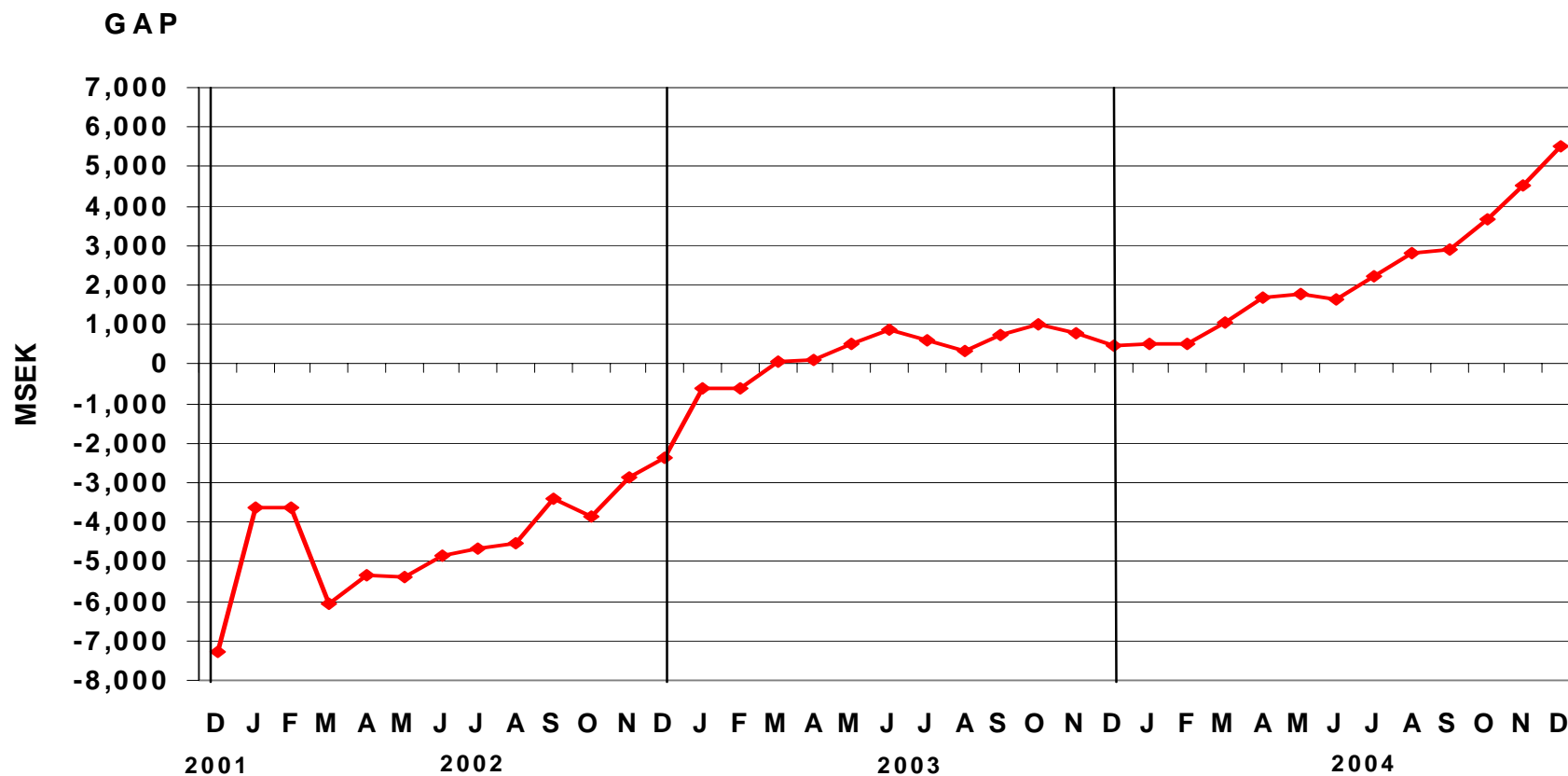
Return on Net Assets

(Excl. IAC)
Rolling 12-months backward

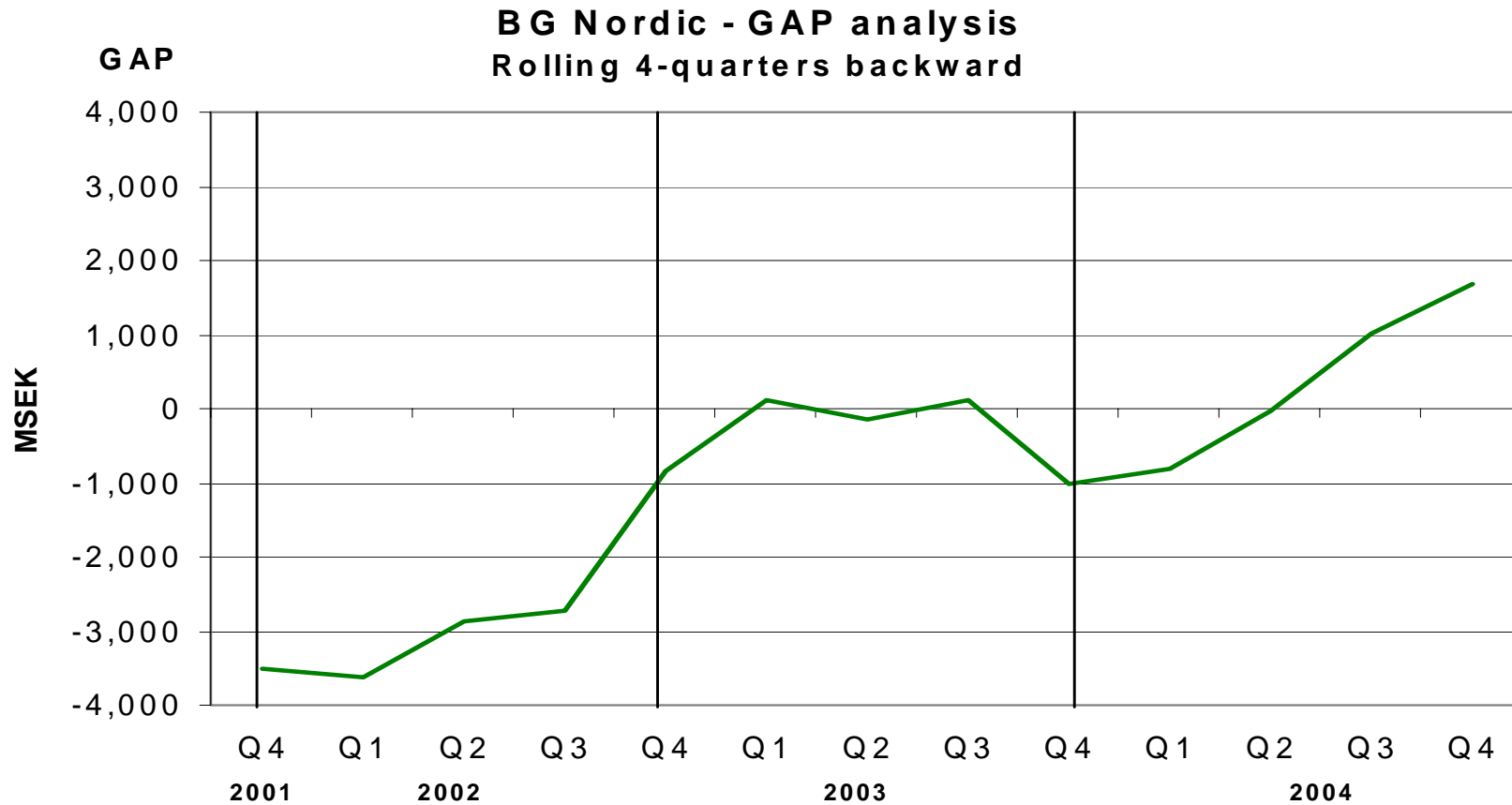


Vattenfall Group Creates Value

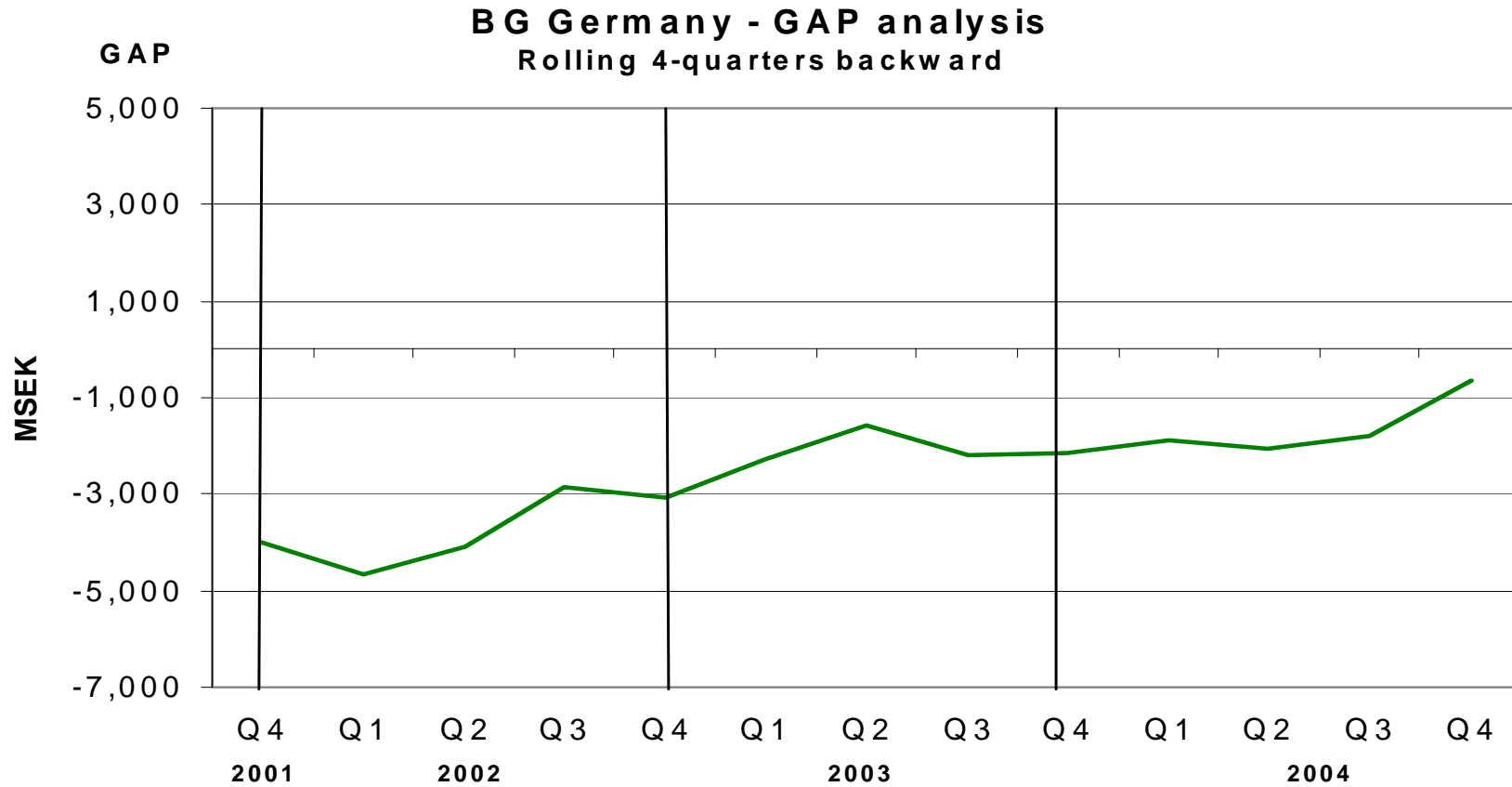
GAP-analysis (annualised) vs. long term requirement : 11% RoNA



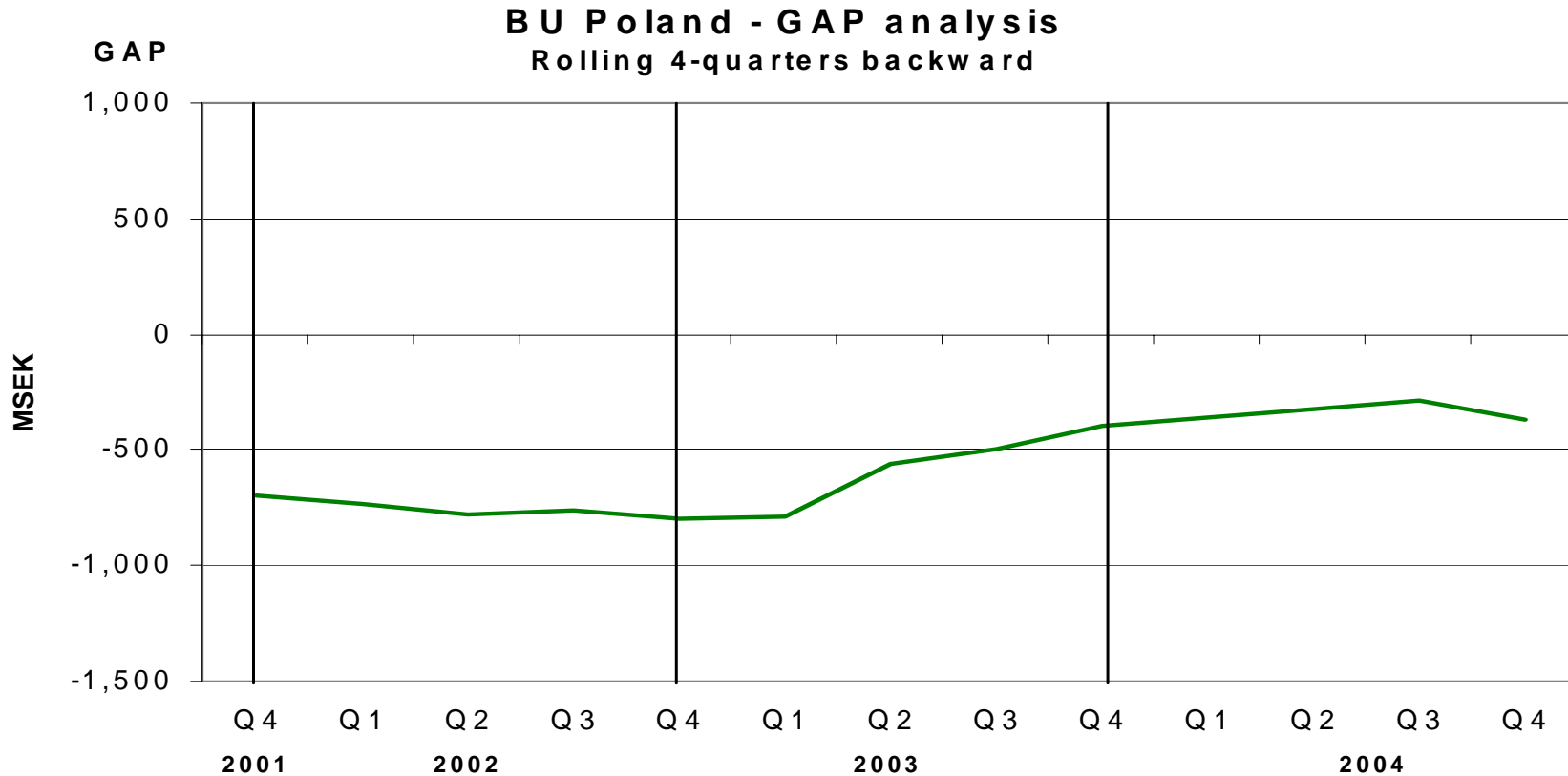
BG Nordic - Gap Analysis



BG Germany - Gap Analysis



BU Poland - Gap Analysis

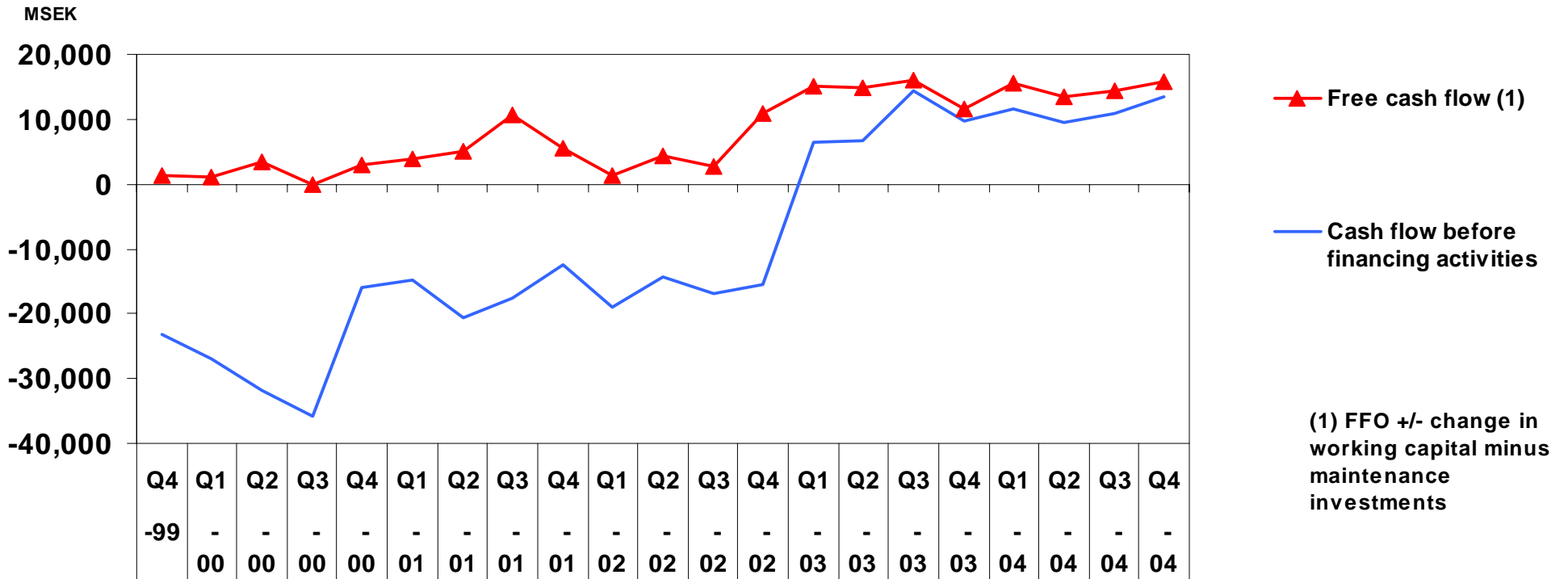


Consolidated Balance Sheet

31

Amounts in million SEK	FY 2004	FY 2003	% Change
Fixed assets	210,775	216,203	2.5
Current assets	46,140	48,762	-5.4
Total assets	256,915	264,965	-3.0
Equity	62,316	52,506	18.7
Minority interests	9,188	9,379	-2.0
Provisions, non-interest bearing	86,901	91,800	5.3
Interest bearing debt	73,013	85,631	-14.7
Other liabilities	25,497	25,649	-0.6
Total equity, provisions and liabilities	256,915	264,965	3.0
<i>Net debt</i>	<i>55,411</i>	<i>66,890</i>	<i>-17.2</i>
<i>Net assets</i>	<i>122,952</i>	<i>124,808</i>	<i>-1.5</i>
<i>Net assets weighted avg.</i>	<i>123,423</i>	<i>124,229</i>	<i>-0.6</i>

Strong Cash Flow Development

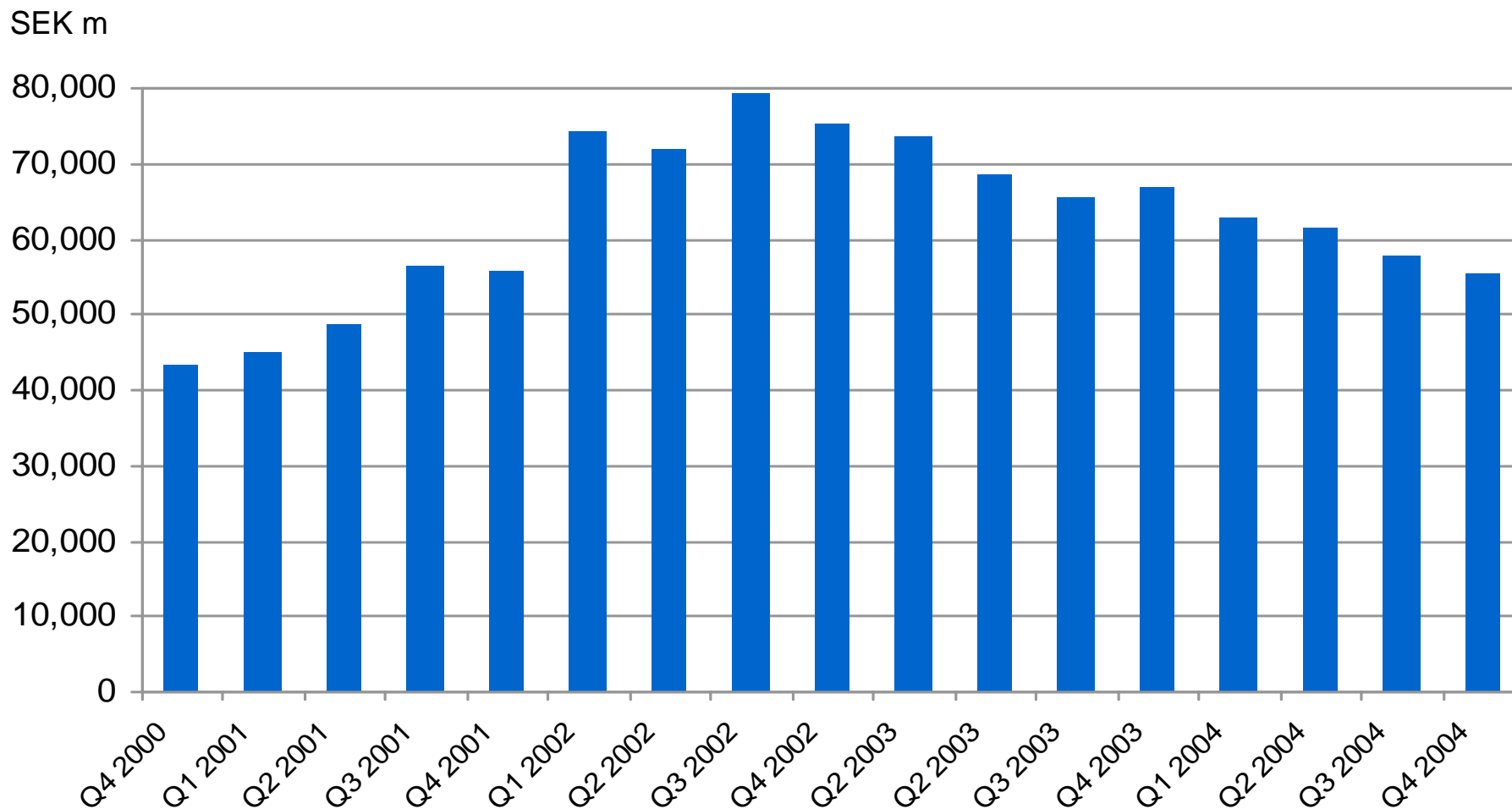


Consolidated Cash Flow Statement











33

Amounts in million SEK	FY 2004	FY 2003	Q4 2004	Q4 2003
Funds from operations (FFO)	24,159	18,804	6,685	6,373
Change in working capital	-186	-613	-1,763	-4,415
Cash Flow from operating activities	23,973	18,191	4,922	1,958
Investments	-12,601	-11,356	-4,051	-3,779
Divestments	2,120	2,057	1,022	857
Liquid funds in acquired /sold companies	-20	949	-4	85
Cash flow from investing activities	-10,501	-8,350	-3,033	-2,837
Cash flow before financing activities	13,472	9,841	1,889	-879
<u>Change in net debt:</u>				
Net debt at the beginning of the period	-66,890	-75,207		
Cash flow after dividend *	10,872	7,859		
Translation differences	523	458		
Net debt at the end of the period	-55,411	-66,890		

Reduction in Net Debt by 11.5 bn SEK in 2004



All Key Ratios Stronger

Key Ratios (in per cent unless otherwise stated)		FY 2004	FY 2003
RoNA *		15.2	12.1
RoE *		21.4	19.8
Operating margin *		16.6	13.4
Pre-tax profit margin *		14.6	10.8
Pre-tax interest coverage, times *		5.1	3.3
FFO/net debt		43.6	28.1
FFO net interest coverage, times		11.7	7.4
Equity/assets ratio		27.8	23.4
Net Gearing - Net debt/equity		77.5	108.1
Capitalisation - Net debt/net debt + equity		43.7	51.9

* Excluding items affecting comparability

Transition to IFRS – Impact on 2004

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

Financial Targets

Key Ratio / Objective	Target	FY 2004	FY 2003
Return on Equity (RoE), average 4-years	15 % (on visible equity after tax over a business cycle)	17,2**	13.8**
Return on Net Assets (RoNA)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	15.2*	12.1
Pre-tax interest coverage	3.5 – 5 times	5,1*	3.3
Credit Rating	Single A category rating	Unchanged A3/A-	outlook changed to stable
Profit improvement in German operations	Cost savings of MEUR 400-500 annually from 2005	MEUR 519	MEUR 338

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

Vattenfall Takes the Lead.....

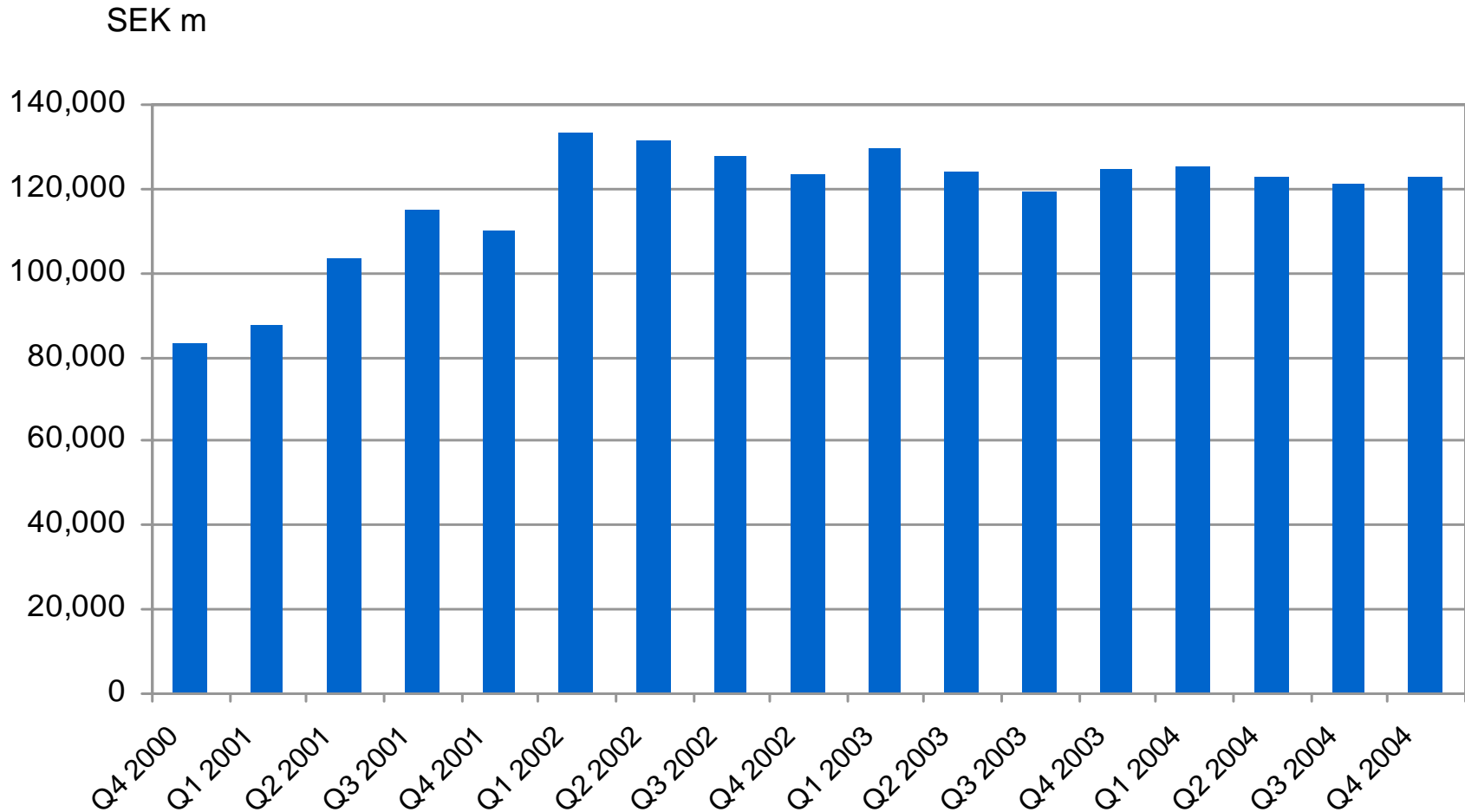
38



Anja Pärson

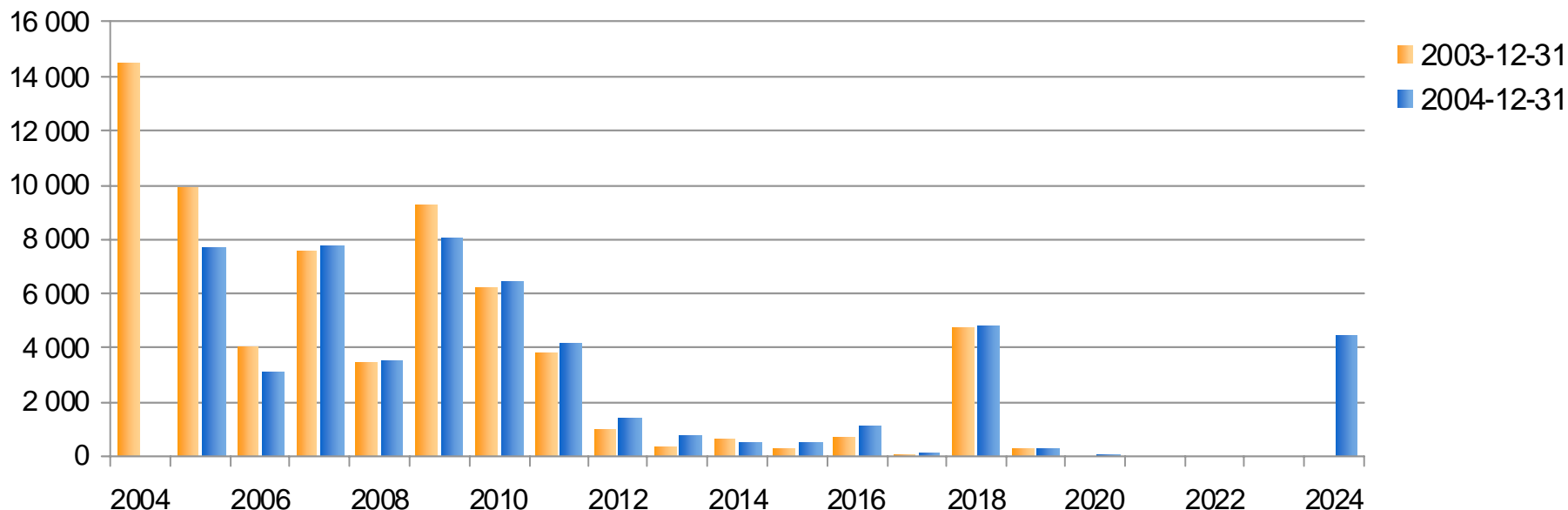
Appendices

Net Asset Development



Vattenfall Maturity Profile

SEK million

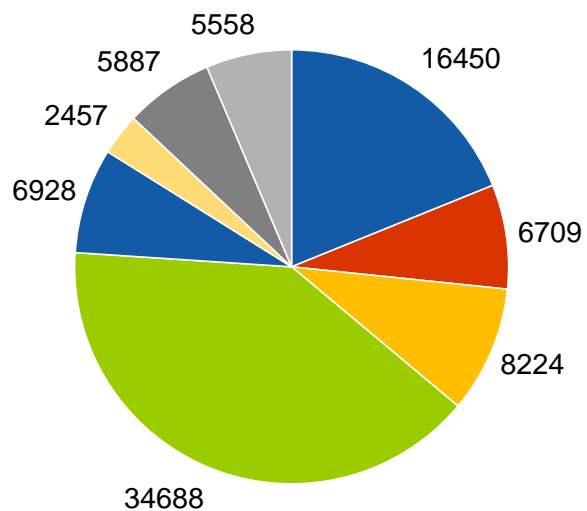


	Dec. 31, 2004	Dec. 31, 2003
Net debt (SEK bn)	55.4	66.9
Average fixed interest period (years)	2.0	2.1
Average time to maturity (years)	6.7	5.1

Lower Group Provisions

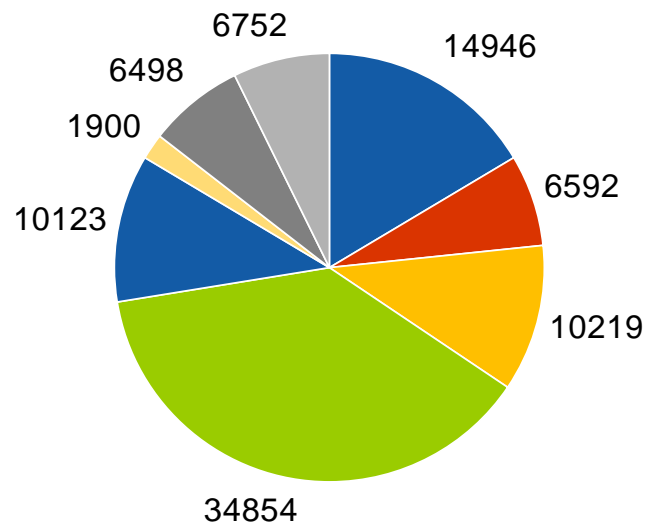
Dec 31, 2004

86 901 MSEK



Dec 31, 2003

91 884 MSEK



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