Prospectus

Vattenfall AB

(*incorporated with limited liability under the laws of the Kingdom of Sweden*)

EUR15,000,000,000

Euro Medium Term Note Programme

On 5 July, 1994, each of Vattenfall Treasury AB ("Vattenfall Treasury") and Vattenfall AB (the "Issuer") entered into a U.S.$1,000,000,000 Euro Medium Term Note Programme (the "Programme") and issued a Prospectus on that date describing the Programme. Further Prospectuses describing the Programme were issued by Vattenfall Treasury and the Issuer. This Prospectus supersedes all previous Prospectuses. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions herein. This does not affect any Notes already issued.

Under the Programme the Issuer may from time to time issue notes (the "Notes"), which expression shall include Ordinary Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as provided herein. A description of the restrictions applicable at the date of this Prospectus relating to the maturity and denomination of certain Notes is set out on pages 6 and 8, respectively.

Factors which may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 11 – 20.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 5 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange plc's regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 39) of Notes will be set forth in a Final Terms document (the "Final Terms") which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange in each case on or before the date of issue of the Notes of such Tranche.

Copies of the Final Terms (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the specified office set out below of the Trustee (as defined herein) and each of the Paying Agents (as defined herein).

The Programme provides that Notes may be listed, or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes.

The Notes of each Tranche (except Notes which are to be issued and cleared through Euroclear Sweden AB, a Swedish Central Securities Depository and Clearinghouse and which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("ES Registered Notes" and "ES" respectively)) will initially be represented by a temporary global Note which will be deposited on the issue date thereof with Citibank, N.A., London Branch as common depositary or, as the case may be, a common safekeeper on behalf of Euroclear Bank S.A./N.V. ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other agreed clearing system which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes following the occurrence of an Exchange Event (as defined on page 25), all as further described in "Form of the Notes" below. The ES Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.

The Issuer may agree with any Dealer and the Trustee (as defined below) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

Deutsche Bank

Dealers

Barclays Capital
Citi
J.P. Morgan
SEB
The Royal Bank of Scotland

BNP PARIBAS
Deutsche Bank
Nordea
Société Générale
Corporate & Investment Banking

The date of this Prospectus is 14 October 2010.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

Neither the Dealers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other

offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions.

In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Sweden), Japan and France (see "Subscription and Sale" below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and Sale" below).

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to "SEK" refer to Swedish kronor, those to "U.S. dollars", "U.S.$" and "$" refer to United States dollars, those to "Sterling" and "£" refer to pounds sterling, those to "NOK" refer to Norwegian kroner, those to "Yen" refer to Japanese Yen and those to "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community (as amended).

TABLE OF CONTENTS

	Page
OVERVIEW OF THE PROGRAMME	5
RISK FACTORS	11
DOCUMENTS INCORPORATED BY REFERENCE	21
FORM OF THE NOTES	23
APPLICABLE FINAL TERMS	25
TERMS AND CONDITIONS OF THE NOTES	38
USE OF PROCEEDS	63
DESCRIPTION OF THE GROUP	64
SWEDISH TAXATION	79
UNITED KINGDOM TAXATION	79
EU SAVINGS DIRECTIVE	80
SUBSCRIPTION AND SALE	81
GENERAL INFORMATION	84

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, if appropriate, a supplemental prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No.809/2004 implementing the Prospectus Directive.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview.

Issuer:	Vattenfall AB.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include "*Market and Financial*", "*Technology*", "*Infrastructure*", "*Laws and Regulations*", "*Employees and Organisation*" and "*Other*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme.
Arranger:	Deutsche Bank AG, London Branch.
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch J.P. Morgan Securities Ltd. Nordea acting through Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Société Générale The Royal Bank of Scotland plc
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale" on page 81) including the following restrictions applicable at the date of this Prospectus.

	Notes having a maturity of less than one year
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale".
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	Citibank, N.A., London Branch (for Notes other than ES Registered Notes).
Issuing Agent:	For ES Registered Notes, an account operator (being authorised by ES to process and register issues in the system operated by ES) specifically appointed by the Issuer and authorised by ES to assist in connection with the issue of ES Registered Notes.
Size:	Up to EUR15,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Redenomination:	If the Specified Currency of an issue of Notes is a currency of one of the member states of the European Union which is participating in European economic monetary union, the Issuer may specify in the applicable Final Terms that such Notes will include a redenomination clause providing for the redenomination of the Specified Currency in euro (a "Redenomination Clause") and, if so specified, the wording of the Redenomination Clause will be set out in full in the applicable Final Terms.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:	Each Tranche of Notes (except ES Registered Notes) will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and which will be exchangeable, upon request, as described therein either for a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note will be exchangeable in whole but not in part for definitive Notes upon either (i) not less than 60 days' written notice to the Agent or (ii) only upon the occurrence of an Exchange Event as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate. The ES Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the applicable Final Terms.

	The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both, as indicated in the applicable Final Terms. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of such Day Count Fraction as is indicated in the applicable Final Terms.
Dual Currency Notes:	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer ("Issuer Call") and/or the Noteholders ("Investor Put") upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms. The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Certain Restrictions – Notes having a maturity of less than one year" above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be

	allowed or required from time to time by the relevant central bank (or equivalent body) or any laws, directives or regulations applicable to the relevant Specified Currency, see "Certain Restrictions – Notes having a maturity of less than one year", and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Sweden, subject as provided in Condition 7 of the Terms and Conditions of the relevant Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Status of the Ordinary Notes:	The Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 3(a)) unsecured and unsubordinated obligations of the Issuer and (subject as aforesaid) will at all times rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Status of the Subordinated Notes:	The Subordinated Notes will be direct, unsecured and subordinated obligations of the Issuer and will at all times rank at least pari passu, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the Issuer, present and future. The rights of the holders of any Subordinated Notes will, in the event of the bankruptcy or liquidation of the Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the Issuer.
Negative Pledge:	The terms of the Ordinary Notes will contain a negative pledge provision as described in Condition 3(a). The terms of the Subordinated Notes will contain a negative pledge provision as described in Condition 3(b).
Cross Default:	The terms of the Notes will contain a cross-default provision relating to indebtedness for borrowed money as further described in Condition 9.
Listing:	Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

	Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b) will be governed by, and construed in accordance with, Swedish law. In addition, ES Registered Notes must comply with the SFIA Act.
Selling Restrictions:	There are certain selling restrictions in relation to the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Market and Financial

Market and Financial risks relate to competition, prices, sales volumes, interest rates, currencies, credit and counterparties.

Electricity price risk

Electricity price risk is the factor that has the single greatest bearing on the Group's earnings and is thus the most important factor for value creation. Electricity prices are determined by fundamental factors such as supply i.e. water levels and available generation capacity, demand which is dependent on electricity use, which in turn is affected by weather and the economy, fuel prices and prices of CO_2 emission allowances. The Group hedges its generation and sales with the help of physical and financial electricity forward contracts for electricity that are available on the market. Such hedging is done while taking into account liquidity in the market at different periods in time. As the sharp fluctuations electricity prices have shown in recent years, futures trading are an important way of smoothing out and balancing the major price risks in the business. The business units conduct their hedging in the Group's various markets through Vattenfall Energy Trading, which hedges its own positions in external markets via electricity exchanges, such as Nord Pool and the European Energy Exchange (EEX), as well as through bilateral trading with other counterparties. To measure electricity price risk, Vattenfall uses methods such as Value at Risk (VaR) and Profit at Risk (PaR) along with various stress tests.

Volume Risk

Volume risk is the risk of actual volume deviating from planned volume and arises also in the sales activities as deviations in anticipated and actual volumes delivered to customers. In the generation activities, the Group manages its volume risk through analysis and forecasting activities concerning precipitation and snowmelt. Volume risks are managed by improving and developing forecasts of electricity consumption.

Price Area Risk

Price area risk arises when the price of electricity differs between various geographic areas. The Group's price area risk is centralised and is managed by Vattenfall Energy Trading. In Nordic countries, the Nord Pool exchange provides financial instruments – price area swaps (Contracts for Differences, CfDs) – which can be used to manage price area risk. Price differences also exist

between the various areas in which Vattenfall is active. These are managed through contracts in these price areas and contracts for transmission capacity.

Credit Risk

The Group is exposed to credit risks in connection with electricity trading, investments and derivative contracts. The Group uses external rating information, where available, to manage and mitigate its credit risk. In other cases, internal models are used to establish the creditworthiness of its counterparties. Individual limits are established for each counterparty, which are evaluated on a regular basis. Exposures are followed up in relation to the credit limits on a daily basis. In cases were master agreements are entered into, net calculation of debts and receivables for an individual counterparty are permitted. In many cases, agreements are used which limit credit risk through an arrangement, such as Credit Support Annex (CSA) agreements, by which the parties pledge assets to each other if the exposure exceeds certain set amounts. In cases where contracts are traded in marketplaces, such as Nord Pool or EEX, with central counterparty clearing, the credit risk is against the marketplace.

Fuel Price Risk

Measurement and management of fuel price risk is conducted within the individual generation units. Fuel prices are affected by macroeconomic factors, among other things. Financial and physical instruments for example, coal and oil are used to smooth earnings over time. However, most of the Group's coal-fired plants in Germany use lignite from the Group's own mines. For coal-fired electricity generation, hedges on electricity and coal prices are co-ordinated to safeguard margins. Uranium is used as fuel in the Group's nuclear power plants. This price risk is limited, however, since the uranium fuel constitutes a relatively small portion of the generation cost. Fuel price risk is minimised through analysis of the various commodity markets and diversification of contracts with respect to price and terms.

Liquidity Risk

Liquidity risk with respect to physical and financial derivative instruments pertains to the risk of not being able to pursue the trading strategy due to insufficient liquidity in the market. Liquidity risk can also be described as the risk for a financing crisis, whereby the Group does not have the ability to finance its capital needs. In this regard, liquidity risk is mitigated by maintaining an even maturity structure and a long average remaining term in the company's debt portfolio. Liquidity risk is also mitigated by the Group's having several types of debt issuance programmes and thereby ensuring its access to capital and flexibility.

Interest Rate Risk

Interest rate risk in the Group's debt portfolio is measured in terms of duration, which is permitted to vary from a norm of 4 years by up to 12 months either way. The norm period was increased to 4 years from 2.5 years in spring 2009. The duration of the Group's debt portfolio on 31 December 2009 was 4.0 years. Including Capital Securities the duration was 4.1 years. To adjust the duration of borrowing, the company uses interest rate swaps, interest rate forwards and options, among other things.

Currency Risk

Currency risk pertains to the risk of a negative impact on the consolidated income statement and balance sheet caused by changes in exchange rates. The Group is exposed to currency risk through exchange rate movements attributable to future cash flows (transaction exposure) and in the revaluation of net assets in foreign subsidiaries (translation or balance sheet exposure). The Group's goal in managing currency risk is to minimise exchange rate effects while taking into account hedging costs and tax aspects. Currency exposure in borrowing is eliminated using currency interest rate swaps for the purpose of avoiding the effect of exchange rate differences on

earnings. The Group has limited transaction exposure, as most generation, distribution and sales of energy take place in the respective companies' local markets.

Technology

These risks are related to all technology that is needed to produce, transmit, distribute and sell electricity, gas, heat and other related products and services.

Plant Risk

The Group's largest plant risks are associated with the operation of power generation and heat production plants. The Group's plants can be damaged as a result of incidents, breakdowns and sabotage of components and equipment which, as a rule, would give rise to substantial outage costs. Plant risk is mitigated through loss-prevention measures, good maintenance, training, advanced planning in the renewal of the Group's plants and good administrative routines. A rolling inspection programme for the largest plants is an important part of the ongoing risk management work. Nuclear safety is a key focus area and has very high priority. The plants shall be run and maintained in a correct manner, and their design is to be evaluated continuously. To identify risks, detailed analyses are conducted of all essential operations and plants. These analyses are updated continuously in consultation with the safety authorities in the respective countries and form the basis for continuous improvement to ensure that risks are kept at a low level at all times.

Plant risk also includes damage to the Group's transmission grid and distribution networks. The Group is working continuously to make its electricity networks less vulnerable. This mainly involves successively replacing suspended transmission lines above ground with underground cables.

Further plant risks include damage to machinery and other equipment at the Group's open-cast lignite mines. A disruption in mining operations would cause a halt in lignite deliveries, which would lead to a disruption in generation and loss of revenue for Vattenfall.

The Group protects itself against major economic loss to the greatest extent possible through insurance. Vattenfall has two Group-owned insurance companies that insure the Group's own risks exclusively – Försäkrings AB Vattenfall Insurance (Vattenfall Insurance) and Vattenfall Reinsurance S.A., Luxembourg. Vattenfall Insurance optimises the risk financing of insurable risks within the Group. Reinsurance is procured in the international reinsurance market. Vattenfall Reinsurance provides Vattenfall Insurance with some reinsurance capacity.

Vattenfall Insurance underwrites insurance for most of the Group's property and business interruption exposure and for construction and design risks. Transmission and distribution networks are mostly uninsured with respect to the actual transmission lines. This is due to the difficulty of finding cost-effective insurance solutions. In addition, Vattenfall Insurance provides Group-wide, general liability insurance, including consultant and product liability. With respect to dam liability, in Sweden dam owners have strict and unlimited liability for damage to third parties caused by dam accidents. In co-operation with other Swedish and a number of Norwegian dam owners, the Group procures dam liability insurance with an insured amount of SEK8 billion.

Property insurance for the Group's nuclear power plants is issued by EMANI (the European Mutual Association for Nuclear Insurance), and for the Swedish power plants also by the Nordic Atomic Pool. Atomic liability in Sweden is strict and limited to 300 million SDRs (Special Drawing Rights), approximately SEK3,311 million (26 July 2010), which means that owners of nuclear power plants are only liable for damage up to this amount. Obligatory atomic insurance is issued by the Nordic Atomic Pool and by the mutual insurance company ELINI. In Germany, atomic liability is strict and unlimited. By law, nuclear power plants are required to have insurance or other financial guarantees for up to EUR2,500 million. The German Atomic Pool issues insurance for up to EUR256 million. Thereafter, the nuclear power plants and their German parent companies (in the Group's case, Vattenfall Europe AG) are liable for amounts exceeding this level, in proportion to the respective ownership interest the parent companies have in the nuclear power plant. It is not until these resources are exhausted that a solidarity agreement ("Solidarvereinbarung") between

the German nuclear power plant owners (Vattenfall, E.ON, RWE and EnBW) would take force for up to EUR2,500 million. Since the liability is unlimited, the nuclear power plants and their German parent companies are ultimately liable also for amounts in excess of this level.

Infrastructure

These risks are related to all infrastructures that the Group needs for its operations. This includes IT infrastructure (hardware and software), telecommunications, buildings and safety systems.

IT plays a key role in nearly all parts of operations, and a disruption in an IT network or IT application could have a major impact on the company's performance. For example, a breakdown in the invoicing system could lead to a loss in trust in the Group, while a disruption in a trading system could lead to lost opportunities, fines or mark-to-market losses. To manage the dependence on IT systems, major focus is put on monitoring and back-up solutions.

Political Risks

Risks that are affected by regional and global political and social trends.

Political Risks

Political risk is defined as the business risk that can arise as a result of political decisions, such as price regulations in electricity distribution and transmission, uncertainty regarding a new political majority, or changes in finance policies. In connection with acquisitions and other investments, this type of risk is managed by adjusting the cost of capital. Another type of political risk stems from changes in the rules governing the energy industry. These can concern such factors as changed taxes, environmental surcharges, changes in environmental legislation and permit requirements, changes in how natural monopolies are regulated, and political objectives regarding the composition of the energy system. This type of risk is more difficult to predict and protect against. To mitigate this risk, the Group conducts active business intelligence activities and maintains contacts with decision makers in relevant markets.

Laws and Regulations

Risks that are related to laws and regulations that apply to the Group.

Legal Risks

Legal risks include the risk of loss arising from defective or unfavourable contractual regulations or a lack of clarity regarding the validity of agreements, i.e. an agreement is in contravention of applicable law. Legal risks also include the risk of loss and other consequences resulting from operations not being conducted in accordance with compelling legal rules or permits. Legal risks in the Group are mitigated through obligatory participation in decision-making processes and analyses performed by local legal affairs departments and, on legal matters of a principle nature or of major importance for the Group, via the Legal Affairs Group function. In extreme situations, such as when a proposed measure is in contravention of applicable law or is judged to be clearly unsuitable from a legal perspective, the legal affairs departments have an obligation to prohibit the measure in question.

Employees and Organisation

Risks that are related to the Group's organisation, processes and employees, such as company culture, leadership and motivation.

Risk of losing expertise and key persons

In certain areas there is unique expertise and key persons where the impact would be particularly tangible if the persons in question were to leave the Group. To manage this risk, a record is kept of where persons with these qualities work in the organisation, and the risk is mitigated through efforts to spread their expertise, knowledge and/or specific qualities. To attract and retain persons

with unique expertise, the Group takes a structured approach to competence planning, and leadership and management development programmes.

Other

Investment risk (financing, technology and environmental permits)

The Group is a highly capital-intensive company and has an extensive investment programme. Before every investment decision, a risk analysis is performed. By simulating various outcomes created by changes in, for example, price, costs, delays and the cost of capital, the risks are estimated for the individual investment. There are several different types of investment risk in the various risk areas, such as financing risk, risk in the choice of technology and the risk of changes surrounding environmental permits and similar.

Environmental Risks

The general concept of environmental risk can be broken down into two categories: environmental risks and environmental liabilities. Environmental risks are a combination of, and the probability of, an activity that results in environmental damage. Environmental damage is defined in this context in accordance with Article 2 in the Environmental Liability Directive (2004/35/CE). Environmental liabilities are cases where emissions, use of chemicals and other substances, or use of technology in accordance with currently applicable environmental legislation, requires remedial measures. It can also be a case in which demands are made on financial reporting of provisions. At the end of every year a compilation is made of the company's environmental risks and environmental liabilities, as well as of any provisions and measures that may be needed. The compilation is based on Group-wide reporting in accordance with set definitions. The analysis covers a general evaluation of the risk situation and trend during recent years. The business units are responsible for identifying and expressing the risks and liabilities in accordance with the joint definitions so that a total picture can be created for the Group.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex

financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The obligations of the Issuer under Subordinated Notes are subordinated

The obligations of the Issuer under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. “Senior Liabilities” means the claims of unsubordinated creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 of the conditions of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes other than the subordination provisions of the Notes which are based on Swedish law are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or Swedish law or administrative practice after the date of this Prospectus.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Interests of the Dealers

Certain of the Dealers and their affiliates have engaged, and may in the future, engage in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Prospectus:

(a) the unaudited consolidated and unconsolidated financial statements as of and for the six months ended 30 June 2010 of the Issuer (which can be found at pages 16–23 and page 27 of the interim report for the six months ended 30 June 2010);

(b) the auditors' report (which can be found at page 120), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 76–127) and the administration report (including risk management) (which can be found at pages 52–75) set out in the annual report of the Issuer for the financial year ended 31 December 2008;

(c) the auditors' report (which can be found at page 128), the consolidated and unconsolidated audited annual financial statements (including the notes thereto) (which can be found at pages 82–127) and the administration report (including risk management) (which can be found at pages 50–81) set out in the annual report of the Issuer for the financial year ended 31 December 2009;

(d) an English translation of the articles of association of the Issuer;

(e) the terms and conditions of the Notes contained in the previous Prospectus dated 3 July 2003 pages 20 to 39 (inclusive) prepared by the Issuer in connection with the Programme;

(f) the terms and conditions of the Notes contained in the previous Prospectus dated 17 June 2004 pages 20 to 39 (inclusive) prepared by the Issuer in connection with the Programme;

(g) the terms and conditions of the Notes contained in the previous Prospectus dated 8 June 2005 pages 29 to 48 (inclusive) prepared by the Issuer in connection with the Programme;

(h) the terms and conditions of the Notes contained in the previous Prospectus dated 1 July 2005 pages 29 to 48 (inclusive) prepared by the Issuer in connection with the Programme;

(i) the terms and conditions of the Notes contained in the previous Prospectus dated 16 June 2006 pages 37 to 62 (inclusive) prepared by the Issuer in connection with the Programme;

(j) the terms and conditions of the Notes contained in the previous Prospectus dated 11 June 2007 pages 39 to 68 (inclusive) prepared by the Issuer in connection with the Programme;

(k) the terms and conditions of the Notes contained in the previous Prospectus dated 9 June 2008 pages 36 to 62 (inclusive) prepared by the Issuer in connection with the Programme; and

(l) the terms and conditions of the Notes contained in the previous Prospectus dated 9 June 2009 pages 37–63 (inclusive) prepared by the Issuer in connection with the Programme.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any information which is incorporated by reference in documents which are deemed to be incorporated in, and to form part of this Prospectus, shall not form part of this Prospectus for the purposes of the Prospectus Directive.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at SE-162 87 Stockholm, Sweden and the offices of Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes (except ES Registered Notes) will be initially represented by a temporary global Note, without receipts, interest coupons or talons or, if so specified in the applicable Final Terms, a permanent global Note which, in either case will be:

(a) if the temporary global Note and the permanent global Note are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"); or

(b) if the temporary global Note and the permanent global Note are not intended to be issued in NGN form, delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "Form of the Notes" to Euroclear, Clearstream, Luxembourg and/or ES shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without receipts, interest coupons or talons or for security printed definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the first paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on and after the Exchange Date. Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below), the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer(s)) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described therein. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by

reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all global Notes and definitive Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Notes:

> "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Each Tranche of ES Registered Notes will be issued in uncertificated and dematerialised registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act"). No global or definitive Notes will be issued in respect thereof. The holder of a ES Registered Note will be the person evidenced as such by a book entry in the records of ES. Where a nominee is so evidenced it shall be treated as the holder of the relevant ES Registered Note.

Title to the ES Registered Notes will pass by transfer between accountholders of ES, perfected in accordance with the Swedish statutory rules (including the SFIA Act) and regulations applicable to and/or issued by ES from time to time.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

VATTENFALL AB

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR15,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 14 October 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of this Prospectus may be obtained during normal business hours from the registered office of the Issuer at SE-162 87 Stockholm, Sweden and from Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*current date*] and [*original date*]. Copies of such Prospectuses are available for viewing at Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England and copies may be obtained from the registered office of the Issuer at SE-162 87 Stockholm, Sweden and from Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	Vattenfall AB
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount:	
	(a)	[Series:	[ ]]
	(b)	[Tranche:	[ ]]
	(c)	[the Aggregate Nominal Amount of Notes issued has been translated into EUR [ ], producing a sum (for Notes not denominated in EUR) of:	EUR [ ]]
5.		[Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)]]
6.	(a)	Specified Denominations:	[ ] [ ] *(Note – where multiple denominations above [EUR50,000] or equivalent are being used the following sample wording should be followed:* *"[EUR50,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 99,000]. No Notes in definitive form will be issued with a denomination above [EUR 99,000]."*)[1] *(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the EUR50,000 minimum denomination is not required.)*
	(b)	Calculation Amount	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common*

[1] Delete if notes being issued are in registered form other than VPC Registered Notes.

			factor in the case of two or more Specified Denominations.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)*
8.		Maturity Date:	*[Fixed rate – specify date/ Floating rate – Interest Payment Date falling in or nearest to [specify month]]*
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR]+/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] *[specify other]* (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] *[specify other]* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply.)*
11.		Change of Interest Basis or Redemption/Payment Basis:	*[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a)	Status of the Notes:	[Ordinary/Subordinated]
	(b)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] *(If payable other than annually, consider amending Condition 4)*
	(b) Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[specify other] (N.B. This will need to be amended in the case of long or short coupons)
	(c) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[ ] per Calculation Amount
	(d) Broken Amount(s): *(Applicable to Notes in definitive form)*	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e) Day Count Fraction:	[Actual/Actual (ICMA) or 30/360 or [ ] specify other]
	(f) Determination Date(s):	[ ] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c) Additional Business Centre(s):	[ ]
	(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]

(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 4 for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[*Conditions 6(e)(iii) and 6(j) apply/specify other*] *(Consider applicable day count fraction)*
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Interest Period(s):	[ ]
	(f)	Specified Interest Payment Dates:	[ ]
	(g)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(h)	Additional Business Centre(s):	[ ]
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[ ]

19.	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21.	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/specify other/see Appendix]
	(c) Notice period (if other than as set out in the Conditions):	[ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
22.	Final Redemption Amount of each Note:	[ ] per Calculation Amount/specify other/see Appendix] *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply.)* *(NB: Where the Notes are derivative Securities to which Annex XII to the Prospectus Directive Regulation apply and the Notes are linked to an underlying need to include a description of market disruption or settlement disruption events and adjustment provisions.)*
23.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)):	[ ] per Calculation Amount/*specify other*/see Appendix

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form	[Uncertificated and dematerialised registered form for ES Registered Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice/only upon an Exchange Event]]

		[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date or specified number of days' notice] [Permanent Global Note exchangeable for Definitive Notes [on not less than 60 days' notice/only upon an Exchange Event]] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]. Furthermore, such Specified Denomination is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.")*
	(b) New Global Note:	[Yes] [No][2]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] *(This item is not applicable to ES Registered Notes. Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 16(c) and 18(h) relate)*
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	
	(a) [Instalment Amount(s):	[Not Applicable/*give details*]
	(b) [Instalment Date(s):	[Not Applicable/*give details*]

[2] New Global Note is not applicable in relation to VPC Registered Notes.

29.	Redenomination applicable:	Redenomination [not] applicable [*(if Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest Calculation (including alternative reference rates))*. *(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)*]
30.	Other final terms:	[Not Applicable/*give details*] *[The Issuer shall be entitled to obtain information from the register maintained by ES [for the purposes of meetings of the Noteholders]/[for the purposes of performing its obligations under the issue of the ES Registered Notes]]*[3] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)* *(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)*

DISTRIBUTION

31.	(a)	If syndicated, names of Managers:	[Not Applicable/*give names*] *(NB: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
32.	(a)	Date of [Subscription] Agreement:	[ ] *(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*
	(b)	Stabilising Manager (if any):	[Not Applicable/*give name*]
33.		If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
34.		U.S. Selling Restrictions:	[Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]

[3] Only applicable in case of VPC Registered Notes.

35.	Additional selling restrictions:	[Not Applicable/*give details*]

36. LISTING

(i)	Listing and Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing Authority of Notes described herein pursuant to the EUR15,000,000,000 Euro Medium Term Note Programme of Vattenfall AB as issuer.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of Vattenfall AB (publ):

By:

Duly authorised

PART B – OTHER INFORMATION

1. RATINGS

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(a)] Reasons for the offer: [ ]

[(b)] Estimated net proceeds: [ ]

[(c)] Estimated total expenses: [ ]

(N.B. *Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (a), disclosure of net proceeds and total expenses at (b) and (c) above are also required.*)

4. YIELD (FIXED RATE NOTES ONLY)

[ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. PERFORMANCE OF INDEX/FORMULA RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING *(Index-Linked Notes Only)*

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained*.]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information*.]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation*.]

[*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

(N.B. This paragraph 5 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

6. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT *(Dual Currency Notes Only)*

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained*.]

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[*Not Applicable*/*give name(s) and number(s)*/*Euroclear Sweden AB, corporate identification number: 556112-8074*.
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Issuing Agent (if any):	[*Give name – only applicable in the case of ES Registered Notes*] [Not Applicable]
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of Notes which will be incorporated by reference into each global Note and endorsed upon each definitive Note. The following Terms and Conditions will, whenever the context so permits, also apply to each ES Registered Note. The applicable Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes (including, for the avoidance of doubt, ES Registered Notes). The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note and shall apply as aforesaid to ES Registered Notes. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions.

This Note is one of a series of Notes issued by Vattenfall AB (the "Issuer") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 5 July, 1994 made between Vattenfall Treasury AB, the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee). References herein to the "Notes" shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note, (iii) any global Note and (iv) Notes issued in and cleared in the system operated by Euroclear Sweden AB, a Swedish Central Securities Depository and Clearinghouse, which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("ES Registered Notes" and "ES" respectively). The Notes (except in the case of ES Registered Notes), the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 14 October 2010 made between the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms which are (except in the case of ES Registered Notes) attached hereto or endorsed hereon which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note.

References herein to the applicable "Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) which is (except in the case of ES Registered Notes) attached hereto or endorsed hereon.

The Trustee acts for the benefit of the holders of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a global Note and in relation to ES Registered Notes, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the

holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed. ES Registered Notes are in uncertificated and dematerialised registered form and, for the avoidance of doubt, any references in these Terms and Conditions to Receipts, Coupons and Talons shall not apply to ES Registered Notes.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing and admission to trading) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement (which contains the form of the Final Terms) are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 14 October 2010 at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified offices of each of the Agent and the other Paying Agents. Copies of the applicable Final Terms may be obtained from the registered office of the Issuer at SE-162 87 Stockholm, Sweden and from Citibank N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form or, in the case of ES Registered Notes, in uncertificated and dematerialised registered form, as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be an Ordinary Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title (except ES Registered Notes) to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Trustee and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft

thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

The holder of a ES Registered Note will be the person evidenced as such by a book entry in the records of the system operated by ES. Title to the ES Registered Notes will be passed by registration in the register between the direct or nominee accountholders at ES in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act") rules and regulations applicable to and/or issued by ES from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant ES Registered Note.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as the case may be, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and/or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note (or the Trustee in accordance with the Trust Deed) (and the expressions "Noteholder" and holder of "Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

For so long as any of the Notes is a ES Registered Note, each person who is for the time being shown in the records of the system operated by ES as the holder of a Note shall be treated by the Issuer, the Trustee and any Issuing Agent as the holder of such Notes for all purposes in accordance with the SFIA Act (and the expressions "Noteholder" and holder of "Notes" and related expressions shall be construed accordingly).

ES Registered Notes will be transferable only in accordance with the SFIA Act rules and any regulations applicable to and/or issued by ES from time to time. ES Registered Notes will be issued in uncertificated and dematerialised registered form and no global or definitive Notes will be issued in respect thereof and these Terms and Conditions shall be construed accordingly.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

2. Status of the Notes

(a) ***Status of the Ordinary Notes***

The Ordinary Notes and the relative Receipts and Coupons are direct, unconditional, (subject to the provisions of Condition 3) unsecured and unsubordinated obligations of the Issuer and (subject as aforesaid) rank and will at all times rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) ***Status of the Subordinated Notes***

The Subordinated Notes and the relative Receipts and Coupons are direct, unsecured and subordinated obligations of the Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated

obligations of the Issuer. The rights of the holder of any Subordinated Note and the relative Receipts and Coupons shall, in the event of bankruptcy or liquidation of the Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the Issuer.

The Issuer reserves the right to issue further subordinated notes and other subordinated obligations in the future, provided, however, that such further subordinated notes or other such subordinated obligations may not rank prior to present or future Subordinated Notes.

3. Negative Pledge

(a) ***Negative Pledge in relation to Ordinary Notes***

So long as any of the Ordinary Notes remains outstanding, the Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future Securities of itself or another (or to secure any guarantee or indemnity in respect thereof) without in any such case at the same time according to the Ordinary Notes and the relative Receipts and Coupons either the same security as is granted to or is outstanding in respect of such Securities (or such guarantee or indemnity in respect thereof) or such other security as the Trustee shall in its sole discretion deem not materially less beneficial to the interests of the Ordinary Noteholders or as shall be approved by an Extraordinary Resolution of the Ordinary Noteholders.

As used in this Condition 3(a), "Securities" means any loan or other indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are or are to be quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

(b) ***Negative Pledge in relation to Subordinated Notes***

So long as any of the Subordinated Notes remains outstanding, the Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future subordinated debt of itself or another (or to secure any guarantee or indemnity in respect thereof).

4. Interest

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including or, in the case of ES Registered Notes, but excluding) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, "Fixed Interest Period" means the period from (and including or, in the case of ES Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denominations, without any further rounding.

In these Terms and Conditions, "Day Count Fraction" means in respect of the calculation of an amount of interest in accordance with this Condition (a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including or, in the case of ES Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including or, in the case of ES Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(iii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period unless, in the case of a relevant period ending on (but excluding) the Maturity Date, the Maturity Date is the last day of the

month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

In these Terms and Conditions:

"Determination Period" means the period from (and including or, in the case of ES Registered Notes, but excluding) a Determination Date to (but excluding or, in the case of ES Registered Notes, and including) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) ***Interest on Floating Rate Notes and Index Linked Interest Notes***

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest from (and including or, in the case of ES Registered Notes, but excluding) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

(A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including or, in the case of ES Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of ES Registered Notes, and including) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(iv)(B) below, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "Business Day" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each other place as is specified in the applicable Final Terms (each an "Additional Business Centre"); and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real- Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

(ii) *Rate of Interest:* The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(iii) *ISDA Determination:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is the period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Euro-zone" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 5(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iv) *Screen Rate Determination for Floating Rate Notes:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Agent (or, in the case of ES Registered Notes, the Calculation Agent). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this sub-paragraph (iv) in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In the case of Notes other than ES Registered Notes, the Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. In the case of ES Registered Notes, such provisions will be as set out in the applicable Final Terms.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(v) *Minimum and/or Maximum Rate of Interest:* If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Issuer or its Agent, in the case of Floating Rate Notes which are not ES Registered Notes, and the Calculation Agent, in the case of Index Linked Interest Notes and Floating Rate Notes which are ES Registered Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes and Floating Rate Notes which are ES Registered Notes, the Calculation Agent (if not the Agent) will notify the Agent of the Rate of Interest and the Interest Amount due for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Sterling/FRN" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(vii) *Notification of Rate of Interest and Interest Amount:* The Agent, or in the case of ES Registered Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(viii) *Determination or Calculation by Trustee:* If for any reason the Agent or the Calculation Agent (if not the Agent), as the case may be, at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub- paragraphs (ii), (iii) and (iv) above, as the case may be, and, in each case, (vii) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed

to have been made by the Agent or the Calculation Agent (if not the Agent), as the case may be.

(ix) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 4(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Dual Currency Notes***

In the case of Dual Currency Notes, where the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

(d) ***Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) ***Accrual of Interest***

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, payment of principal is improperly withheld or refused. In such event in respect of Notes other than ES Registered Notes, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Notes have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 13.

In such event in respect of ES Registered Notes, interest will continue to accrue until the date the holders of the ES Registered Notes receive the full amount of such payments.

5. Payments

(a) ***Method of Payment***

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or at the option of the relevant holder by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) ***Presentation of Notes, Receipts and Coupons***

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Redemption Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon any Fixed Rate Note in definitive form (other than a Fixed Rate Note which is also an Index Linked Redemption Note) becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. On the occasion of each payment, (i) in the case of any global Note which

is not issued in new global note ("NGN") form, a record of such payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any global Note which is a NGN, the Agent shall instruct Euroclear and/or Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)):

(a) (i) if the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and (iii) such payment is then permitted under United States law; or

(b) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

Payments of principal and interest in respect of ES Registered Notes will be made to the persons registered as Noteholders in the system operated by ES on the fifth Stockholm Business Day (or such other day which may become customary on the Swedish bond market, which in respect of ES Registered Notes denominated in Swedish Kronor is expected to be the third Stockholm Business Day) prior to the Interest Payment Date or the Maturity Date, as the case may be, and in accordance with the rules and procedures applied and/or issued by ES from time to time.

As used herein, "Stockholm Business Day" means a day on which commercial banks and foreign exchange markets are open for business in Stockholm.

(c) ***Payment Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "Payment Day" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including trading in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only the relevant place of presentation;

(B) each Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(d) ***Payment Date for ES Registered Notes***

If the date for payment of any amount in respect of ES Registered Notes is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, "Payment Day" means any day which (subject to Condition 8) is a day on which commercial banks are open for general business in Stockholm.

(e) ***Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vii) any premium and any other amounts which (other than interest) may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

6. Redemption and Purchase

(a) ***At Maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the

manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) ***Redemption for Tax Reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or a Dual Currency Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent (or, in the case of ES Registered Notes, ES) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7, as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision thereof or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (i) above will apply on the occasion of the next payment due under the Notes and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding or, in the case of ES Registered Notes, and including) the date of redemption.

(c) ***Redemption at the Option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable), redeem all or some only, as specified in the applicable Final Terms, of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding or, in the case of ES Registered Notes, and including) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed

("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note and in accordance with the rules of ES in the case of ES Registered Notes, in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 5 days prior to the Selection Date.

(d) ***Redemption at the Option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part) such Note on the relevant Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding or, in the case of ES Registered Notes, and including) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, at the specified office of any Paying Agent (or, in the case of ES Registered Notes, the Issuing Agent) at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

In the case of ES Registered Notes, a Put Notice will not be effective against the Issuer before the date on which the relevant ES Registered Notes have been transferred to the account designated by the relevant Issuing Agent and blocked for further transfer until the Optional Redemption Date by said Issuing Agent. In the case of ES Registered Notes, the right to require redemption of such Notes in accordance with this Condition 6(d) must be exercised in accordance with the rules and procedures of ES and if there is any inconsistency between the foregoing and the rules and procedures of ES, the rules and procedures of ES shall prevail.

(e) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at an amount (the "Early Redemption Amount") determined or calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less

or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is so set out, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount ("the Amortised Face Amount") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^{y} is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including, or in the case of ES Registered Notes, but excluding) the Issue Date of the first Tranche of the Notes to (but excluding or, in the case of ES Registered Notes, and including) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) ***Instalments***

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) ***Partly Paid Notes***

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) ***Purchases***

The Issuer or any of its respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation. Any ES Registered Notes purchased may be held, resold or cancelled. If purchases are made by tender, tenders must be available to all Noteholders alike.

(i) ***Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and all Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent (or, in the case of ES Registered Notes, the relevant Issuing Agent) and cannot be reissued or resold.

(j) ***Late Payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and

repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which, in respect of Notes other than ES Registered Notes, is the earlier of:

(i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 13 or individually.

In such event in respect of ES Registered Notes, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date the holders of the ES Registered Notes receive the full amount of such payment.

7. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges ("Taxes") of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision of, or any authority in, or of, the Kingdom of Sweden having power to tax unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note, Receipt or Coupon:

(i) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of such Note, Receipt or Coupon; or

(ii) to a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Payment Day; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting such Note, Receipt or Coupon to a Paying Agent in another Member State of the European Union.

As used herein, the "Relevant Date" means the date on which such payment first becomes due but, if the full amount of the moneys payable has not been duly received by the Agent (or, in the case of ES Registered Notes, the holders of ES Registered Notes) or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 13.

8. Prescription

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

In the case of ES Registered Notes, claims against the Issuer for the payment of principal and interest payable in respect of the ES Registered Notes shall be void unless made within 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor and thereafter any principal or interest payable in respect of such ES Registered Notes shall be forfeited and revert to the Issuer.

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 6(e)), together with accrued interest as provided in the Trust Deed, in any of the following events ("Events of Default"):

(i) if default is made in the payment of any principal due in respect of the Notes or any of them and the default continues for a period of 7 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(ii) if the Issuer fails to perform or observe any of its other obligations under the conditions of the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if any other indebtedness for borrowed money (as defined in the Trust Deed) of the Issuer or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any Principal Subsidiary fails to make any payment in respect of any other indebtedness for borrowed money on the due date for payment as extended by any originally applicable grace period or any security given by the Issuer or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the Issuer or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any other indebtedness for borrowed money of any other person, provided that no event shall constitute an Event of Default unless the indebtedness for borrowed money or other relative liability either alone or when aggregated with other indebtedness for borrowed money and/or other liabilities relative to all (if any) other events which shall have occurred and be at the

relevant time outstanding shall amount to at least U.S.$50,000,000 (or its equivalent in any other currency); or

(iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Principal Subsidiary save for the purposes of a reorganisation on terms approved in writing by the Trustee; or

(v) if the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation on terms approved in writing by the Trustee, or the Issuer or any Principal Subsidiary stops or threatens to stop payment of, or is unable to or admits inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vi) if (a) proceedings are initiated against the Issuer or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Principal Subsidiary or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (b) in any case (other than the appointment of an administrator) is not discharged within 45 days; or if the Issuer or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

"Principal Subsidiary" means a Subsidiary of the Issuer:

(i) whose (a) total profits, before tax and extraordinary items, or (b) Total Tangible Assets (as defined in the Trust Deed) represent 10 per cent. or more of the consolidated total profits, before tax and extraordinary items, of the Issuer and its consolidated Subsidiaries, or, as the case may be, consolidated Total Tangible Assets of the Issuer and its consolidated Subsidiaries, in each case calculated by reference to the latest audited financial statements of such Subsidiary and the latest audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary under this sub-paragraph (ii) upon publication of its next audited financial statements,

all as more particularly defined in the Trust Deed.

A report by the independent auditors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties.

10. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of

which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Agent and Paying Agents

(a) ***Notes other than ES Registered Notes***

The following shall apply only to Notes other than ES Registered Notes.

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is, with the prior approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Europe outside Sweden;

(iii) there will at all times be an Agent; and

(iv) there will be at all times a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in paragraph 9 of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

(b) ***ES Registered Notes***

The following shall apply only to ES Registered Notes.

In relation to ES Registered Notes, the Issuer will, in accordance with the SIFA Act, appoint (i) ES as the central securities depository, and (ii) an issuing agent (the "Issuing Agent"). The Issuing Agent will be specified in the relevant Final Terms.

The Issuer is entitled to vary or terminate the appointment of ES or the Issuing Agent, provided that the Issuer will appoint another central securities depository or Issuing Agent, each of them to be duly authorised under the SFIA Act. The central securities depository and the Issuing Agent act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if

such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

13. Notices

All notices regarding the Notes shall be published in the Financial Times or any other daily newspaper in London approved by the Trustee. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in all the required newspapers.

All notices to holders of ES Registered Notes will be valid if mailed to their registered addresses appearing on the register of ES. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed.

Until such time as any definitive Notes are issued there may so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes (other than ES Registered Notes) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes (other than ES Registered Notes) are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Notices to be given by any holder of ES Registered Notes shall be in writing and lodged with the relevant Issuing Agent.

14. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two- thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities, or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Enforcement

The Trustee may at its discretion and without further notice take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes, Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-fifth in nominal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

17. Substitution

The Trustee may, without consent of the Noteholders, the Receiptholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of the Issuer's Subsidiaries, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

18. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

19. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b), and clause 2.3(b) of the Trust Deed, are governed by, and shall be construed in accordance with, Swedish law. In addition, the ES Registered Notes must comply with the SFIA Act, as amended.

The Issuer has irrevocably agreed in the Trust Deed for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of the ES (together, the "Swedish remedies"), holders of ES Registered Notes may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such ES Registered Notes, a holder of a ES Registered Note must first exhaust all available remedies under English law for non-payment or non-performance before any proceedings may be brought against the Issuer in Sweden in respect of the Swedish remedies. Notwithstanding the above, and in this limited respect only, a holder of a ES Registered Note may not therefore take concurrent Proceedings in Sweden.

The Issuer has in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office for the time being (being at 14 October 2010 at Fifth Floor, 100 Wood Street, London EC2V 7EX, England) as their agent in England for service of process on their behalf and have agreed that in the event of Law Debenture Corporate Services Limited ceasing so to act they will appoint such other person as the Trustee may approve as their agent for service of process.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE GROUP

General and History

With effect from 1 January, 1992 the Swedish State Power Board (Statens Vattenfallsverk), was converted from a public utility into a limited liability company registered in Stockholm under registration number 556036-2138, having been established under the name Vattenfall Aktiebolag in November 1990 with the registered office at 162 87 Stockholm, Sweden and the telephone number +46 8 739 50 00. The national high-voltage grid, together with its international connections, which was part of Statens Vattenfallsverk's operations, was not transferred but was demerged and incorporated into a new public utility, Svenska Kraftnät. With effect from 1 January 1995, the Issuer became a public limited company.

The Issuer is currently wholly-owned by the Swedish State. The Issuer's activities are conducted on a commercial basis with the State's involvement limited to the role of a shareholder.

The Issuer and its subsidiaries (the "Group") is Europe's fifth largest generator of electricity and largest producer of heat (according to the Issuer's assessment based on external sources). The Group's main products are electricity, heat and gas. In electricity, the Group works in all parts of the value chain: generation, transmission, distribution and sales. In heat, the Group is active in production, distribution and sales and is also engaged in production and sales of gas, energy trading, and lignite mining. The Group has approximately 40,000 employees. Operations in 2009 were conducted in Sweden, Denmark, Finland, Germany, Poland, the UK, the Netherlands and Belgium. The Group has approximately 7.5 million electricity and 2 million gas customers.

The Group is well diversified geographically as well as in the balance of energy sources and electricity, heat and gas production. Being active in several geographic markets reduces sensitivity to drops in demand in individual countries. A well balanced production mix comprising hydro power, nuclear power, fossil-based power, wind power and biomass-based power reduces sensitivity to price changes or regulations that could affect the profitability of the individual sources of energy.

The Group has customers primarily in the following sectors: industrial and energy companies, the service sector, real-estate companies, agricultural companies and households. Business is also conducted through several European electricity exchanges and through bilateral contracts with other electricity producers and network companies. The Group, through its subsidiary Vattenfall Energy Trading GmbH ("Vattenfall Energy Trading"), is currently a market-maker at Nord Pool ASA and the German EEX exchanges as well as being an active member on the Polish electricity exchange.

Investing in renewable energy

Wind Power

The share of electricity generation from wind power in the Group rose from 0.1 Terrawatt Hour ("TWh") to 1.7 TWh from 2004 to 2009. In addition, wind power is the renewable source of energy that is predicted to have the greatest potential for expansion in the medium term. The Group has approximately 700 wind power turbines in nine countries, which together generate enough electricity to power approximately 350,000 households. Most of the Group's wind farms are in Denmark and Sweden, including Lillgrund outside Malmö, which is Sweden's largest offshore wind farm, and Horns Rev off Esbjerg, Denmark, one of the world's largest offshore wind farms. The latter is 60 per cent. owned by the Group. The Group is currently conducting more than a hundred new construction projects for wind power in Europe, corresponding to 600 Megawatt ("MW"). Nearly 80 per cent. of this consists of offshore wind farms, many of which are being built off the coasts of Great Britain, which offers favourable market conditions and support systems for wind power – not to mention very favourable wind conditions. On 23 September 2010 Thanet Offshore Wind Farm was established and is, with its 100 turbines, the largest in the world. On 31 December 2009 the Group had a total of 988 MW of installed wind power, of which 370 MW (43 per cent.)

was offshore and construction was in progress of eight wind farms in six countries, which will result in a doubling of the Group's wind power electricity generation when they come on stream in 2011.

Biomass

One way of reducing the climate impact of electricity and heat production is to use biomass instead of coal. Biomass is CO_2-neutral if the fuel that is burned is offset by a corresponding amount of re-growth. Much of biomass consists of forestry and agricultural residuals. Co-combustion of coal and biomass is one technology that is already available today. In the years ahead the Group will therefore be sharply increasing the mix of biomass in its major coal-fired plants. The Group currently has more than 40 combined heat and power plants that are operated entirely or partly using biomass. The use of biomass in the Group's generation of heat and electricity is increasing steadily. Today the Group is already one of the world's largest buyers of biomass for energy purposes. The Group is working to develop the entire biomass chain, from growing to use and combustion via logistics and fuel handling. One major challenge is finding suppliers that can generate access to major volumes of biomass while simultaneously meeting high demands on sustainability at a competitive price. In June 2010 the Issuer together with Swedfund International AB, a state owned investment company, acquired a minority stake in Buchanan Renewables Fuel in Liberia. This was a first step towards building an international sourcing portfolio to secure a long-term supply of biomass that meets high sustainability requirements. The biomass from Buchanan Renewables Fuel is produced from old, non-productive rubber trees.

Hydro Power

Hydro power today accounts for the largest share of the Group's renewable electricity generation. The Group owns and operates 112 hydro power stations in the Nordic countries – most in Sweden and a few in Finland. The Group's Swedish hydro power plants generate slightly more than 30 TWh per year. This figure varies depending on water levels. Hydro power has the greatest importance as base, peak and regulation power as well as for storage of energy. It has a very important role in the Group's work to achieve climate-neutral operations. The Group has an ambitious investment programme for its hydro power operations – approximately 30 of the Group's hydro power stations have been or are being upgraded during the period 2004–2013. In recent years Vattenfall has also been conducting a major programme surrounding dam safety.

Wave Power

Ocean energy in the form of wave power and tidal power has the potential to be an important renewable source of energy. Its theoretical potential capacity is enormous: 15,000 TWh worldwide yearly, of which 2,000 TWh in Europe. The areas that are best-suited for ocean energy in Europe are the Atlantic coasts of the UK, Ireland, Norway and Denmark. The Group estimates that wave power can be a commercially viable source of energy within 10 to 15 years. The Group is participating in several wave power pilot projects offshore from the coasts of Sweden, Norway and Ireland. Together with an Irish site development company for ocean energy, the Issuer has formed a company whose goal is to generate electricity on a commercial basis using wave power offshore from Ireland's west coast. In collaboration with a Scottish company, the Group is making plans to build a wave power installation offshore from the Shetland Islands in the Atlantic Ocean. The Group plans to continue the work with pilot tests and demonstration facilities towards the goal of having commercial wave power farms of 100 MW and upwards operating by 2020. Wave power is estimated to account for approximately 8 per cent. of the Group's electricity generation by 2030.

Carbon Capture and Storage (CCS)

Coal will continue to be an important source of energy in Europe for many years to come. CCS technology, entailing the capture and storage of carbon dioxide from the combustion of fossil fuels, will therefore be a key method of reducing CO_2 emissions in the future. With CCS, carbon dioxide from fossil-based power plants can be captured for permanent storage deep underground. The technology needs to be up scaled, and the costs must be brought down. It is not until 2020 that

initial commercial use of CCS technology is regarded as possible. In addition, legislation is needed surrounding the capture and storage of carbon dioxide. In 2008 the EU issued a directive on CCS. Through this directive, the Commission wants to ensure that the capture and storage of carbon dioxide in geological formations is conducted in an environmentally sound manner.

As one of Europe's largest generators of electricity and one of those that emits the most carbon dioxide, the Group has a major responsibility to lower environmentally damaging emissions from the Group's electricity and heat production. The Group therefore has its sights on having a fully commercial CCS concept ready by 2020 and has been engaged in the development and demonstration of technology for capturing and storing carbon dioxide since 2001. An important milestone in the Group's work on CCS is the construction of the Schwarze Pumpe pilot plant, near Cottbus, Germany, for testing so-called oxyfuel technology. The plant – the first of its kind in the world – was inaugurated on 9 September 2008 and has an installed capacity of 30 MW. The Group plans to build a 385 MW CCS demonstration plant in Jänschwalde, Germany. At this location, the Group has a lignite-fired power plant comprising six units; the opportunities to rebuild one unit are being investigated. The demonstration project in Jänschwalde, involving two CCS technologies, could become a reality by 2015 at the earliest. In December, the EU Commission announced that the Group will be receiving up to EUR180 million (approximately SEK1,900 million) in funding from the EU to develop this project further.

Nuclear power

During its life cycle, nuclear power does not create more emissions than wind power and is regarded as a reliable and efficient energy technology. The drawbacks are that it takes a long time to build a nuclear power plant, and the technology is advanced, which entails a high investment cost. Further, the means and methods for final storage of spent nuclear fuel are still not fully developed in most countries. In Sweden, it is now possible to plan for new nuclear power after the Swedish government decided in February 2009 to remove the legal obstacles to replacing old nuclear power. In Germany, discussions are being held on extending the remaining useful life of the country's nuclear reactors. Nuclear power accounts for a substantial share of the Group's electricity generation. In Sweden the Group operates seven reactors – four in Ringhals and three in Forsmark. In Germany, Vattenfall runs the Brunsbüttel and Krümmel nuclear power plants, with one reactor each. The Group also has a minority interest in the Brokdorf nuclear power plant in Germany.

GROUP GOVERNANCE, ORGANISATION AND BUSINESS STRUCTURE

The Issuer is the parent company of the Group. The Swedish Companies Act thus applies to the Issuer, which entails that the company shall have a board of directors that is elected at the Annual General Meeting. The Board, in turn, appoints the President and CEO, who is responsible for the day-to-day administration of the company in accordance with the Board's guidelines and instructions. Corporate governance within the Group is based on Swedish and foreign legal rules as well as on the company's Articles of Association, the Board's Rules of Procedure and other internal documents, such as the Group's management system. Where applicable, the Issuer also adheres to the stipulations that apply to companies registered on Nasdaq OMX Stockholm, Sweden and the other marketplaces in which the Group has securities registered. The Issuer applies the Swedish Code of Corporate Governance (the "Code") and considers it as one of several important sets of governing systems for external reporting and communication. The Issuer also adheres to the Swedish state's ownership policy. The deviations that the Issuer makes from the Code are mainly due to the company's ownership structure – the Issuer is 100 per cent. owned by the Swedish state, while the Code is written primarily for listed companies with broad ownership.

The Government, through its Ministry of Enterprise, Energy and Communications, State Enterprises Division is responsible for the governance of state-owned companies. To clarify the state's view on certain matters and to achieve uniformity across the companies under its

administration, the government has adopted guidelines on external financial reporting, terms of employment for senior executives, and employee incentive programmes. In addition, the government has identified certain, special policy issues of major importance, where state-owned companies are to act as a model.

The Articles of Association stipulate that the Board shall have a minimum of five and a maximum of ten elected directors at the Annual General Meeting. No members of the Executive Group Management (EGM) are board members. Thus in accordance with the Swedish state's ownership policy, the Group's CEO is not a member of the Board.

The matters reserved for the Board are prescribed primarily by the Swedish Companies Act and the Board's Rules of Procedure. The main duties of the Board, apart from appointing the CEO and executive vice presidents, are to set the strategic direction of operations, approve major investments, acquisitions and substantial organisational changes in the Group, and to set central policies and instructions. In addition, the Board monitors the company's financial performance and has ultimate responsibility for internal control and risk management. Each year the Board establishes its Rules of Procedure. Apart from mandatory items stipulated by the Swedish Companies Act, the Rules of Procedure regulate such things as the Chairman's duties, provision of relevant information to the Board, the form of board meetings, the establishment of board committees, and evaluation of the work of the Board and the CEO. The Chairman leads the work of the Board and is responsible for ensuring that board members receive adequate information. The Chairman participates when necessary in important external meetings. The Board has established within itself an audit committee and a compensation committee. In addition, the Board can, where necessary, establish other committees to look into matters in more defined areas. In other respects, the Board shall not delegate any special areas of responsibility or duties among its members.

The Board's Rules of Procedure stipulate that five to eight regular meetings are to be held each year. In addition to the regular meetings, the Board is summoned to further meetings if the need arises. The Rules of Procedure stipulate, among other things, that the following items must be included on the agenda once a year:

- The Group's strategic plan.
- The Group's total risk exposure.
- Safety and environmental concerns in nuclear power.
- Review of strategic personnel issues, including competence succession.
- Research and development activities within the Group.

In addition, at every meeting a report is presented on important business events which have occurred since the previous meeting as well as a report on the financing situation. Investments are followed up and analysed three years after the Board's decision to invest.

To ensure that the Group develops in the intended direction and lives up to ethical and legal requirements, the CEO has established the Vattenfall Management System ("VMS"). Integrated with the VMS is an Environmental Management System. The VMS is available to all employees on the Group's intranet. The VMS consists of a number of building blocks and is documented in governing documents, consisting of CEO documents, Group policies, instructions, directives and other documents. The Group policies describe the intentions for action on matters of major importance for the Group, while Group instructions provide more detailed and operative control, and lay down binding rules.

Group structure

The Group's organisational model is currently based on the value chain for electricity – generation, transmission, distribution and sales – and for heat – production, distribution and sales. Reporting

and follow-up of the business activities are conducted with full transparency in accounting, control, profitability and value creation. In terms of governance, the Group's operations are broken down into three categories:

- Business activities are handled by the Business Groups and their business units;
- Functions that support their respective management teams; and
- Shared Service units, which provide and develop services that support the business units and other users' efforts to optimise their business activities. Shared Service activities operate at both the Group (Group Shared Services) and Business Group levels. Group Shared Services comprise Group Treasury, Vattenfall Insurance, Vattenfall Research and Development and Vattenfall IT Infrastructure Service.

Since 2009 the Group's operations have been conducted primarily in six operating segments consisting of the four Business Groups (Pan Europe, Nordic, Central Europe and Benelux), Supply and Trading and Other. Starting on 1 January 2009, the Nuclear, Wind and Engineering business units have been consolidated into a new cross-border Business Group: Pan Europe. The main purpose of the reorganisation was to enhance co-ordination and cross-border co-operation in these areas, and to increase focus on the work of achieving the Group's environmental goals, where these business units play a major role. The three regional Business Groups – Nordic, Central Europe and Benelux – comprise other types of generation (mainly hydro power and fossil-based power), heat, distribution and sales in the respective regions. The Supply and Trading (Business Unit Trading) operating segment comprises the Group's energy trading operations. Operating profit for this segment is derived primarily from realised trading deals, but not earnings for deals generated on behalf of other business units through price hedges (earnings from these deals accrue to the business units). Nor does operating profit include unrealised changes in fair value. The operating segment 'Other' includes Treasury operations and other Group functions. It also includes unrealised changes in fair value of energy trading contracts, which according to IAS 39 may not be recognised using hedge accounting.

Integration of N.V. Nuon Energy

As from 1 July 2009, N.V. Nuon Energy ("Nuon") is part of the Vattenfall Group. Nuon's wind power operations have been integrated in the Wind business unit of Business Group Pan Europe, and its energy trading operations are part of Supply and Trading. The remaining business units, Exploration and Production; Power, Heat and Services; and Sales, are part of the newly formed Business Group Benelux.

Merger of Vattenfall Treasury AB with Vattenfall AB

As of 30 April 2010 Vattenfall Treasury AB was merged with Vattenfall AB and became Group Treasury meaning that all duties of former Vattenfall Treasury AB are to be performed within the Issuer such as the co-ordinating of borrowing, liquidity management, the management of associated risk exposure for the Group, being the internal bank and responsible for cash-management activities. Group cash pools are established in Sweden, Finland, Denmark, Germany and in the United Kingdom.

Vattenfall AB is now the sole issuer under the Euro Medium Term Note Programme. *Group Treasury* is responsible for the coordination of treasury operations within the areas of borrowing, investments of liquid funds, interest and currency risk exposures, the organisation of cash pools and payment systems, provision of adequate Group financial facilities, updating of the Group's financial policy and instruction, supervision of the Group's financial risk situation, hedging advisory service, and monitoring and reporting of the Group's guarantees.

For the Group's activities in the capital markets, the Issuer has established a Swedish Commercial Paper Programme of SEK15,000 million and a Euro-Commercial Paper Programme of EUR2,000 million. The Issuer also has in place a revolving credit facility of EUR1,000 million

(including a swing line facility) which matures in February 2013. In June 2005 Vattenfall Treasury AB issued a perpetual hybrid bond of EUR1,000 million. Those bonds are known as Capital Securities and are reported as non-current liabilities. Since the merger between the Issuer and Vattenfall Treasury AB, the Issuer has substituted Vattenfall Treasury AB as the issuer of the Capital Securities. These Capital Securities are junior to all of the Issuer's unsubordinated debt instruments.

The head of *Group Treasury* is also responsible for *Vattenfall Insurance* which co-ordinates and purchases core business insurance and reinsures part of Vattenfall Insurance's insurance commitments. The insurance activities are performed under the name of Försäkrings AB Vattenfall Insurance.

New Business Organisation Structure

As from 1 January 2011 the Group will change from a regional-led to a business-led organisational structure. The proposed business division structure is set out below but could change in the future.

Currently the intention is that five new business divisions will be established:

(i) Asset Development, which will manage large investment projects and the Group's business development and research & development.

(ii) Production, which will operate current generation assets, except for renewable generation assets but including hydropower.

(iii) Asset Optimisation and Trading, which will have a two-fold role; firstly to optimise and hedge the running of generation assets for maximum profitability within the given risk mandate; secondly to generate profits through proprietary trading.

(iv) Distribution and Sales, which will manage the Group's assets and down-stream businesses within this business division, for profitability. The Division will also be responsible for Customer Service, Heat Services Nordic and value added services.

(v) Renewables, which will build and manage the Group's renewable operations, including wind, up-stream biomass and ocean power, but excluding hydropower. This also entails managing necessary investment projects within this area.

INSURANCE COVER

The Group protects itself against major economic loss to the greatest extent possible through insurance. Vattenfall has two Group-owned insurance companies that insure the Group's own risks exclusively – Försäkrings AB Vattenfall Insurance (Vattenfall Insurance) and Vattenfall Reinsurance S.A., Luxembourg. Vattenfall Insurance optimises the risk financing of insurable risks within the Group. Reinsurance is procured in the international reinsurance market. Vattenfall Reinsurance provides Vattenfall Insurance with some reinsurance capacity. Vattenfall Insurance underwrites insurance for most of the Group's property and business interruption exposure and for construction and design risks. Transmission and distribution networks are mostly uninsured with respect to the actual transmission lines. This is due to the difficulty of finding cost-effective insurance solutions. In addition, Vattenfall Insurance provides Group-wide, general liability insurance, including consultant and product liability.

With respect to dam liability, in Sweden dam owners have strict and unlimited liability for damage to third parties caused by dam accidents. In co-operation with other Swedish and a number of Norwegian dam owners, the Group procures dam liability insurance with an insured amount of SEK8,000 million. Property insurance for the Group's nuclear power plants is issued by EMANI (the European Mutual Association for Nuclear Insurance), and for the Swedish nuclear power plants also by the Nordic Atomic Pool. Atomic liability in Sweden is strict and limited to 300 million SDRs (Special Drawing Rights), approximately SEK3,400 million, which means that owners of nuclear power plants are only liable for damage up to this amount. Obligatory atomic insurance is

issued by the Nordic Atomic Pool and by the mutual insurance company ELINI (European Liability Insurance for the Nuclear Industry). In Germany, atomic liability is strict and unlimited. By law, nuclear power plants are required to have insurance or other financial guarantees up to EUR2,500 million. The German Atomic Pool issues insurance for up to EUR256 million. Thereafter, the nuclear power plants and their German parent companies (in the Group's case, Vattenfall Europe AG) are liable for amounts exceeding this level, in proportion to the respective ownership interest that the parent companies hold in the nuclear power plant. It is not until these resources are exhausted that a solidarity agreement ("Solidarvereinbarung") between the German nuclear power plant owners (Vattenfall, E.ON, RWE and EnBW) would take force for up to EUR2.5 billion. Since the liability is unlimited, the nuclear power plants and their German parent companies are ultimately liable for amounts in excess of this level.

PENSIONS

The Group's pension obligations in the Swedish, German and Dutch companies are predominantly defined benefit pension obligations. The concerned pension plans are primarily retirement pensions, disability pensions and family pensions. The assets in these funds, the plan assets, are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans.

Swedish pension plans

The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer and employee organisations. Almost all of Vattenfall's employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP-Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are chiefly secured in a pension trust or through provisions in the balance sheet. Some of the Group's obligations are secured through an insurance policy from Alecta (a Swedish mutual insurance company), e.g. spouse's benefits and disability benefits. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this plan is a multi-employer defined benefit plan. As in previous years, Vattenfall has not had access to such information as to make it possible to report this plan as a defined benefit plan. The ITP pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined contribution plan. Contributions for 2009 for pension insurance policies from Alecta amount to SEK90 million. Alecta's surplus can be distributed among the policyholders and/or the insured. At the end of 2009, Alecta's surplus in the form of its so-called collective funding amounted to 141 per cent. (112 per cent.). Collective funding consists of the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

German pension plans

The pension plans in Germany are based on collective agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany for employees of the companies Vattenfall Europe GmbH in Berlin and Hamburg. Vattenfall Europe Berlin has two pension plans, both secured through Pensionskasse der Bewag, a mutual insurance company. Obligations are secured through funds from Vattenfall Europe Berlin and its employees. One plan has been classified as a defined contribution plan and is reported as such since the benefit is based on paid-in contributions and Pensionskasse der Bewag's financial position. For employees who began their employment before 1 January 1984, there is a supplementary agreement providing employees working until retirement age with a pension equal to up to 80 per cent. of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Vattenfall Europe Berlin's obligations encompass the entire pension obligation. The plan assets attributable to personnel employed since before 1 January 1984 are reported as plan assets at fair value. Pension obligations for Vattenfall Europe Hamburg employees mainly comprise of the company's obligations to personnel employed before 1 April 1991 and who have been employed for at least

10 years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65 per cent. of pensionable salary.

Dutch pension plan

The Dutch subsidiary Nuon has a number of defined benefit plans and defined contribution plans for which premiums are paid to pension funds or insurance companies. The most significant pension plans have been transferred to the ABP pension fund and the "Metaal en Techniek" pension fund. These plans can be characterised as multi-employer plans. The pension plans offered by these funds are, in fact, defined benefit plans. However, as Nuon does not have access to the required information and Nuon's participation in the multi-employer plans exposes Nuon to actuarial risks that pertain to present and former employees of other entities, both pension plans are recognised as defined contribution plans. The pension premiums paid during the financial year are accounted for as pension costs in the financial statements. If there is a contractual agreement with a multi-employer plan, determining how a surplus is distributed to the participants or a deficit is to be financed, and the plan is accounted for as a defined contribution plan, a receivable or liability following from the agreement should be recognised in the balance sheet. The resulting gains or losses are to be recognised in the income statement. The pensions of the majority of Nuon's workforce are transferred to the ABP pension fund and the "Metaal en Techniek" pension fund and these plans do not contain the aforementioned contractual agreements. As a result, no receivable or liability has been recognised in the balance sheet.

The Group's pension provision was SEK20,690 million at year end 2009 (compared to SEK20,752 million in 2008). The total pension costs in 2009 were SEK2,644 million (compared to SEK1,913 million in 2008).

RECENT ACTIVITIES

In January 2010 the Issuer and ScottishPower Renewables, being a subsidiary of Iberdola Renewables, was awarded the rights to develop a major offshore wind farm off the east coast of England in the North Sea. The award was made as part of The Crown Estate's Round 3 offshore wind farm programme following 12 months of initial assessments of the zone's potential by the Issuer and ScottishPower Renewables. Early investigations suggest that the East Anglia Array has the potential to achieve a capacity of approximately 7.200 MW. The partnership has established a joint-venture company called East Anglia Offshore Wind Ltd. The project plans to file an initial regulatory application in 2012. If it is approved, and other necessary internal decisions are made, it is expected that construction can start in 2015 and will be conducted in stages.

In March 2010 the Issuer finalised the sale of Nuon's German subsidiary Nuon Deutschland GmbH to ENERVIE – Südwestfalen Energie und Wasser AG. The sale was a result of the condition established by the European Commission upon their approval of the Issuer's acquisition of Nuon in 2009.

In March 2010 the Issuer signed an agreement to sell its subsidiary 50 Hertz Transmission GmbH, which owns and operates the Group's German transmission grid, to the Belgian transmission system operator Elia and the Australian Industry Funds Management ("IFM"). The transaction was subject to approval from the EU's competition authorities which was given on 10 May 2010. The sale was completed on 19 May 2010.

In April 2010 Germany's first offshore wind farm, Alpha Ventus, was commissioned. Alpha Ventus is a pilot project 45 kilometers off the coast of the island of Borkum. It was constructed by a consortium of EWE, E.ON and the Issuer's subsidiary Vattenfall Europe GmbH, who together have invested EUR250 million.

In May 2010 the Group started the construction of the Ormonde Offshore Wind Farm. The construction work is due for completion during 2011 and first power is expected later that year. The Ormonde Offshore Wind Farm is situated 10 km off Barrow-in-Furness, Cumbria. On completion the wind farm will comprise 30 RePower 5 MW wind turbines with the capacity of 150 MW.

In May 2010 the Group sold its share (one-third, corresponding to approximately 1.6 TWh) in the remaining production rights for the closed German nuclear power plant Stade, to RWE Power AG. The proceeds from the sale amounted to SEK590 million.

In June 2010 the Swedish parliament passed the Government Bill that clarifies the Issuer's corporate assignment with the following: "Vattenfall shall generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production." The new assignment omits the geographic limitation "Swedish" from the Group's mission. The amendment has been incorporated into the Issuer's Articles of Association at an extraordinary shareholder's meeting on 23 August 2010.

In June 2010 the Issuer and Swedfund International AB, a state owned investment company, acquired a 30 per cent. stake in Buchanan Renewables Fuel Ltd in Liberia. The Issuer's stake of share capital will be 20 per cent. and Swedfund's 10 per cent. Vattenfall already has a sourcing agreement with Buchanan Renewables and is now becoming a partner to expand the operations and secure a significant biomass supply.

In June 2010 the Group installed its 100th, and final, turbine at Thanet Offshore Wind Farm, which has been under construction since 2008 and was established on 23 September 2010. The connection of Thanet's 300 MW of capacity will boost UK offshore wind capacity by more than 30 per cent. and will produce on average enough electricity to supply more than 200,000 homes with clean electricity.

In July 2010 the Issuer and the Munich municipal utility Stadtwerke München ("SWM") have signed an agreement to form a joint venture for realisation of the offshore wind power project DanTysk. DanTysk offshore wind farm will be constructed 70 kilometers west of the island of Sylt with 80 turbines on 70 square kilometers with water depths up to 30 meters. SWM takes a 49 per cent. stake whereas Vattenfall remains majority owner.

In July 2010 the Edinbane Wind Farm at the Island of Skye, Scotland, the Group's first onshore wind farm in the UK, was officially opened. The new wind farm has a total installed capacity of 41.4 MW and is capable of producing enough electricity to power more than 22,000 homes.

Financial overview and Analysis

Since the beginning of 2009 the Group's activities have been conducted primarily in three operating segments (Business Groups). In addition to the geographical breakdown of operations into Business Group Nordic (Sweden, Finland and Denmark) and Business Group Central Europe (Germany and Poland), Business Group Pan Europe has been established with responsibility for wind power, nuclear power and technological development in all countries in which Vattenfall has operations. Business Group Pan Europe is also responsible for European business development with focus on efficient use of energy and biomass. Starting with the third quarter of 2009, a fourth Business Group – Benelux – was established, consisting of business activities (excl. wind power, trading and treasury operations) in the acquired and thereby consolidated company Nuon. In addition to these are the operating segment Supply and Trading, which is responsible for energy trading, and the segment Other (Treasury operations and Other Group functions). Operating profit for the segment Other includes unrealised changes in market value (fair value) in accordance with IAS 39 for energy trading contracts administered by Supply and Trading. When the amounts are realised, the respective segments that gave rise to the underlying positions are affected. Deliveries of electricity, heat and gas between segments are made at market prices. In the case of services between segments, cost prices generally apply, although in certain cases market prices are applied.

Net sales and financial performance for the full year 2009

During 2009 net sales rose by 24.8 per cent. to SEK205,407 million (compared to SEK164,549 million in 2008). The consolidation of Nuon into the Group as from 1 July 2009 accounted for approximately SEK21,400 million. Currency effects increased sales by approximately SEK11,000 million. The remainder of the increase is mainly attributable to higher prices received.

The cost of products sold rose by 32.2 per cent. to SEK162,564 million (compared to SEK122,961 million in 2008). The amount includes direct costs such as production taxes and duties of SEK5,811 million (SEK6,241 million in 2008) and property taxes of SEK1,658 million (SEK1,815 million in 2008). Depreciation increased to SEK19,608 million (compared to SEK15,642 million in 2008). Operating profit (EBIT) decreased by 6.5 per cent. to SEK27,938 million (compared to SEK29,895 million in 2008). The deterioration in operating profit for the year is mainly attributable to lower generation volumes and higher costs for operations and maintenance. In addition, items affecting comparability amounted to SEK-3,356 million (SEK-325 million in 2008). Costs for CO_2 emission allowances amounted to SEK5,446 million (SEK5,916 million in 2008). The cost for the outages at the German nuclear plants during the year is estimated to be approximately EUR382 million, or SEK4,063 million (EUR573 million in 2008). Higher electricity prices made a positive contribution of approximately SEK10,000 million. Higher tariffs in the heat and distribution operations also made a positive contribution to operating profit. The effect on the Group's operating profit of the acquisition of Nuon as per 1 July 2009 was SEK-653 million. However, this amount includes amortisation of SEK882 million in surplus value and impairment losses of SEK1,203 million (mainly for wind power assets). Excluding these items, the effect on operating profit was SEK1,432 million for the second half of 2009.

Net financial items amounted to SEK-10,204 million (compared to SEK-6,397 million in 2008), The decline is mainly attributable to higher borrowing costs in connection with the debt financing of the acquisition of Nuon.

The tax expense decreased by SEK1,449 million to SEK4,286 million (compared to SEK5,735 million in 2008). The effective tax rate as per the income statement was 24.2 per cent. (compared to 24.4 per cent. in 2008). Profit for the year (after tax) decreased by 24.3 per cent. to SEK13,448 million (compared to SEK17,763 million in 2008).

Return on equity decreased to 9.5 per cent. (compared to 13.6 per cent. in 2008). Excluding items affecting comparability, return on equity was 11.4 per cent. (compared to 13.8 per cent. in 2008). The return on net assets decreased to 10.0 per cent. (compared to 15.1 per cent. in 2008). Excluding items affecting comparability, the return on net assets was 11.4 per cent. in 2009 (compared to 15.3 per cent. in 2008). Figures for 2008 have been adjusted compared with previously published information.

Net Sales and Financial Performance for the Six Months Ended 30 June 2010, derived from the Issuer's unaudited consolidated and unconsolidated financial statements as of and for the six months ended 30 June 2010

For the period 1 January, 2010 to 30 June, 2010, net sales rose by 27.2 per cent. to SEK120,370 million (compared to SEK94,656 million for the same period in 2009). Currency effects of approximately SEK6,900 million affected net sales negatively. Operating profit rose 1.8 per cent. to SEK19,078 million (compared to SEK18,741 million in 2009). Excluding items affecting comparability operating profit rose 30.3 per cent. to SEK24,312 million (compared to SEK18,662 million in 2009). Items affecting comparability for the first half of 2010 amounted to SEK-5,234 million, net, of which SEK-5,223 million (EUR531 million) pertains to an impairment charge that was taken during first quarter for the Group's German transmission business. The sale of the transmission business was completed on 19 May 2010. The sum of items affecting comparability also includes a capital loss of SEK93 million, which corresponds to the earned profit that accrues to the buyer of the transmission business. Currency movements had a negative

impact on operating profit by SEK600 million, attributable to the second quarter. Profit for the period after tax decreased by 16.3 per cent. to SEK8,972 million (SEK10,716 million in 2009); excluding items affecting comparability, profit for the period after tax rose 33.3 per cent. to SEK14,204 million (SEK10,655 million in 2009). Funds from operations ("FFO") increased by 0.8 per cent. to SEK21,499 million (SEK21,328 million in 2009). Net debt decreased by SEK3,916 million to SEK151,071 million compared with 31 December 2009.

The loss of revenue caused by the outages at the Krümmel and Brunsbüttel nuclear power plants in Germany is estimated at approximately EUR100 million (approximately SEK1,000 million) for the second quarter of 2010. The corresponding loss of revenue resulting from the brief, unplanned outages and capacity restrictions at Forsmark 2 and Ringhals 2 is estimated at approximately SEK400 million. The outage at the half-owned Krümmel nuclear power plant in Germany did not affect consolidated generation volumes, since the plant is not consolidated in the Group's accounts.

Investment activities for the full year ended 31 December 2009

Growth investments accounted for the largest share of investments, SEK84,309 million, which is mainly attributable to the acquisition of 49 per cent. of the shares in Nuon, for roughly SEK52,000 million, and the acquisitions of the Polish state's minority interests in the subsidiaries GZE S.A. and Vattenfall Heat Poland S.A., for SEK3,300 million. Divestments during the year amounted to SEK5,542 million, of which SEK4,413 million is attributable to sales of shareholdings. Investments in electricity generation increased by SEK10,521 million to SEK26,466 million (SEK15,945 million in 2008), of which the largest investments were made in Business Group Central Europe and Business Group Pan Europe. Investments in fossil-based power increased by SEK4,551 million to SEK12,591 million (SEK8,040 million in 2008), and investments in wind power increased by SEK5,428 million to SEK8,002 million (SEK2,574 million in 2008).

Cash flow, analysis for the full year 2009

Cash flow from operating activities increased by 27.8 per cent. to SEK46,246 million (compared to SEK36,194 million in 2008). Funds from operations increased by 19.4 per cent. to SEK36,700 million (compared to SEK30,735 million in 2008), while the change in working capital was SEK9,546 million (compared to SEK5,459 million in 2008). The change in working capital is mainly due to greater trading in CO_2 emission allowances which had a net positive effect on cash flow. CO_2 emission allowances, which were delivered and received in December 2009 but were not paid for until January 2010, are reported under both operating receivables and operating liabilities. Inventories increased, which had negative effect on cash flow. In addition, the effect of realised hedges of equity in foreign subsidiaries is reported as a change in working capital. The effect of these, improved cash flow by SEK2,576 million compared with 2008.

Free cash flow, i.e., cash flow from operating activities less maintenance investments, increased by 45.4 per cent. to SEK27,566 million (compared to SEK18,963 million in 2008). Cash flow before financing activities decreased to SEK-36,794 million (compared to SEK-5,079 million in 2008).

Liabilities

As per 31 December 2009 the total interest-bearing liabilities increased by SEK106,147 million, which is nearly a two fold increase over 2008. The increase is attributable to a higher level of borrowing in 2009 as a result of the debt-financed acquisition of 49 per cent. stake in Nuon. Consideration for the remaining 51 per cent. is reported as a liability to Nuon's shareholders and is thus included in interest-bearing liabilities. The remaining consideration will be paid in three tranches during the coming five years (2011, 2013 and 2015). Interest-bearing liabilities also include SEK10,250 million (SEK10,811 million in 2008) in Capital Securities, which were issued in June 2005. The rating agencies classify a large part of these Capital Securities as equity (Moody's 75 per cent. and Standard and Poor's 50 per cent.). Further, interest-bearing liabilities include SEK16,700 million (SEK16,881 million in 2008) in loans from the Group's minority owned

German nuclear power companies, and SEK7,975 million (SEK6,683 million in 2008) in loans from minority owners in the Group's Swedish nuclear power plants, among others.

Interest rate risk in the Group's debt portfolio is measured in terms of duration, which is permitted to vary from a norm of 4 years by up to 12 months either way. The norm period was increased to 4 years from 2.5 years in spring 2009. The duration of the Group's debt portfolio at year-end was 4.0 years. Including Capital Securities the duration was 4.1 years.

As set out in the Issuer's unaudited consolidated financial statements as of and for the six months ended 30 June 2010, as per 30 June 2010 compared with 30 June 2009 net debt increased by SEK87,593 million, and total interest-bearing liabilities increased by SEK31,634 million. This is mainly associated with the financing of the shares purchased in Nuon. Interest-bearing liabilities also include a remaining payment to Nuon's shareholders (SEK44,886 million). Interest on this item is 2 per cent. Compared with 31 December 2009, net debt decreased by SEK3,916 million, mainly due to exchange rate differences and the sale of 50 Hertz Transmission GmbH, the Group's German transmission grid.

Accounting Principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as approved by the European Commission for application within the EU. These also include the International Accounting Standards ("IAS") issued by IASB's predecessor, the International Accounting Standards Committee ("IASC"), and the interpretations issued by IFRIC's predecessor, the Standing Interpretations Committee ("SIC"). In addition, recommendation RFR 1.2 – Supplementary Accounting Principles for Groups of Companies, issued by the Swedish Financial Reporting Board, has been applied. RFR 1.2 specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act. For a full description of the Group's Accounting Principles please refer to the Issuer's Annual Report for 2009.

RISK MANAGEMENT

Introduction of ERM

In 2008 the Issuer adopted Enterprise Risk Management ("ERM") to further improve risk management and governance within the Group. Implementation begun in 2008, and in 2009 ERM was established within the organisation. ERM is a process for identifying, evaluating, remediating, following up, reporting and controlling risks. It includes a method of risk management that gives the Issuer an effective means of taking uncertainties, risks and opportunities in the Group into account and comparing them with each other. This can be used in decision-making documentation and thereby lead to improved quality. By enabling quantification and comparability of both financial and non-financial risks, ERM has led to greater transparency and risk awareness throughout the organisation.

Risk organisation

The Board of Directors has overarching responsibility for internal control and risk management in the Group. To achieve a clearer and more effective risk organisation the Issuer appointed, in June 2009, a Chief Risk Officer ("CRO"), who is responsible for the company's risk management function ("Group Risk Management") and reports to the Group's Audit Committee. The CRO has overarching responsibility for the ERM process and is also responsible or providing support to decision-makers in the management of risks and opportunities.

The CRO is particularly responsible for drafting and proposing risk management routines and policies, including continuous improvements, and for the implementation, operation and execution of these routines and policies via the risk organisation. Operational risk management is regulated

by Group Instructions with special focus on risks associated with energy and commodity trading, and financial, insurance and credit risks. These instructions are approved by the CRO down to the business unit level. The Board decides on overall risk limits for the Group in all these areas. Operational risks are monitored and reported on a regular basis within the respective Business Groups. At each board meeting the Board is informed about the Group's financial position, and outstanding guarantees and risks are reported. The Board also holds an annual risk management seminar, which conducts a more thorough review of the Group's financial and operational risks.

The business units are responsible for their own risks and report on these risks to Group Risk Management. The Group's risk management is co-ordinated by the central Vattenfall Risk Committee ("VRC"), which is tasked with ensuring that the heads of the various business units are aware of their risks, reviewing principles and mandates, and approving risk instructions. The committee is also responsible for ensuring that uniform definitions of risks are used within the Group. In addition to the VRC, the Group has several local risk committees and risk specific committees. The Group has identified the environment and nuclear power safety as particularly high priority focus areas. To ensure development and risk management within these areas, specifically designated persons have been appointed who, in co-operation with specific committees, are responsible for these matters at a Group-wide level. The Chief Nuclear Officer ("CNO") is responsible for nuclear power safety, and the Head of Environmental Affairs is responsible for environmental risks. Both report to the Executive Group Management, and their respective risks make up part of the Group's overall risk reporting.

BOARD OF DIRECTORS OF THE ISSUER

Name	*Details of Directors*	*Appointments outside the Board of the Issuer*
Board of Directors		
Lars Westerberg	Chairman of the Board, elected at the AGM 2008	Chairman of the board of Autoliv AB and Husqvarna AB and a member of the board of SSAB and AB Volvo
Christer Bådholm	Board Member since 2002	Director on the boards of Svevia AB and Icomera AB, and chairman of the board in Bombardier Transportation Sweden AB, Balfour Beatty Rail AB and VINN Group AB
Lone Fønss Schrøder	Board Member since 2003	Managing Directors of Wallenius Lines AB, member of the boards of DSB, NKT A/S, Yara ASA, Aker Solutions ASA and Svenska Handelsbanken. Chairman of the board of Bioneer A/S, and WWL A/S, deputy chairman of the board of Aker ASA
Patrik Jönsson	Board Member since 2010	Deputy Director at the Unit for State Ownership at the Ministry of Industry, Employment and Communications. Board member of Sveaskog, Svevia AB and Göta kanalbolag
Eli Arnstad	Board Member since 2008	Deputy chairman of Sparebank 1 Midt-Norge and a member of the boards of Senter för ekonomisk forskning in NTNU, AF-gruppen, Stiftelsen Nidarosdomens Restaurerings-arbeider, Sparebankforeningen in Norge and Posten Norge
Cecilia Vieweg	Board Member,elected at the AGM 2009	General Counsel in Electrolux AB and member of the Board of Haldex AB. Member of the Arbitration Institute of the Stockholm Chamber of Commerce and the Swedish Securities Council
Björn Savén	Board Member, elected at the AGM 2009	Chairman of the Board of IK Investment Partners and member of the Board of Nordea Bank AB
Johnny Bernhardsson	Board Member since 1995 Employee representative	
Ronny Ekwall	Board Member since 1999 Employee representative	
Carl Gustaf Angelin	Board Member since 2003 Employee representative	

Name	*Details of Directors*	*Appointments outside the Board of the Issuer*
Deputy Members		
Lars Carlsson	Board Member since 1991 Employee representative	
Per-Ove Lööv	Board Member since 1999 Employee representative	
Lars-Göran Johansson	Board Member since 2008 Employee representative	

There are no potential conflicts of interest between any duties to the Issuer of the above Board Members and their interests and/or other duties.

The business address of the above Board members is SE-162 87 Stockholm, Sweden.

SWEDISH TAXATION

The following summary outlines certain Swedish tax consequences relating to holders of Notes, if not otherwise stated. The summary is based on the laws of Sweden as currently in effect and is only intended to provide general information. This summary does not address the rules regarding reporting obligations for, among others, payers of interest. Prospective purchasers are urged to consult their professional tax advisers regarding the Swedish tax and other tax consequences (including the applicability and effect of double taxation treaties) of holding or transferring Notes.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income tax, provided that such holder is neither resident in Sweden for Swedish tax purposes nor engaged in trade or business in Sweden through a permanent establishment. A person is resident in Sweden for Swedish tax purposes if he (a) is domiciled in Sweden; (b) has his habitual abode in Sweden; or (c) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example, is engaged in trade or business in Sweden). Swedish law does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes, except on payment of interest to a holder who is an individual or an estate of a deceased individual with tax residence in Sweden. Individuals who are not resident in Sweden for tax purposes may be liable to capital gains taxation in Sweden upon disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes, if they have been resident in Sweden or have stayed permanently in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations (e.g. investment companies and life insurance companies). If the Notes are registered with ES or held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by ES or the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual or an estate of a deceased individual with residence in Sweden for Swedish tax purposes.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom in relation only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs ("HMRC") has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder, or who either pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax

(Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5 April 2011. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction, in which the Noteholder is resident for tax purposes.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (as amended or supplemented from time to time, the "Programme Agreement") dated 14 October 2010 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution as determined by the Agent (based upon certifications it has received) of all Notes of the relevant Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exception from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant

Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by either Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to either Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the "FIEA") and each Dealer has agreed and each

further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (No. 228 of 1949, as amended))), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any applicable laws and regulations of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms, or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 of the French *Code monétaire et financier*.

Sweden

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The issue of Notes by the Issuer under the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 3 June 1994. The update of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer on 25 May 2010.

Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of the temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of such Notes is expected to be granted on or around 18 October 2010.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of each Issuer and from the specified office of the Agent in London:

(i) the constitutional documents (with an English translation thereof) of the Issuer;

(ii) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2008 and 31 December 2009 (in English and together with the audit report prepared in connection therewith);

(iii) the most recently available audited annual financial statements of the Issuer and the most recently available published interim financial statements (if any) of the Issuer (in English and together with the audit reports prepared in connection therewith);

(iv) the Programme Agreement, the Trust Deed (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons) and the Agency Agreement;

(v) a copy of this Prospectus; and

(vi) any future prospectuses, offering circulars, information memoranda and supplements including any Final Terms and subscription agreement for Notes that are admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market (excluding Final Terms relating to Notes neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive) to this Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through ES (in the case of ES Registered Notes), Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. If the Notes are to clear

through an additional or alternative clearing system (including ES) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg and the address of ES is P.O. Box 7822, SE-103 97 Stockholm, Sweden.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries taken as a whole, in each case since 30 June 2010 and no material adverse change in the financial position or prospects of the Issuer or the Issuer and its subsidiaries taken as a whole, in each case, since 31 December 2009.

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings involving the Issuer or the Issuer and its subsidiaries taken as a whole (including any such proceedings which are pending or threatened of which the Issuer or any of the Issuer's subsidiaries are aware) which may have or have had during the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Issuer or the Issuer and its subsidiaries taken as a whole.

Auditors

The auditors of the Issuer, Ernst & Young AB (individual auditor in charge being Certified Public Accountant Hamish Mabon) and Per Redemo, who is a Certified Public Accountant of the Swedish National Audit Office, have audited the Issuer's and the Group's accounts prepared in accordance with the International Financial Reporting Standards ("IFRS") for the financial periods ended 31 December 2008, and for the financial periods ended 31 December 2009, without qualification. The auditors of the Issuer and the Group have no material interest in the Issuer and the Group, as the case may be.

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith containing a monetary or other limit on the liability of the auditors in respect thereof.

Post-issuance information

Save as disclosed in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and their affiliates in the ordinary course of business.

VATTENFALL AB

Registered and Head Office
SE-162 87 Stockholm
Sweden

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
England

AGENT AND PAYING AGENT

Citibank, N.A., London Branch
21st floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

PAYING AGENT

Dexia Banque Internationale à Luxembourg
69, route d'Esch
L-2953 Luxembourg

LEGAL ADVISERS

To Vattenfall AB as to Swedish law

Advokatfirman Cederquist KB
Hovslagargatan 3
P.O. Box 1670
SE-111 96 Stockholm
Sweden

To the Dealers and the Trustee as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD England

ARRANGER

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
England

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
England

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
England

Nordea acting through Nordea Bank Danmark A/S
Debt Capital Markets
Christiansbro
Strandgade 3
DK-1401 Copenhagen K
Denmark

Skandinaviska Enskilda Banken AB (publ)
Kungsträdgårdsgatan 8
106 40 Stockholm
Sweden

Société Générale
29 boulevard Haussmann
75009 Paris
France

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR
England

AUDITORS TO VATTENFALL AB

Ernst & Young AB
Hamish Mabon
Box 7850
S-103 99 Stockholm
Sweden

Per Redemo
The Swedish National Audit Office
S-114 90 Stockholm
Sweden