Prospectus

Vattenfall AB

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

and

Vattenfall Treasury AB

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

under the guarantee of

Vattenfall AB

U.S.$6,000,000,000
Euro Medium Term Note Programme

On 5th July, 1994, each of Vattenfall Treasury AB ("Vattenfall Treasury") and Vattenfall AB (the "Parent") 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 the Issuers (as defined below). 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 Vattenfall Treasury and the Parent (together with Vattenfall Treasury, the "Issuers" and each an "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 relevant Issuer and the relevant Dealer(s) (as defined below).

The payments of all amounts due in respect of Notes issued by Vattenfall Treasury will be unconditionally and irrevocably guaranteed by the Parent.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$6,000,000,000 (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 9, respectively.

Factors which may affect each of Vattenfall Treasury's and the Parent'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 12 – 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 Gilt Edged and Fixed Interest 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 Gilt Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the "Investment Services 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 38) of Notes will be set forth in a Final Terms supplement (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 relevant Issuer and the relevant Dealer(s). The Issuers may also issue unlisted Notes.

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with Citibank, N.A. 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 23), all as further described in "Form of the Notes" below.

The relevant 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

ABN AMRO
Barclays Capital
BNP PARIBAS
Citigroup
Deutsche Bank
Dresdner Kleinwort Wasserstein
Handelsbanken Capital Markets
JPMorgan
Merrill Lynch International
Morgan Stanley
SEB Merchant Banking
Société Générale Corporate & Investment Banking

The date of this Prospectus is 16 June, 2006.

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

Each of Vattenfall Treasury and the Parent (the "Responsible Persons") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of Vattenfall Treasury and the Parent (each 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.

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 Vattenfall Treasury or the Parent. 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 Vattenfall Treasury or the Parent 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 Vattenfall Treasury, the Parent, 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 Vattenfall Treasury, the Parent, 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 Vattenfall Treasury and/or the Parent. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of Vattenfall Treasury or the Parent 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 Vattenfall Treasury and/or the Parent 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 Vattenfall Treasury or the Parent

during the life of the Programme. Investors should review, inter alia, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Vattenfall Treasury, the Parent, 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).

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 "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (as amended).

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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 (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) 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.

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 relevant 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.

Issuers:	Vattenfall AB and Vattenfall Treasury AB.
Guarantor:	Vattenfall AB.
Description:	Euro Medium Term Note Programme.
Arranger:	Deutsche Bank AG, London Branch.
Dealers:	ABN AMRO Bank N.V. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch Dresdner Bank Aktiengesellschaft J.P. Morgan Securities Ltd. Merrill Lynch International Morgan Stanley & Co. International Limited Skandinaviska Enskilda Banken AB (publ) Société Générale Svenska Handelsbanken AB (publ)
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 95) 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.
Size:	Up to U.S.$6,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. Vattenfall Treasury and the Parent 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 relevant 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 relevant 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 relevant 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 relevant 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 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.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant 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 relevant 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 2000 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 relevant 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 relevant 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 relevant 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 relevant 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 relevant 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 relevant 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 relevant 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 relevant 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 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 8 of the Terms and Conditions of the relevant Notes. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Parent will, save in certain limited circumstances provided in Condition 8, 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 4(a)(i)) unsecured and unsubordinated obligations of the relevant 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 relevant 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 relevant 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 relevant Issuer, present and future. The rights of the holders of any Subordinated Notes will, in the event of the bankruptcy or liquidation of the relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.
Guarantee:	The payment of the principal and interest in respect of the Notes issued by Vattenfall Treasury will be unconditionally

	and irrevocably guaranteed by the Parent. The obligations of the Parent under such guarantee with respect to Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 4(a)(ii)) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) will at all times rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The obligations of the Parent under such guarantee with respect to Subordinated Notes will be direct, unsecured and subordinated obligations of the Parent and will at all times rank at least pari passu with all other outstanding unsecured and subordinated obligations of the Parent, present and future.
Negative Pledge:	The terms of the Ordinary Notes will contain a negative pledge provision as described in Condition 4(a). The terms of the Subordinated Notes will contain a negative pledge provision as described in Condition 4(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 10.
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 Gilt Edged and Fixed Interest Market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Vattenfall Treasury and/or the Parent 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) and the final two sentences of Condition 3 will be governed by, and construed in accordance with, Swedish law.

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

Each of Vattenfall Treasury and the Parent 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 neither Vattenfall Treasury nor the Parent is 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.

Each of Vattenfall Treasury and the Parent believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either Vattenfall Treasury and/or the Parent 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 Vattenfall Treasury and the Parent based on information currently available to them or which they 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 Vattenfall Treasury's ability to fulfil its obligations under Notes issued under the Programme

Vattenfall Treasury operates as the funding vehicle for the Parent and the Group. As such it issues debt instruments and manages liability portfolio duration. Derivatives are used extensively in these operations. Vattenfall Treasury could suffer losses as a consequence of ineffective hedging and/or through a default by one of its derivatives counterparts that would, in isolation, affect the ability to fulfil its obligations under the Programme. This risk should, however, be mitigated through the Guarantee issued by the Parent in which the Parent undertakes to assume responsibility for Vattenfall Treasury's obligations under the Notes issued under the Programme.

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

Generation

Generation asset downtime

The failure to keep generation assets running, either through ageing plants and equipment or through operating failure, will cause a drop in generation revenues. In some instances a loss can be recoverable through insurance cover.

Hydrological balance

In 2005, on a proportional ownership basis, approximately 58 per cent. of the Group's electricity generation capacity and 48 per cent. of electricity generation came from Swedish hydropower plants within the Nordic market. An increase in hydrological balance (i.e. the level of water in the reservoirs) may push electricity prices downwards with lower revenues for the Parent as a consequence. This risk can however be mitigated by hedging. Market coupling between the

Nordic market and other markets (i.e. fossil based German market) are reducing this price impact.

Phasing out and decommissioning of nuclear generation

The Group owns nuclear power plants in Germany and Sweden representing approximately 20 per cent. of generation capacity and 30 per cent. of generation of the Group, calculated on a proportional ownership basis. In Germany there are agreements to phase out nuclear generation and in Sweden by legislation. In Germany the phase out schedule is based on a volume cap for nuclear generation while in Sweden phase out is due according to legislation when certain conditions are met. To date one of the Group's minority owned reactors has been closed in Germany and two reactors have been closed down in Sweden. The closure of Barsebäck 2 on 31st May, 2005 resulted in financial compensation for future losses of profit. The costs for decommissioning have been provided for in the balance sheet as of January 2005 (including the segregated Swedish Nuclear Waste Fund). Any increase in these decommissioning costs would affect the Group's earnings as the balance sheet provisions would have to be increased.

Emission allowances

As of 2005, most countries within the EU have been allocated national quotas of emission allowances to CO2 emitting facilities under the Kyoto Protocol. This concept within the EU is decided up to 2012. The allocation shall be gradually lowered until 2012 reducing emission allowance quotas, which will increase upward pressure on emission allowance prices. Projections of the future price of these emission allowances are very uncertain. Rising emission allowance prices would increase the generation costs for the Group's fossil-fired plants. On the other hand the Group's non-fossil assets will gain in value as a result of rising electricity prices.

Wind power

Wind power is today a small part of the Group's electricity portfolio but it is expected to increase over the coming years. Wind power generation is dependent on subsidies i.e. ''Electricity Certificate/Green Certificates'' or "feed in tariffs". An expansion of the wind power portfolio would make the Group more exposed to changes in the regulatory framework for such subsidies systems.

Hedging of future production

The Group's income is heavily dependent on the prices it can achieve for the electric energy it generates. In order to counteract the impact of electricity price volatility, the Group hedges future generation through selling some of its future generation under forward or future contracts. The hedging policy allows for some deviation depending on the Group's view on future price development. Factors such as precipitation and temperatures are affecting the supply and demand / pricing and may from time to time cause losses to the Group.

Fuel price risks

The Group is dependent on the price of coal (hard coal and lignite) and uranium as fuel for its coal-fired and nuclear plants. Most of the Vattenfall coal-fired plants are using lignite from own resources on cost base. Unforeseen increases in the market price of hard coal and uranium, beyond the hedging strategy, will cause the Group's costs to rise and, unless electricity and

heat prices rise as well, margins to fall. Uranium fuel, however, represents a minor share of the production cost in nuclear generation and hence the impact on earnings is limited.

Transmission/distribution

New regulatory framework for network business

In Germany, Finland and Sweden new regulatory models are being or have recently been introduced for network operations in order to regulate network tariffs. The models are designed to encourage operators to increase efficiency in the systems whilst maintaining a reasonable return on investments. Some pressure on tariffs is expected but it is not yet possible to estimate what the financial outcome will be for the Group. There is a risk that the Group will not be allowed to pass on to users all costs due to the capacity upgrade.

Investments in German transmission

The capacity in the German transmission system needs to be increased in order to allow for the feed in of higher volumes of wind power. There is a risk that the Group will not be allowed to pass on to users all costs due to the capacity upgrade.

Sales (supply) and trading

Long term supply contracts

Sales (supply) operates in a highly competitive market both in Germany and in the Nordic countries. Large clients often require long term contracts with complex structures designed to accommodate their respective businesses. When entering into these contracts, the Group is required to carefully hedge its exposure under these long term contracts in order to manage these risks. If any of the Parent's hedging strategies are ineffective, losses could result.

Counterparty risks

The Group can run large counterparty exposures in its energy sales and trading operations. Default by one of these counterparties could put future contracted income at risk unless such potential exposure has been managed through the use of efficient credit monitoring and adequate documentation.

Other

Risks in investment programme

The Group runs large and ongoing investment programmes to update and renew its portfolio of generation, transmission and distribution assets. The ability to manage these investment programmes within set time- and cost-frames is vital for profitability.

Risk of losses in treasury operations

The Group operates a Group treasury centre in Stockholm and one local treasury centre in Berlin. The main goal of the treasury operation is to identify and manage the financial risks of the Group. Access to liquidity is controlled through a limit on a minimum level for cash and committed credit facilities equal to the higher of 10 per cent. of the Group's turnover or the sum of loan maturities during the next three months. The debt portfolio shall have an average time to

maturity of not less than five years and duration of 2.5 years +/- 12 months. Currency and interest rate risks outside of the liability portfolio are measured using Value At Risk and stress tests and strictly defined risk limits. Risk monitoring is performed on a daily or weekly basis through a separate risk control unit. Losses in relation to these treasury operations could be caused by the occurrence of (but not limited to) the following events:

(i) major movements in interest rates and/or the value of currencies caused by an extraordinary event or events on the relevant market could prove that the assumptions made in the risk models were insufficient and, as a consequence, large losses could occur;

(ii) incorrect trade collection and/or reporting, intentional or unintentional, caused by errors at front or back-office could have the effect that internal risk measurement systems are unable to correctly measure the Group's exposure which in turn could lead to unexpected losses;

(iii) incorrect handling of third party payments could result in claims from a third party and lead to unexpected losses; or

(iv) a default by one of the external counterparties could cause losses through loss in value on a deposit made with such counterparty, loss in value of a security issued by such counterparty, loss in value of derivatives positions with such counterparty and/or losses caused by settlement exposures with such counterparty.

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 such features.

Notes subject to optional redemption by Vattenfall Treasury or the Parent

An optional redemption feature of Notes is likely to limit their market value. During any period when Vattenfall Treasury or the Parent 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.

Vattenfall Treasury or the Parent 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

Vattenfall Treasury or the Parent 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, Vattenfall Treasury or the Parent 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, you should consult your 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 their particular circumstances.

Partly-paid Notes

Vattenfall Treasury or the Parent 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 reflects 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 Vattenfall Treasury or the Parent has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since Vattenfall Treasury or the Parent may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If Vattenfall Treasury or the Parent 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 Vattenfall Treasury or the Parent 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 each of Vattenfall Treasury and the Parent under Subordinated Notes are subordinated

The obligations of each of Vattenfall Treasury and the Parent 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 Vattenfall Treasury or the Parent 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 15 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. However, for a transitional period, Belgium, 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 including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If, following implementation of the Directive, 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 Vattenfall Treasury, the Parent 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. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the Directive, Vattenfall Treasury or the Parent will be required to maintain a Paying Agent in a Member State that will not be 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.

Trading in the clearing systems

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes.

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

Vattenfall Treasury and the Parent 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 advisors 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, Vattenfall Treasury, the Parent and their 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 auditors' reports and the audited annual financial statements for the financial years ended 31st December, 2004 and 31st December, 2005 of Vattenfall Treasury ;

(b) the auditors' report and the consolidated audited annual financial statements for the financial years ended 31st December, 2004 and 31st December, 2005 of the Parent; and

(c) memorandum and articles of association (or equivalent) of each of Vattenfall Treasury and the Parent, in each case with an English translation thereof.

Following the publication of this Prospectus a supplement may be prepared by Vattenfall Treasury and the Parent 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 each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and the offices of Citibank, N.A. at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Each of Vattenfall Treasury and the Parent 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 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 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 relevant 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 10) has occurred and is continuing, (ii) the relevant 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 relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the permanent global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 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 relevant 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.

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 TREASURY/VATTENFALL AB]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by VATTENFALL AB]
under the U.S.$6,000,000,000
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 16 June, 2006 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 from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A. 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. at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England and copies may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A. 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 Treasury AB/Vattenfall AB]
	(b)	[Guarantor:	[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 U.S.$ [ ], producing a sum (for Notes not denominated in U.S.$) of:	U.S.$ [ ]]
5.	(a)	[Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)]]
6.		Specified Denominations:	[ ] [ ] (*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 €50,000 minimum denomination is not required.*
7.	(a)	Issue Date:	[ ]

	(b)	Interest Commencement Date:	[ ]
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)	[Status of the Guarantee:	[Unsubordinated/Subordinated]]
	(c)	[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 or related Guarantee)*
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] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(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):	[ ] per [ ] in Nominal Amount
	(d) Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
	(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 TARGET 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 Telerate Page 248 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/365 Actual/365 (Fixed) Actual/360 30/360 30E/360 Other] (*See Condition 5 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:	*(Consider applicable day count fractions if not U.S. dollar denominated)*
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[*Conditions 7(e)(iii) and 7(j) apply/specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent responsible for calculating the interest due:	[ ]
	(c)	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*]

(d)	Interest Period(s):	[ ]
(e)	Specified Interest Payment Dates:	[ ]
(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]

19.	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Calculation Agent, if any, responsible for calculating the interest payable:	[ ]
	(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 of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
	(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 of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
	(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 Note of [ ] Specified Denomination /*specify other*/see Appendix]

(*N.B. In relation to any issue of Notes which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [ ] in excess of [ ] as envisaged in paragraph [6] above, such holding will be redeemed at its nominal amount.".*)

(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.)

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 7(e)):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form	[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] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves*)
	(b) New Global Note:	[Yes] [No]
25.	Additional Financial Centre(s) or other special provisions relating to Payment	[Not Applicable/*give details*] *(Note that this item relates to the place of*

	Days:	*payment and not Interest Period end dates to which items 16(c) and 18(g) 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*]
29.	Redenomination applicable:	Redenomination [not] applicable (*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*] (*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.*)

DISTRIBUTION

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of relevant Dealer:	[*Name*]

33.	Whether TEFRA D applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/*give details*]

35. LISTING

(i)	Listing:	[London/Luxembourg/other *(specify)*/None]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable]
(iii)	Estimate of total expenses related to admission to trading:	[ ]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$6,000,000,000 Euro Medium Term Note Programme of Vattenfall Treasury AB as issuer and Vattenfall AB as issuer and guarantor.]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

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. [NOTIFICATION

The [*name of competent authority in home Member State] [has been requested to provide/has provided — include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive*.]

3. 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*]

4. 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. *If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (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.*)

5. 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.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED 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.]

7. 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*.]

8. 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)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	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 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. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note. 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 "Parent") or Vattenfall Treasury AB ("Vattenfall Treasury" and, together with the "Parent", the "Issuers" and each an "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 5th July, 1994 made between Vattenfall Treasury, the Parent in its capacity as both an Issuer and as guarantor of Notes issued by Vattenfall Treasury 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 and (iii) any global Note. The 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 16 June, 2006 made between Vattenfall Treasury, the Parent, Citibank, N.A. 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 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) 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, 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.

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 16 June, 2006 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 each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank N.A. 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 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 to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), 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.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("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 holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg 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 relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), 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 relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), 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.

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 relevant 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 4) unsecured and unsubordinated obligations of the relevant 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 relevant 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 relevant 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 relevant 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 relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.

Each 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. Guarantee

The payment of the principal and interest in respect of Notes issued by Vattenfall Treasury and all other moneys payable by Vattenfall Treasury under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Parent in the Trust Deed (the "Guarantee"). The obligations of the Parent under the Guarantee with respect to Ordinary Notes are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) rank and will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The obligations of the Parent under the Guarantee with respect to Subordinated Notes are direct, unsecured and subordinated obligations of the Parent and rank and will at all times rank at least *pari passu* with all other outstanding unsecured and subordinated obligations of the Parent, present and future. The rights of the holder of any Subordinated Note and the relative Receipts and Coupons shall, in the event of the bankruptcy or liquidation of the Parent, be subordinated in right of payment to the claims of unsubordinated creditors of the Parent.

4. Negative Pledge

(a) Negative Pledge in relation to Ordinary Notes

(i) So long as any of the Ordinary Notes remains outstanding, the relevant 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.

(ii) So long as any of the Ordinary Notes issued by Vattenfall Treasury remains outstanding, the Parent 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 all amounts payable under the Guarantee 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.

(iii) As used in this Condition 4(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

(i) So long as any of the Subordinated Notes remains outstanding, the relevant 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).

(ii) So long as any of the Subordinated Notes issued by Vattenfall Treasury remains outstanding, the Parent 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).

5. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) 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.

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) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, 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.

In these Terms and Conditions, "Day Count Fraction" means in respect of the calculation of an amount of interest in accordance with this Condition 5(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) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) 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) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) 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) a Determination Date to (but excluding) 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 on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) 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) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) 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 5(b)(i)(B) above, 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 (if other than London or any Additional Business Centre) 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 (TARGET) System (the "TARGET 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 2000 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. 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.

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 relevant Issuer or its Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest 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 and calculate the amount of interest payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination (each an "Interest Amount") for the relevant Interest Period. In the case of Index Linked Interest 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. Each Interest

Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, 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.

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

(i) if "Actual/365" 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" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest 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 (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period 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);

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest 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 Interest Period unless, in the case of the final Interest Period, 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); and

(vi) 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 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 relevant 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 14 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 14. 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)* or *(iv)* above, as the case may be, and, in each case, *(vi)* 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 5(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), 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, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. 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 (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) 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 8.

(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 relevant 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 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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) if (i) the relevant 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 relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury), adverse tax consequences for the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury).

(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 9) 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) the relevant place of presentation;

(B) London;

(C) 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 (if other than the place of presentation, London and any Additional Financial Centre 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 TARGET System is open.

(d) 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 8 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 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant 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 relevant 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 and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the relevant 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 relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the

Parent (where the relevant Issuer is Vattenfall Treasury) would be unable for reasons outside its control to procure payment by Vattenfall Treasury and in making payment itself would be required to pay such additional amounts, in each case 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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) the date of redemption.

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

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

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; 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) 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, 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 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of all Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the lowest Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. 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 14 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 relevant Issuer in accordance with Condition 14 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 relevant 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) the Optional Redemption Date.

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 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.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 10, 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") equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (I) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (II) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (in either case) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any of their 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 relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury), surrendered to any Paying Agent for cancellation. 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 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 10 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 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 14 or individually.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) 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, or to a third party on behalf of, 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 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 relevant Issuer in accordance with Condition 14.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment 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 8) 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 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. 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 relevant Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(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 relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) (as the case may be) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the relevant Issuer, the Parent (where the relevant Issuer

is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary save for the purposes of a reorganisation on terms approved in writing by the Trustee; or

(v) if the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) 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); or

(vii) (where the relevant Issuer is Vattenfall Treasury) if the Guarantee ceases to be, or is claimed by the Parent not to be, in full force and effect, provided that, in the case of any Event of Default other than those described in sub-paragraphs (i), (iv) (in the case of a winding up or dissolution of the relevant Issuer (where the relevant Issuer is the Parent) or the Parent (where the relevant Issuer is Vattenfall Treasury) and (vii) above, the Trustee shall have certified to the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

"Principal Subsidiary" means a Subsidiary of the Parent:

(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 Parent and its consolidated Subsidiaries, or, as the case may be, consolidated Total Tangible Assets of the Parent 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 Parent 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 Parent that in their opinion a Subsidiary of the Parent 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.

11. 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 14, 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 relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agent and Paying Agents

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

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) are, 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 continental Europe outside Sweden;

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

(iv) the Issuer undertakes that it will ensure that it maintains 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 relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(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 14.

13. 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 9. 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.

14. 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 relevant 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.

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 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 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.

15. 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 relevant 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 14.

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 relevant Issuer or the Parent

(where the relevant Issuer is Vattenfall Treasury) 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 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. Further Issues

The relevant 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.

17. Enforcement

The Trustee may at its discretion and without further notice take such proceedings against the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) as it may think fit to enforce the obligations of the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) 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 relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

18. Substitution

The Trustee may, without consent of the Noteholders, the Receiptholders or Couponholders, agree with the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) to the substitution in place of the relevant Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of the Parent (where the relevant Issuer is Vattenfall Treasury) or of any of the Parent's other Subsidiaries, subject to (a) except where the Parent becomes the principal debtor, the Notes being unconditionally and irrevocably guaranteed by the Parent, (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.

19. 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.

20. 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.

21. 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 the final two sentences of Condition 3 are governed by, and shall be construed in accordance with, Swedish law.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have each 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 relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which they 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 have further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the relevant Issuer or the Parent 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.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office for the time being (being at 16 June, 2006 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 relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have 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 relevant Issuer for its general corporate purposes, which include making a profit. 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 VATTENFALL TREASURY

Incorporation and business

Vattenfall Treasury Aktiebolag was incorporated as a company with limited liability in Stockholm under registration number 556439-0606 in December 1991 and is a wholly owned subsidiary of Vattenfall Aktiebolag (the "Parent"). Vattenfall Treasury does not have any subsidiaries itself. It commenced operations on 1st January 1992 and with effect from 1st January 1995 Vattenfall Treasury became a public limited company. The registered office of Vattenfall Treasury is at Jämtlandsgatan 99, 162 87 Stockholm, Sweden and the telephone number is +46 8 739 50 00.

Vattenfall Treasury has responsibility for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Group. Vattenfall Treasury is also responsible for co-ordinating the Group's internal banking and cash-management activities. At present Vattenfall Treasury serves as an internal bank for the Group companies in the Nordic countries. Group cash pools, administered by Vattenfall Treasury, are established in Sweden, Finland and during 2006 a Group cash pool will be established in Denmark. Vattenfall Treasury is a service company for the various units of the Group and aims to provide the Group with advantageous financing and a good return on liquid assets.

The Group's financial management operations are conducted in accordance with the rules and limits established by the Board and Executive Group Management ("EGM") of the Parent as to interest and currency risk exposure, availability of funds, liquidity and credit risk. Vattenfall Treasury is responsible for co-ordinating and reporting the financial risks of the Group.

For the Group's activities in the market, Vattenfall Treasury have established a Swedish Commercial Paper Programme of SEK 15,000 million and a Euro-Commercial Paper Programme of USD 2,000 million. Vattenfall Treasury also has a domestic MTN programme of SEK 10,000 million. Tranches under that programme may be listed on the Stockholm Stock Exchange at the discretion of investors. Vattenfall Treasury also has in place a revolving credit facility of EUR 1,000 million (including a swing line facility). This facility matures in February 2013. In June 2005 Vattenfall Treasury issued a perpetual hybrid bond, so-called Capital Securities, of EUR 1,000 million, which are reported as interest bearing non-current liabilities. These are junior to all of Vattenfall Treasury's unsubordinated debt instruments.

It is current Group policy for all Vattenfall Treasury's issues of debt securities to be guaranteed by the Parent.

Management

Board of Directors

Matts P. Ekman	Chairman of the Board of Directors and Chief Financial Officer of Vattenfall AB
Bertil Dihné	President, Vattenfall Bränsle AB
Hans-Jürgen Meyer	Member of Management Board, Vattenfall Europe AG
Erik Hagland	Vice President, Vattenfall AB, Group Function Finance

Deputy Member

Johan Gyllenhoff	Deputy Member and President of Vattenfall Treasury AB

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

The business address of the above Board members and Company Secretary is Jämtlandsgatan 99, S-162 87 Stockholm, Sweden.

SUMMARY FINANCIAL INFORMATION OF VATTENFALL TREASURY

The following summary financial information of Vattenfall Treasury has been extracted without adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2004 and 2005 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31st March, 2006.

	Sw GAAP 31st March, 2006 SEK (thousand)	*Sw GAAP 31st December, 2005 SEK (thousand)*	*Sw GAAP 31st December, 2004 SEK (thousand)*
Total assets	95,044,001	93,927,390	73,902,720
Current liabilities	46,315,722	45,082,017	33,853,581
Long-term liabilities	45,431,219	46,071,622	38,512,219
Non-interest bearing liabilities	2,489,871	2,152,008	878,208
Untaxed reserves	60,925	60,925	96,539
Shareholders equity	746,265	560,818	562,173
Operating profit	186,507	734,668	231,222
Appropriations	0	35,614	56,035
Taxes [1)]	0	(216,504)	(80,345)
Net profit for the period/year	186,507	553,778	206,912

(1) Taxes are normally calculated only at year end

INCOME STATEMENT OF VATTENFALL TREASURY

The following income statement of Vattenfall Treasury has been extracted without adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2004 and 2005 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31st March, 2006.

	Sw GAAP 1st January, 2006 to 31st March, 2006 SEK (thousand)	*Sw GAAP 1st January, 2005 to 31st December, 2005 SEK (thousand)*	*Sw GAAP 1st January, 2004 to 31st December, 2004 SEK (thousand)*
Interest income	945,872	3,446,651	2,847,185
Interest expense	(752,449)	(2,694,714)	(2,578,746)
Net currency income/expense	642	15,810	(1,143)
Gross profit/loss	194,065	767,747	267,296
Personnel costs	(4,331)	(20,118)	(23,331)
Other external costs	(3,185)	(12,723)	(12,443)
Depreciation	(42)	(238)	(300)
Operating profit/loss	186,507	734,668	231,222
Appropriations	0	35,614	56,035
Profit/loss before tax	186,507	770,282	287,257
Tax[1)]	0	(216,504)	(80,345)
Net profit/loss for the period/year	186,507	553,778	206,912

(1) Taxes are normally calculated only at year end

BALANCE SHEET FOR VATTENFALL TREASURY

The following balance sheet of Vattenfall Treasury has been extracted without adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2004 and 2005 and from Vattenfall Treasury's unaudited financial accounts in respect of the three months ended 31st March, 2006.

	Sw GAAP 31st March, 2006 SEK (thousand)	*Sw GAAP 31st December, 2005 SEK (thousand)*	*Sw GAAP 31st December, 2004 SEK (thousand)*
ASSETS			
Fixed assets			
Tangible assets			
Equipment	221	263	393
Financial assets			
Receivables from Group companies	90,595,626	92,297,451	66,242,512
Receivables from associated companies	36,400	36,400	37,450
Total fixed assets	90,632,247	92,334,114	66,280,355
Current assets			
Receivables			
Accounts receivable	0	0	0
Receivables from Group companies	1,122	75	105
Income tax receivables	509	267	870
Other receivables	12	13	2,138
Prepaid expenses and accrued income	558,070	365,154	114,555
	559,713	365,509	117,668
Investments	2,670,741	471,500	7,315,298
Cash and bank balances	1,181,300	756,267	189,399
Total current assets	3,852,041	1,593,276	7,622,365
Total Assets	95,044,001	93,927,390	73,902,720
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (500 shares at SEK 1,000 each)	500	500	500
Statutory reserve	100	100	100
	600	600	600
Non-restricted equity			
Profit and loss brought forward	560,218	6,440	354,661
Net profit/loss for the year	186,507	553,778	206,912
	746,725	560,218	561,573
Total equity	747,325	560,818	562,173
Untaxed reserves	60,925	60,925	96,539
Liabilities			
Interest-bearing liabilities			
Commercial paper	43,862	29,908	(112,150)
Medium-term notes	38,011,960	39,171,169	40,378,684
Loans from credit institutions	469,900	471,500	2,902,837
Capital Securities	9,240,531	9,267,784	-

Liabilities to Group companies	43,980,687	42,213,278	29,196,429
Other interest-bearing liabilities.....	0		0
Total interest-bearing liabilities.....	91,746,940	91,153,639	72,365,800
Non-interest-bearing liabilities.....			
Accounts payable	264	487	957
Liabilities to Group companies	788,166	787,788	304,476
Income tax liabilities	0	0	0
Accrued expenses and deferred income	1,699,538	1,363,715	572,235
Other current liabilities.....	843	18	540
*Total-non-*interest-*bearing liabilities*	2,488,811	2,152,008	878,208
Total liabilities	94,235,751	93,305,647	73,244,008
Total Equity and Liabilities.....	95,044,001	93,927,390	73,902,720
Pledged assets (security balance for Swedish Options Market)	118,563	324	0
Contingent liabilities	0	0	0

DESCRIPTION OF THE GROUP

General and History

With effect from 1st 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 Jämtlandsgatan 99, 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 1st January 1995, the Parent became a public limited company.

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

The Parent and its subsidiaries, the Group, produces, distributes and sells electricity, heat, energy-related services and, to a certain extent, telecom services. The majority of operations are located in Sweden, Finland, Germany and Poland, and the primary geographic market consists of the Nordic countries, Germany and Poland. The Group is vertically integrated and organised in accordance with the electricity value chain - generation, transmission, distribution and sales. The Group is also active in electricity trading and generates, distributes and sells heat.

Highly regulated historically, the energy sector has changed radically in the past 15 years. Deregulation and internationalisation, largely driven by the EU, has resulted in several electricity markets now being totally open to competition. According to the EU Electricity Directive, the intention is for all countries to have deregulated their electricity markets and have totally opened them to competition by 1 July 2007 at the latest. According to this regime all customers should have the right to choose their own supplier, which applies to non-household customers since July 2004 and will apply to households by July 2007. From July 2004 transmission and distribution operators in all Member States of EU should have separated interests not relating to transmission/distribution from other activities of the company at least in terms of legal form, organization and decision making. However, individual member states may decide to postpone the legal unbundling requirement until 2007.

Network operations are natural monopolies since it would not be economically rational from a societal point of view to introduce competition. Network tariffs are therefore regulated and monitored by an independent authority. The principles that govern network regulation vary between countries and there are different regulatory models, such as returns-based regulation, cost-based regulation and incentive-based regulation. In addition, regulation can take place in two different ways: ex-ante regulation, where network tariffs (or at least a model for how tariffs are calculated) must be approved by the regulator prior to implementation, and ex-post regulation, where the network tariffs are examined by the regulator after they have been charged. The EU Commission recommends ex-ante regulation.

In Sweden, the regulator has developed a calculation model, the so-called network performance assessment model, to judge the fairness of the network companies' network tariff. The model

uses a fictitious network to assess network companies' performance. The model and its application have been strongly questioned by many network companies and Vattenfall is of the opinion that the model cannot be strictly applied for regulatory purpose in the manner that it has been applied to date.

In Finland, a new returns-based regulatory model was introduced in 2005.

Germany previously had voluntary industry agreements, but has now introduced ex-ante regulation. On 13 July 2005, the new German energy industry act (EnWG) came into force. As a result, the new German network regulator, Bundesnetzagentur, could start its work. Initially, all tariff changes must be approved by the regulator, although transition to an incentive-based regulatory model is planned for 2007.

In Poland, network tariffs are regulated in accordance with an ex-ante cost plus model where tariffs must be approved prior to charging. As of 2005, capital costs are allowed to be included in the calculation of the total cost. The Polish deregulation process also involves the creation of regional distribution companies which must separate distribution and sales activities by July 2007.

According to the Kyoto Protocol, the EU member states have committed their countries to reduce their total emissions of greenhouse gases by 8 per cent by 2012 as compared with 1990. In order to reduce the emissions that give rise to the greenhouse effect, the EU introduced a system for trading emission allowances in January 2005. The system currently covers carbon dioxide only. The first trading period runs between 2005 and 2007 and the second covers 2008–2012. Each EU country has an emission budget in accordance with the so-called burden sharing agreement of the EU's undertakings in the Kyoto protocol. The different countries national allocation plans for emission allowances places a cap on how high emissions can be. Power plants and industrial installations then are allocated emission allowances up to the total cap. The emission allowances trading system creates opportunities for the company to prioritise the most economical method of reducing emissions. The producers can choose between implementing technical measures in order to lower emissions, purchasing additional emission allowances or refraining from producing altogether and instead selling their emission allowances on the market. This will ensure that the measures to reduce emissions are managed in the most cost-effective way.

Trading in emission allowances has functioned well, but prices have been higher than most analysts expected. High oil and gas prices during the year led to increased use of coal in electricity generation. This increased demand for – and the price of – emission allowances, which in turn led to higher electricity prices. As there is a market price for emission allowances (regardless if the emission allowances have been purchased or received free of charge), electricity producers must include this as an opportunity cost. The emission allowance is either used to generate electricity, which creates emissions, or sold in the market. As more players become involved in the selling of emission allowances, prices will be moderated and eventually stabilise. However, uncertainty about which allocation principles will apply to the next trading period, 2008–2012, is great, and it is therefore difficult to make any reliable price forecasts.

The Group's generation mix in the Nordic countries primarily consists of carbon dioxide free hydropower and nuclear power, the Group does not need any emission allowances for this generation. However, the Group's heat operations generate certain levels of carbon dioxide emissions. In accordance with the Swedish allocation plan, the Group has not been given

emission allowances for these operations full out and must therefore purchase such allowances in the market.

In Sweden, an electricity certificate system was introduced in 2003. Generators receive one green certificate for every MWh of electricity produced using renewable energy sources and delivered to the network. Electricity consumers must buy a certain number of green certificates. This creates the necessary business conditions for this type of production and enables investments. In Sweden the goal is to produce 17 TWh of electricity from renewable energy sources by 2016. The Swedish government has proposed that the system be extended to 2030.

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 unit Vattenfall Trading Services is currently a market maker at Nord Pool ASA and the German EEX exchanges. The unit is also an active member on the Polish electricity exchange.

During recent years the Group completed major acquisitions in Germany and Poland and in 2005 in Denmark while consolidating its market positions in Sweden and Finland. The Group is the fourth largest electricity generator in Europe (measured in generated TWh). In Germany, the Group is the fourth largest electricity generator and the largest generator of heat in Europe (measured by generated TWh). The Parent's subsidiary, Vattenfall Europe AG, is the result of the Group's acquisitions in Germany and the merger between the four energy companies: Hamburgische Electricitets-Werke AG (''HEW''), the power generator and grid company Vereinigte Energiewerke AG (''VEAG''), the lignite mining company Lausitzer Braunkohle AG (''LAUBAG'') and the Berlin based electricity utility Bewag AG (''Bewag''). The merger of these companies was formally finalised in August 2003. In August 2005 the Parents ownership in Vattenfall Europe AG exceeded 95 per cent and hence the Parent initiated the process of a so-called squeeze out of the remaining minority shareholders. The squeeze out was decided by an extra-ordinary shareholders meeting on 2 March 2006.

In Denmark the Parent have signed an agreement with Dong AS, in which the Group intends to exchange the stake in Elsam AS for a number of Danish CHP and wind power plants with a total generation capacity of approximately 2,500 MW electricity and 2,100 MW heat, corresponding to annual volumes of about 6 TWh each. The EU's anti-trust authority has given its approval to the transaction.

In the Nordic countries the Group generates, distributes and sells electricity and heat. In addition the Group also sells telecom and broadband services, as well as consulting and contracting services, primarily within the energy sector. The Group has about 937,000 electricity customers and 1,291,000 network customers in the Nordic market. The Group's market position in the Nordic countries is number one in electricity generation, number two in electricity distribution and positions one and three in electricity supply to end-customers in Sweden and Finland respectively. In 2005, nuclear power and hydro power represented 58.9 and 40.5 per cent respectively and comprise the foundation of the Group's electricity generation. A little more than 75 per cent of heat generation is based on bio fuel, although fossil fuels and waste are also used. In 2005 the Group's Business Group Vattenfall Nordic Countries had an electricity and heat output of about 90 (88 in 2004) TWh and 7 (8 in 2004) TWh respectively. The Business Group had about 8,800 employees.

In Germany the Group generates, transmits, distributes and sells electricity and heat. The Group's market position in Germany is number three in electricity generation, number four in electricity supply to end customers, number three in transmission and number four in electricity distribution. The Group has about 2,916,000 electricity customers and 3,399,000 network customers in the German market. Within district heating, the Group is the largest player with the longest district heating network in Europe. The Group's generation in Germany consists of 87 per cent fossil-based power. The remaining electricity generation sources are primarily nuclear power and hydro power. The Group also owns the transmission network (high-voltage grid) in the former East Germany and the electricity networks in Germany's two largest cities — Berlin and Hamburg. In 2005 the Group's Business Group Vattenfall Europe had an electricity and heat output of about 76 (76 in 2004) TWh and 15 (16 in 2004) TWh respectively. The Business Group had about 20,100 employees.

In Poland the Group generates, distributes and sells electricity and heat. Heat (and to a lesser extent electricity) are generated through the company Vattenfall Heat Poland (formerly Elektrocieplownie Warszawskie S.A. ("EW"), of which the Parent owns 75 per cent. Distribution and sales of electricity take place through the company Gornoslaski Zaklad Elektroenergetyczny S.A. ("GZE"), in which the Parent's shareholding is 75 per cent. As of 1 January 2006, operations in these companies are conducted under the Vattenfall name. With these two companies, the Group is the largest foreign investor in the Polish energy sector with a market share of about 7 per cent. The Group is also the largest privatised distribution company in Poland with market shares of about 9 per cent in sales and 11 per cent in distribution. Vattenfall Heat Poland is the largest heat producer in Poland, with a market share of 27 per cent. The company also generates 3 per cent of Poland's electricity in its CHP plants. In 2005 the Group's Business Group Vattenfall Poland had an electricity and heat output of about 3 (3 in 2004) TWh and 11 (11 in 2004) TWh respectively and has about 1,104,000 electricity and network customers in the Polish market. There are about 3,000 employees in the Business Group. During 2005 the Group opened a new trading office in Poland. The company, which is based in Gliwice, is part of the central trading organisation Vattenfall Trading Services. The Group is one of the first foreign companies in the Polish energy market to establish trading activities.

Vattenfall Trading Services. In February 2004 the Executive Group Management decided the Business Units Supply & Trading in Stockholm and Vattenfall Europe Trading GmbH in Hamburg were excluded from Business Group Nordic Countries and Business Group Germany respectively and integrated into Vattenfall Trading Services, a new organisational unit, with headquarters in Hamburg. Vattenfall Trading Services is responsible in the Group for:

- providing market access for internal customers
- offering trading services
- cross border trading including ownership of inter connectors
- focus on energy risk management
- limited proprietary trading/risk taking in electricity and other commodity markets.

In 2005 the unit had about 170 employees and had a turnover of approximately 1,100 TWh in the OTC and Power Exchange markets. During 2005 Vattenfall Trading Services set up a branch in Gliwice, Poland.

INSURANCE COVER

Nuclear Risks Sweden

Third party nuclear liability insurance will meet claims, in respect of the first SDR 300 million (Special Drawing Rights), relating to the Group's nuclear plants and is provided by Nordic Nuclear Insurers ("the Pool") and European Liability Insurance for the Nuclear Industry (ELINI). Claims in excess of this amount will be met by the state.

Insurance cover for decontamination costs and for property losses due to nuclear accident is provided by European Mutual Association of Nuclear Insurance (EMANI) and the Pool.

Nuclear Risks Germany

Third party liability insurance in the German Nuclear Insurance Pool will meet claims up to EUR 256 million. For claims in excess of this amount the German operators are jointly liable up to EUR 2,500 million.

Insurance cover for decontamination and for property losses is provided by EMANI.

Non-nuclear Risks Sweden and Germany

Property insurance including business interruption insurance is provided by Försäkrings AB Vattenfall Insurance, a captive insurance company wholly owned by the Parent and reinsured in the international reinsurance market. According to Swedish law, dam owners have unlimited and strict liability for damages to third parties caused by dam accidents. Currently the Group has dam liability insurance cover of SEK 7,000 million. A global General Liability Insurance is provided by Försäkrings AB Vattenfall Insurance for the entire Group, including the mandatory German environmental insurance. Electricity transmission and distribution networks are uninsured, with the exception of transformer stations and switchgear. The reasoning is that these risks are not generally covered by most insurance providers.

Non-nuclear Risks Finland and Poland

Property risks are covered by the global General Liability Insurance (see above). Liability risks are covered by the global insurance (see above).

PENSIONS

The Group’s pension obligations in the Parent and the Swedish and German subsidiaries 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 investment assets, are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans. The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer organisations and employee organisations. Almost all employees in the Group 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 secured in a Pension Foundation through provisions in the balance sheet or insurance premiums. The Group’s commitments for retirement pensions and family pensions for office employees in Sweden are secured through an insurance policy from Alecta. According to a statement issued by the Swedish Financial Accounting Standards Council’s emerging issues

task force, URA 42, this plan is a defined benefit plan encompassing several employers. For the 2005 financial year, the Parent 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 the year for pension insurance policies from Alecta amount to SEK 130 million (127 in 2004). Alecta's profit can be distributed between the policyholders and/or the insured parties. At the end of 2005, Alecta's profit in the form of the so-called collective consolidation level amounted to 128 per cent (128 in 2004). The collective consolidation level comprises the fair value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's insurance calculation principles and assumptions, which are not in agreement with IAS 19. 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 former companies Bewag and HEW. Bewag has two pension plans, both financed through Pensionskasse der Bewag, a mutual insurance company. This plan is financed through funds from Bewag and its employees. One plan has been assessed as a defined contribution plan and is reported as such as the benefit is dependent on the contributions paid 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. Bewag's obligations encompass the entire pension commitment. The investment assets attributable to personnel employed since before 1 January 1984 are reported as investment assets at fair value. Pension commitments for HEW employees are mainly comprised of the company's commitments 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 the salary on which the pension is based. Pension obligations are calculated on an actuarial basis in accordance with the Projected Unit Credit Method. Actuarial gains and losses are taken up as income and expenses respectively and evenly distributed over the employees' remaining employment periods to the extent that the total gain or loss for a particular pension plan falls outside a corridor equal to 10 per cent of the greater of the pension commitment and the fair value of the investment assets for each individual plan. As to the operations in Finland and Poland, the Group has no pension obligations.

The total unfunded pension provision was SEK 17,432 (16,450 in 2004) million at year-end 2005. The total pension costs in 2005 were SEK 1,690 million.

RECENT ACTIVITIES

General

- On 1 January 2006, the Group's German subsidiaries Bewag and HEW, as well as the Polish subsidiary EW was renamed Vattenfall and in the Group's Polish subsidiary GZE the business units now operate under the Vattenfall brand.
- The Group faces a period of major capital expenditures. A new joint Group function, Capacity Management, has been formed to coordinate these investments in heat and electricity generation.
- Within Business Group Vattenfall Nordic Countries, the Electricity Generation Business Unit, the Group has set up two new generation units, one for Thermal Power and one for

Wind Power. The Thermal Power unit will comprise the thermal power plants in Denmark that the Group acquired recently, together with the thermal power plants that the Group owns in Sweden. The unit will have a total workforce of approximately 600 employees, almost all of whom will work in Denmark. The Wind Power unit will comprise all of the Group's wind power plants in Denmark, Sweden and Finland. The unit will have a total of approximately 50 employees, most of them in Denmark.

- As from 1 April 2006 all electricity generated in Sweden by the Group is sold at the Nordic Power Exchange Nord Pool. As from the same date the Group's Swedish Sales unit buys all electricity sold at Nord Pool. Exceptions are bilateral long agreements prior to 1 April 2006.
- In the Parent's Annual General Meeting 2006 it was decided that the financial targets for the Parent for the future were set as follows: a return on average equity of 15 per cent, a return on net assets of 11 per cent before tax, a cash flow interest coverage ratio after maintenance investments of between 3.5 and 4.5 and a credit rating in the "Single A" category. The following wording was adopted for the Parent's dividend policy: "In the long term, the dividend shall amount to 40-60 per cent of the profit for the year (after tax). However, the annual decisions on the dividend shall take into account the company's strategy, the company's financial position and other financial targets."

Germany

- In July 2005, the new German energy industry act (EnWG) came into force. As a result, the new German network regulator, Bundesnetzagentur, was able to begin its work. Initially, all tariff changes must be approved in advance by the regulator. The aim is to make the transition to an incentive-based regulatory model in 2007.
- In August 2005, Vattenfall announced that its shareholding in the listed German subsidiary Vattenfall Europe AG exceeds 95 per cent. In December, the decision was made to hold an extra general meeting in March 2006 at Vattenfall Europe AG for a decision on the squeeze-out of the minority owners' shares. The squeeze out was decided by an extra-ordinary shareholders meeting on 2 March 2006.
- In May 2005, the Group announced that it will build the world's first installation for a carbon dioxide-free coal-fired power plant based on so-called oxyfuel technology. The installation will be built adjacent to the Group's coal-fired power plant Schwarze Pumpe in eastern Germany with an investment of approximately SEK 465 million. In May 2006 the construction of the plant started and it is expected to be in operation by 2008.
- The German regulator Bundesnetzagentur, has in a ruling dated 6 June 2006 demanded the Group's subsidiary, Vattenfall Europe Transmission GmbH, the East-German transmission net operator, to decrease its net tariffs by 18.7 per cent meaning an annual decrease of operating profit of about EUR 100 million. Vattenfall Europe Transmission GmbH will appeal the ruling.

Sweden

- The Swedish parliament decided to increase property tax on hydro power as well as the tax on installed nuclear power capacity, effective 1 January 2006. For the Group, this entails increased annual costs of approximately SEK 1.5 billion.

- In October 2005, the Group decided to build a wind power farm at Lillgrund in Öresund. The farm will have a capacity of 110 MW, corresponding to more than 0.3 TWh per annum. The installation is expected to be put into operation in 2007.
- In November 2005, following negotiations between the Swedish state, E.ON Sverige AB and the Parent, an agreement was reached regarding compensation on market terms for the loss of generation at Barsebäck 2, the second reactor at the Swedish Barsebäck nuclear power plant, which closed on 31 May 2005 in accordance with the Swedish government's decision and legislation. The Parent will receive compensation for future production losses amounting to SEK 4,100 million. The Parent's impairment losses of the concerned assets amount to SEK 1,043 million, which means the consolidated income statement for 2005 has been credited with the result net, SEK 3,057 million. The state compensation will be paid to Vattenfall in equal instalments up until 2009.
- In April 2006, SwedPower AB, a 100 per cent owned subsidiary of the Parent, changed name to Vattenfall Power Consultant AB. The subsidiary is active as a consulting firm in Sweden and internationally.
- In May 2006 the Parent's Board decided that the Group should aim to run projects to increase the amount of renewable electricity generated by the Group in Sweden by approximately 10 TWh by 2016. The major part of the potential projects relates to wind power plants. It is estimated that measures in hydro power plants can contribute 1 to 2 TWh, while bio fuel projects can contribute with about 0.5 TWh. In total, this investment will be in the range of SEK 40 billion.
- The Swedish network regulator, the Energy Markets Inspectorate (Energimarknadsinspektionen, EMI), supervises the network tariffs. In 2004, 40 network companies were selected for closer review of their network tariffs in 2003. Vattenfall Sveanät AB, a wholly own subsidiary of the Parent, was one of these companies. In February 2006, the EMI requested the Parent to repay SEK 236 million, which the Parent has appealed. In 2005, some 50 network companies were selected for review of 2004 year's tariffs. The Group's distribution company in the southern Sweden price area is among them. The EMI has not yet made any decisions concerning this review.

Denmark

- In mid-March 2006 the European Commission, which has assessed the Group's and DONG's acquisition in Denmark, approved the part of the deal that affects DONG. Concerning the part of the deal affecting the Parent such approval was given in December 2005. The Parent and DONG have contractually agreed that the most important details, such as liabilities and staff etc and the date for closing of the deal are to be 1 July 2006, at which date the Parent – in exchange for its shares in Elsam A/S and I/S Averdöreverket 2 – will take over about 24 % of total generation capacity in Elsam and Energi E2.

Poland

- In August 2005, the operation in Poland was reorganised as a Business Group and sub-divided into three business units, Distribution, Sales and Heat. This puts Poland on the same level in the Group's organisation as Business Group Vattenfall Nordic Countries and Business Group Vattenfall Europe in Germany.

GROUP ORGANISATION AND BUSINESS STRUCTURE

The Parent falls under the same legislation as private Swedish companies and where applicable the Parent follows the recommendations and norms that apply to companies listed on the Stockholm Stock Exchange. The Swedish Code for Corporate Governance (the Code) is a part of the Swedish government's framework for ownership and administration. Vattenfall applies the Code and considers it one of several important sets of rules for external reporting and communication.

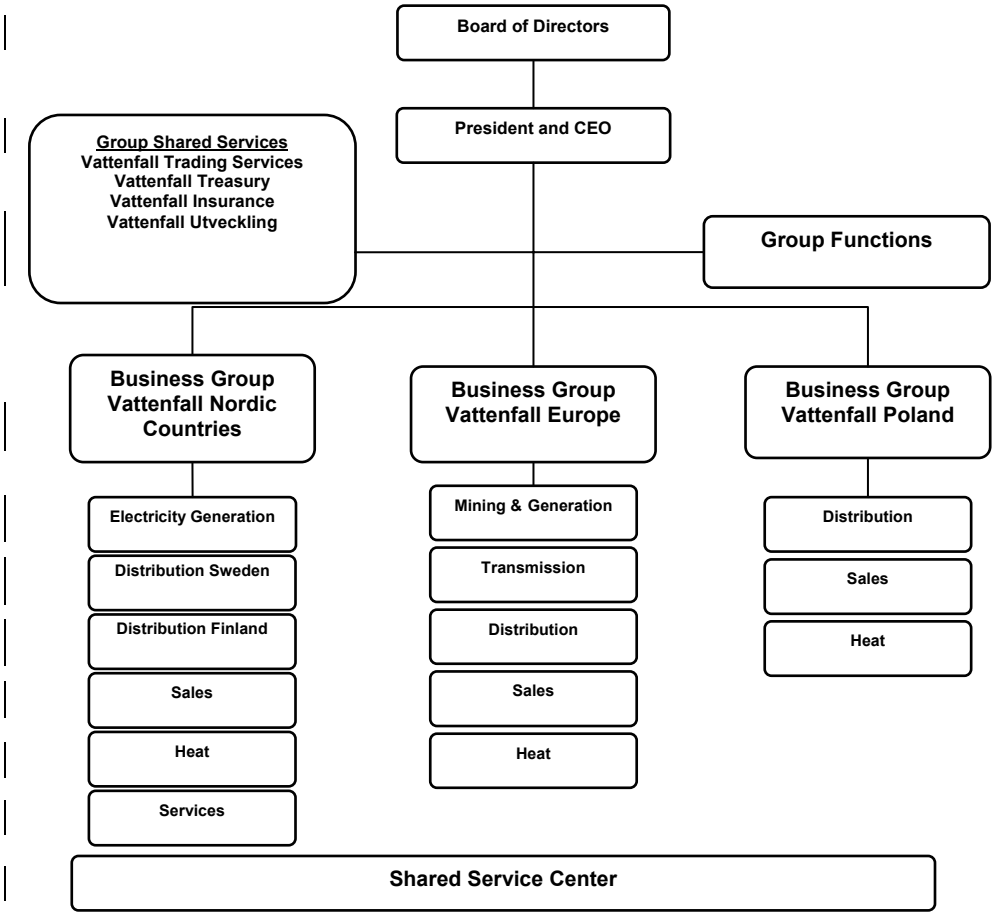
In order to promote clarity and unity in questions of responsibility and information in the state companies, the Swedish Ministry for Industry, Employment and Communications has prepared guidelines to support boards of directors in drawing up and revising the rules of procedure and for managing certain issues regarding information. Management and control of the Group is divided between Vattenfall AB's shareholder, the Board of Directors and the CEO in accordance with the Swedish Companies Act, the Articles of Association and the Board of Directors' Rules of Procedure. The Board of Directors appoints a CEO and deputies. The CEO, who is also the President of the Parent, manages and is responsible for day-to-day administration in accordance with the Board of Directors' guidelines and instructions. The CEO has established two decision forums to manage the Group, Executive Group Management (EGM) and the Executive Committee (ExCom). The CEO passes decision with or without the support of these forums. ExCom handles central joint Group issues such as the Group's strategy, major acquisitions, investments and divestments. EGM develops the Group's general direction, Group policies and Group instructions. Group processes are approved, as are Group initiatives and projects, on the recommendations of Group functions. In order to follow up on financial and business developments in the Group, the CEO and EGM hold thorough quarterly Business Group Reviews and monthly Business Group Financial Meetings.

The Group's organisation model is based on the value chain for electricity: generation, transmission, distribution and sales and for heat generation, distribution and sales.

In terms of management the Group's operations are divided into three categories:

- Business operations are handled by Business Groups and their Business Units within defined geographic areas. They are managed as profit centres.
- Group functions that support Executive Group Management, Business Groups and Business Units. They are managed as cost centres.
- Shared Service units which provide services that support customer efforts to optimise their business operations. Shared Service activities are run on a full cost basis and are supervised by the internal customers. Shared Service units are found at both Group level (Group Shared Service) and Business Group level.

Organisation



Group operations are divided into Primary and Secondary Segments. Primary Segments are the geographical areas Nordic Countries, Germany and Poland. Secondary segments are the business areas Electricity, Electricity Networks, Heat and Other Operations. Other Operations include the Group's treasury activities, research activities, service companies and Group administration staff.

Facts about the Primary Segments full year 2005	*Nordic Countries*	*Germany*	*Poland*
Production capacity, electricity and heat MW	19,795	22,640	5,977
Electricity and heat produced, TWh	97	91	15
Number of electricity customers	937,000	2,916,000	1,104,000
Number of network customers	1,291,000	3,399,000	1,104,000
Electricity networks, Km	187,700	85,000	26,800
Electricity networks, transmitted volume, TWh	84[1]	28[2]	10
Number of employees, man-years	8,788	20,096	3,029

[1] Excluding production transmission
[2] Exclusive transmission grid

Description of the Business Units, Secondary Segments, within the Business Groups

Business Group Vattenfall Nordic Countries

Generation is responsible for the generation business in the Nordic electricity market. The Group generated in the Nordic market a total of 89,8 TWh in 2005 (88,4 in 2004), which corresponds to almost 20 per cent of the total electricity consumption in the Nordic countries.

Distribution Sweden and Distribution Finland are responsible for the ownership, operation and maintenance of all electricity networks and for sales of electricity network services in each of the countries, and had 1,291,000 network customers in 2005. The Business Unit transmitted 83,5 TWh (80,3 in 2004) in 2005.

Sales is responsible for sales and marketing in the Nordic region of electricity, energy services and other products (to some extent telecommunication), excluding heat, to households, commercial, industrial and reselling customers being 937,000 in 2005. It is also accountable for sales and marketing of electricity, power services and solutions and outsourcing services of energy systems to listed key account customers in Europe.

Heat is responsible for owning, operating and developing District and Contract Supply Heating plants as well as sales and marketing of heat in the Nordic region and the Baltic countries. The Business Unit generated 7,3 TWh (7,6 in 2004) in 2005.

Services have responsibility for the sales and marketing of consultancy and contracting services as well as research and development activities within the energy, the infrastructure and the industry sectors. Some 70 per cent of revenues arise from sales within the Group.

Business Group Vattenfall Europe

Operations are formally conducted through the holding company Vattenfall Europe AG located in Berlin and a number of subsidiaries. However, operational and financial control is carried out through the five business units: Mining & Generation, Transmission, Distribution, Sales and Heat. The operations are structured according to the value chain and follow the same principles that apply to the Group's operations in the Nordic countries.

Mining and Generation is responsible for owning, operating and developing the Group's mining operations and electricity generation in Germany and comprises the generation facilities in the former VEAG, HEW and BEWAG, as well as lignite mining conducted by LAUBAG. The Group is the third largest electricity generator in Germany. The Business Unit generated a total of 75.9 TWh (75,5 in 2004) in 2005.

Transmission is responsible for owning, operating and developing the Group's electricity transmission network business in Germany. Among others the transmission network (high-voltage grid) in the eastern part of Germany and the electricity networks in Germany's two largest cities, Berlin and Hamburg. The transmission grid in the eastern part of Germany interfaces with the transmission grids in Eastern and Central Europe. Total length of the grid amounts to 10,000 km. The Group's market position is number two in transmissions in Germany.

Distribution is responsible for owning, operating and developing the Group's electricity distribution network business in Germany. It distributes electricity to 3,399,000 customers in Berlin, Hamburg, West- Mecklenburg and to a lesser extent in Brandenburg and Niedersachsen.

The total length of the grid is 75,000 kilometres. The Group's market position is number four in electricity distribution in Germany (measured by number of customers, the Parent's own calculations). Distributed volume, excluding the transmission grid, amounts to 28.2 TWh (28,5 in 2004) in 2005.

Sales is responsible for sales and marketing of electricity and energy services, excluding heat, to households, commercial, industrial and reselling commercial customers and is the third largest player on the German market with 2,916,000 customers.

Heat is responsible for owning, operating and developing District Heating plants in Germany, as well as sales and marketing of heat on the German market and comprises district-heating operations in Berlin and Hamburg with generation, distribution and sales of heat and, to a lesser extent, cooling. During 2005 the production totalled 15.4 (15.5 in 2004) TWh, which ranks the Group as number one in Germany.

Business Group Vattenfall Poland

Operations in Poland have been reorganised into Business Group Poland and sub-divided into three business units: Distribution, Sales and Heat. Poland now operates on the same principles as Business Group Vattenfall Nordic Countries and Vattenfall Europe. The Vattenfall brand has been introduced in Poland and as of 1 January 2006 all activities are conducted under the Vattenfall brand. The subsidiary Elektrocieplownie Warszawskie S.A. ("EW") changed its name to Vattenfall Heat Poland. In the subsidiary Gornoslaski Zaklad Elektroenergetyczny S.A. ("GZE") two new business units have been established operating under the brands Vattenfall Sales Poland and Vattenfall Distribution Poland.

Distribution is responsible for owning, operating and developing of the Group's electricity network business operations in Poland. Distribution is conducted through the company GZE, Vattenfall Distribution Poland, in which the Parent owns a 75 per cent stake. GZE has 1,104,000 network customers in southern Poland, which makes the Group the sixth largest network operator in the Polish market. The Business Unit distributed 10,4 TWh (10,6 in 2004) in 2005.

Sales are responsible for sales and marketing of electricity in Poland. GZE, Vattenfall Sales Poland, sells electricity to 1,104,000 commercial and residential customers.

Heat is responsible for owning, operating and developing district heating plants in Poland, as well as sales and marketing of heat on the Polish market. The Group produces heat through the company Vattenfall Heat Poland, former Elektrocieplownie Warszawskie S.A. (''EW''), in which the Parent owns a 75 per cent stake. The company has five combined heat and power plants in Warsaw, making the Group the seventh largest producer in the Polish market. Vattenfall Heat Poland is a market leader in district heating in Poland with an annual production of about 11.4 TWh of heat, which means a market share of 27 per cent.

Shared Service Centres

Shared Service Centres refers to organisational units or companies that provide and develop services aimed at optimising the business of the Business Units and other users and are governed by boards or steering committees.

Financial Analysis For the Year Ended 2005 (IFRS)

The following table sets out the audited figures for net sales and operating profit/loss for the years ended 31st December, 2005 and 2004 broken down by Segments:

Primary Segments

	External net sales		*Operating profit (EBIT)[5]*	
	2005	2004	2005	2004
	(SEK million)		*(SEK million)*	
Nordic Countries	40,712	38,843	16,845	12,215
Germany	70,304	63,514	10,221	4,591
Poland	8,790	7,421	842	711
Other	9,352	3,588	(178)	(392)
Elimination	0	0	0	(13)
Total	129,158	113,366	27,730	17,112

Secondary Segments

	External net sales		*Operating profit (EBIT)[5]*	
	2005	*2004*	*2005*	*2004*
	(SEK million)		*(SEK million)*	
Electricity Generation	14,470	14,597	19,651	12,417
Electricity Markets	62,786	53,443	1,282	(839)
Electricity Networks	36,207	30,846	5,293	6,129
Heat	14,101	12,647	3,495	2,622
Other	1,594	1,833	(1,991)	(3,205)
Elimination	0	0	0	(13)
Total	129,158	113,366	27,730	17,112

	2005	*2004*
Financial income and expenses — net (SEK million)	(1,411)	(2,498)
Profit before tax and minority interests (SEK million)[1]	26,319	14,614
Taxes (SEK million)	(5,801)	(5,010)
Net Profit (SEK million)[2]	20,518	9,604
Pre-tax interest cover (times)	9.3	5.3
Pre-tax profit margin (per cent.)[3]	20.4	12.9
Operating margin (per cent)[4]	21.5	15.1

Notes:

(1) *Profit before tax and minority interests amounted to SEK 23,325 million (SEK 16,831 in 2004) after items affecting comparability.*

(2) *Return on equity was 26.4 per cent (13.7 per cent in 2004). Net profit for the year excluding items affecting comparability amounted to SEK 17,364 million (10,909 in 2004).*

(3) *The pre-tax profit margin, excluding items affecting comparability was 18.1 per cent (14.8 per cent in 2004).*

(4) *Operating Margin exclusive of items affecting comparability was 19.2 per cent (17.0 per cent in 2004)*

(5) *Before items affecting comparability*

Net sales and financial performance

Net sales increased by 13.9 per cent to SEK 129,158 million (113,366 in 2004). The increase is primarily due to higher electricity wholesale prices in Germany, somewhat higher sales volumes in the Nordic countries and Poland and exchange rate effects — stronger EUR and PLN. The sales figure does not include financial electricity trading.

The cost of products sold increase with 11.7 per cent to SEK 93,636 million (83,848 in 2004) and is mainly due to increased costs for electricity and fuel purchases as well as increased operating and maintenance costs. Depreciation decreased by 4.4 per cent to SEK 14,026 million (14,669 in 2004). Operating profit increased by 62.1 per cent to SEK 27,730 million (17,112 in 2004). Excluding items affecting comparability, operating profit increased by 28.0 per cent to SEK 24,744 million (19,327 in 2004). Operating profit includes compensation from the Swedish state in the amount of SEK 4,100 million (net effect SEK 3,057 million) for future production losses due to the closure of Barsebäck 2 being carried as income. Participations in the results of associated companies improved sharply to SEK 693 million (—960 in 2004). This is primarily due to an improved participation in the 50%-owned German nuclear power plant Krümmel, the participation in the Danish company Elsam A/S and profit for 2004 being burdened with impairment losses of the shareholdings in GASAG Berliner Gaswerke AG and Städtische Werke Kassel AG. The improvement is explained by higher electricity wholesale prices, larger volumes in Nordic hydro power generation (+18% from 2004) and improved hedging outcomes (electricity generation hedges).

The various provisions made in the Group's balance sheet have been reviewed. This review has led to changes in earlier assumptions about discount rates in the calculation of these provisions. As a result, the Group's operating profit for 2005 has been burdened in the amount of SEK 650 million.

Net financial items amounted to SEK —1,411 million (—2,498 in 2004), an improvement of 43.5 per cent. The improvement is mainly due to increased income from Group's share in the Swedish Nuclear Waste Fund and lower interest rates on loans. Net interest items amounted to an average of SEK —166 million a month (—200 in 2004).

Income taxes increased by SEK 791 million to SEK 5,801 million (5,010 in 2004). The effective tax rate, according to the income statement, amounted to 22.0 per cent (34.3 in 2004). The improvement is primarily due to SEK 4,100 million in compensation for the closure of Barsebäck 2 not resulting in any tax expense, a reduction in deferred taxes and the reversal of tax attributable to profits from previous years, primarily in Germany. Profit for the year increased by 113.6 per cent to SEK 20,518 million (9,604 in 2004); excluding items affecting comparability by 59.2 per cent to SEK 17,364 million (10,909 in 2004) Return on equity increased to 26.4 per cent (13.7 in 2004); excluding items affecting comparability to 22.0 per cent (15.6 in 2004). Return on net assets increased to 18.0 per cent (11.6 in 2004); excluding items affecting comparability to 15.9 per cent (13.3 in 2004).

Financial Analysis For the Three Months Ended 31st March, 2006, IFRS (Unaudited)

For the period 1st January, 2006 to 31st March, 2006, net sales amounted to SEK 40,432 million (SEK 35,036 million for the period 1st January, 2005 to 31st March, 2005). Operating profit (EBIT) increased to SEK 12,689 (9,092 in 2004) million during the same period. The

increase in net sales SEK 5,396 million and profit SEK 3,597 was contributed by the Group's German operations — which alone accounted for a SEK 2,047 million increase — and is attributable to the greater availability of the Group's power plants, higher electricity and heat generation volumes and higher wholesale electricity prices. The Group's Nordic operations account for SEK 1,155 million of the profit increase. Here too, the majority of the improvement stems from generation operations, following wholesale electricity price increases. Costs in the Business Group Nordic Countries electricity network operations were substantially lower than in the first quarter of 2005 when the storm Gudrun caused severe damage. The remaining proportion of the sales increase is from our operations in Poland, where the cold winter contributed to greater revenue from heating operations.

Net sales and operating profit/loss for the period 1st January to 31st March, 2006 and 2005, broken down by Primary and Secondary segments in figures below are extracted from the Group's unaudited Interim Reports:

Primary Segments

	Net sales 1st January to 31st March		*Operating profit (EBIT) 1st January to 31st March*	
	2006	*2005*	*2006*	*2005*
	(SEK million)		*(SEK million)*	
Nordic Countries	14,259	11,919	58,27	4,672
Germany	30,776	28,360	6,337	4,204
Poland	2,962	2,524	744	375
Other	17,290	12,534	(219)	(159)
Eliminations	(24,855)	(20,301)		
Total	40,432	35,036	12,689	9,092

Secondary Segments

	Net sales 1st January to 31st March		*Operating profit (EBIT) 1st January to 31st March*	
	2006	*2005*	*2006*	*2005*
	(SEK million)		*(SEK million)*	
Electricity Generation	20,483	14,145	7,493	5,226
Electricity Markets	25,320	17,478	8	367
Electricity Networks	14,293	15,309	2,537	2,098
Heat	8,240	6,509	2,464	1,807
Other	1,484	1,360	187	(406)
Eliminations	(29,388)	(19,765)		
Total	40,432	35,036	12,689	9,092

Operating expenses amounted to SEK 28,799 million, which is an increase of SEK 1,169 million compared with the same period previous year. The cost of products sold increased by SEK 844 million and the selling expenses, research and development costs and administrative expenses increased by SEK 325 million.

Depreciation amounted to SEK 3,426 million, compared to SEK 3,427 million for the same period in 2005.

	1st January to 31st March	
	2006	*2005*
Financial income and expenses — net (SEK million)	(479)	(590)
Profit before tax and minority interests (SEK million) [1]	12,210	8,502
Taxes (SEK million)	(4,231)	(2,933)
Net Profit (SEK million) [2]	7,979	5,569
Interest cover (times) excl. items affecting comparability	17.2	15.2
Pre-tax profit margin (per cent.) excl. items affecting comparability	29.6	24.2
Operating margin, EBIT in relation to net sales, per cent.[3]	31.4	26.0

Note:
(1) *Profit exclusive of items affecting comparability SEK 11,956 million (8,480 in 2005)*
(2) *Net Profit exclusive of items affecting comparability SEK 7,794 million (5,554 in 2005)*
(3) *Operating Margin exclusive of items affecting comparability was 30.8 per cent (25.9 per cent in 2005)*

Investment activities

During 2005 total investments increased by 92.4 per cent to SEK 24,497 million (12,731 in 2004). Maintenance investments increased by 19.8 per cent to SEK 10,082 million (8,419 in 2004) while growth investments increased by 234.3 per cent to SEK 14,415 million (4,312 in 2004), of which shares totalled SEK 11,709 million (2,433 in 2004). Growth investments are comprised to 81 per cent of shares, of which the greater part comprises the acquisition of 35.3 per cent of the shares in the Danish company Elsam A/S. The remainder is mainly comprised of the acquisition of additional shares in Vattenfall Europe AG, of which Group's direct and indirect ownership as of 31 December 2005 amounted to approximately 97 per cent, and the acquisition of two wind power companies for the development of the Lillgrund and Kriegers Flak wind power farms. Divested assets amounted to SEK 785 million (2,120 in 2004), including SEK 397 (1,216 in 2004) in shares. The divested shares primarily comprised holdings in a number of smaller companies in Sweden and German outside core operations.

Investments (SEK million)	*2005*	*2004*
Acquisitions of Group companies	1,384	2,433
Investments in associated companies and other long-term securities holdings	10,344	2
Investments in property, plant and equipment	12,164	9,852
Investments in intangible assets	602	435
Investments in investment property	3	9
Total	24,497	12,731

Divestments (SEK millions)	*2005*	*2004*
Divestments of property, plant and equipment and intangible assets	388	904
Divestments of shares and participations	397	1,216
Total	785	2,120

Liquidity and Financing

Extract from the Group's Consolidated Cash Flow Statements.

	As at 31st March		*As at 31st December*	
	2006	*2005*	*2005*	*2004*
Cash flow from operating activities.....	8,676	7,505	24,423	24,103
Cash flow from investment activities	(2,085)	(1,711)	(23,695)	(10,631)
Cash flow from financing activities	(2,396)	(3,259)	(796)	(15,284)
Free Cash Flow	7,013	6,014	14,341	15,684
Net debt	56,474	51,395	64,343	55,411

Cash flow

Cash flow from operating activities increased by 1.3 per cent to SEK 24,423 million (24,103 in 2004). Funds from operations (FFO) increased by 29.1 per cent to SEK 31,386 (24,302 in 2004) while the change in working capital amounted to SEK —6,963 million (—199 in 2004). The negative change in operating capital is primarily attributable to the compensation from the Swedish state of SEK 4,100 million for the closing of Barsebäck 2 being paid in the form of a promissory note and hence recorded as a receivable, and the deposit of approximately SEK 2,400 million for the squeeze-out of shares in the German subsidiary Vattenfall Europe AG. Free cash flow, that is, cash flow from operating activities less maintenance investments, decreased by 8.6 per cent to SEK 14,341 million (15,684 in 2004). Cash flow before financing activities decreased by 94.6 per cent to SEK 728 million (13,472 in 2004) due to increased maintenance investments and sharply increased growth investments, primarily the acquisition of shares in the Danish company Elsam A/S.

Financing activities

Total interest-bearing liabilities, including Capital Securities, increased by 7.7 per cent to SEK 78,663 million (73,013 in 2004). Excluding Capital Securities of SEK 9,268 interest-bearing liabilities decreased by 5.0 per cent. The rating agencies treat the larger part of these Capital Securities as equity (Moody's 75 per cent and Standard & Poor's 60 per cent). Net debt increased by 16.1 per cent to SEK 64,343 million (55,411 in 2004). As of 31 December, 2005 the average duration was 3.4 years (2.0 in 2004) and the average remaining maturity for net debt was 6.6 years (6.7 in 2004). Excluding Capital Securities, the average duration was 2.5 years and the average maturity was 6.0 years. All public funding is conducted through Vattenfall Treasury and guaranteed by the Parent.

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 statements of interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European commission for application within the EU. Also included are the International Accounting Standards (IAS) issued by IASB's predecessor the International Accounting Standards Committee (IASC) and the interpretive statements of interpretation issued by IFRIC's predecessor the Standing Interpretations Committee (SIC).

The 2005 financial report is the Group's first complete financial report to have been prepared in accordance with IFRS. In conjunction with the transition from previously applied accounting principles to reporting in accordance with IFRS, the Group has adopted IFRS 1 — First-time Adoption of IFRS, which is the standard that describes how the transition to IFRS should be reported. Comparative figures for the year 2004 have been restated in accordance with the new principles, with the exception of the figures for financial instruments. In accordance with the regulations for the transition to IFRS, the new principles are only applied to financial assets and liabilities (IAS 39 — Financial Instruments: Recognition and Measurement) in those parts of the accounts that concern 2005. Further, the Swedish Financial Accounting Standards Council's recommendation RR 30 — Supplementary Accounting Principles for Groups of Companies, has been applied. RR 30 specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act.

RISK MANAGEMENT

General

The Group's operations are exposed to a number of risks and have therefore established an organisation and a risk management process which comprise of the following components:

- Standardised risk definitions.
- Identifying origination of risks.
- Reliable methods for measuring risks.
- Efficient risk management for manageable risks.
- Reporting in accordance with established routines.
- Management in accordance with established strategies and fixed rules.

Organisation

The Board has overall responsibility for internal control and risk management within the Group. The Parent's Board has, in turn, given the Group's management a risk mandate. The management allocates this mandate to the Group's business units, in accordance with a delegation structure. Each unit manages its own risks and has some room to manoeuvre within its respective mandate. The results within units are continually followed up and reported to executive management by an independent risk control function, the Group Risk Control, which is also responsible for supervision of the Group's overall risk mandate. It is also the Group Risk Control's responsibility to map out risks in the organisation and to develop appropriate models and measurement methods for managing these risks.

The Chief Financial Officer (CFO) has the overall responsibility for financial activities and risk management in the Group and ensures that the company's policies and instructions are followed. A Group Risk Committee has been established in order to support the CFO in these issues with the primary task of ensuring qualitative risk management in the Group by, for example, approving methods for risk handling, ensuring standardised routines for risk management and risk reporting and to propose mandates and limits. Since 2003, the Group conducts an annual environmental risk evaluation coordinated by the Group's environmental manager. The result is presented to Executive Group Management and the Group's Risk

Management Committee. A long-term goal is to combine environmental risk management with existing risk management.

BOARD OF DIRECTORS OF THE PARENT

Name	*Details of Directors*	*Appointments outside the Board of the Parent*
Board of Directors		
Dag Klackenberg	Chairman of the Board	Chairman of the board of Handelsbanken Regionbank Mellansverige, Board member of LjungbergGruppen AB.
Greta Fossum	Board Member	President of the Forest Industries' Research Foundation, Honorary PhD (Engineering) at Umeå University.
Peter Lindell	Board Member	Under-secretary, Swedish Ministry of Industry, Employment and Communications, Member of the boards of SOS Alarm Sverige AB and AB Svensk Bilprovning.
Christer Bådholm	Board Member	Member of the boards of Green Cargo AB, Metronet Rail Ltd. UK., Icomera AB. Chairman of the board of Bombardier Transportation Sweden AB.
Lone Fønss Schrøder	Board Member	Member of the boards of DSB, Yara ASA, chair of the board of Bioneer A/S, deputy chair of the board of Aker ASA.
Anders Sundström	Board Member	Chairman of Luleå University of Technology, member of the boards of Boliden AB and Falck A/S.
Maarit Aarni	Board Member	Member of the boards of Borealis Polymers Oy Finland and Rautaruukki Oy in Finland.
Hans-Olov Olsson	Board Member	Chairman of the board of Volvo Personvagnar AB.
Johnny Bernhardsson	Board Member Employee representative	
Ronny Ekwall	Board Member Employee representative	
Carl Gustaf Angelin	Board Member Employee representative	
Deputy Members		
Lars Carlsson	Board Member Employee representative	
Per-Ove Lööv	Board Member Employee representative	
Stig Lindberg	Board Member Employee representative	

As from the Parent's Annual General Meeting on 27 April 2006 Lars G. Josefsson, President and Chief Executive Office of the Group resigned from the Board of Directors in accordance with the government's ownership policy.

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

The business address of the above Board members is Jämtlandsgatan 99, SE-162 87 Stockholm, Sweden.

SUMMARY FINANCIAL INFORMATION OF THE PARENT

The following summary financial information of the Parent as at and for the years ended 31st December 2004 and 2005 and for the three months ended 31st March, 2006 is extracted without adjustment and based on the audited accounts for the 31st December, 2004 and 31st December, 2005 and the unaudited interim accounts for the three months ended 31st March 2006.

	For the three months ended	*For the year ended 31st December*	
	31st March 2006	*2005*	*2004*
	Sw GAAP	*Sw GAAP*	*Sw GAAP*
		(SEK millions)	
Total assets……	127,394	125,289	99,212
Total equity…….....	23,946	23,952	24,949
Untaxed reserves...……...	15,173	14,978	14,269
Provisions ……..	118	120	86
Non-current liabilities ……	61,588	61,526	43,216
Current liabilities…….....	23,352	24,713	16,692
Operating turnover……	10,002	26,843	26,046
Operating profit …….	3,671	8,143	7,838
Profit before appropriations and tax [1)]	3,392	6,104	11,502
Profit before tax[1)] ……..	3,199	5,395	9,375
Net profit for the period / year [1)]	3,218	3,540	7,035

(1) Amounts per 31st March 2006 and 31st December 2005 after adjustment for IAS 39.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The financial information set out on pages 91-93 has been extracted without adjustment from the audited financial statements of the Group in respect of the years ended 31st December, 2004 and 31st December, 2005 and from the unaudited financial accounts on the Group in respect of the three months ended 31st March 2006.

Consolidated Profit and Loss Account

	For the three months ended	*For the year ended 31st December*	
	31st March 2006 IFRS	*2005 IFRS*	*2004 IFRS*
		(SEK million)	
Net sales	40,432	129,158	113,366
Cost of products sold [1]	(25,759)	(93,636)	(83,848)
Gross profit	14,673	35,522	29,518
Selling expenses	(1,201)	(5,844)	(4,905)
Administrative expenses	(1,720)	(6,639)	(7,138)
Research and development costs	(119)	(651)	(529)
Other operating income	613	5,397	2,088
Other operating expenses	(214)	(748)	(962)
Participations in the result of associated companies	657	693	(960)
Operating profit [2)3)]	12,689	27,730	17,112
Financial income [4)5)]	797	3,810	2,969
Financial expenses [6)]	(1,276)	(5,221)	(5,467)
Profit before tax and minority interests [7)]	12,210	26,319	14,614
Taxes	(4,231)	(5,801)	(5,010)
Minority interests in the profit for the year	(477)	(1,283)	(660)
Net profit for the year [8)]	7,502	19,235	8,944

Notes:

(1) Of which, depreciation, amortisation and impairment losses, SEK -3,122 as per 31 March 2006, SEK -14,290 and SEK -14,745, full year 2005 and 2004 respectively.

(2) Of which, depreciation, amortisation and impairment losses, SEK -304 as per 31 March 2006, SEK -14,812 and SEK -15,274, full year 2005 and 2004 respectively.

(3) Including items affecting comparability, SEK 254 as per 31 March 2006, SEK 2,986 and SEK -2,215, full year 2005 and 2004 respectively.

(4) Including discounting effects attributable to provisions, SEK 0 and SEK 491, full year 2005 and 2004 respectively.

(5) Including returns from the Swedish Nuclear Waste Fund, SEK 300 as per 31 March 2006, SEK 2,089 and SEK 1.253, full year 2005 and 2004 respectively.

(6) Including discounting effects attributable to provisions, excl pensions provision, SEK -523 as per 31 March 2006, SEK -2,060 and SEK -1,994, full year 2005 and 2004 respectively.

(7) Including items affecting comparability, SEK 253 as per 31 March 2006, SEK 2,994 and SEK -2,217, full year 2005 and 2004 respectively.

(8) Including items affecting comparability adjusted for tax, SEK 185 as per 31 March 2006, SEK 3,154 and SEK -1,305, full year 2005 and 2004 respectively.

Consolidated Balance Sheet of the Group

	For the three months ended	*For the year ended 31st December*	
	31st March 2006 IFRS	*2005 IFRS*	*2004 IFRS*
		(SEK million)	
ASSETS			
Non-current assets			
Intangible assets	5,188	5,267	5,185
Property, plant and equipment	187,642	189,016	181,738
Investment property	1,244	1,256	1,280
Participations in associated companies	24,002	23,421	12,286
Other long-term securities holding	743	747	2,448
Share in the Swedish Nuclear Waste Fund	21,672	21,403	19,447
Long-term receivables	4,404	4,285	7,756
Deferred tax assets	16,830	14,569	8,772
Total non-current assets	261,725	259,964	238,912
Current assets			
Inventories	31,448	12,667	7,577
Trade and other receivables	40,845	37,947	20,785
Short-term investments	7,692	8,025	7,700
Prepaid expenses and accrued income	8,833	4,459	3,051
Current tax assets	1,129	1,310	1,264
Cash and bank balances	10,234	6,049	5,916
Total current assets	100,181	70,457	46,293
TOTAL ASSETS	361,906	330,421	285,205
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent			
Share capital	6,585	6,585	6,585
Translations reserve	2,646	2,949	821
Hedging reserve	(15,430)	(10,388)	-
Retained earnings incl profit for the year	86,478	78,976	65,588
Total equity attributable to shareholders of the Parent	80,279	78,122	72,994
Equity attributable to minority interests	10,664	10,344	10,114
Total equity	90,943	88,466	83,108
Non-current liabilities			
Capital Securities	9,241	9,268	-
Other interest-bearing liabilities	58,116	59,865	64,119
Interest Bearing provision	43,176	42,976	40,621
Pension provision	17,486	17,432	16,450
Deferred tax liabilities	41,797	42,370	41,646
Other non-interest-bearing liabilities	2,414	2,425	2,135
Total non-current liabilities	172,230	174,336	164,971

Current liabilities			
Trade and other liabilities	42,003	33,906	11,409
Accrued expenses and deferred income	39,866	17,393	9,954
Current tax liabilities	5,281	2,075	1,999
Interest-bearing liabilities	7,280	9,530	8,894
Interest-bearing provisions	4,303	4,715	4,870
Total current liabilities	98,733	67,619	37,126
TOTAL EQUITY AND LIABILITIES	361,906	330,421	285,205
Pledged assets [1)]	1,983	2,254	247
Contingent liabilities [2)]	22,761	16,371	10,441
Commitments under consortium agreements [3)]			

Notes:

(1) The Parent has pledged assets of SEK 1,857 million as of 31 March 2006, SEK 2,246 and SEK 20 million as of 31st December 2004, 2005 respectively.

(2) Within its German operations, the Group conducted a number of leasing transactions involving power plants in 1999 and 2000. The basis for the transactions is the right of use of power plants leased to US counterparts as part of so-called head leases, lasting a maximum of 99 years, and thereafter leased back for 24 years as part of so-called subordinated leases. After the subordinated leases expire, Vattenfall has the right to regain the right of use through a call option. Rent from the US counterparts has been received in advance and has been deposited in financial institutions with high credit ratings for the payment of sums due in accordance with the subordinated leases, including payment of the options. The net difference between rental payments received and deposits made has been reported as a net figure at the time the lease contracts were entered. Should the leasing parties or the underlying customers fail to meet their obligations during the leasing period, this will incur termination costs for the Group. On the balance sheet date, these obligations amounted to a maximum of SEK 1,418 31st March 2006, SEK 1,392 million 31st December 2005, SEK 1,226 million 31st December 2004, which is included in the reported contingent liabilities.

(3) Power plants are often built on a joint venture basis. The consortium agreements entitle each owner to a proportion of the plant's subsequent output and make each owner liable, irrespective of output, for an equivalent proportion of the joint venture company’s costs. The Group’s investments in heating and other companies often entail a liability for costs in proportion to its ownership interests.

(4) The Parent bears the full responsibility for Swe-Pol Link until July 2020.

SWEDISH TAXATION

The following summary outlines Swedish tax consequences to the holders of Notes who are not residents of the Kingdom of Sweden for income tax purposes. Prospective purchasers are urged to consult their professional advisers as to the tax consequences of holding or transferring Notes.

Under Swedish law as presently in effect, payments of any principal or interest to the holder of any Notes will not be subject to Swedish income tax, provided that such holder is neither resident in Sweden nor engaged in trade or business in Sweden through a permanent establishment. A person is resident in Sweden if he (i) is domiciled in Sweden or (ii) has his habitual abode in Sweden or (iii) 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, as presently in effect, 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.

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. 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 who are individuals may wish to note that HM Revenue & Customs 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 interest to or receives interest for the benefit of an individual, or who either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HM Revenue & Customs 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. However, for a transitional period, Belgium, 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 including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

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 16 June, 2006 agreed with Vattenfall Treasury and the Parent 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, Vattenfall Treasury and the Parent have 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 relevant 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.

European Economic Area

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 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) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) 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;

(c) 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

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 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 Securities and Exchange Law of Japan (the "Securities and Exchange Law") 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 (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and any applicable laws and regulations of Japan.

France

"Each of the Dealers, Vattenfall Treasury and the Parent has represented and agreed that:

(i) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (a) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("AMF"), on the date of such publication or, (b) when a prospectus has been approved in another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of such publication; or

(ii) it has only made and will only make an offer of Notes to the public in France (*appel public à l'épargne*) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French *Code monétaire et financier*; and

(iii) otherwise, 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 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*), 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 none of Vattenfall Treasury, the Parent and any other Dealer shall have any responsibility therefor.

None of Vattenfall Treasury, the Parent and 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 relevant Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes by Vattenfall Treasury under the Programme have been duly authorised by a resolution of the Board of Directors of Vattenfall Treasury passed on 16th March, 1994. The issue of Notes by the Parent under the Programme and the giving of the guarantee in respect of Notes to be issued under the Programme by Vattenfall Treasury has been duly authorised by a resolution of the Board of Directors of the Parent passed on 3rd June, 1994. The update of the Programme was duly authorised in accordance with the delegation instructions given by the Board of Directors of the Parent on 8th December 2005 and of Vattenfall Treasury on 10th November 2005.

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 Gilt Edged and Fixed Interest 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 Gilt Edged and Fixed Interest Market. The listing of the Programme in respect of such Notes is expected to be granted on or around 21 June, 2006.

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 Vattenfall Treasury and the Parent;

(ii) the audited financial statements of Vattenfall Treasury in respect of the financial years ended 31st December, 2004 and 31st December, 2005 and the audited consolidated financial statements of the Parent in respect of the financial years ended 31st December, 2004 and 31st December, 2005 (in each case in English and together with the audit reports prepared in connection therewith);

(iii) the most recently available audited annual financial statements of Vattenfall Treasury and the Parent and the most recently available published interim financial statements (if any) of Vattenfall Treasury and the Parent (in each case 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 Gilt Edged and Fixed Interest 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 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 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.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the 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 Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole, in each case since 31st March, 2006 and no material adverse change in the financial position or prospects of Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole, in each case, since 31st December, 2005.

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings involving Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole (including any such proceedings which are pending or threatened of which Vattenfall Treasury, the Parent or any of the Parent'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 Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole.

Auditors

The auditors of Vattenfall Treasury, Ernst & Young AB (individual auditors in charge being Certified Public Accountants Lars Träff and Ebba Hammarström), have audited Vattenfall Treasury's accounts, without qualification, in accordance with generally accepted auditing standards in Sweden for the financial periods ended 31st December 2004 and 2005. As from the financial year 2006 Ebba Hammarström has been replaced by Fredrik Forss of Ernst & Young AB. The auditors of the Issuer have no material interest in the Issuer. The auditors of the

Parent, Ernst & Young AB (individual auditor in charge being Certified Public Accountant Lars Träff) and Per Redemo, who is a Certified Public Accountant of The Swedish National Audit Office have audited the Parent's and the Group's accounts without qualification in accordance with generally accepted auditing standards in Sweden for the financial periods ended 31st December, 2004 and 2005. The auditors of the Parent and the Group have no material interest in the Parent 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

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with Vattenfall Treasury and the Parent

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 either or both of Vattenfall Treasury and the Parent and their affiliates in the ordinary course of business.

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