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 8 and 10, respectively.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 7 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, as amended, (the ''UK Listing Authority'') for Notes issued under the Programme during the period of 12 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 (''London Stock Exchange'') for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. 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 20) of Notes will be set forth in a pricing supplement (the ''Pricing Supplement'') which, with respect to Notes to be admitted to the Official List and admitted to trading on the London Stock Exchange's market for listed securities will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

Copies of this Prospectus, which comprises the listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000, as amended (the ''Listing Particulars'') in relation to Notes admitted to the Official List and admitted to trading on the London Stock Exchange's market for listed securities and issued under the Programme during the period of twelve months from the date of this Prospectus, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. Copies of each Pricing Supplement (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). Any reference in this Prospectus to Listing Particulars means this Prospectus excluding all information incorporated by reference. Vattenfall Treasury and the Parent confirm that any information incorporated by reference, including any such information to which readers of this Prospectus are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000, as amended, or the listing rules of the UK Listing Authority. Vattenfall Treasury and the Parent believe that none of the information incorporated in this Prospectus by reference conflicts in any material respect with the information included in the Listing Particulars.

The Programme provides that Notes may be listed on such other or further stock exchange(s) 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 a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (''Euroclear''), and Clearstream Banking, société anonyme (''Clearstream, Luxembourg'') and/or any other agreed clearing system which will be exchangeable, as specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 12), 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 (in the case of Notes admitted to the Official List only) supplementary listing particulars or further listing particulars, 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
BNP PARIBAS
Deutsche Bank
Handelsbanken Capital Markets
Merrill Lynch International
SEB Merchant Banking
Barclays Capital
Citigroup
Dresdner Kleinwort Wasserstein
JPMorgan
Morgan Stanley
SG Corporate & Investment Banking

The date of this Prospectus is 17th June, 2004.

Each of Vattenfall Treasury and the Parent accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief 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.

Each of Vattenfall Treasury and the Parent, having made all reasonable enquiries, confirms that this Prospectus contains all information with respect to itself and the Notes to be issued under the Programme which is material in the context of the Programme, that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see ''Documents Deemed to be Incorporated by Reference'' below). This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are incorporated and form part of this Prospectus but not part of the Listing Particulars.

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 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 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 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 recent financial statements, if any, of Vattenfall Treasury and/or the Parent 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 document may be lawfully distributed, or that the 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. In particular, no action has been taken by Vattenfall Treasury, the Parent, the Dealers or the Trustee (save for the approval of this document as listing particulars by the UK Listing Authority and delivery of copies of this document to the Registrar of Companies in England and Wales) which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. 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 United Kingdom, Japan, France, Sweden, Germany and Austria (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 and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

DOCUMENTS DEEMED TO BE INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus (provided, however, that such incorporated documents do not form part of the Listing Particulars):

(a) the publicly available audited annual financial statements and the interim financial statements (if any) of each of Vattenfall Treasury and the Parent for the most recent financial period; and

(b) all supplements to this Prospectus circulated by Vattenfall Treasury and/or the Parent from time to time in accordance with the provisions of the Programme Agreement (as defined in ''Subscription and Sale'' below),

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (but not the Listing Particulars) to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Vattenfall Treasury and the Parent will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written or telephone requests for such documents should be directed to Vattenfall Treasury or, as the case may be, the Parent at its registered office set out at the end of this Prospectus and marked for the attention of The President in the case of Vattenfall Treasury or General Counsel in the case of the Parent. In addition, such documents will be available from the principal office in England of Deutsche Bank AG London for Notes admitted to the Official List.

Each of Vattenfall Treasury and the Parent has undertaken to the Dealers in the Programme Agreement (as defined in ''Subscription and Sale'' below) to comply with sections 81 and 83 of the Financial Services and Markets Act 2000, as amended. In the event that supplementary listing particulars are produced pursuant to such undertaking, a copy of such supplementary listing particulars will accompany this Prospectus.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as supplemented, inaccurate or misleading, a new Prospectus will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuers may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement (or the relevant provisions thereof) attached to, or endorsed on, such Notes, as more fully described under ''Form of the Notes'' below.

This Prospectus and any supplement will only be valid for listing Notes on the Official List during the period of 12 months from the date of this Prospectus in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$6,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, and as described under ''Form of the Notes'') shall be determined, at the discretion of the relevant Issuer, either as of the date of agreement to issue such Notes (the ''Agreement Date'') or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading bank selected by the relevant Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Interest Notes, Index Linked Redemption Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, and as described under ''Form of the Notes'') shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, and as described under ''Form of the Notes'') and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary 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 Pricing Supplement. Words and expressions defined in ''Form of the Notes'' and ''Terms and Conditions of the Notes'' below shall have the same meanings in this summary.

Issuers:	Vattenfall AB and Vattenfall Treasury AB.
Guarantor:	Vattenfall AB.
Description:	Euro Medium Term Note Programme.
Arranger:	Deutsche Bank AG London.
Dealers:	ABN AMRO Bank N.V. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG London 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 61) 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 Pricing Supplement).
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 Pricing Supplement 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 Pricing Supplement.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement, 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 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 Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) 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 Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement.
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 Pricing Supplement.

	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 Pricing Supplement). Due to restrictions under present Swedish law, each Issuer will, unless the Swedish law is changed, only issue Index Linked Redemption Notes if the redemption amount is to be calculated in accordance with an index or formula which reflects monetary fluctuations.
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 Pricing Supplement. 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 Pricing Supplement and will be calculated on the basis of such Day Count Fraction as is indicated in the applicable Pricing Supplement.
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 Pricing Supplement).
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 Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as indicated in the applicable Pricing Supplement. 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 Pricing Supplement save that the minimum denomination of each Note will be such 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''.
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 admit the Notes to the Official List and to admit them to trading on the London Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and

	the relevant Dealer(s) in relation to each issue. Unlisted Notes may also be issued. The Pricing Supplement relating to each issue will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.
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.

FORM OF THE NOTES

1. General

Each Tranche of Notes will be initially represented by a temporary global Note, without receipts, interest coupons or talons, which will be delivered to a 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 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 Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the Pricing Supplement) 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 without any requirement for certification. The applicable Pricing Supplement 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.

2. Form of Pricing Supplement

The Pricing Supplement applicable to each Tranche of Notes will be in the following form and will contain such information as is applicable in respect of such Notes (all references to numbered Conditions being to the relevant Conditions in the Terms and Conditions of the relevant Notes (the ''Conditions'')):

[Date]

[VATTENFALL TREASURY AB/VATTENFALL AB]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
issued pursuant to the U.S.$6,000,000,000
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 17th June, 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Prospectus.

[*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 Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Prospectus dated [*current date*], save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto.]

[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 sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[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.	[(i)]	Issuer:	[Vattenfall Treasury AB/Vattenfall AB]
	[(ii)	Guarantor:	Vattenfall AB]
2.	(i)	Series Number:	[ ]
	(ii)	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:	
	[(i)]	Series:	[ ]
	[(ii)	Tranche:	[ ]]

5.	[(i)]	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)*]
	[(ii)	Net proceeds:	[ ] (*Required only for listed issues*)]
6.		Specified Denomination(s):	[ ]
7.	[(i)]	Issue Date:	[ ]
	[(ii)	Interest Commencement Date (if different from the Issue 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] [Partly Paid] [Instalment] [*specify other*]
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.	[(i)]	Status of the Notes:	[Ordinary/Subordinated]
	[(ii)	Status of the Guarantee:	[Unsubordinated/Subordinated]]
	[(iii)	Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]] *(NB: Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14.		Listing:	[London/*specify other*/None]
15.		Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

16.		Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/ semi-annually/quarterly] in arrear] *(If payable other than annually, consider amending Condition 5)*
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date]/[*specify other*] *(NB: This will need to be amended in the case of long or short coupons)*

(iii)	Fixed Coupon Amount(s):	[ ] per [ ] in Nominal Amount
(iv)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
(v)	Day Count Fraction	[Actual/Actual (ISMA) or 30/360 or *specify other*]
(vi)	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] (NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration) (NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))*
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[*Not Applicable/Give details*]
17.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ [*specify other*]]
(iii)	Additional Business Centre(s):	[ ]
(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[ ]
(vi)	Screen Rate Determination:	
— Reference Rate:		[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other — including any amendment to the fall back 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 euro LIBOR or Sterling 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)*

(vii)	ISDA Determination:	
— Floating Rate Option:		[ ]
— Designated Maturity:		[ ]
— Reset Date:		[ ]
(viii)	Margin(s):	[+/-] [ ] per cent. per annum
(ix)	Minimum Rate of Interest:	[ ] per cent. per annum
(x)	Maximum Rate of Interest:	[ ] per cent. per annum
(xi)	Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/360 30/360 30E/360 Other] (*See Condition 5 for alternatives)*
(xii)	Fall back 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:	[ ]
18.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Accrual Yield:	[ ] per cent. per annum
(ii)	Reference Price:	[ ]
(iii)	Any other formula/basis of determining amount payable:	[ ] (*Consider applicable day count fractions if not U.S. dollar denominated*)
(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 7*(e)*(iii) and 7*(j)* apply/*specify other*]
19.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Index/Formula:	[*give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[ ]
(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
(iv)	Interest Period(s):	[ ]
(v)	Specified Interest Payment Dates:	[ ]
(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
(vii)	Additional Business Centre(s):	[ ]

(viii) Minimum Rate of Interest: [ ] per cent. per annum

(ix) Maximum Rate of Interest: [ ] per cent. per annum

(x) Day Count Fraction: [ ]

20. Dual Currency Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]

(ii) Calculation Agent, if any, responsible for calculating the interest payable: [ ]

(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]

(iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

Provisions Relating to Redemption

21. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount of each Note and method, if any, of calculating such amount(s): [ ] per Note of [ ] Specified Denomination

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

(iv) 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 for Trustee)

22. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination

(iii) 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 for Trustee)
23.	Final Redemption Amount of each Note:	[[ ] per Note of [ ] Specified Denomination/*specify other*/see Appendix]
24.	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

25.	Form of Notes:	[Temporary global Note exchangeable for a permanent global Note which is exchangeable for definitive Notes [upon 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]
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] *(Note that this item relates to the place of payment, and not interest period end dates, to which items 17(iii) and 19(vi) relate)*
27.	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*]
28.	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 (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details] (NB: a new form of temporary global Note and/or permanent global Note may be required for Partly Paid issues)
29.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/give details]
	(ii) Instalment Date(s):	[Not Applicable/give details]
30.	Redenomination:	Redenomination [not] applicable *(if redenomination is applicable, specify the terms of the redenomination in an Annex to the Pricing Supplement)*
31.	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

32.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
33.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
34.	Whether TEFRA D rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA not applicable]
35.	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

36.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
37.	Delivery:	Delivery [against/free of] payment
38.	Additional Paying Agent(s) (if any):	[ ]

ISIN	[ ]
Common Code:	[ ]

[Listing Application

This Pricing Supplement comprises the final terms required to list 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 (as from [insert issue date for the Notes]) for which purpose it is hereby submitted.][1]

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:
[Vattenfall Treasury AB (publ)/Vattenfall AB (publ)]

By.....
Duly authorised

Citibank, N.A.
(as Agent)

If the applicable Pricing Supplement in relation to a specific Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modifications relate only to Conditions 1, 5, 6, 7 (except Condition 7*(b)*), 11, 12, 13, 14 (insofar as Notes are not listed or admitted to trading on any stock exchange) and 17, they will not necessitate the preparation and issue of supplementary listing particulars. If the Terms and Conditions of the Notes are to be modified in any other respect, supplementary listing particulars or further listing particulars describing the modification will be prepared, if appropriate.

1. Delete if Notes are unlisted.

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 Pricing Supplement 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 Pricing Supplement (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 Pricing Supplements 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 23rd June, 1999 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 Pricing Supplement), 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 Pricing Supplement) have interest coupons (''Coupons'') and, if indicated in the applicable Pricing Supplement, 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.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached hereto or endorsed hereon and supplements 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 ''Pricing Supplement'' are to the Pricing Supplement (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 ''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) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement (which contains the form of the Pricing Supplement) and each Pricing Supplement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 3rd July, 2003 at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified offices of each of the Agent and the other Paying Agents save that a Pricing Supplement relating to unlisted Notes will only be available for inspection

by a Noteholder holding one or more unlisted Notes and such Noteholder must produce evidence satisfactory to the Trustee or the relevant Paying Agent, as the case may be, as to identity. 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 Pricing Supplement which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement 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 Pricing Supplement, the applicable Pricing Supplement 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 Pricing Supplement.

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 Pricing Supplement.

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 Pricing Supplement.

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 Pricing Supplement, 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 Pricing Supplement, 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 (ISMA)'' is specified in the applicable Pricing Supplement:

(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 Pricing Supplement) 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 Pricing Supplement) 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 Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 any other place as is specified in the applicable Pricing Supplement (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 Pricing Supplement.

(iii) ISDA Determination: Where ISDA Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement 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 Pricing Supplement;

(B) the Designated Maturity is the period specified in the applicable Pricing Supplement; 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 Pricing Supplement.

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)*.

(iv) Screen Rate Determination for Floating Rate Notes: Where Screen Rate Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(v) Minimum and/or Maximum Rate of Interest: If the applicable Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement, 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 Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if ''Actual/360'' is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(iv) if ''30/360'' or ''Bond Basis'' is specified in the applicable Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement), 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 Pricing Supplement.

(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 Pricing Supplement.

(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. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

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) any Additional Financial Centre specified in the applicable Pricing Supplement; 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 Pricing Supplement 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 the aforementioned 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 Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement. 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, 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 Pricing Supplement, 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 Pricing Supplement (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 Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement.

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 Pricing Supplement.

(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 Pricing Supplement.

(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 any European Union Directive on the taxation of savings implementing the conclusions of the European Union's Economic and Finance Ministers' Council meeting (''ECOFIN Council meeting'') of 26th-27th November, 2000 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) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, each of the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) will ensure that it maintains a Paying Agent in a Member State of the European Union (other than Sweden) that will not be obliged to withhold or deduct tax pursuant to any such Directive or law.

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 listing. 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 The Law Debenture Corporation p.l.c. at its registered office for the time being (being at 3rd July, 2003 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 The Law Debenture Corporation p.l.c. 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.

DESCRIPTION OF VATTENFALL TREASURY

Incorporation and business

Vattenfall Treasury 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 AB (the ''Parent''). It does not have any subsidiaries itself. Vattenfall Treasury commenced operations on 1st January, 1992. With effect from 1st January, 1995 it became a public limited company.

Vattenfall Treasury is responsible for co-ordinating borrowing, managing liquidity and managing associated risk exposure for the Group. Vattenfall Treasury is also responsible for co-ordinating the Group's internal banking 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 Norway. The companies in Germany and Poland are currently being integrated. 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.

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

For the Group's activities in the market, Vattenfall Treasury has established a Swedish Commercial Paper Programme for a maximum amount of SEK 15,000 million, a Euro-Commercial Paper Programme of U.S.$1,000 million and a U.S. Commercial Paper Programme of U.S.$2,000 million, through a United States subsidiary of the Parent, Vattenfall Treasury Inc., incorporated in Delaware. However, Vattenfall Treasury manages all activities under that programme. 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 600 million (including a swing line facility). This facility matures in October 2008.

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	Head of Finance and Controlling, Vattenfall Europe AG
Erik Hagland	Vice President, Vattenfall AB, Vattenfall Trading Services

Deputy Members

Ann Ahlberg	Deputy Member and President of Vattenfall Treasury AB Up to 15th March, 2004
Anders Lidefelt	Deputy Member and President of Vattenfall Treasury AB As from 15th March, 2004

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

CAPITALISATION AND INDEBTEDNESS OF VATTENFALL TREASURY

The following table sets out the unaudited interest-bearing debt and equity of Vattenfall Treasury as at 31st March, 2004.

	(SEK thousands)
Equity	
Issued share capital (Authorised share capital: 500 ordinary shares at SEK 1,000)[1]	500
Total issued share capital	500
Long-term interest-bearing debt	
Medium-term notes	36,230,368
Amounts owed to financial institutions	1,784,967
Amounts owed to group companies	19,150,709
Other long-term interest-bearing debt	481,113
Total long-term interest-bearing debt	57,647,157
Short-term interest-bearing debt	
Medium-term notes	4,361,509
Commercial paper	1,693,006
Amounts owed to financial institutions	1,805,860
Amounts owed to group companies	153,981
Total short-term interest-bearing debt	8,014,356
Total Capitalisation and Indebtedness[2]	65,662,013

Notes:

(1) Vattenfall Treasury AB has an authorised share capital of SEK 500,000 which is fully subscribed and paid up.

(2) All indebtedness of Vattenfall Treasury AB is guaranteed by the Parent and unsecured.

(3) Arbitrage deals amounted to SEK 979 million at 31st March, 2004. All the arbitrage deals are accounted gross. New long-term funding totalling SEK 493 million has been received in April 2004 by Vattenfall Treasury AB.

(4) Vattenfall Treasury had no material contingent liabilities and had given no material guarantees as at 31st March, 2004.

(5) Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of Vattenfall Treasury since 31st March, 2004.

Summary Financial Information of Vattenfall Treasury

The following summary financial information of Vattenfall Treasury for the years ended 31st December, 2003 and 2002 and for the three months ended 31st March, 2004 is extracted without material adjustment and based on the audited accounts for the years ended 31st December, 2002 and 31st December, 2003 and the unaudited accounts for the three months ended 31st March, 2004.

	31st March, 2004	*31st December, 2003*	*31st December, 2002*
		(SEK thousands)	
Total assets	67,393,719	67,275,251	70,418,290
Current liabilities	8,014,356	55,569,995	25,457,494
Long-term liabilities	57,647,157	10,016,601	43,169,852
Non-interest bearing liabilities	987,257	974,216	1,076,546
Untaxed reserves	152,574	152,574	153,014
Shareholderś equity	592,375	561,865	561,384
Operating profit	42,375	188,599	181,432
Appropriations	0	440	34,703
Taxes	(11,865)	(52,796)	(60,552)
Net profit for the period/year	30,510	136,243	155,583

INCOME STATEMENT OF VATTENFALL TREASURY

The information set out on pages 42 and 43 has been extracted without material adjustment from the audited financial statements of Vattenfall Treasury in respect of the financial years ended 31st December, 2002 and 31st December, 2003 and from the unaudited financial accounts of Vattenfall Treasury in respect of the three months ended 31st March, 2004.

	1st January, 2004 to 31st March, 2004	*1st January, 2003 to 31st December, 2003*	*1st January, 2002 to 31st December, 2002*
		(SEK thousands)	
Interest income	721,198	3,173,990	3,545,223
Interest expense	(669,906)	(2,962,256)	(3,344,032)
Net currency income/expense	(244)	11,971	12,231
Gross profit/loss	51,048	223,705	213,422
Personnel costs	(5,419)	(24,325)	(20,755)
Other external costs	(3,177)	(10,014)	(9,991)
Depreciation	(77)	(767)	(1,244)
Operating profit/loss	42,375	188,599	181,432
Appropriations	0	440	34,703
Profit/loss before tax	42,375	189,039	216,135
Tax	(11,865)	(52,796)	(60,552)
Net profit/loss for the year	30,510	136,243	155,583

BALANCE SHEET FOR VATTENFALL TREASURY

	31st March, 2004	*31st December, 2003*	*31st December, 2002*
		(SEK thousands)	
ASSETS			
Fixed assets			
Tangible assets			
Equipment	616	693	1,336
Financial assets			
Receivables from group companies	62,008,173	60,057,840	65,932,934
Receivables from associated companies	37,450	37,450	36,800
	62,045,623	60,095,290	65,969,734
Total fixed assets	62,046,239	60,095,983	65,971,070
Current assets			
Receivables			
Accounts receivable	0	94	262
Receivables from group companies	1,062	649	847
Income tax receivable	19,467	28,576	27,855
Other receivables	41	740	55
Prepaid expenses and accrued income	141,284	102,231	98,178
	161,854	132,290	127,197
Investments	4,751,675	6,745,123	3,293,621
Cash and bank balances	433,951	301,855	1,026,402
Total current assets	5,347,480	7,179,268	4,447,220
Total Assets	67,393,719	67,275,251	70,418,290
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	561,265	425,022	405,201
Net profit/loss for the year	30,510	136,243	155,583
	591,775	561,265	560,784
Total equity	592,375	561,865	561,384
Untaxed reserves	152,574	152,574	153,014
Liabilities			
Interest-bearing liabilities			
Commercial paper	1,693,006	1,565,327	4,084,163
Medium-term notes	40,591,877	44,119,038	43,385,401
Loans from credit institutions	3,590,827	3,586,831	3,587,603
Liabilities to group companies	19,304,690	15,834,126	17,088,261
Other interest-bearing liabilities	481,113	481,274	481,918
Total interest-bearing liabilities	65,661,513	65,586,596	68,627,346
Non-interest-bearing liabilities			
Accounts payable	882	921	952
Liabilities to group companies	205,800	205,800	233,527
Accrued expenses and deferred income	758,428	746,331	827,177
Other current liabilities	22,147	21,164	14,890
Total non-interest-bearing liabilities	987,257	974,216	1,076,546
Total liabilities	66,648,770	66,560,812	69,703,892
Total Equity and Liabilities	67,393,719	67,275,251	70,418,290
Pledged assets (security balance for Swedish Options Market)	0	0	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 with the name Vattenfall AB in November 1990. 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 State. The Parent's activities are conducted on a commercial basis with the State's involvement limited to the role of a shareholder. The debt obligations of the Group, with the exception of loans made to Forsmarks Kraftgrupp AB (a subsidiary that operates a nuclear plant) which at 31st December, 2003 totalled SEK 22.4 million, are not guaranteed by the State.

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 segment consists of the Nordic Countries, Germany and Poland. Vattenfall is a vertically integrated company, organised in accordance with the electricity value chain.

The Group consists of the Parent, and approximately 350 wholly or partly owned companies, of which 145 in Sweden, 41 in Finland, 18 in Poland and 146 in Germany.

The European energy market is undergoing a period of rapid and extensive change and by July 2007 all EU countries will form a single open and deregulated market. All customers should have the right to choose their supplier, non-household customers by 1st July, 2004 and households by 1st July, 2007. From 1st July, 2004, transmission and distribution operators in all Member States of EU shall, in general separate interests not relating to transmission/distribution from other activities of the company at least in terms of legal form, organisation and decision making. However, individual member states may decide to postpone the legal unbundling requirement until 2007.

In Germany, an independent network regulator is to be introduced as of July 2004. In Sweden, the proposal for a new model, the so-called network utility model, has long been under discussion. The formulation of these systems is still underway and exactly how the new network regulation systems will function is as yet unknown. The Group currently expects no material effects in the medium term.

During the first quarter of 2004, the impending system for trading in emission rights was subject to intensive political negotiations within the energy sector, particularly in Germany. According to the Kyoto Protocol, the EU member states are committed to reducing their emissions of greenhouse gases by 8 per cent. by 2012 compared to 1990. According to the time plan, the member states were to submit their national allocation plans to the EU Commission no later than 31st March, 2004 (1st May for the new member states). For the Group, with its main markets comprising the Nordic Countries, Germany and Poland, the German allocation plan is of the greatest importance. This plan specifies the framework for permitted emissions and, in the allocation of emission rights, the Group has been able to include its extensive investments in East Germany, which almost halved the Group's emissions. The Group considers the allocation of emission rights to be acceptable and, overall, the Group expects to see a positive financial effect resulting from the new trading system.

Green certificates were introduced in the Swedish market in May 2003. The purpose of these certificates is to stimulate generation of electricity from renewable energy sources. Previously, support for renewable generation has been provided via the Government budget, but hereinafter it will be looked after by the market and financed by the end-customers. The operator that generates electricity from renewable energy sources (primarily wind power, bio fuel and small-scale hydro power) sells the certificates, thus receiving revenue that supports production. The present quota duty is 7.4 per cent. This figure will be progressively increased until it reaches 16.9 per cent. in 2010. The goal is to increase total generation from renewable energy sources in Sweden to 10 TWh by 2010. Each electricity supplier is obligated to purchase a certain quantity of certificates connected to electricity consumption. Certificates are purchased for the customers' account by the electricity suppliers, which pass on the cost to their customers.

During recent years the Group has completed major acquisitions in Germany and Poland while consolidating its market positions in Sweden and Finland. The Group has concentrated on completing the integration process and on taking advantage of the synergies created. The Group is the fifth largest electricity generator in Europe (measured in generated TWh) and the largest group in district-heating. In Germany, the Group is the third largest electricity generator. The Group provides energy — primarily electricity and district heat — and energy-related products and services to approximately 5.7 million customers in the Nordic countries, Germany and Poland. In the Nordic countries the Group currently accounts for about 20 per cent. of generation capacity which also is nearly 20 per cent. of the total electricity consumptions and is the leading operator of regional and local electricity distribution networks. In 2003, the Group had an electricity and heat output of about 156 TWh and 36 TWh respectively.

The Group has customers 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 newly organised unit Vattenfall Trading Service is through the legal units of the Parent and the German subsidiary, Vattenfall Europe Trading GmbH, currently market maker on NordPool and EEX respectively.

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 Electricitäts-Werke AG (''HEW''), the power generator and grid company Vereinigte Energiewerke AG (''VEAG''), the lignite mining company Lausitzer Braunkohle AG (''LAUBAG'') and the Berliner electricity utility Bewag AG (''BEWAG''). The merger was formally finalised in August 2003. The Parent owns, directly and indirectly, some 94 per cent. of the shares in Vattenfall Europe AG. Vattenfall Europe AG is listed on the main stock exchanges in Germany. Since 2003, the German operations have been divided according to the value chain in the same way as in the Nordic countries, and are managed in accordance with the same principles as Vattenfall's Nordic activities. Electricity generation amounted to 75 TWh, which corresponds to about 16 per cent. of the total generation in Germany, and district-heating amounted to 16 TWh. 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. At the end of 2003, net assets amounted to SEK 62.2 billion and the number of employees were 21,719.

In Poland the Group produces electricity and heat through the company Elektrocieplownie Warszawskie (''EW''), in which it owns a 70 per cent. stake. The company has five combined heat and power plants in Warsaw, making Vattenfall the fifth largest producer in the market. EW is a market leader in district-heating in Poland with an annual output of about 13 TWh of heat, which means a market share of 24 per cent. In connection with heat production, about 3 TWh of electricity is also produced per year. Distribution and sales are conducted through the company Gornoslaski Zaklad Elektroenergetyczny (''GZE''), of which the Group, as from February 2004, owns a stake of 75 per cent. GZE has 1 million network customers in southern Poland, which makes the Group the second largest network operator after the State-owned Polish companies. GZE also sells electricity to 1.1 million residential customers, 2,000 commercial customers and 55 industrial customers. The Group's market share in the area of electricity sales is 11 per cent., which makes the Group number two in this area after the government owned companies. At the end of 2003 net assets Poland in amounted to SEK 6.2 billion and the number of employees was 4,935.

Pensions

At the end of 2003, the Group's Pensions Fund had 12 Swedish Group companies as co-owners, and they had dissolved their pension liabilities under the Swedish Pension Liabilities Act through payments into the Pension Fund. During the year, the return on the Pension Fund was 8.2 per cent. (2.9). Pension commitments relating to pensions in Swedish Group companies are based on standard Swedish actuarial methods and amounts to SEK 4,473 million. The provision reported in the balance sheet corresponds to these pension commitments, which are reported as net figures against the capital in the Group's Pension Fund. The majority of the pension commitments in the Group's German companies are so-called benefit-based commitments. Employees of the former Bewag AG have both benefit-based commitments and premium-based commitments. The benefit-based commitments are partly financed via Bewag's Superannuation Fund (''Pensionskasse der Bewag'') while the premium-based commitments are entirely financed via the above-mentioned Superannuation Fund. The pension provisions for the German companies were calculated on an actuarial basis in accordance with the projected unit credit method in line with IAS19, Employee

Benefits. A provision for these commitments is therefore made in the balance sheet, and an annual cost is calculated on the basis of the current value of the future benefits earned. The German companies have applied the so-called ''corridor rule'', in which actuarial profits and losses are distributed over the anticipated remaining period of employment. With the introduction of IAS 19 (RR29), the value of the corridor is zero according to the rules for implementation of RR29.

At the end of 2002, the Parent began a project, the goal of which was to prepare the Group for a transition to International Accounting Standards (''IAS'')/International Financial Reporting Standards (''IFRS''). Vattenfall is planning for a transition to the new principles as from 2005. The Group's accounting and reporting principles will be affected by the transition primarily within the areas of financial instruments (IAS 39), company acquisitions and mergers (managing negative goodwill) (IAS 22) and pensions (IAS 19). Another area is the accounting of estimated costs for decommissioning plants and restoring sites. As a result of the Swedish Financial Accounting Standards Council's requirements in accordance with RR 29 Employee Benefits, which is based on IAS19, international accounting standards will affect the valuation of accounts and the reporting as of 2004. This will result in an increased pension liability of SEK 1,296 million as at 1st January, 2004 compared with 31st December, 2003.

Recent Activities

Sweden

During 2003 a number of tangible improvements for the customer were launched in Sweden within the framework of the customer service programme ''Number One for the Customer''. Examples of improvements include (i) the phasing out of the so called temporary price contracts, (ii) an end to advanced charges and (iii) the introduction of the ''Convenient Electricity Price'', a fixed monthly price for apartment customers. The programme will also give all of the Group's 900,000 Swedish electricity network customers remote-readable electricity meters. In this way, advance charges can cease and be replaced with invoicing of actual electricity consumption. During 2003, 44,000 remote-readable electricity meters were installed in Sweden.

In October 2003 Vattenfall sold the share holding in Song Networks Holding for SEK 485 million. This transaction was a result of the Parent's agreement made in September 2002 to sell its subsidiary Arrowhead AB to the IT, telecom and network-operator Song Networks and, which in January 2003, when the transactions were completed, lead to the Parent receiving about 20 per cent. shareholding in Song Networks Holding as compensation for the transferred shares of Arrowhead AB.

During 2003 a major reorganisation of the Group's Swedish electricity network operation took place meaning a merger between the four regional, wholly owned, network companies, Vattenfall Västnät AB, Vattenfall Östnät AB, Vattenfall Sveanät AB and Vattenfall Norrnät AB, which together with Vattenfall Regionnät AB formed Vattenfall Eldistribution AB, a wholly owned subsidiary of the Parent. The new subsidiary owns and operates both the regional and local networks owned by the Group in Sweden and serves some 900,000 customers.

In October 2003 A-Train AB's owners — the Parent, NCC, Alstom and Mowlem — concluded an agreement with Macquarie Bank of Australia regarding the sale of all of the shares in A-Train. A-Train is the operator of Arlanda Express, the express rail service between Stockholm Central Station and Stockholm Arlanda Airport. For its 20 per cent. interest in A-Train, the Parent received in total SEK 80 million, through both cash payments and loan and guarantee transfers. The sale was finalised in January 2004.

From 1st January, 2004 the Group decided to co-ordinate its Nordic operation under a joint management. The operations in Sweden, Finland and the other Nordic countries will be in line with the same principles that already apply to the Group's operations in Germany. This means that the Group is now organised into two Business Groups, one for the Nordic countries and one for Germany.

During 2003 the Board confirmed the Group's investment programme for Sweden comprising of:

Nuclear power renewal programme of	SEK 16 billion over a period of 12 years
Hydro power renewal programme of	SEK 6 billion over a period of 10 years

In January 2004 the Board decided to invest a further SEK 2 billion in the Swedish network, giving a total investment of SEK 10 billion over a period of five years.

Germany

During 2003 the Group's shareholding in Vattenfall Europe AG was increased through the purchase of German EnBW's holding of about 2 per cent. and other purchases in the market. As a result, the Group directly and indirectly owns about 94 per cent. of the shares in Vattenfall Europe AG.

In August 2003 the merger of Bewag Holding AG with Vattenfall Europe AG was finalised following registration in the German trade register.

In September 2003 the Goldistahl power plant in east Germany was commissioned and, with a capacity of 1,060 Megawatts, the installation is Germany's largest pumped storage plant and makes the Group the number one hydro power provider in Germany.

In November 2003 the German nuclear power plant Stade was shut down. It is estimated that it will take ten years to dismantle the facility. The Group's ownership of Stade totals 33 per cent.

Poland

During 2003 ownership of the Polish sales and distribution company GZE was increased as planned from 32 per cent. to 54 per cent. GZE was incorporated into the Group as of 1st January, 2003. In January 2004 the holding was increased to 75 per cent.

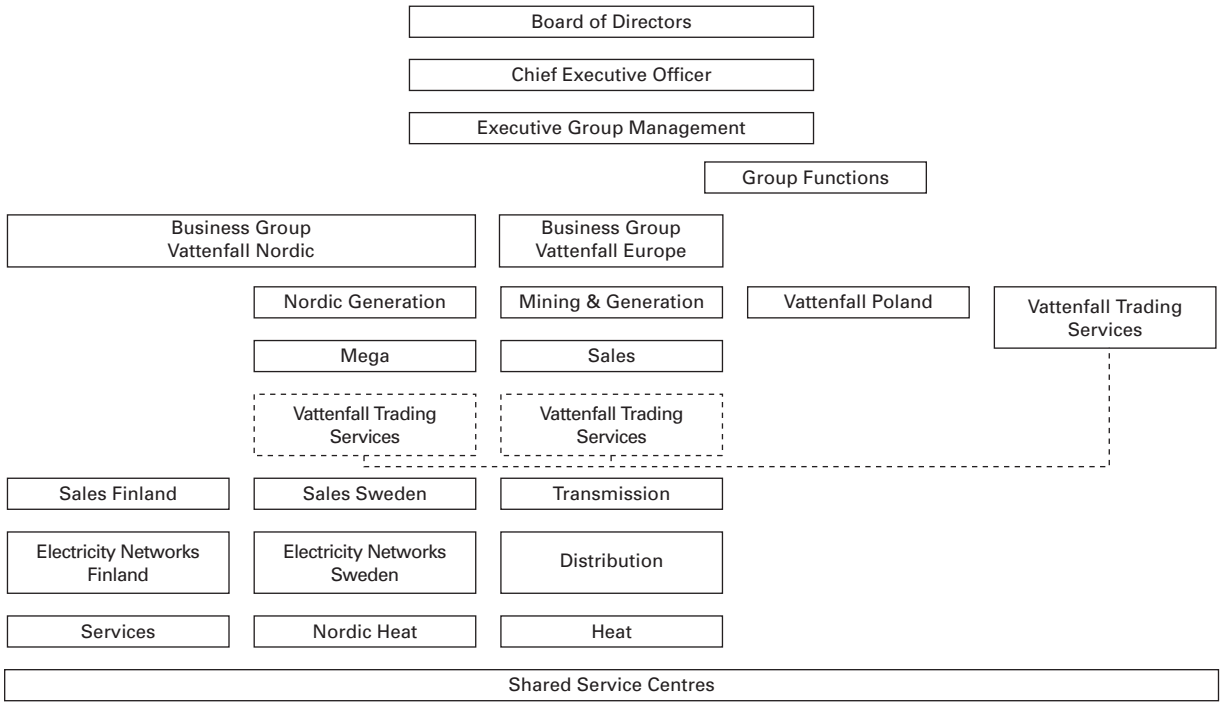
Group Organisation and Business Structure

Management and control of the Group is divided between the shareholders, primarily at the Annual General Meeting, the Board of Directors and the CEO, in accordance with the Swedish Companies Act, the Articles of Association and the Rules of Procedure for the Board of Directors. The Board of Directors establishes rules of procedure for the board annually, based on the guidelines issued by the Division for State Enterprises of the Ministry for Industry, Employment and Communications Ownership Unit. The Group's management model is based on a value chain divided into production, electricity trade, transmission distribution, sales, heat and services. The CEO has the task of managing the Group's business operations and administration, in accordance with the Swedish Companies Act and the instructions of the Board. The CEO is supported by the Executive Group Management (''EGM'').

The Group's organisation consist of three categories:

- *Business Groups and Business Units* with overall business responsibility for operations within their respective area. The Group is organised into two Business Groups, one for the Nordic countries and one for Germany. Poland remains a separate Business Unit. Business activities are mainly organised in accordance with the electricity value chain. The structure in force allows the Business Units considerable independence in developing their own activities within the framework of the Group's long-term goals.
- *Group functions*, including the Business Group functions, which support the Executive Management. These are staff functions and cost centres.
- *Shared service Centres* which focus on internal services. These are run in accordance with the full costing method.

Organisation



As of 2003, the Group's activity is divided into Primary and Secondary segments. The Primary Segments are the Nordic Countries, Germany and Poland. The Nordic Countries segment mainly covers operations in the Nordic countries, but also includes activities in the Baltic states and the Netherlands. The Secondary Segments are the business areas, namely Electricity, comprised of electricity generation, electricity trading and electricity sales, Electricity Networks comprising the distribution of electricity and Heat, comprised of production, distribution and sale of heat. Other activities include the Group's treasury activities, research activities, service companies and Group administration staff.

Facts about the Primary Segments	*Nordic countries*	*Germany*	*Poland*
Production capacity, electricity and heat, MW	18,102	23,203	5,752
Electricity and heat produced, TWh	85.7	90.3	15.4
Number of electricity customers	844,000	3,000,000	1,017,000
Number of network customers	1,265,000	3,300,000	1,096,000
Electricity networks, Km	184,700	85,500	27,650
Electricity networks, transmitted volume, TWh	106.8	28.2	10.2
Number of employees, man-years	8,642	21,719	4,935

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. In this way, the Group's risk management is strengthened and synergies in cross-border trading are secured. Management of the Nordic production portfolio and trade within Nord Pool remain within Vattenfall Trading Services in Stockholm, which will become the regional office of the new Vattenfall Trading Services. The new unit will continue to be a leading player on the power exchanges in Northern Europe, but will also increase focus on providing risk management services internally in the group as well as to external customers. The two trading organisations in the Vattenfall Group today have a staff of 200 and handle an external turnover of totally 900 TWh per year.

Description of the Business Units within the Business Groups

Nordic Countries

Electricity Generation is responsible for the generation business on the Nordic electricity market. The Group generated a total of 78 TWh in 2003, which corresponds to almost 20 per cent. of the total electricity consumption in the Nordic countries. The electricity generated is sold within the Group, mainly to the sales business units, and to the Nordic Power Exchange, Nord Pool.

Electricity Networks are responsible for the ownership, operation and maintenance of all electricity networks and for sales of electricity network services in each of the countries. Electricity Networks Sweden conducts regional and local network operations in Sweden through a wholly owned subsidiary Vattenfall Eldistribution AB. In total, there are about 900,000 local network customers, which corresponds to a market share of about 17 per cent. At the regional network level, Vattenfall has a market share of about 50 per cent., measured in terms of transmitted volume. Electricity Networks Finland is the second largest market player with about 360,000 customers, which corresponds to a market share of 16 per cent. In Finland operational activities are conducted through a single unit Vattenfall Verkko.

Sales Sweden and Sales Finland are primarily responsible for the sale of electricity and energy-related services as well as telecommunications. Sales activities target retail customers, energy companies, industries and other companies. Sales Sweden is also responsible for sales in Denmark. The Group has about 850,000 customers in the Nordic Region.

Mega is responsible 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.

Services has responsibility within the energy, the infrastructure and the industry sectors, for the sales and marketing of consultancy and contracting services as well as research and development activities. Some 75 per cent. of revenues are Group internal.

Germany

General Information. 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 six business units: Mining & Generation, Trading, Transmission, Distribution, Sales and Heat. Since 2003, the organisation has been working according to the value chain and follows the same principles that apply to the Group's operations in the Nordic countries with respect to performance measurement and profitability requirements.

Mining and Generation is responsible for owning, operating and developing the Group's mining operations and electricity generation in Germany and comprises of the generation facilities in the former VEAG, HEW and BEWAG, as well as lignite mining conducted by former LAUBAG in Eastern Germany.

Transmission is accountable for owning, operating and developing the Group's electricity transmission network business in Germany. The transmission grid in Eastern Germany constitutes an interface between the transmission grids in Eastern and Central Europe. Total length of the grid amounts to 10,500 km.

Distribution distributes electricity to 3.3 million customers in Berlin, Hamburg, West-Mecklenburg and to a lesser extent in Brandenburg and Niedersachsen. and is the fourth largest player on the local network market, with a market share of about 8 per cent. Operations comprise owning, operating and developing the Group's electricity distribution network business in Germany. The total length of the grid is 75,000 kilometres.

Sales is responsible for sales and marketing in Germany 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 a sales volume in 2003 of 87 TWh, which corresponds to a 15 per cent. market share.

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 2003 the production was 16 TWh, which ranks the Group number one in Germany.

Poland

The business unit has the overall responsibility for all of the Group's business in Poland and produces energy through the subsidiary, Elektrocieplownie Warszawskie (EW) in Warsaw. Electricity distribution and sales are conducted through the subsidiary, Gornoslaski Zaklad Elektroenergetyczny (''GZE'') in Upper Silesia in Southwestern Poland.

Shared Service Centres

The Group's Shared Service Centres provide the Group with specialised treasury/finance (through Vattenfall Treasury), insurance, IT, personnel, administrative, real estate and other services, allowing each business area to concentrate on its core operation.

Insurance Cover

Nuclear Risks Sweden

Third party 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 NNI (Nordic Nuclear Insurers) in co-insurance with ELIMI (European Liability Insurance for the Nuclear Industry). Claims in excess of this amount will be met by the Kingdom of Sweden which in certain circumstances can obtain contributions from other signatories to the Paris Treaty of 1960 and the Brussels Treaty of 1963. Insurance cover for decontamination and for property losses is provided by EMANI (European Mutual Association of Nuclear Insurance) and NNI, but only with regard to the reactors.

Nuclear Risks Germany

In Germany, operators of nuclear power plants have an unlimited liability. The combined mandatory insurance coverage for all these businesses is EUR 2,500 million. Claims of up to EUR 256 million are covered by the German Nuclear Insurance Pool. Claims in excess of EUR 256 million up to a maximum of EUR 2,500 million are covered by a joint liability insurance agreement (''Solidarvereinbarung'') between the German nuclear power plant operators. This agreement entails undertakings for two full claims during one and the same year. The Vattenfall Group's share of this joint liability insurance agreement is EUR 194.75 million per claim, or EUR 389.50 million, in total. Insurance cover for decontamination and for property losses is provided by EMANI.

Non-nuclear risks Sweden

General and product liability insurance cover for the Group is provided by the insurance company IF in a global policy. Property insurance including business interruption insurance cover is provided by Försäkrings AB Vattenfall Insurance, an insurance company wholly owned by the Group 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 6,000 million.

Non-nuclear risks Finland, Germany and Poland

The liability cover is comprised of local primary layers with a global excess layer, including the legally mandatory German Environmental Liability Insurance.

Property insurance in Finland and Poland is provided by a large number of local insurers. In Germany, property insurance is provided by Försäkrings AB Vattenfall Insurance in the same way and in the same book of business as the Swedish assets.

Financial Analysis For The Year Ended 2003

Net sales amounted to SEK 111,935 million in 2003 (SEK 101,025 million in 2002). The increase is due to higher electricity revenue in the Nordic Countries and Germany, the consolidation of the Polish company GZE as of January 2003, and the German company Bewag being included for the whole of 2003 as against only eleven months the previous year. The net sales figure does not include financial trading.

The following table sets out the audited figures for net sales and operating profit/loss for the years ended 31st December, 2003 and 2002 broken down by profit areas:

	Net Sales		*Operating Profit/Loss*	
	2003	*2002*	*2003*	*2002*
			(SEK millions)	
Electricity Generation Nordic Countries	29,531	25,667	6,266	6,459
Market Nordic Countries	24,994	21,275	369	286
Heat Nordic Countries	2,868	2,761	348	343
Electricity Network Nordic Countries	7,809	7,674	2,131	1,834
Services Nordic Countries	3,042	2,974	100	118
Other Operations Nordic Countries	1,855	1,830	(690)	(386)
Germany	63,974	60,696	6,318	4,733
Poland	7,845	3,167	443	5
Eliminations[1]	(29,983)	(25,019)	11	(29)
Total	111,935	101,025	15,296[2]	13,363[2]

	2003	*2002*
Financial income and expenses — net (SEK million)	(2,936)	(3,376)
Profit before tax and minority interests (SEK million)[3]	12,360	9,987
Taxes (SEK million)	(2,831)	(1,763)
Net Profit (SEK million)[4]	9,123	7,566
Pre-tax interest cover (times)	3.4	2.6
Pre-tax profit margin (per cent.)[5]	11.0	9.9
Operating profit expressed as a percentage of net sales (operating margin), per cent.[6]	13.7	13.2

Notes:

(1) Whereof SEK 27,585 million (SEK 24,212 million in 2002) concerns trade between Market Nordic Countries, Electricity Networks Nordic Countries and Generation Nordic Countries.

(2) Operating profit, excluding items affecting comparability amounted to SEK 15,033 million (SEK 12,916 million in 2002). The operating result was positively affected by SEK 263 million (SEK 447 million in 2002), in items affecting comparability.

(3) Profit before tax and minority interests amounted to SEK 12,082 million (SEK 9,521 million in 2002) after items affecting comparability.

(4) Return on equity was 20.2 per cent. (19.1 per cent. in 2002). Net profit for the year excluding items affecting comparability amounted to SEK 8,944 million (SEK 7,262 million in 2002).

(5) The pre-tax profit margin, excluding items affecting comparability was 10.8 per cent. (9.4 per cent. in 2002).

(6) The operating margin, exclusive items affecting comparability amounted to 13.4 per cent. (12.8 per cent. in 2002).

Operating expenses amounted to SEK 97,293 million, which is an increase of SEK 7,903 million compared with the same period previous year. The increase is mainly attributable to increased costs for the purchase of electricity resulting from higher market prices. On account of the shortage of water in the Group's Swedish water reservoirs, more expensive production has been brought into use, and electricity imported via international interconnections. The fact that GZE was consolidated as of January 2003 and that Bewag is included for the whole of 2003, as opposed to only eleven months the previous year, also contributed to increase. The cost of products sold increased by SEK 7,453 million and selling expenses, research and development costs and administrative expenses increased by SEK 450 million from the previous year to SEK 12,501 million. Depreciation amounted to SEK 14,336 million (SEK 15,118 million in 2002). The dissolution of negative goodwill amounted to SEK 4,754 million (SEK 3,626 million in 2002) which is attributable to losses and restructuring costs in the German companies.

Financial Analysis For The Three Months Ended 31st March, 2004 (Unaudited)

For the period 1st January, 2004 to 31st March, 2004, net sales amounted to SEK 31,810 million (SEK 36,019 million for the period 1st January, 2003 to 31st March, 2003). The decrease in net sales is mainly due to lower market prices for electricity during the first quarter of 2004 compared with the first quarter the previous year. In the Nordic countries, the market price for electricity was 46 per cent. lower than the equivalent period in 2003. In Germany, the price averaged EUR 22.82 per MWh, compared to EUR 29.97 per MWh in 2003.

Net sales and operating profit/loss for the period 1st January to 31st March, 2004 and 2003, broken down by profit areas in figures below are extracted from the Group's unaudited Interim Reports:

	Net Sales		*Operating Profit/Loss*	
	1st January to 31st March,			
	2004	*2003*	*2004*	*2003*
	(SEK millions)			
Generation Nordic Countries	6,990	11,297	3,056	2,859
Market Nordic Countries	5,850	8,672	152	110
Heat Nordic Countries	1,098	1,104	261	281
Electricity Networks Nordic Countries	2,765	2,647	1,156	1,198
Services Nordic Countries	661	616	37	(22)
Other Operations Nordic Countries	404	386	(116)	(131)
Germany	18,174	17,578	2,829	2,512
Poland	2,198	2,557	289	248
Eliminations[1]	(6,330)	(8,838)	0	0
Total	31,810	36,019	7,664[2]	7,055[2]

Notes:

(1) Mainly concerning trades between Market Nordic Countries, Electricity Network Nordic Countries, Generation Nordic Countries and between Germany and the Nordic Countries.

(2) Operating profit includes items affecting comparability in the form of net capital gain and losses of SEK 25 million (SEK 49 million in 2003).

Operating expenses as at 31st March, 2004 amounted to SEK 24,488 million, which is an decrease of SEK 4,779 million compared with the same period previous year. The decrease is mainly due to cost savings in German operations and improved financial performance within electricity generation as a result of higher availability within generation and more advantageous hedging prices. The cost of products sold decreased by SEK 5,057 million and the selling expenses, research and development costs and administrative expenses increased by SEK 278 million. Depreciation amounted to SEK 3,428 million (compared to SEK 3,500 million for the same period in 2003. Negative goodwill was dissolved in the amount of SEK 325 million as at 31st March, 2004 (SEK 238 million for the same period 2003) corresponding to restructuring costs in Germany.

	1st January to 31st March,	
	2004	*2003*
Financial income and expenses — net (SEK million)	(690)	(892)
Profit before tax and minority interests (SEK million)	6,974	6,163
Taxes (SEK million)	(1,869)	(1,596)
Net Profit (SEK million)	4,765	4,162
Interest cover (times) excl. items affecting comparability	7.4	5.9
Pre-tax profit margin (per cent.) excl. items affecting comparability	21.9	17.0
Operating margin, EBIT in relation to net sales, per cent.[1]	24.1	19.6

Notes:

(1) Operating Margin exclusive of items affection comparability 24.0 per cent. (19.5 per cent. in 2003).

(2) Concerns primarily the acquisitions in Germany of BEWAG and HEW.

Investments

In 2003 total investments decreased by SEK 28,576 million to SEK 11,356 million (SEK 39,932 in 2002). Renewal investments in installations amounted to SEK 6,585 million (SEK 9,282 in 2002) and growth investments amounted to SEK 4,771 million (SEK 30,650 in 2002). Of growth investments, SEK 758 million constitutes an increase in the share of GZE, SEK 342 million is attributable to the German pump power plant Goldistahl, SEK 429 million is attributable to the district heating plant Uppsala unit 5, and just over SEK 1,500 million is attributable to the purchase of additional shares in Vattenfall Europe AG. The remaining growth investments are divided between various projects and

installations in the Nordic Countries and Germany. In the first quarter 2004 investments increased in comparison with the first quarter 2003, mainly due to the increased ownership in Polish GZE, from 54 per cent. to 75 per cent.

	As at 31st March,		*As at 31st December,*	
	2004	*2003*	*2003*	*2002*
			(SEK millions)	
Acquisition of Group companies	1,710	190	2,254	24,045
Associated companies and other long term holdings of securities	21	201	414	4,574
Tangible fixed assets	1,511	1,366	8,554	7,975
Intangible fixed assets	15	6	134	3,338
Total	3,257	1,763	11,356	39,932

Liquidity and Financing

Extract from the Group's Consolidated Cash Flow Statements.

	As at 31st March,		*As at 31st December,*	
	2004	*2003*	*2003*	*2002*
Cash flow from operating activities	7,660	3,591	18,191	20,103
Cash flow from investment activities	(3,080)	(833)	(8,350)	(35,558)
Cash flow from financing activities	6,355	(5,440)	(10,329)	3,464
Liquid assets	13,028	12,818	14,647	15,473
Net borrowing	62,916	73,473	66,890	75,207

Risk Management

General

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

- Common risk definitions.
- Identifying where in the Group risks arise.
- Reliable methods for measuring risks.
- Efficient risk management.
- Reporting in accordance with established routines.
- Management in accordance with established strategies and rules.

Organisation

The Board has overall responsibility for internal control and risk management within the Group. The Board has, in turn, given the Group's management a risk mandate. The management allocates this mandate to the Group's 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, Group Risk Control, which is also responsible for supervision of the Group's overall risk mandate. Group risk management and reporting is co-ordinated by a Risk Committee under the leadership of the CFO. The committee's task is to map out risks in the Group's operation and to develop appropriate models and measurement methods for management of these risks. The Risk Committee shall also scrutinise policies and mandates, and approve risk instructions and those risk models which are applied within the Group.

BOARD OF DIRECTORS OF THE PARENT

Name	*Details of Directors*
Board of Directors	
Dag Klackenberg	Chairman of the Board
Lars G Josefsson	President and Chief Executive Officer
Peter Fallenius	Board Member
Peter Lindell	Special Advisor
Christer Bådholm	Executive Chairman
Lone Fønss Schrøder	Board Member
Anders Sundström	Member of Parliament
Maarit Aarni	Board Member
Jan Grönlund	Permanent under-secretary, Ministry of Industry, Employment and Communication
Hans-Olov Olsson	Board Member
Johnny Bernhardsson	Employee representative
Ronny Ekwall	Employee representative
Carl Gustaf Angelin	Employee representative
Deputy Members	
Lars Carlsson	Employee representative
Per-Ove Lööv	Employee representative
Stig Lindberg	Employee representative

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, 2002 and 2003 and for the three months ended 31st March, 2004 is extracted without material adjustment and based on the audited accounts for the year ended 31st December, 2002 and 31st December, 2003 and the unaudited interim accounts for the three months ended 31st March, 2004:

	31st March, 2004	*31st December, 2003*	*31st December, 2002*
		(SEK millions)	
Total assets	91,856	82,914	85,917
Shareholderś equity[1]	20,282	19,888	17,613
Untaxed reserves	12,142	11,734	11,320
Provisions	69	67	142
Long-term liabilities	37,130	36,941	39,616
Current liabilities	19,850	14,284	17,226
Operating turnover	7,706	26,741	23,383
Operating profit	2,885	4,047	4,799
Profit before transfers and tax	2,290	4,005	3,958
Net profit for the period/year	2,296	4,577	4,514

Note:

(1) The amount as per 31st March, 2004 does not include any Net Profit for the period. The increase in equity between 31st December, 2003 and 31st March, 2004 is the result of the merger of Uppsala Energi AB (a company in the Group) into the Parent.

CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the unaudited consolidated interest-bearing debt (excluding pension provisions) and equity of the Group as at 31st March, 2004.

	(SEK millions)
Equity	
Restricted equity	
Issued share capital	
(Authorised share capital: 131,700,000 ordinary shares at SEK 50 par)[1]	6,585
Total issued share capital	6,585
Long-term interest-bearing debt	
Medium-term notes	36,271
Amounts owed to other financial institutions	8,740
Amounts owed to minority owners	3,727
Other long-term borrowing	4,880
Total long-term interest-bearing debt	53,618
Short-term interest-bearing debt	
Medium-term notes	4,401
Commercial paper	1,693
Amounts owed to other financial institutions	3,839
Amounts owed to minority owners	328
Other current borrowing	178
Total short-term interest-bearing debt	10,439
Total Consolidated Capitalisation and Indebtedness	70,642

Notes:

(1) The Group has an authorised share capital of SEK 6,585 million which is fully subscribed and paid up.

(2) Arbitrage deals amounted to SEK 979 million at 31st March, 2004. All the arbitrage deals are accounted gross. New long term funding totalling SEK 493 million has been received in April 2004 by the Group further to an issue of Notes by Vattenfall Treasury under the Programme. This indebtedness is unsecured but is guaranteed by the Parent under the terms of the Programme.

(3) As at 31st March, 2004 all indebtedness is unguaranteed except for SEK 22 million as per the second paragraph on page 44 under the heading ''General and History''. As at 31st March, 2004 all indebtedness is unsecured except for SEK 109 million. The Parent has SEK 6 million in pledged assets.

(4) As at 31st March, 2004, the Group had contingent liabilities (including guarantees) of SEK 11,008 million, as disclosed in the consolidated balance sheet of the Group on page 58.

(5) Save as disclosed in the Notes to the Capitalisation table above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Group since 31st March, 2004.

CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP

The financial information set out on pages 57, 58 and 59 has been extracted without material adjustment from the audited financial statements of the Group in respect of the years ended 31st December, 2001, 31st December, 2002 and 31st December, 2003 and from the unaudited financial accounts on the Group in respect of the three months ended 31st March, 2004.

Consolidated Profit and Loss Account

	For the three months ended 31st March,	*For the year ended 31st December,*		
	2004	*2003*	*2002*	*2001*
		(SEK millions)		
Net sales	31,810	111,935	101,025	69,003
Cost of products sold[1]	(21,653)	(84,792)	(77,339)	(52,408)
Gross profit	10,157	27,143	23,686	16,595
Selling expenses[2]	(1,016)	(4,124)	(4,386)	(3,564)
Administrative expenses[3]	(1,734)	(7,899)	(7,179)	(5,133)
Research and development costs[4]	(85)	(478)	(486)	(616)
Other operating income	314	2,460	4,254	5,104
Other operating expenses	(180)	(2,386)	(1,869)	(2,938)
Participations in the result of associated companies	208	580	(657)	511
Operating profit	7,664	15,296	13,363	9,959
Result from other long-term securities held	0	145	229	259
Other interest income and similar profit/loss items	396	2,122	2,781	1,973
Interest expenses and similar profit/loss items	(1,086)	(5,203)	(6,386)	(4,737)
Profit before tax and minority interests	6,974	12,360	9,987	7,454
Taxes	(1,869)	(2,831)	(1,763)	(2,167)
Minority interests in the profit for the year	(340)	(406)	(658)	(1,097)
Net profit for the year	4,765	9,123	7,566	4,190

Notes:

(1) Of which, depreciation, SEK 3,364 million (31st March, 2004) and SEK 14,095 million and SEK 14,662 million, and SEK 10,374 million. (Full year 2003, 2002 and 2001) respectively.

(2) Of which, depreciation, SEK 11 million (31st March, 2004) and SEK 28 million and SEK 86 million, and SEK 179 million. (Full year 2003, 2002 and 2001) respectively

(3) Of which, depreciation, SEK 53 million (31st March, 2004) and SEK 212 million and SEK 366 million, and SEK 271 million. (Full year 2003, 2002 and 2001) respectively.

(4) Of which, depreciation, SEK 0 million (31st March, 2004) and SEK 1 million and SEK 4 million, and SEK 6 million. (Full year 2003, 2002 and 2001) respectively.

(5) The Group's financial performance varies considerably during the year. A substantial portion of income for the year is normally generated during the first and the last quarter of the year, when electricity demand is greatest, which means that the margins for the first and last quarter are higher compared with the margins for the year as a whole.

Consolidated Balance Sheet of the Group

	For the three months ended 31st March,	*For the year ended 31st December,*		
	2004	*2003*	*2002*	*2001*
		(SEK millions)		
ASSETS				
Fixed assets				
Intangible fixed assets				
Concessions, patents, licenses, trademarks and similar rights	506	3,341	3,568	546
Renting and similar rights	4,424	1,644	1,856	1,159
Goodwill	553	573	826	973
Total intangible fixed assets	5,483	5,558	6,250	2,678
Tangible fixed assets				
Land and buildings	33,256	33,297	35,107	29,970
Plant and machinery	140,525	140,065	141,826	118,726
Equipment, tools, fixtures and fittings	1,575	1,711	1,925	1,637
Construction in progress	7,703	6,493	5,869	8,479
Advance payments for tangible fixed assets	489	374	245	172
Total tangible fixed assets	183,548	181,940	184,972	158,984
Financial fixed assets				
Participations in associated companies	16,129	15,676	18,042	23,021
Receivables from associated companies	2,005	1,961	1,978	2,184
Other securities held as fixed asset	1,031	1,022	1,354	19,449
Other long-term receivables	10,255	10,046	5,054	8,681
Total financial fixed assets	29,420	28,705	26,428	53,335
Total fixed assets	218,451	216,203	217,650	214,997
CURRENT ASSETS				
Inventories etc	7,047	7,283	7,112	6,567
Current receivables	30,816	26,832	36,041	27,139
Investments	10,048	11,974	8,958	6,202
Cash and bank balances	2,980	2,673	6,515	4,138
Total liquid assets	13,028	14,647	15,473	10,340
Total current assets	50,891	48,762	58,626	44,046
Total assets	269,342	264,965	276,276	259,043

	For the three months ended 31st March, 2004	For the year ended 31st December, 2003	2002	2001
		(SEK millions)		
EQUITY, PROVISIONS AND LIABILITIES				
Equity				
Restricted equity				
Share capital	6,585	6,585	6,585	6,585
Equity method reserve	1,113	951	1,077	157
Other restricted reserves	24,925	16,993	15,218	19,154
Non-restricted equity				
Non-restricted reserves	19,964	18,854	14,683	9,492
Net profit for the year	4,765	9,123	7,566	4,190
Total equity	57,352	52,506	45,129	39,578
Minority interests in equity	8,891	9,379	9,960	19,080
Total provisions for pensions	16,555	14,946	16,643	12,722
Provisions for future expenses of nuclear waste management	6,827	6,592	6,517	6,984
mining operations and other environmental measures	10,441	10,219	10,898	9,371
Provisions for deferred tax liability	35,082	34,854	34,410	28,892
Negative goodwill	9,917	10,123	15,479	18,132
Other provisions	14,451	15,150	13,631	14,855
Provisions	93,273	91,884	97,578	90,956
Long-term interest-bearing liabilities	68,097	69,845	67,158	58,420
Long-term non-interest-bearing liabilities	2,195	2,236	1,588	1,599
Total long-term liabilities	70,292	72,081	68,746	60,019
Current interest-bearing liabilities	12,027	15,702	27,582	30,113
Current non-interest-bearing liabilities	27,507	23,413	27,281	19,297
Total current liabilities	39,534	39,115	54,863	49,410
Total equity, provisions and liabilities	269,342	264,965	276,276	259,043
Pledged assets[1]	109	112	3,453	285
Contingent liabilities[2]	11,008	12,357	11,354	10,733
Commitments under consortium agreements[3]				

Notes:

(1) The Parent has pledged assets of SEK 6 million as of 31st March, 2004 and SEK 9 million as of 31st December, 2003.

(2) As a natural part of the Group's business and in addition to those specified above, guarantees are put up for the fulfilment of various contractual commitments. Within its German operations, the Group has conducted a number of leasing transactions for power plants. The basis for the transactions is the right of use of power plants leased to US counterparties as part of so-called main leases lasting a maximum of 99 years and thereafter leased back for 24 years as part of a so-called subordinated lease. Rent from the US counterparties 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. The net difference between rental payments received and deposits made has been reported as a net figure and the transaction gain was reported at the time that the lease contracts were concluded. Should the lessees or other parties/stakeholders fail to meet their obligations under the leasing contracts, this will result in costs incurred by the Group. On the balance sheet date, these costs amounted to SEK 980 million 31st March, 2004, SEK 877 million 31st December, 2003, SEK 933 million 31st December, 2002 and SEK 1,052 million 31st December, 2001, 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 plants subsequent output and make each owner liable L irrespective of output L 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.

The Parent bears the full responsibility for Swe-Pol Link until the year 2022.

SWEDISH TAXATION

The following summary outlines certain Swedish tax consequences relating to the Notes for prospective purchasers that are not considered to be Swedish residents for Swedish tax purposes, if not otherwise stated. The summary is based on the laws of the Kingdom of Sweden as currently in effect. These laws are subject to change, possible on retroactive basis. Prospective purchasers are urged to consult their professional tax advisers regarding the Swedish tax and other tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.

Payments of any principal amount or interest to the holder of any Note should not be subject to Swedish income tax, provided that such holder is not resident in Sweden for Swedish tax purposes and provided that such holder has not a permanent establishment or has not a fixed base in Sweden to which the Notes are effectively connected.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or interest to the Noteholder, except on certain payments of interest to a private individual (or an estate of a deceased individual) with residence in Sweden for tax purposes.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for tax purposes, all capital income (e.g. interest and capital gain on a Note) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, e.g. investment companies and life insurance companies.

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 the Inland Revenue 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 the Inland Revenue with the tax authorities of other jurisdictions, in which the Noteholder is resident for tax purposes.

PROPOSED EU SAVINGS DIRECTIVE

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, if a number of important conditions are met and from a date not earlier than 1st January, 2005, 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, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be 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).

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 23rd June, 1999, 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.

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 Pricing Supplement. 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.

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 Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000, as amended (the ''FSMA'') except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) (the ''Regulations'') or the FSMA;

(b) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding,

managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations;

(c) 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;

(d) it has only communicate 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

(e) 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 and each Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Prospectus or any other offering material relating to Notes, and that such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L.411-1 and L.411-2 of the Code Monétaire et Financier and décret no. 98-880 dated 1st October, 1998.

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.

Germany

In connection with the initial placement of any Notes in Germany each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it shall only offer Notes in the Federal Republic of Germany in compliance with the provisions of the German Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the offer and sale of the Notes in the Federal Republic of Germany.

Austria

No prospectus has been or will be published pursuant to the Austrian Capital Markets Act. Each Dealer represents and agrees and each further Dealer appointed under the Programme will be required to represent and agree that it will only offer Notes in Austria in compliance with the provisions of the

Act and any other laws or regulations applicable in Austria governing the offer and sale of the Notes in Austria.

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 Pricing Supplement.

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 9th December, 2003 and of Vattenfall Treasury on 13th November, 2003.

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 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, and the listing of the Programme in respect of such Notes is expected to be granted on or around 22nd June, 2004.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available 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, 2001, 31st December, 2002 and 31st December, 2003 and the audited consolidated financial statements of the Parent in respect of the financial years ended 31st December, 2001, 31st December, 2002 and 31st December, 2003 (in each case in English);

(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);

(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 each Pricing Supplement and subscription agreement for Notes that are admitted to the Official List and admitted to trading on the London Stock Exchange (excluding Pricing Supplements relating to Notes not listed on any Stock Exchange) 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. The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Pricing Supplement. 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 relevant Pricing Supplement.

Significant or Material Change

Except as disclosed herein, there has been no significant change in the financial or trading position of Vattenfall Treasury or the Parent or the Parent and its subsidiaries taken as a whole since 31st March, 2004 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 since 31st December, 2003.

Litigation

There are no, nor have there been any, legal or arbitration proceedings involving Vattenfall Treasury, the Parent or any of the Parent's subsidiaries (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 of Vattenfall Treasury, the Parent or any of the Parent's 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, 2001, 2002 and 2003. From 22nd April, 2004 the auditors of the Parent are 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. The previous auditors to the Parent, Ernst & Young AB (individual auditor in charge being Certified Public Accountant Lars Träff) and Filip Cassel, 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, 2001, 2002 and 2003.

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.

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