Prospectus

VATTENFALL AB

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

and

VATTENFALL TREASURY AB

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

under the guarantee of

VATTENFALL AB

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

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

Under the Programme Vattenfall Treasury and the Parent (together with Vattenfall Treasury, the ''Issuers'' and each an ''Issuer'') may from time to time issue notes (the ''Notes''), which expression shall include Ordinary Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) (as defined below).

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

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$6,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as provided herein. A description of the restrictions applicable at the date of this Prospectus relating to the maturity and denomination of certain Notes is set out on pages 6 and 7, respectively.

Factors which may affect each of Vattenfall Treasury's and the Parent's ability to fulfil its obligations under Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 10 – 16.

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the ''UK Listing Authority'') for Notes issued under the Programme prior to the Implementation Date (as defined below) to be admitted to the official list of the UK Listing Authority (the ''Official List'') and to the London Stock Exchange plc (the ''London Stock Exchange'') for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities prior to the Implementation Date (as defined below) constitute official listing on the London Stock Exchange. Application will also be made to the UK Listing Authority for Notes issued under the Programme on or after the Implementation Date and up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market and to be admitted to the Official List. References in this Prospectus to Notes being ''listed'' (and all related references) shall, prior to the Implementation Date, mean that such Notes have been admitted to the Official List and to the London Stock Exchange's market for listed securities and, on or after the Implementation Date, mean that such Notes have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market and have been admitted to the Official List. The London Stock Exchange's Gilt Edged and Fixed Income Market is a regulated market for the purposes of Directive 93/22/EC (the Investment Services Directive). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 29) of Notes will be set forth in a Final Terms supplement (the ''Final Terms'') which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

Copies of this Prospectus, which prior to the Implementation Date 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 from the date of this Prospectus to but not including the Implementation Date, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. Copies of the Final Terms (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the specified office set out below of the Trustee (as defined herein) and each of the Paying Agents (as defined herein). 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, or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer and the relevant Dealer(s). The Issuers may also issue unlisted Notes.

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with Citibank, N.A. as common depositary 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 Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes following the occurrence of an Exchange Event (as defined on page 18), 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, (prior to the implementation in the United Kingdom of the Prospectus Directive (as defined below) (the ''Implementation Date'')) or a supplemental offering circular (following the Implementation Date) 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 8th June, 2005.

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

Each of Vattenfall Treasury and the Parent (the ''Responsible Persons'') accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of Vattenfall Treasury and the Parent (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see ''Documents Incorporated by Reference'' below). Prior to the Implementation Date, this Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus but not part of the Listing Particulars. Any reference in this Prospectus to Listing Particulars means this Prospectus excluding all information incorporated by reference. The Issuer and the Guarantor have confirmed that any information incorporated by reference, including any such information to which readers of this document 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 or the listing rules of the UK Listing Authority. The Issuer and the Guarantor believe that none of the information incorporated in the Prospectus by reference conflicts in any material respect with the information included in 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 which would permit a public offering of the Notes or distribution of this document in any jurisdiction outside the European Economic Area 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 European Economic Area (including the United Kingdom and Sweden), Japan and France (see ''Subscription and Sale'' below).

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

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

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In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Final Terms 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.

SUMMARY OF THE PROGRAMME

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 Final Terms. 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 78) including the following restrictions applicable at the date of this prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see ''Subscription and Sale''.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	Citibank, N.A.
Size:	Up to U.S.$6,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. Vattenfall Treasury and the Parent may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Redenomination:	If the Specified Currency of an issue of Notes is a currency of one of the member states of the European Union which is participating in European economic monetary union, the relevant Issuer may

	specify in the applicable Final Terms that such Notes will include a redenomination clause providing for the redenomination of the Specified Currency in euro (a ''Redenomination Clause'') and, if so specified, the wording of the Redenomination Clause will be set out in full in the applicable Final Terms.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	Each Tranche of Notes will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and which will be exchangeable, upon request, as described therein either for a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note will be exchangeable in whole but not in part for definitive Notes upon either (i) not less than 60 days' written notice to the Agent or (ii) only upon the occurrence of an Exchange Event as described in ''Form of the Notes'' below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s), as indicated in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms). 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 Final Terms. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of such Day Count Fraction as is indicated in the applicable Final Terms.
Dual Currency Notes:	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer (''Issuer Call'') and/or the Noteholders (''Investor Put'') upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms. The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see ''Certain Restrictions — Notes having a maturity of less than one year'' above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency

	or such higher amount), as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws, directives or regulations applicable to the relevant Specified Currency, see ''Certain Restrictions — Notes having a maturity of less than one year''.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Sweden, subject as provided in Condition 8 of the Terms and Conditions of the relevant Notes. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Parent will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Status of the Ordinary Notes:	The Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 4*(a)*(i)) unsecured and unsubordinated obligations of the relevant Issuer and (subject as aforesaid) will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Status of the Subordinated Notes:	The Subordinated Notes will be direct, unsecured and subordinated obligations of the relevant Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the relevant Issuer, present and future. The rights of the holders of any Subordinated Notes will, in the event of the bankruptcy or liquidation of the relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.
Guarantee:	The payment of the principal and interest in respect of the Notes issued by Vattenfall Treasury will be unconditionally and irrevocably guaranteed by the Parent. The obligations of the Parent under such guarantee with respect to Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 4*(a)*(ii)) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The obligations of the Parent under such guarantee with respect to Subordinated Notes will be direct, unsecured and subordinated obligations of the Parent and will at all times rank at least *pari passu* with all other outstanding unsecured and subordinated obligations of the Parent, present and future.
Negative Pledge:	The terms of the Ordinary Notes will contain a negative pledge provision as described in Condition 4*(a)*. The terms of the Subordinated Notes will contain a negative pledge provision as described in Condition 4*(b)*.
Cross Default:	The terms of the Notes will contain a cross-default provision relating to indebtedness for borrowed money as further described in Condition 10.
Listing:	Application has been made to the UK Listing Authority for Notes issued under the Programme prior to the Implementation Date to

	be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Application will also be made to the UK Listing Authority for Notes issued under the Programme on or after the Implementation Date and up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market and to be admitted to the Official List. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Vattenfall Treasury and/or the Parent and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2*(b)* and the final two sentences of Condition 3 will be governed by, and construed in accordance with, Swedish law.
Selling Restrictions:	There are certain selling restrictions in relation to the offering and sale of a particular Tranche of Notes. See ''Subscription and Sale'' below.

RISK FACTORS

Each of Vattenfall Treasury and the Parent believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither Vattenfall Treasury nor the Parent is in a position to express a view on the likelihood of any such contingency occurring.

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

Each of Vattenfall Treasury and the Parent believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either Vattenfall Treasury and/or the Parent to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither Vattenfall Treasury nor the Parent represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

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

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

Generation

Generation asset downtime

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

Hydrological balance

Approximately 25 per cent. of the Group's electricity generation capacity and 20 per cent. of electricity generation comes from Swedish hydropower plants. An increase in the level of water in the dams may push electricity prices down with lower revenues for the Parent as a consequence. This risk can however be mitigated by hedging.

Phasing out and decommissioning of nuclear generation

The Group owns nuclear power plants in Germany and Sweden representing approximately 22 per cent. of generation capacity and 37 per cent. of generation of the Group. In both countries there are agreements to phase out nuclear generation. To date one of the Group's plants has been closed in Germany and two plants have been closed down in Sweden. In Germany the phase out schedule is based on a volume cap for nuclear generation while in Sweden no schedule — apart from the closure of Barsebäck 2 on 31st May, 2005 — for the closure of the remaining nuclear generation capacity has been agreed upon. The costs for the decommissioning have been provided for in the balance sheet as of January 2005 (including the segregated Swedish Nuclear Waste Fund). Any increase in these decommissioning costs would affect the Group's earnings as the balance sheet provisions would have to be increased.

Emission rights

As of 2005, most countries within the EU have been allocated national quotas of emission rights to CO_2 emitting facilities under the Kyoto Protocol. The allocation shall be gradually lowered until 2012 reducing emission rights quotas, which will increase upward pressure on emission right prices. Projections of the future price of these emission rights are very uncertain. Rising emission rights'

prices would increase the generation costs for the Group's fossil fired plants. On the other hand the Group's non-fossil assets will gain in value as a result of rising electricity prices.

Wind power

Wind power is today a small part of the Group's electricity generation portfolio but there is a stated ambition from the owner of the Parent, the Swedish State, that this share should increase over the coming years. Wind power generation is dependent on subsidies or so called ''Green Certificates''. An expansion of the wind power portfolio would make the Group more vulnerable to changes in the regulatory framework for such subsidies and certificate systems.

Hedging of future production

The Group's income is heavily dependent on the prices it can achieve for the electric energy it generates. In order to counteract the impact of electricity price volatility, the Group hedges future generation through selling some of its future generation under forward or future contracts. The hedging policy allows for some deviation depending on the Group's view on future price development. There is a risk that these views might be wrong from time to time causing losses to the Group.

Fuel price risks

The Group is dependent on the price of coal and uranium as fuel for its coal fired and nuclear plants. Unforeseen and sudden increases in these fuels will cause the Group's costs to rise and, unless electricity and heat prices rise as well, margins to fall.

Transmission/distribution

New regulatory framework for network business

In Germany, Finland and Sweden new regulatory models are being introduced for network operations in order to regulate network tariffs. The models are designed to encourage operators to invest in order to increase efficiency in the systems whilst maintaining a reasonable return on investments. It is not yet possible to see what the financial outcome will be for the Group.

Investments in German transmission

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

Sales and trading

Long term supply contracts

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

Counterparty risks

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

Other

Risks in investment programme

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

Risk of losses in treasury operations

The Group operates a group treasury centre in Stockholm and one local treasury centre in Berlin. The main goal of the treasury operation is to identify and manage the financial risks of the Group. Access to liquidity is controlled through a limit on a minimum level for cash and committed credit facilities equal to the higher of 10 per cent. of the Group's turnover or the sum of loan maturities during the next three months. The debt portfolio shall have an average time to maturity of not less than five years and duration of 2.5 years +/- 12 months. Currency and interest rate risks outside of the liability portfolio are measured using Value At Risk and stress tests and strictly defined risk limits. Risk monitoring is performed on a daily or weekly basis through a separate risk control unit. Losses in relation to these treasury operations could be caused by the occurrence of (but not limited to) the following events:

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

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

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

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

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

The Notes may not be a suitable investment for all investors

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

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

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

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

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

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

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by Vattenfall Treasury or the Parent

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

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

Index Linked Notes and Dual Currency Notes

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

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

(ii) they may receive no interest;

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

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

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

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

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

Partly-paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that Vattenfall Treasury or the Parent may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The ability of Vattenfall Treasury or the Parent to convert the interest rate will affect the secondary market and the market value of the Notes since Vattenfall Treasury or the Parent may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If Vattenfall Treasury or the Parent converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If Vattenfall Treasury or the Parent converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

The obligations of each of Vattenfall Treasury and the Parent under Subordinated Notes are subordinated

The obligations of each of Vattenfall Treasury and the Parent under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. ''Senior Liabilities'' means the claims of unsubordinated creditors.

Risks related to Notes generally

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

Modification, waivers and substitution

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

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the conditions of the Notes.

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 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. However, 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).

If, following implementation of the Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither Vattenfall Treasury, the Parent nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result

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

Change of law

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

Risks related to denominations

Notes admitted to trading on a regulated market or publicly offered may be issued in a minimum denomination of €50,000 or more (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency or such higher amount) (the ''Minimum Denomination''). The applicable Final Terms may provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream Banking, Luxembourg so permit, the Notes may be tradeable in minimum nominal amounts of the Minimum Denomination and integral multiples of an amount lower than the Minimum Denomination (the ''Integral Multiple'') thereafter. However, if definitive Notes are required to be issued upon the occurrence of an Exchange Event (as defined under ''Form of the Notes'' below), they will only be printed and issued in the Minimum Denomination. In these circumstances, a Noteholder holding Notes having a nominal amount which cannot be represented by a definitive Note in the Minimum Denomination will not be able to receive a definitive Note in respect of such Notes and will not be able to receive interest or principal in respect of such Notes. Furthermore, as specified under Condition 15, at any meeting of Noteholders while the Notes are represented by a Global Note any vote cast shall only be valid if it is in respect of the Minimum Denomination and no vote may be cast in respect of any smaller nominal amount.

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Legal investment considerations may restrict certain investments

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

Interests of the Dealers

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

DOCUMENTS DEEMED TO BE INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been approved by the Financial Services Authority or filed with it shall be deemed to be incorporated in, and to form part of, this Prospectus (provided, however, that prior to the Implementation Date, such incorporated documents do not form part of the Listing Particulars):

(a) the audited annual financial statements for the financial years ended 31st December, 2003 and 31st December, 2004 of each of Vattenfall Treasury and the Parent; and

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

save that any statement contained 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 to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

After the Implementation Date, copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and the offices of Citibank, N.A. at 5 Carmelite Street, London EC4Y 0PA. Prior to the Implementation Date, 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 listed on the London Stock Exchange.

Each of Vattenfall Treasury and the Parent will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes. Each of Vattenfall Treasury and the Parent have undertaken to the Dealers in the Programme Agreement (as defined in ''Subscription and Sale'') that they will, prior to the Implementation Date, comply with sections 81 and 83 of the Financial Services and Markets Act 2000 and, on and after the Implementation Date, comply with section 87 of the Financial Services and Markets Act 2000.

FORM OF THE NOTES

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 Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the first paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on and after the Exchange Date. Pursuant to the Agency Agreement (as defined under ''Terms and Conditions of the Notes'' below), the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer(s)) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note without any requirement for certification. The applicable Final Terms will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described therein. For these purposes, ''Exchange Event'' means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the permanent global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

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

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

> ''ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE

LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.''

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

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

APPLICABLE FINAL TERMS

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

[*Date*]

[VATTENFALL TREASURY/VATTENFALL AB]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by VATTENFALL AB]
under the U.S.$6,000,000,000
Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 8th June, 2005 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the ''Prospectus Directive''). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of this Prospectus may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A. at 5 Carmelite Street, London EC4Y 0PA, England.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the ''Conditions'') set forth in the Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the ''Prospectus Directive'') and must be read in conjunction with the Prospectus dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*current date*] and [*original date*]. Copies of such Prospectuses are available for viewing at Citibank, N.A. at 5 Carmelite Street, London EC4Y 0PA, England and copies may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A. at 5 Carmelite Street, London EC4Y 0PA, England.

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

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

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

1.	(a)	Issuer:	[Vattenfall Treasury AB/Vattenfall AB]
	(b)	[Guarantor:	[Vattenfall AB]

2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount:	
	(a)	[Series:	[ ]
	(b)	[Tranche:	[ ]
	(c)	[the Aggregate Nominal Amount of Notes issued has been translated into U.S.$ [ ], producing a sum (for Notes not denominated in U.S.$) of:	U.S.$ [ ]]
5.	(a)	[Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.		Specified Denominations:	[ ] [ ] (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.*
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[ ]
8.		Maturity Date:	[*Fixed rate — specify date/* *Floating rate* — Interest Payment Date falling in or nearest to [*specify month*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [*specify other*] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] *(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply and a Supplemental Prospectus will be prepared.)*

11.	Change of Interest Basis or Redemption/ Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a)	Status of the Notes:	[Ordinary/Subordinated]
	(b)	[Status of the Guarantee:	[Unsubordinated/Subordinated]]
	(c)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
14.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s):	[ ] per [ ] in Nominal Amount
	(d)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
	(e)	Day Count Fraction:	[Actual/Actual (ISMA) or 30/360 or [ ] *specify other*]
	(f)	Determination Date(s):	[ ] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ISMA)*]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day

		Convention/ Preceding Business Day Convention/ [*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ]. (*Either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/360 30/360 30E/360 *Other*] (*See Condition 5 for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum

(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	(*Consider applicable day count fractions if not U.S. dollar denominated*)
(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 7(e)(iii) and 7(j) apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
18. Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent responsible for calculating the interest due:	[ ]
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Interest Period(s):	[ ]
(e)	Specified Interest Payment Dates:	[ ]
(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]
19. Dual Currency Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(b)	Calculation Agent, if any, responsible for calculating the interest payable:	[ ]
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]

(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
21.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] Specified Denomination
(c)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
22.	Final Redemption Amount of each Note:	[ ] per Note of [ ] Specified Denomination /*specify other*/see Appendix] *(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply and a Supplemental Prospectus will be prepared.)*
23.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice/ only upon an Exchange Event]]

		[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date or specified number of days' notice] (*Ensure that this is consistent with the wording in the ''Form of the Notes'' section in the Prospectus and the Notes themselves*)
25.	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 16(c) and 18(g) relate*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable*give details. N.B. a new form of Temporary Global Note and/or permanent global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	
	(a) [Instalment Amount(s):	[Not Applicable/*give details*]
	(b) [Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable (*if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)
30.	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute ''significant new factors'' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of relevant Dealer:	[*Name*]
33.	Whether TEFRA D applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/give details]
35.	**LISTING**	
	(i) Listing:	[London/Luxembourg/other (*specify*)/None]
	(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]

(iii) Estimate of total expenses related to admission to trading: [ ]

[LISTING AND ADMISSION TO TRADING APPLICATION

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

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By: .....
Duly authorised

[Signed on behalf of the Guarantor:

By: .....
Duly authorised]

PART B — OTHER INFORMATION

1. RATINGS

The Notes to be issued have been rated:

[S & P: [ ]]
[Moody's: [ ]]
[[Other]: [ ]]

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

[2. NOTIFICATION

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

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

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

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

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

(See ''Use of Proceeds'' wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

[(b)] Estimated net proceeds: [ ]

If proceeds are intended for more than one use will need to split out and present in order or priority. If

proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(c)] Estimated total expenses: [ ]. *[Include breakdown of expenses]*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (b) and (c) above where disclosure is included at (a) above.)

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: [ ]

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

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING *(Index-Linked Notes only)*

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

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

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

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

8. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a series of Notes issued by Vattenfall AB (the ''Parent'') or Vattenfall Treasury AB (''Vattenfall Treasury'' and, together with the ''Parent'', the ''Issuers'' and each an ''Issuer'') constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the ''Trust Deed'') dated 5th July, 1994 made between Vattenfall Treasury, the Parent in its capacity as both an Issuer and as guarantor of Notes issued by Vattenfall Treasury and The Law Debenture Trust Corporation p.l.c. (the ''Trustee'', which expression shall include any successor as trustee). References herein to the ''Notes'' shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note. The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the ''Agency Agreement'') dated 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 Final Terms), the other paying agents named therein (together with the Agent, the ''Paying Agents'', which expression shall include any additional or successor paying agents) and the Trustee.

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

Definitive Notes repayable in instalments have receipts (''Receipts'') for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are attached hereto or endorsed hereon and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note.

References herein to the applicable ''Final Terms'' are to the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

The Trustee acts for the benefit of the holders of the Notes (the ''Noteholders'', which expression shall, in relation to any Notes represented by a global Note, be construed as provided below), the holders of the Receipts (the ''Receiptholders'') and the holders of the Coupons (the ''Couponholders'', which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, ''Tranche'' means Notes which are identical in all respects (including as to listing) and ''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 and the Agency Agreement (which contains the form of the Final Terms) are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 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. Copies of the applicable Final Terms may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank N.A. at 5 Carmelite Street, London EC4Y 0PA, England save

that Final Terms relating to Notes neither listed on a stock exchange nor admitted to trading on any market will only be available for inspection or obtainable by a Noteholder holding one or more such 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 Final Terms which are binding on them.

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

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

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

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

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

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), the Trustee and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

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

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

2. Status of the Notes

(a) Status of the Ordinary Notes

The Ordinary Notes and the relative Receipts and Coupons are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the relevant Issuer and (subject as aforesaid) rank and will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) Status of the Subordinated Notes

The Subordinated Notes and the relative Receipts and Coupons are direct, unsecured and subordinated obligations of the relevant Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the relevant Issuer. The rights of the holder of any Subordinated Note and the relative Receipts and Coupons shall, in the event of bankruptcy or liquidation of the relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.

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

3. Guarantee

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

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

4. Negative Pledge

(a) Negative Pledge in relation to Ordinary Notes

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

(ii) So long as any of the Ordinary Notes issued by Vattenfall Treasury remains outstanding, the Parent shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future Securities of itself or another (or to secure any guarantee or indemnity in respect thereof) without in any such case at the same time according to all amounts payable under the Guarantee either the same security as is granted to or is outstanding in respect of such Securities (or such guarantee or indemnity in respect thereof) or such other security as the Trustee shall in its sole discretion deem not materially less beneficial

to the interests of the Ordinary Noteholders or as shall be approved by an Extraordinary Resolution of the Ordinary Noteholders.

(iii) As used in this Condition 4*(a)*, ''Securities'' means any loan or other indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are or are to be quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

(b) Negative Pledge in relation to Subordinated Notes

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

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

5. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions, ''Day Count Fraction'' means in respect of the calculation of an amount of interest in accordance with this Condition 5*(a)*:

(i) if ''Actual/Actual (ISMA)'' is specified in the applicable Final Terms:

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

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

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

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

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

(iii) if ''30E/360'' or ''Eurobond Basis'' is specified in the applicable Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period unless, in the case of a relevant period ending on (but excluding) the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

In these Terms and Conditions:

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

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

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

(i) Interest Payment Dates: Each Floating Rate Note and Index Linked Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

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

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

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

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

(1) in any case where Specified Periods are specified in accordance with Condition 5*(b)(i)*(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

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

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

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

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

(iii) *ISDA Determination:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph *(iii)*, ''ISDA Rate'' for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the ''ISDA Definitions'') and under which:

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

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

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

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

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

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

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

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

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

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

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

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

(vi) Determination of Rate of Interest and Calculation of Interest Amounts: The relevant Issuer or its Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination (each an ''Interest Amount'') for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent (if not the Agent) will notify the Agent of the Rate of Interest and the Interest Amount due for the relevant Interest Period as soon as practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

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

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

(iv) if ''30/360'' or ''Bond Basis'' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or

31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(v) if ''30E/360'' or ''Eurobond Basis'' is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

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

(vii) *Notification of Rate of Interest and Interest Amount:* The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression ''London Business Day'' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

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

(ix) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 5*(b)*, whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Notes

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

(d) Partly Paid Notes

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

(e) Accrual of Interest

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

(a) Method of Payment

Subject as provided below:

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

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) Presentation of Notes, Receipts and Coupons

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

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

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Redemption Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon any Fixed Rate Note in definitive form (other than a Fixed Rate Note which is also an Index Linked Redemption Note) becoming due and repayable prior to its Maturity Date, all unmatured

Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

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

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

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

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

(d) Interpretation of Principal and Interest

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

(i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

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

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

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

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

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or a Dual Currency Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of 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 Final Terms, the relevant Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

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

(which notices shall be irrevocable), redeem all or some only, as specified in the applicable Final Terms, of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (''Redeemed Notes'') will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the ''Selection Date''). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of all Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the lowest Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph *(c)* and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part) such Note on the relevant Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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

(e) Early Redemption Amounts

For the purpose of paragraph *(b)* above and Condition 10, the Notes will be redeemed at an amount (the ''Early Redemption Amount'') determined or calculated as follows:

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

(ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is so set out, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the Amortised Face Amount'') equal to the sum of:

  (A) the Reference Price; and

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

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (I) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (II) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (in either case) on such other calculation basis as may be specified in the applicable Final Terms.

(f) Instalments

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

(g) Partly Paid Notes

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

(h) Purchases

The relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at

any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury), surrendered to any Paying Agent for cancellation. If purchases are made by tender, tenders must be available to all Noteholders alike.

(i) Cancellation

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

(j) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph *(a)*, *(b)*, *(c)* or *(d)* above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph *(e)*(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

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

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 14 or individually.

8. Taxation

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

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

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

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

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to 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) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive 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.

In addition, the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6*(b)*. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

14. Notices

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

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

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or

Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

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

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

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

16. Further Issues

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

17. Enforcement

The Trustee may at its discretion and without further notice take such proceedings against the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) as it may think fit to enforce the obligations of the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) under the Trust Deed and the Notes, Receipts and Coupons, but it shall not be bound to

take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-fifth in nominal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

18. Substitution

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

19. Indemnification

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

20. Contracts (Rights of Third Parties) Act 1999

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

21. Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2*(b)* and the final two sentences of Condition 3 are governed by, and shall be construed in accordance with, Swedish law.

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

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

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office for the time being (being at 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 Law Debenture Corporate Services Limited ceasing so to act they will appoint such other person as the Trustee may approve as their agent for service of process.

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF VATTENFALL TREASURY

Incorporation and business

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

Vattenfall Treasury has responsibility for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Group. Vattenfall Treasury is also responsible for co-ordinating the Group's internal banking and cash-management activities. At present Vattenfall Treasury serves as an internal bank for the group companies in the Nordic countries. Group cash pools, administered by Vattenfall Treasury, are established in Sweden and Finland. 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 Vattenfall Treasury's issues of debt securities to be guaranteed by the Parent.

For the Group's activities in the market, Vattenfall Treasury have established a Swedish Commercial Paper Programme for a maximum amount of SEK 15,000 million and a Euro-Commercial Paper Programme of U.S.$1,000 million. Further a U.S. Commercial Paper Programme of U.S.$2,000 million is established through a United States subsidiary of the Parent, Vattenfall Treasury Inc., incorporated in Delaware. However, Vattenfall Treasury AB manages all activities under that programme. Vattenfall Treasury has also 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 December 2009.

Management

Board of Directors

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

Deputy Member

Anders Lidefelt	Deputy Member and President of Vattenfall Treasury AB

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

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

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, 2005 extracted from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31st March, 2005.

	Sw GAAP 31st March, 2005 SEK (thousand)
Equity	
Issued share capital	500
Total issued share capital	500
Long-term interest-bearing debt	
Medium-term notes	37,166,763
Amounts owed to financial institutions	456,900
Amounts owed to group companies	28,441,275
Other long-term interest-bearing debt	0
Total long-term interest-bearing debt	66,064,939
Short-term interest-bearing debt	
Medium-term notes	2,605,186
Commercial paper	(21,215)
Amounts owed to financial institutions	1,344,077
Amounts owed to group companies	4,459,173
Total short-term interest-bearing debt	8,387,221
Total Capitalisation and Indebtedness	74,452,660

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

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

(3) As at 31st March, 2005, Vattenfall Treasury has no material contingent liabilities and has given no material guarantees.

Save as disclosed above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of Vattenfall Treasury since 31st March, 2005.

SUMMARY FINANCIAL INFORMATION OF VATTENFALL TREASURY

The following summary financial information of Vattenfall Treasury has been extracted without material adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2003 and 2004 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31st March, 2005.

	Sw GAAP 31st March, 2005 SEK (thousand)	*Sw GAAP 31st December, 2004 SEK (thousand)*	*Sw GAAP 31st December, 2003 SEK (thousand)*
Total assets	76,192,446	73,902,720	67,275,251
Current liabilities	8,387,221	8,110,593	55,569,995
Long-term liabilities	66,064,939	64,255,207	10,016,601
Non-interest bearing liabilities	1,004,683	878,208	974,216
Untaxed reserves	96,539	96,539	152,574
Shareholders equity	639,064	562,173	561,865
Operating profit	106,793	231,222	188,599
Appropriations	0	56,035	440
Taxes	(29,902)	(80,345)	(52,796)
Net profit for the period/year	76,891	206,912	136,243

INCOME STATEMENT OF VATTENFALL TREASURY

The following income statement of Vattenfall Treasury has been extracted without material adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2003 and 2004 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31st March, 2005.

	Sw GAAP 1st January, 2005 to 31st March, 2005 SEK (thousand)	*Sw GAAP 1st January, 2004 to 31st December, 2004 SEK (thousand)*	*Sw GAAP 1st January, 2003 to 31st December, 2003 SEK (thousand)*
Interest income	702,504	2,847,185	3,173,990
Interest expense	(594,956)	(2,578,746)	(2,962,256)
Net currency income/expense	6,390	(1,143)	11,971
Gross profit/loss	113,938	267,296	223,705
Personnel costs	(4,671)	(23,331)	(24,325)
Other external costs	(2,410)	(12,443)	(10,014)
Depreciation	(64)	(300)	(767)
Operating profit/loss	106,793	231,222	188,599
Appropriations	0	56,035	440
Profit/loss before tax	106,793	287,257	189,039
Tax	(29,902)	(80,345)	(52,796)
Net profit/loss for the period/year	76,891	206,912	136,243

BALANCE SHEET FOR VATTENFALL TREASURY

The following balance sheet of Vattenfall Treasury has been extracted without material adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31st December, 2003 and 2004 and from Vattenfall Treasury's unaudited financial accounts in respect of the three months ended 31st March, 2005.

	Sw GAAP 31st March, 2005 SEK (thousand)	*Sw GAAP 31st December, 2004 SEK (thousand)*	*Sw GAAP 31st December, 2003 SEK (thousand)*
ASSETS			
Fixed assets			
Tangible assets			
Equipment	329	393	693
Financial assets			
Receivables from group companies	66,508,501	66,242,512	60,057,840
Receivables from associated companies	37,450	37,450	37,450
Total fixed assets	66,546,280	66,280,355	60,095,983
Current assets			
Receivables			
Accounts receivable	6	0	94
Receivables from group companies	510	105	649
Income tax receivables	0	870	28,576
Other receivables	11	2,138	740
Prepaid expenses and accrued income	194,215	114,556	102,231
	194,741	117,668	132,290
Investments	8,263,163	7,315,298	6,745,123
Cash and bank balances	1,188,261	189,399	301,855
Total current assets	9,646,166	7,622,365	7,179,268
Total Assets	76,192,446	73,902,720	67,275,251
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	561,573	354,661	425,022
Net profit/loss for the year	76,891	206,912	136,243
	638,464	561,573	561,265
Total equity	639,064	562,173	561,865
Untaxed reserves	96,539	96,539	152,574
Liabilities			
Interest-bearing liabilities			
Commercial paper	(21,215)	(112,150)	1,565,327
Medium-term notes	39,771,949	40,378,684	44,119,038
Loans from credit institutions	1,800,977	2,902,837	3,586,831
Liabilities to group companies	32,900,448	29,196,429	15,834,126
Other interest-bearing liabilities	0	0	481,274
Total interest-bearing liabilities	74,452,160	72,365,800	65,586,596
Non-interest-bearing liabilities			
Accounts payable	579	1,723	921
Liabilities to group companies	303,710	303,710	205,800
Income tax liabilities	28,792		
Accrued expenses and deferred income	670,515	572,235	746,331
Other current liabilities	1,086	540	21,164
Total-non-interest-bearing liabilities	1,004,683	878,208	974,216
Total liabilities	75,456,842	73,244,008	66,560,812
Total Equity and Liabilities	76,192,446	73,902,720	67,275,251
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 under the name Vattenfall Aktiebolag in November 1990 with the registered office at Jämtlandsgatan 99, 162 87 Stockholm, Sweden and telephone number +46 8 739 50 00. The national high-voltage grid, together with its international connections, which was part of Statens Vattenfallsverk's operations, was not transferred but was demerged and incorporated into a new public utility, Svenska Kraftnät. With effect from 1st January, 1995, the Parent became a public limited company.

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

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

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

In Germany, Finland and Sweden, network-pricing models are currently being developed. In Sweden, a calculation model, the 'Performance Assessment Model', has been developed. This model estimates the benefit to the consumer and, in accordance with the model, a reasonable cost for the network area in question. This cost is then used as the basis by the regulator when evaluating a company's network tariffs. In Finland, a new regulatory network-pricing model was introduced in January 2005.

In Germany, the government has decided on the main matters of the network regulations within the scope of the new energy law (EnWG). Until now, the market players in the German electricity market have been self-regulating forming the rules themselves, which has made it difficult to achieve transparency in network tariffs. Regulation is expected to be implemented by the turn of the half-year 2005. A shift towards some form of incentive model is to take place within a two-year transition period which begins at the time of implementing the regulation.

In Poland, important steps towards a deregulated market have been taken with the establishment of an independent network operator, PSE Operator, which is a subsidiary of the Polish national grid operator PSE. The next step in the Polish deregulation process involves, among other things, regional distribution companies, which must separate distribution and sales activities by July 2007.

The EU's influence in shaping the new European electricity market has increased progressively during recent years. In order to reduce emissions that produce the so-called greenhouse effect, the EU is introducing a system for trading in greenhouse gas emissions. The system came into effect in January 2005, and initially covers only carbon dioxide. The basic mechanism of the system is that all incinerators over a certain size must have the number of emission allowances corresponding to their carbon dioxide emissions, and that these allowances can be traded within the entire EU. Each EU country has an emission budget in accordance with the so-called burden sharing agreement of the EU's undertakings in the Kyoto protocol. This requires EU member states to reduce their total greenhouse gas emissions by 8 per cent. before 2012 compared with emissions in 1990.

Each country has appointed an authority that allocates emission allowances to the operators participating in the system. The principles for allocation are decided within each member state in compliance with the EU rules on government subsidies and competition. In almost all EU countries there will be a shortage of emission allowances. Year by year, the allocation will be reduced in accordance with the agreed emission reductions. As their scarcity increases, the market price of emission allowances will rise. Operators of plants will always have to weigh up the option of buying emission allowances or taking physical measures to reduce emissions. In this way, physical measures

will be steered towards where they are most cost-effective. The price of emission allowances will be determined by their scarcity, that is, the collective reduction of emissions in accordance with the EU's emission budget, and the costs of achieving these reductions. Estimations of the future prices for emission allowances vary greatly. The price of emission allowances will affect the price of electricity. According to the Parent's calculations, an emission allowance price of EUR 5/ton will equate to an increase in the electricity price of EUR 2–3/MWh. If the price is EUR 10/ton, the increase will instead be EUR 4–7/MWh.

The national allocation plans of the Nordic countries have been approved by the EU. Since the Group's generation mix in the Nordic countries primarily consists of carbon dioxide free hydropower and nuclear power, the Group does not need any emission allowances for this generation. However, the Group's heat operations generate certain levels of carbon dioxide emissions. In accordance with the Swedish allocation plan, the Group has not been given emission allowances for these operations full out and must therefore purchase such allowances in the market.

The EU has established a goal that by 2010, 12 per cent. of EU's energy shall stem from renewable energy sources, compared with 6 per cent. in 1997. The equivalent figure for electricity generation is 22.1 per cent. by 2010, compared with 13.9 per cent. in 1997.

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 provided for by the market and financed by the end-customers. An operator that generates electricity from renewable energy sources (primarily wind power, bio fuel and small-scale hydro power) receives green certificates for such generation from the government. The operator may sell the certificates, thus receiving revenue that supports renewable electricity production. Each electricity supplier is obligated to purchase a certain quantity of certificates connected to electricity consumption. Green Certificates are purchased on the account of the customers by the electricity suppliers, which pass on the cost to their customers. The goal is to increase total generation from renewable energy sources in Sweden to 10 TWh by 2010.

The Group's assessment is that this goal can be reached by the middle of the next decade. This new production can be expected to comprise equal parts wind power and bio fuel-fired generation within industry and combined power and heating plants. The Group, for example, has taken its first step towards this goal with the planning of the wind power park at Lillgrund, estimated to produce 300 GWh of electricity at a total cost of SEK 1.5 billion.

During recent years the Group 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 (measured by heat output, the Parent's own calculations). In Germany, the Group is the third largest electricity generator (measured by generated TWh, the Parent's own calculations). The Group provides energy — primarily electricity and district heat — and energy-related products and services to approximately 5.8 million customers in the Nordic countries, Germany and Poland. In 2004 the Group had an electricity and heat output of about 167 (for 2003: 156) TWh and 35 (for 2003: 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 Parent, through its unit Vattenfall Trading Services, and the German subsidiary, Vattenfall Europe Trading GmbH, are currently market makers on Nord Pool ASA 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 stock exchange in Frankfurt. 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 the Group's Nordic business activities. Electricity generation amounted to 75.5 (for 2003: 74.6) TWh and

district heating amounted to 15.5 (for 2003: 15.7) 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 2004, net assets amounted to SEK 58.4 (for 2003: 62.2) billion and the number of employees was 20,864 (for 2003: 21,719).

In Poland the Group produces electricity and heat through the company Elektrocieplownie Warszawskie S.A. (''EW''), in which it owns a 75 per cent. stake, after acquisition of an additional 4.9 per cent. of the shares during 2004. The company has five combined heat and power plants in Warsaw, making the Group the seventh largest producer in the Polish market (measured by generated TWh, the Parent's own calculations). EW is a market leader in district heating in Poland with an annual output of about 11.4 TWh of heat, which means a market share of 27 per cent. In connection with heat production, 3.2 TWh of electricity is also produced per year. Distribution and sales are conducted through the company Gornoslaski Zaklad Elektroenergetyczny S.A. (''GZE''), of which the Group, as from February 2004, owns a stake of 75 per cent. GZE has about 1.1 million network customers in southern Poland, which makes the Group the sixth largest network operator in the Polish market (measure by number of customers, the Parent's own calculations). GZE also sells electricity to over 1.1 million customers. At the end of 2004 net assets in Poland amounted to SEK 7.187 (for 2003: 6.270) billion and the number of employees was 3,309 (for 2003: 4,935).

Pensions

The Group's pension obligations in the Group's Swedish and German companies are predominantly defined benefit pension commitments. The concerned pension plans are primarily retirement pensions, disability pensions and family pensions. The assets in these funds, the investment assets, are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans. The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer organisations and labour organisations. Almost all employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP-Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are secured in a Pension Foundation, through provisions in the balance sheet or insurance premiums.

The Group's commitments for retirement pensions and family pensions for office employees in Sweden, secured through an insurance policy from Alecta, are not reported in accordance with the Swedish Financial Accounting Standards Council's recommendation RR29. According to a statement issued by the Swedish Financial Accounting Standards Council's emerging issues task force, URA 42, this plan is a defined benefit plan encompassing several employers. For the 2004 financial year, the Parent has not had access to such information as to make it possible to report this plan as a defined benefit plan. The ITP pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined contribution plan. Fees for the year for pension insurance policies from Alecta amount to SEK 127 (for 2003: 123) million. Alecta's profit can be distributed between the policyholders and/or the insured parties. At the end of 2004, Alecta's profit in the form of the so-called collective consolidation level amounted to 128 per cent. (for 2003: 120) per cent. The collective consolidation level comprises the fair value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's insurance calculation principles and assumptions, which are not in compliance with RR 29.

The pension plans in Germany are based on collective agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany for employees of the companies Bewag and HEW. Bewag's pension plan is financed through Pensionskasse der Bewag, a mutual insurance company. This plan is financed through funds from Bewag and its employees. In the accounts, these commitments are treated as defined contribution plans. For employees who began their employment before 1st January, 1984, there is a transitional agreement providing employees working until retirement age with a pension equal to up to 80 per cent. of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Bewag's obligations encompass the entire pension commitment. The investment assets attributable to personnel employed since before 1st January, 1984 are reported as investment assets at market value. Pension commitments for HEW employees are mainly comprised of the company's commitments to personnel employed before 1st April, 1991 and who have been employed for at least 10 years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65 per cent. of the salary on which the pension is based.

As of 2004, the Group applies the Swedish Financial Accounting Standards Council's recommendation RR29 on employee benefits, which for all intents and purposes complies with IAS 19 — Employee Benefits. Through the application of RR29, the defined benefit pension plans of all Group companies are reported according to the same principles. To this end, the pension plans are calculated on an actuarial basis in accordance with the Projected Unit Credit Method. The total effect of the transition is SEK 1,265 million and this has been reported as an increase in pension provisions. The change in accounting principle has entailed a reduction in non-restricted consolidated equity of SEK 670 million after taking into account deferred tax and minority interests. Actuarial gains and losses are taken up as income and expenses respectively and evenly distributed over the employees' remaining employment periods to the extent that the total gain or loss for a particular pension plan falls outside a corridor equal to 10 per cent. of the greater of the pension commitment and the fair value of the investment assets for each individual plan.

The total pension provision was SEK 16,450 (for 2003: 14,946) million at year-end 2004. The total pension costs in 2004 were SEK 1,644 million.

RECENT ACTIVITIES

Nordic Countries

- On 7th June, 2005, it was announced that Vattenfall Treasury is exploring the feasibility of raising hybrid capital by issuing undated subordinated notes backed by a guarantee from the Parent under documentation other than the Programme. If this contemplated capital market transaction was to be concluded the capitalisation of the Group would change since the capital raised would be expected to be accounted for as equity under IFRS.
- In April 2005, the Parent acquired an approximately 35.3 per cent. stake in the Danish electricity utility Elsam A/S for DKK 8.5 billion. After discussions with the other major shareholder of Elsam A/S Danish Olie & Naturgas A/S (''Dong''), the Parent and Dong entered into an agreement on 1st June 2005 under which the Group will establish a significant presence in the combined heat and power and wind power sectors in Denmark. According to the agreement, the Parent will take over approximately 24 per cent. of the generation capacity of Elsam A/S and Energi E2 A/S (the Avedöre II power station, in which the Parent holds 40 per cent., will be transferred to Energi E2 A/S). In exchange for these assets, Dong will take over the Parent's 35.3 per cent. holding in Elsam. The Group will take over the Nordjyllandsværket power plant in Ålborg, the Fynsverket plant in Odense and the Amagerverket plant in Amager, as well as plants in Helsingör and Hilleröd. These power plants are both coal- and gas-fired. The Group will also take over Elsam A/S's on-shore wind power assets and 60 per cent. of the Horns rev wind farm as well as some wind power assets in Germany and U.K. The agreement is subject to the approval of all the transactions involved by the competition authorities and requires the approval at the Annual General Meetings of the companies concerned.
- In May 2005, the Parent acquired Sweden Offshore AM and Östersjöns Vindkraft AB, enabling the Parent to build northern Europe's potentially largest wind farm. Total investment required is estimated by the Parent to be approximately SEK 8 billion. Completion of the farm is expected in 2010.
- The business units in the Nordic countries were reorganised under Business Group Nordic Countries and the Group is now organised into two Business Groups; one for the Nordic countries and one for Continental Europe. Poland remains a separate business unit.
- In October 2004, the Swedish government decided to suspend negotiations with the Swedish nuclear power operators regarding the phasing out of nuclear power in Sweden. On 16th December, 2004, the Swedish government decided, supported by Swedish legislation on the phasing out of nuclear power, to revoke the right to operate Barsebäck 2 for the purpose of extracting nuclear power as of the end of May 2005. On 31st May 2005, Barsebäck 2 was closed down. A general agreement entered into to by the Parent, the Swedish State and Sydkraft AB in November 1999 regulates how the Parent is to be compensated. The settlement of the agreement regarding the closure of Barsebäck 2 is still pending. The compensation for the closure of Barsebäck 2 is expected to exceed the Parent's share of the cost for the write down of the assets associated with Barsebäck Kraft AB.
- Availability in the Parent's Swedish nuclear power plants reached record levels in 2004. Nuclear power generation in Sweden increased by 11.6 per cent. compared to 2003.

- The Parent acquired Örestads Vindkraftpark AB and plans to build a large offshore wind power park in Öresund, off the coast of Skåne in the south of Sweden, with an investment of SEK 1.5 billion.
- A decision was made to integrate the three Nordic business units Sales Sweden, Sales Finland and MEGA into a single new unit, Sales Nordic Countries.
- A severe storm struck parts of Sweden in the beginning of January 2005. The damage caused by the storm will incur costs by the Parent of around SEK 0.5 billion according to preliminary cost estimates. More than half of this sum consists of the compensation that will be paid to customers. The rules for compensation under the Parent's power outage guarantee are very comprehensive. The remainder of the sum refers to costs for repair and reinstatement work.
- The Parent was the first Swedish electricity company to discontinue invoicing household customers in arrears for electricity consumed more than one year ago. The Group has continued to invest in remote readable meters in Sweden and Finland. All of the Group's 1.3 million Nordic network customers will have such meters installed. In this way, advance charges can be replaced with invoicing of actual metered electricity consumption. By the end of 2004, 105,000 remote readable meters had been installed.
- The Group runs several comprehensive investment programmes in the Nordic countries, comprising a total of SEK 42 billion over 10 years. The programmes include the following areas:
  - — SEK 10 billion in the distribution of electricity in a five-year investment and maintenance programme to strengthen security of supply. This programme was expanded in 2004 from SEK 8 to 10 billion, primarily to increase disruption prevention measures.
  - — Investments within renewable energy, including the planning of a large offshore wind power facility in Öresund for SEK 1.5 billion. These facilities are estimated to be in operation in 2007.
  - — SEK 18 billion in maintenance investments in nuclear power, planned for a lifetime of at least 40 years, and SEK 6 billion in measures to increase efficiency.
  - — SEK 6 billion in reinvestments for the maintenance of hydro power and improved dam safety over the next 10 years and an additional SEK 0.5 billion to increase generation in hydro power plants in conjunction with the maintenance investments being made.

Germany

- In Germany, additional electricity generation capacity in the amount of 40,000 MW will be required by 2020. The Parent is therefore examining possible power plant investments. Among more feasible projects the Group is considering a combined heat and power plant (CHP) in Hamburg and a lignite fired power plant in eastern Germany, together providing 1,410 MW.
- The considerable expansion of wind power in Germany has led to the need for extensive development in the German electricity networks. The Group has decided to expand the capacity of its high-voltage network by 3,000 MW with an investment of approximately EUR 260 million (approximately SEK 2.3 billion).
- Three district heating plants in Berlin, with a combined capacity of 320 MW, were acquired for about SEK 440 million.
- As of 1st January, 2006, Vattenfall Europe AG intends to transfer the local brands of Bewag and HEW into ''Vattenfall''. Also, it plans to rename the respective companies: Berlin-based BEWAG is to be named ''Vattenfall Europe Berlin'' and HEW will be named ''Vattenfall Europe Hamburg''. Vattenfall Europe AG is the third largest energy company in Germany (measured by generated TWh, Vattenfall's own calculations). By facing the market under a unified German brand Vattenfall Europe AG also helps building a European ''One Vattenfall'' brand.

Poland

- Ownership in the Polish sales and distribution company GZE was increased from 54 per cent. to 75 per cent.
- In Poland an extensive brand campaign was conducted in order to introduce the Vattenfall name to the Polish market and this received much media focus.

Other

- National allocation plans for CO_2 emissions have been submitted to the EU in all of the Group's core markets, with all but Poland's plan being approved by the European Commission. The main concern of the Group is the generation plants in Germany and Poland and the Group has obtained the necessary allowances in both countries for the initial trading period 2005–2007.
- The Group has continued to streamline operations and sold its holdings in A-Train AB, Russian Mosenergo, and the Chinese company Hebei Hanfeng Power Generation, and transferred the peat producing company Härjedalens Miljöbränsle AB to another owner.
- In Sweden, Finland and Germany, the authorities have introduced or are expected to introduce new models for regulating network tariffs.
- The Group has continued consolidation of completed German and Polish acquisitions and the streamlining of operations to the core areas of electricity and heat within the main markets of the Nordic Countries, Germany and Poland. Certain non-core assets have been divested. Growth investments amounted to SEK 4,312 (for 2003: 4,771) million.

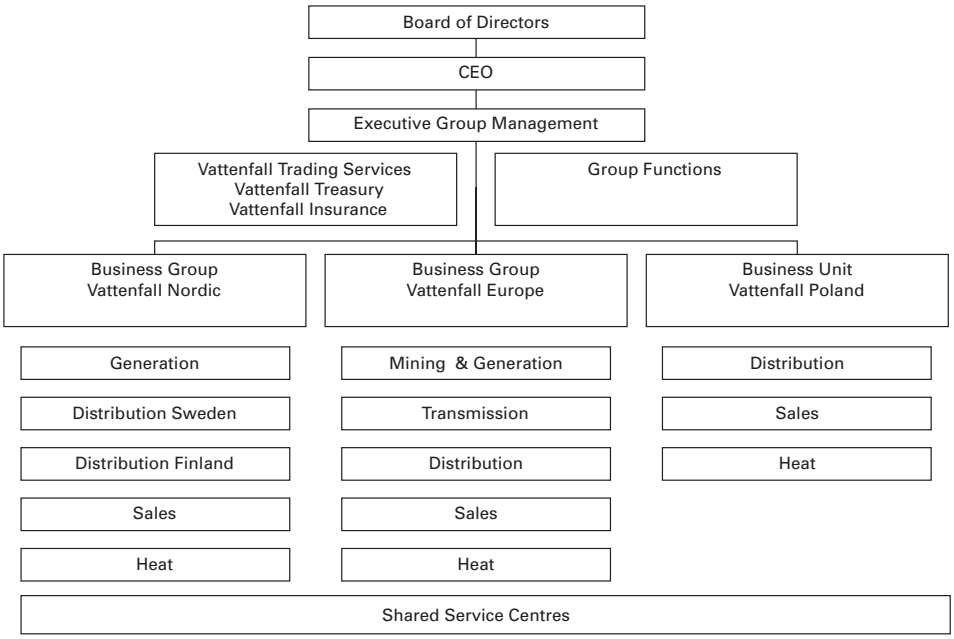
GROUP ORGANISATION AND BUSINESS STRUCTURE

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 Board of Directors' instructions. The Board establishes rules of procedure annually, based on the Rules of Procedure, which the Division for State Enterprises of the Ministry for Industry, Employment and Communications Ownership Unit have issued. The Group's management model is based on a value chain divided into production, electricity trade, 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 consists 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



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

Facts about the Primary Segments (2004)	*Nordic Countries*	*Germany*	*Poland*
Electricity Produced (TWh)	88.4	75.5	3.2
Electricity Production Capacity (MW)	16,878	15,112	928
Electricity Customers	934,235	3,006,271	1,100,127
Electricity Networks (km)	188,000	85,000	27,500
Electricity Transmitted through Networks (TWh)	113.1	28.5	10.6
Network Customers	1,278,310	3,393,000	1,101,477
Heat Produced (TWh)	7.6	15.5	11.4
Heat Production Capacity (MW)	3,523	8,380	4,824
Total Employees (man-years)	8,735	20,864	3,309

Description of the Business Units within the Business Groups

Business Group Vattenfall Nordic Countries

Generation is responsible for the generation business in the Nordic electricity market. The Group generated in the Nordic market a total of 88 TWh in 2004, 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 for spot deliveries of electricity, Nord Pool Spot AS.

Business units **Distribution Sweden** and **Distribution Finland** are responsible for the ownership, operation and maintenance of all electricity networks and for sales of electricity network services in each of the countries, and have a total of about 1.3 million network customers. During 2004, Distribution launched a new network disruption guarantee and also continued installation of remote readable meters, reaching an installation base of 105,000 such meters in total. Distribution sales in Business Group Nordic increased to SEK 8,231 (for 2003: 7,809) million for 2004.

Sales 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.

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. Total sales in 2004 were 5.8 (for 2003: 6.6) TWh.

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

Business Group Vattenfall Germany

Operations are formally conducted through the holding company Vattenfall Europe AG located in Berlin and a number of subsidiaries. However, operational and financial control is carried out through the five business units: Mining & Generation, Transmission, Distribution, Sales and Heat. Since 2003 operations have been structured according to the value chain and follow 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 the generation facilities in the former VEAG, HEW and BEWAG, as well as lignite mining conducted by LAUBAG in Eastern Germany. The Group is the third largest electricity generator in Germany (measured by TWh, Vattenfall's own calculations).

Transmission owns, operates and develops the Group's electricity transmission network business in Germany. The transmission grid in Eastern Germany interfaces with the transmission grids in Eastern and Central Europe. Total length of the grid amounts to 10,000 km. The Group's market position is number two in transmission in Germany (measured by grid length, the Parent's own calculations).

Distribution distributes electricity to about 3.4 million customers in Berlin, Hamburg, West-Mecklenburg and to a lesser extent in Brandenburg and Niedersachsen. 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. The Group's market position is number four in electricity distribution in Germany (measured by number of customers, the Parent's own calculations).

Sales is responsible for sales and marketing of electricity and energy services, excluding heat, to households, commercial, industrial and reselling commercial customers and is the third largest player on the German market with a sales volume in 2004 of 82.3 (for 2003: 87) TWh (Vattenfall's own calculations).

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 2004 the production totalled 15.5 (for 2003: 15.7) TWh, which ranks the Group as number one in Germany (measured by heat output, the Parent's own calculations).

Business unit Poland

Business unit Poland has overall responsibility for all of the Group's business activities in Poland and produces energy through the subsidiary, Elektrocieplownie Warszawskie S.A. (''EW'') in Warsaw. The Parent owns 75 per cent. of EW. Electricity distribution and sales are conducted through the subsidiary, Gornoslaski Zaklad Elektroenergetyczny S.A. (''GZE'') in Upper Silesia in South western Poland. The Parent owns 75 per cent. of GZE.

Distribution of electricity is conducted through the subsidiary GZE. Operations comprise owning, operating and developing the Group's electricity distribution network business.

Sales of electricity are also conducted through GZE with over 1.1 million industrial, commercial and residential customers. Net sales in Poland were SEK 7,427 (for 2003: 7,845) million in 2004.

Heat is produced through EW in Warsaw of which Vattenfall now owns 75 per cent. EW is the largest heating producer in Poland, with a market share of 27 per cent. (measured by TWh, Vattenfall's own calculations). The Group's heat generation in Poland decreased to 11.4 (for 2003: 12.0) TWh in 2004.

Shared Service Centres

The Group's Shared Service Centres provide the Group with, IT, personnel, administrative, real estate and other services, allowing each business area to concentrate on its core operation.

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. The activities on the Nordic market and management of the Nordic production portfolio and trade on the Nordic electricity derivative exchange Nord Pool ASA and related OTC derivative market are carried out from the regional office in Stockholm. Being the nexus for commodities trading within the Group, Vattenfall Trading Services is responsible for the single access to wholesale markets. Vattenfall Trading Services is responsible for the short-term and online optimisation of the Group's power plants in Germany and undertakes logistic tasks such as balance area management and scheduling. Apart from Germany and the Nordic countries, Vattenfall Trading Services' core markets are Poland, the Netherlands and France. In 2004 the trading unit had a turnover of approximately 1,000 TWh in physical and financial power trading. Vattenfall Trading Services is currently also setting up a new trading unit in Poland. The new trading unit in Gliwice (southern Poland) acts according to the business strategy of Vattenfall Trading Services, with a focus on trading, portfolio- and risk management. The operation in Poland will start during early summer 2005. Vattenfall Trading Services has more than 150 employees of which two thirds work in Hamburg.

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 reactor.

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 in 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 2004

The following table sets out the audited figures for net sales and operating profit/loss for the years ended 31st December, 2004 and 2003 broken down by profit areas:

	Net Sales		*Operating Profit/loss*	
	2004 (Sw GAAP)	*2003 (Sw GAAP)*	*2004 (Sw GAAP)*	*2003 (Sw GAAP)*
	(SEK million)			
Nordic Generation	25,174	29,531	8,888	6,266
Market Nordic	20,286	24,994	222	369
Nordic Heat	2,963	2,868	353	348
Nordic Distribution	8,231	7,809	2,317	2,131
Services Nordic	3,103	3,042	166	100
Other Business Nordic	1,592	1,855	(403)	(690)
Eliminations Nordic	(20,555)	(27,585)	—	11
Germany	66,761	63,974	7,487	6,318
Poland	7,427	7,845	589	443
Eliminations	(1,616)	(2,398)	(12)	—
Total	113,366	111,935	19,607	15,296

	Operating Profit/loss (Sw GAAP)	
	2004	*2003*
Financial income and expenses — net (SEK million)	(2,248)	(2,936)
Profit before tax and minority interests (SEK million)[1]	17,359	12,360
Taxes (SEK million)	(5,011)	(2,831)
Net Profit (SEK million)	11,776	9,123
Pre-tax interest cover (times)[2]	5.3	3.4
Pre-tax profit margin (per cent.)[3]	15.3	11.0
Operating profit expressed as a percentage of net sales (operating margin), per cent.	17.3	13.7

Notes:

(1) Profit before tax and minority interests to SEK 16,542 (for 2003: SEK 12,082) million after items affecting comparability.

(2) Return on equity was 22.4 (for 2003: 20.2) per cent. Net profit for the year excluding items affecting comparability amounted to SEK 11,230 (for 2003: 8,944) million.

(3) The pre-tax profit margin, excluding items affecting comparability was 14.6 (for 2003: 10.8) per cent.

Net sales increased by 1.3 per cent. to SEK 113,366 (for 2003: 111,935) million. The sales figure does not include financial electricity trading. Operating costs decreased by 3.2 per cent. to SEK 94,131 (for 2003: 97,293) million. The lower costs are explained by lower costs for the purchase of electricity resulting from lower market prices and rationalisation measures. Depreciation increased by 3.8 per cent. to SEK 14,880 (for 2003: 14,336) million. Negative goodwill has been dissolved in the gross profit in the amount of SEK 3,034 (for 2003: 4,754) million, attributed to losses and restructuring costs in acquired German companies. Participations in the results of associated companies amounted to SEK —754 million compared with SEK 580 million in 2003, primarily as a result of write-downs of holdings in GASAG and Städtische Werke Kassel and the negative participation in the German Krümmel nuclear power plant. Operating profit increased by 28.2 per cent. to SEK 19,607 (for 2003: 15,296) million. Excluding items affecting comparability, that is, excluding capital gains/losses from shareholdings and other fixed assets, operating profit increased by 25.0 per cent. to SEK 18,788 (for 2003: 15,033) million. The improvement is explained by larger volumes in Nordic electricity generation, successful consolidation and integration programmes in Germany and Poland and advantageous hedging outcomes (electricity generation hedges). During the year, a detailed review was made of provisions and asset valuations in the German Group companies. On the whole, the review has not entailed any significant effect on net profit. Net financial items amounted to SEK —2,248 (for 2003: —2,936) million, an improvement of 23.4 per cent. compared with 2003. The improvement is primarily due to lower interest rates on loans and reduced debt volumes. Approximately SEK 300

million is explained by a reduction in the interest rate on loans from the minority owned German nuclear power companies, which was, however, offset by a corresponding negative impact on operating profit for Business Group Germany. Net interest items amounted to an average of SEK —200 (for 2003: —275) million a month. Interest income totalled SEK 1,030 (for 2003: 1,162) million and interest expense totalled SEK 3,431 (for 2003: 4,460) million. Taxes increased by SEK 2,180 million to SEK 5,011 (for 2003: 2,831) million. The tax rate, according to the income statement, amounted to 28.9 (for 2003: 22.9) per cent. The increase is due to an exceptionally low tax burden in 2003 due to the utilisation of tax loss carry-forwards in Germany. Net profit increased by 29.1 per cent. to SEK 11,776 (for 2003: 9,123) million. Excluding items affecting comparability, net profit increased by 25.6 per cent. to SEK 11,230 (for 2003: 8,944) million. Return on net assets amounted to 15.9 (for 2003: 12.3) per cent. Excluding items affecting comparability, return on net assets amounted to 15.2 (for 2003: 12.1) per cent. Return on equity amounted to 22.4 (for 2003: 20.2) per cent. Excluding items affecting comparability, return on equity amounted to 21.4 (for 2003: 19.8) per cent. Viewed over a four-year period, the return, excluding items affecting comparability, amounts to 17.2 (for 2003: 13.8) per cent., which exceeds the 15 per cent. requirement set by the Parent's owner, the Swedish State.

Financial Analysis For The Three Months Ended 31st March, 2005, IFRS (Unaudited)

The following financial analysis is extracted without material adjustment from the Group's unaudited Interim Report for the first quarter of 2005 which was prepared in accordance with IFRS.

For the period 1st January, 2005 to 31st March, 2005, net sales amounted to SEK 35,036 million (SEK 31,810 million for the period 1st January, 2004 to 31st March, 2004). Operating profit (EBIT) increased to SEK 9,219 (for 2003: 7,641) million during the same period. The increase in net sales SEK 3,226 million and profit SEK 1,578 million is primarily a result of higher market prices in Germany.

Poland also reports improved operating profit, an improvement, however, that is mostly due to exchange rate effects. Operating profit for the Nordic Countries remained unaltered on a satisfactory level.

Net sales and operating profit/loss for the period 1st January to 31st March, 2005 and 2004, broken down by Primary and Secondary Segments in figures below are extracted from the Group's unaudited Interim Reports:

Primary Segments

	Net Sales		*Operating Profit (EBIT)*	
	1st January to 31st March		*1st January to 31st March*	
	2005 (IFRS)	*2004 (IFRS)*	*2005 (IFRS)*	*2004 (IFRS)*
	(SEK million)		*(SEK million)*	
Nordic Countries	11,919	11,731	4,677	4,679
Germany	31,099	25,168	4,327	2,704
Poland	2,524	2,198	375	319
Other	12,534	9,689	(160)	(61)
Eliminations	(23,040)	(16,976)		
Total	35,036	31,810	9,219	7,641

Secondary Segments

	Net Sales		Operating Profit (EBIT)	
	1st January to 31st March		1st January to 31st March	
	2005 (IFRS)	2004 (IFRS)	2005 (IFRS)	2004 (IFRS)
	(SEK million)		(SEK million)	
Electricity Generation	14,145	13,616	5,257	4,363
Electricity markets	17,478	16,877	392	(82)
Electricity Networks	15,309	12,835	2,099	2,307
Heat	6,509	5,894	1,807	1,510
Other	1,360	1,249	(336)	(457)
Eliminations	(19,765)	(18,661)		
Total	35,036	31,810	9,219	7,641

Operating expenses amounted to SEK 27,630 million, which is an increase of SEK 3,171 million compared with the same period of the previous year. The increase is mainly due to increased market prices from electricity purchased in Germany. The cost of products sold increased by SEK 3,378 million and the selling expenses, research and development costs and administrative expenses decreased by SEK 207 million.

Depreciation amounted to SEK 3,427 million (compared to SEK 3,537 million for the same period in 2004).

	1st January to 31st March	
	2005 (IFRS)	2004 (IFRS)
Financial income and expenses — net (SEK million)[1]	402	863
Profit before tax and minority interests (SEK million)	8,817	6,778
Taxes (SEK million)	(3,112)	(1,885)
Net Profit (SEK million)	5,279	4,525
Interest cover (times) excl. items affecting comparability	12.1	7.4
Pre-tax profit margin (per cent.) excl. items affecting comparability	25.1	22.3
Operating margin, EBIT in relation to net sales, per cent.[2]	26.3	24.0

Notes:

(1) Including discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund.

(2) Operating margin exclusive of items affecting comparability 26.2 (for 2003: 25.0) per cent.

Investments

During 2004, the Group was in a phase of consolidation, which entailed low levels of growth investment. Total investments increased by 11.0 per cent. to SEK 12,601 (for 2003: 11,356) million.

Maintenance investments increased by 25.9 per cent. to SEK 8,289 (for 2003: 6,585) million while growth investments increased by 9.6 per cent. to SEK 4,312 (for 2003: 4,771) million. Maintenance investments break down as follows: 50 per cent. Nordic Countries, 44 per cent. Germany and 6 per cent. Poland. The normal level for maintenance investments is estimated at SEK 7-9 billion per annum.

Growth investments are comprised to 56 per cent. of share acquisitions, of which about SEK 1.5 billion for an increased shareholding in GZE, SEK 440 million for two smaller district heating companies in Berlin and almost SEK 130 million for the purchase of additional shares in Vattenfall Europe AG.

Other growth investments are divided between various objects and installations in the Group. Sales amounted to SEK 2,120 (for 2003: 2,057) million, including SEK 1,216 (for 2003: 789) million in shares.

Divested shares mainly comprised shareholdings in A-Train AB, Russian Mosenergo and Chinese Hebei Hanfeng Power Generation Ltd.

The Parent has as of January 2005 successfully completed the divestment of its 16 per cent. equity position in the Hebei Hanfeng Power Generation Company Ltd in China. The stake was sold to a consortium of Chinese investors. Following the Group's strategic focus on the European power and heat market, the Group has consequently withdrawn from overseas investments. The Group's participation in the Hanfeng plant, based in the province Hebei in northern China, was initially acquired by HEW in 1998 and has been an economically viable investment. HEW became part of the Group in 2001.

The Parent has, as of February 2005, acquired 35.3 per cent. of the shares in the Danish utility Elsam A/S after a purchase offer to a shareholder consortium that represents 67 per cent. of the capital in the company. The purchase sum will amount to approximately DKK 8.5 billion. Subsequent to this acquisition, the Parent has entered into an agreement with DONG, owner of the remainder of shares in Elsam A/S regarding an exchange of electricity assets for the Parent's shareholding in Elsam. Under the agreement, the Parent will receive five coal and gas-fired combined heat and power plants in Denmark, Elsam's on-shore wind power assets and Elsam's 60 per cent stake in the Horns Rev off-shore wind park. In exchange, DONG will receive the Parent's 35.3 per cent stake in Elsam as well as the Parent's stake in the Avedøre II power station in Denmark. The agreement enables the Parent to establish a significant presence in the CHP and wind power sectors in Denmark.

	As at 31st December	
	2004 (Sw GAAP)	*2003 (Sw GAAP)*
	(SEK million)	*(SEK million)*
Acquisition of Group companies	2,433	2,254
Associated companies and other long term holdings of securities	2	414
Tangible fixed assets	9,861	8,554
Intangible fixed assets	305	134
Total	12,601	11,356

	As at 31st March (Extracted from the Group's unaudited Interim Report for the first quarter of 2005)	
	2005 (IFRS)	*2004 (IFRS)*
	(SEK million)	*(SEK million)*
Maintenance investments	1,491	1,161
Growth investments	330	2,102
— of which shares	1	1,731
Total investments	1,821	3,263

Liquidity and Financing

Extract from the Group's Consolidated Cash Flow Statements.

	As at 31st December (Extracted from the Group's audited accounts prepared in accordance with Sw GAAP)	
	2004	*2003*
	(SEK million)	*(SEK million)*
Cash flow from operating activities	23,973	18,191
Cash flow from investment activities	(10,501)	(8,350)
Cash flow from financing activities	(14,845)	(10,329)
Liquid assets	13,616	14,647
Net borrowing	55,411	66,890

	As at 31st March (Extracted from the Group's unaudited Interim Report prepared in accordance IFRS)	
	2005	*2004*
	(SEK million)	*(SEK million)*
Cash flow from operating activities	7,475	7,666
Cash flow from investment activities	(1,711)	(3,086)
Cash flow from financing activities	(3,259)	(4,482)
Liquid assets	15,950	13,028
Net borrowing	51,395	62,916

The Group's financial position continues to improve. Continued strong cash flow and low growth investments have enabled further reductions in borrowings. Net debt was reduced by SEK 4 billion to SEK 51.4 billion compared with 31st December, 2004 (year end figures restated under IFRS). Compared with the first quarter of 2004, net debt was reduced by SEK 11.5 billion.

Accounting Principles

As of 2005, the Group applies international accounting standards. The Group's accounting principles will thereby comply with the International Financial Reporting Standards (IFRS), as approved by the EU, which also include the International Accounting Standards (IAS). The Swedish Financial Accounting Standards Council's recommendations, which were applied by the Group until the end of 2004, are largely based on IFRS and the consolidated accounts have, therefore, to a large extent already been adapted to the new rules.

The Group's financial reporting from 1st January, 2005 complies with IFRS. As the Group's interim and annual reports include comparative consolidated information for the corresponding period in the preceding year, the financial reports for the year ended 31st December, 2004, previously consolidated according to the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations (Swedish GAAP), have been restated in order to comply with IFRS (with the exception of financial instruments defined in accordance with IAS 39 — Financial Instruments). For further information regarding IFRS, reference is made to the Parent's annual report for 2004 (Note 3 to the Consolidated Accounts).

RISK MANAGEMENT

General

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

The Group's risk management and reporting is coordinated by a Risk Committee under the CFO's leadership. The committee's task is to scrutinise policies and mandates, and to 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 Lindell	Board member, Senior Investment Manager (Kanslirad)
Christer Bådholm	Board Member
Lone Fønss Schrøder	Board Member
Anders Sundström	Board member
Maarit Aarni	Board Member
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

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

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

SUMMARY FINANCIAL INFORMATION OF THE PARENT

The following summary financial information of the Parent as at and for the years ended 31st December, 2003 and 2004 is extracted without material adjustment and based on the audited statements for the 31st December, 2003 and 31st December, 2004.

	31st December, 2004 (Sw GAAP)	*31st December, 2003 (Sw GAAP)*
	(SEK million)	
Total assets	99,215	82,914
Shareholders' equity	24,949	19,888
Untaxed reserves	14,269	11,734
Provisions	86	67
Long-term liabilities	43,216	36,941
Current liabilities	16,695	14,284
Net sales	26,046	26,741
Operating profit	7,838	4,047
Profit before appropriations and tax	11,502	6,172
Profit before tax	9,375	5,801
Net profit for the period/year	7,035	4,577

CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the unaudited consolidated interest-bearing debt (excluding pension provisions and liabilities to associated companies) and equity of the Group as of 31st March, 2005 extracted from the Group's unaudited financial statements in respect of the three months ended 31st March, 2005.

	As of 31st March, 2005 IFRS
	(SEK million)
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	38,736
Amounts owed to other financial institutions	8,180
Amounts owed to minority owners	3,605
Other long-term borrowing	424
Total long-term interest-bearing debt	50,945
Short-term interest-bearing debt	
Commercial paper and Medium-term notes	2,530
Amounts owed to other financial institutions	2,659
Amounts owed to minority owners	337
Other current borrowing	130
Total short-term interest-bearing debt	5,656
Total Consolidated Capitalisation and Indebtedness	63,186

Notes:

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

(2) As at 31st March, 2005, the Group has contingent liabilities (including guarantees) of SEK 12,079 million, as disclosed in the consolidated balance sheet of the Group on page 75. As at 31st March, 2005, all indebtedness of the Group is unsecured apart from SEK 281 million. As at 31st March, 2005, all indebtedness of the Group is unguaranteed.

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, 2005.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The financial information set out on pages 71–75 has been extracted without material adjustment from the audited financial statements of the Group in respect of the years ended 31st December, 2002, 31st December, 2003 and 31st December, 2004 and from the unaudited financial statements of the Group in respect of the three months ended 31st March 2005.

Consolidated Profit and Loss Account

	For the year ended 31st December,		
	2004 (Sw GAAP)	*2003 (Sw GAAP)*	*2002 (Sw GAAP)*
		(SEK million)	
Net sales	113,366	111,935	101,025
Cost of products sold[1]	(81,992)	(84,792)	(77,339)
Gross profit	31,374	27,143	23,686
Selling expenses[2]	(4,740)	(4,124)	(4,386)
Administrative expenses[3]	(6,870)	(7,899)	(7,179)
Research and development costs[4]	(529)	(478)	(486)
Other operating income	2,088	2,460	4,254
Other operating expenses	(962)	(2,386)	(1,869)
Participations in the result of associated companies	(754)	580	(657)
Operating profit	19,607	15,296	13,363
Result from other long-term securities held	142	145	229
Other interest income and similar profit/loss items	1,630	2,122	2,781
Interest expenses and similar profit/loss items	(4,020)	(5,203)	(6,386)
Profit before tax and minority interests	17,359	12,360	9,987
Taxes	(5,011)	(2,831)	(1,763)
Minority interests in the profit for the year	(572)	(406)	(658)
Net profit for the year	11,776	9,123	7,566

Notes:

(1) Of which, depreciation, SEK 14,505 million and SEK 14,095 million, and SEK 14,662 million (full year 2004, 2003 and 2002) respectively.

(2) Of which, depreciation, SEK 120 million and SEK 28 million, and SEK 86 million (full year 2004, 2003 and 2002) respectively.

(3) Of which, depreciation, SEK 254 million and SEK 212 million, and SEK 366 million (full year 2004, 2003 and 2002) respectively.

(4) Of which, depreciation, SEK 1 million and SEK 1 million, and SEK 4 million (full year 2004, 2003 and 2002) respectively.

Consolidated Profit and Loss Account of the Group

	For the period ended 31st March, 2005 IFRS
	(SEK million)
Net sales	35,036
Cost of products sold[1]	(24,915)
Gross profit	**10,121**
Selling expenses, Administrative expenses and Research and development costs[2]	(2,715)
Other operating income and expenses net	1,560
Participations in the result of associated companies	253
Operating profit (EBIT)	**9,219**
Financial income	728
Financial expenses	(1,130)
Profit before income tax	**8,817**
Income tax expenses	(3,112)
Net profit for the year[3]	**5,705**
Attributable to	
Equity holders of the parent	5,279
Minority interests	426
Total	**5,705**

Notes:

(1) Of which, depreciation, SEK 3,318 million.

(2) Of which, depreciation, SEK 109 million.

(3) 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

	31st December,		
	2004 (Sw GAAP)	*2003 (Sw GAAP)*	*2002 (Sw GAAP)*
		(SEK million)	
ASSETS			
Fixed assets			
Intangible fixed assets			
Concessions, patents, licenses, trademarks and similar rights	1,193	3,341	3,568
Renting and similar rights	3,481	1,644	1,856
Goodwill	109	573	826
Advance payments for intangible fixed assets	282	0	0
Total intangible fixed assets	5,065	5,558	6,250
Tangible fixed assets			
Land and buildings	30,816	33,297	35,107
Plant and machinery	137,942	140,065	141,826
Equipment, tools, fixtures and fittings	1,459	1,711	1,925
Construction in progress	7,072	6,493	5,869
Advance payments for tangible fixed assets	460	374	245
Investment property	1,280	0	0
Total tangible fixed assets	179,029	181,940	184,972
Financial fixed assets			
Participations in associated companies	14,319	15,676	18,042
Receivables from associated companies	1,860	1,961	1,978
Other securities held as fixed assets	568	1,022	1,354
Other long-term receivables	9,934	10,046	5,054
Total financial fixed assets	26,681	28,705	26,428
Total fixed assets	210,775	216,203	217,650
CURRENT ASSETS			
Inventories etc	7,470	7,283	7,112
Current receivables	25,054	26,832	36,041
Investments	11,063	11,974	8,958
Cash and bank balances	2,553	2,673	6,515
Total liquid assets	13,616	14,647	15,473
Total current assets	46,140	48,762	58,626
Total assets	256,915	264,965	276,276

	For the year ended 31st December,		
	2004 (Sw GAAP)	*2003 (Sw GAAP)*	*2002 (Sw GAAP)*
		(SEK millions)	
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Equity method reserve	937	951	1,077
Other restricted reserves	20,232	16,993	15,218
Non-restricted equity			
Non-restricted reserves	22,786	18,854	14,683
Net profit for the year	11,776	9,123	7,566
Total equity	62,316	52,506	45,129
Minority interests in equity	9,188	9,379	9,960
Total provisions for pensions	16,450	14,946	16,643
Provisions for future expenses of			
nuclear waste management	6,709	6,592	6,517
mining operations and other environmental measures	8,224	10,219	10,898
Provisions for deferred tax liability	34,688	34,854	34,410
Negative goodwill	6,928	10,123	15,479
Other provisions	13,902	15,150	13,631
Provisions	86,901	91,884	97,578
Long-term interest-bearing liabilities	64,119	69,845	67,158
Long-term non-interest-bearing liabilities	2,135	2,236	1,588
Total long-term liabilities	66,254	72,081	68,746
Current interest-bearing liabilities	8,894	15,702	27,582
Current non-interest-bearing liabilities	23,362	23,413	27,281
Total current liabilities	32,256	39,115	54,863
Total equity, provisions and liabilities	256,915	264,965	276,276
Pledged assets[1]	247	112	3,453
Contingent liabilities[2]	10,441	12,357	11,354
Commitments under consortium agreements[3]			

Notes:

(1) The Parent has pledged assets of SEK 20 million as of 31st December, 2004.

(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 obligations amounted to a maximum of SEK 1226 million 31st December, 2004, SEK 1177 million 31st December, 2003 and SEK 933 million 31st December, 2002, which is included in the reported contingent liabilities.

(3) Power plants are often built on a joint venture basis. The consortium agreements entitle each owner to a proportion of the plant's subsequent output and make each owner liable 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.

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

	As of 31st March, 2005 IFRS
	(SEK Millions)
ASSETS	
Non current assets	
Intangible fixed assets	5,706
Tangible fixed assets	182,962
Financial fixed assets	52,613
Total non-current assets	**241,281**
Current assets	
Inventories	12,808
Trade and other receivables	32,437
Current tax assets	1,248
Short-term investments	7,465
Cash and cash equivalents	8,485
Total current assets	**62,443**
TOTAL ASSETS	**303,724**
EQUITY AND LIABILITIES	
Equity	
Attributable to equity holders of the parent	76,445
Attributable to minority interests	10,725
Total equity	**87,170**
Non current liabilities	
Interest-bearing liabilities	64,820
Interest-bearing provisions	39,801
Pension provisions	16,720
Deferred tax liabilities	42,499
Other non-interest bearing liabilities	2,083
Total non-current assets	**165,923**
Current liabilities	
Trade and other payables	36,704
Current tax liabilities	2,657
Interest bearing liabilities	6,569
Interest bearing provisions	4,701
Total current liabilities	**50,631**
TOTAL EQUITY AND LIABILITIES	**303,724**
Pledged assets	281
Contingent liabilities	12,079

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.

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 the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 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. However, 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).

If, following implementation of the Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither Vattenfall Treasury, the Parent nor any Paying Agent

nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the Directive, Vattenfall Treasury or the Parent will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

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 Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a ''Relevant Member State''), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ''Relevant Implementation Date'') it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

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

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

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

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

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

(a) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, during the period up to but excluding the Implementation Date, 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, during the period up to but excluding the Implementation Date, it has not offered or sold and 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.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of Vattenfall Treasury, the Parent and any other Dealer shall have any responsibility therefor.

None of Vattenfall Treasury, the Parent and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

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

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes by Vattenfall Treasury under the Programme have been duly authorised by a resolution of the Board of Directors of Vattenfall Treasury passed on 16th March, 1994. The issue of Notes by the Parent under the Programme and the giving of the guarantee in respect of Notes to be issued under the Programme by Vattenfall Treasury has been duly authorised by a resolution of the Board of Directors of the Parent passed on 3rd June, 1994. The update of the Programme was duly authorised in accordance with the delegation instructions given by the Board of Directors of the Parent on 14th December, 2004 and of Vattenfall Treasury on 28th November, 2004.

Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market will be admitted separately as and when issued, subject only to the issue of the temporary global Note initially representing the Notes of such Tranche, and the listing of the Programme in respect of such Notes is expected to be granted on or around 10th June, 2005.

Documents Available

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

(i) the constitutional documents (with an English translation thereof) of Vattenfall Treasury and the Parent;

(ii) the audited financial statements of Vattenfall Treasury in respect of the financial years ended 31st December, 2002, 31st December, 2003 and 31st December, 2004 and the audited consolidated financial statements of the Parent in respect of the financial years ended 31st December, 2002, 31st December, 2003 and 31st December, 2004 (in each case in English and together with the audit reports prepared in connection therewith);

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

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

(v) a copy of this Prospectus; and

(vi) any future prospectuses, offering circulars, information memoranda and supplements including any Final Terms and subscription agreement for Notes that are admitted to the Official List and admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market (excluding Final Terms relating to Notes neither listed nor admitted to trading on any market) to this Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

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

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

Conditions for determining price

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

Significant or Material Change

There has been no significant change in the financial or trading position of the Parent and its subsidiaries taken as a whole since 31st March, 2005 and no material adverse change in the financial position or prospects of Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole, in each case, since 31st December, 2004.

Litigation

There are no, nor have there been any, governmental, 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 or profitability 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, 2002, 2003 and 2004. The auditors of the Issuer have no material interest in the Issuer. The auditors of the Parent, Ernst & Young AB (individual auditor in charge being Certified Public Accountant Lars Träff) and Per Redemo, who is a Certified Public Accountant of The Swedish National Audit Office have audited the Parent's and the Group's accounts without qualification in accordance with generally accepted auditing standards in Sweden for the financial period ended 31st December, 2004. 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, 2002 and 2003. The auditors of the Parent and the Group have no material interest in the Parent and the Group, as the case may be.

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

Post-issuance information

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

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