

VATTENFALL YEAR END REPORT 2003

Presentations by Lars G Josefsson, CEO and Matts P Ekman, CFO
February 19th 2004

2 Strong Profit Improvement

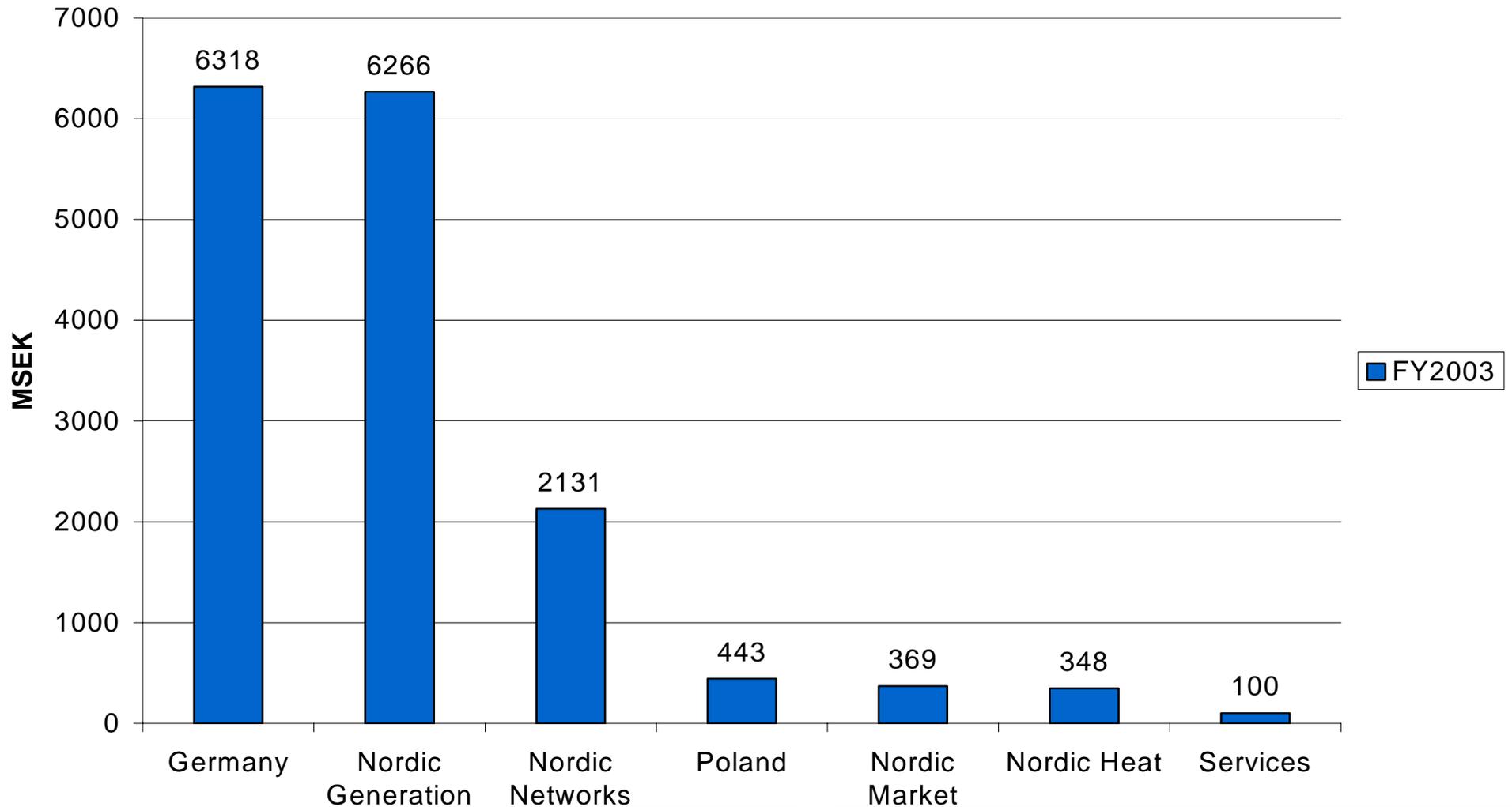
- Net sales increased by 10.8 per cent to SEK 111.9 bn (101)
- EBIT increased by 14.5 per cent to SEK 15.3 bn (13.4)
- Net Profit increased by 20.6 per cent to SEK 9.1 bn (7.6)
- Reduction in net debt by 8.3 bn to SEK 66.9 bn (75.2)

Significant Improvement in Germany

EBIT increased by SEK 1.9 bn primarily due to:

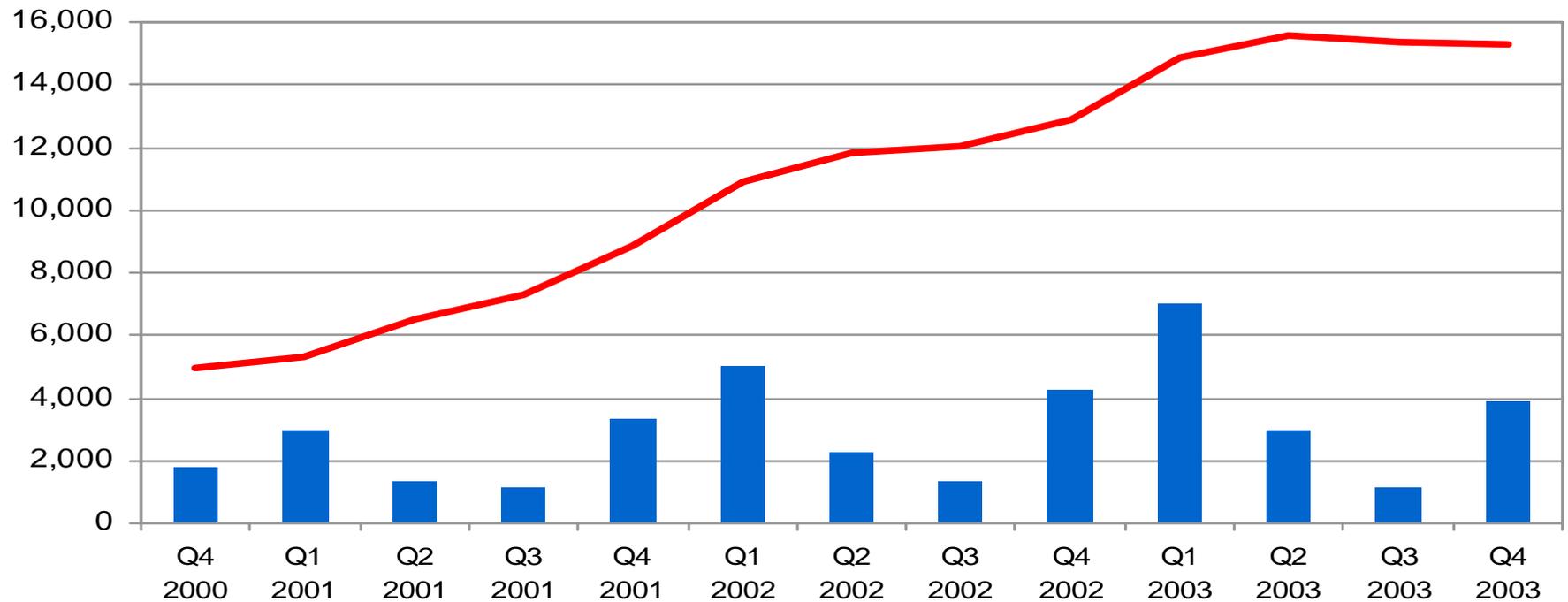
- Increased profitability in the German business through cost reductions and rise in wholesale prices (SEK 1 585 million).
- Strong positive trend with increased efficiency improved profits in the Polish operations (SEK 438 million).

EBIT Contribution per Profit Area



EBIT Development

Quarterly values, SEK m



- Quarterly values SEK m, excluding items affecting comparability
- Rolling 4 quarter values SEK m, excluding items affecting comparability

Important Events in 2003

Financial

- Successful Financial Consolidation
- All key ratios stronger
- German integration well on track
- Turn around in Poland
- Rating outlook changed to stable by both Moody's and S&P

Management

- Company philosophy and core values introduced
- Formation of Business Group Nordic
- Merger of German subsidiaries completed

Operational

- Substantially lower interruptions in Swedish networks
- German nuclear power plant Stade decommissioned
- German power plant Goldisthal was commissioned
- Swedish power plant Stenungsund, which was mothballed, now part of national capacity reserve

Substantial Investments in Sweden

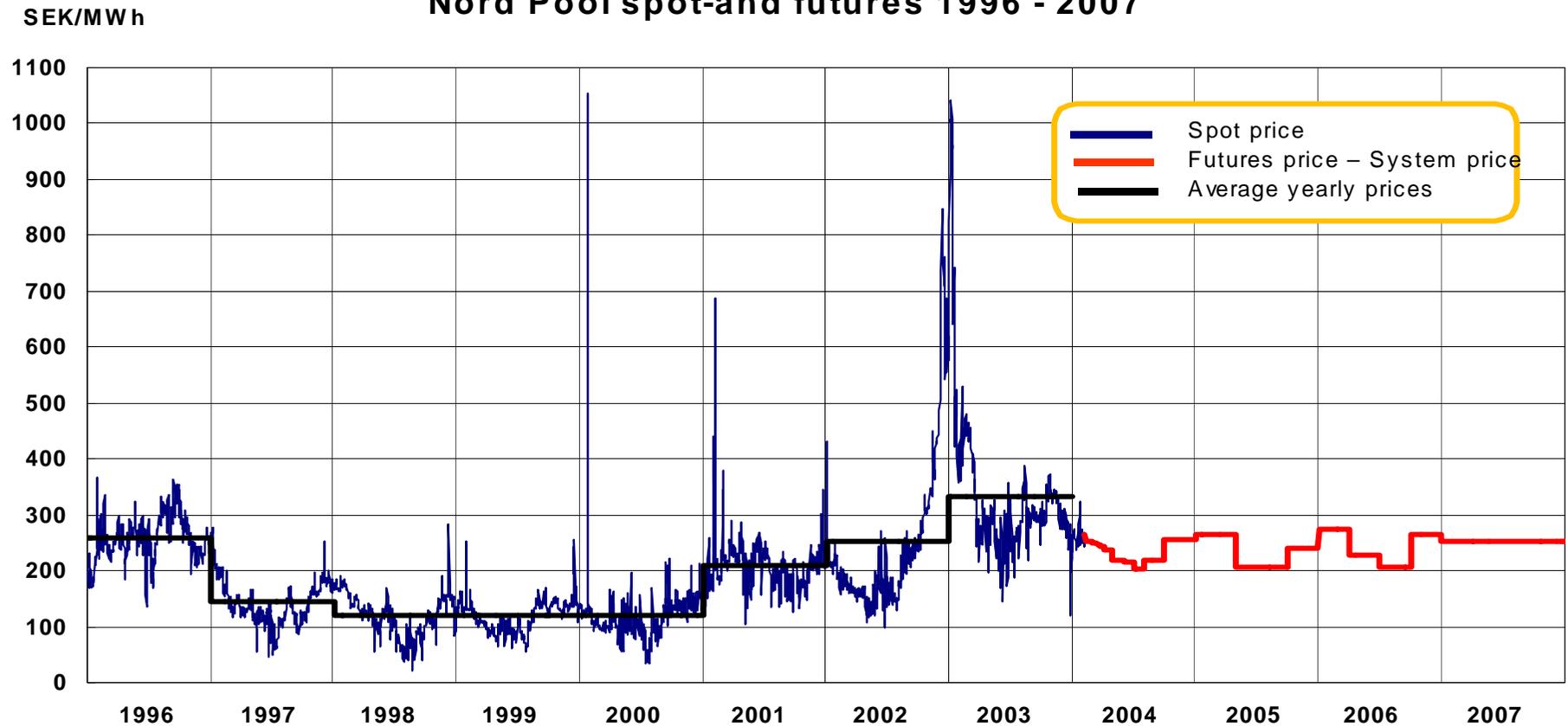
- Investments in electricity network of 10 bn SEK over 5 years
- Investment programme for nuclear power of 16 bn over 12 years
- Investment programme for hydropower and dams of 6 bn over 10 years
- Customer service programme – Number one for the customer of 2 bn.

Key Issues Going Forward

- Number One for the Customer
- CO2 Emissions Trading
- Profitable growth
- Future of Swedish Nuclear Power
- Network regulation
- Poland to join EU
- Electricity price development

Decreasing Swedish Electricity Prices 2003

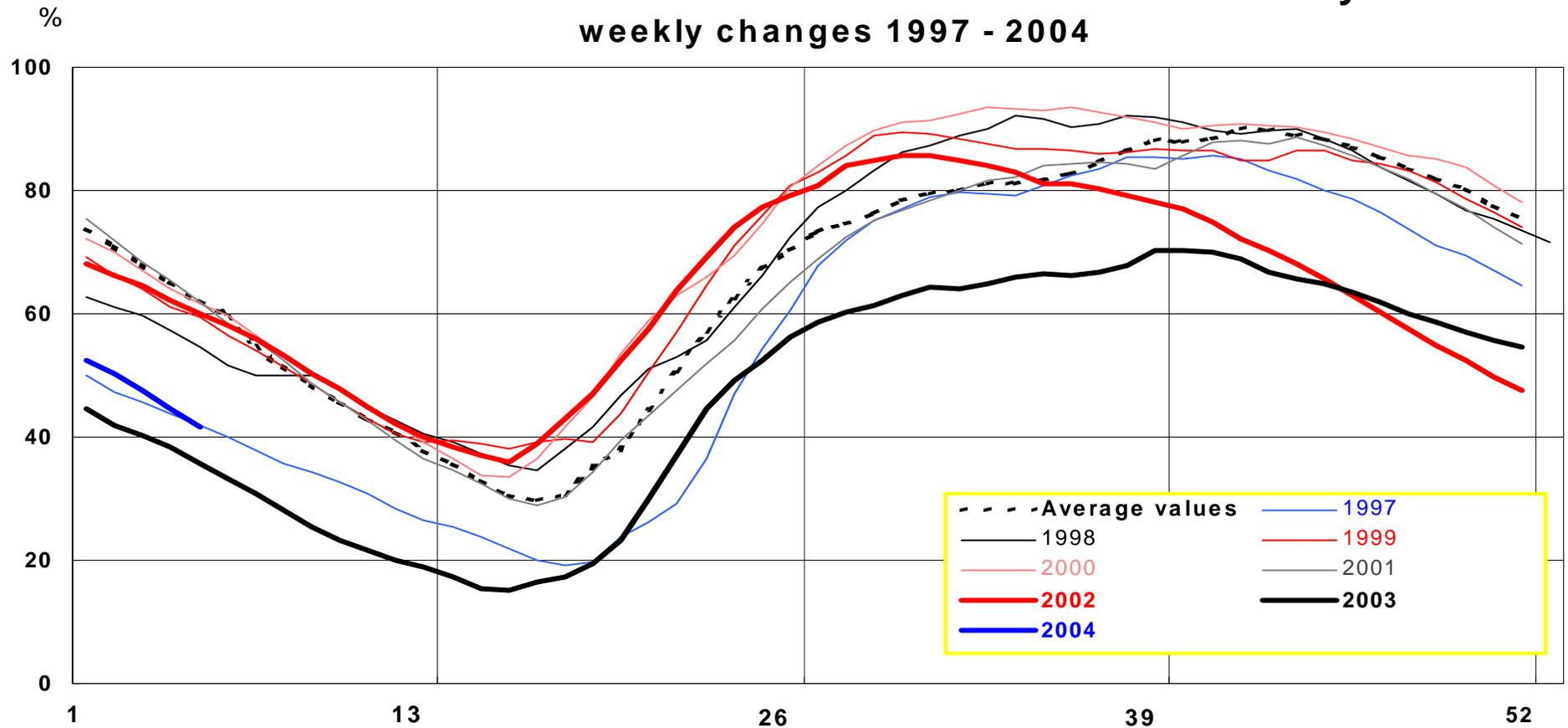
Swedish electricity prices
Nord Pool spot-and futures 1996 - 2007



Source: Nord Pool 6/2/2004

Reservoirs Still at Low Levels but Improving

Total water reservoirs in Sweden and Norway
weekly changes 1997 - 2004

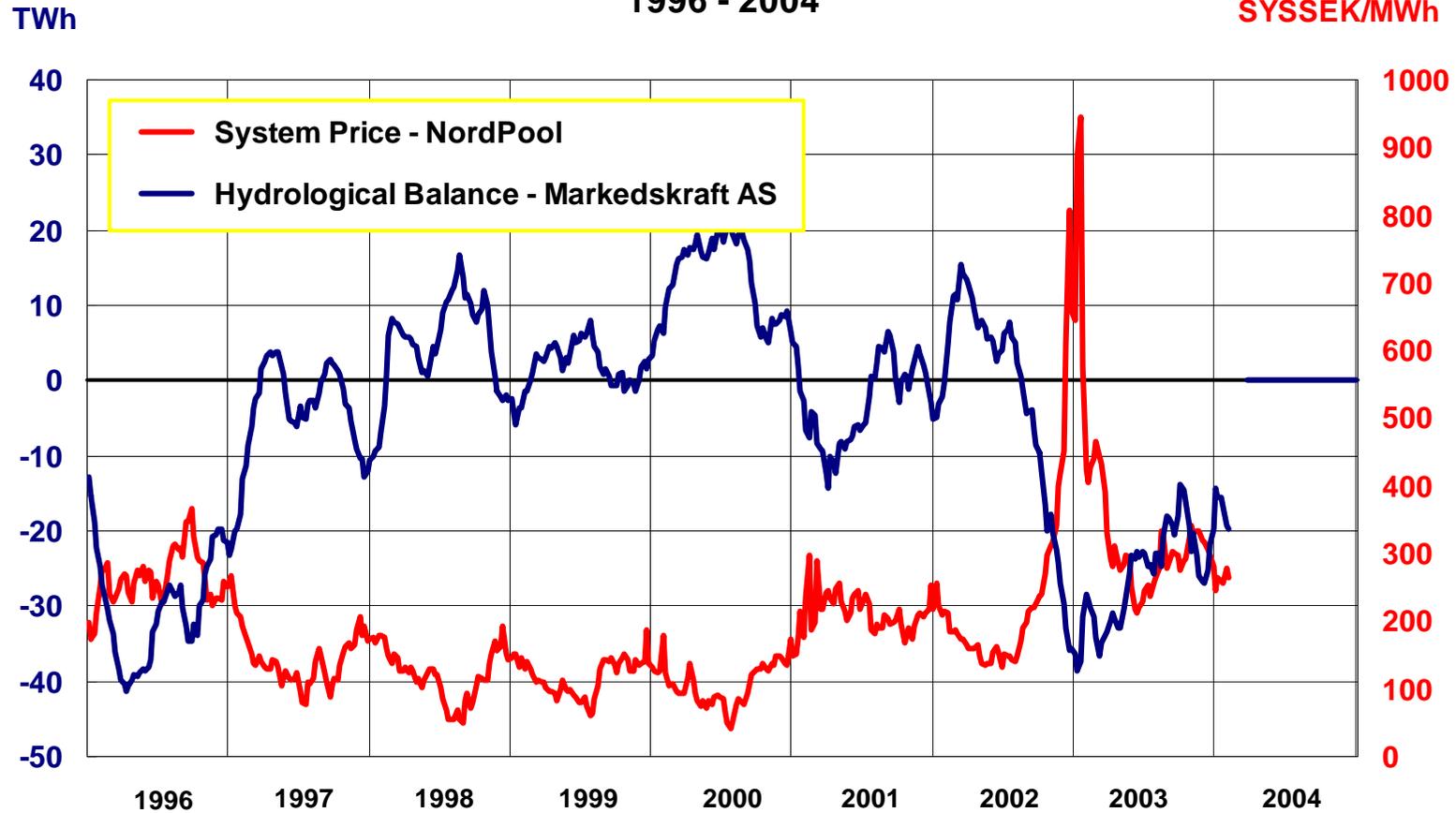


Source: Nord Pool 06/02/2004

11 Electricity Price Depends on Precipitation

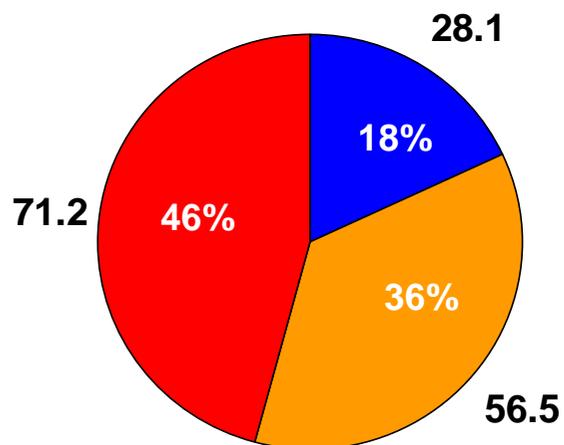
Hydrological Balance and System Price

1996 - 2004



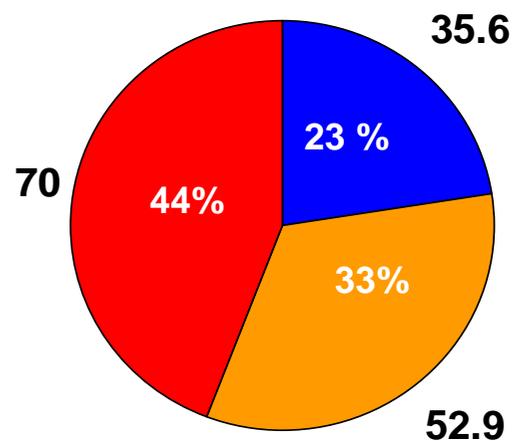
Lower Hydro Production

FY 2003

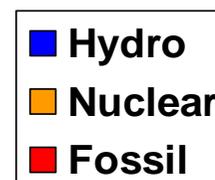


Total: 155,8 TWh

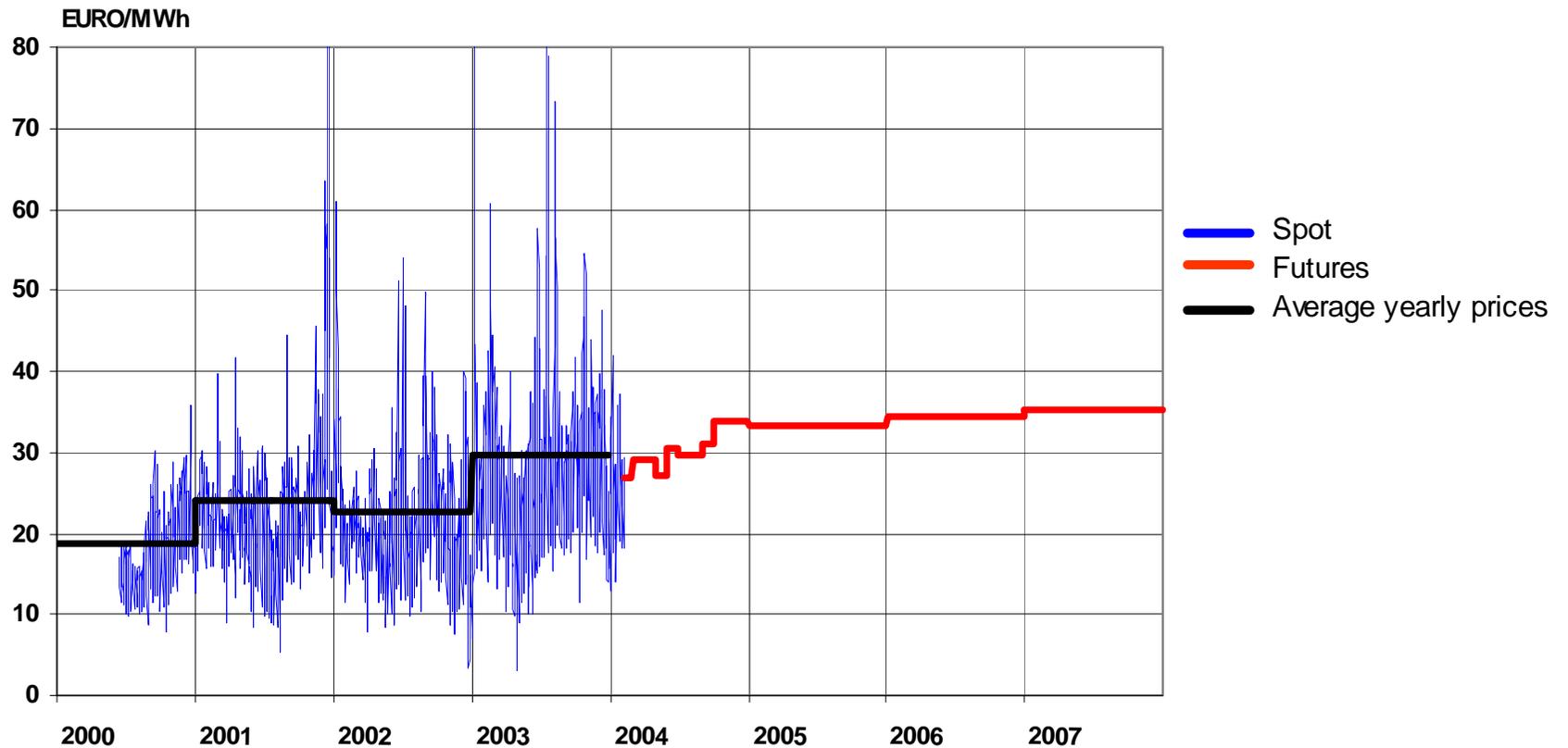
FY 2002



Total: 158,5 TWh



13 Strong Increase in German Electricity Prices



Source EEX 2004-02-09

Vattenfall's Strategic Focus

Our Vision:

“Vattenfall – a Leading European Energy Company”

Our key focus areas:

- ▶ Close the Gap by 2004
- ▶ Core Markets & Core Products
- ▶ Continued Profit Improvement
- ▶ Economies of Scale
- ▶ Continued Value Creation through Growth

Commitment to maintain rating in the single "A" range

Vattenfall's Core Values

Vattenfall stands for...



Effectiveness



Accountability



Openness

Financials

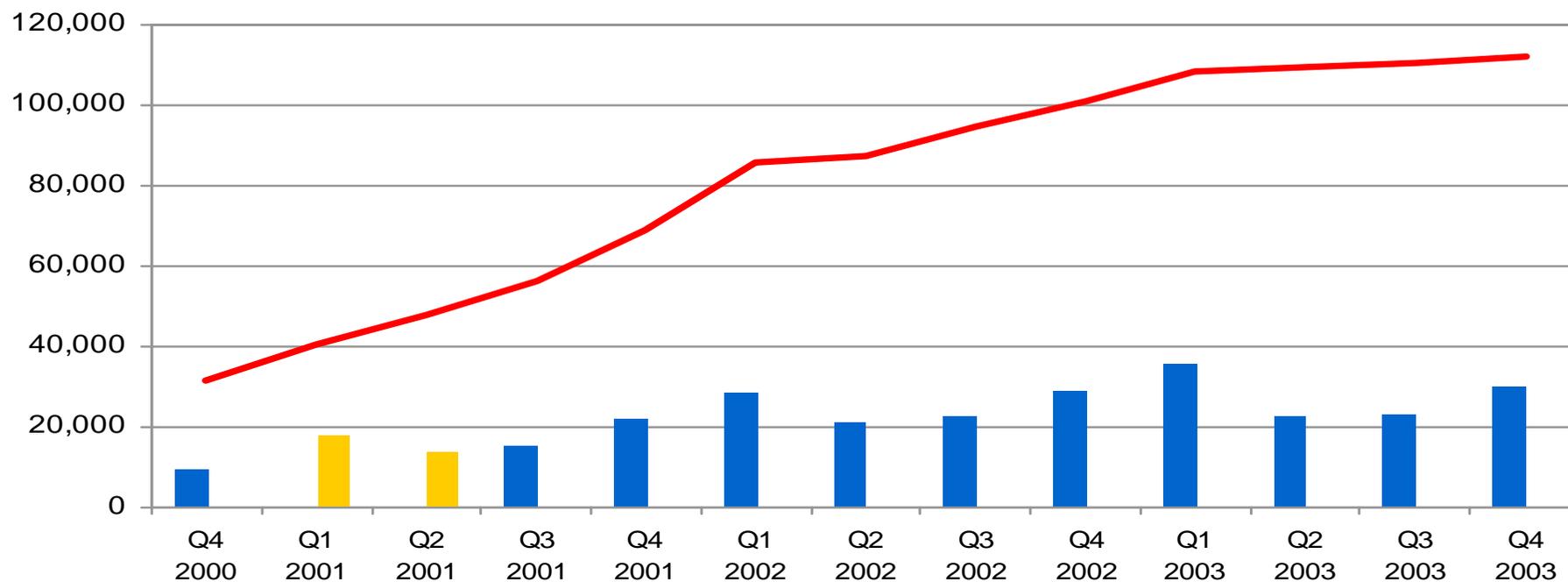
Matts Ekman, CFO

Consolidated Income Statement

Amounts in SEK million	FY 2003	FY 2002	Q4 2003	Q4 2002
Net sales	111,935	101,025	30,253	28,784
Gross profit	27,143	23,686	8,350	8,849
Operating profit (EBIT)	15,296	13,363	4,253	4,269
Operating profit, excl. IAC	15,033	12,916	3,893	4,270
Financial income	2,267	3,010	413	839
Financial expenses	-5,203	-6,386	-1,208	-1,399
Financial net	-2,936	-3,376	-795	-560
Profit before taxes and minority interests	12,360	9,987	3,458	3,709
Taxes	-2,831	-1,763	-44	-49
Minority interests in the profit for the period	-406	- 658	-4	-121
Net profit for the period	9,123	7,566	3,410	3,539

Net Sales Stabilising

Quarterly values, SEK m

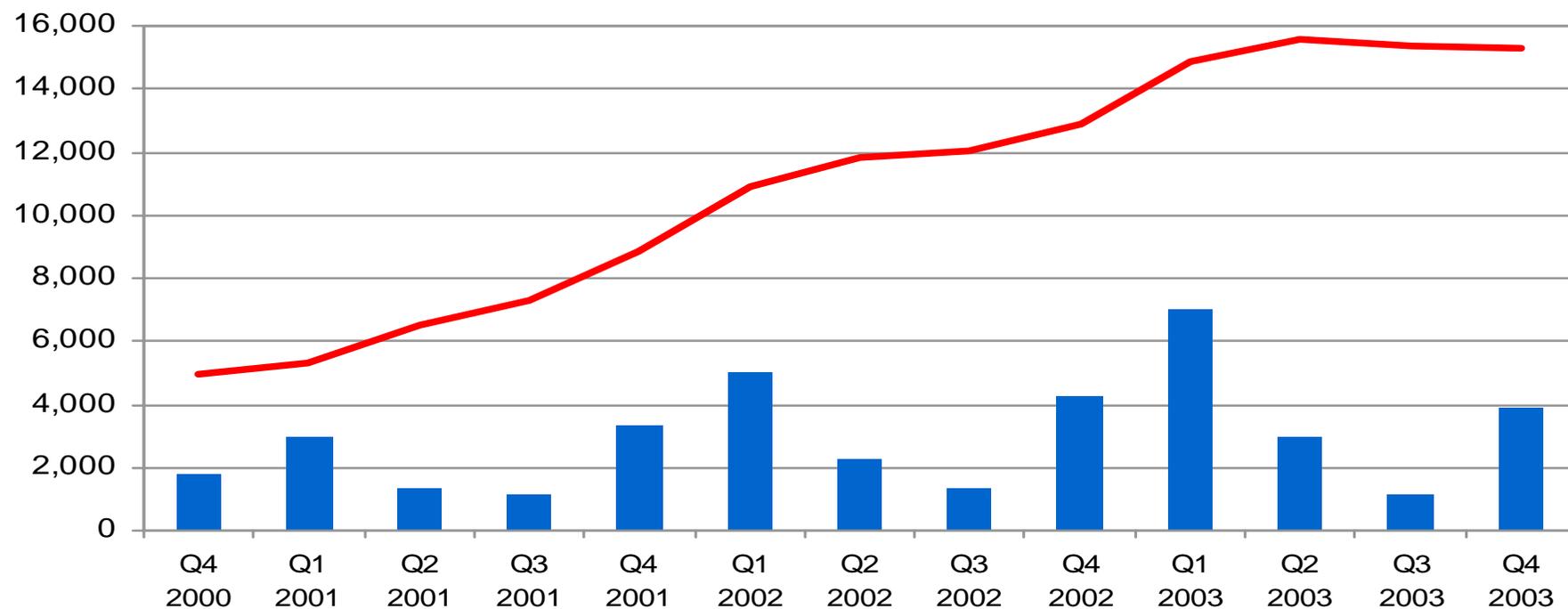


■ Quarterly values SEK m
 ■ Rolling 4 quarter values SEK m

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

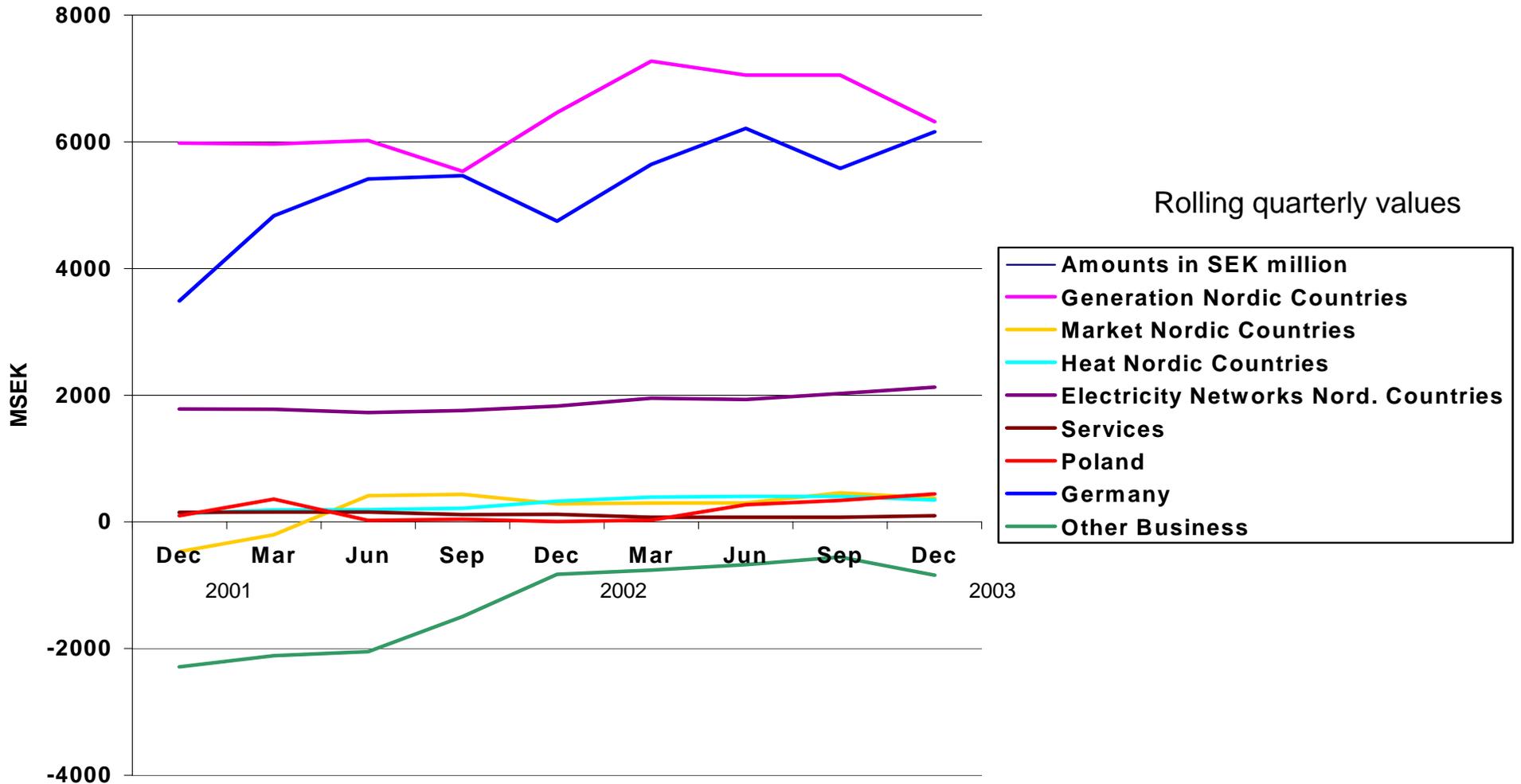
EBIT Development

Quarterly values, SEK m

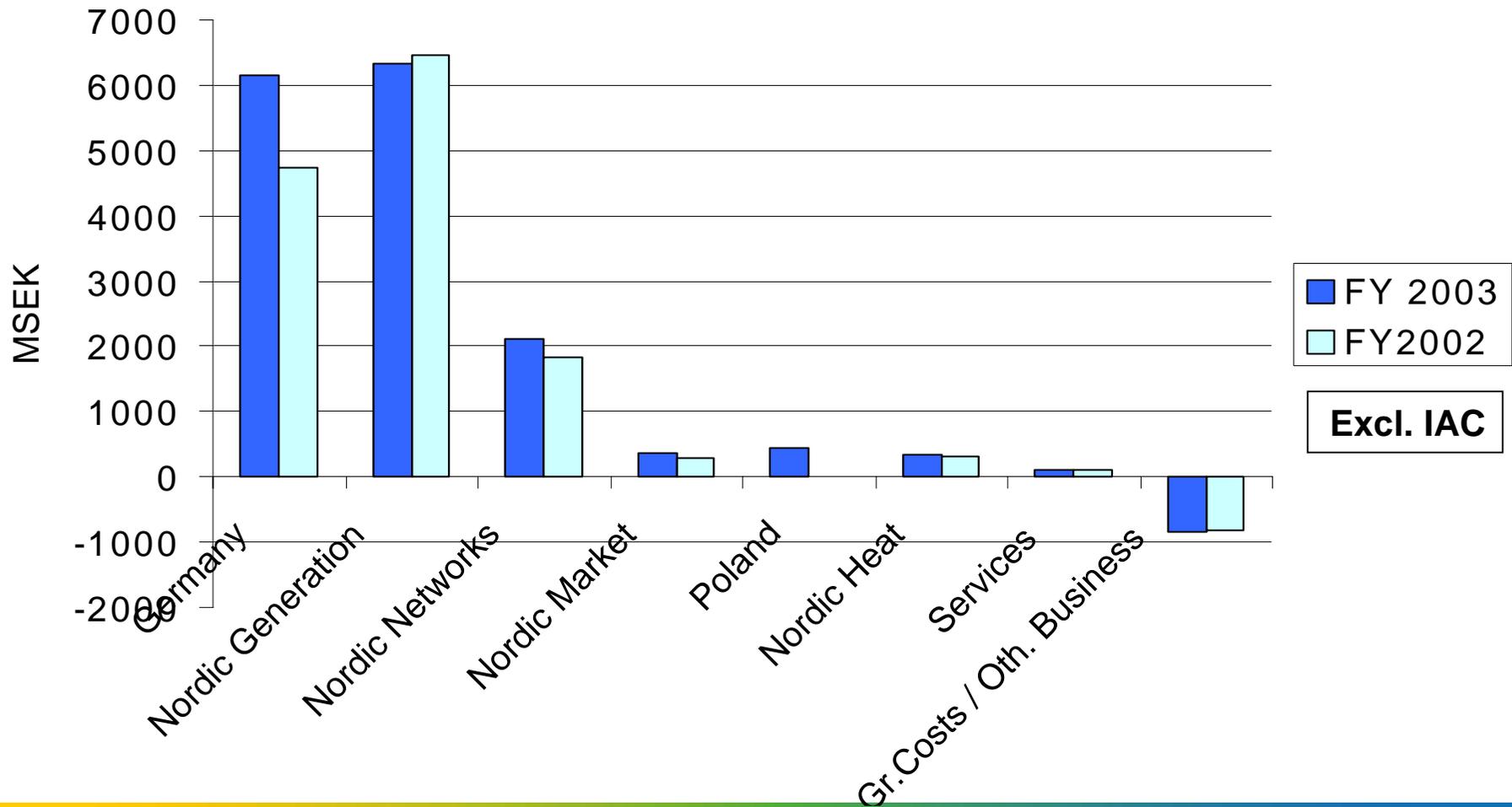


- Quarterly values SEK m, excluding items affecting comparability
- Rolling 4 quarter values SEK m, excluding items affecting comparability

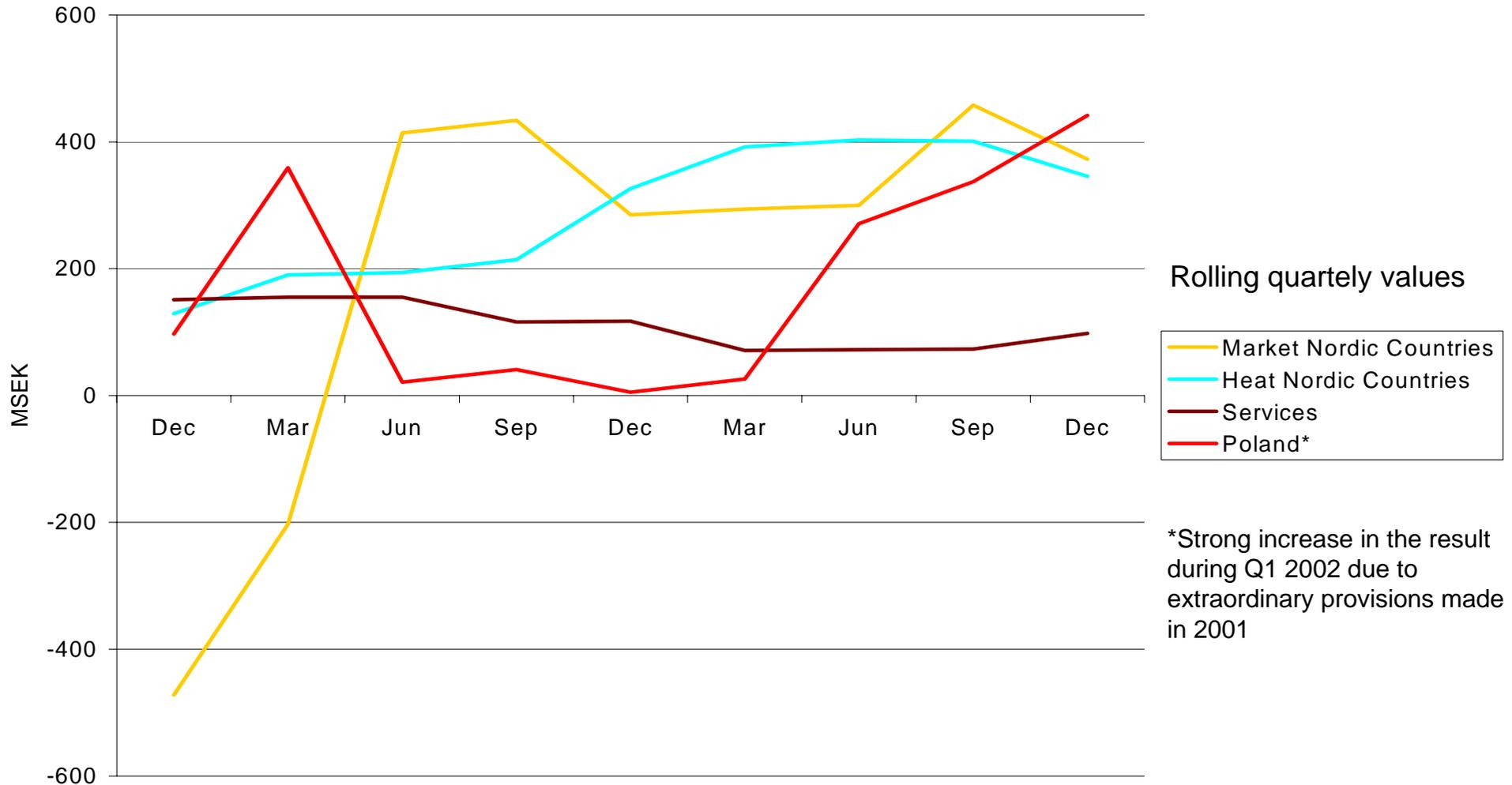
Generation Top EBIT Contributor



Strong Profit Contribution from Germany in 2003

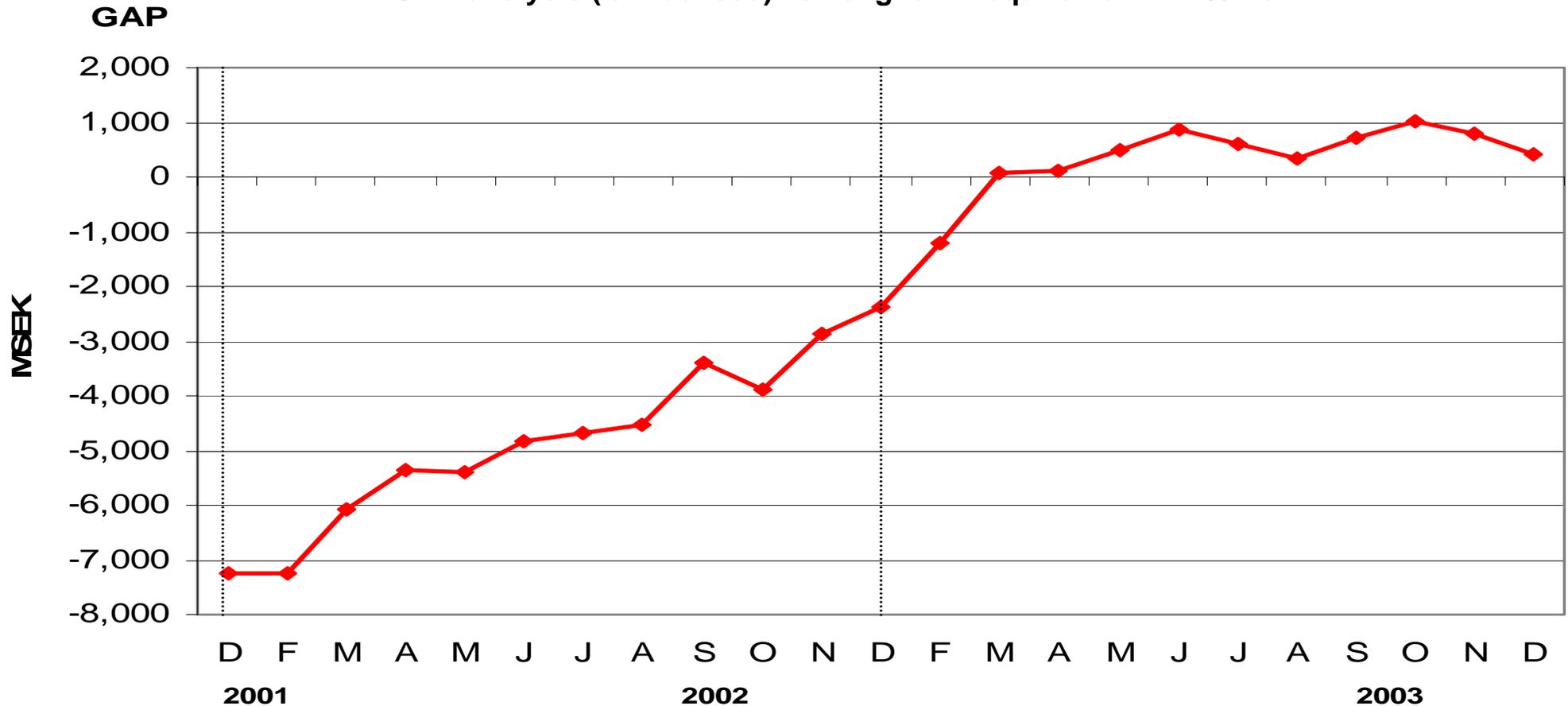


Strong development in Poland



Vattenfall Group Creates Value

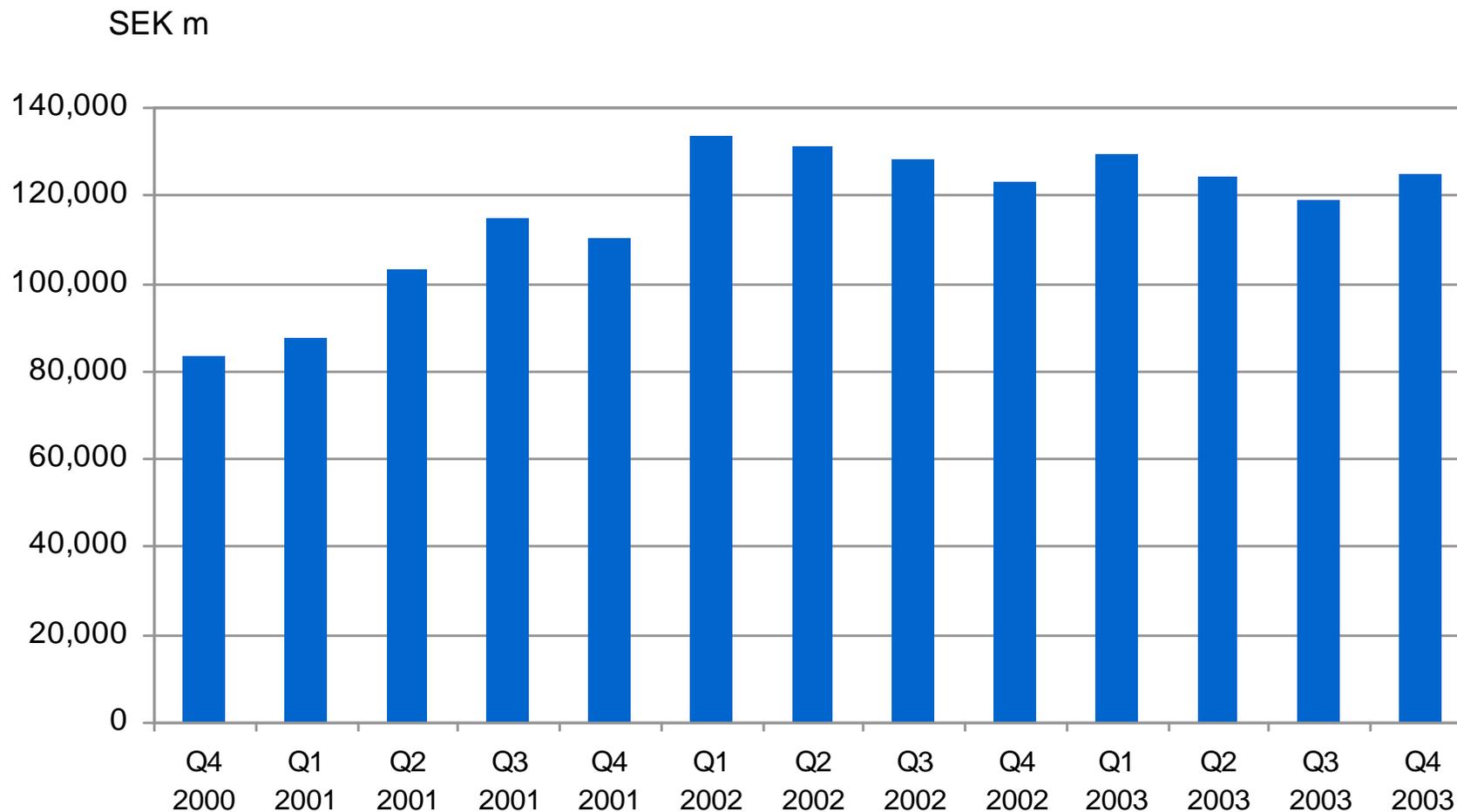
GAP-analysis (annualised) vs. long term requirement : 11% RoNA



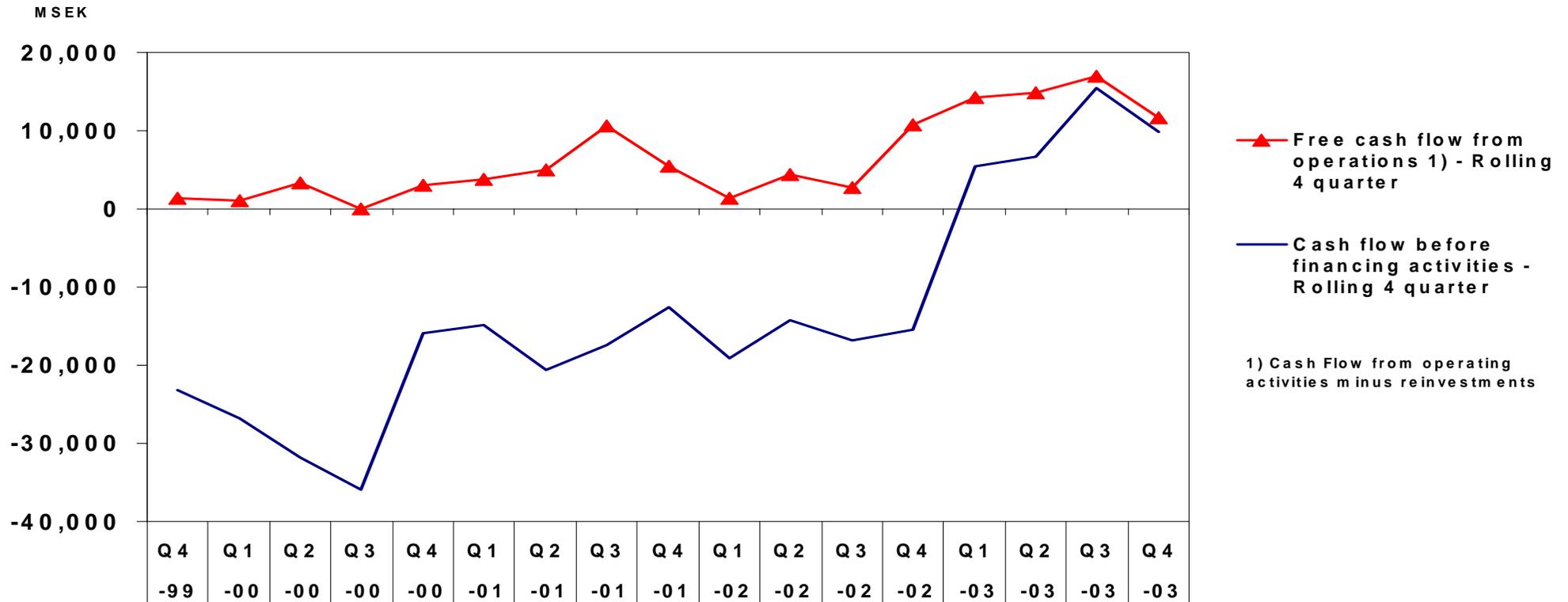
Consolidated Balance Sheet

Amounts in million SEK	FY2003	FY 2002
Fixed assets	216,203	217,650
Current assets	48,762	58,626
Total assets	264,965	276,276
Equity	52,506	45,129
Minority interests	9,379	9,960
Provisions, non-interest bearing	91,800	97,479
Interest bearing debt & provisions	85,631	94,839
Other liabilities	25,649	28,869
Total equity, provisions and liabilities	264,965	276,276
<i>Net debt</i>	<i>66,890</i>	<i>75,207</i>
<i>Net assets</i>	<i>124,808</i>	<i>123,339</i>
<i>Net assets weighted avg.</i>	<i>124,229</i>	<i>127,479</i>

Net Asset Development



Strong Cash Flow Development



Consolidated Cash Flow Statement

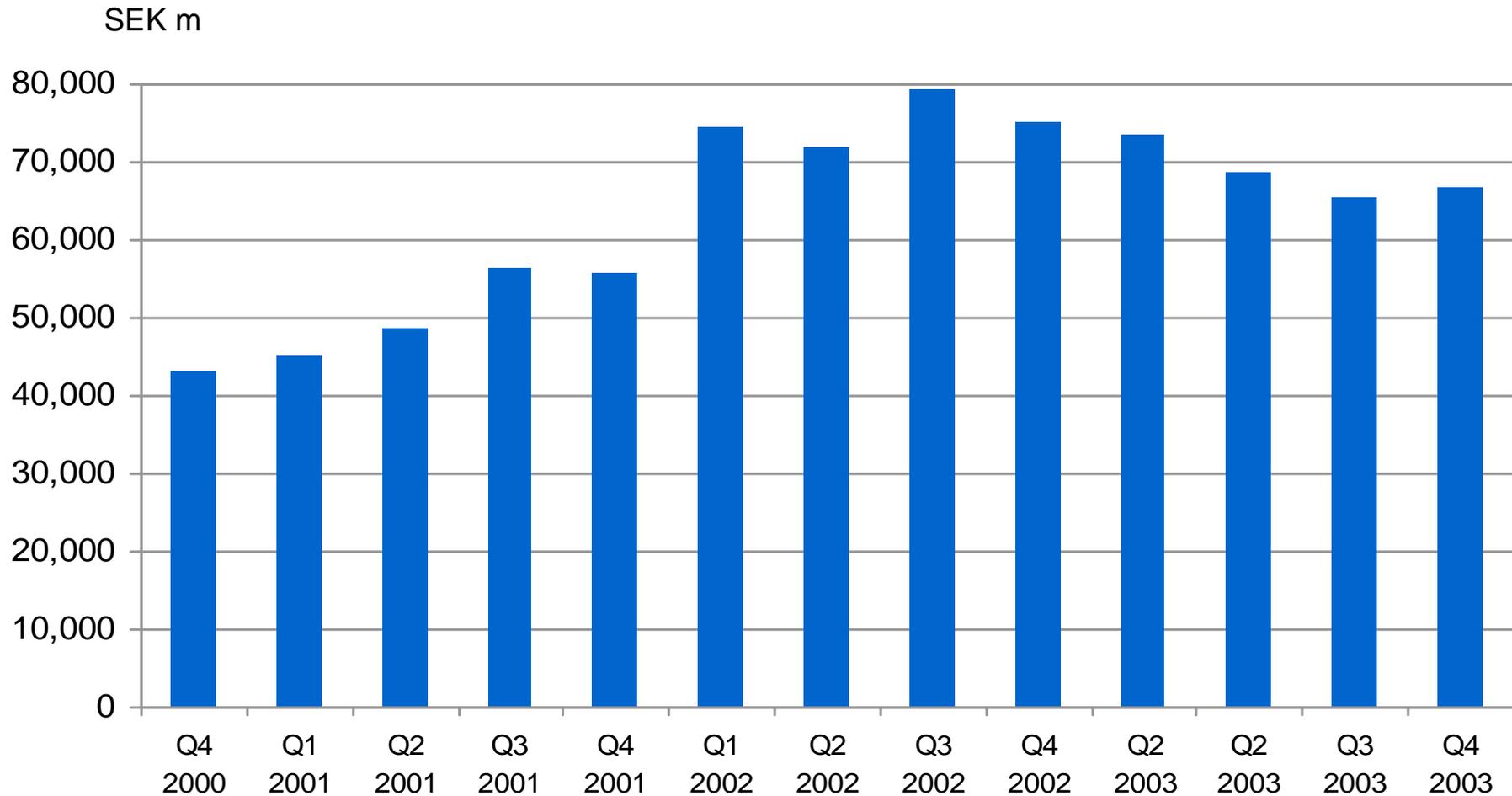
Amounts in million SEK	FY 2003	FY 2002	Q4 2003	Q4 2002
Funds from operations (FFO)	18,804	17,106	6,373	6,651
Change in working capital	-613	2,997	-4,415	543
Cash Flow from operating activities	18,191	20,103	1,958	7,194
Investments	-11,356	-39,932	-3,779	-2,801
Divestments	057	3,386	857	439
Liquid funds in acquired /sold companies	949	691	85	0
Cash flow from investing activities	-8,350	-35,558	-2,837	-2,362
Cash flow before financing activities	9,841	-15,455	-879	4,832
<u>Change in net debt:</u>				
Net debt at the beginning of the period	-75,207	-55,736		
Cash flow after dividend *	7,859	-18,905		
Translation differences	458	-566		
Net debt at the end of the period	-66,890	-75,207		

All Key Ratios Stronger

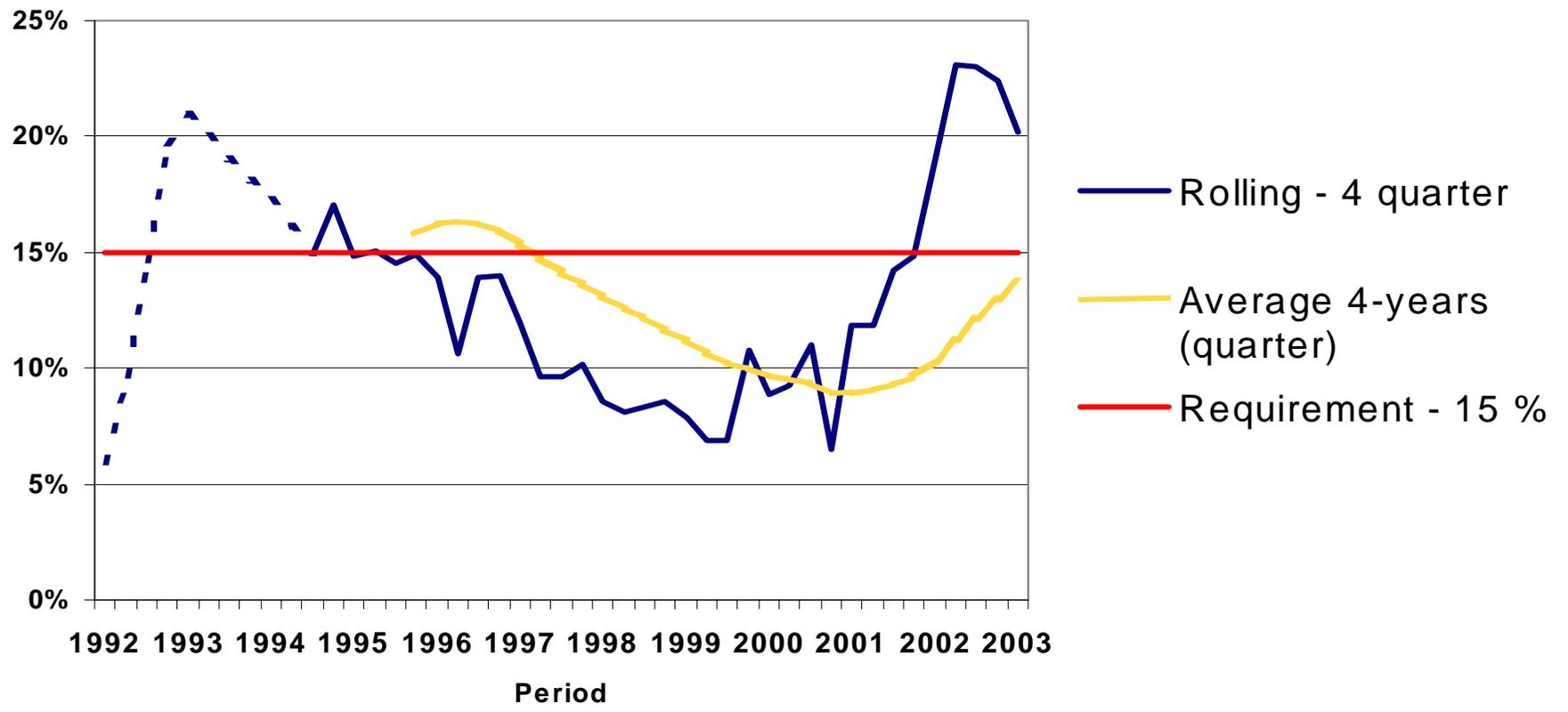
KEY RATIOS		FY 2003	FY 2002
RoNA *	▲	12.1	10.1
RoE *	▲	19.8	18.3
Operating margin *	▲	13.4	12.8
Pre-tax profit margin *	▲	10.8	9.4
Pre-tax interest coverage, times*	▲	3.3	2.5
FFO/net debt	▲	28.1	22.7
FFO net interest coverage, times	▲	7.4	6.1
Equity / asset ratio	▲	23.4	20.0
Net debt / equity (times)	▼	1.1	1.4
Net debt / net debt + equity	▼	51.9	57.7

*Excluding items affecting comparability

Reduction in Net Debt by 8.3 bn SEK



30 Return on Equity → Average 4 Years Close to Target



31 Group Liquidity

Amounts in SEK million

<i>As of Dec. 31, 2003</i>	Treasury	Germany	Poland	Others	Total
Cash and bank	302	1 665	399	307	2 673
Interest-bearing investments	6 745	755	1 546	146	9 192
Special Funds		2 568			2 568
Shares		214			214
Total	7 047	5 202	1 945	453	14 647
Unused Credit lines	8 620	7 172			15 792

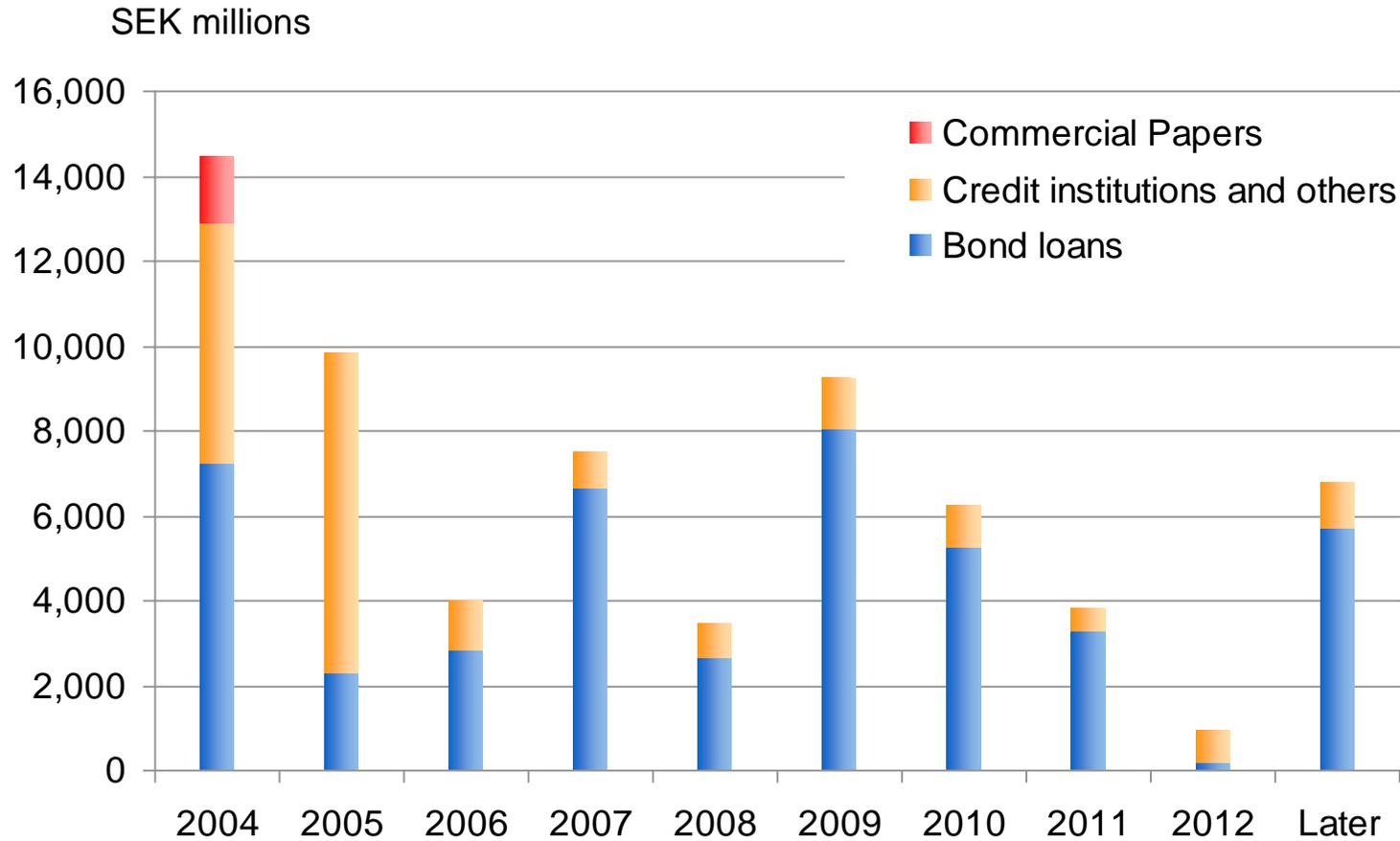
Break Down of Group Debt

Amounts in SEK million

As of Dec. 31, 2003	Treasury	Germany	Poland	Others	Total
Commercial Papers	1 565				1 565
MTN	6 305				6 305
EMTN	37 814				37 814
Liabilities to ass. companies		14 979			14 979
Liabilities to oth. shareholders		420		3 869	4 289
Bank loans and others	4 068	16 126	108	377 ¹⁾	20 679
Total	49 752	31 525	108	4 246	85 631

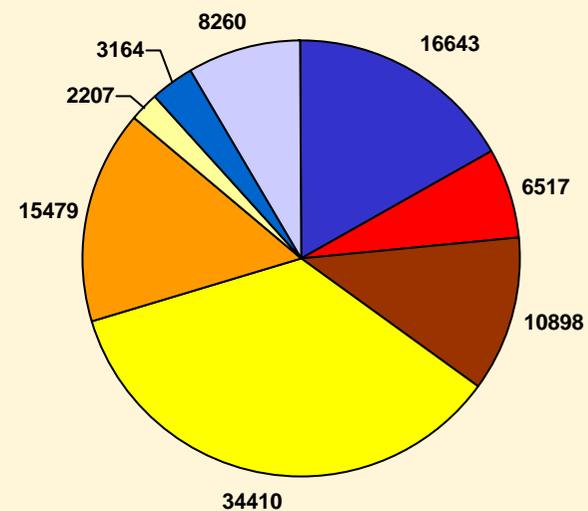
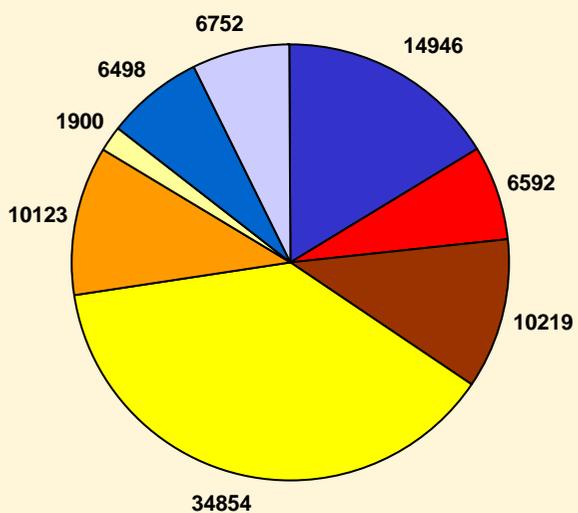
1) Including Interest-bearing provisions, 84 MSEK

Vattenfall Maturity Profile



Excluding loans from associated companies and minority owners

Lower Group Provisions



Financial Targets

Focus on value creation and profitable growth

- **To consolidate and secure a fast integration and profit improvement in the acquired German businesses**
⇒ **Target €400-500 m annually from 2005**
- **15 % RoE = 11 % RoNA before tax to be achieved through improved operating profit, or improved balance sheet efficiency (net assets)**
⇒ **FY 2003: RoE 19.8%, RoNA 12.1 excl IAC**
- **3.5-5 times pre-tax interest coverage**
⇒ **FY 2003: 3.3 times excl IAC**
- **To maintain credit rating in the single A category**
⇒ **Negative outlook changed to stable by both Moody's and S&P in 2003**

Vattenfall Takes the Lead.....



Turning Power into Possibilities