



## INTERIM REPORT JANUARY–JUNE 2008

# 2/08

- Net sales rose 9.9% during the second quarter to SEK 35,259 million (32,077), and 9.4% for the first half of the year, to SEK 80,663 million (73,721)
- Operating profit rose 11.4% during the second quarter to SEK 6,316 million (5,672), and 3.9% for the first half of the year, to SEK 17,742 million (17,071)
- Profit after tax decreased by 35.3% to SEK 4,043 million (6,252) for the second quarter and by 16.8% to SEK 11,227 million (13,487) for the first half of the year

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## Financial calendar

2008 Annual General Meeting  
29 April in Stockholm

Interim report January–March  
29 April

Interim report January–June  
30 July

Interim report January–September  
30 October

Year-end report 2008  
12 February 2009

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This is a translation of the Swedish original. In the event of any discrepancy, the Swedish version shall take precedence.

All comparison figures in this report pertain to the second quarter of 2007, unless indicated otherwise.

Cover photo: Vattenfall's Schwarze Pumpe power plant in Germany.

# CONTINUED STABLE

- Net sales rose 9.9% during the second quarter to SEK 35,259 million (32,077), and 9.4% for the first half of the year, to SEK 80,663 million (73,721).
- Operating profit rose 11.4% during the second quarter to SEK 6,316 million (5,672), and 3.9% for the first half of the year, to SEK 17,742 million (17,071).
- Profit after tax decreased by 35.3% to SEK 4,043 million (6,252) for the second quarter and by 16.8% to SEK 11,227 million (13,487) for the first half of the year. \*

\* The lower profit after tax is mainly due to a positive nonrecurring tax effect in Germany during the second quarter of 2007, see below.

## Second quarter 2008 – net sales, earnings, cash flow and debt position

### Strong earnings improvement for Business Group Nordic

Consolidated net sales rose 9.9% to SEK 35,259 million (32,077). Operating profit rose 11.4% to SEK 6,316 million (5,672), which is mainly attributable to Business Group Nordic, which reported a significant earnings improvement for its Generation business unit. Operating profit for Business Group Central Europe improved by 6.0%. Earnings for the Business Group were hurt by the outages at the Brunsbüttel and Krümmel nuclear power plants in Germany, which have been off-line since 28 June 2007 (approx. SEK 1,260 million), and by higher costs for CO<sub>2</sub> emission allowances (SEK 1,100 million).

Consolidated profit after tax was SEK 4,043 million (6,252), which is 35.3% lower than during the second quarter of 2007. This is mainly due to a positive nonrecurring tax effect during the second quarter of 2007 (approximately SEK 1,900 million) from the German government's decision to reduce the income tax rate for corporates by approximately 10 percentage points.

Return on equity was 14.8% (19.9%), and the return on net assets was 16.1% (15.7%) – both calculated on a last 12-month basis. The FFO cash flow interest coverage ratio after maintenance investments decreased to 4.0 (7.6) on a last

12-month basis. Net debt increased by SEK 12,466 million, to SEK 52,011 million, compared with 31 March 2008. The increase is mainly attributable to the dividend payout of SEK 8,064 million and to the payment of margin calls (see below). The net debt/equity ratio was 46.3% as per 30 June 2008, compared with 29.8% on 31 March 2008. Cash flow before financing activities decreased to SEK -5,235 million (4,174), and free cash flow decreased to SEK 74 million (5,311). This is mainly due to an increase in maintenance investments and payment of approximately SEK 9 billion in margin calls to the European Energy Exchange (EEX) in Germany. In order to smooth out earnings fluctuations from year to year, Vattenfall continuously hedges its future electricity generation. In Germany these hedges are mainly conducted through futures on the EEX. According to the applicable rules, the difference between the price of a futures contract and the current wholesale price is settled daily through margin calls. Due to the sharp rise in wholesale prices during the second quarter, the fair value of Vattenfall's futures contracts decreased, and Vattenfall paid margin calls. In a scenario of falling wholesale prices, the opposite takes place, with payments being made to Vattenfall. According to the terms of the futures contracts, the net amount is settled/repaid upon delivery. Most margin calls are settled or repaid within 1-3 years, depending on the hedge horizon.



## Electricity and heat generation during second quarter of 2008

### Increase in hydro power but decrease in nuclear

Electricity generation was virtually unchanged, at 39.8 TWh (40.0). Hydro power generation increased by 5.1%, to 10.4 TWh (9.9). Nuclear power generation decreased by 11.2%, to 11.1 TWh (12.5), mainly due the outage at the Brunsbüttel nuclear power plant in Germany. The outage at the half-owned Krümmel nuclear power plant in Germany did not affect consolidated volumes, since the facility is not consolidated in Vattenfall's accounts. Fossil-based power increased by 4.7% to 17.9 TWh (17.1). Wind power was unchanged at 0.2 TWh. Biofuel-based electricity generation amounted to 0.1 TWh (0.1). Heat generation increased by 9.4% to 5.8 TWh (5.3). See page 8 for more information.

## **Wholesale price trend during second quarter of 2008**

### **Sharp rise in wholesale electricity prices**

Electricity prices rose sharply during the quarter, especially in Germany. The main reason is rising fuel prices and prices for CO<sub>2</sub> emission allowances. The average spot price on Nord Pool was EUR 34.61/MWh, which is 54% higher than during the second quarter of 2007. The hydrological balance in the Nordic region showed an average surplus of 10.5 TWh, compared with a surplus of 14.9 TWh during the corresponding period in 2007. In Germany the average spot price (EEX base load) was EUR 65.54/MWh, which is 97% higher than during the second quarter of 2007. Forward prices also rose, both in the Nordic countries and Germany, mainly due to steadily rising coal and oil prices. Forward prices for the 2009 and 2010 yearly contracts in the Nordic region closed at the end of the quarter at EUR 68.25/MWh and EUR 66.25/MWh, respectively. In Germany, the corresponding contracts closed the quarter at EUR 88.30/MWh and EUR 87.50/MWh, respectively. Forward prices for CO<sub>2</sub> emission allowances for 2009 closed the quarter at EUR 29.75/tonne, which is slightly more than 30% higher than at 31 March 2008.

Price charts are provided on page 9.

## **Important events during second quarter of 2008**

### **Squeeze out of minority shareholdings in Germany**

The redemption of minority shares in Vattenfall's German subsidiary Vattenfall Europe AG, which was initiated in August 2005, was completed on 21 April 2008 through registration with the commercial register in Berlin. The squeeze out involved a total of 6,454,150 shares, corresponding to 3.19% of the capital and votes. The agreed-upon redemption price was EUR 57 per share. Through registration with the commercial register in Berlin, Vattenfall AB controls 100% of the shares in Vattenfall Europe AG, and the company has been delisted from the German stock exchanges.

## **Status of nuclear power**

The Brunsbüttel and Krümmel nuclear power plants in Germany are still off-line, and it remains unclear when they can be restarted. This is due to time-consuming controls and the verification work for dowels in both facilities and remediation of cracks in valves at the Krümmel plant. Unfortunately, it was learned that the verification method that was first used for the cracks that were discovered at Krümmel did not work with a sufficient level of quality, and thus a new method had to be used, with a substantial delay as a result. Vattenfall is resolute in its insistence that this work is performed at a level that is agreed upon with the relevant regulatory authorities in Germany. This work has no connection with the unplanned outages that took place in June 2007. The earnings impact for these standstills amounted to SEK 1,260 million during the second quarter (1,410 for the first quarter).

## **Further delay in licensing process for Moorburg CHP plant in Germany**

In November 2007 Vattenfall received a preliminary permit (Vorzeitige Baugenehmigung) to build the Moorburg combined heat and power plant in Hamburg, Germany – which would be Europe's most technologically advanced coal-fired CHP plant. The final environmental review, which was to have taken place on 10 June, has been further delayed until September. According to Vattenfall, the plant meets all requirements to qualify for the necessary licences for air emissions and cooling of water.

## **CCS demonstration plant**

The work on developing and demonstrating carbon capture and storage (CCS) technology continues. The CCS pilot plant in Germany's Schwarze Pumpe district will be commissioned during the summer. In addition, Vattenfall plans to build a large demonstration plant at one of the 500 MW units at the Jämschwalde lignite-fired station in

Brandenburg. This demonstration plant, which is expected to be fully operating by 2015, is expected to cost approximately EUR 1 billion. However, the investment decision is dependent on close co-operation with the EU and Germany. Through these projects, Vattenfall is taking another vital step toward commercial application of CCS technology. Vattenfall is also conducting planning work for CCS plants in Aalborg, Denmark, and Mongstad, Norway.

## **Long-term electricity contracts with energy-intensive industrial companies**

Several major, long-term contracts were signed during the quarter and in early July with industrial companies in the Nordic region, including Smurfit Kappa, Vargön Alloys and Outokumpu. Vattenfall has a good co-operation arrangement with electricity-intensive industries, and the newly signed contracts are a testimony of the confidence that companies have in Vattenfall as an electricity provider.

## **Changes in executive management**

In mid-August, Vattenfall's CFO Jan Erik Back will be leaving Vattenfall to take a position as the new CFO of SEB. Recruitment of a new CFO is under way.

## **Organisational changes in Germany**

In Germany, Vattenfall has a new management structure as of 1 July. The number of persons on the management board (Vorstand) has been reduced from six to three persons. At the same time, the business unit heads have been given greater responsibility for their respective operations. As a result of these organisational changes, the operative activities are now closer to the management.

## **First half 2008**

Net sales rose 9.4% to SEK 80,663 million (73,721), and operating profit increased by 3.9%, to SEK 17,742 million (17,071). Profit for the period (after tax) decreased by

## Summary of Vattenfall's consolidated financial performance, cash flow and balance sheet

Amounts in SEK million unless otherwise stated	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %	Last 12 months
Net sales	35,259	32,077	9.9	80,663	73,721	9.4	150,581
Operating profit before depreciation and amortisation (EBITDA)	10,078	9,432	6.8	25,281	24,551	3.0	46,551
<b>Operating profit (EBIT)</b>	<b>6,316</b>	<b>5,672</b>	<b>11.4</b>	<b>17,742</b>	<b>17,071</b>	<b>3.9</b>	<b>29,254</b>
<b>Operating profit excl. items affecting comparability</b>	<b>6,300</b>	<b>5,655</b>	<b>11.4</b>	<b>17,657</b>	<b>16,976</b>	<b>4.0</b>	<b>29,178</b>
Financial items, net	-840	-657	-27.9	-2,198	-1,352	-62.6	-5,496
<b>Profit before tax</b>	<b>5,476</b>	<b>5,015</b>	<b>9.2</b>	<b>15,544</b>	<b>15,719</b>	<b>-1.1</b>	<b>23,758</b>
<b>Profit for the period</b>	<b>4,043</b>	<b>6,252</b>	<b>-35.3</b>	<b>11,227</b>	<b>13,487</b>	<b>-16.8</b>	<b>18,426</b>
– of which, attributable to equity holders of the Parent Company	3,808	5,963	-36.1	10,617	12,829	-17.2	17,557
– of which, attributable to minority interests	235	289	-18.7	610	658	-7.3	869
Return on equity, %	14.8 <sup>1</sup>	19.9 <sup>1</sup>	–	14.8 <sup>1</sup>	19.9 <sup>1</sup>	–	14.8
Return on net assets, %	16.1 <sup>1</sup>	15.7 <sup>1</sup>	–	16.1 <sup>1</sup>	15.7 <sup>1</sup>	–	16.1
Funds from operations (FFO)	-666	4,932	–	11,162	17,138	-34.9	28,073
<b>Cash flow before financing activities</b>	<b>-5,235</b>	<b>4,174</b>	<b>–</b>	<b>-911</b>	<b>10,181</b>	<b>–</b>	<b>3,202</b>
Free cash flow	74	5,311	-98.6	5,101	12,581	-59.5	12,170
Cash and cash equivalents plus short-term investments	22,896	20,849	9.8	22,896	20,849	9.8	
Balance sheet total	353,932	322,481	9.8	353,932	322,481	9.8	
<b>Equity incl. minority interests</b>	<b>112,372</b>	<b>116,102</b>	<b>-3.2</b>	<b>112,372</b>	<b>116,102</b>	<b>-3.2</b>	
Capital Securities	9,330	9,110	2.4	9,330	9,110	2.4	
Other interest-bearing liabilities	66,638	58,886	13.2	66,638	58,886	13.2	
<b>Net debt</b>	<b>52,011</b>	<b>46,765</b>	<b>11.2</b>	<b>52,011</b>	<b>46,765</b>	<b>11.2</b>	

1) Last 12-month values.

Vattenfall's earnings vary sharply during the year. Normally most of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest.

See pages 24–25 for definitions and calculations of key ratios.

16.8% to SEK 11,227 million (13,487), mainly due to the above-mentioned tax effect during the second quarter of 2007 in Germany. Cash flow before financing activities decreased to SEK -911 million (10,181), and free cash flow decreased to SEK 5,101 million (12,581). The decrease is mainly attributable to greater investments and payment of margin calls.

Electricity generation increased by 0.6% to 86.2 TWh (85.7). Hydro power generation increased by 5.3%, which is attributable to Business Group Nordic. Nuclear power generation decreased by 4.1%, which is attributable to Germany. Fossil-based power generation in Business Group Central Europe increased by 0.5%. Wind power generation increased by 33%. Heat production also increased, by 1.5%. See page 8 for more information.

### Important events after the balance sheet date

On 25 July, Vattenfall announced that potential investors will be contacted regarding the possible sale of Vattenfall's high-voltage grid in Germany.

Lars G. Josefsson  
President and CEO



## Sales, profit and cash flow

Amounts in SEK million	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %
<b>Net sales</b>	<b>35,259</b>	<b>32,077</b>	<b>9.9</b>	<b>80,663</b>	<b>73,721</b>	<b>9.4</b>

**Comment:** Adjusted for intra-Group transactions, sales for Business Group Nordic increased by SEK 3.1 billion during the second quarter. Business Group Central Europe noted a SEK 1.4 billion increase in sales, of which SEK 1.1 billion is attributable to Germany. Sales for the "Other" segment, which includes Energy Trading, decreased by SEK 1.3 billion.

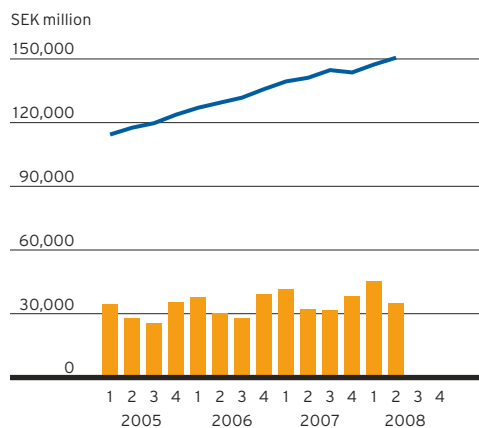
Cost of products sold	25,755	23,740	8.5	57,024	51,377	11.0
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**Comment:** The increase in costs for the second quarter is attributable to Business Group Central Europe, and particularly to higher costs for CO<sub>2</sub> emission allowances in the German operation (SEK 1.1 billion) and higher fuel costs (SEK 0.5 billion), primarily in Germany.

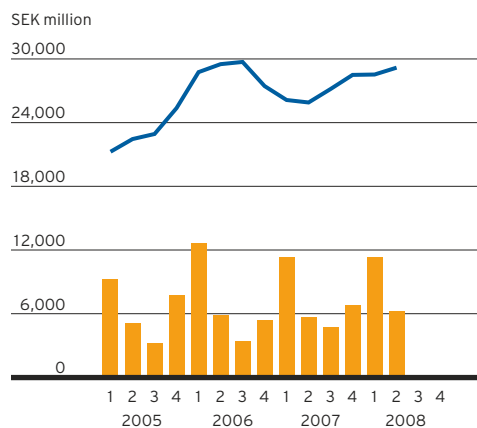
<b>Operating profit (EBIT)</b>	<b>6,316</b>	<b>5,672</b>	<b>11.4</b>	<b>17,742</b>	<b>17,071</b>	<b>3.9</b>
<b>Operating profit (EBIT) excl. items affecting comparability</b>	<b>6,300</b>	<b>5,655</b>	<b>11.4</b>	<b>17,657</b>	<b>16,976</b>	<b>4.0</b>

**Comment:** Operating profit for the second quarter was SEK 644 million higher than in the same period a year ago. Most of the improvement is attributable to Business Group Nordic (SEK 1,406 million), of which the largest item was derived from Generation (+96.7%), owing to higher prices both in the hedge portfolio and on the spot market. Business Group Central Europe posted an improved operating profit, by SEK 205 million. Vattenfall Trading Services reported a SEK 845 million drop in operating profit, which is mainly attributable to the effects of assessing the fair value of the derivative portfolio.

### Net sales



### Operating profit, excl. items affecting comparability



Amounts in SEK million	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %
<b>Cash flow from operating activities</b>	<b>7,402</b>	<b>8,446</b>	<b>-12.4</b>	<b>16,423</b>	<b>17,686</b>	<b>-7.1</b>
<b>Free cash flow<sup>1</sup></b>	<b>74</b>	<b>5,311</b>	<b>-</b>	<b>5,101</b>	<b>12,581</b>	<b>-59.5</b>
<b>Cash flow before financing activities</b>	<b>-5,235</b>	<b>4,174</b>	<b>-</b>	<b>-911</b>	<b>10,181</b>	<b>-</b>

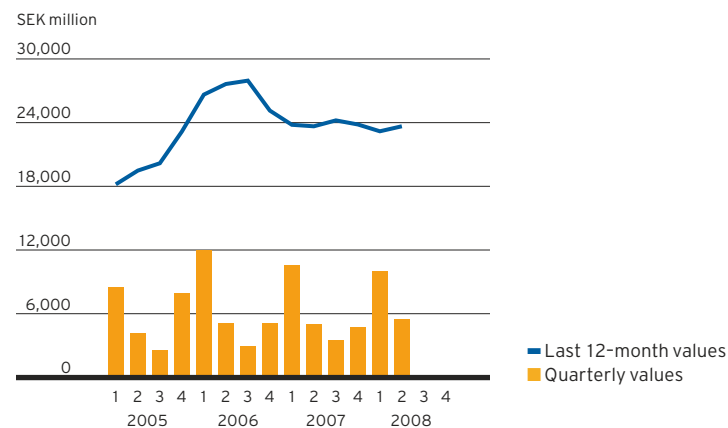
1) Cash flow from operating activities less maintenance investments.

**Comment:** Cash flow before financing activities decreased to SEK -5,235 million (4,174), and free cash flow decreased to SEK 74 million (5,311). This is mainly attributable to greater investments and payment of margin calls on the European Energy Exchange (EEX) in Germany. In Germany, Vattenfall hedges a large share of its energy generation through futures contracts on the EEX. According to the applicable rules, the difference between the price of a futures contract and the current wholesale price is settled daily through margin calls. Due to the sharp rise in wholesale prices during the second quarter, the market value of Vattenfall's futures contracts decreased, and Vattenfall paid margin calls. In a scenario of falling market prices, the opposite takes place, with payments being made to Vattenfall. According to the terms of the futures contracts, upon delivery the net amount is settled/repaid within 1-3 years, depending on the hedge horizon.

<b>Net financial items</b>	<b>-840</b>	<b>-657</b>	<b>27.9</b>	<b>-2,198</b>	<b>-1,352</b>	<b>62.6</b>
<b>Interest income from financial investments</b>	<b>382</b>	<b>332</b>	<b>14.9</b>	<b>776</b>	<b>736</b>	<b>5.5</b>
<b>Interest expense from loans</b>	<b>-849</b>	<b>-729</b>	<b>-16.5</b>	<b>-1,608</b>	<b>-1,467</b>	<b>-9.6</b>
<b>Interest received</b>	<b>460</b>	<b>388</b>	<b>18.7</b>	<b>933</b>	<b>765</b>	<b>22.0</b>
<b>Interest paid</b>	<b>-1,636</b>	<b>-1,541</b>	<b>-6.2</b>	<b>-2,459</b>	<b>-2,259</b>	<b>-8.8</b>

**Comment:** The deterioration of net financial items pertains mainly to the change of market values of derivatives and investments. Average monthly net interest income/expense amounted to SEK -139 million (-122).

### Profit before tax, excl. items affecting comparability



## Financial position

Amounts in SEK million	30 June 2008	30 June 2007	Change, %
Cash and cash equivalents plus short-term investments	22,896	20,849	9.8
Committed credit facilities (unutilised)	13,334	9,620	38.6
Other credit facilities (unutilised)	11,390	9,934	14.7

**Comment:** Committed credit facilities consist of a seven-year EUR 1 billion Revolving Credit Facility that expires in February 2013, a 364-day bilateral credit line of EUR 400 million, and a SEK 100 million bank overdraft facility.

Net debt	52,011	46,765	11.2
Interest-bearing liabilities	75,968	67,996	11.7
Average fixed interest period (duration, years) <sup>1</sup>	3.0	3.5	
Average maturity, years	6.1	6.3	

1) Excluding Capital Securities of SEK 9,330 million, net debt stands at SEK 42,680 million, the average fixed interest period is 2.4 years, and the average maturity is 6.0 years. These figures pertain to 30 June 2008, and are exclusive of loans from associated companies and minority owners.

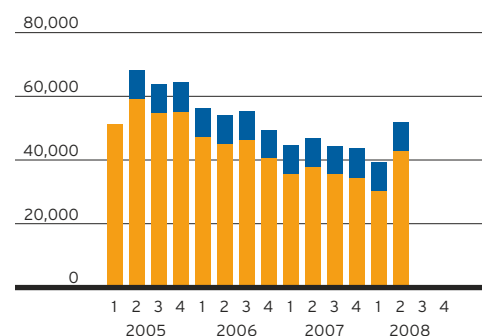
**Comment:** Compared with 31 December 2007, net debt increased by SEK 8,271 million, of which SEK 17,334 million pertains to cash flow from investing activities and SEK 8,064 million to the dividend payout. On the other hand, net debt decreased by SEK 16,423 million due to cash flow from operating activities. Interest-bearing liabilities increased by SEK 8,779 million compared with 31 December 2007. Compared with 31 March 2008, net debt increased by SEK 12,466 million and total interest-bearing liabilities by SEK 4,886 million. Exchange rate movements decreased net debt by SEK 278 million for the first half of 2008, of which SEK 10 million pertains to the second quarter.

Equity attributable to Equity holders of the Parent Company	101,708	104,145	-2.3
Minority interests	10,664	11,957	-10.8
Total	112,372	116,102	-3.2

**Comment:** Changes in equity are specified on page 17.

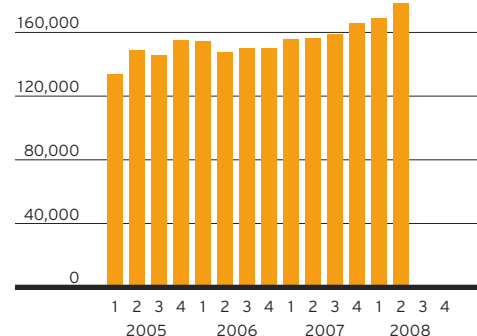
### Net debt

SEK million  
100,000



### Net assets

SEK million  
200,000



## Investments

Amounts in SEK million	Q2 2008	Q2 2007	Change, %
Maintenance investments	7,328	3,135	133.7
Growth investments	5,445	1,328	310.0
– of which, shares	4,107	128	3,108.6
<b>Total investments</b>	<b>12,773</b>	<b>4,463</b>	<b>186.2</b>

**Comment:** Total investments are broken down as follows: Business Group Central Europe 44%, Business Group Nordic 24%, and Other 32% (which pertains to share acquisitions). A total of SEK 6,459 million pertains to electricity and heat generation, and SEK 1,870 million pertains to electricity networks. Investments in shares pertain to the acquisition of the remaining minority shares (approx. 3.2%) in the German subsidiary Vattenfall Europe AG. Vattenfall AB thereby now controls 100% of Vattenfall Europe AG.

## Personnel

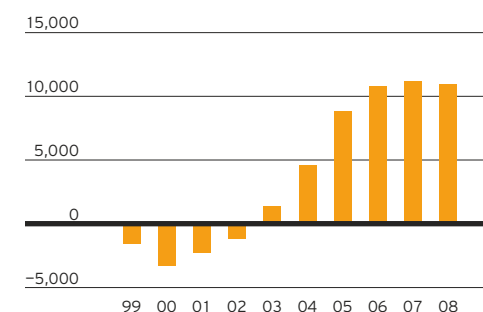
Number of employees, full-time equivalents	30 June 2008	30 June 2007	Change, %
Business Group Nordic	9,508	9,458	0.5
Business Group Central Europe	22,222	22,327	-0.5
Other	897	510	75.9
<b>Total</b>	<b>32,627</b>	<b>32,295</b>	<b>1.0</b>

**Comment:** The increase in the "Other" segment is mainly attributable to a transfer of personnel to a new joint-Group unit in charge of IT infrastructure.

## Value creation

Difference between achieved results and the Group's required rate of return – 11% return on net assets (last 12 months)

SEK million  
20,000



■ Quarterly values  
■ Capital Securities

## Electricity balance<sup>1</sup>, TWh

Amounts in SEK million unless otherwise stated	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %	Full year 2007
<b>Internal generation and electricity input</b>							
Hydro power	10.4	9.9	5.1	21.9	20.8	5.3	36.6
Nuclear power	11.1	12.5	-11.2	25.6	26.7	-4.1	51.3
Fossil-based power	17.9	17.1	4.7	37.4	37.2	0.5	77.7
Wind power	0.2	0.2	-	0.8	0.6	33.3	1.3
Biofuel	0.1	0.1	-	0.4	0.3	33.3	0.5
Waste	0.0	0.1	-	0.1	0.1	-	0.1
<b>Total internal generation</b>	<b>39.8</b>	<b>40.0</b>	<b>-0.5</b>	<b>86.2</b>	<b>85.7</b>	<b>0.6</b>	<b>167.6</b>
Purchased power	10.2	12.2	-16.4	26.7	30.2	-11.6	56.7
Spot market	0.4	-0.7	-	0.5	0.7	-28.6	0.8
<b>Total electricity input</b>	<b>50.3</b>	<b>51.5</b>	<b>-2.3</b>	<b>113.4</b>	<b>116.6</b>	<b>-2.7</b>	<b>225.1</b>
Consumption within the Group	2.1	1.9	10.5	5.7	5.5	3.6	12.8
<b>Total</b>	<b>48.3</b>	<b>49.6</b>	<b>-2.6</b>	<b>107.7</b>	<b>111.1</b>	<b>-3.1</b>	<b>212.3</b>
<b>Sales</b>							
Nordic countries	13.1	12.8	2.3	28.7	28.2	1.8	55.7
Germany and Poland	21.9	22.3	-1.8	49.8	50.2	-0.8	99.1
Other countries	1.1	0.8	37.5	2.3	1.8	27.8	3.8
Spot market	8.1	9.0	-10.0	17.6	21.2	-17.0	35.2
<b>Total electricity sales</b>	<b>44.1</b>	<b>45.0</b>	<b>-2.0</b>	<b>98.3</b>	<b>101.3</b>	<b>-3.0</b>	<b>193.8</b>
Delivery to minority owners	3.9	4.4	-11.4	8.8	9.2	-4.3	17.6
Other	0.3	0.3	-	0.5	0.5	-	1.0
<b>Total</b>	<b>48.3</b>	<b>49.6</b>	<b>-2.6</b>	<b>107.7</b>	<b>111.1</b>	<b>-3.1</b>	<b>212.3</b>
<b>Heat sales, TWh</b>							
Business Group Nordic <sup>2</sup>	1.8	1.8	-	5.9	6.4	-7.8	10.7
Business Group Central Europe <sup>2</sup>	4.0	3.5	14.3	14.0	13.2	6.1	25.5
<b>Total</b>	<b>5.8</b>	<b>5.3</b>	<b>9.4</b>	<b>19.9</b>	<b>19.6</b>	<b>1.5</b>	<b>36.2</b>

1) Rounding differences of 0.1 TWh exist for some items. Certain values for 2007 have been adjusted compared with previously published information.

2) Incl. deliveries of so-called ready heat.

## Electricity generation and electricity sales during second quarter of 2008

### Increase in hydro power but decrease in nuclear

Electricity generation was virtually unchanged, at 39.8 TWh (40.0). Hydro power generation increased by 5.1% to 10.4 TWh (9.9). Nuclear power generation decreased by 11.2% to 11.1 TWh (12.5), mainly due to the outage at the Brunsbüttel nuclear power plant in Germany. The outage at the 50%-owned Krümmel nuclear power plant in Germany does not affect consolidated volumes, since it is not consolidated in Vattenfall's accounts. Fossil-based generation increased by 4.7% to 17.9 TWh (17.1). Wind power generation was unchanged at 0.2 TWh. Biofuel-based electricity generation amounted to 0.1 TWh (0.2).

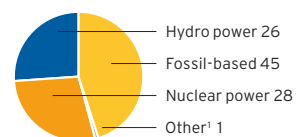
### Electricity sales

Sales to the Nordic countries rose slightly, while sales to Poland and to the German spot market (the EEX in Germany) decreased.

## Sales of heat during second quarter of 2008

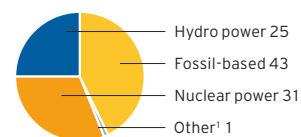
Sales of heat rose 9.4% to 5.8 TWh (5.3), which is mainly attributable to greater sales of heat in Germany due to colder weather. Other heat sales were at level with the corresponding period a year ago.

Electricity generation, Q2 2008, %



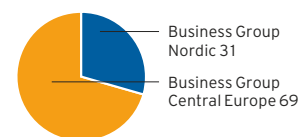
1) Wind power, biofuels and waste.

Electricity generation, Q2 2007, %

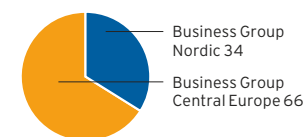


1) Wind power, biofuels and waste.

Heat sales, Q2 2008, %



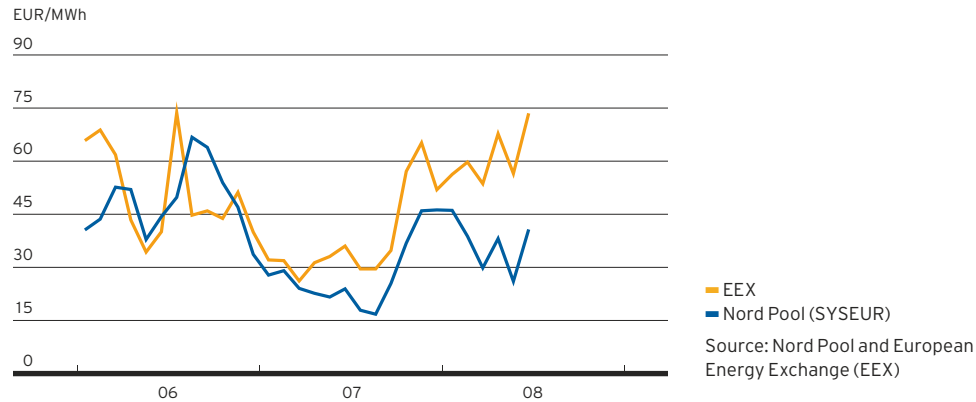
Heat sales, Q2 2007, %



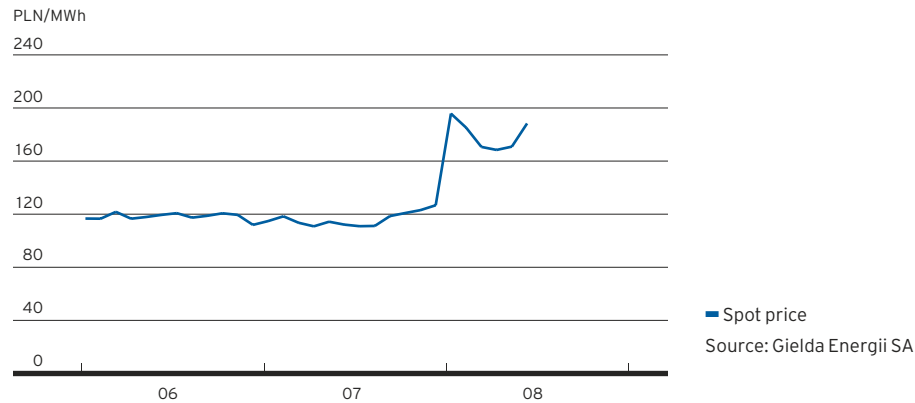


## Wholesale price trend

### German and Nordic electricity spot prices, monthly averages



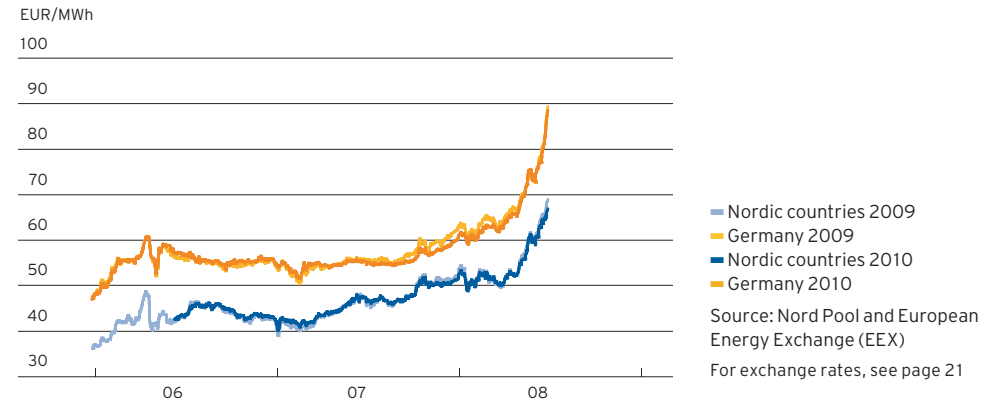
### Polish electricity spot prices, monthly averages



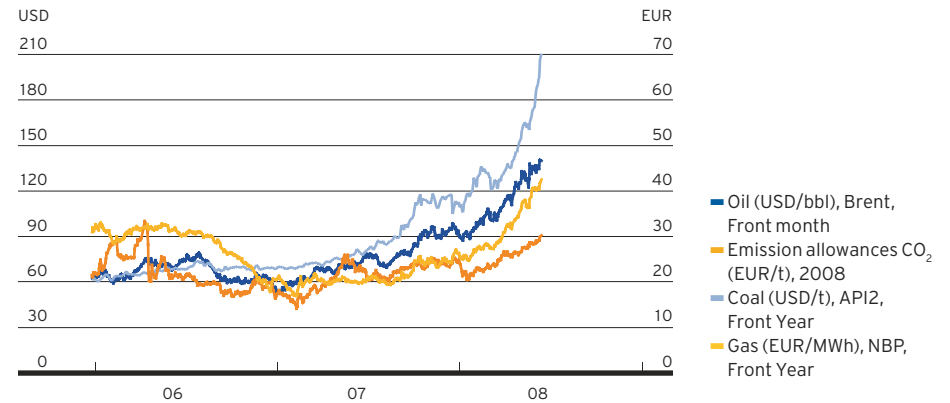
### Electricity spot and futures prices in Vattenfall's markets

The price trend in the Nordic electricity market is described on page 10. The price trend in the German and Polish markets is described on page 11.

### German and Nordic futures prices



### Price development oil, coal, gas and CO<sub>2</sub> emission allowances



### Price development for oil, coal, gas and CO<sub>2</sub> emission allowances

Coal prices continued to climb sharply in 2008, as global demand has grown considerably more than supply. Oil prices also continued their sharp ascent in 2008. The weakened US economy has led to strong demand for commodities such as oil, at the same time that demand for oil has continued to rise despite higher prices. Gas prices have followed oil prices upward. Prices of CO<sub>2</sub> emission allowances have also risen, mainly due to the strong oil market.

## Business Group Nordic

Amounts in SEK million	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %	Full year 2007	Last 12 months
Net sales	11,165	10,204	9.4	26,270	24,633	6.6	46,713	48,350
External net sales <sup>1</sup>	12,127	9,025	34.4	26,817	21,824	22.9	44,429	49,422
Operating profit (EBIT)	3,843	2,436	57.8	10,314	7,027	46.8	12,591	15,878
Operating profit (EBIT) excl. items affecting comparability	3,838	2,433	57.7	10,309	6,972	47.9	12,418	15,755
Heat generation, TWh	1.8	1.8	–	5.9	6.4	–7.8	10.7	10.2
Electricity generation, TWh	22.4	22.8	–1.8	50.0 <sup>2</sup>	48.1 <sup>2</sup>	4.0	91.1	93.1
– of which, fossil-based power	9.8	9.3	5.4	20.4	19.3	5.7	33.6	34.7
– of which, nuclear power	11.1	11.9	–6.7	25.6	24.5	4.5	48.8	50.0
– of which, hydro power	1.3	1.4	–7.1	3.0	3.5	–14.3	7.1	6.6
– of which, wind power	0.2	0.2	–	0.8	0.6	33.3	1.2	1.4
– of which, biofuels	0.1	0.1	–	0.3	0.2	50.0	0.4	0.4
Transited volume excl. generation transmission, TWh <sup>3</sup>	18.4	17.8	3.4	41.7	41.5	0.5	80.5	80.7

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 40.7 TWh (39.1), while the rest goes to the minority part-owners or is deducted as replacement power.

3) Pertains to intra-Group transfers from power plants to Vattenfall's own electricity grid.

Rounding differences of 0.1 TWh exist for some items. Certain values for 2007 have been adjusted compared with previously published information.

### Sales and earnings trend Q2

Sales for Business Group Nordic rose 9.4%, mainly due to higher electricity prices on the spot market and for hedged volumes. The improved operating profit can also be credited to higher electricity prices. The Generation business unit accounted of 96.7% of the increase. Operating profit for the Distribution business unit improved by SEK 82 million, among other things due to higher tariffs for 2008. The Heat business unit also showed an improved profit (SEK 52 million), which is mainly attributable to lower fuel costs and insurance indemnification for previous fire damage. The Sales business unit showed a drop in operating profit during the second quarter, but an improvement for the period January-June.

### Electricity and heat generation Q2

The slight decrease in electricity generation is attributable to lower nuclear power generation and a slight decrease in fossil-based generation compared with the second quarter of 2007. Nuclear power generation decreased, mainly due to a lightning strike at Forsmark on 13 June, which resulted in a shutdown of reactor 2, and extended audits (annual inspection of plants). Hydro power generation was 5.3% higher, mainly due to strong spring runoff.

Heat production remained level with the same period a year ago.

### Wholesale price trend

Average spot prices (EURSYS base load) on the Nordic electricity exchange, Nord Pool, during the second quarter were 54% higher than in the same period a year ago – EUR 34.61/MWh, compared with EUR 22.48/MWh. The higher price level is mainly attributable to considerably higher prices for CO<sub>2</sub> emission allowances and higher coal prices. During the second quarter of 2008 the average hydrological balance was slightly weaker compared with the same period a year ago, with a surplus of 10.5 TWh, compared with a surplus of 14.9 TWh. The hydrological balance weakened during the quarter, from an initial surplus of 18.0 TWh to a surplus of 2.6 TWh at the end of the period. On account of major price differences for electricity in the Nordic region and the European continent, exports to the Continent were very high, especially when the new interconnector between Norway and the Netherlands (NorNed) came on stream at the end of April.

Due to very high prices for coal, oil and CO<sub>2</sub> emission allowances, quarterly and yearly contracts on Nord Pool rose sharply, with new top quotations. Forward contracts for 2009 and 2010 closed on 30 June 2008 at EUR 68.25/MWh and 66.25/MWh, respectively, compared with EUR 50.00/MWh and EUR 50.03/MWh, respectively on 31 March of this year. Compared with the corresponding period a year ago, the general price level of commodities and electricity forwards was higher.

## Business Group Central Europe<sup>1</sup>

Amounts in SEK million	Q2 2008	Q2 2007	Change, %	Q1-2 2008	Q1-2 2007	Change, %	Full year 2007	Last 12 months
Net sales	30,763	27,732	10.9	69,213	61,722	12.1	122,256	129,747
External net sales <sup>1</sup>	20,976	19,620	6.9	48,413	43,642	10.9	86,736	91,507
Operating profit (EBIT)	3,603	3,398	6.0	8,425	9,923	-15.1	16,430	14,932
Operating profit (EBIT) excl. items affecting comparability	3,592	3,384	6.1	8,345	9,883	-15.6	16,517	14,979
<b>Heat generation, TWh</b>	<b>4.0</b>	<b>3.5</b>	<b>14.3</b>	<b>14.0</b>	<b>13.2</b>	<b>6.1</b>	<b>25.5</b>	<b>25.9</b>
<b>Electricity generation, TWh</b>	<b>17.4</b>	<b>17.1</b>	<b>1.8</b>	<b>36.1<sup>3</sup></b>	<b>37.7<sup>3</sup></b>	<b>-4.2</b>	<b>76.6</b>	<b>76.8</b>
- of which, fossil-based power	16.6	15.7	5.7	34.4	33.7	2.1	70.6	71.5
- of which, nuclear power	0.0	0.6	-100.0	0.0	2.2	-100.0	2.5	1.9
- of which, hydro power	0.7	0.6	16.7	1.5	1.5	-	3.1	3.1
- of which, wind power	0.0	0.0	-	0.0	0.1	-	0.1	0.1
- of which, biofuels	0.0	0.0	-	0.1	0.1	-	0.2	0.2
- of which, waste	0.0	0.1	-	0.1	0.1	-	0.1	0.1
Transited volume excl. generation transmission, TWh	14.0	6.7	110.4	25.1	13.6	84.6	42.2	49.6

1) Business Group Central Europe consists of the countries Germany and Poland. Germany accounts for approximately 90% of net sales and operating profit for this Business Group.

2) Excluding intra-Group transactions.

3) Of electricity generation, Vattenfall disposes over 36.1 TWh (36.9), while the rest goes to the minority part-owners.

Rounding differences of 0.1 TWh exist for some items. Certain values for 2007 have been adjusted compared with previously published information.

### Sales and earnings trend Q2

Sales rose by SEK 3,031 million during the quarter, of which SEK 2,900 million pertained to Germany. The main contribution was made by larger volumes and higher prices for the Sales unit in Germany. Sales also increased for the Sales Poland unit (+27%).

More than half of the slight improvement in operating profit was attributable to Poland (SEK 130 million, including a currency effect of SEK 43 million), mainly due to higher prices in the Heat Poland and Sales Poland business units. Despite higher prices, Germany showed only a marginal improvement in operating profit (+2.3%). Operating profit for the Sales Germany business unit improved by SEK 170 million during the second quarter compared with 2007, mainly due to a higher gross margin. The improvement for the Heat Germany business unit is largely attributable to a positive price effect for heat and electricity (SEK 770 million), which was partly offset by higher fuel costs (SEK 440 million). Operating profit for the Mining and Generation business unit fell 9.6%. The outages at the Krümmel and Brunsbüttel nuclear power plants had a negative earnings impact in the amount of SEK 1,260 million, while higher costs for CO<sub>2</sub> emission allowances weighed down earnings by SEK 1,100 million.

### Electricity and heat generation Q2

Despite the continued loss of nuclear power generation in Germany, where the Brunsbüttel nuclear power plant has been down since 28 June 2007, total electricity generation increased by 1.8%. An increase in fossil-based generation both in Germany and Poland, and a slight increase in hydro power generation, amply compensated for the loss of nuclear power generation. The outage at the half-owned Krümmel nuclear power plant did not affect the generation volumes reported above, since the facility is not consolidated in Vattenfall's accounts.

The increase in heat production is attributable to Germany and colder temperatures there.

### Wholesale price trend

#### Germany

Average spot prices (base load) on the European Energy Exchange (EEX) in Germany during the second quarter of 2008 were nearly double as high as in the corresponding period a year ago - EUR 65.54/MWh, compared with EUR 33.22/MWh. The corresponding peak load price on the spot market was EUR 88.88/MWh (49.28). The increase is

mainly due to considerably higher prices for CO<sub>2</sub> emission allowances, but also to higher coal, gas and oil prices.

Futures prices for the 2009 and 2010 contracts have risen compared with the last trading day in March. At the end of June, the 2009 contract closed at EUR 88.30/MWh (EUR 63.58/MWh), and the 2010 contract closed at EUR 87.50/MWh (EUR 62.50/MWh). The increase is mainly due to sharply rising commodity prices.

#### Poland

Turnover on the Polish electricity exchange, particularly in the futures market, is still very low compared with Nord Pool and the EEX. Average spot prices on the Polish electricity exchange (POLPX) during the second quarter were slightly more than 57% higher than a year ago - PLN 175.4/MWh, compared with PLN 111.4/MWh. Prices rose during the entire quarter and reached levels in excess of PLN 200/MWh at the end of June. The price increase is mainly attributable to uncertainty surrounding the Polish allocation of CO<sub>2</sub> emission allowances for the second trading period (2008-2012), and higher coal prices. Yet another revised proposal for an increased allocation to the energy sector was laid forth in mid-May.

## Consolidated income statement

Amounts in SEK million	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Last 12 months
Net sales	35,259	32,077	80,663	73,721	143,639	150,581
Cost of products sold <sup>1</sup>	-25,755	-23,740	-57,024	-51,377	-103,404	-109,051
<b>Gross profit</b>	<b>9,504</b>	<b>8,337</b>	<b>23,639</b>	<b>22,344</b>	<b>40,235</b>	<b>41,530</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	-3,714	-3,183	-6,863	-6,171	-13,508	-14,200
Other operating income and expenses, net	295	261	396	417	858	837
Participations in the results of associated companies	231	257	570	481	998	1,087
<b>Operating profit (EBIT)<sup>3</sup></b>	<b>6,316</b>	<b>5,672</b>	<b>17,742</b>	<b>17,071</b>	<b>28,583</b>	<b>29,254</b>
Financial income <sup>4</sup>	740	845	1,454	1,631	2,276	2,099
Financial expenses <sup>5</sup>	-1,580	-1,502	-3,652	-2,983	-6,926	-7,595
<b>Profit before tax<sup>6</sup></b>	<b>5,476</b>	<b>5,015</b>	<b>15,544</b>	<b>15,719</b>	<b>23,933</b>	<b>23,758</b>
Income tax expense	-1,433	1,237	-4,317	-2,232	-3,247	-5,332
<b>Profit for the period<sup>7</sup></b>	<b>4,043</b>	<b>6,252</b>	<b>11,227</b>	<b>13,487</b>	<b>20,686</b>	<b>18,426</b>
Attributable to						
Equity holders of the Parent Company	3,808	5,963	10,617	12,829	19,769	17,557
Minority interests	235	289	610	658	917	869
<b>Total</b>	<b>4,043</b>	<b>6,252</b>	<b>11,227</b>	<b>13,487</b>	<b>20,686</b>	<b>18,426</b>
<b>Earnings per share</b>						
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share (SEK)	28.91	45.28	80.62	97.41	150.11	133.31
<b>Supplementary information</b>						
Operating profit before depreciation and amortisation (EBITDA)	10,078	9,432	25,281	24,551	45,821	46,551
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-450	-403	-1,492	-898	-3,040	-3,634
1) Of which, depreciation, amortisation and impairment losses	-3,552	-3,652	-7,200	-7,081	-16,486	-16,605
2) Of which, depreciation, amortisation and impairment losses	-210	-108	-339	-399	-752	-692
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	16	17	85	95	86	76
4) Including return from the Swedish Nuclear Waste Fund	300	325	600	650	843	793
5) Including interest components related to pension costs	-255	-202	-454	-403	-811	-862
5) Including discounting effects attributable to provisions	-690	-579	-1,306	-1,104	-2,453	-2,655
6) Including items affecting comparability attributable to:						
Capital gains/losses, net	9	19	96	101	97	92
7) Including items affecting comparability stated above adjusted for tax effect	6	15	72	83	136	125

## Primary segments, Vattenfall Group

Amounts in SEK million	External net sales					Sales between segments					Total net sales				
	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007
Business Group Nordic	12,127	9,025	26,817	21,824	44,429	-962	1,179	-547	2,809	2,284	11,165	10,204	26,270	24,633	46,713
Business Group Central Europe	20,976	19,620	48,413	43,642	86,736	9,787	8,112	20,800	18,080	35,520	30,763	27,732	69,213	61,722	122,256
Other <sup>1</sup>	2,156	3,432	5,433	8,255	12,474	7,742	6,825	16,992	15,018	28,965	9,898	10,257	22,425	23,273	41,439
Eliminations <sup>2</sup>	-	-	-	-	-	-16,567	-16,116	-37,245	-35,907	-66,769	-16,567	-16,116	-37,245	-35,907	-66,769
<b>Total</b>	<b>35,259</b>	<b>32,077</b>	<b>80,663</b>	<b>73,721</b>	<b>143,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,259</b>	<b>32,077</b>	<b>80,663</b>	<b>73,721</b>	<b>143,639</b>

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007
Business Group Nordic	3,843	2,436	10,314	7,027	12,591	3,838	2,433	10,309	6,972	12,418
Business Group Central Europe	3,603	3,398	8,425	9,923	16,430	3,592	3,384	8,345	9,883	16,517
Other <sup>1</sup>	-1,130	-162	-997	121	-438	-1,130	-162	-997	121	-438
<b>Total</b>	<b>6,316</b>	<b>5,672</b>	<b>17,742</b>	<b>17,071</b>	<b>28,583</b>	<b>6,300</b>	<b>5,655</b>	<b>17,657</b>	<b>16,976</b>	<b>28,497</b>

1) Includes Sales and Energy Trading activities. Operating profit includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised the segment Electricity Generation is the main segment affected.

2) Chiefly concerns trade between Electricity Generation, Electricity Markets and Electricity Networks.

## Secondary segments, Vattenfall Group

Amounts in SEK million	External net sales					Sales between segments					Total net sales				
	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007
Electricity Generation	10,821	6,576	21,892	14,385	32,162	7,830	8,366	16,835	18,908	33,950	18,651	14,942	38,727	33,293	66,112
Electricity Markets <sup>1</sup>	17,721	16,049	38,456	35,371	68,018	2,071	784	3,400	1,701	4,243	19,792	16,833	41,856	37,072	72,261
Electricity Networks	8,769	8,939	22,974	21,601	41,654	3,365	3,127	7,697	6,791	13,420	12,134	12,066	30,671	28,392	55,074
Heat	2,603	2,594	6,856	7,094	13,717	1,973	1,390	4,709	3,323	6,543	4,576	3,984	11,565	10,417	20,260
Other	908	753	1,685	1,416	2,974	2,350	1,530	4,234	2,898	6,099	3,258	2,283	5,919	4,314	9,073
Elimination <sup>2</sup>	-5,563	-2,834	-11,200	-6,146	-14,886	-17,589	-15,197	-36,875	-33,621	-64,255	-23,152	-18,031	-48,075	-39,767	-79,141
<b>Total</b>	<b>35,259</b>	<b>32,077</b>	<b>80,663</b>	<b>73,721</b>	<b>143,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,259</b>	<b>32,077</b>	<b>80,663</b>	<b>73,721</b>	<b>143,639</b>

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007
Electricity Generation	5,868	4,725	13,562	13,051	22,064	5,867	4,727	13,555	13,053	22,094
Electricity Markets <sup>1</sup>	-767	-91	-592	-165	314	-767	-91	-592	-165	314
Electricity Networks	917	673	2,471	1,930	3,035	918	669	2,473	1,925	3,071
Heat	743	530	2,779	2,438	4,179	731	531	2,760	2,402	4,118
Other	-445	-165	-478	-183	-1,009	-449	-181	-539	-239	-1,100
<b>Total</b>	<b>6,316</b>	<b>5,672</b>	<b>17,742</b>	<b>17,071</b>	<b>28,583</b>	<b>6,300</b>	<b>5,655</b>	<b>17,657</b>	<b>16,976</b>	<b>28,497</b>

1) Includes Energy Trading activities, Treasury operations and Other Group functions. Operating profit includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, other segments are affected.

2) Pertains mainly to trading between Electricity Generation, Electricity Markets and Electricity Networks.



## Consolidated balance sheet

Amounts in SEK million	30 June 2008	30 June 2007	31 December 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	4,206	4,226	4,346
Property, plant and equipment	218,061	206,095	214,208
Other non-current assets	50,621	45,709	46,310
<b>Total non-current assets</b>	<b>272,888</b>	<b>256,030</b>	<b>264,864</b>
<b>Current assets</b>			
Inventories	10,792	10,216	9,537
Intangible assets: current	589	413	750
Trade receivables and other receivables	23,844	23,645	28,120
Advance payment to suppliers	721	733	672
Derivatives with positive fair values	15,712	5,659	5,442
Prepaid expenses and accrued income	4,435	3,498	4,834
Current tax assets	2,055	1,438	1,358
Short-term investments	9,707	8,258	12,096
Cash and cash equivalents	13,189	12,591	10,563
<b>Total current assets</b>	<b>81,044</b>	<b>66,451</b>	<b>73,372</b>
<b>Total assets</b>	<b>353,932</b>	<b>322,481</b>	<b>338,236</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Attributable to equity holders of the Parent Company	101,708	104,145	111,709
Attributable to minority interests	10,664	11,957	12,423
<b>Total equity</b>	<b>112,372</b>	<b>116,102</b>	<b>124,132</b>
<b>Non-current liabilities</b>			
Capital Securities	9,330	9,110	9,341
Other interest-bearing liabilities	39,838	46,400	42,683
Pension provisions	17,849	17,415	17,735
Other interest-bearing provisions	52,080	46,630	51,614
Deferred tax liabilities	22,736	26,726	23,704
Other noninterest-bearing liabilities	3,256	2,189	3,285
<b>Total non-current liabilities</b>	<b>145,089</b>	<b>148,470</b>	<b>148,362</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	14,119	12,173	15,408
Advance payments from customers	83	7	395
Derivatives with negative fair values	32,245	12,931	14,242
Accrued expenses and deferred income	14,177	12,882	12,968
Current tax liabilities	4,706	3,659	2,928
Interest-bearing liabilities	26,800	12,486	15,165
Interest-bearing provisions	4,341	3,771	4,636
<b>Total current liabilities</b>	<b>96,471</b>	<b>57,909</b>	<b>65,742</b>
<b>Total equity and liabilities</b>	<b>353,932</b>	<b>322,481</b>	<b>338,236</b>
Pledged assets	1,399	4,307	4,498
Contingent liabilities	41,405	20,841	17,565

## Supplementary information

### Net assets

Amounts in SEK million	30 June 2008	30 June 2007	31 December 2007
Business Group Nordic	92,707	83,736	91,122
Business Group Central Europe	81,617	75,052	78,714
Other <sup>1</sup>	5,403	-6,390	-5,750
<b>Eliminations</b>	<b>-1,074</b>	<b>4,325</b>	<b>2,034</b>
<b>Total net assets</b>	<b>178,653</b>	<b>156,723</b>	<b>166,120</b>
Net assets, weighted average value	165,321	151,986	157,252

1) Includes Energy Trading, Treasury operations and Other Group functions.

### Net debt

Amounts in SEK million	30 June 2008	30 June 2007	31 December 2007
Capital Securities	-9,330	-9,110	-9,341
Other interest-bearing liabilities <sup>1</sup>	-66,638	-58,886	-57,848
Cash and cash equivalents	13,189	12,591	10,563
Short-term investments	9,707	8,258	12,096
Loans to minority owners in foreign subsidiaries	1,061	382	790
<b>Total net debt</b>	<b>-52,011</b>	<b>-46,765</b>	<b>-43,740</b>
1) Of which, loans from minority-owned German nuclear power companies	-11,761	-7,907	-11,083

## Consolidated cash flow statement

Amounts in SEK million	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007	Last 12 months
<b>Operating activities</b>						
Funds from operations (FFO)	-666	4,932	11,162	17,138	34,049	28,073
Cash flow from changes in operating assets and operating liabilities	8,068	3,514	5,261	548	-1,718	2,995
<b>Cash flow from operating activities</b>	<b>7,402</b>	<b>8,446</b>	<b>16,423</b>	<b>17,686</b>	<b>32,331</b>	<b>31,068</b>
<b>Investing activities</b>						
Investments	-12,773	-4,463	-17,800	-7,901	-18,964	-28,863
Divestments	131	191	458	395	925	988
Cash and cash equivalents in acquired/divested companies	5	-	8	1	2	9
<b>Cash flow from investing activities</b>	<b>-12,637</b>	<b>-4,272</b>	<b>-17,334</b>	<b>-7,505</b>	<b>-18,037</b>	<b>-27,866</b>
<b>Cash flow before financing activities</b>	<b>-5,235</b>	<b>4,174</b>	<b>-911</b>	<b>10,181</b>	<b>14,294</b>	<b>3,202</b>
<b>Financing activities</b>						
Changes in short-term investments	-162	1,443	2,360	-568	-4,155	-1,227
Changes in loans to minority owners in foreign subsidiaries	-101	-303	-272	-381	-773	-664
Loans raised <sup>1</sup>	5,836	-1,798	10,665	1,285	4,434	13,814
Amortisation of debt	-285	-1,395	-1,227	-5,180	-10,570	-6,617
Contribution from minority intersets	-	-	-	-	9	9
Dividends paid to equity holders	-8,063	-7,572	-8,064	-7,583	-7,607	-8,088
<b>Cash flow from financing activities</b>	<b>-2,775</b>	<b>-9,625</b>	<b>3,462</b>	<b>-12,427</b>	<b>-18,662</b>	<b>-2,773</b>
<b>Cash flow for the period</b>	<b>-8,010</b>	<b>-5,451</b>	<b>2,551</b>	<b>-2,246</b>	<b>-4,368</b>	<b>429</b>
<b>Cash and cash equivalents</b>						
Cash and cash equivalents at the beginning of the period	21,084	18,095	10,563	14,634	14,634	12,591
Cash flow for the period	-8,010	-5,451	2,551	-2,246	-4,368	429
Translation differences	115	-53	75	203	297	169
<b>Cash and cash equivalents at the end of the period</b>	<b>13,189</b>	<b>12,591</b>	<b>13,189</b>	<b>12,591</b>	<b>10,563</b>	<b>13,189</b>
<b>Supplementary information</b>						
<b>Cash flow before financing activities</b>	<b>-5,235</b>	<b>4,174</b>	<b>-911</b>	<b>10,181</b>	<b>14,294</b>	<b>3,202</b>
<b>Financing activities</b>						
Dividends paid to equity holders	-8,063	-7,572	-8,064	-7,583	-7,607	-8,088
Contribution from minority intersets	-	-	-	-	9	9
<b>Cash flow after dividend</b>	<b>-13,298</b>	<b>-3,398</b>	<b>-8,975</b>	<b>2,598</b>	<b>6,696</b>	<b>-4,877</b>
<b>Analysis of change in net debt</b>						
Net debt at beginning of the period	-39,545	-44,828	-43,740	-49,407	-49,407	-46,765
Cash flow after dividend	-13,298	-3,398	-8,975	2,598	6,696	-4,877
Changes as a result of valuation at fair value	853	822	455	806	783	432
Changes in interest-bearing liabilities for leasing	-31	-	-29	-	-194	-223
Translation differences on net debt	10	639	278	-762	-1,618	-578
<b>Net debt at the end of the period</b>	<b>-52,011</b>	<b>-46,765</b>	<b>-52,011</b>	<b>-46,765</b>	<b>-43,740</b>	<b>-52,011</b>
Free cash flow	74	5,311	5,101	12,581	19,650	12,170

1) Short-term borrowings in which the duration is three months or shorter are reported net.

## Consolidated statement of changes in equity

Amounts in SEK million	Q1-2 2008			Q1-2 2007			Full year 2007		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward	111,709	12,423	124,132	96,589	11,085	107,674	96,589	11,085	107,674
Cash flow hedges, net	-11,949	58	-11,891	931	56	987	-574	59	-515
Hedging of net investments in foreign operations	-121	-	-121	-934	-	-934	-2,048	-	-2,048
Translation differences	884	180	1,064	2,230	241	2,471	5,473	383	5,856
<b>Income, net, recognised directly in equity</b>	<b>-11,186</b>	<b>238</b>	<b>-10,948</b>	<b>2,227</b>	<b>297</b>	<b>2,524</b>	<b>2,851</b>	<b>442</b>	<b>3,293</b>
Profit for the period	10,617	610	11,227	12,829	658	13,487	19,769	917	20,686
<b>Total recognised income and expense for the period</b>	<b>-569</b>	<b>848</b>	<b>279</b>	<b>15,056</b>	<b>955</b>	<b>16,011</b>	<b>22,620</b>	<b>1,359</b>	<b>23,979</b>
Dividends paid to equity holders	-8,000	-64	-8,064	-7,500	-83	-7,583	-7,500	-107	-7,607
Group contributions from/to(-) minority, net after tax	-	-	-	-	-	-	-	87	87
Redemption of minority interests in Germany <sup>2</sup>	-1,432	-	-1,432	-	-	-	-	-	-
Changes in ownership	-	-2,543	-2,543	-	-	-	-	-1	-1
<b>Balance carried forward</b>	<b>101,708<sup>1</sup></b>	<b>10,664</b>	<b>112,372</b>	<b>104,145<sup>1</sup></b>	<b>11,957</b>	<b>116,102</b>	<b>111,709<sup>1</sup></b>	<b>12,423</b>	<b>124,132</b>
1) Of which, Reserve for cash flow hedges	-18,334	-	-	-4,880	-	-	-6,385	-	-

2) Consists of the difference in the cost for acquired minority shares and the reported minority interest in these shares.

## Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 24–25)

In % unless otherwise stated. (x) means times	Q2 2008	Q2 2007	Q1–2 2008	Q1–2 2007	Full year 2007	Last 12 months
Operating margin	17.9	17.7	22.0	23.2	19.9	19.4
Operating margin <sup>1</sup>	17.9	17.6	21.9	23.0	19.8	19.4
Pre-tax profit margin	15.5	15.6	19.3	21.3	16.7	15.8
Pre-tax profit margin <sup>1</sup>	15.2	15.6	19.2	21.2	16.6	15.7
Return on equity	14.8 <sup>2</sup>	19.9 <sup>2</sup>	14.8 <sup>2</sup>	19.9 <sup>2</sup>	17.6	14.8
Return on equity <sup>1</sup>	14.7 <sup>2</sup>	19.8 <sup>2</sup>	14.7 <sup>2</sup>	19.8 <sup>2</sup>	17.5	14.7
Return on net assets	16.1 <sup>2</sup>	15.7 <sup>2</sup>	16.1 <sup>2</sup>	15.7 <sup>2</sup>	16.6	16.1
Return on net assets <sup>1</sup>	16.0 <sup>2</sup>	15.7 <sup>2</sup>	16.0 <sup>2</sup>	15.7 <sup>2</sup>	16.6	16.0
EBIT interest cover, (x)	7.6	6.7	7.9	9.6	6.7	6.2
EBIT interest cover, (x) <sup>1</sup>	7.6	6.7	7.9	9.6	6.7	6.2
FFO interest cover, (x)	0.3	6.3	5.8	10.1	8.6	6.7
FFO interest cover, net, (x)	-0.5	13.2	8.5	20.1	12.2	8.7
Cash flow interest cover after maintenance investments, (x)	1.1	8.4	3.7	9.5	6.4	4.0
FFO/gross debt	37.0 <sup>2</sup>	47.5 <sup>2</sup>	37.0 <sup>2</sup>	47.5 <sup>2</sup>	50.7	37.0
FFO/net debt	54.0 <sup>2</sup>	69.0 <sup>2</sup>	54.0 <sup>2</sup>	69.0 <sup>2</sup>	77.8	54.0
EBITDA/net financial items, (x)	22.4	23.4	16.9	27.3	15.1	12.8
EBITDA/net financial items, (x) <sup>1</sup>	22.4	23.4	16.9	27.2	15.0	12.8
Equity/total assets	31.7	36.0	31.7	36.0	36.7	31.7
Gross debt/equity	67.6	58.6	67.6	58.6	54.1	67.6
Net debt/equity	46.3	40.3	46.3	40.3	35.2	46.3
Gross debt/gross debt plus equity	40.3	36.9	40.3	36.9	35.1	40.3
Net debt/net debt plus equity	31.6	28.7	31.6	28.7	26.1	31.6

1) Excl. items affecting comparability.

2) Last 12-month values.

## Quarterly information, Vattenfall Group

Amounts in SEK million	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
<b>Income statement</b>						
Net sales	35,259	45,404	38,329	31,589	32,077	41,644
Cost of products sold	-25,755	-31,269	-27,791	-24,236	-23,740	-27,637
Other operating income and expenses, net	-3,419	-3,048	-3,967	-2,929	-2,922	-2,832
Participations in the results of associated companies	231	339	181	336	257	224
Operating profit before depreciation and amortisation (EBITDA)	10,078	15,203	12,502	8,768	9,432	15,119
Operating profit (EBIT)	6,316	11,426	6,752	4,760	5,672	11,399
Financial items, net	-840	-1,358	-2,052	-1,246	-657	-695
Financial items, net <sup>1</sup>	-450	-1,042	-1,203	-939	-403	-495
Profit before tax	5,476	10,068	4,700	3,514	5,015	10,704
<b>Profit for the period</b>	<b>4,043</b>	<b>7,184</b>	<b>3,676</b>	<b>3,523</b>	<b>6,252</b>	<b>7,235</b>
- Of which, attributable to equity holders of the Parent Company	3,808	6,809	3,795	3,145	5,963	6,866
- Of which, attributable to minority interests	235	375	-119	378	289	369
<b>Balance sheet</b>						
Non-current assets	272,888	265,288	264,864	257,489	256,030	256,845
Short-term investments	9,707	9,498	12,096	14,999	8,258	9,770
Cash and cash equivalents	13,189	21,084	10,563	6,481	12,591	18,095
Other current assets	58,148	54,476	50,713	45,647	45,602	50,251
<b>Total assets</b>	<b>353,932</b>	<b>350,346</b>	<b>338,236</b>	<b>324,616</b>	<b>322,481</b>	<b>334,961</b>
Equity	112,372	132,822	124,132	119,679	116,102	118,455
- of which, attributable to equity holders of the Parent Company	101,708	120,035	111,709	107,403	104,145	106,898
- of which, attributable to minority interests	10,664	12,787	12,423	12,276	11,957	11,557
Capital Securities	9,330	9,267	9,341	9,082	9,110	9,190
Other interest-bearing liabilities	66,638	61,815	57,848	57,259	58,886	63,584
Pension provisions	17,849	17,644	17,735	17,424	17,415	17,505
Other interest-bearing provisions	56,421	56,446	56,250	52,280	50,401	50,399
Deferred tax liabilities	22,736	24,302	23,704	25,403	26,726	30,450
Other noninterest-bearing liabilities	68,586	48,050	49,226	43,489	43,841	45,378
<b>Total equity and liabilities</b>	<b>353,932</b>	<b>350,346</b>	<b>338,236</b>	<b>324,616</b>	<b>322,481</b>	<b>334,961</b>
Net assets	178,653	168,781	166,120	158,698	156,723	155,556
Net debt	-52,011	-39,545	-43,740	-44,524	-46,765	-44,828
<b>Cash flow</b>						
Funds from operations (FFO)	-666	11,828	10,909	6,002	4,932	12,206
Cash flow from changes in operating assets and operating liabilities	8,068	-2,807	-2,527	261	3,514	-2,966
Cash flow from operating activities	7,402	9,021	8,382	6,263	8,446	9,240
Cash flow from investing activities	-12,637	-4,697	-6,463	-4,069	-4,272	-3,233
Cash flow before financing activities	-5,235	4,324	1,919	2,194	4,174	6,007
Changes in short-term investments	-162	2,522	3,179	-6,766	1,443	-2,011
Loans raised/Amortisation of debt, net, etc.	5,450	3,716	-1,154	-1,470	-3,496	-780
Dividends paid to equity holders	-8,063	-1	-1	-23	-7,572	-11
Cash flow from financing activities	-2,775	6,237	2,024	-8,259	-9,625	-2,802
<b>Cash flow for the period</b>	<b>-8,010</b>	<b>10,561</b>	<b>3,943</b>	<b>-6,065</b>	<b>-5,451</b>	<b>3,205</b>
Free cash flow	74	5,027	3,838	3,231	5,311	7,270

1) Excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund.

Quarterly information, Group (cont.)

**Key ratios** (definitions and calculations of key ratios on pages 24–25)

In % unless otherwise stated. (x) means times	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Return on equity <sup>1</sup>	14.8	17.0	17.6	20.5	19.9	17.9
Return on equity <sup>1,2</sup>	14.7	16.9	17.5	20.4	19.8	17.6
Return on net assets <sup>1</sup>	16.1	16.2	16.6	16.3	15.7	16.1
Return on net assets <sup>1,2</sup>	16.0	16.1	16.6	16.2	15.7	16.0
EBIT interest cover, (x)	7.6	8.1	4.7	4.5	6.7	12.4
EBIT interest cover, (x) <sup>2</sup>	7.6	8.1	4.7	4.5	6.7	12.3
FFO interest cover, (x) <sup>1</sup>	37.0	47.4	50.7	49.2	47.5	47.5
FFO interest cover, net, (x) <sup>1</sup>	54.0	85.1	77.8	73.4	69.0	77.2
Equity/assets ratio	31.7	37.9	36.7	36.9	36.0	35.4
Gross debt/equity	67.6	53.5	54.1	55.4	58.6	61.4
Net debt/equity	46.3	29.8	35.2	37.2	40.3	37.8
Net debt/net debt plus equity	31.6	22.9	26.1	27.1	28.7	27.5

1) Last 12-month values.

2) Excl. items affecting comparability.



## Key ratios – renewable energy generation in the Nordic countries<sup>1</sup>

Amounts in SEK million	Wind power		Hydro power <sup>2</sup>		Heat		Total	
	Q1-2 2008	Q1-2 2007	Q1-2 2008	Q1-2 2007	Q1-2 2008	Q1-2 2007	Q1-2 2008	Q1-2 2007
Operating profit	234.2	135.6	109.3	69.6	252.2	135.7	596.0	340.8
Investments	418.3	424.4	10.3	26.4	609.3	225.0	1 038.0	675.8
Non-current assets <sup>3</sup>	6 228.8	5 704.0	311.4	266.5	5 275.5	3 884.9	11 815.7	9 855.4
Return on non-current assets, %	7.4	4.7	68.6	50.7	8.9	7.0	9.6	6.8

1) By renewable energy is meant electricity and heat generation in the Nordic countries according to the official rules that apply for electricity certificates in Sweden.

2) Small-scale hydro power + capacity increases.

3) The value of non-current assets is calculated as an average over the year.

## Exchange rates

Key exchange rates applied in the accounts of the Vattenfall Group:

	Q2 2008	Q2 2007	Q1-2 2008	Q1-2 2007	Full year 2007		30 June 2008	30 June 2007	31 Dec. 2007
<b>Average rate</b>						<b>Balance sheet date rate</b>			
EUR	9.3875	9.2576	9.4051	9.1989	9.2464	EUR	9.4500	9.2435	9.4700
DKK	1.2585	1.2430	1.2614	1.2346	1.2409	DKK	1.2675	1.2420	1.2705
NOK	1.1750	1.1451	1.1784	1.1325	1.1530	NOK	1.1825	1.1640	1.1875
PLN	2.7375	2.4325	2.6929	2.3929	2.4477	PLN	2.8200	2.4600	2.6300
USD	5.9925	6.8838	6.1382	6.9168	6.7439	USD	5.9800	6.8750	6.4700

## Parent Company income statement

Amounts in SEK million	Q1-2 2008	Q1-2 2007	Full year 2007
Net sales	16,740	13,689	25,223
Cost of products sold	-8,674	-7,848	-14,974
<b>Gross profit</b>	<b>8,066</b>	<b>5,841</b>	<b>10,249</b>
Selling expenses, administrative expenses and research and development costs	-1,381	-1,253	-2,794
Other operating income and expenses, net	170	38	-17
<b>Operating profit (EBIT)</b>	<b>6,855</b>	<b>4,626</b>	<b>7,438</b>
Result from participations in Group companies	31,314	547	1,038
Result from participations in associated companies	2	-	-2
Result from other shares and participations	20	-2	-5
Interest income and similar profit/loss items	1,178	884	1,545
Interest expenses and similar profit/loss items	-2,135	-3,011	-6,046
Group contributions	-	-	1,564
<b>Profit before appropriations and tax</b>	<b>37,234</b>	<b>3,044</b>	<b>5,532</b>
Appropriations	-322	402	452
<b>Profit before tax</b>	<b>36,912</b>	<b>3,446</b>	<b>5,984</b>
Income tax expense	-1,914	-854	-1,529
<b>Profit for the period</b>	<b>34,998</b>	<b>2,592</b>	<b>4,455</b>

## Parent Company balance sheet

Amounts in SEK million	30 June 2008	30 June 2007	31 December 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	60	127	89
Property, plant and equipment	19,614	19,841	19,807
Other non-current assets	97,268	64,459	65,602
<b>Total non-current assets</b>	<b>116,942</b>	<b>84,427</b>	<b>85,498</b>
<b>Current assets</b>			
Inventories	280	320	310
Intangible assets: current	350	579	432
Current receivables	29,859	39,121	40,032
Current tax assets	-	-	274
Cash and cash equivalents	234	124	352
<b>Total current assets</b>	<b>30,723</b>	<b>40,144</b>	<b>41,400</b>
<b>Total assets</b>	<b>147,665</b>	<b>124,571</b>	<b>126,898</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	16,116	20,339	19,667
Profit for the period	34,998	2,592	4,455
<b>Total equity</b>	<b>58,985</b>	<b>30,802</b>	<b>31,993</b>
<b>Untaxed reserves</b>	<b>11,315</b>	<b>11,043</b>	<b>10,993</b>
<b>Provisions</b>	<b>136</b>	<b>105</b>	<b>144</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	59,253	64,199	58,214
Non-current noninterest-bearing liabilities	2,622	2,639	2,643
<b>Total non-current liabilities</b>	<b>61,875</b>	<b>66,838</b>	<b>60,857</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	395	2,542	7,197
Current tax liabilities	1,006	539	-
Other current noninterest-bearing liabilities	13,953	12,702	15,714
<b>Total current liabilities</b>	<b>15,354</b>	<b>15,783</b>	<b>22,911</b>
<b>Total equity and liabilities</b>	<b>147,665</b>	<b>124,571</b>	<b>126,898</b>

## Accounting principles, risks and uncertainties, and the Parent Company's interim report

### Group

#### Accounting principles

Effective 1 January 2005, the Vattenfall Group applies International Financial Reporting Standards (IFRS) as adopted by the European Commission for application within the EU. In addition, recommendation RFR 1.1 – Supplementary Accounting Principles for Groups, issued by the Swedish Financial Reporting Board, has been applied. RFR 1.1 specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act.

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting principles applied in this interim report are the same as those described in Vattenfall's 2007 Annual Report (Note 2 to the consolidated accounts), with exception for the depreciation method used for the Group's nuclear power plants in Germany. As per 1 April 2008, the depreciation method for these assets has been changed from the straight-line method to the units of production method, since this better reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

#### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2007 Annual Report, pages 70–73, and Note 36 to the consolidated accounts. No material changes, other than what is stated in this report, have taken place since publication of the 2007 Annual Report.

### Other

Significant related-party transactions are described in Note 50 to the consolidated accounts in Vattenfall's 2007 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2007 Annual Report.

### Parent Company Vattenfall AB

#### Accounting principles

The Parent Company Vattenfall AB's accounts are prepared according to Swedish GAAP, i.e., in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.1 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board.

The accounting principles used in this report are the same as those described in Vattenfall's 2007 Annual Report (Note 2 to the Parent Company accounts).

#### First half of 2008

A condensed income statement and balance sheet for the Parent Company are presented on page 22 of this report.

Sales amounted to SEK 16,740 million (13,689).

Profit before appropriations and tax was SEK 37,234 million (3,044). The earnings improvement compared with the preceding year is attributable to an intra-Group, non-taxable capital gain on the sale of shares by the Parent Company to a wholly owned subsidiary. This capital gain amounted SEK 30,510 million and is eliminated at the Group level.

Investments for the period amounted to SEK 4,189 million (403).

Cash and cash equivalents amounted to SEK 234 million (124). Funds in the Group cash pool account managed by Vattenfall Treasury AB amounted to SEK 19,908 million (30,245).

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2007 Annual Report, pages 70–73. No material changes, other than what is stated in this report, have taken place since publication of the 2007 Annual Report.

### Other

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2007 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2007 Annual Report.

Of the Parent Company's total sales revenue and purchasing costs, 7% (8%) of sales and 30% (37%) of purchases pertain to transactions with other companies in the Group.

The information provided in this interim report is such that Vattenfall is required to disclose pursuant to the Swedish Securities Market Act.

## Definitions and calculations of key ratios

Figures for the Group. Amounts in SEK million unless stated otherwise.

EBIT =	Earnings Before Interest and Tax.
EBITDA =	Earnings Before Interest, Tax, Depreciation and Amortisation.
FFO =	Funds From Operations.
Items affecting comparability =	Non-recurring capital gains and capital losses from shares and other non-current assets.
Free cash flow =	Cash flow from operating activities less maintenance investments.
Capital Securities =	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.
Net assets =	Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.
Net debt =	Interest-bearing liabilities less loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.

The key ratios are presented as percentages (%) or times (x).

### Key ratios based on last 12-month values (July 2007–June 2008):

Operating margin, % =	100 x $\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{29,254}{150,581} = 19.4$
Operating margin excl. items affecting comparability, % =	100 x $\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{29,178}{150,581} = 19.4$
Pre-tax profit margin, % =	100 x $\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{23,758}{150,581} = 15.8$
Pre-tax profit margin excl. items affecting comparability, % =	100 x $\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{23,666}{150,581} = 15.7$
Return on equity, % =	100 x $\frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{17,557}{118,633} = 14.8$
Return on equity excl. items affecting comparability, % =	100 x $\frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{17,432}{118,633} = 14.7$
Return on net assets, % =	100 x $\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,599}{165,321} = 16.1$
Return on net assets excl. items affecting comparability, % =	100 x $\frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,523}{165,321} = 16.0$

EBIT interest cover, (x) =	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{30,560}{4,940}$	= 6.2
EBIT interest cover excl. items affecting comparability, (x) =	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{30,484}{4,940}$	= 6.2
FFO interest cover, (x) =	$\frac{\text{Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{33,013}{4,940}$	= 6.7
FFO interest cover, net, (x) =	$\frac{\text{Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{31,707}{3,634}$	= 8.7
Cash flow interest cover after maintenance maintenance, (x) =	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{16,248}{4,078}$	= 4.0
FFO/gross debt, % = 100 x	$\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing liabilities}}$	$\frac{28,073}{75,968}$	= 37.0
FFO/net debt, % = 100 x	$\frac{\text{Funds from operations (FFO)}}{\text{Net debt}}$	$\frac{28,073}{52,011}$	= 54.0
EBITDA/net financial items, (x) =	$\frac{\text{Operating profit before depreciation and amortisation (EBITDA)}}{\text{Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{46,551}{3,634}$	= 12.8
EBITDA excl. items affecting comparability/net financial items, (x) =	$\frac{\text{Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability}}{\text{Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{46,475}{3,634}$	= 12.8

#### Key ratios based on the balance sheet as per 30 June 2008:

Equity/total assets, % = 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{112,372}{353,932}$	= 31.7
Gross debt/equity, % = 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{75,968}{112,372}$	= 67.6
Net debt/equity, % = 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{52,011}{112,372}$	= 46.3
Gross debt/gross debt plus equity, % = 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{75,968}{188,340}$	= 40.3
Net debt/net debt plus equity, % = 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{52,011}{164,383}$	= 31.6

The Board of Directors and President certify that this half-year interim report presents a fair overview of the Vattenfall Group's and the Parent Company Vattenfall AB's operations, financial position and earnings, and describes the significant risks and uncertainties facing the Company and the companies belonging to the Group.

Stockholm, 30 July 2008

Lars Westerberg  
Chairman of the Board

Lars G Josefsson  
President and Chief Executive Officer, Director

Viktoria Aastrup  
Director

Carl-Gustaf Angelin  
Director

Eli Arnstad  
Director

Johnny Bernhardsson  
Director

Christer Bådholm  
Director

Ronny Ekvall  
Director

Hans-Olov Olsson  
Vice Chairman of the Board

Lone Fønss Schrøder  
Director

Tuija Soanjärvi  
Director

Anders Sundström  
Director

## Review Report

### Introduction

We have reviewed the interim report for Vattenfall AB (publ) for the period from 1 January 2008 to 30 June 2008. It is the Board of Directors and the President who are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, Review of the Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material respects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 30 July 2008

Ernst & Young AB  
Hamish Mabon  
Authorised Public Accountant

Per Redemo  
Authorised Public Accountant  
appointed by the Swedish National Audit Office





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