



INTERIM REPORT JANUARY–SEPTEMBER 2008

3/08

- Net sales rose 17.2% during the third quarter, to SEK 37,016 million (31,589), and 11.7% for the period January–September, to SEK 117,679 million (105,310).
- Operating profit rose 17.5% during the third quarter, to SEK 5,591 million (4,760), and 6.9% for the period January–September, to SEK 23,333 million (21,831).
- Profit after tax decreased by 29.6% to SEK 2,481 million (3,523) for the third quarter and by 19.4% to SEK 13,708 million (17,010) for the period January–September.

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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 third quarter of 2007, unless indicated otherwise.

Cover photo: On hand for the inauguration of the world's first CCS pilot plant based on oxyfuel technology were (from left) Lars Leijonborg, Swedish Minister of Higher Education and Research; Lars G. Josefsson, President and CEO, Vattenfall; Matthias Platzeck, Minister-President, Brandenburg; and Tuomo Hatakka, Senior Executive Vice President, Vattenfall and Head of Business Group Central Europe.

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

Annual General Meeting
29 April 2009

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STRONG EARNINGS, GREATER UNCERTAINTY IN EXTERNAL ENVIRONMENT

- Net sales rose 17.2% during the third quarter, to SEK 37,016 million (31,589), and 11.7% for the period January–September, to SEK 117,679 million (105,310).
- Operating profit rose 17.5% during the third quarter, to SEK 5,591 million (4,760), and 6.9% for the period January–September, to SEK 23,333 million (21,831).
- Profit after tax decreased by 29.6% to SEK 2,481 million (3,523) for the third quarter and by 19.4% to SEK 13,708 million (17,010) for the period January–September.*

* The lower profit after tax is mainly attributable to a nonrecurring positive tax effect in Germany in 2007. See below.

Third quarter 2008 – net sales, earnings, cash flow and debt

Strong earnings improvement for Business Group Nordic

Consolidated net sales rose 17.2% to SEK 37,016 million (31,589). Operating profit grew 17.5% to SEK 5,591 million (4,760), mainly attributable to Business Group Nordic, which reported a significant earnings improvement primarily for its Generation business unit. Operating profit for Business Group Central Europe fell 17.9%, mainly due to lower electricity generation and higher costs for CO₂ emission allowances.

Consolidated profit after tax decreased by 29.6% to SEK 2,481 million (3,523). This is mainly due to a nonrecurring, positive tax effect of SEK 950 million in Germany during the third quarter of 2007 stemming from the German government's decision to reduce the company tax rate by approximately 10 percentage points.

Cash flow before financing activities increased to SEK 5,989 million (2,194), and free cash flow increased to SEK 7,464 million (3,231). This is mainly due to improved working capital and the receipt of margin calls. Margin calls are security that the holder of a derivative position must pledge to cover the credit risk of its counterparty. During the third quarter,

Vattenfall received margin calls from the European Energy Exchange (EEX) in Germany in the amount of approximately SEK 4,200 million.

Return on equity was 14.0% (20.5%), and the return on net assets was 16.0% (16.3%) (both calculated on a last 12-month basis). The FFO cash flow interest coverage ratio after maintenance investments decreased to 4.6 (7.0) on a last 12-month basis.

Continued strong financial position

The turmoil in the financial markets has led to greater uncertainty in the external environment. However, it has not affected Vattenfall's earnings. Our liquidity situation remains favourable, and we do not have any immediate borrowing needs. We have strict and clear rules for managing liquidity, financing and credit risks. Quotations for Vattenfall's credit default swaps (CDSs), which reflect the market's view of a company's creditworthiness, have risen considerably less than for other industrial companies. Signs of curbed investment by financial weak players can now be seen. For strong players like Vattenfall, this can give rise to business opportunities. However, if the current crisis in the financial markets continues, Vattenfall's opportunities to debt-finance major ac-



quisitions could be affected over time.

Vattenfall's net debt decreased during the third quarter by SEK 3,535 million, to SEK 48,476 million. The decrease is mainly attributable to the receipt of margin calls. The net debt/equity ratio improved to 39.1% as per 30 September 2008, compared with 46.3% as per 30 June 2008.

Electricity and heat generation during the third quarter of 2008

Increase in hydro power but decrease in nuclear and fossil-based power

Total electricity generation decreased by 5.4%, to 35.3 TWh (37.3). Hydro power generation increased by 5.2%, to 8.1 TWh (7.7). Nuclear power generation decreased by 6.7%, to

9.8 TWh (10.5). Fossil-based power decreased by 9.1% to 17.0 TWh (18.7). Wind power was unchanged at 0.3 TWh. Bio-fuel-based electricity generation amounted to 0.1 TWh. Heat generation decreased by 5.3% to 3.6 TWh (3.8). See page 8 for more information.

Wholesale price trend during third quarter of 2008

Higher spot prices for electricity

The average spot price on Nord Pool was EUR 55.38/MWh, which is nearly three times as high as during the third quarter of 2007. The main reasons are higher prices for CO₂ emission allowances and coal, and a lower water supply. The hydrological balance in the Nordic region weakened during the quarter from an initial surplus of 4.8 TWh to a deficit of 4.1 TWh at the end of the quarter. In Germany the average spot price (EEX base load) was EUR 73.17/MWh, which is 136% higher than during the third quarter of 2007.

Forward prices fell slightly, both in the Nordic countries and Germany, mainly due to lower forward prices for coal and oil. Forward prices for the 2009 and 2010 yearly contracts in the Nordic region closed at the end of the quarter at EUR 58.55/MWh and EUR 56.23/MWh, respectively. In Germany, the corresponding contracts closed the quarter at EUR 77.29/MWh and EUR 74.25/MWh, respectively. Forward prices for CO₂ emission allowances for 2009 closed the quarter at EUR 23.4/tonne, which is 21% lower than at 30 June 2008. A price chart is provided on page 9.

Important events during third quarter of 2008

Vattenfall to be completely climate-neutral by 2050

We have more clearly defined our strategic primary focus, which can be expressed in three words: Making electricity clean. Our vision is to be completely climate-neutral by eliminating the emission of greenhouse gases from our operations. By 2030 we expect to reduce our carbon dioxide emissions by two-thirds compared with 1990, and by 2050 the aim is that our products will be completely climate-neutral. Growth in climate-neutral generation is the way to making electricity

clean. Our growth target is an annual production of 390 TWh by 2030. This corresponds to approximately a 10% market share within the EU27 and is a sharp increase from today's level of around 170 TWh.

Greater number of customers

Vattenfall continues to win market shares in the Nordic countries. In September Vattenfall and Göteborg Energi AB signed an agreement on the takeover of part of the customer base in the jointly owned electricity supply company Plusenergi AB. The agreement entails that Vattenfall gains approximately 150,000 new customers, which will further boost its market share. Vattenfall has also achieved sales successes in Germany. By marketing electricity sales online nationwide in Germany, Vattenfall has increased its customer numbers and expects to have more customers at year-end 2008 than at the start of the year.

Possible sale of Vattenfall's German high-voltage grid

In late July Vattenfall contacted a number of potential investors regarding the possible sale of Vattenfall's high-voltage transmission grid in Germany. Interest has been great, and a number of indicative offers have been received in October. No decision on the sale has been made.

World's first pilot CCS plant, Schwarze Pumpe, inaugurated

After two years of construction, on 9 September Vattenfall inaugurated the world's first coal-fired CCS power plant based on oxyfuel technology. CCS, which stands for Carbon Capture and Storage, entails the separation and underground storage of the carbon dioxide that is created in the combustion of fossil fuels. The investment sum for the pilot plant amounts to EUR 70 million (SEK 680 million).

Acquisition of wind power companies in the UK

In September Vattenfall announced its intention to make a bid worth GBP 51.5 million, corresponding to approximately SEK 645 million, for the British wind power com-

pany Eclipse Energy. The formal offer was made in October, and the deal is expected to be completed shortly. On 6 October Vattenfall acquired AMEC Wind Energy Ltd, a leading developer of commercial wind farms, for SEK 1.6 billion. These acquisitions give Vattenfall an opportunity to broaden its operations in the UK and to further add to our already substantial experience in the area of wind power.

Go-ahead for construction of Moorburg combined heat and power plant in Germany

On 30 September the authorities granted Vattenfall approval to build the Moorburg coal-fired combined heat and power station in Hamburg, Germany. The permission to build the plant is coupled with a number of new restrictions that will affect operation of the plant. Vattenfall will therefore request a judicial review of the authorities' decision.

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 the time-consuming control and verification work surrounding dowels in both plants and the work on remedying cracks in valves at the Krümmel plant. In addition, new requirements have been made for the steel platforms at Brunsbüttel. The earnings impact for these standstills amounted to EUR 120 million (SEK 1,143 million) during the third quarter. The earnings impact for the first nine months of the year was EUR 404 million (SEK 3,818 million).

New CFO appointed

Dag Andresen has been appointed as Vattenfall's new CFO after Jan Erik Back, who left Vattenfall in mid-August. Andresen joins Vattenfall from Nordea AB, where he held the position as Head of the Transaction & Financing business area. He assumed his new position on 1 October.

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

Amounts in SEK million unless otherwise stated	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %	Last 12 months
Net sales	37,016	31,589	17.2	117,679	105,310	11.7	156,008
Operating profit before depreciation and amortisation (EBITDA)	9,272	8,768	5.7	34,553	33,319	3.7	47,055
Operating profit (EBIT)	5,591	4,760	17.5	23,333	21,831	6.9	30,085
Operating profit excl. items affecting comparability	5,579	4,745	17.6	23,236	21,721	7.0	30,012
Financial items, net	-2,048	-1,246	-64.4	-4,246	-2,598	-63.4	-6,298
Profit before tax	3,543	3,514	0.8	19,087	19,233	-0.8	23,787
Profit for the period	2,481	3,523	-29.6	13,708	17,010	-19.4	17,384
– of which, attributable to equity holders of the Parent Company	2,584	3,145	-17.8	13,201	15,974	-17.4	16,996
– of which, attributable to minority interests	-103	378	–	507	1,036	-51.1	388
Return on equity, %	14.0 ¹	20.5 ¹	–	14.0 ¹	20.5 ¹	–	14.0
Return on net assets, %	16.0 ¹	16.3 ¹	–	16.0 ¹	16.3 ¹	–	16.0
Funds from operations (FFO)	8,687	6,002	44.7	19,849	23,140	-14.2	30,758
Cash flow before financing activities	5,989	2,194	173.0	5,078	12,375	-59.0	6,997
Free cash flow	7,464	3,231	131.0	12,565	15,812	-20.5	16,403
Cash and cash equivalents plus short-term investments	27,878	21,480	29.8	27,878	21,480	29.8	
Balance sheet total	361,587	324,616	11.4	361,587	324,616	11.4	
Equity incl. minority interests	124,068	119,679	3.7	124,068	119,679	3.7	
Capital Securities	9,641	9,082	6.2	9,641	9,082	6.2	
Other interest-bearing liabilities	67,860	57,259	18.5	67,860	57,259	18.5	
Net debt	48,476	44,524	8.9	48,476	44,524	8.9	

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.

Launch of Vattenfall's Climate Manifesto

At the end of September, Vattenfall went public with its Climate Manifesto at a press conference in Brussels, where we have invited the general public to sign a manifesto via our website and thereby join us and urge politicians around the world to take necessary measures to improve the climate issue. The manifesto identifies the following three points:

1. We need a global price for CO₂ emissions.
2. We need more support for climate-friendly technologies.
3. We need to implement climate requirements for products.

To sign the manifesto, visit:

<http://climatesignature.vattenfall.com>

January–September 2008

Compared with the same period in 2007, net sales rose 11.7% to SEK 117,679 million (105,310) during the period January–September, and operating profit decreased by 6.9%, to SEK 23,333 million (21,831). Profit for the period (after tax) decreased by 17.4% to SEK 13,201 million (15,974), mainly due to a nonrecurring, positive tax effect of SEK 2,850 million in Germany in 2007. Cash flow before financing activities decreased to SEK 5,078 million (12,375), and free cash flow decreased to SEK 12,565 million (15,812). The decrease is mainly attributable to greater investments and payment of margin calls.

Total electricity generation decreased by 1.2% to 121.5 TWh (123.0). Hydro power generation increased by 5.6%,

nuclear power decreased by 5.1%, and fossil-based power generation decreased by 2.7%. Wind power generation increased by 22.2%. Heat production was unchanged. For more information, see page 8.



Lars G. Josefsson
President and CEO

Sales, profit and cash flow

Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %
Net sales	37,016	31,589	17.2	117,679	105,310	11.7

Comment: Excluding intra-Group transactions, net sales for Business Group Nordic increased by SEK 3.4 billion during the third quarter compared with 2007. For Business Group Central Europe, net sales increased by SEK 3.0 billion, of which SEK 2.1 billion is attributable to Germany. Net sales for the "Other" segment, which includes Energy Trading, decreased by SEK 1.0 billion.

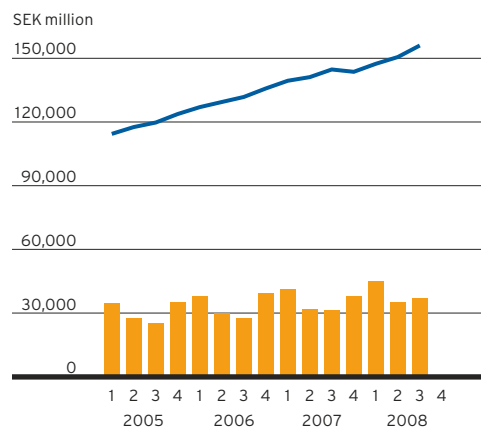
Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %
Cost of products sold	28,542	24,236	17.8	85,566	75,613	13.2

Comment: Compared with 2007, the cost increase for the third quarter is entirely attributable to Business Group Central Europe, of which the German operations accounted for roughly 80% of the increase. This is mainly due to higher costs for CO₂ emission allowances (approx. SEK 1.2 billion) and higher fuel costs (approx. SEK 0.3 billion). For the Group as a whole, the total cost increase for emission allowances and fuel was SEK 1.2 billion and SEK 0.7 billion, respectively.

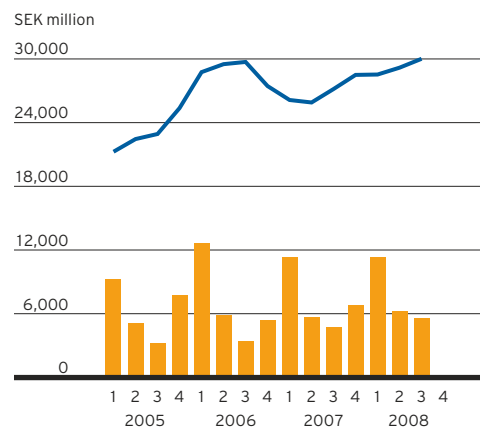
Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %
Operating profit (EBIT)	5,591	4,760	17.5	23,333	21,831	6.9
Operating profit (EBIT) excl. items affecting comparability	5,579	4,745	17.6	23,236	21,721	7.0

Comment: Operating profit for the third quarter improved by SEK 831 million compared with the same period a year ago. Most of the improvement is attributable to Business Group Nordic (SEK 1,275 million), where the Generation business unit accounted for 80% of the improvement on account of higher prices achieved both in the hedge portfolio and on the spot market. Business Group Central Europe posted a SEK 620 million drop in operating profit during the quarter, which is entirely attributable to Germany. Poland noted a slight improvement in operating profit. Vattenfall Trading Services improved its operating profit for the period by SEK 290 million, which is mainly attributable to the effects of fair market valuation of the derivative portfolio.

Net sales



Operating profit, excl. items affecting comparability



Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %
Cash flow from operating activities	12,213	6,263	95.0	28,636	23,949	19.6
Free cash flow¹	7,464	3,231	131.0	12,565	15,812	-20.5
Cash flow before financing activities	5,989	2,194	173.0	5,078	12,375	-59.0

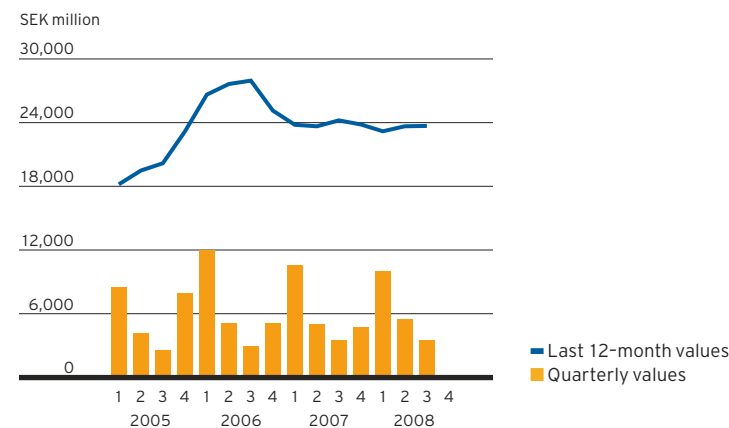
¹) Cash flow from operating activities less maintenance investments.

Comment: The increase in cash flow during the third quarter is mainly attributable to the receipt of margin calls and improved working capital.

Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %
Net financial items	-2,048	-1,246	-64.4	-4,246	-2,598	-63.4
Interest income from financial investments	419	307	36.5	1,195	1,043	14.6
Interest expense from loans	-935	-784	-19.3	-2,543	-2,251	-13.0
Interest received	325	252	28.8	1,258	1,017	23.7
Interest paid	-320	-194	-64.9	-2,779	-2,453	-13.3

Comment: The deterioration of net financial items pertains to the negative change in the market value of derivatives and short-term investments, a lower return from the Nuclear Waste Fund, and a higher interest portion in pension costs. Average monthly net interest income/expense amounted to SEK -180 million (-146).

Profit before tax, excl. items affecting comparability



Financial position

Amounts in SEK million	30 Sept 2008	30 Sept 2007	Change, %
Cash and cash equivalents plus short-term investments	27,878	21,480	29.8
Committed credit facilities (unutilised)	13,764	9,577	43.7
Other credit facilities (unutilised)	11,505	10,895	5.6

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 that expires in April 2009, and a SEK 100 million bank overdraft facility that expires in December 2009. It is Vattenfall's goal that funds corresponding to a minimum of 10% of the Group's net sales, and as a minimum corresponding to debt maturities during the coming 90 days, shall be accessible in the form of liquid assets or committed credit facilities.

Net debt	48,476	44,524	8.9
Interest-bearing liabilities	77,501	66,341	16.8
Average fixed interest period (duration, years) ¹	3.1	3.7	-
Average maturity, years	6.4	6.5	-

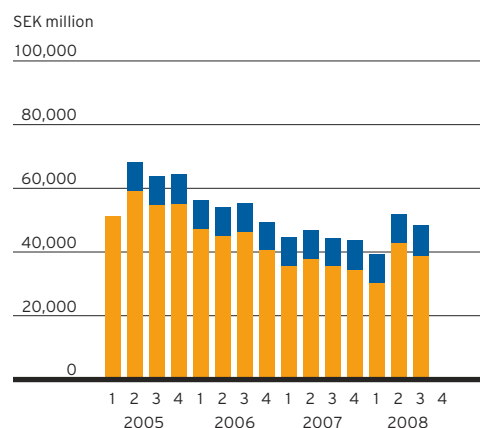
1) Excl. SEK 9,330 million in Capital Securities, net debt amounts to SEK 42,681 million, the average term of fixed interest to 2.4 years, and the average maturity to 6.0 years. These values pertain to 30 June 2008. Excl. loans from associated companies and minority owners.

Comment: Compared with 30 June 2008, net debt decreased by SEK 3,535 million, while total interest-bearing liabilities increased by SEK 1,533 million. Exchange rate movements increased net debt by SEK 2,008 million during the third quarter. It is Vattenfall's goal that the average remaining maturity of the debt portfolio shall exceed five years. No changes were made in Vattenfall's credit ratings during the quarter. Vattenfall's current long-term rating is A3 from Moody's and A- from Standard & Poor's.

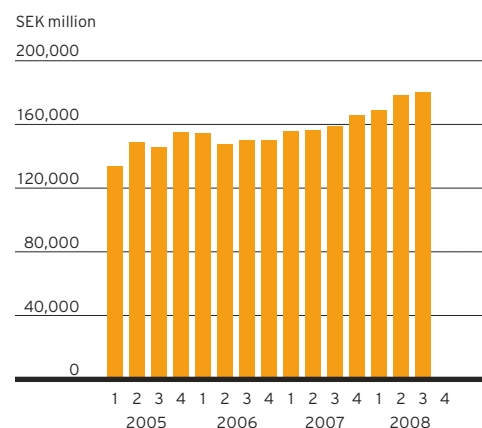
Equity attributable to			
Equity holders of the Parent Company	113,364	107,403	5.6
Minority interests	10,704	12,276	-12.8
Total	124,068	119,679	3.7

Comment: Changes in equity are specified on page 17.

Net debt



Net assets



Investments

Amounts in SEK million	Q3 2008	Q3 2007	Change, %
Maintenance investments	4,749	3,032	56.6
Growth investments	1,563	1,278	22.3
– of which, shares	136	109	24.8
Total investments	6,312	4,310	46.5

Comment: Total investments are broken down as follows: Business Group Central Europe 58%, Business Group Nordic 41%, and Other 1%.

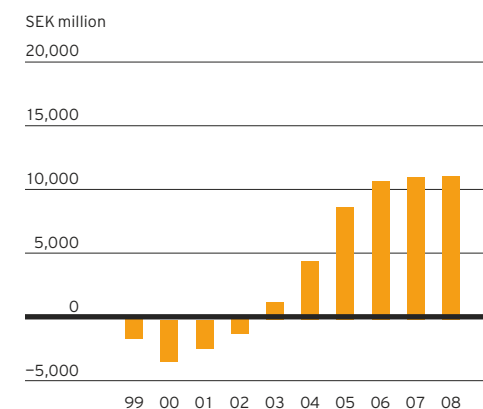
Personal

Number of employees, full-time equivalents	30 Sept 2008	30 Sept 2007	Change, %
Business Group Nordic	9,612	9,540	0.8
Business Group Central Europe	22,544	22,478	0.3
Other	913	505	80.8
Total	33,069	32,523	1.7

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. Growth primarily in the Mining and Generation business units has led to an increase in the number of employees both in Business Group Nordic and Business Group Central Europe.

Value creation

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



■ Quarterly values
■ Capital Securities

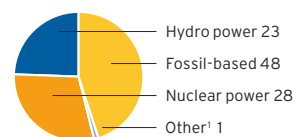
Electricity balance¹, TWh

Amounts in SEK million unless otherwise stated	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %	Full year 2007
Internal generation and electricity input							
Hydro power	8.1	7.7	5.2	30.0	28.4	5.6	36.6
Nuclear power	9.8	10.5	-6.7	35.4	37.3	-5.1	51.3
Fossil-based power	17.0	18.7	-9.1	54.4	55.9	-2.7	77.7
Wind power	0.3	0.3	0.0	1.1	0.9	22.2	1.3
Biofuel	0.1	0.1	0.0	0.4	0.4	0.0	0.5
Waste	0.0	0.0	-	0.1	0.1	0.0	0.1
Total internal generation	35.3	37.3	-5.4	121.5	123.0	-1.2	167.6
Purchased power	11.6	13.7	-15.3	38.3	43.8	-12.6	56.7
Spot market	0.5	0.1	-	1.0	0.8	25.0	0.8
Total electricity input	47.5	51.1	-7.0	160.9	167.7	-4.1	225.1
Consumption within the Group	2.6	3.9	-33.3	8.3	9.5	-12.6	12.8
Total	44.9	47.2	-4.9	152.6	158.2	-3.5	212.3
Sales							
Nordic countries	12.4	12.7	-2.4	41.1	40.9	0.5	55.7
Germany and Poland	22.0	24.1	-8.7	71.8	74.3	-3.4	99.1
Other countries	0.9	0.8	12.5	3.1	2.6	19.2	3.8
Spot market	6.1	5.7	7.0	23.8	26.9	-11.5	35.2
Total electricity sales	41.5	43.3	-4.2	139.8	144.7	-3.4	193.8
Delivery to minority owners	3.3	3.6	-8.3	12.1	12.8	-5.5	17.6
Other	0.2	0.3	-33.3	0.7	0.8	-12.5	1.0
Total	44.9	47.2	-4.9	152.6	158.2	-3.5	212.3
Heat sales, TWh							
Business Group Nordic ²	1.0	1.2	-16.7	6.9	7.6	-9.2	10.7
Business Group Central Europe ²	2.6	2.6	0.0	16.5	15.8	4.4	25.5
Total	3.6	3.8	-5.3	23.4	23.4	0.0	36.2

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

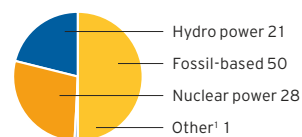
2) Incl. deliveries of so-called ready heat.

Electricity generation, Q3 2008, %



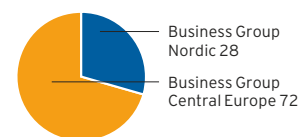
1) Wind power, biofuels and waste.

Electricity generation, Q3 2007, %

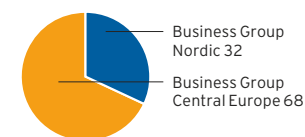


1) Wind power, biofuels and waste.

Heat sales, Q3 2008, %



Heat sales, Q3 2007, %



Electricity generation and electricity sales during third quarter of 2008

Increase in hydro power but decrease in nuclear and fossil-based power

Total electricity generation decreased by 5.4% to 35.3 TWh (37.3). Hydro power generation increased by 5.2% to 8.1 TWh (7.7). Nuclear power generation decreased by 6.7% to 9.8 TWh (10.5), mainly due to interruptions and extended, planned outages at the Swedish nuclear power plants. Fossil-based generation decreased by 9.1% to 17.0 TWh (18.7), mainly due to extended, planned outages of the German coal-fired plants. Wind power generation was unchanged at 0.3 TWh. Bio-fuel-based electricity generation amounted to 0.1 TWh.

Electricity sales

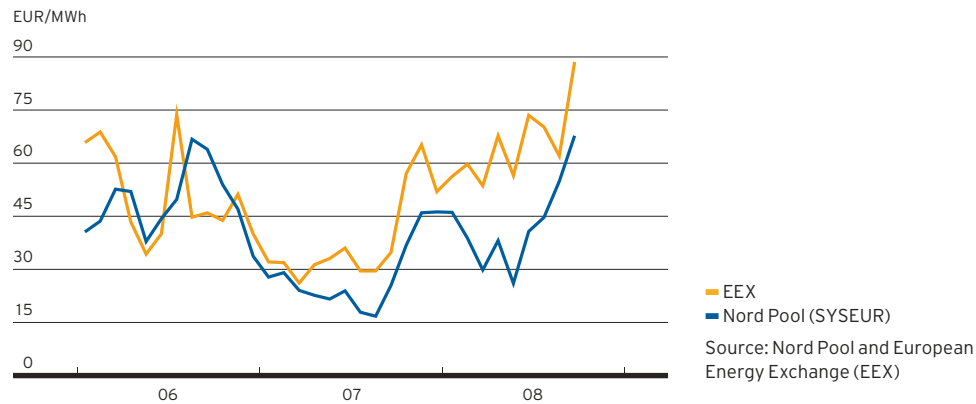
Total electricity sales decreased by 4.2% to 41.5 TWh (43.3). The lower generation volumes are one explanation. Sales on the spot market rose 7.0%, which is mainly attributable to the Nordic countries.

Sales of heat during the third quarter of 2008

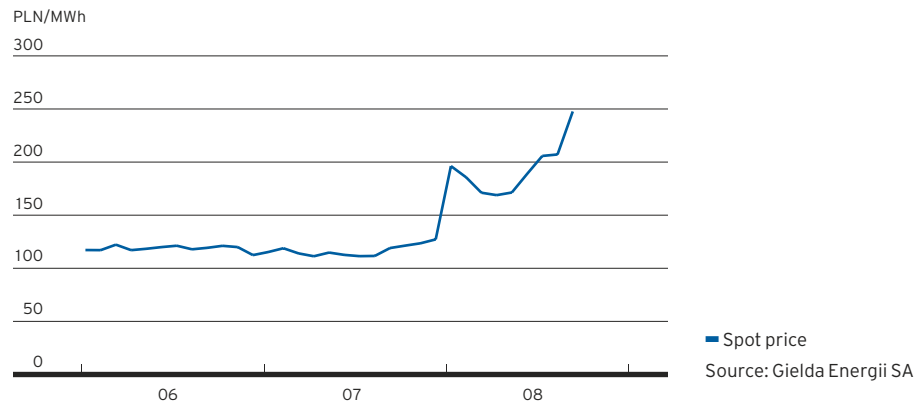
Sales of heat decreased by 5.3% to 3.6 TWh (3.8), which is attributable to lower sales of heat in the Nordic countries due to warm weather and to the divestment of a number of small production units in late 2007. Sales of heat in Business Group Central Europe were level with the corresponding period a year ago.

Wholesale price trend

German and Nordic electricity spot prices, monthly averages



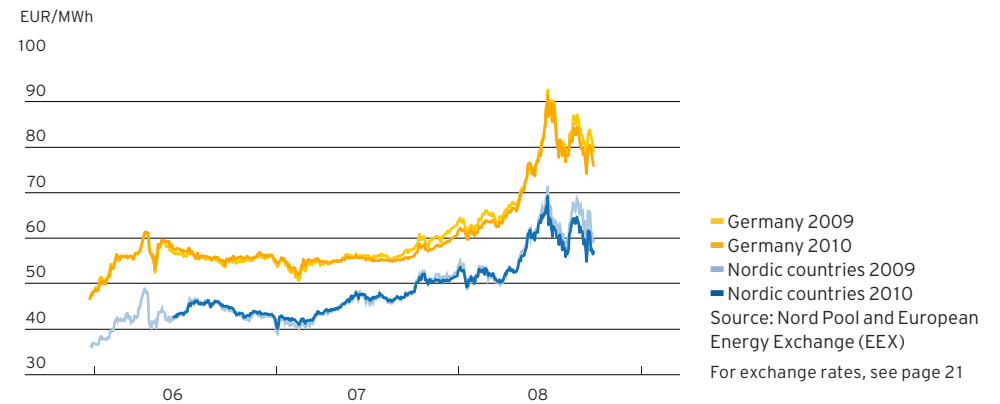
Polska electricity spot prices 2006–2008, monthly averages



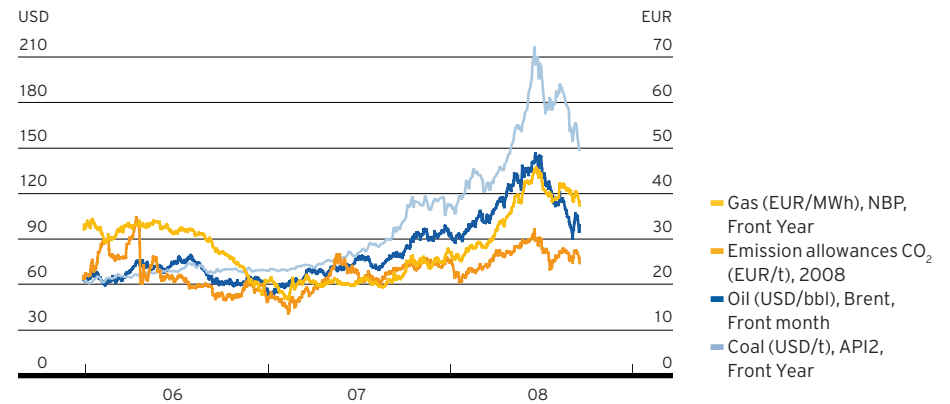
Electricity spot and futures prices in Vattenfall's markets

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

German and Nordic futures prices



Price development oil, coal, gas and CO₂ emission allowances



Price development for oil, coal, gas and CO₂ emission allowances

Coal prices fell 30% during the third quarter. This is mainly due to the global financial crisis, which has also affected demand for coal. However, there is still strong demand in Asia, which is hard to meet. Oil prices also fell during the period on account of the financial turmoil. Gas prices have fallen along with oil prices. Prices of CO₂ emission allowances have also followed oil prices down. However, in general prices of all commodities are higher than a year ago.

Business Group Nordic

Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %	Full year 2007	Last 12 months
Net sales	8,787	9,152	-4.0	35,057	33,785	3.8	46,713	47,985
External net sales ¹	11,973	8,553	40.0	38,790	30,377	27.7	44,429	52,842
Operating profit (EBIT)	2,809	1,534	83.1	13,123	8,561	53.3	12,591	17,153
Operating profit (EBIT) excl. items affecting comparability	2,802	1,531	83.0	13,111	8,503	54.2	12,418	17,026
Heat generation, TWh	1.0	1.2	-16.7	6.9	7.6	-9.2	10.7	10.0
Electricity generation, TWh	18.4	18.9	-2.6	68.5²	67.0²	2.2	91.1	92.6
- of which, fossil-based power	7.3	6.9	5.8	27.7	26.2	5.7	33.6	35.1
- of which, nuclear power	9.8	10.3	-4.9	35.4	34.8	1.7	48.8	49.4
- of which, hydro power	1.0	1.4	-28.6	4.0	4.9	-18.4	7.1	6.2
- of which, wind power	0.3	0.3	0.0	1.1	0.9	22.2	1.2	1.4
- of which, biofuels	0.0	0.0	-	0.3	0.2	50.0	0.4	0.5
Transited volume excl. generation transmission, TWh ³	17.0	16.9	0.6	58.7	58.4	0.5	80.5	80.8

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 55.7 TWh (54.3), 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 difference of 0.1 TWh exist for certain items. Certain values for 2007 have been adjusted compared with previously published information.

Sales and earnings trend Q3

External net sales rose 40% compared with a year ago, mainly due to higher prices on the spot market and for hedged volumes.

Excluding the preceding year's restructuring costs of slightly more than SEK 100 million for the Distribution business unit and a SEK 195 million write-down for a combined heat and power plant in Finland, Business Group Nordic showed an improved operating profit of approximately SEK 980 million. The Generation business unit improved its operating profit by SEK 1,020 million compared with a year ago, mainly due to higher prices achieved.

Electricity and heat generation Q3

Despite the increase in hydro power generation, total electricity generation was lower than a year ago due to a decrease in nuclear power and fossil-based generation. Nuclear power generation decreased as a result of a number of interruptions and extended, planned outages. Fossil-based generation decreased as a result of lower generation in Denmark.

Heat production was lower as a result of warm weather and the divestment of a number of small production units in late 2007.

Wholesale price trend

Average spot prices (EURSYS base load) on Nord Pool, the Nordic electricity exchange, during the third quarter were nearly three times higher than in the same period a year ago - EUR 55.38/MWh, compared with EUR 19.74/MWh. The higher price level is mainly attributable to considerably higher prices for CO₂ emission allowances, higher coal prices, and a weaker hydrological balance. During the third quarter of 2008 the average hydrological balance was slightly weaker compared with the same period a year ago, with a surplus of 0.2 TWh, compared with a surplus of 12.1 TWh. In addition, the hydrological balance weakened during the quarter, from an initial surplus of 4.8 TWh to a deficit of 4.1 TWh at the end of the period. On account of uneven water levels in Sweden and Norway, the Norwegian area price was generally lower than in the other areas. The price difference was further accentuated by the fact that transmission capacity between southern Norway and Sweden remained reduced, a situation that is expected to continue through January 2009.

Forward prices on Nord Pool fell during the quarter as a result of coal prices that have fallen from record highs and slightly lower prices for CO₂ emission allowances. Forward contracts for 2009 and 2010 closed on 30 September 2008 at EUR 58.55/MWh and 56.23/MWh, respectively, compared with EUR 68.25/MWh and EUR 66.25/MWh, respectively on 30 June of this year. However, compared with the corresponding period a year ago, the general price level of commodities and electricity forwards remained higher.

Business Group Central Europe¹

Amounts in SEK million	Q3 2008	Q3 2007	Change, %	Q1-3 2008	Q1-3 2007	Change, %	Full year 2007	Last 12 months
Net sales	32,544	27,912	16.6	101,757	89,634	13.5	122,256	134,379
External net sales ²	22,796	19,803	15.1	71,209	63,445	12.2	86,736	94,500
Operating profit (EBIT)	2,852	3,472	-17.9	11,277	13,395	-15.8	16,430	14,312
Operating profit (EBIT) excl. items affecting comparability	2,847	3,460	-17.7	11,192	13,343	-16.1	16,517	14,366
Heat generation, TWh	2.6	2.6	0.0	16.5	15.8	4.4	25.5	26.2
Electricity generation, TWh	16.9	18.4	-8.2	53.0 ³	56.0 ³	-5.4	76.6	73.6
– of which, fossil-based power	16.0	17.3	-7.5	50.4	51.0	-1.2	70.6	70.0
– of which, nuclear power	0.0	0.2	-100.0	0.0	2.5	-100.0	2.5	0.0
– of which, hydro power	0.8	0.8	0.0	2.3	2.2	4.5	3.1	3.2
– of which, wind power	0.0	0.0	–	0.1	0.1	0.0	0.1	0.1
– of which, biofuels	0.0	0.0	–	0.1	0.1	0.0	0.2	0.2
– of which, waste	0.0	0.0	–	0.1	0.1	0.0	0.1	0.1
Transited volume excl. generation transmission, TWh								

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 53.0 TWh (55.2), 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 Q3

External net sales rose 15.1%, of which approximately 11 percentage points pertains to the German operations. The increase in sales is mainly attributable to higher prices achieved in both Germany and Poland. The Polish operations also showed slightly higher volumes for the Heat and Distribution business units.

The drop in operating profit is entirely attributable to the German operations. Poland reported a slight improvement in operating profit.

The Mining and Generation business unit reported a SEK 507 million drop in operating profit compared with the third quarter of 2007 despite higher prices achieved. This is mainly attributable to higher costs for CO₂ emission allowances (SEK 1,156 million), lower availability of coal-fired plants, and planned maintenance work. Costs for the continued interruptions at the Krümmel and Brunsbüttel nuclear power plants were approximately SEK 570 million higher during the third quarter compared with the same period a year ago.

The Heat business unit in Germany reported a drop in its operating profit, among other things due to higher fuel costs stemming from higher gas and coal prices. This was partly compensated by higher electricity prices.

The Sales Germany business unit also showed a drop in operating profit due to a lower gross margin.

The Polish operation reported a SEK 48 million improvement in operating profit. The Distribution Poland business unit accounted for the

entire improvement as result of higher volumes and tariffs. Both the Heat and Sales business units in Poland reported a decline in operating profit compared with the same period a year ago.

Electricity and heat generation Q3

The decrease in electricity generation is mainly attributable to lower availability and extended outages at the German coal-fired plants.

Heat production was unchanged compared with a year earlier.

Wholesale price trend

Germany

Average spot prices (base load) on the European Energy Exchange (EEX) in Germany during the third quarter of 2008 were 136% higher than in the corresponding period a year ago – EUR 73.17/MWh, compared with EUR 31.01/MWh. The corresponding peak load price was EUR 96.29/MWh (43.25). The increase is mainly due to considerably higher prices for CO₂ emission allowances, but also to higher coal, gas and oil prices.

Forward prices for the 2009 and 2010 contracts have fallen compared with the end of June. At the end of September, the 2009 contract closed at EUR 77.29/MWh (EUR 88.30/MWh), while the 2010 contract closed at EUR 74.25/MWh (EUR 87.50/MWh). The price decline is attributable to sharply falling forward prices for coal and oil, and slightly falling prices for gas and CO₂ emission allowances.

Poland

Sales volume on the Polish electricity exchange, particularly in the futures market, is still very low compared with Nord Pool and the EEX. The quarter was characterised by rising prices; average spot prices on the Polish electricity exchange (POLPX) during the third quarter were nearly twice as high as a year ago – PLN 219.6/MWh, compared with PLN 112.5/MWh. Polish prices are thus beginning to near the neighbouring countries' spot prices. The price increase is mainly attributable to higher coal prices.

Consolidated income statement

Amounts in SEK million	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Last 12 months
Net sales	37,016	31,589	117,679	105,310	143,639	156,008
Cost of products sold ¹	-28,542	-24,236	-85,566	-75,613	-103,404	-113,357
Gross profit	8,474	7,353	32,113	29,697	40,235	42,651
Selling expenses, administrative expenses and research and development costs ²	-3,331	-3,184	-10,194	-9,355	-13,508	-14,347
Other operating income and expenses, net	143	255	539	672	858	725
Participations in the results of associated companies	305	336	875	817	998	1,056
Operating profit (EBIT)³	5,591	4,760	23,333	21,831	28,583	30,085
Financial income ⁴	341	472	1,795	2,103	2,276	1,968
Financial expenses ⁵	-2,389	-1,718	-6,041	-4,701	-6,926	-8,266
Profit before tax⁶	3,543	3,514	19,087	19,233	23,933	23,787
Income tax expense	-1,062	9	-5,379	-2,223	-3,247	-6,403
Profit for the period⁷	2,481	3,523	13,708	17,010	20,686	17,384
Attributable to						
Equity holders of the Parent Company	2,584	3,145	13,201	15,974	19,769	16,996
Minority interests	-103	378	507	1,036	917	388
Total	2,481	3,523	13,708	17,010	20,686	17,384
Earnings per share						
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share (SEK)	19.62	23.88	100.24	121.29	150.11	129.05
Supplementary information						
Operating profit before depreciation and amortisation (EBITDA)	9,272	8,768	34,553	33,319	45,821	47,055
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-1,177	-939	-2,669	-1,837	-3,040	-3,872
1) Of which, depreciation, amortisation and impairment losses	-3,624	-3,808	-10,824	-10,889	-16,486	-16,421
2) Of which, depreciation, amortisation and impairment losses	-57	-200	-396	-599	-752	-549
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	12	15	97	110	86	73
4) Including return from the Swedish Nuclear Waste Fund	-112	325	488	975	843	356
5) Including interest components related to pension costs	-230	-203	-684	-606	-811	-889
5) Including discounting effects attributable to provisions	-759	-632	-2,065	-1,736	-2,453	-2,782
6) Including items affecting comparability attributable to:						
Capital gains/losses, net	13	17	109	118	97	88
7) Including items affecting comparability stated above adjusted for tax effect	10	3	82	86	136	132

Primary segments, Vattenfall Group

Amounts in SEK million	External net sales					Sales between segments					Total net sales				
	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007
Business Group Nordic	11,973	8,553	38,790	30,377	44,429	-3,186	599	-3,733	3,408	2,284	8,787	9,152	35,057	33,785	46,713
Business Group Central Europe	22,796	19,803	71,209	63,445	86,736	9,748	8,109	30,548	26,189	35,520	32,544	27,912	101,757	89,634	122,256
Other ¹	2,247	3,233	7,680	11,488	12,474	6,869	6,650	23,861	21,668	28,965	9,116	9,883	31,541	33,156	41,439
Eliminations ²	-	-	-	-	-	-13,431	-15,358	-50,676	-51,265	-66,769	-13,431	-15,358	-50,676	-51,265	-66,769
Total	37,016	31,589	117,679	105,310	143,639	-	-	-	-	-	37,016	31,589	117,679	105,310	143,639

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007
Business Group Nordic	2,809	1,534	13,123	8,561	12,591	2,802	1,531	13,111	8,503	12,418
Business Group Central Europe	2,852	3,472	11,277	13,395	16,430	2,847	3,460	11,192	13,343	16,517
Other ¹	-70	-246	-1,067	-125	-438	-70	-246	-1,067	-125	-438
Total	5,591	4,760	23,333	21,831	28,583	5,579	4,745	23,236	21,721	28,497

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				
	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007
Electricity Generation	12,225	6,366	34,117	20,751	32,162	5,611	8,102	22,446	27,010	33,950	17,836	14,468	56,563	47,761	66,112
Electricity Markets ¹	19,352	15,970	57,808	51,341	68,018	2,136	851	5,536	2,552	4,243	21,488	16,821	63,344	53,893	72,261
Electricity Networks	10,155	9,282	33,129	30,883	41,654	3,322	2,991	11,019	9,782	13,420	13,477	12,273	44,148	40,665	55,074
Heat	2,243	2,244	9,099	9,338	13,717	1,564	1,046	6,273	4,369	6,543	3,807	3,290	15,372	13,707	20,260
Other	759	707	2,444	2,123	2,974	2,252	1,409	6,486	4,307	6,099	3,011	2,116	8,930	6,430	9,073
Elimination ²	-7,718	-2,980	-18,918	-9,126	-14,886	-14,885	-14,399	-51,760	-48,020	-64,255	-22,603	-17,379	-70,678	-57,146	-79,141
Total	37,016	31,589	117,679	105,310	143,639	-	-	-	-	-	37,016	31,589	117,679	105,310	143,639

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007
Electricity Generation	4,849	4,322	18,411	17,373	22,064	4,844	4,319	18,399	17,372	22,094
Electricity Markets ¹	127	136	-465	-29	314	127	136	-465	-29	314
Electricity Networks	1,119	640	3,590	2,570	3,035	1,121	658	3,594	2,583	3,071
Heat	-173	-347	2,606	2,091	4,179	-174	-335	2,586	2,067	4,118
Other	-331	9	-809	-174	-1,009	-339	-33	-878	-272	-1,100
Total	5,591	4,760	23,333	21,831	28,583	5,579	4,745	23,236	21,721	28,497

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.

Consolidated balance sheet

Amounts in SEK million	30 September 2008	30 September 2007	31 December 2007
Assets			
Non-current assets			
Intangible assets: non-current	4,251	4,262	4,346
Property, plant and equipment	224,920	207,367	214,208
Other non-current assets	48,501	45,860	46,310
Total non-current assets	277,672	257,489	264,864
Current assets			
Inventories	11,888	10,385	9,537
Intangible assets: current	888	282	750
Trade receivables and other receivables	22,627	23,865	28,120
Advance payment to suppliers	1,013	925	672
Derivatives with positive fair values	10,965	4,534	5,442
Prepaid expenses and accrued income	4,921	3,657	4,834
Current tax assets	3,735	1,999	1,358
Short-term investments	13,156	14,999	12,096
Cash and cash equivalents	14,722	6,481	10,563
Total current assets	83,915	67,127	73,372
Total assets	361,587	324,616	338,236
Equity and liabilities			
Equity			
Attributable to equity holders of the Parent Company	113,364	107,403	111,709
Attributable to minority interests	10,704	12,276	12,423
Total equity	124,068	119,679	124,132
Non-current liabilities			
Capital Securities	9,641	9,082	9,341
Other interest-bearing liabilities	41,300	45,741	42,683
Pension provisions	18,517	17,424	17,735
Other interest-bearing provisions	53,400	48,154	51,614
Deferred tax liabilities	23,890	25,403	23,704
Other noninterest-bearing liabilities	3,249	2,311	3,285
Total non-current liabilities	149,997	148,115	148,362
Current liabilities			
Trade payables and other liabilities	15,434	12,476	15,408
Advance payments from customers	111	2	395
Derivatives with negative fair values	21,389	11,626	14,242
Accrued expenses and deferred income	16,183	13,859	12,968
Current tax liabilities	3,716	3,215	2,928
Interest-bearing liabilities	26,560	11,518	15,165
Interest-bearing provisions	4,129	4,126	4,636
Total current liabilities	87,522	56,822	65,742
Total equity and liabilities	361,587	324,616	338,236
Pledged assets	1,484	4,306	4,498
Contingent liabilities ¹	38,312	23,910	17,565

1) The increase is mainly attributable to contingent liabilities pertaining to the Swedish Nuclear Waste Fund, higher guarantees to Nord Pool, the Nordic electricity exchange, and bilateral guarantees to various contract counterparties.

Supplementary information

Net assets

Amounts in SEK million	30 September 2008	30 September 2007	31 December 2007
Business Group Nordic	95,401	87,001	91,122
Business Group Central Europe	82,158	77,386	78,714
Other ¹	2,335	-5,195	-5,750
Eliminations	55	-494	2,034
Total net assets	179,949	158,698	166,120
Net assets, weighted average value	170,719	154,194	157,252

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

Net debt

Amounts in SEK million	30 September 2008	30 September 2007	31 December 2007
Capital Securities	-9,641	-9,082	-9,341
Other interest-bearing liabilities ¹	-67,860	-57,259	-57,848
Cash and cash equivalents	14,722	6,481	10,563
Short-term investments	13,156	14,999	12,096
Loans to minority owners in foreign subsidiaries	1,147	337	790
Total net debt	-48,476	-44,524	-43,740
1) Of which, loans from minority-owned German nuclear power companies.	-15,861	-11,150	-11,083

Consolidated cash flow statement

Amounts in SEK million	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007	Last 12 months
Operating activities						
Funds from operations (FFO)	8,687	6,002	19,849	23,140	34,049	30,758
Cash flow from changes in operating assets and operating liabilities	3,526	261	8,787	809	-1,718	6,260
Cash flow from operating activities	12,213	6,263	28,636	23,949	32,331	37,018
Investing activities						
Investments	-6,312	-4,310	-24,112	-12,211	-18,964	-30,865
Divestments	84	239	542	634	925	833
Cash and cash equivalents in acquired/divested companies	4	2	12	3	2	11
Cash flow from investing activities	-6,224	-4,069	-23,558	-11,574	-18,037	-30,021
Cash flow before financing activities	5,989	2,194	5,078	12,375	14,294	6,997
Financing activities						
Changes in short-term investments	-3,198	-6,766	-838	-7,334	-4,155	2,341
Changes in loans to minority owners in foreign subsidiaries	-47	43	-319	-338	-773	-754
Loans raised ¹	-475	1,625	10,190	2,910	4,434	11,714
Amortisation of debt	-827	-3,147	-2,054	-8,327	-10,570	-4,297
Contribution from minority intersets	-	9	-	9	9	-
Dividends paid to equity holders	-1	-23	-8,065	-7,606	-7,607	-8,066
Cash flow from financing activities	-4,548	-8,259	-1,086	-20,686	-18,662	938
Cash flow for the period	1,441	-6,065	3,992	-8,311	-4,368	7,935
Cash and cash equivalents						
Cash and cash equivalents at the beginning of the period	13,189	12,591	10,563	14,634	14,634	6,481
Cash flow for the period	1,441	-6,065	3,992	-8,311	-4,368	7,935
Translation differences	92	-45	167	158	297	306
Cash and cash equivalents at the end of the period	14,722	6,481	14,722	6,481	10,563	14,722
Supplementary information						
Cash flow before financing activities	5,989	2,194	5,078	12,375	14,294	6,997
Financing activities						
Dividends paid to equity holders	-1	-23	-8,065	-7,606	-7,607	-8,066
Contribution from minority intersets	-	9	-	9	9	-
Cash flow after dividend	5,988	2,180	-2,987	4,778	6,696	-1,069
Analysis of change in net debt						
Net debt at beginning of the period	-52,011	-46,765	-43,740	-49,407	-49,407	-44,524
Cash flow after dividend	5,988	2,180	-2,987	4,778	6,696	-1,069
Changes as a result of valuation at fair value	-443	-72	12	734	783	61
Changes in interest-bearing liabilities for leasing	-2	-	-31	-	-194	-225
Translation differences on net debt	-2,008	133	-1,730	-629	-1,618	-2,719
Net debt at the end of the period	-48,476	-44,524	-48,476	-44,524	-43,740	-48,476
Free cash flow	7,464	3,231	12,565	15,812	19,650	16,403

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	Q1-3 2008			Q1-3 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	-4,795	72	-4,723	1,356	71	1,427	-574	59	-515
Hedging of net investments in foreign operations	-1,684	-	-1,684	-763	-	-763	-2,048	-	-2,048
Translation differences	4,365	320	4,685	1,747	193	1,940	5,473	383	5,856
Income, net, recognised directly in equity	-2,114	392	-1,722	2,340	264	2,604	2,851	442	3,293
Profit for the period	13,201	507	13,708	15,974	1,036	17,010	19,769	917	20,686
Total recognised income and expense for the period	11,087	899	11,986	18,314	1,300	19,614	22,620	1,359	23,979
Dividends paid to equity holders	-8,000	-65	-8,065	-7,500	-106	-7,606	-7,500	-107	-7,607
Group contributions from/to(-) minority, net after tax	-	-	-	-	-	-	-	87	87
Redemption of minority interests in Germany ²	-1,432	-	-1,432	-	-	-	-	-	-
Changes in ownership	-	-2,553	-2,553	-	-3	-3	-	-1	-1
Balance carried forward	113,364¹	10,704	124,068	107,403¹	12,276	119,679	111,709¹	12,423	124,132
1) Of which, Reserve for cash flow hedges.	-11,181			-4,455			-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	Q3 2008	Q3 2007	Q1–3 2008	Q1–3 2007	Full year 2007	Last 12 months
Operating margin	15.1	15.1	19.8	20.7	19.9	19.3
Operating margin ¹	15.1	15.0	19.7	20.6	19.8	19.2
Pre-tax profit margin	9.6	11.1	16.2	18.3	16.7	15.2
Pre-tax profit margin ¹	9.5	11.1	16.1	18.2	16.6	15.2
Return on equity	14.0 ²	20.5 ²	14.0 ²	20.5 ²	17.6	14.0
Return on equity ¹	13.8 ²	20.4 ²	13.8 ²	20.4 ²	17.5	13.8
Return on net assets	16.0 ²	16.3 ²	16.0 ²	16.3 ²	16.6	16.0
Return on net assets ¹	16.0 ²	16.2 ²	16.0 ²	16.2 ²	16.6	16.0
EBIT interest cover, (x)	3.7	4.5	6.2	7.7	6.7	5.8
EBIT interest cover, (x) ¹	3.7	4.5	6.2	7.7	6.7	5.8
FFO interest cover, (x)	6.3	6.5	6.0	8.8	8.6	6.6
FFO interest cover, net, (x)	8.4	7.4	8.4	13.6	12.2	8.9
Cash flow interest cover after maintenance investments, (x)	6.3	4.7	4.8	7.7	6.4	4.6
FFO/gross debt	39.7 ²	49.2 ²	39.7 ²	49.2 ²	50.7	39.7
FFO/net debt	63.4 ²	73.4 ²	63.4 ²	73.4 ²	77.8	63.4
EBITDA/net financial items, (x)	7.9	9.3	12.9	18.1	15.1	12.2
EBITDA/net financial items, (x) ¹	7.9	9.3	12.9	18.1	15.0	12.1
Equity/total assets	34.3	36.9	34.3	36.9	36.7	34.3
Gross debt/equity	62.5	55.4	62.5	55.4	54.1	62.5
Net debt/equity	39.1	37.2	39.1	37.2	35.2	39.1
Gross debt/gross debt plus equity	38.4	35.7	38.4	35.7	35.1	38.4
Net debt/net debt plus equity	28.1	27.1	28.1	27.1	26.1	28.1

1) Excl. items affecting comparability.

2) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Income statement							
Net sales	37,016	35,259	45,404	38,329	31,589	32,077	41,644
Cost of products sold	-28,542	-25,755	-31,269	-27,791	-24,236	-23,740	-27,637
Other operating income and expenses, net	-3,188	-3,419	-3,048	-3,967	-2,929	-2,922	-2,832
Participations in the results of associated companies	305	231	339	181	336	257	224
Operating profit before depreciation and amortisation (EBITDA)	9,272	10,078	15,203	12,502	8,768	9,432	15,119
Operating profit (EBIT)	5,591	6,316	11,426	6,752	4,760	5,672	11,399
Financial items, net	-2,048	-840	-1,358	-2,052	-1,246	-657	-695
Financial items, net ¹	-1,177	-450	-1,042	-1,203	-939	-403	-495
Profit before tax	3,543	5,476	10,068	4,700	3,514	5,015	10,704
Profit for the period	2,481	4,043	7,184	3,676	3,523	6,252	7,235
- Of which, attributable to equity holders of the Parent Company	2,584	3,808	6,809	3,795	3,145	5,963	6,866
- Of which, attributable to minority interests	-103	235	375	-119	378	289	369
Balance sheet							
Non-current assets	277,672	272,888	265,288	264,864	257,489	256,030	256,845
Short-term investments	13,156	9,707	9,498	12,096	14,999	8,258	9,770
Cash and cash equivalents	14,722	13,189	21,084	10,563	6,481	12,591	18,095
Other current assets	56,037	58,148	54,476	50,713	45,647	45,602	50,251
Total assets	361,587	353,932	350,346	338,236	324,616	322,481	334,961
Equity	124,068	112,372	132,822	124,132	119,679	116,102	118,455
- of which, attributable to equity holders of the Parent Company	113,364	101,708	120,035	111,709	107,403	104,145	106,898
- of which, attributable to minority interests	10,704	10,664	12,787	12,423	12,276	11,957	11,557
Capital Securities	9,641	9,330	9,267	9,341	9,082	9,110	9,190
Other interest-bearing liabilities	67,860	66,638	61,815	57,848	57,259	58,886	63,584
Pension provisions	18,517	17,849	17,644	17,735	17,424	17,415	17,505
Other interest-bearing provisions	57,529	56,421	56,446	56,250	52,280	50,401	50,399
Deferred tax liabilities	23,890	22,736	24,302	23,704	25,403	26,726	30,450
Other noninterest-bearing liabilities	60,082	68,586	48,050	49,226	43,489	43,841	45,378
Total equity and liabilities	361,587	353,932	350,346	338,236	324,616	322,481	334,961
Net assets	179,949	178,653	168,781	166,120	158,698	156,723	155,556
Net debt	-48,476	-52,011	-39,545	-43,740	-44,524	-46,765	-44,828
Cash flow							
Funds from operations (FFO)	8,687	-666	11,828	10,909	6,002	4,932	12,206
Cash flow from changes in operating assets and operating liabilities	3,526	8,068	-2,807	-2,527	261	3,514	-2,966
Cash flow from operating activities	12,213	7,402	9,021	8,382	6,263	8,446	9,240
Cash flow from investing activities	-6,224	-12,637	-4,697	-6,463	-4,069	-4,272	-3,233
Cash flow before financing activities	5,989	-5,235	4,324	1,919	2,194	4,174	6,007
Changes in short-term investments	-3,198	-162	2,522	3,179	-6,766	1,443	-2,011
Loans raised/Amortisation of debt, net, etc.	-1,349	5,450	3,716	-1,154	-1,470	-3,496	-780
Dividends paid to equity holders	-1	-8,063	-1	-1	-23	-7,572	-11
Cash flow from financing activities	-4,548	-2,775	6,237	2,024	-8,259	-9,625	-2,802
Cash flow for the period	1,441	-8,010	10,561	3,943	-6,065	-5,451	3,205
Free cash flow	7,464	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, Vattenfall Group (cont.)

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

In % unless otherwise stated. (x) means times	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Return on equity ¹	14.0	14.8	17.0	17.6	20.5	19.9	17.9
Return on equity ^{1,2}	13.8	14.7	16.9	17.5	20.4	19.8	17.6
Return on net assets ¹	16.0	16.1	16.2	16.6	16.3	15.7	16.1
Return on net assets ^{1,2}	16.0	16.0	16.1	16.6	16.2	15.7	16.0
EBIT interest cover, (x)	3.7	7.6	8.1	4.7	4.5	6.7	12.4
EBIT interest cover, (x) ²	3.7	7.6	8.1	4.7	4.5	6.7	12.3
FFO interest cover, (x) ¹	39.7	37.0	47.4	50.7	49.2	47.5	47.5
FFO interest cover, net, (x) ¹	63.4	54.0	85.1	77.8	73.4	69.0	77.2
Equity/assets ratio	34.3	31.7	37.9	36.7	36.9	36.0	35.4
Gross debt/equity	62.5	67.6	53.5	54.1	55.4	58.6	61.4
Net debt/equity	39.1	46.3	29.8	35.2	37.2	40.3	37.8
Net debt/net debt plus equity	28.1	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 countries¹

Amounts in SEK million	Wind power		Hydro power ²		Heat		Total	
	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007	Q1-3 2008	Q1-3 2007
Operating profit	322.8	169.2	192.7	91.1	297.8	144.8	813.3	405.0
Investments	2 251.6	489.3	11.0	42.7	944.3	373.3	3 206.9	905.4
Non-current assets ³	6 400.3	5 817.5	318.1	275.8	5 792.6	3 916.1	12 511.0	10 009.4
Return on non-current assets, %	6.7	3.9	81.0	43.3	6.9	4.9	8.6	5.4

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:

	Q3 2008	Q3 2007	Q1-3 2008	Q1-3 2007	Full year 2007		30 Sept 2008	30 Sept 2007	31 Dec 2007
Average rate						Balance sheet date rate			
EUR	9.5275	9.2501	9.4496	9.2150	9.2464	EUR	9.7600	9.2115	9.4700
DKK	1.2775	1.2421	1.2673	1.2369	1.2409	DKK	1.3090	1.2355	1.2705
NOK	1.1824	1.1728	1.1796	1.1455	1.1530	NOK	1.1745	1.1985	1.1875
PLN	2.8600	2.4450	2.7470	2.4070	2.4477	PLN	2.8600	2.4400	2.6300
USD	6.3025	6.7306	6.2198	6.8465	6.7439	USD	6.7800	6.4950	6.4700

Parent Company income statement

Amounts in SEK million	Q1-3 2008	Q1-3 2007	Full year 2007
Net sales	23,556	19,136	25,223
Cost of products sold	-12,945	-11,684	-14,974
Gross profit	10,611	7,452	10,249
Selling expenses, administrative expenses and research and development costs	-2,017	-1,849	-2,794
Other operating income and expenses, net	199	86	-17
Operating profit (EBIT)	8,793	5,689	7,438
Result from participations in Group companies	34,604	813	1,038
Result from participations in associated companies	12	9	-2
Result from other shares and participations	20	-	-5
Interest income and similar profit/loss items	1,683	824	1,545
Interest expenses and similar profit/loss items	-5,197	-3,179	-6,046
Group contributions	-	-	1,564
Profit before appropriations and tax	39,915	4,156	5,532
Appropriations	-447	465	452
Profit before tax	39,468	4,621	5,984
Income tax expense	-1,436	-924	-1,529
Profit for the period	38,032	3,697	4,455

Parent Company balance sheet

Amounts in SEK million	30 September 2008	30 September 2007	31 December 2007
Assets			
Non-current assets			
Intangible assets: non-current	47	113	89
Property, plant and equipment	19,821	20,006	19,807
Other non-current assets	95,579	64,504	65,602
Total non-current assets	115,447	84,623	85,498
Current assets			
Inventories	280	980	310
Intangible assets: current	472	1	432
Current receivables	34,250	40,946	40,032
Current tax assets	-	-	274
Cash and cash equivalents	246	129	352
Total current assets	35,248	42,056	41,400
Total assets	150,695	126,679	126,898
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	16,113	20,336	19,667
Profit for the period	38,032	3,697	4,455
Total equity	62,016	31,904	31,993
Untaxed reserves	11,440	10,980	10,993
Provisions	143	95	144
Non-current liabilities			
Non-current interest-bearing liabilities	58,835	66,267	58,214
Non-current noninterest-bearing liabilities	2,611	2,629	2,643
Total non-current liabilities	61,446	68,896	60,857
Current liabilities			
Current interest-bearing liabilities	296	2,088	7,197
Current tax liabilities	88	125	-
Other current noninterest-bearing liabilities	15,266	12,591	15,714
Total current liabilities	15,650	14,804	22,911
Total equity and liabilities	150,695	126,679	126,898

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.

Proposal for reduced income tax in Sweden

The Swedish government has proposed a reduction of the company income tax rate in Sweden from the current 28.0% to 26.3%. A decision on any reduction will be made in December 2008 at the earliest.

Based on Vattenfall's balance sheet as per 30 September 2008, such a reduction in the income tax rate would entail a reduction in the deferred tax expense in the 2008 income statement by approximately SEK 750 million, which has not been taken into account in this interim report.

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. If the current crisis in the financial markets continues, Vattenfall's opportunities to debt-finance major acquisitions could be affected over time.

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 three quarters 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 23,556 million (19,136).

Profit before appropriations and tax was SEK 39,915 million (4,156). 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 30,582 million and is eliminated at the Group level.

Investments for the period amounted to SEK 4,586 million (764).

Cash and cash equivalents amounted to SEK 246 million (129). Funds in the Group cash pool account managed by Vattenfall Treasury AB amounted to SEK 22,087 million (30,530).

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. If the current crisis in the financial markets continues, Vattenfall's opportunities to debt-finance major acquisitions could be affected over time.

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.

Stockholm, 30 October 2008

Lars G. Josefsson
President and CEO

This report has not been reviewed by the company's auditors.

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 (October 2007-September 2008):

Operating margin, % =	$100 \times \frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{30,085}{156,008} = 19.3$
Operating margin excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{30,012}{156,008} = 19.2$
Pre-tax profit margin, % =	$100 \times \frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{23,787}{156,008} = 15.2$
Pre-tax profit margin excl. items affecting comparability, % =	$100 \times \frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{23,699}{156,008} = 15.2$
Return on equity, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{16,996}{121,805} = 14.0$
Return on equity excl. items affecting comparability, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{16,864}{121,805} = 13.8$
Return on net assets, % =	$100 \times \frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{27,303}{170,719} = 16.0$
Return on net assets excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{27,230}{170,719} = 16.0$

EBIT interest cover, (x) =	Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	31,697	
	Financial expenses excl. discounting effects attributable to provisions	5,484	= 5.8
EBIT interest cover excl. items affecting comparability, (x) =	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	31,624	= 5.8
	Financial expenses excl. discounting effects attributable to provisions	5,484	
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	36,242	
	Financial expenses excl. discounting effects attributable to provisions	5,484	= 6.6
FFO interest cover, net, (x) =	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	34,630	
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,872	= 8.9
Cash flow interest cover after maintenance maintenance, (x) =	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	20,998	
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	4,595	= 4.6
FFO/gross debt, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing liabilities}}$	$\frac{30,758}{77,501}$	= 39.7
FFO/net debt, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Net debt}}$	$\frac{30,758}{48,476}$	= 63.4
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	47,055	
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,872	= 12.2
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	46,982	
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,872	= 12.1

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

Equity/total assets, % =	100 x $\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{124,068}{361,587}$	= 34.3
Gross debt/equity, % =	100 x $\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{77,501}{124,068}$	= 62.5
Net debt/equity, % =	100 x $\frac{\text{Net debt}}{\text{Equity}}$	$\frac{48,476}{124,068}$	= 39.1
Gross debt/gross debt plus equity, % =	100 x $\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities} + \text{equity}}$	$\frac{77,501}{201,569}$	= 38.4
Net debt/net debt plus equity, % =	100 x $\frac{\text{Net debt}}{\text{Net debt} + \text{equity}}$	$\frac{48,476}{172,544}$	= 28.1

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