Vattenfall Investor Update

November 2008
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• Growth and Investments
• Funding and Liquidity
• Conclusion

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Group Overview and Strategy
### Group overview and key figures

- **100% owned by the Kingdom of Sweden**
- **Core products are electricity and heat**
- **Europe’s 5th largest electricity generator;**
  - total installed capacity of > 35,000 MW
  - # 1 in the Nordic market, with 20% market share in generation
  - # 3 in Germany, with 13% market share in generation
  - # 1 in Europe in district heating
- **Well diversified generation mix; hydro (22%), nuclear (31%) and fossil (46%). Increasing wind power.**
- **Committed to maintaining a single A category rating**

<table>
<thead>
<tr>
<th>Key figures</th>
<th>FY 2007</th>
<th>FY 2006</th>
<th>FY 2005</th>
<th>FY * 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>143,639</td>
<td>135,802</td>
<td>123,794</td>
<td>31,695</td>
</tr>
<tr>
<td>EBITDA</td>
<td>45,821</td>
<td>43,938</td>
<td>43,175</td>
<td>11,670</td>
</tr>
<tr>
<td>EBIT</td>
<td>28,583</td>
<td>27,821</td>
<td>28,363</td>
<td>6,193</td>
</tr>
<tr>
<td>Net debt</td>
<td>43,740</td>
<td>49,407</td>
<td>64,343</td>
<td>43,311</td>
</tr>
<tr>
<td>FFO Interest cover</td>
<td>8.6x</td>
<td>9.7x</td>
<td>8.9x</td>
<td>3.3x</td>
</tr>
<tr>
<td>Total assets</td>
<td>338,236</td>
<td>323,166</td>
<td>325,068</td>
<td>115,259</td>
</tr>
<tr>
<td>FFO/net debt</td>
<td>77.8%</td>
<td>72.2%</td>
<td>48.8%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Net gearing</td>
<td>35.2%</td>
<td>45.9%</td>
<td>70.8%</td>
<td>101.2%</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>1.0</td>
<td>1.1</td>
<td>1.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>

* 2000 = Swedish GAAP
Vattenfall’s geographical markets

Business Group Nordic
(Sweden, Denmark, Finland)
34% of Group external net sales
57% of Group EBIT
56% of electr. generation

Business Group Central Europe
(Germany, Poland)
61% of Group external net sales
48% of Group EBIT
44% of electr. generation

A third segment "Other operations" accounts for
6% of Group revenues and -5% of Group EBIT

Last 12 months (LTM) figures as of 30 Sept
Vattenfall is developing towards a generation driven company.

**Generation:**
- >100% cash flow contribution (after investments).
- Higher yield than average asset.
Making electricity clean – climate neutral by 2050

Target 2030
390 TWh

Electr. generation, TWh

1990 2010 2030 2050
0 100 200 300 400 500 600 700 800

TWh generated

g CO₂/kWh

0 100 200 300 400 500 600 700 800

g CO₂/KWh

1990 2010 2030 2050

0 100 200 300 400 500 600 700 800
Risk diversification in generation business

Utility credit risk profile (traditional)

- Low risk: Regulated monopoly (e.g. networks).
- Medium risk: Integrated utility (all parts of the value chain).
- High risk: Generators

Risk diversification through well diversified portfolio

- Primarily base load (low cost, in-the-money).
- Well diversified generation mix:
  - Hydro (healthy margins, no CO₂).
  - Nuclear (healthy margins, no CO₂).
  - Fossil (low cost, own lignite mining supply).
- CO₂ emissions to be avoided through CCS.
- Balanced geographical markets (e.g. Sweden, Germany).
- Prudent hedging policy

Although Vattenfall moves towards generation, this should not materially increase the overall risk profile compared to historical utilities.
# Key factors for market leadership

<table>
<thead>
<tr>
<th>Key factor</th>
<th>Examples</th>
<th>Additional Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Risk diversification</strong></td>
<td>• To cope with commodity uncertainty.</td>
<td>Strongly correlated with scale.</td>
</tr>
<tr>
<td></td>
<td>• Different geographies and regulatory regimes.</td>
<td>Increasing need for pan-European rather than national/regional platform to form strong foundation.</td>
</tr>
<tr>
<td></td>
<td>• Single asset risks.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• New technologies (CCS, renewables, nuclear).</td>
<td></td>
</tr>
<tr>
<td><strong>2. Competence management</strong></td>
<td>• Retain and recruit key staff.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Engineering competence.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Project management competence.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Regulatory and political competence.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Financial flexibility</strong></td>
<td>• Strong balance sheet.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ability to make long lead-time investments.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Focus on cost and operational efficiency, proven ability to realise synergies.</td>
<td></td>
</tr>
</tbody>
</table>
# Financial targets - where we are now

<table>
<thead>
<tr>
<th>Key Ratio</th>
<th>Target</th>
<th>Q3 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Rating</td>
<td>Single A category rating</td>
<td>A2/A-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stable outlook</td>
</tr>
<tr>
<td>Cash flow interest coverage after</td>
<td>3.5 – 4.5 times</td>
<td>4.6*</td>
</tr>
<tr>
<td>maintenance investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Equity (RoE)</td>
<td>15 % on average equity</td>
<td>14.0%*</td>
</tr>
<tr>
<td>Return on Net Assets (RoNA, excl. IAC)</td>
<td>11 % before tax (= 15 % RoE rec. into the</td>
<td>16.0%*</td>
</tr>
<tr>
<td></td>
<td>Groups RoNA requirement)</td>
<td></td>
</tr>
<tr>
<td>Dividend pay-out</td>
<td>40-60 %</td>
<td>40.5 %</td>
</tr>
</tbody>
</table>

*Q3 2008 figure = LTM
Growth and investments
Growth strategy – integration track record

Key Acquisitions
EW, Poland, 2000
GZE, Poland, 2001
HEW, Germany, 2000-2001
Veag/Laubag, Germany 2001
Bewag, Germany, 2002
Elsam/E2 assets, Denmark, 2005-06
Enea, Poland, 2008
UK wind power, UK, 2008

2001 A3/A-

2008 A2/A-

2001
2002
2003
2004
2005
2006
2007
2008

EBIT  Net debt/EBITDA  FFO Interest cover

2008=LTM as of 30 Sept-08

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Vattenfall shall increasingly pursue **organic growth** in both core and new target markets

- Enables possibility to “steer” the portfolio towards the prioritised generation mix
- Avoids price premiums
- Facilitates timing and control needs

Vattenfall should continue to use **M&A**, in particular to enter into new markets

- Degree of market liberalisation
- Proximity to core markets
- Need for new capacity
- Potential for clean capacity
- Cultural fit
Growth strategy – focus on generation

- Consolidation phase ended (Germany and Denmark).
- Possibly wider geographical scope.
  - United Kingdom and Benelux of very high interest.
  - A third and possibly a fourth major geographical market targeted.
- Substantially increased size targeted.
- Low-intensive CO₂ essential (nuclear, renewables, CCS).
- Investments are ranked according to a number of main criteria:
  - Support of Vattenfall’s overarching strategic direction
  - Consequences for the existing generation portfolio
  - Risk profile
  - Profitability
- Growth in end-customers interesting (quality check, cost-to-serve).
Increased capex programme (excl. M&A)

SEK 173 bn 2008-2012  (2007-2011 was SEK 134 bn)

• Boxberg power plant (675 MW)
• Moorburg power plant (1,640 MW)
• Reichwalde mine
• Nuclear capacity upgrade
• Network improvements
• German and Nordic wind power
• Life-time extensions generation assets in Sweden and Germany

Excl. UK wind power capex
(see appendix slide 51-52)
CO2 reduction - extensive growth of renewables

Portfolio strategy - reshape the generation portfolio towards clean energy

Drivers:
- Emissions reduction
- Technological development/R&D
- Increasing financial attractiveness of renewables
- Preference for base load
- Public opinion

<table>
<thead>
<tr>
<th>Year</th>
<th>Per cent</th>
<th>Total (TWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Renewables 23</td>
<td>90 TWh</td>
</tr>
<tr>
<td></td>
<td>Coal 44</td>
<td>200 TWh increase in low emitting</td>
</tr>
</tbody>
</table>

Drivers:
- Emissions reduction
- Technological development/R&D
- Increasing financial attractiveness of renewables
- Preference for base load
- Public opinion

Total = 170 TWh

<table>
<thead>
<tr>
<th>Resulting development given growth target 2030 (incl. acquisitions)</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewables 38</td>
<td>38</td>
</tr>
<tr>
<td>Coal 21</td>
<td>21</td>
</tr>
<tr>
<td>Coal CCS 15</td>
<td>15</td>
</tr>
<tr>
<td>Nuclear 22</td>
<td>22</td>
</tr>
<tr>
<td>Gas 4</td>
<td>4</td>
</tr>
</tbody>
</table>

Total = 390 TWh
Funding and Liquidity
Net debt development – and ratings stability

SEK million

Acquisition of Bewag and GZE shares
Acquisition of Elsam shares
Capital Securities SEK 9.3 billion

S&P
Moody’s

A-
A3
A2
Breakdown of Gross Debt as of 30 Sept

Total debt:
SEK 77.5bn (EUR 7.9bn)

Funding programmes | Size (EUR) | Utilisation (EUR)
--- | --- | ---
EUR 6bn Euro MTN | 6,000m | 3,822m
SEK 10bn Domestic MTN | 1,025m | 150m
USD 2bn Euro CP | 1,389m | 0
SEK 15bn Domestic CP | 1,537m | 0

- All public debt is issued by Vattenfall Treasury AB, fully guaranteed by Vattenfall AB
- No currency risk in the debt portfolio
- No structural subordination
### Break down of group liquidity and credit lines

#### 30 Sept. 2008

<table>
<thead>
<tr>
<th>Group liquidity</th>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>14,722</td>
</tr>
<tr>
<td>Short term investments</td>
<td>13,156</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27,878</strong></td>
</tr>
</tbody>
</table>

1) Of which 18,337 million is available. Non-available liquidity consists of German nuclear "Solidarvereinbarung" 3,323 million, minority owner’s share of German nuclear subsidiaries cash position 3,682 million and CSA, Credit Support Annex (Margin calls); 2,536 million

<table>
<thead>
<tr>
<th>Committed credit facilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Syndicated (RCF, maturity Febr. 2013)</td>
<td>EUR 1,000 million</td>
</tr>
<tr>
<td>Bilateral (maturity April 2009)</td>
<td>EUR 400 million</td>
</tr>
<tr>
<td>Overdraft facility (maturity Dec. 2009)</td>
<td>SEK 100 million</td>
</tr>
<tr>
<td><strong>Total undrawn</strong></td>
<td><strong>13,764</strong></td>
</tr>
</tbody>
</table>

#### Debt maturities

1) Excluding loans from minority owners and associated companies
Vattenfall debt maturity profile

SEK million

- 2008 09 30
- Undrawn back-up facilities
- Capital Securities

<table>
<thead>
<tr>
<th>Year</th>
<th>Sept 30, 2008</th>
<th>Sept 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration (years)</td>
<td>3.1 ¹)</td>
<td>3.7</td>
</tr>
<tr>
<td>Average time to maturity (years)</td>
<td>6.4 ¹)</td>
<td>6.5</td>
</tr>
<tr>
<td>Net debt (SEK bn)</td>
<td>48.5</td>
<td>44.5</td>
</tr>
</tbody>
</table>

¹) Based on external debt. Excluding Capital Securities the duration is 2.5 years and average time to maturity 6.4 years.
Cash-flow (LTM)

SEK billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations</td>
<td>37.0</td>
</tr>
<tr>
<td>Maintenance Capex</td>
<td>(20.6)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>16.4</td>
</tr>
<tr>
<td>Growth investments</td>
<td>(10.3)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(8.1)</td>
</tr>
<tr>
<td>Other</td>
<td>2.0</td>
</tr>
<tr>
<td>Increased net debt</td>
<td>(4.0)</td>
</tr>
</tbody>
</table>
Vattenfall’s commitment to a single-A rating is explicitly stated in its financial targets. Both agencies have communicated significant flexibility within the current ratings.

**S&P A-/Stable/A-2**

Ratings supported by strong, vertically integrated position in the north European electricity market, Competitive generation portfolio and monopoly utility operations and strong cash flow generation.

Negative factors are exposure to competition and price volatility in power generation, political risks related to nuclear and coal generation and regulatory pressure on monopoly network operations.

[Vattenfall’s growth strategy]...could weaken the financial profile from its current, strong level. However, we not expect the company’s ratio of FFO to debt to fall below 20%, a level consistent with the current rating, in the event of any large, debt-funding acquisitions.

(S&P Summary: June 10th 2008)

**Moody’s A2/Stable/P-1**

Ratings reflect GRI rating methodology.

Baseline credit assessment 7

Dependence: Low, due to high degree of geographic diversification in the revenue base.

Support: Medium, reflecting 100% ownership by the Swedish State and the strategic importance within Sweden.

Further significant M&A activity is factored in.

The rating also builds in flexibility to make further acquisitions in line with Vattenfall’s growth intentions...any large-scale acquisition would in all probability be debt-financed.

Vattenfall's financial profile is very strong for its A2 rating category......if substantial M&A activity were to take place, this could weaken the financial profile and bring it in line with the parameters of the current rating.

(Moody’s Credit Analysis, October 2008)
Conclusion
Key credit highlights

• 100% owned by the Kingdom of Sweden (Aaa/AAA)

• Committed to maintaining a single-A rating (currently A2/A-)

• 5th largest electricity generator in Europe:
  #1 in Nordic market, #3 in Germany

• Well-diversified generation portfolio

• Strong cash flow

• Proven track record of integrating acquisitions
APPENDIX
- Strategy
## SWOT overview for Vattenfall

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong position in Northern Europe</td>
<td>• Performance culture can be further improved</td>
</tr>
<tr>
<td>• Strong position in base-load generation</td>
<td>• High emitter of CO&lt;sub&gt;2&lt;/sub&gt;</td>
</tr>
<tr>
<td>• Large share of generation with no CO&lt;sub&gt;2&lt;/sub&gt; emission</td>
<td>• Limited participation in natural gas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing need for new capacity</td>
<td>• Introductions of new taxes and/or increases in existing ones</td>
</tr>
<tr>
<td>• Increasing attractiveness of clean energy assets (renewables, CCS, nuclear)</td>
<td>• Increasing regulatory pressures, in particular in low performing parts of the value chain</td>
</tr>
<tr>
<td>• Unexploited synergies and performance improvement</td>
<td>• Major reduction in price levels</td>
</tr>
</tbody>
</table>
## Vattenfall’s generation focus and strategies

<table>
<thead>
<tr>
<th>Category</th>
<th>Focus and Strategies</th>
</tr>
</thead>
</table>
| **Nuclear**      | • Core technology (large potentials, CO₂-free)  
                      • Resources and competence for nuclear new build.  
                      • Expansion to other geographical market/-s.  
                      • Life-time extension and power increases of existing plants.  
                      • World class safety standard. |
| **Fossils**      | • Core technology (scale, financially attractive).  
                      • Carbon capture and storage. |
| **Renewables**   | • Expand footprint in renewable energy.  
                      - financially attractive.  
                      - support ambition to further reduce CO₂ exposure.  
                      • Wind, hydro and bio-fuel focus.  
                      • Capitalise on off-shore wind competence. |
## Very large potential in European renewables

<table>
<thead>
<tr>
<th>(TWh)</th>
<th>Theoretical potential (TWh)</th>
<th>Possible 2030 (TWh)</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Wind   | 2000                        | 460                 | • Network capacity and power regulation issues.  
       |                              |                     | • Permit processes. |
| Ocean Energy | 2000             | 200                 | • High L-T potential, early stage technology. |
| Bio    | 500                         | 75                  | • Forest management need to be developed  
       |                              |                     | (not to compromise need for food). |
| Hydro  | 500                         | 20                  | • Low acceptance of new hydro in most markets  
       |                              |                     | • Climate change, weather (south / north Europe) |
| Others | 500                         | 50                  | • Solar or geothermal less interesting for  
       |                              |                     | Vattenfall´s core and target markets |
Operational excellence – continuation of the OPEX effort

Ongoing OPEX programme

- 11% productivity increase, equalling SEK 5 bn cost reduction
- Implementation and delivery ongoing

Next steps – Continue to enhance operational excellence through continued increases in:

- Productivity
  - Increase benchmarking to clarify company position
  - Set new improvement targets according to benchmark results
  - Increase efficiency of SSCs

- Cross-border synergies
  - Work with key processes
  - Increase cooperation and learning within Group
  - Structured bench learning processes

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APPENDIX
- Financials
### Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>Q3 2008 IFRS</th>
<th>Q3 2007 IFRS</th>
<th>Change %</th>
<th>FY2007</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>37 016</td>
<td>31 589</td>
<td>17.2</td>
<td>143 639</td>
<td>156 008</td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>-28 542</td>
<td>-24 236</td>
<td>17.8</td>
<td>-103 404</td>
<td>-113 357</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>8 474</td>
<td>7 353</td>
<td>15.2</td>
<td>40 235</td>
<td>42 651</td>
</tr>
<tr>
<td><strong>Operating profit (EBIT)</strong></td>
<td>5 591</td>
<td>4 760</td>
<td>17.5</td>
<td>28 583</td>
<td>30 085</td>
</tr>
<tr>
<td><strong>Operating profit, excl. IAC</strong></td>
<td>5 579</td>
<td>4 745</td>
<td>17.6</td>
<td>28 497</td>
<td>30 012</td>
</tr>
<tr>
<td>Financial income</td>
<td>341</td>
<td>472</td>
<td>-27.8</td>
<td>2 276</td>
<td>1 968</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-2 389</td>
<td>-1 718</td>
<td>39.1</td>
<td>-6 926</td>
<td>-8 266</td>
</tr>
<tr>
<td><strong>Financial net</strong></td>
<td>-2 048</td>
<td>-1 246</td>
<td>64.4</td>
<td>-4 650</td>
<td>-6 298</td>
</tr>
<tr>
<td><strong>Profit before taxes</strong></td>
<td>3 543</td>
<td>3 514</td>
<td>0.8</td>
<td>23 933</td>
<td>23 787</td>
</tr>
<tr>
<td>Taxes</td>
<td>-1 062</td>
<td>9</td>
<td></td>
<td>-3 247</td>
<td>-6 403</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>2 481</td>
<td>3 523</td>
<td>-29.6</td>
<td>20 686</td>
<td>17 384</td>
</tr>
</tbody>
</table>

* IAC = Items affecting comparability
## Consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th>Q3 2008 IFRS</th>
<th>Q3 2007 IFRS</th>
<th>Change %</th>
<th>FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td>277 672</td>
<td>257 489</td>
<td>7.8</td>
<td>264 864</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>83 915</td>
<td>67 127</td>
<td>25.0</td>
<td>73 372</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>361 587</td>
<td>324 616</td>
<td>11.4</td>
<td>338 236</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>124 068</td>
<td>119 679</td>
<td>3.7</td>
<td>124 132</td>
</tr>
<tr>
<td><strong>Interest-bearing liabilities</strong></td>
<td>77 501</td>
<td>66 341</td>
<td>16.8</td>
<td>67 189</td>
</tr>
<tr>
<td><strong>Interest-bearing provisions</strong></td>
<td>57 529</td>
<td>52 280</td>
<td>10.0</td>
<td>56 250</td>
</tr>
<tr>
<td><strong>Pension provisions</strong></td>
<td>18 517</td>
<td>17 424</td>
<td>6.3</td>
<td>17 735</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>23 890</td>
<td>25 403</td>
<td>6.0</td>
<td>23 704</td>
</tr>
<tr>
<td><strong>Other non-interest-bearing liabilities</strong></td>
<td>60 082</td>
<td>43 489</td>
<td>38.2</td>
<td>49 226</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>361 587</td>
<td>324 616</td>
<td>11.4</td>
<td>338 236</td>
</tr>
</tbody>
</table>
Cash flow development

- Figures according to Sw GAAP until Q4 2004 and according to IFRS from Q1 2005

1) Figures according to Sw GAAP until Q4 2004 and according to IFRS from Q1 2005
## Adjusted gross and net debt

<table>
<thead>
<tr>
<th></th>
<th>30 Sept 2008</th>
<th>31 Dec 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported gross debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported gross debt</td>
<td>-77 501&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>-67 189</td>
</tr>
<tr>
<td>Present value of net pension obligations (incl. actuarial gains/losses)</td>
<td>-18 635</td>
<td>-17 073</td>
</tr>
<tr>
<td>Mining &amp; environmental provisions</td>
<td>-12 524</td>
<td>-11 975</td>
</tr>
<tr>
<td>50% of Capital securities (hybrid capital)</td>
<td>4 820</td>
<td>4 671</td>
</tr>
<tr>
<td><strong>= Adjusted gross debt</strong></td>
<td><strong>-103 840</strong></td>
<td><strong>-91 566</strong></td>
</tr>
<tr>
<td><strong>Reported cash, cash equivalents &amp; short term investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported cash, cash equivalents &amp; short term investments</td>
<td>27 878&lt;sup&gt;2)&lt;/sup&gt;</td>
<td>22 659</td>
</tr>
<tr>
<td>German nuclear &quot;Solidarvereinbarung&quot;</td>
<td>-3 323</td>
<td>-3 224</td>
</tr>
<tr>
<td>Minority owner’s share of German nuclear subsidiaries cash position</td>
<td>-3 682</td>
<td>-3 531</td>
</tr>
<tr>
<td><strong>= Adjusted cash, cash equivalents &amp; short term investments</strong></td>
<td><strong>20 873</strong></td>
<td><strong>15 904</strong></td>
</tr>
<tr>
<td><strong>= Adjusted net debt</strong></td>
<td><strong>-82 967</strong></td>
<td><strong>-75 662</strong></td>
</tr>
</tbody>
</table>

<sup>1)</sup> Of which CSA, Credit Support Annex (Margin calls) 783 million

<sup>2)</sup> Of which CSA, Credit Support Annex (Margin calls) 2,536 million
Financial risks within Treasury operations

The Risk Management process is based on the following components:

- Standardised risk definitions
- Identifying origination of risks
- Reliable methods for measuring risks
- Reporting in accordance with established routines
- Management in accordance with established strategies and fixed rules

**Liquidity risk**
Minimized by requirements for liquidity reserves, debt maturities and maturity profile.

**Market risk**
Measured with Value at Risk and duration (for the debt portfolio). Limited by requirements set on Group level.

**Credit risk**
The policy is to primarily use liquidity to repay loans. Remaining liquidity is invested with prudent counterparty rules.

Risks are followed up against requirements and reported on a daily basis.
APPENDIX
- Prices and hedging
Electricity price development

Higher spot prices compared with Q3-07
Nord Pool +181%, EEX +136%

Decrease in forward prices last few months
Commodity prices and CO2 emission allowances

- Oil (USD/bbl), Brent Front Month
- Coal (USD/t), API#2, Front Year
- Emission allowances CO2 (EUR/t), 2009
- Gas (EUR/MWh), NBP, Front Year
Hedging position as of 30 September 2008

% hedged of planned electricity generation (percentage values are rounded)

Nordic

Central Europe

remaining 2008 2009 2010

remaining 2008 2009 2010
APPENDIX
- Group key facts
Electricity generation by fuel source —Higher generation due to increased fossil-based gen.

- **FY 2007**
  - Hydro: 36.6 TWh
  - Fossil: 51.3 TWh
  - Nuclear: 77.7 TWh
  - Total: 167.6 TWh

- **FY 2006**
  - Hydro: 35.2 TWh
  - Fossil: 55.2 TWh
  - Nuclear: 73.8 TWh
  - Total: 155.8 TWh

Electricity and heat generation by geography - 2007

- **Electricity**
  - Nordic: 91.1 TWh
  - Germany: 72.8 TWh
  - Poland: 3.8 TWh
  - Total electricity: 167.6 TWh (2006 = 165.4)

- **Heat**
  - Nordic: 10.7 TWh
  - Germany: 14.8 TWh
  - Poland: 10.7 TWh
  - Total heat: 36.2 TWh (2006 = 35.2)

Source: Vattenfall Annual Report 2007
# Generation Capacity, Megawatts

## Installed Capacity
consolidated share as of 31 December 2007

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Nordic</th>
<th>Poland</th>
<th>Total MW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydro</strong></td>
<td>2,894</td>
<td>8,417</td>
<td>-</td>
<td>11,311</td>
</tr>
<tr>
<td><strong>Nuclear</strong></td>
<td>771(1)</td>
<td>6,860</td>
<td>-</td>
<td>7,631</td>
</tr>
<tr>
<td><strong>Fossil</strong></td>
<td>11,457</td>
<td>2,708</td>
<td>978</td>
<td>15,143</td>
</tr>
<tr>
<td><strong>Wind</strong></td>
<td>14</td>
<td>620</td>
<td>30</td>
<td>664</td>
</tr>
<tr>
<td><strong>Biofuel&amp;waste</strong></td>
<td>120</td>
<td>361</td>
<td>-</td>
<td>481</td>
</tr>
<tr>
<td><strong>Total electr.</strong></td>
<td>18,966</td>
<td>15,256</td>
<td>1,008</td>
<td>35,230</td>
</tr>
</tbody>
</table>

(1) Only Vattenfall’s Brunsbüttel plant is consolidated (771 MW).

For pro rata ownership shares, please refer to Vattenfall Annual Report 2007 page 125
APPENDIX
- recent events
Schwarze Pumpe CCS pilot plant inaugurated

On 9 September, the world's first lignite-fired CCS plant based on oxyfuel technology was inaugurated at Schwarze Pumpe in Germany.
Nuclear update - Germany

- The German Krümmel and Brunsbüttel nuclear power plants are still off-line due to technical problems detected during the inspection and testing programmes:
  - Cracks in valves
  - Impermissibly mounted dowels
  - Refurbishment of steel-platforms in Brunsbüttel

- The plants will remain shut down until all necessary renovation work is fully completed. Re-start date is still open.

- Financial impact (EBIT):
  - Q3 2008: EUR -120 million (SEK -1,143 million).
  - Q1-Q3 2008: EUR -404 million (SEK -3,817 million)
Final permits granted for Moorburg CHP plant

On 30 September the two final permits were granted by the Authority for Urban Development and Environment (BSU) in Hamburg.

The permits allow Vattenfall to continue to build the power plant, but partly include a number of new material restrictions affecting the operation of the plant.

Consequently Vattenfall will be filing claims against the permits.
Potential sale of Transmission operations

• At the end of July Vattenfall approached potential investors for the possible sale of our German Transmission operations (Vattenfall Europe Transmission GmbH)

• Indicative bids received in October – high level of interest

• Important criteria to be applied on investors

  Investors must:
  • have a long-term focus
  • ensure substantial investments in network extension
  • grant continued free grid access for all power producers
  • promote the flow of electricity across European borders

• No decision has yet been made
Major wind power transactions in the UK

Partnership between Vattenfall and ScottishPower Renewables
- Alliance for joint bids in the UK Round 3 offshore wind
  • Vattenfall’s offshore experience combined with Iberdrola’s track record and local presence
  • Ambition 6,000 MW (3,000 MW each) until 2020

AMEC Wind
- Pipeline ~ 500-750 MW, ~ 1.5-2 TWh onshore in Scotland
- Alliance for future wind power expertise in the UK

Eclipse Wind Energy
- Pipeline
  150 MW offshore
  60 MW onshore
  90 MW gas
  ~ 1 TWh

Thanet Offshore Wind Ltd
- 300 MW, ~ 1 TWh
- Commissioning in 2010

Investments until ~2018: ~2,500 MEUR (if 100% hit rate) excl. Round 3. Alliance on Round 3 expected to fill post 2018 UK investment pipeline
Vattenfall development in the UK

**Investment highlights**

- **AMEC Wind – now Vattenfall Wind Power Ltd**
  - Total pipeline ~ 500-750 MW incl. extensions
  - Acquired for £ 126.7 million
- **Eclipse Energy UK PLC**
  - Total pipeline 300 MW, of which 150 MW are fully consented offshore
  - Acquired for £ 51.5 million
- **Thanet**
  - 300 MW
  - Acquired for £ 35 million

**UK pipeline**

Total pipeline of ~1 000 MW + 360 MW (extensions)
Vattenfall’s wind growth ambition in the UK

Vattenfall’s growth ambitions

- Nordic
- UK
- Central Europe


TWh

UK 2008: 0.3 TWh
UK 2012: 1.3 TWh
UK 2016: 2.3 TWh
Acquisition of 18.7% in Polish ENEA

Vattenfall has acquired 18.7% of ENEA for SEK 4.5 billion

**ENEA S.A. (Parent company)**
- 8% share at domestic generation
- 16% share at distribution and electricity sale market

- Electricity sales: 16.8 TWh
- Sales customers: 2.3 million

**ENEA Operator Ltd. (Distribution company)**
- Distribution area: 58,192 km²
- Power lines length: 107,035 km
- Technical status of the network – similar to VDP assets
- Distribution and sales at well developed regions

**Elektrownia Kozienice S.A.**
- (Generation company – 2nd biggest Polish Power Station)
- Electricity generation (2007): 12.7 TWh
- Installed capacity: 2,880 MW
- New 1,000 MW unit CCS ready is planned till 2015

**22 smaller subsidiaries**
- Small hydro-power stations: around 60 MW and 140 GWh/a
- Wind power: about 300 MW under development