

Vattenfall Capital Markets Day 2007

Presentation by

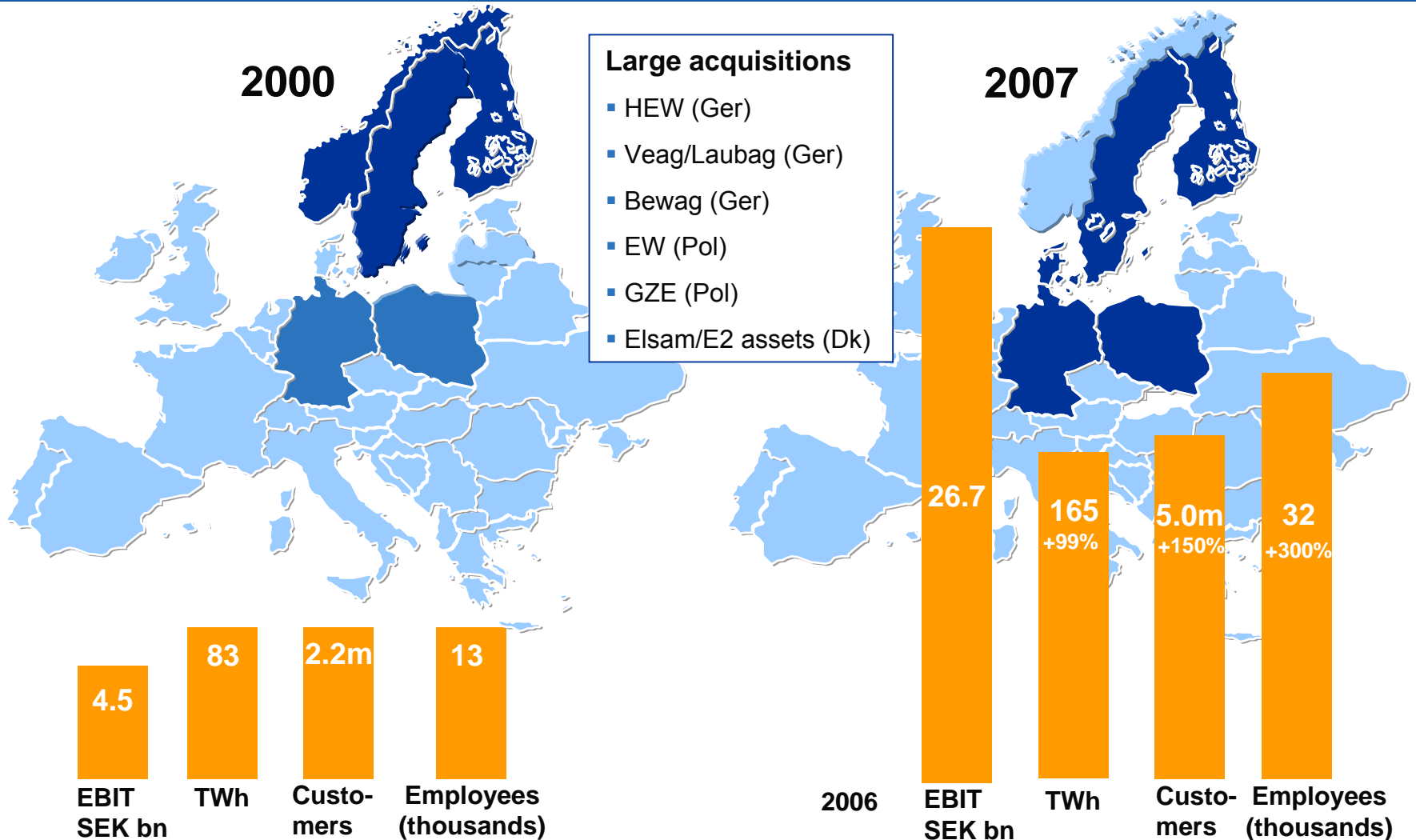
Lars G. Josefsson
CEO

Stockholm, 24 September 2007

1. Overview & recent events
2. Industry trends
3. Strategic focus
4. Curbing climate change
5. Conclusions

1. Overview

Vattenfall's development



Strong market positions in our core markets

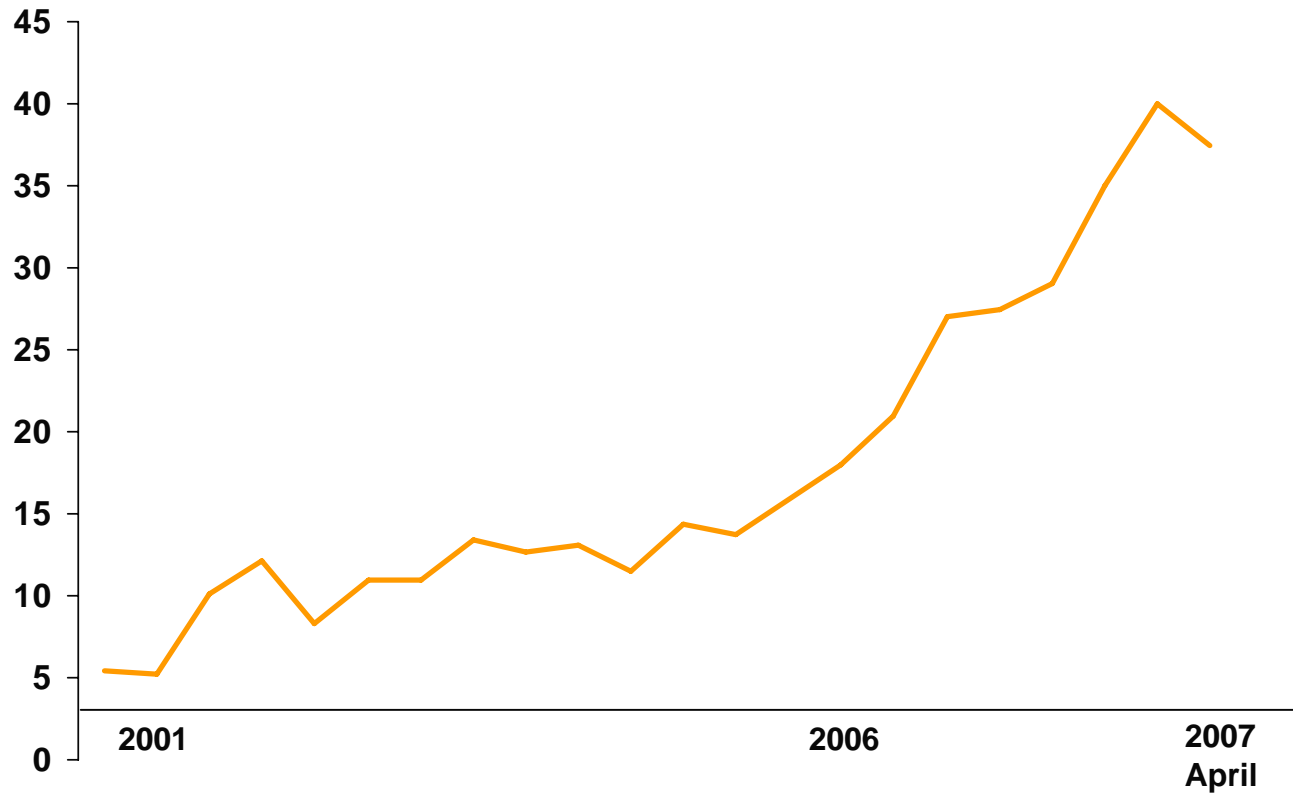
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	Sweden	Finland	Denmark	Germany	Poland
Electricity Generation	1 ₄₎			3	7 ₁₎
Electricity Trading	Top 3 ₄₎			Top 3	Top 3
Electricity Distribution	2	2	n.a	4	6 ₂₎
Electricity Sales	1	3	n.a	4	6 ₂₎
District Heating	4		2 ₃₎	1	1 ₃₎

- 1) 4th market position if only privatised companies are included
- 2) 1st market position if only privatised companies are included
- 3) Only heat generation
- 4) In the Nordic countries

Vattenfall's estimated equity value

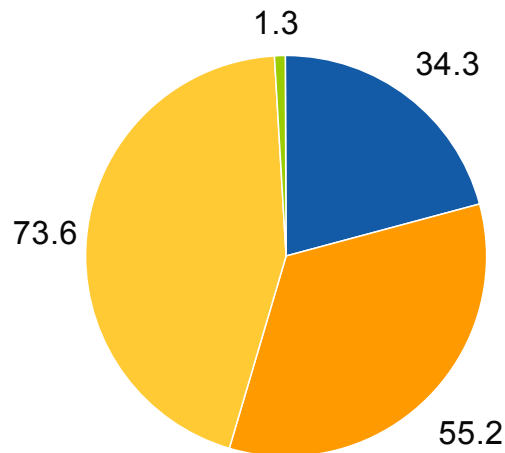
EUR billion



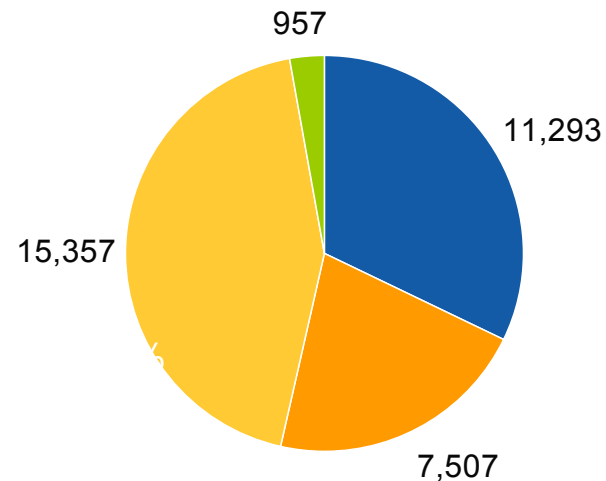
Source: Based on various investment bank estimates

Well diversified electricity generation mix

Electricity output 2006
164.5 TWh



Installed capacity Dec. 2006:
35,114 Megawatts



Hydro

Nuclear

Fossil

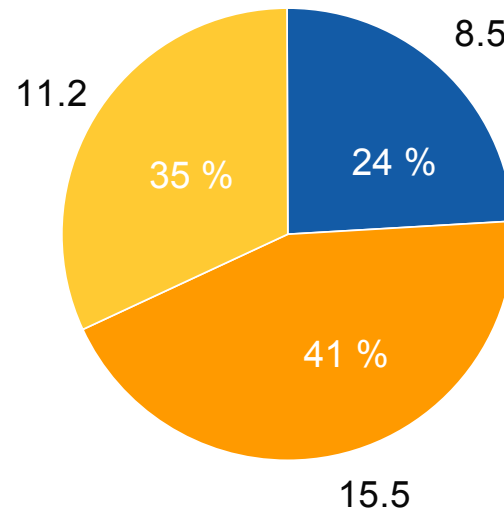
Other

Other = wind, biofuels, waste

Heat – evenly distributed between our markets

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2006 total heat production:
35.2 TWh



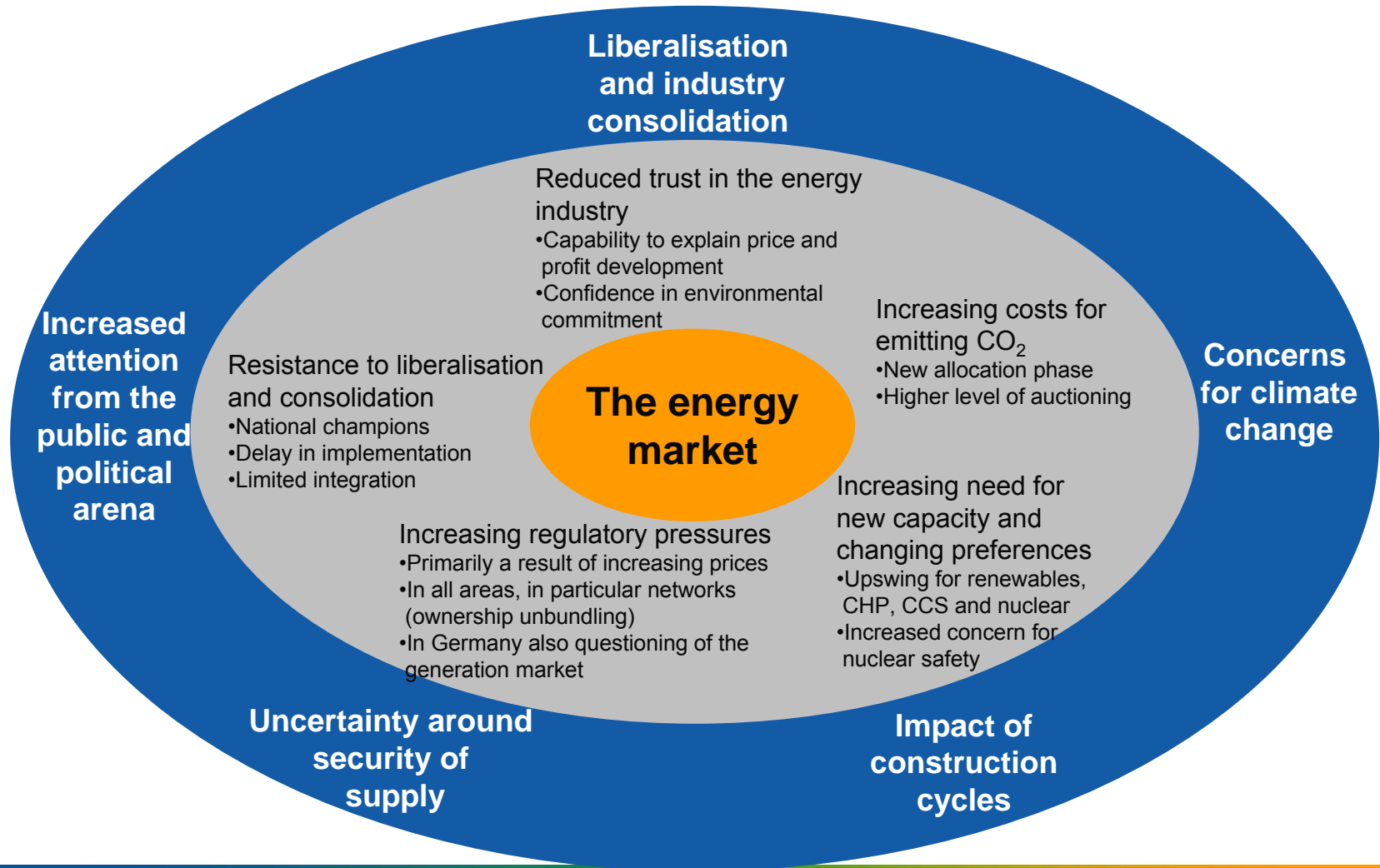
Nordic

Germany

Poland

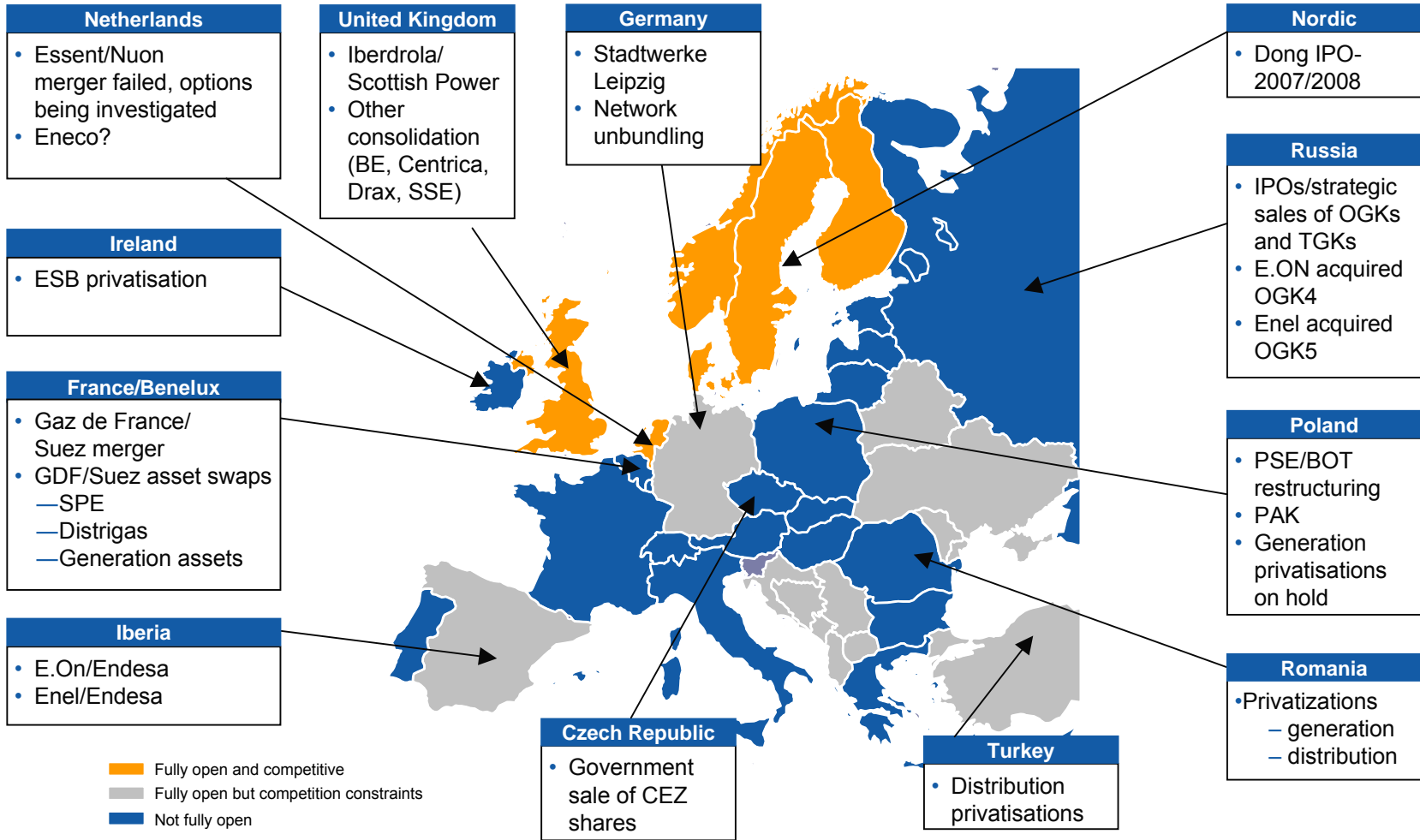
- Satisfactory earnings and strong cash flow in H1 2007 despite very low electricity spot prices
- Increased focus on nuclear safety
- Major efforts underway to regain trust in Germany
- Gaining market share in Sweden but increased retail customer churn in Germany
- Further increased tax on hydro and nuclear generation announced by Swedish government
- Vattenfall is largely unaffected by current turmoil in credit markets

2. Industry trends

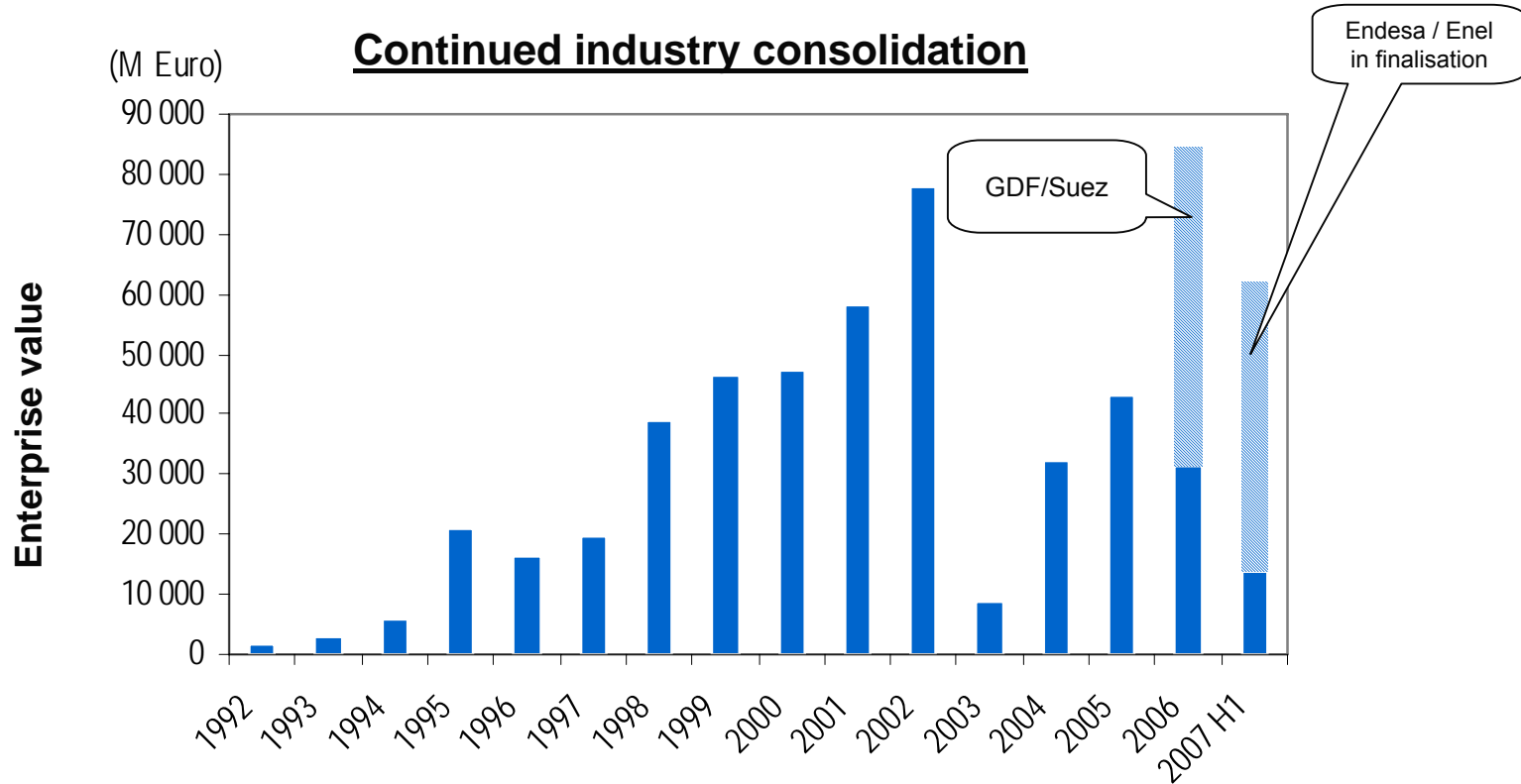


Summary of M&A situation in Europe

Several cash rich buyers but few targets available (high price level)



Continued consolidation - fewer and larger players 13



Number of transactions 4 4 20 7 23 20 22 21 28 39 44 13 31 32 19 3

Announced deals larger than 200 MEUR. Source: Mergermarket

5. Strategic Focus

Key arguments for Vattenfall's vision and growth strategy are still valid

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Main motives

On a liberalized European energy market where companies are consolidating it is important to be leading in terms of

- **Having size**
 - Only long-term sustainable way to create value
 - Providing a series of operational advantages such as
 - Economies of scale
 - Financial strength
 - Risk diversification
 - Creating benefits in term of market position
- **Operational excellence**
 - Yielding more resources for growth
 - Improves image and trust
 - Increases competitive strength

Vision

- To be a leading European energy company

Main strategic ambitions

- Profitable growth
- Benchmark of the industry
- Number One for the customer
- Number One for the environment
- Employer of choice



OPPORTUNITIES

- ↑ Continued consolidation
- ↑ Convergence electricity, gas & heat
- ↑ Increased need for new capacity
- ↑ Possible consolidation of sales
- ↑ Major unexploited synergies and performance improvements
- ↑ Established CCC position

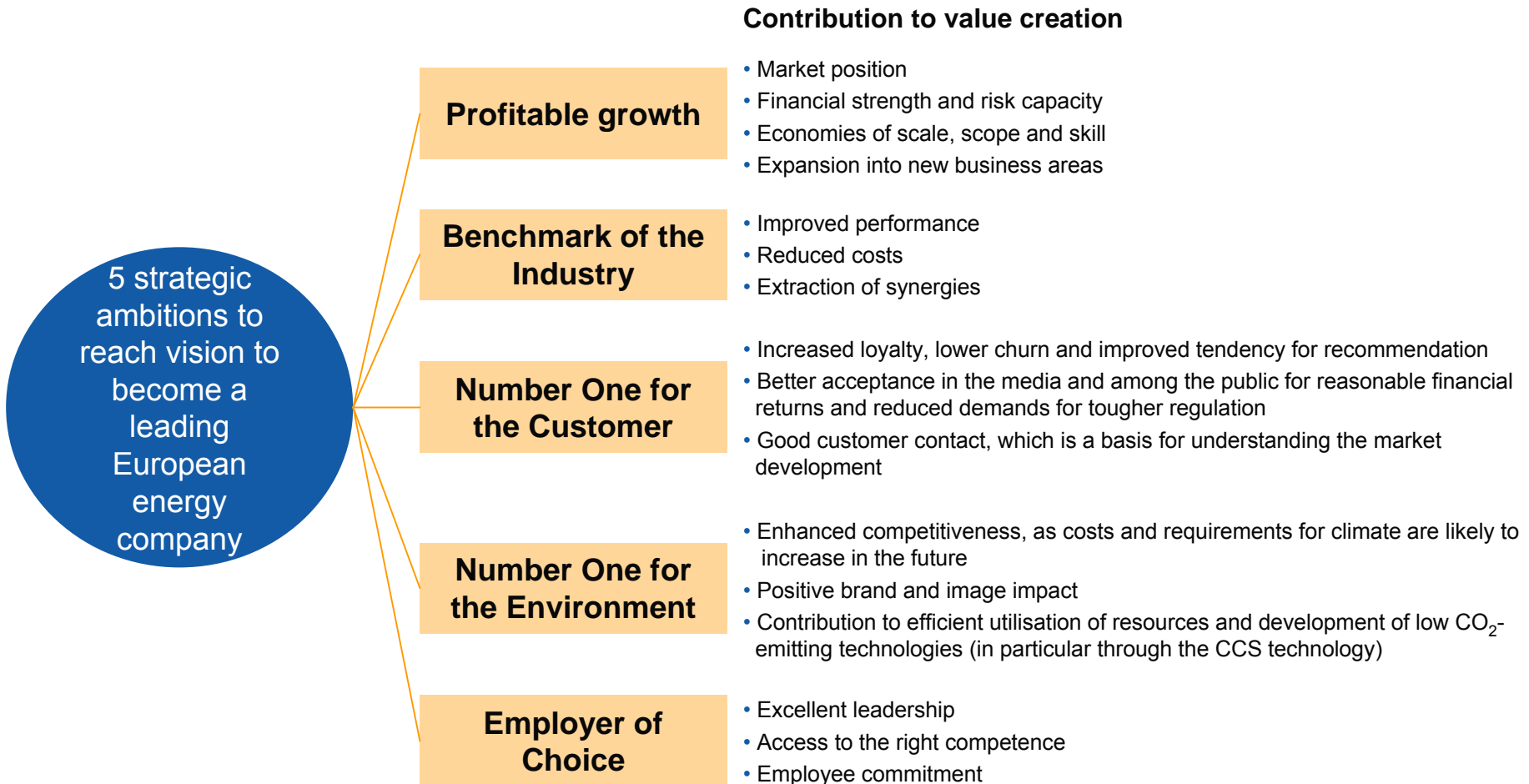
THREATS

- ↓ Sellers' market in M&A
- ↓ Increased cost pressures in particular for CO₂
- ↓ Strengthened regulatory environment
- ↓ Intensified competition
- ↓ Continued low brand image and trust
- ↓ Failure with the CCS technology

Vattenfall's five strategic ambitions

– all of which contribute to value creation

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- Remain vertically integrated along the value chain and focus growth on generation and heat
- Build within our existing markets and expand in geographically close markets as and where value can be created
- Use both M&A and greenfield investments as tools for growth

- Market attractiveness
 - Commercial conditions
 - Need for change
 - Market design
 - Regulatory situation
- Strategic fit with Vattenfall core business
- Perceived risk

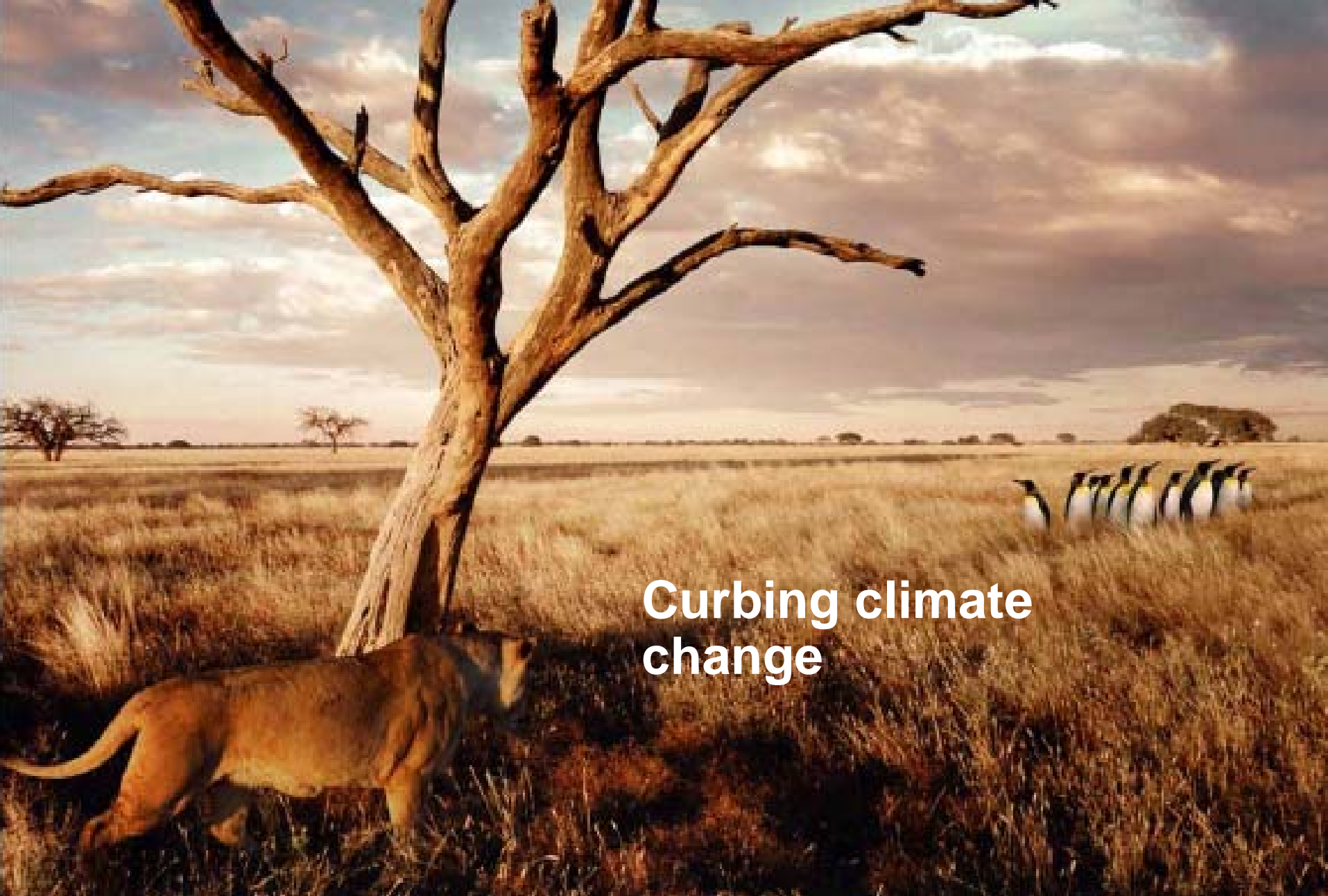
Markets	Characteristics
UK	<ul style="list-style-type: none"> • Stable well-functioning market • Relatively high margins • Major need for replacements • Increasing interest in nuclear
Eastern Europe	<ul style="list-style-type: none"> • Major growth and price increases ahead • Substantial replacement needs • Attractive opportunities in Vattenfall's key plant technology areas
Benelux	<ul style="list-style-type: none"> • Strong well-functioning market • Depending on imports resulting in higher prices • Strong demand growth • Major restructuring ahead (SUEZ, Electrabel, Nusent etc)
France	<ul style="list-style-type: none"> • One dominating player today but major restructuring ahead • Emission-free nuclear and hydro

- Clarify Vattenfall's performance position in relation to the competition
- Set improvement targets in order to reach upper quartile performance against the competition
- Continue to extract cross-border synergies
- Measure, monitor and reward performance improvement

- Secure that we have the best products and services in relation to customers' requirements at the right prices
- Increase awareness among customers of our environmentally and socially responsible position across the whole energy field and value chain
- Develop consistency of our offerings and use best practices across borders
- Continue to grow the customer base
- Strengthen the customer perspective in all areas of our operations

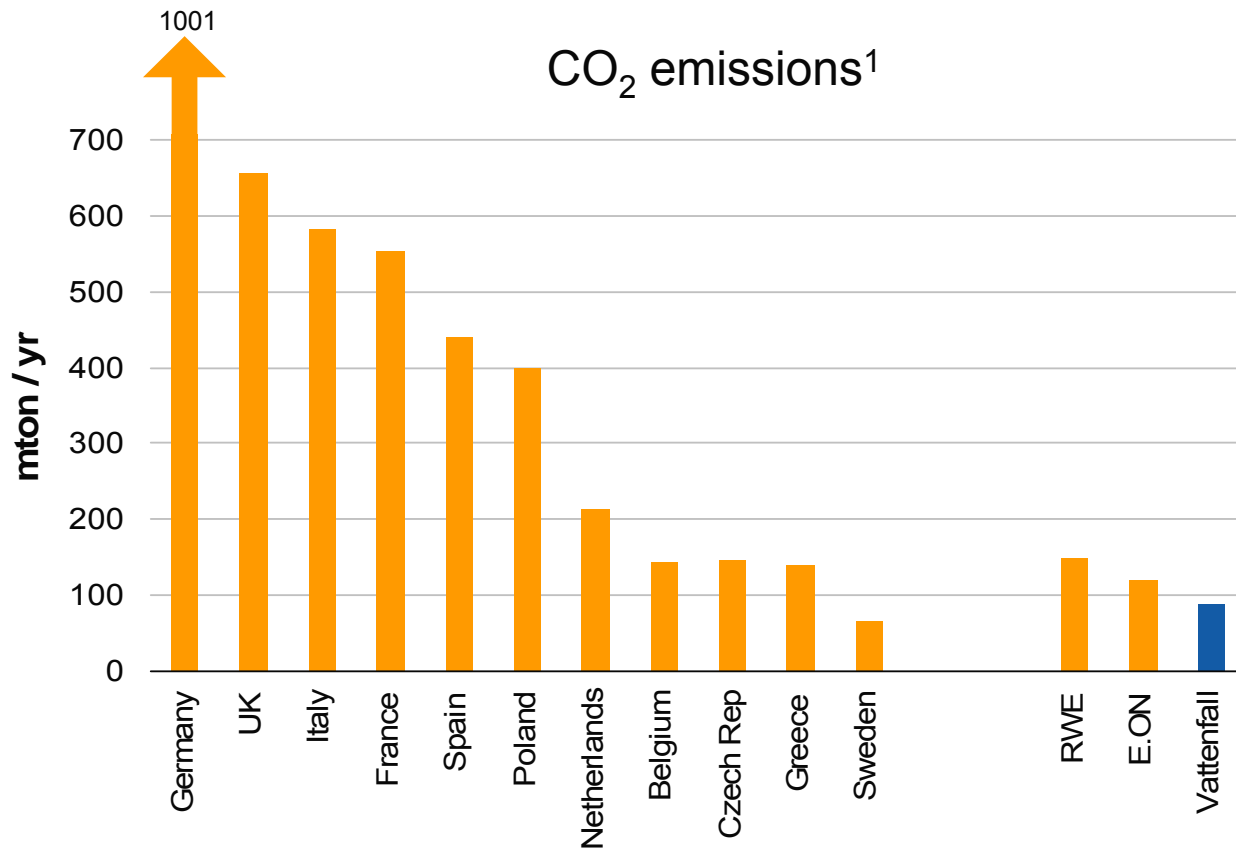
- Reduce CO₂ emissions
 - Increase share of investments in generation assets that emit little or no CO₂
 - Increase efficiency in existing power and heat production as well as in networks
 - Reduce carbon intensity in non-generation areas
- Accelerate technology development to combat climate change, e.g. CCS (both CO₂ capture and storage) and renewables
- Measure and steer the environmental performance and systematically integrate environmental aspects in all business operations
- Work for global and market-oriented climate solutions

- Secure excellent leadership by first class management planning and development
- Ensure access to the competence that meets our long-term requirements, e.g. through competence planning
- Secure strong employee commitment, e.g. through the My Opinion Process

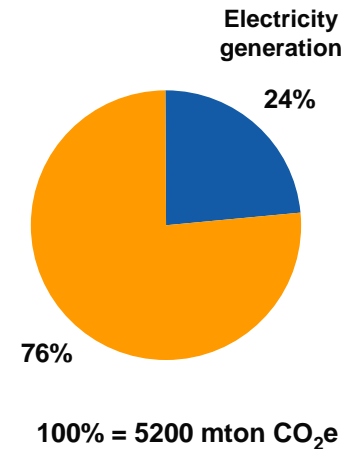


Curbing climate change

EU's largest emitting countries and companies



EU-27 total¹

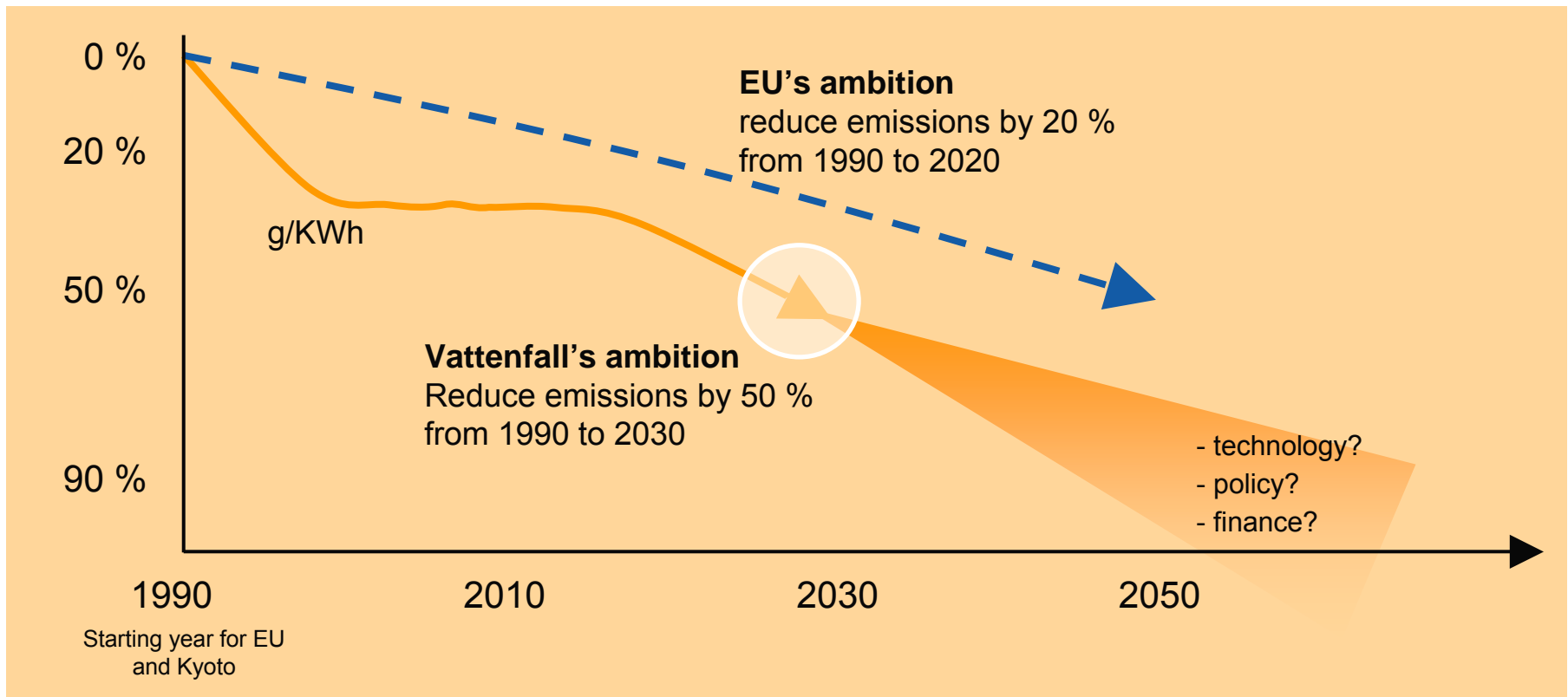


1) Country and company emissions 2005 (except for Vattenfall estimated emissions 2007 including its Danish operations are shown)

Source: EEA, 2007. Eurprog 2006. Company CSR reports.

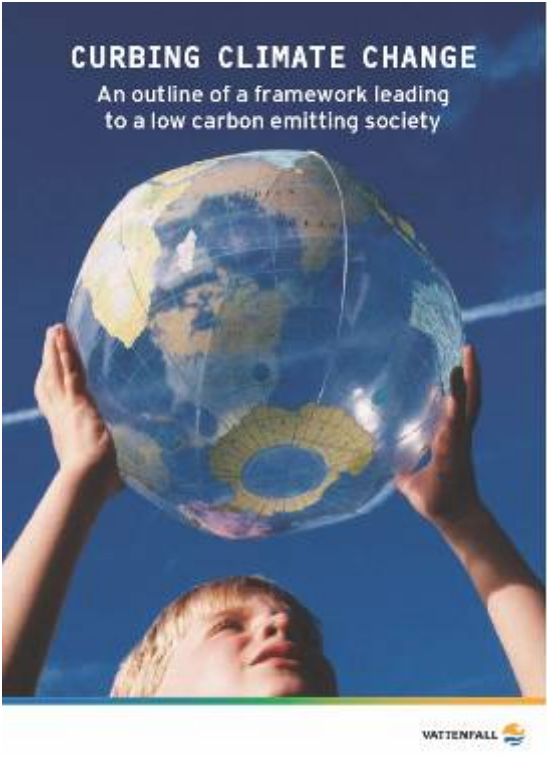
We aim to reduce our emissions by 50% by 2030

Reduction of CO₂



... and we will meet the CO₂ challenge on broad front 27

By co-operating with other companies and industries, around the world



Global emission trading system

By increasing energy efficiency for our customers



By improving our own energy production



CCS - the pilot "CO₂ free" power plant

CO2 reduction - five focus areas

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- Improvements of old power plants
- Enhance efficiency in new plants
- Power generation without fossil fuels
- CCS, carbon capture and storage
- R & D



International engagements to raise awareness and propose solutions for combating climate change

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Key engagements

- Abatement Map
- The 3C initiative
- World Economic Forum
- Advisor to the German government on climate change and energy policy
- Member of the Swedish Commission on Sustainable Development
- GLOBE
- Tällberg Forum

3C – a global opinion group consisting of business leaders demanding integration of climate control measures in markets and trade

ABB	General Electric
AIG	Hitachi
Alcan	Iberdrola
Alstom	Lufthansa
Areva	Munich Re Group
Bayer	MVM Group
BP	Norske Skog
British Sky Broadcasting	NRG Energy
Centrica	Nuon
CEZ Group	Otto Group
China National Offshore Oil Corp.	PG & E
Citigroup	PNM Resources
Deutsche Bahn	RAO UESR
Deutsche Post	Reuters
DONG Energy	SAP
Duke Energy Corporation	SAS
E.ON	Siemens
EnBW	SUEZ
Endesa	The Tata Power Company Ltd.
Enel	Vattenfall
Eskom	Veolia
Fortum	Wallenius Lines

7. Conclusions

Summary & conclusions (1)

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- Vattenfall has during the **last 3-4 years strategically focused on the consolidation** of its major acquisitions in Germany, Poland and Denmark
- Major change developments in the last year have primarily been related to the impacts of the **climate change** issue, increasing **regulatory pressures**, continued **low trust** and, for Vattenfall, a **slowdown of profit growth**. The trend towards an integrated European energy market and the consolidation of the industry remain unchanged
- The strategic focus for Vattenfall over the **next 5-7 years** will be to **address its vision to be a leading European energy company**

Summary & conclusions (2)

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- Given opportunities and threats Vattenfall **will reiterate and refine our strategy based on the 5 strategic ambitions** which it has defined in recent years
- Within the growth ambition, which represents Vattenfall's central strategic objective, Vattenfall will
 - **continue to be an integrated company** and **focus on generation of electricity and heat**
 - **expand in core and geographically close markets** as and where value can be created
 - **use both M&A and greenfield investments** as tools for growth
- In terms of production-capacities there will be more **focus on renewables, CCS, nuclear and CHP.**
- Vattenfall will over the next years increase its **attention to the benchmark ambition** and in this context on **operational performance**