

ANNUAL REPORT 2008

The Board of Directors and President of Vattenfall Treasury AB (publ), Swedish corporate identity number 556439-0606, herewith submit the annual report for 2008, which has been translated from the Swedish original.

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ADMINISTRATIVE REPORT

Vattenfall Treasury (VFT), with registered office in Stockholm, is a wholly owned subsidiary of Vattenfall AB with responsibility for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Vattenfall Group. VFT also constitutes part of the financial staff of the Group, and is responsible for co-ordinating the Group's internal banking activities.

Financial Performance and Position

(Amounts in SEK million)

	2008	2007	2006	2005	2004
Net interest income/expense	-565	611	877	752	268
Net foreign exchange income/expense	55	-13	-9	16	-1
Overhead costs	-36	-36	-36	-33	-36
Operating profit/loss	-546	563	832	735	231
Total assets	143,113	99,945	103,640	93,927	73,903
Equity	4,747	560	560	561	562
Average number of employees	18	18	18	17	18

The earnings decline compared with 2007 is mainly due to profit/loss recognition of interest forwards and futures as well as to a poorer balance of net interest income/expense.

The most important uncertainty that has the greatest impact on operating profit is the earnings effect that arises in connection with profit/loss recognition of interest forwards and futures. Forwards and futures, which are used by the company to manage the duration of the debt portfolio, gave rise to a deficit of SEK 676 million in 2008. In addition, earnings are affected by the relative movement in the external market interest rates compared with the Group's internal rates. The Group's internal interest rates are adjusted once a year and are based on the interest expense of the external debt portfolio adjusted for future year's interest rate adjustments in loans and derivatives. As a result, changes in external market interest rates have a delayed effect on internal interest rates, which bears an affect on profit for the current year.

The company has no target for return on equity. The purpose is to finance the Group within the limits mandated by Vattenfall's board and Executive Management regarding duration (see below under "Interest and currency risk") and average remaining maturity (see below under "Liquidity Risk") as stipulated in the Group instructions. The company's undertakings in connection with internal and external financial transactions are guaranteed by Vattenfall AB. The financial obligations of the Group's units to the company are guaranteed by Vattenfall AB.

Financial Risk Management

The Vattenfall Group's finance operations are conducted in accordance with the rules and risk limits established by the Board of Directors and Executive Group Management of Vattenfall regarding interest rate and currency exposure, as well as requirements on availability of funds, liquidity and credit risk. Internal security and control are given very high priority. VFT is responsible for co-ordinating and reporting the Group's financial risks.

Liquidity Risk

The Group's operations are capital-intensive with major fluctuations in liquidity over the year, which makes it necessary to have available funding in both the short and long term.

The Group's objective regarding its liquidity position is that funds equivalent to at least 10 % of Group's sales, and at least equivalent to loans due for repayment during the next 90 days, shall be available in the form of liquid assets or confirmed credit facilities. To minimise refinancing risk, the aim is to achieve an even spread of maturities as well as a long average maturity of the loan portfolio. The goal is that the average remaining term of the Group's loan portfolio shall exceed 5 years. As per 31 December 2008 this amounted to 6.5 years. The average term of VFT's loans amounted to 6.9 years. The maturity profile of VFT's loans is shown in a diagram on page 21.

To safeguard the Group's availability of funds and to maintain considerable flexibility in the choice of financing forms and debt markets, the Group has access to several loan programmes. Currently two commercial paper programmes and two Medium Term Note programmes are in effect. VFT's total loan debt, broken according to type of loan, is shown in a diagram on page 21.

Vattenfall's credit rating for long- and short-term borrowing, respectively, is A-/A-2 from Standard & Poor's and A2/P-1 from Moody's. The aim is to have a credit rating at the single A level. Loans issued by VFT are guaranteed by Vattenfall AB.

Interest Rate and Currency Risk

Interest rate risks associated with the Group's borrowing are managed using a portfolio method whereby the duration of the debt portfolio is allowed to fluctuate by not more than 12 months on either side of a norm of 2.5 years. As of 31 December 2008 the duration for the Group's loans was 2.4 years and the duration of VFT's loans was 2.6 years. In addition, interest rate risks are measured daily in terms of Value at Risk and are managed together with currency risks within a total established risk limit. For a breakdown of the debt portfolio according to remaining term of fixed interest, see note 21.

As a rule, VFT does not take any currency risks with respect to its long-term loan portfolio. Virtually all currency risks in other forms of transaction exposure are hedged through matching and different types of derivatives. Any remaining currency risks are then managed together with the interest rate risks within the established risk limit noted above. For a breakdown of the debt portfolio according to original currency, see note 21.

Interest rate and currency risks in VFT's borrowing, internal bank and trading operations, measured as Value at Risk with a confidence interval of 99% and a holding period of 1 day amount to SEK 379 million as of 31 December 2008.

Interest rate sensitivity for VFT in lending to Group companies is minimised by matching the conditions of internal lending with the conditions of the external borrowing over the long term.

Hedging of the Group's net assets in foreign operations is managed by VFT on behalf of the Vattenfall AB.

Credit Risk

Credit risks in connection with investments, derivative contracts, etc. are managed within the framework of established limits based on external ratings. Credit risks in derivatives are quantified on a regular basis through market valuation plus a standard supplement for future changes in value. Individual limits are set for each counterpart and are reassessed continuously. Exposures are monitored in relation to credit limits on a daily basis. Before long-term agreements are entered into, a general master agreement, such as an ISDA, is required. In 2008 Credit Support Annex (CSA) was signed with counterparties with which we enter into derivative transactions. The table below shows the exposure for interest and currency derivatives, positive fair values and interest-bearing investments including large bank balances.

Credit risks

<i>Type av instrument</i>	<i>Exposure</i>
Interest and currency derivatives, positive fair values	2,156
Interest-bearing investments including larger bank balances	20,225
Total	22,381

The exposure in interest and currency derivatives adjusted for ISDA- and CSA-agreements amounts to SEK 2 156 million. The calculation takes into account margins received under CSA-agreements totalling SEK 1 843 million. Without adjustment for ISDA- and CSA-agreements the exposure amounts to SEK 10 804 million.

Financing

External net debt, i.e. external interest -bearing liabilities less liquid assets decreased during 2008 by SEK 15,722 million and amounted to SEK 60,225 million at the end of the year. In 2008 new loans were raised in the amount of SEK 26,136 million, while debt repayment amounted to SEK 3,302 million.

In June 2005, Vattenfall issued Capital Securities, which are reported as interest-bearing non-current liabilities. The maturity of the Capital Securities is perpetual and they are junior to all of Vattenfall's unsubordinated debt instruments. There is no redemption requirement, although the intention is to repay the loan. The interest is fixed for the initial ten-year period; thereafter a floating rate is applied. The interest is conditional upon, among other things, Vattenfall's ability to pay dividends to shareholders and the key ratio 'Interest Coverage Trigger Ratio' amounting to at least 2.5.

In addition to the EUR 1,000 million Revolving Credit Facility, maturing 2013, and a 364 -day credit facility of EUR 400 million, maturing 2009, other committed credit facilities amounted to SEK 100 million. At year-end the facilities were unutilised.

Internal banking activities

Internal banking activities involve borrowing/lending within the Group and buying/selling currencies from/to Group units, all on commercial terms. Group account systems, administered by VFT, are established in Sweden, Finland, Denmark and Germany. Some 70 units are involved in internal banking activities.

At year-end, lending to Group units amounted to SEK 108,898 million (93,987) while borrowing totalled SEK 48,958 million (47,427).

The interest rate on long-term internal lending is determined yearly in advance based on VFTs estimated borrowing cost during the coming year.

Derivatives

Derivatives are used in financial risk management in accordance with the rules and limits established by the Vattenfall's Board and Executive Group Management with respect to interest rate and currency exposure and requirements on credit risks.

Derivatives are used to:

- Manage interest rate and currency exposure in the debt portfolio.
- Manage interest rate and currency exposure taken over from customers in the internal bank system.
- Manage trading positions within established risk limits.

Work of the Board of Directors

VFT's Board of Directors includes five regular members with the President as an alternate. During the financial year, the Board of Directors held eight meetings including one statutory board meeting. The work of the Board follows an annual plan and the rules of procedure established by the Board. Every year the Board meets the company's auditors.

Future Development

All liquidity in the Nordic region and most of the liquidity in Germany is centralised to Vattenfall Treasury. The process of fully integrating the remaining, non-centralised liquidity in Poland is under way and is expected to be completed in 2009. The work on integrating and co-ordinating the financing activities of the foreign subsidiaries will continue.

In other respects, operations are to be conducted in accordance with the same guidelines and principles as they have to date.

Events after the balance sheet date

No significant events have been taken place after the balance sheet date up until the date of this report's publication.

Proposed Distribution of Profits

Unrestricted profits of SEK 4,746,644,419 are at the disposal of the Annual General Meeting.

The Board of Directors proposes that SEK 4,746,644,419 be carried forward.

The company has received a Group contribution of SEK 6,178,704,000 from the parent company.

Income statement

SEK '000	Note	2008	2007
Interest income	5	5 535 872	4 511 473
Interest expense	6	-6 101 421	-3 900 596
Net foreign exchange income/expense		55 497	-12 513
Gross profit/loss		-510 052	598 364
Personnel costs	7, 8, 9, 10, 11	-20 641	-20 239
Other external costs	12, 13	-15 462	-15 295
Depreciation	16	-26	-45
		-36 129	-35 579
Operating profit/loss		-546 181	562 785
Appropriations	14	27	34 323
Profit before tax		-546 154	597 108
Tax	15	285 066	-167 462
Net profit/loss for the year		-261 088	429 646

Balance sheet

SEK '000	Note	2008-12-31	2007-12-31
ASSETS			
Non-current assets			
<i>Tangible assets</i>			
Property, plant and equipment	16	100	126
<i>Financial assets</i>			
Other long-term securities holdings	17	100	-
Receivables from Group companies		108 898 338	93 987 279
Receivables from associated companies		7 430	-
Receivables external		7 500	5 000
		108 913 368	93 992 279
Total non-current assets		108 913 468	93 992 405
Current assets			
<i>Current receivables</i>			
Current tax receivable		1 448	916
Accounts receivable, trade		755	360
Receivables from Group companies		5 702 394	383
Other receivables		741	6
Prepaid expenses and accrued income	18	2 676 650	661 455
		8 381 988	663 120
<i>Short-term investments</i>	25	22 519 763	4 257 565
<i>Cash and bank balances</i>	24	3 297 383	1 031 499
Total current assets		34 199 134	5 952 184
TOTAL ASSETS		143 112 602	99 944 589

Vattenfall Treasury AB

(publ)

Corporate identity number 556439-0606

SEK '000	Note	2008-12-31	2007-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital (500 shares at SEK 1,000 each)		500	500
Statutory reserve		100	100
		<u>600</u>	<u>600</u>
<i>Unrestricted equity</i>			
Profit/loss brought forward		5 007 732	129 419
Net profit/loss for the year		<u>-261 088</u>	<u>429 646</u>
		4 746 644	559 065
Total equity		4 747 244	559 665
Untaxed reserves	19	1 391	1 418
Provisions			
Pension obligations		1 865	1 266
Less: Capital in pension funds		<u>-1 189</u>	<u>-1 266</u>
Total provisions	20	676	0
Non-current liabilities			
Capital Securities		10 811 301	9 341 397
Other interest-bearing liabilities, external		50 220 335	30 430 426
Deferred tax liabilities		<u>1 444 971</u>	<u>-</u>
Total non-current liabilities	21, 24	62 476 607	39 771 823
Current liabilities			
Interest-bearing liabilities external	21, 25	9 257 098	2 914 902
Interest-bearing liabilities to Group companies	21	48 958 107	47 426 695
Interest-bearing liabilities to associated companies	21	15 753 600	7 105 750
Accounts payable, trade	22	2 241	107
Accrued expenses and deferred income	22,23	1 915 210	1 535 248
Other liabilities to Group companies	22	415	614 979
Other current liabilities external	22	<u>13</u>	<u>14 002</u>
<i>Total current liabilities</i>		75 886 684	59 611 683
TOTAL EQUITY AND LIABILITIES		143 112 602	99 944 589
Pledged assets	24	74 120	4 238
Contingent liabilities (Liability to Pension Guarantee)		<u>37</u>	<u>25</u>

Vattenfall Treasury AB

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Change in equity

<i>SEK '000</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Unrestricted equity</i>	<i>Total</i>
Opening balance 1/12/2007	500	100	559 510	560 110
Profit for the year			429 646	429 646
Group contribution rendered			-597 349	-597 349
Tax on Group contribution			167 258	167 258
Closing balance, 31/12/2007	500	100	559 065	559 665
Profit for the year			-261 088	-261 088
Group contribution received			6 178 704	6 178 704
Tax on Group contribution			-1 730 037	-1 730 037
Closing balance, 31/12/2008	500	100	4 746 644	4 747 244

Cash Flow Statement

SEK '000	Note	2008	2007
Operating activities			
Net profit/loss for the year		-261 088	429 646
Adjustment for the effects of non-cash items			
Depreciation		26	45
Capital loss			79
Change in interest receivable in accrued income	a	-2 015 195	-304 548
Change in interest payable in accrued expenses	a	379 962	57 802
Exchange rate differences		-437 244	33 975
Appropriations		-27	-34 323
Tax	a	-285 598	166 440
Cash flow from operating activities before changes in working capital		-2 619 164	349 116
Cash flow from changes in working capital			
Increase(-) / decrease (+) in receivables		-810	3 401
Increase(+) / decrease (-) in liabilities		-12 021	14 311
Cash flow from operating activities		-2 631 995	366 828
Investing activities			
Investments in other long-term securities holdings		-100	-
Investment in property, plant and equipment		-	-128
Cash flow from investing activities		-100	-128
Financing activities			
Decrease (-) / increase (+) in:			
bond issues, long-term bank loans and Capital Securities		25 502 492	-4 174 212
commercial paper-based borrowing and short-term bank loans		2 099 517	-191 609
deposits from Group and associated companies		10 179 262	1 073 372
Decrease (+) / increase (-) in :			
lending to Group and associated companies		-14 918 489	3 408 971
lending external		-2 500	-5 000
short-term investments with > 3 months' maturity		-7 214 507	-1 410 472
Group contribution rendered		-137 349	-857 785
Cash flow from financing activities		15 508 426	-2 156 735
Cash flow for the year		12 876 331	-1 790 035
Cash and cash equivalents at the start of the year		3 878 592	5 702 602
Exchange rate differences in cash and cash equivalents		437 244	-33 975
Cash and cash equivalents at the end of the year	b	17 192 167	3 878 592
Notes to the Cash Flow Statement			
Note a: Interest and tax paid		2008	2007
Interest received and other financial income		3 520 677	4 206 925
Interest paid and other financial expenses		5 721 459	3 842 794
Tax paid (+) / Tax refunded (-)		1 033	1 529
Note b: Cash and cash equivalents		2008	2007
Short-term investments with < 3 months' maturity		13 894 784	2 847 093
Cash and bank balances		3 297 383	1 031 499
Cash and cash equivalents at the end of the year		17 192 167	3 878 592

Notes to the accounts

Amounts in SEK '000s except where otherwise indicated

Note 1 Company information

Vattenfall Treasury AB is a limited liability company with registered office in Stockholm and with the address SE-162 87 Stockholm. The company is a part of Vattenfall Group, with Vattenfall AB as Parent Company (corporate identity number 556036-2138), whose registered office is in Stockholm.

Note 2 Accounting policies and valuation principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2.1 – Accounting for legal entities. RFR 2.1 entails that Vattenfall Treasury shall apply all standards and interpretations from the IASB and IFRIC that have been approved by the EU, as long as this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. The exemption rule pertaining to IAS 39 is applied, which entails that financial instruments are stated at cost. In addition, pension obligations are reported in accordance with the Pension Obligations Vesting Act.

The accounting policies and calculation methods are unchanged compared with those used in the 2007 annual report. The new and amended accounting policies that take effect in 2009 will not have any material impact on Vattenfall Treasury's accounting.

Financial assets and liabilities are reported with application of the settlement date principle.

Estimations and assessments

Uncertainties regarding fair valuation of assets are described in Note 25. In other respects, no uncertainties exist in valuation since the IAS 39 exemption rule is used.

Segmental information

The market the company works in is Europe.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency (SEK) at the exchange rate in effect on the transaction date. On the balance sheet date, monetary assets and liabilities in foreign currencies are translated to the functional currency at the year-end exchange rate.

Interest income

Interest income consists of interest income on bank balances, receivables and interest-bearing securities, as well as forward premiums in forward exchange agreements. Interest income is reported as it is earned.

Interest expenses

Interest expenses consist of interest expenses on loans, forward premiums in forward exchange agreements and issue expenses and similar direct transaction costs for raising loans. Interest expenses are distributed over the term of the transactions.

Machinery and equipment

Depreciation of machinery and equipment according to plan is based on the cost and estimated useful life of machinery and equipment, which entails a depreciation period of between three and five years.

Loan receivables and financial liabilities

This category includes financial assets, non-current receivables, and interest-bearing and noninterest-bearing liabilities. Lending to Group companies and associated companies is classified as a financial non-current asset irrespective of remaining duration.

Loan receivables and financial liabilities are initially stated at cost and subsequently at amortised cost. Issue costs are distributed over the term of the loan and recorded as a financial expense.

Financial assets

This category includes cash, bank balances and similar as well as short-term investments with original terms of less than three months. The category includes short-term investments with original terms of more than three months. Assets held for trading purposes are classified in this category, which means that the aim is for them to be divested in the near term.

The assets are initially stated at cost and subsequently at the lower of cost or market value. Unrealised losses are offset against unrealised profits (per portfolio with the same risk profile). Excess losses are stated through profit or loss, while corresponding gains are not included in profit.

Derivatives

Forward exchange agreements are valued at the year-end exchange rate. The forward premium is distributed over the life of the contract and recorded as interest. Interest and currency swaps are made in order to secure against exposure to interest and exchange rate risks. These swaps are valued at closing rates, and foreign exchange differences and accrued interest are stated through profit or loss. Unrealised losses attributable to other derivatives are charged against profit in the income statement, while unrealised gains are not recognised until payment is received or the position is closed.

Provisions for pensions

Pension obligations are calculated in accordance with generally accepted Swedish actuarial principles as outlined in the Pension Obligations Vesting Act (*Tryggandelagen*). The provision reported in the balance sheet corresponds to these pension obligations, entered net against plan assets of Vattenfall's Pension Foundation.

Taxes

Income tax consists of current tax and is reported in the income statement. Untaxed reserves are reported as a separate item in the balance sheet that includes deferred tax.

Contingent liabilities

A contingent liability is reported when there is a possible obligation that arises from events and whose existence is only confirmed by one or more doubtful future events or when there is an obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required.

Note 3 Intra-Group pricing

The internal bank activities include conducting deposit and lending activities within the Group at commercial terms, and buying and selling currencies from and to the Group's units. Interest rates on long-term internal lending are set yearly in advance based on VFT's estimated borrowing cost in future years.

Note 4 Financial risks

Financial risks are described in the administration report.

Note 5 Interest income

	2008	2007
Group companies	4 962 632	4 178 267
External	573 240	333 206
	<u>5 535 872</u>	<u>4 511 473</u>

Interest income also includes SEK 0 thousand (6) in other financial income.

Note 6 Interest expense

	2008	2007
Group companies	2 344 891	1 752 679
Associated companies	508 165	262 723
External	3 248 365	1 885 194
	<u>6 101 421</u>	<u>3 900 596</u>

Interest expense also includes SEK 14,274 thousand in other financial expense (18,042).

Note 7 Salaries, other remuneration and social security costs

	2008	2008	2007	2007
	Salaries and other remuneration (of which bonuses)	Social security costs (of which pension costs)	Salaries and other remuneration (of which bonuses)	Social security costs (of which pension costs)
President (no remuneration to Board)	1 569 (165)	921 (394)	1 474 (147)	869 (375)
Other employees	10 735*	6 115 (2 548)	10 347*	6 297 (2 807)
Total	<u>12 304</u>	<u>7 036 (2 942)</u>	<u>11 821</u>	<u>7 166 (3182)</u>

* Of which other senior executives 3,755 thousand (3,468).

During the year, the President received a salary and other remuneration amounting to SEK 1,624 thousand.

Note 8 Average number of employees

	2008	2007
Women	6	6
Men	12	12
Total	<u>18</u>	<u>18</u>

Note 9 Absence due to illness %

	2008	2007
Total absence due to sickness	1,1	1,1
- long-term absence due to illness	0,0	24,3
- absence due to illness, men	0,5	0,9
- absence due to illness, women	2,4	1,5

Note 10 Gender distribution among senior executives

	Women	Men
Gender distribution among board members	1	4
Gender distribution, other senior executives	1	4

Note 11 Pensions benefits and severance pay agreements

The President's future pension entitlement includes pension benefits under the applicable supplementary pension plan (ITP) for salaried employees of Vattenfall, with a retirement age of 65.

If his employment is terminated by the company, the President is entitled to severance pay, in addition to salary during the notice period (6 months), equivalent to 12 months' salary. Any earnings from new employment are to be deducted from this amount.

Note 12 Leasing

	2008	2009	2010-2011
Paid/contracted leasing fees for operating leases	434	384	210

Note 13 Auditor's fees

	2008	2007
Ernst & Young AB		
Audit engagements	455	545
Other fees	564	247

Note 14 Appropriations

	2008	2007
Difference between book depreciation and depreciation according to plan	-3	3
Reversal of tax allocation reserve	30	34 562
Allocation to tax allocation reserve	-	-242
	<u>27</u>	<u>34 323</u>

Note 13 Tax

	2008	2007
Tax on profit for the year	-	204
Tax attributable to Group contribution	-1 730 037	167 258
Deferred tax for the period	1 444 971	-
Total	<u>-285 066</u>	<u>167 462</u>

Reconciliation of effective tax rate

	2008		2007	
	Amount	%	Amount	%
Profit before tax	-546 154		597 108	
Tax according to current tax rate	-152 923	28,00	167 189	28,00
Non-taxable income	-2	0,00	-	0,00
Non-deductible expenses	26	0,00	18	0,00
Standard interest on tax allocation reserve	12	0,00	254	0,04
Change of tax rate	-93 401	17,10	-	0,00
Tax-adjustment for previous periods	-38 778	7,10	-	0,00
Effective tax rate	<u>-285 066</u>	<u>52,20</u>	<u>167 462</u>	<u>28,05</u>

Deferred tax assets and liabilities

	2008	2007
Deferred tax assets are related to pension provisions	22	-
Deferred tax liabilities are related to unrealised values of derivatives	1 444 993	-

Note 16 Property, plant and equipment

	2008	2007
Opening cost	128	902
Purchases	-	128
Sales/disposals	-	-902
Closing accumulated cost	128	128
Opening depreciation	-2	-780
Sales/disposals	-	823
Depreciation for the year	-26	-45
Closing accumulated depreciation	-28	-2
Closing book value	100	126

Note 17 Financial fixed assets

	2008 Group companies	2008 Associated and external companies	2007 Group companies	2007 Associated companies
Balance brought forward	93 987 279	5 000	97 359 850	36 400
New receivables	16 592 157	9 930	4 886 004	5 000
Repaid receivables	-4 205 965	-	-5 332 104	-36 400
Net change in lending with no fixed maturity	2 524 867	-	-2 926 471	-
Closing balance	108 898 338	14 930	93 987 279	5 000

Maturity profile of financial fixed assets

	Maturity < 1 year	Maturity 1 to 5 years	Maturity > 5 years	No fixed maturity *)	Total
Receivables from:					
Group companies	21 575 485		21 672 856	65 649 997	108 898 338
Associated and external companies	0		7 500	7 430	14 930
Total	21 575 485	-	21 680 356	65 657 427	108 913 268

*) Pertains to financing of the Group's non-current assets.

Lending in foreign currencies

All lending in foreign currencies has been hedged through derivatives or matching in accordance with the risk policy. Consequently, there is no currency risk.

Note 18 Prepaid expenses and accrued income

	2008	2007
Accrued interest income	444 660	362 536
Other accrued income	-	52 531
Prepaid expenses	11 085	13 710
Unrealised exchange gains on derivatives	2 220 905	232 678
Total	2 676 650	661 455
Of which, Group	409 048	356 955

Note 19 Untaxed reserves

	2008	2007
Difference between book depreciation and depreciation according to plan	32	29
Tax allocation reserve 2003	-	30
Tax allocation reserve 2006	737	737
Tax allocation reserve 2007	380	380
Tax allocation reserve 2008	242	242
	<u>1 391</u>	<u>1 418</u>

The deferred tax liability in untaxed reserves is SEK 366 thousand (397) and is calculated on the basis of 26.3 % tax rate (28%).

Note 20 Provisions for pensions

Most employees are covered by a pension plan that is primarily a defined benefit plan, known as ITP Vattenfall. There are also pensions plans that are defined contribution plans. The benefits are secured in Vattenfall's Pension Fund through provisions. The pension obligations are covered in their entirety by the Pension Obligations Vesting Act.

	2008	2007
Capital value of pension obligations under own management at the start of the period.	1 266	625
+ Cost excluding interest cost	524	545
+ Interest expense	81	38
+ Other change in the capital value	-6	58
Capital value of pension obligations under own management at the end of the period.	<u>1 865</u>	<u>1 266</u>

Fair value of separately held assets at the start of the period	1 282	625
+ Return on separately held assets	-93	8
-/+ Payments to and from pensions funds and similar	-	649
= Fair value of assets held separately at the end of the period	<u>1 189</u>	<u>1 282</u>

Reconciliation of capital value

Capital value of pension obligations under own management at the end of the period	1 865	1 266
- Fair value of assets held separately at the end of period	-1 189	-1 282
+ Surplus in separately held assets	-	16
= Net reported pension obligations	<u>676</u>	<u>-</u>

Total cost and income for pensions

Pensions under own management:

+ Cost excluding interest expense	524	545
+ Interest expense	81	38
+ Return on separately held assets	93	-8
= Cost for pensions under own management	<u>698</u>	<u>575</u>

Pensions through insurance:

+ Insurance premiums or similar	1 788	1 992
= Subtotal	<u>2 486</u>	<u>2 567</u>
+ Special employer's payroll tax on pension costs	570	616
+ Cost for credit insurance	1	-
= Pension cost for the year	<u>3 057</u>	<u>3 183</u>

Fair value of assets in foundations, broken down into main categories

Interest-bearing securities, cash and cash equivalents	673	614
Shares and other investments	516	668
	<u>1 189</u>	<u>1 282</u>

Fair value pension foundation's holdings of

Financial instruments issued by VFT

11

-

Assets used by VFT

-

-

Percentage return on separately held assets

-7,3%

1,3%

Actuarial assumptions

Discount rate %

3,84%

3,64%

Pension calculations are based on salary and pension levels on the balance sheet date.

Costs for pensions for 2009 are expected to be at the same level as in 2008

Note 21 Interest-bearing liabilities (Capital Securities and non-current and current interest-bearing liabilities)

Change during the year

	2008 External	2008 Group and associated companies	2007 External	2007 Group and associated companies
Opeing balance	42 686 725	54 532 445	47 052 546	53 459 073
Bond issues, long-term bank loans raised and Capital Securities	24 293 601		669 480	
Amortisation of bonds, long-term bank loans and Capital Securities	-2 802 512		-6 413 341	
Increase/decrease of short-term loans	1 599 517	8 888 662	308 391	762 472
Exchange rate differences	4 511 403	1 290 600	1 069 649	310 900
Closing balance	70 288 734	64 711 707	42 686 725	54 532 445

Analysed according to maturity

	< 1 year	1 - 5 years	> 5 years	Total
Bond issues	7 214 364	24 492 572	24 480 764	56 187 699
Capital Securities			10 811 301	10 811 301
Loans from credit institutions	2 042 734	1 247 000		3 289 734
Liabilities to associated companies	15 753 600			15 753 600
Liabilities to gGoup companies	48 958 107			48 958 107
Total	73 968 805	25 739 572	35 292 065	135 000 441

Remaining fixed term in loan portfolio

Excluding Capital Securities. Nominal amount

	Debt	Derivatives	Total
< 3 months	2 932	4 114	7 046
3 months - 1 year	10 041	12 216	22 257
1 year - 5 years	24 063	-3 578	20 485
< 5 years	23 945	-15 891	8 054
Total	60 981	-3 139	57 842

Loan portfolio, breakdown per currency

Including loans from associated companies but excl. Capital Securities. Nominal amounts.

<i>Original currency</i>	<i>Debt</i>	<i>Derivatives</i>	<i>Total</i>
CHF	1 469	-1 469	-
EUR	61 860	-11 220	50 640
JPY	4 524	-4 524	-
NOK	386	-386	-
SEK	8 495	14 460	22 955
Total	76 734	-3 139	73 595

Credit facilities 2008

	<i>Limit</i>	<i>Currency</i>	<i>Utilised portion, %</i>	<i>Booked amount (SEKm) 2008-12-31</i>
<i>Financing programmes</i>				
Commercial Paper	15 000	MSEK	-	0
Euro Commercial Paper	2 000	MUSD	48	7 333
Medium Term Note	10 000	MSEK	-	-
Euro Medium Term Note	6 000	MEUR	92	56 188
<i>Committed credit facilities</i>				
Revolving Credit Facility*)	1 000	MEUR	-	-
364 Days Credit Facility*)	400	MEUR	-	-
Overdraft facilities	100	MSEK	-	-
				63 521

Credit facilities 2007

	<i>Limit</i>	<i>Currency</i>	<i>Utilised portion, %</i>	<i>Booked amount (SEKm) 2007-12-31</i>
<i>Financing programmes</i>				
Commercial Paper	15 000	MSEK	-	-
Euro Commercial Paper	2 000	MUSD	56	6 912
Medium Term Note	10 000	MSEK	7	650
Euro Medium Term Note	6 000	MEUR	58	31 879
<i>Committed credit facilities</i>				
Revolving Credit Facility*)	1 000	MEUR	-	-
Overdraft facilities	100	MSEK	-	-
				39 441

*) Back-up facility for Commercial Paper Programmes.

Benchmark bonds

<i>Type</i>	<i>Currency</i>	<i>Amount</i>	<i>Coupon, %</i>	<i>Maturity</i>
Euro Medium Term Note	MEUR	650	6,000%	2009
Euro Medium Term Note	MEUR	500	6,000%	2010
Euro Medium Term Note	MEUR	850	5,750%	2013
Euro Medium Term Note	MEUR	500	5,000%	2018
Euro Medium Term Note	MEUR	650	6,750%	2019
Euro Medium Term Note	MEUR	500	5,375%	2024

Note 22 Noninterest-bearing liabilities by maturity

	< 1 year	1 - 5 years	> 5 years	No fixed maturity	Total
Accounts payable, trade	2 241				2 241
Liabilities to Group companies	415				415
Accrued expenses and deferred income	1 915 210				1 915 210
Other liabilities	13				13
Total	1 917 879	-	-	-	1 917 879

Note 23 Accrued expenses and deferred income

	2008	2007
Accrued interest	1 874 599	1 531 034
Unrealised losses on derivatives	36 308	-
Other items	4 303	4 214
Total	1 915 210	1 535 248
Of which, Group	118 804	53 208

Note 24 Pledged assets

	2008	2007
Blocked funds in bank as collateral for trading on Nasdaq OMX Derivative Markets	74 120	4 238

Note 25 Fair value

excluding accrued interest	2008 Book value	2008 Fair value	2007 Book value	2007 Fair value
<i>Short-term investments</i>				
Interest-bearing investments	22 519 763	22 542 790	4 257 565	4 258 802
<i>Interest-bearing liabilities, external</i>				
Bond issues	59 319 027	66 190 242	31 954 941	32 936 877
Capital Securities	10 811 301	12 099 857	9 341 397	9 833 854
Liabilities to credit institutions	3 289 734	3 332 048	1 073 500	1 089 540
Derivatives	-3 131 328	-3 398 810	316 887	659 177
Total	70 288 734	78 223 337	42 686 725	44 519 448
<i>Other derivatives</i>				
(currency forward contracts, interest forward contracts, interest rate swaps)	2 184 597	2 171 956	271 353	179 997

For financial instruments traded on active financial markets, the fair value is set at the rate applicable when the market closes on the balance sheet date. For unlisted financial instruments, fair value is set by discounting estimated future cash flow. Discounting is done using discounting factors based on return curves in the cash flows of the respective currencies. The return curves are based on the market interest rates, mainly swap curves, that apply on the balance sheet date. This type of valuation may be associated with uncertainty with respect to the risk of whether an instrument can actually be sold at the calculated value without price reduction or incurring a major cost.

The Board of Directors and President's certification upon signing the annual accounts for 2008

The undersigned certify that the annual report has been prepared in accordance with generally accepted accounting principles, and give a true and fair view of the Company's financial position and results of operations, and that the administration report of the Company gives a true and fair review of the Company's operations, financial position and results of operations as well as describes significant risks and uncertainties that the Company faces.

Stockholm, 4 March 2009

Dag Andresen
Chairman

Erik Hagland

Kimmo Mattila

Hans-Jürgen Meyer

Anna-Karin Stenberg

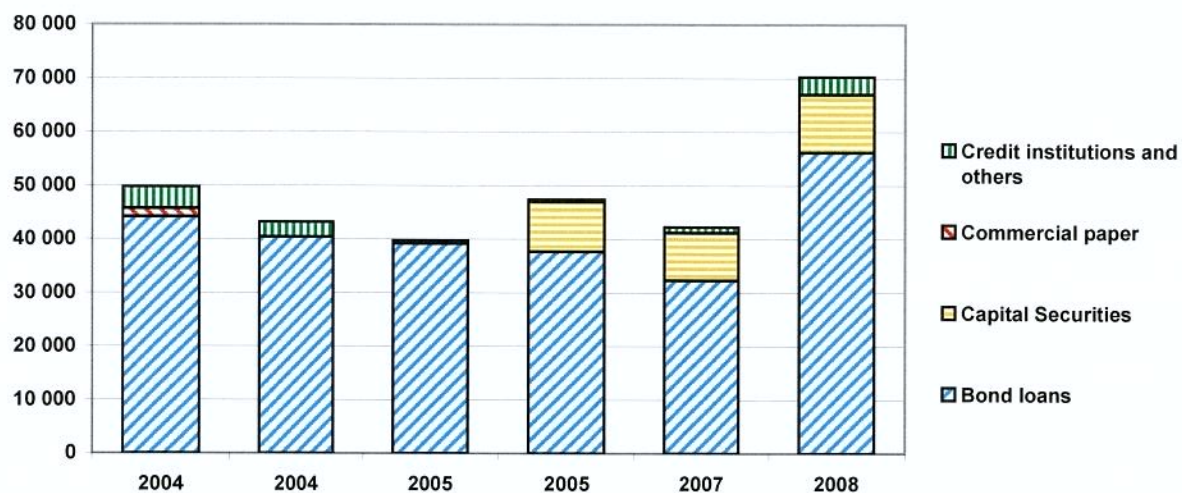
Johan Gyllenhoff
President

Our audit report on these accounts was submitted on 4 March 2009

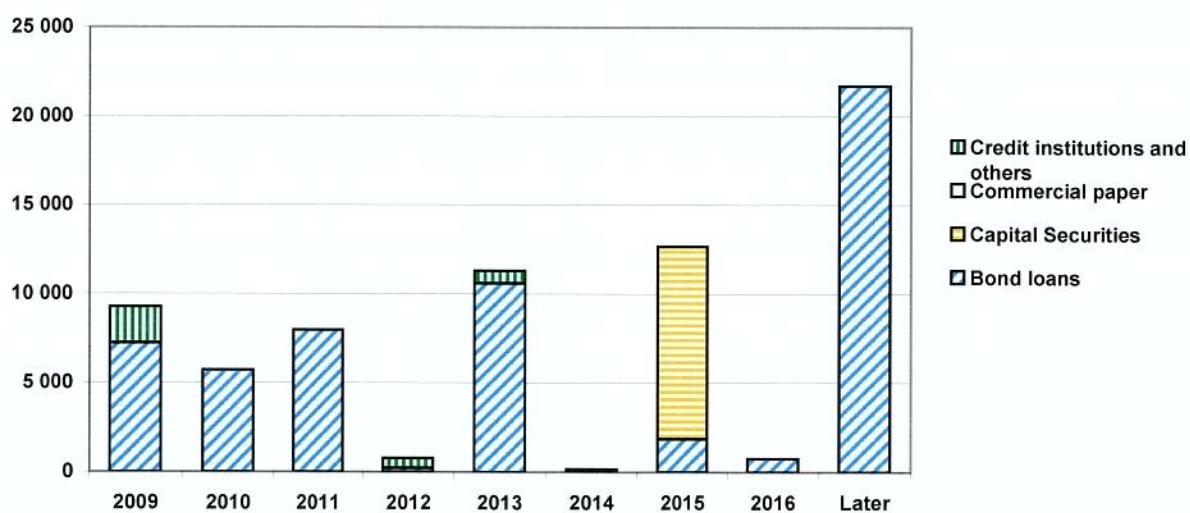
Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

TOTAL BORROWINGS, MSEK



MATURITY PROFILE, MSEK



Audit Report
To the Annual General Meeting of
Vattenfall Treasury AB
Co. Reg. No. 556439-0606

We have audited the annual accounts and the accounting records and the administration of the board of directors and the managing director of Vattenfall Treasury AB (publ) for the year 2008. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 4 March 2009

Ernst & Young AB

Hamish Mabon
Authorised public accountant